

# FINANCIAL STATEMENTS





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## 2017-18 AT A GLANCE

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**8.2%**

income growth

**£3.6 million**

surplus

**£173.4 million**

income from tuition fees

**£54.9 million**

research income

**£5.1 million**

new endowments and donations

**£183.7 million**

staff costs

**£18 million**

operating cash flow

**3,668**

student intake

**73.9%\***

of our staff have a teaching qualification

\*subject to HESA confirmation

**82%**

of our students are satisfied

**94.4%**

of our graduates are in full-time employment or further study six months after graduation

**82.5%**

completion rate

**168**

students studied at the Leicester International Institute, Dalian University of Technology

**12,864**

downloads of MyUoL student app

**1,416**

people signed up to the Anthony Nolan Stem Cell Register at a University recruitment drive

**44<sup>th</sup>**

best employer in the UK for LGBTQ+ staff

**44,000**

people joined one of our MOOCs (Massive Open Online Courses)

**25%**

increase in research funding awards



# UNIVERSITY OVERVIEW AND STRATEGIC REPORT

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The University of Leicester is a university with a truly global outlook. We are committed to fostering a teaching and learning environment that transforms the prospects of our students and those they will go on to influence, and we undertake world-class research that saves, improves and enriches lives.

Our University was founded as Leicester, Leicestershire and Rutland University College in 1921 and was granted a Royal Charter in 1957. The site for our University was donated by a local textile manufacturer, Thomas Fielding Johnson, in order to create a living memorial for those who made sacrifices during the First World War. This is reflected in our motto: *Ut Vitam Habeant* – ‘so that they may have life’.

While proud of our heritage, Leicester is a university that keeps an eye on the future. This approach enables us to adapt to changing landscapes and seize opportunities. We offer our students a unique international perspective and exciting career opportunities, grounded in a vibrant multi-cultural city located in the very heart of the United Kingdom.

Our structure enables us to work across disciplines, bringing innovative and collaborative approaches to our teaching and research.

Our University is governed by Council. It is managed by the University Leadership Team, chaired by the President and

Vice-Chancellor. Academic disciplines are organised into three academic Colleges, each of which is divided into a number of departments and schools. Each College is led by a Pro-Vice-Chancellor and Head of College, who sits on the University Leadership Team.

Our professional services, located in the academic departments, colleges and corporate services, work in partnership with academics to support our academic mission. The Registrar and Chief Operating Officer leads professional services.

The four key parts of our Strategic Plan are:

- Discovery-led research
- Discovery-led learning
- Discovery-enabling culture
- Discovery-enabling environment

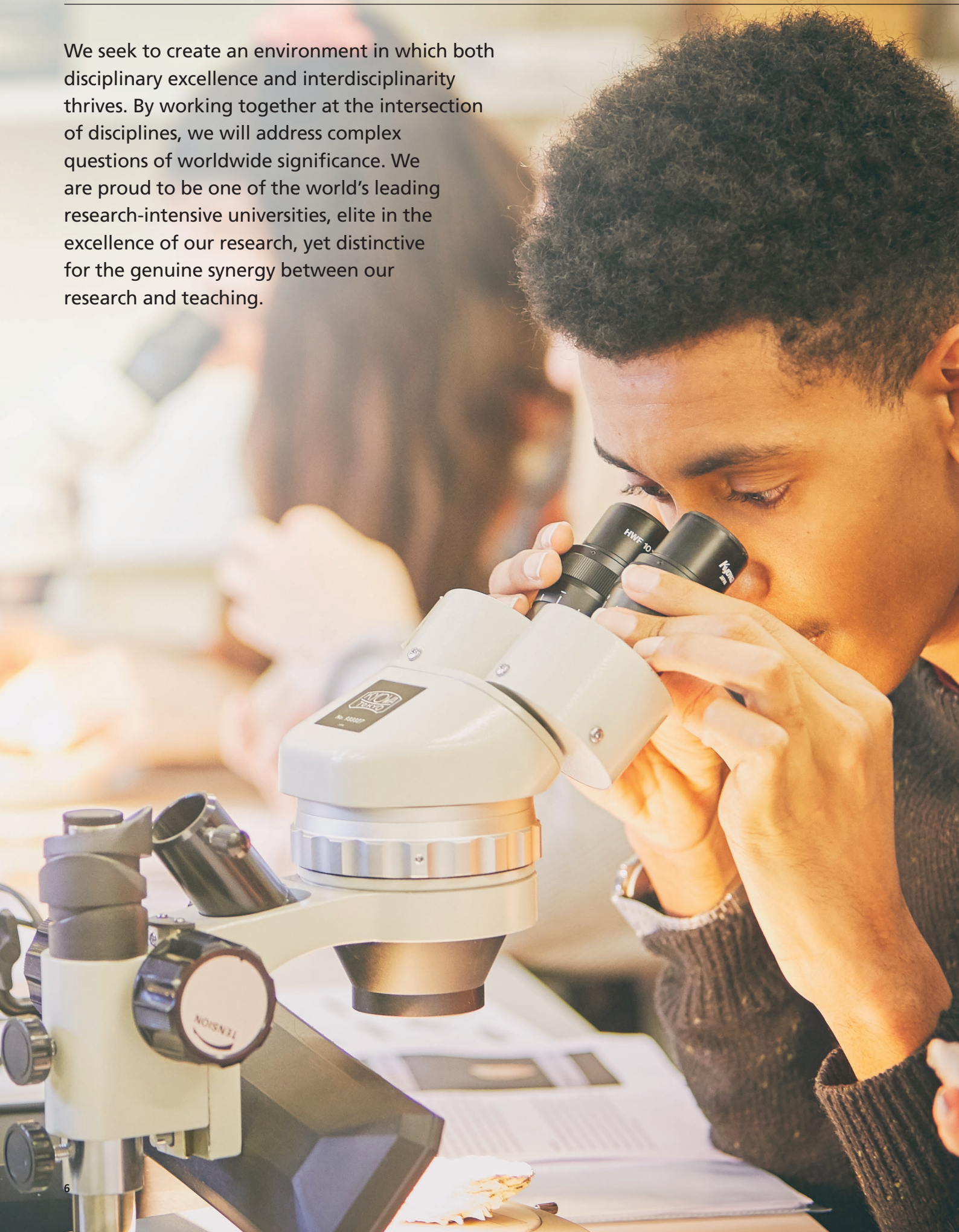




## DISCOVERY-LED RESEARCH

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We seek to create an environment in which both disciplinary excellence and interdisciplinarity thrives. By working together at the intersection of disciplines, we will address complex questions of worldwide significance. We are proud to be one of the world's leading research-intensive universities, elite in the excellence of our research, yet distinctive for the genuine synergy between our research and teaching.



## Our priorities:

### Transforming our national and international position

We will develop and support talent at all levels and stages of the research career, targeting an increase in number and quality of our external grant applications and our standing in national and international research rankings.

### Interdisciplinary institutes and networks

We will continue to promote our interdisciplinary institutes launched in 2015-16 to build on our existing strengths.

### International focus

We are actively engaged in building international research partnerships and networks. We continue to engage with European research funding programmes, notably Horizon 2020, despite the outcome of the referendum result and are continuing to see success in our grant capture from the EU.

### A new city campus

Focusing our world-class strengths in space and Earth observation science we will develop Space Park Leicester. This national centre will provide a new anchor for a vital British industry.

### An enterprise culture

We will develop new strategic partnerships that take our academic expertise into priority sectors and provide increased support and training to student and staff entrepreneurs.

### Incentives for impact

We will develop an even stronger focus on the short, medium and long term impact of our research when planning our activities and collaborations and when evaluating our performance.

## Key achievements:

In support of our priorities we have:

- Total research funding awards in 2017-18 of £75 million. This is an increase of 25% on the value of awards in 2016-17. Significant awards include:
  - £11 million National Institute for Health Research (NIHR) Biomedical Research Centre Award
  - £2.3 million Science and Technology Facilities Council Distributed Research utilizing Advanced Computing (DiRAC) Grant
  - £2 million contract from the Nanjing Iron and Steel Company Ltd
  - £1.3 million European Research Council Consolidator Grant
  - £0.5 million award from the Heritage Lottery Fund via The British Library
  - A gift of £1 million from Leicester City Football Club to establish a Professorship in Child Health. Working with University Hospitals Leicester, the Professorship will lead initiatives to improve the health of children in the local community.
  - A gift of £1 million from local entrepreneur Bob Woods to establish a Professorship that will create and lead a Centre for Environmental Health and Sustainability at the University.
- At the 2017 Times Higher Education Awards, we were honoured with the THE Datapoints Merit Award which recognises research of the highest quality. The award rated us the top university for research performance and quality given our income compared to other universities.

## Key performance indicators:

### Research income and growth

Research income represented 16.6% of 2017-18 total income (2016-17: 17.1%) We are targeting research income to be 20% of total income by 2019-20.

Research income has grown for 2017-18 to £54.9 million (2016-17: £52.2 million). This figure is projected to continue to grow in future years as the impact of the strong awards performance in 2016-17 translates into income.

## Risks to success:

- National policy changes, including the Higher Education and Research Bill, introduction of the Global Challenge Research Fund and Industrial Strategy Challenge Fund, changes to the Research Excellence Framework and the introduction of the TEF have created an uncertain environment for all UK universities.
- Brexit, with its implications for research funding, overseas markets, economic uncertainty and staff recruitment, has added to the shifting nature of the external landscape. Ultimately, there is increased competition for research funding across the UK and internationally.



## DISCOVERY-LED LEARNING

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We put students at the heart of our decisions about education and the student experience, because our students matter. We take great pride in the strength of our learning culture and in the passion for excellence that informs both our teaching and our support for students.





## Our priorities:

### New and innovative approaches to education

Our students will enjoy the most flexible curriculum in the UK and will be able to combine a major and minor in different disciplines across most of our subject areas, with dozens of new minors being developed in interdisciplinary areas and vocational niches.

### Graduates with talent

We are engaging employers and graduate recruiters even more directly in our curriculum and teaching. We will also make increased use of our alumni as mentors and role models.

### Broadening access and participation

Through formal access programmes and a broad commitment to outreach, we will explore ways to encourage all talented students to consider and enter higher education.

### Internationalised learning and teaching

Every Leicester programme will make a contribution to the internationalisation of our curriculum so that every Leicester graduate is ready for the wider world. Building on our pioneering role in distance learning, we are also developing a blended and flexible approach in which our students in Leicester and across the globe can benefit from a Leicester education.

### Students as partners in learning

Close and constructive relationships with our students will be enshrined in a Staff and Student Charter, a range of departmental and institutional partnership projects to improve our students' learning and experience.

## Key achievements:

- The second set of Major/Minor courses, which included 18 major and 36 minor options from humanities, social science and science, began in September 2017, offering students increased flexibility for their degree. In the second year, 120 students chose these options.
- Our first international institute opened in September 2017. The Leicester International Institute (LII), Dalian University of Technology (DUT) China, gives Chinese students the chance to study for University of Leicester degrees in Mechanical Engineering and Chemistry in their own country. One hundred

and sixty eight students completed their first year in 2017-18. Twenty eight also completed a three week language summer school course in Leicester.

- The welcome programme initiative continues to improve the support new undergraduate students receive when starting university. Highlights include a Matriculation ceremony to welcome all new first year and foundation students, and the Peer Mentoring Scheme, which come together to ease the transition from school to university life.

## Key performance indicators:

### Student recruitment

For Home/EU undergraduate intake in 2017-18 we had a target of 3,796. We recruited 3,668 students, which is comparable to our 2016-17 intake of 3,658.

### Teaching excellence

The University achieved a rating of Silver in the government's new Teaching Excellence Framework (TEF). 73.9%\* of our staff have a teaching qualification (2016-17: 65.2%). Our target is to achieve 90% over the next five years. Eighteen of our academics have won National Teaching Awards for their outstanding and distinctive contributions.

### Student satisfaction

82% of our students are satisfied, according to the results of the 2018 National Student Survey (NSS). Our target is 90%.

### Student success

The completion rate for our 2016-17 cohort was 82.5% (2015-16: 84.4%). A more detailed analysis is underway, but our Destination of Leavers from Higher Education survey (DLHE) score dropped slightly from 95% in 2015-16 to 94.4% for 2016-17. Our target is 95%.

Of this, the proportion in professional work and/or graduate-level study (a measure applied by national league tables) was 74.9%. This was down 0.8 percentage points on the previous year (2015-16: 75.7%). Our target is 80%.

The introduction of the new Graduate Outcomes Survey by HESA means all leavers, from undergraduate and postgraduate study at Leicester, will be surveyed throughout 2019, 15 months after completing their studies. Results for the 2017-18 cohort will not be available until spring 2020.

## Risks to success:

- Our NSS and TEF results impact our reputation for ensuring that students matter. These could also have a negative impact on our league table positions. To offset this, we have issued departmental NSS Action Plans, and launched the Education Excellence Programme. An exciting programme of events and additional social learning space is also improving student experience.
- The current government's stance on immigration, which is increasingly making the UK a less appealing place to study. We are aiming to deliver new international partnerships to make our recruitment more resilient.
- The risks presented by the new Graduate Outcome survey are being managed by the Graduate Outcomes Working Group and the manager for Student Voice and Partnerships. These include maintaining valid contact details and difficulty attaining the desired response rate.

\*subject to HESA confirmation



## DISCOVERY-ENABLING CULTURE

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We have established a reputation as an open, accessible and friendly university, where people enjoy their work, and both staff and students benefit from our collegial and collaborative approach.





## Our priorities:

### Making decisions in the right way, in the right place

The University's governance structure ensures that we are making well-informed decisions and developing clear lines of responsibility.

### Leading by example on equalities, diversities and wellbeing

We remain committed to our ambitions in relation to Athena SWAN accreditation, the Stonewall Index and other charters of equality and we are proud of our role as one of only 10 universities in the world taking the lead for the UN's HeForShe movement.

### Developing talent in people

Our ambition is for all colleagues to benefit from development opportunities, including performance development discussions, training, coaching and mentoring. We will use a workload model to ensure academic staff have time for quality research and enterprise, as well as excellent teaching and student support.

### Celebrating and rewarding success

The University's approach to appraisal, reward, recognition and promotion for all staff is transparent, understandable and fair, acknowledging excellence in colleagues' contributions.

### Outreach and social responsibility

We are committed to working in and with the city of Leicester to improve economic, social and cultural wellbeing, the environment and health, expanding our volunteering schemes and increasing the impact of our social responsibility initiatives.

## Key achievements:

- Achievements continued to be recognised at the second Discovering Excellence Awards. The ceremony in November 2017 celebrated the achievements of staff across 13 award categories.
- A further 1,416 people signed-up to the Anthony Nolan Stem Cell Register in October 2017 when the University once again paired up with The Rik Basra Leukaemia Campaign to host a Leicester Heroes event on campus (2016-17: 1,407).

## Key performance indicators:

### Gender pay gap

The University reported publicly on its gender pay gap for the first time in March 2018. This was based on data taken at the census point of March 31 2017. The gender pay gap is the percentage difference in mean or median pay per hour between female and

male staff. A positive value (e.g. 24.1%) means that women on average earn less than men.

Mean gender pay gap	24.1%
Median gender pay gap	22.7%
Mean bonus gap	56.3%
Median gender bonus gap	0%
Proportion of males receiving a bonus	7.6%
Proportion of females receiving a bonus	4.8%

### Trade union time

In 2017-18 a total of 35 employees were trade union officials. The percentage of their time spent on facility time was:

0%	9 officials
1-50%	26 officials
Total employees who were union officials	35 officials
% of pay bill spent on facility time	0.06%
Time spent on paid trade union activities as a % of total paid facility hours	21.8%

### Athena SWAN Gender Equality Charter Award

The University achieved one Silver and four Bronze Departmental Athena SWAN Awards in 2017-18 and, for the first time, a Silver Institutional Award (2016-17: three Silver and two Bronze Awards). These submissions were made in 2017-18, but awarded in 2018-19.

### Aurora Women's Leadership Programme

Fifteen female early career leaders attended the Aurora Women's leadership programme in 2017-18 (2016-17: 16). We have developed an Aurora alumnae network, which includes participants, mentors and role models (a total of around 80 colleagues). Through this we are providing further development and networking opportunities for our whole Aurora community.

### Stonewall Workplace Equality Index

In 2017-18, we increased our ranking by 234 places from 2015-16. This ranks us as the 44<sup>th</sup> best employer in the UK for lesbian, gay, bi and trans staff. This rise illustrates the huge efforts made by staff and students in making our University a more inclusive workplace. We did not submit for the 2016-17 Index.

### Staff equality, diversity and inclusion training

In September 2016, we introduced a mandatory staff development module on Equality, Diversity and Inclusion. As of 31 July 2018, 72% of staff had completed the module. In July 2018, we also introduced a new mandatory staff development module on challenging unconscious bias.

## Risks to success:

- Our NSS and TEF results impact our ability to attract and retain high quality staff. Our People Strategy includes actions to maintain our high levels of staff satisfaction to ensure staff retention.
- The Home Office may continue to tighten immigration controls on HEIs as sponsors of international staff members. In addition following the UK's vote to leave the EU, it is expected that pressures on recruitment of international staff will increase. We will continue to closely monitor the data around recruitment and retention of international staff.

## DISCOVERY-ENABLING ENVIRONMENT

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We will develop environmentally sensitive, digitally-enabled and world-class campus facilities that will be envied and emulated on a national and international scale. Our campus, infrastructure and processes will reflect our ambitions as an outward-facing and enterprising university.





## Our priorities:

### Forming the heart of the Leicester Educational Quarter

We will continue to develop our Estate Master Plan to deliver a 21<sup>st</sup> century urban campus as the centre-piece of Leicester's Educational Quarter.

### A digital future

We will design and develop our digital campus, creating an inclusive, personalised and interactive environment for our students, staff and partners that will also support excellence in research, enterprise and learning.

### Open scholarship

Embracing open scholarship and the open academy, we will provide tools for scholar-led publishing and open repositories for data and learning materials.

### A great place to live

We will enhance our strong existing focus on residential support and wellbeing. We will focus our City Living accommodation onto an integrated site to provide a vibrant student community, including learning space, close to campus.

### Sustainable finances

With a new approach to strategic and operational planning, we will ensure that we have the tools to track and improve our performance. Through the campus masterplan, we will develop a cost-effective estate by using space more efficiently and reducing our maintenance and utilities costs. We will use divestments to consolidate our estate and generate capital receipts.

## Key achievements:

- The University of Leicester's Residence Life Team won a national award for its Make Every Contact Count (MECC) campaign, giving residence staff a simple way to flag any concerns.
- As part of the digital campus transformation, we have created a new Digital Reading Room on the ground floor of the David Wilson Library. This interactive social learning space includes a touchscreen table and interactive wall, and a number of 'plug and play' workstations suitable for individual or group study.
- We have recently completed work on the initial stage of the Brookfield project which provides a bright, vibrant, productive and collegiate home for the School of Business. The project sees the refurbishment of the full site to provide great teaching, research and office space within a beautiful suburban setting.

- We have recently refurbished a University property on Regent Road to provide a new home for the Innovation Hub. Jointly funded by the University and the European Regional Development Fund, the Innovation Hub aims to make it easier for businesses and entrepreneurs to access the University's research, technologies and facilities to realise their goals.
- We are making good progress with our campus masterplan, with the Percy Gee east wing extension due for completion in 2019. We have submitted planning applications for the creation of Space Park Leicester and Freeman's Common, which will see the creation of over 1,000 new student bed spaces, a teaching and learning centre, and multi-storey car park. We are undertaking feasibility studies to create a brand new multi-disciplinary lab and refurbish the Charles Wilson Building.
- Ninety-two ensuite bed spaces at Knighton Court, Beaumont Hall have been refurbished. The refreshed properties include large kitchen/communal spaces for each flat, allowing students to be fully self-catered. The refurbishment also highlights the best features of the unique buildings.
- The University has hosted regular meetings with neighbours, local community groups and the City Council to better work together to support our students in the local community and to promote student activity and engagement in Leicester.

## Key performance indicators:

### NSS 2018

- Satisfaction with IT resources and facilities: 84% (2016-17: 87%)
- Satisfaction with library resources: 86% (2016-17: 87%)
- Satisfaction with course-specific resources: 87% (2016-17: 88%)

### Facilities in RICS good condition

- 74.5% of our non-residential properties are classified as RICS good condition A/B (2016-17: 74.7%). A programme of works is underway which seeks to increase this percentage in the coming year.

### Absolute carbon emissions

- In 2017-18 we reduced our carbon emissions by 11.6% to 23.6 million tonnes (2016-17: 26.7 million tonnes).

### Digital

- Our MyUoL student app has been downloaded 12,864 times.

## Risks to success:

- Unauthorised access to systems and compromise of University data. We have robust controls in place around our digital infrastructure.
- Failing to delete or archive data in line with an agreed retention policy may lead to a breach of General Data Protection Regulation (GDPR). We have implemented a new data retention policy in response to new GDPR legislation.
- Ageing infrastructure could lead to possible failure of engineering systems and building fabric and/or failure to comply with legislative standards. Our Physical Environment Strategy seeks to address ageing infrastructure as part of our ambitious capital programme.

# FINANCIAL REVIEW

## Results for the year

The University achieved a consolidated surplus of £3.6 million with income growing by 8.2%. Total net assets increased by 16.1% reflecting a reduction in the University of Leicester Pension and Assurance Scheme (PAS) provision. A net cash outflow of £9 million reflects continuing capital investment, with working capital movements leading to an improved operating cash flow of £18 million.

The summary consolidated financial results for this year and the previous year are:

	2017-18	2016-17
	£m	£m
Income	330.4	305.4
Expenditure	(328.5)	(300.3)
<b>Surplus before other gains</b>	1.9	5.1
Other gains	1.7	3.4
<b>Surplus for the year</b>	3.6	8.5
Non-current assets	384.7	369.2
Current assets	71.6	75.4
Current liabilities	(97.2)	(87.6)
Non-current liabilities	(162.3)	(165.4)
Provisions	(80.4)	(91.3)
<b>Total net assets</b>	116.4	100.3
Operating cash flows	18.0	9.2
Investing cash flows	(23.4)	(16.1)
Financing cash flows	(3.6)	(5.1)
<b>Net cash flows</b>	(9.0)	(12.0)
<b>Cash and cash equivalents</b>	30.3	39.3

## Subsidiary companies

Included in the consolidated financial statements are the results of our two trading subsidiaries – College Court Conference Centre Limited and The Leicester Services Partnership Limited.

College Court Conference Centre Limited has had a successful year, with its financial performance improving for the fifth consecutive year since it commenced trading in 2013. The Leicester Services Partnership Limited, a joint catering and retail initiative with our Students' Union, has completed its first full year of trading with sales of £7.7 million.

## Capital investment

We have invested £35.4 million in our estate. Two major projects began in 2017-18 – the £15.8 million renovation of our Brookfield campus for the School of Business and a £21.2 million investment in the Percy Gee Students' Union Building.

We have also invested £4.7 million in our residential estate, £8.3 million on campus improvements and £10.4 million in our IT and equipment infrastructure.

Having secured £12.9 million of government funding in 2017, planning is underway for Space Park Leicester – a national hub for space research, learning, public engagement and innovation.

We have appointed a partner to work with us to redevelop the Freeman's Common site. The development will provide 1,200 high-quality residential rooms, a new learning space and a car park close to our main campus.

## Philanthropy

We have recognised £5.1 million new endowments and donations which include major donations from George Davies, Leicester City Football Club and Bob Woods. During the year we adopted a total return investment management policy for our endowments. This approach will protect the real value of the endowments whilst enhancing the amount which can be spent on the charitable objectives of the funds.

## Pension schemes

We hold two pension provisions on our balance sheet in relation to the PAS and the Universities Superannuation Scheme (USS). At 31 July 2018, the PAS liability was £50.1 million, a reduction of £11 million on the prior year.

Our obligation to fund the deficit on the USS pension scheme currently stands at £28.5 million, a decrease of £0.3 million on the prior year. Uncertainty regarding the USS provision is one of our key risks – see note 18 for further details.

## Student numbers

Student numbers reduced by 5.7% to 19,150, driven by a reduction in part-time and distance learning students. Undergraduate and Home/EU recruitment remained strong with tuition fee income increasing by 11.2% to £173.4 million. We are planning for a lower student intake in 2018-19 which will reduce total student numbers.

The distribution of students in 2017-18 and 2016-17 was:

	2017-18	2016-17
Undergraduate	12,548	12,555
Postgraduate	6,602	7,750
	<b>19,150</b>	<b>20,305</b>
Home/EU	13,766	14,091
International	5,384	6,214
	<b>19,150</b>	<b>20,305</b>
Full-time	15,406	15,000
Part-time/distance learning	3,744	5,305
	<b>19,150</b>	<b>20,305</b>

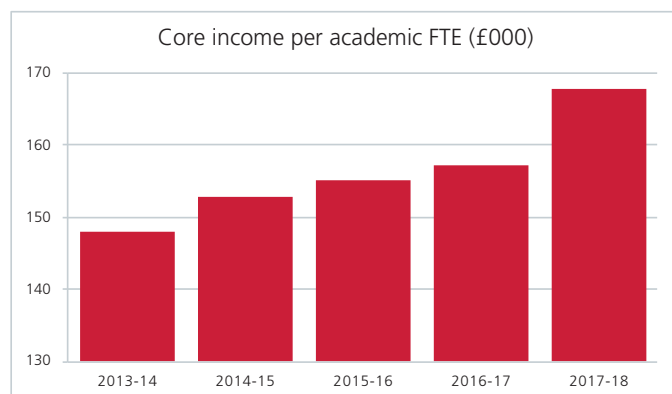


# KEY PERFORMANCE INDICATORS

## Core income per academic FTE\*

Core income is measured as research income, tuition fees and funding body grants. Income per academic FTE for 2017-18 was £168,000 (2016-17: £157,000), an increase of £11,000.

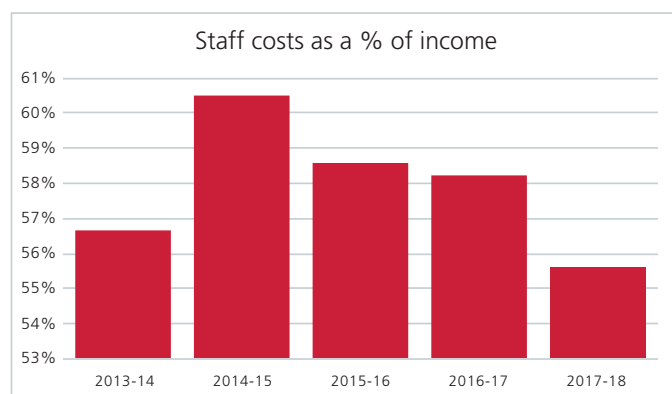
\*full-time equivalent staff numbers



## Staff costs as a % of income

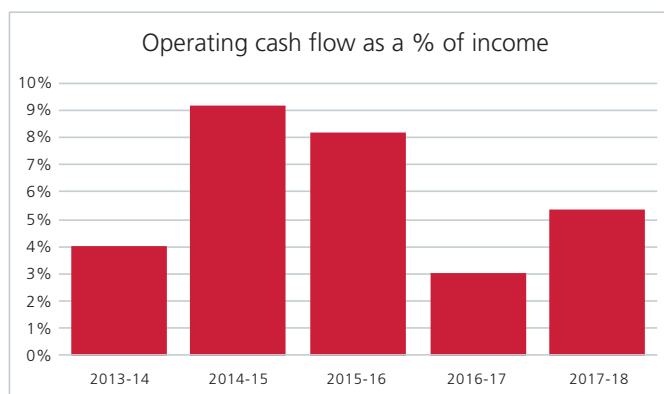
Staff costs increased by £5.9 million (3.4%) from the prior year to £183.7 million and continue to represent the largest element of total costs. Staff costs as a % of income has reduced from the prior year to 55.6%, moving us closer to the sector average.

Staff costs are expected to rise significantly in 2018-19 as the latest valuation of the USS pension scheme is incorporated. However, our underlying staff costs as a % of income is planned to reduce whilst in absolute terms staff costs will increase in support of our planned income growth.



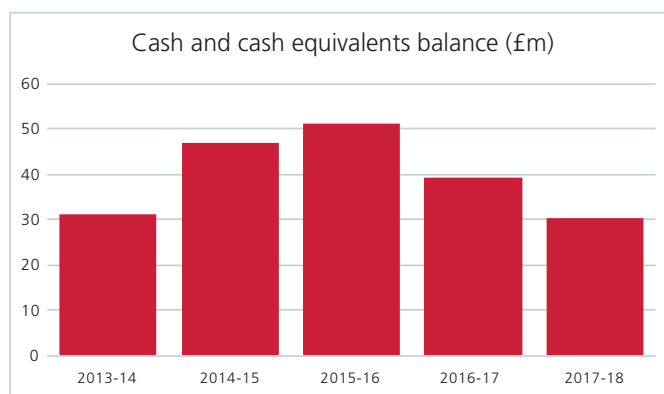
## Operating cash flow as a % of income

There was a net cash inflow of £18 million from operating activities during the year compared to £9.2 million in the previous year, an increase of £8.5 million. This is principally a result of favorable working capital movements. Operating cash flow as a % of income was 5.5%. Continued high levels of cash generation will be required in coming years to support increased investment in our infrastructure and we are targeting cash inflow as a percentage of income to be 10%.



## Year-end cash balance

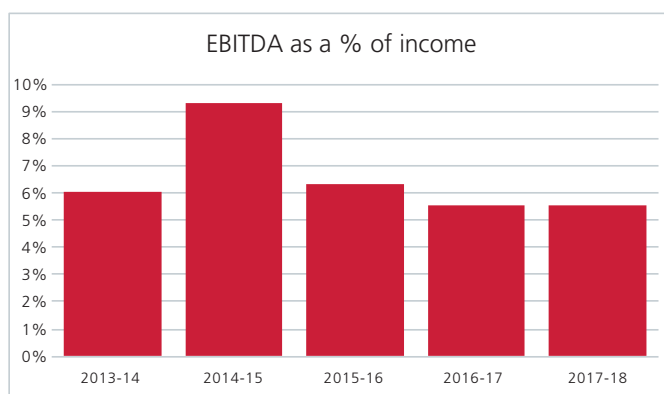
Cash and short-term investments totalled £30.3 million as at 31 July 2018 (2016-17: £39.3 million). This reduction of £9 million is principally from increased payments for the acquisition and development of fixed assets.



## EBITDA\* as a % of income

EBITDA has increased by £1.4 million from the prior year, an increase of 7.9%. EBITDA as a % of income was 5.6%, this key performance indicator has remained stable over the last 3 years.

\*EBITDA is a measure of surplus: earnings before interest, tax, depreciation and amortisation



### Key risks and opportunities

There are a number of factors impacting on our strategic position as noted in our risk register. Key financial risks and opportunities are:

- Tuition fee income planned in our University budgets and forecasts will not be achieved.
- Growth in research income planned in our University budgets and forecasts will not be achieved.
- Pension costs will increase due to additional costs of funding the PAS or USS schemes. Uncertainty regarding the USS provision is one of our key risks – see note 18 for further details.
- Pay costs will increase at unsustainable levels.
- Ensuring sufficient financial capability and capacity to deliver our capital programme.
- We do not invoice and recover debt in a timely manner.
- A number of international and local projects are opportunities for financial growth, particularly as our partnership with Dalian University of Technology develops.
- Donations continue to be a strong opportunity as some major donations are finalised.
- Our upcoming centenary celebrations provide a further opportunity for fundraising and donations.
- Our campus development will enhance our estate and facilities, providing opportunities for student growth.

### Future financial outlook and going concern

During the year, the regulatory environment for higher education in the UK changed with the Office for Students (OfS) replacing HEFCE. In the short term, funding and fees appear to be stable, however the longer term financial outlook will be determined by ongoing government discussions and consultation with the sector through the post 18 funding review.

The 2018-19 financial year has a budget for income to increase to circa £349 million and forecasts a surplus of £2.1 million before USS pension adjustments. USS adjustments are expected to be significant in the year as the full impact of the latest triennial valuation and consultation becomes clear – see note 18 for further details and sensitivity analysis. We are planning a £50 million private placement draw down in 2018-19 to support our capital investment plans.

Council confirms that it has reasonable expectations that the University has adequate resources to continue in operation for the foreseeable future. For this reason, it continues to adopt the going concern basis for preparing the accounts. In reaching this conclusion, it has reviewed the sustainability of strategies, plans and processes in place that will help the University move towards the achievement of its strategy. In particular, it is satisfied that the academic strategies are financially sustainable and take account of the environment in which the University is operating.

Council obtains assurance in this area through its regular reviews of the University's performance using a number of key performance indicators in areas that are relevant to institutional sustainability.



# PUBLIC BENEFIT STATEMENT

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Our University has charitable status as one of the exempt charities listed in Schedule 3 to the Charities Act 2011. It is therefore exempt from certain requirements of the Act, including the need to register with the Charity Commission. The 'Principal Regulator' for the purposes of charity law is the Office for Students.

Our Charter sets the overall objectives of our University to provide "a University within our city and county of Leicester for the advancement of knowledge, the diffusion and extension of arts, sciences and learning, the provision of liberal, professional and technological education". Today, this objective is articulated through the Strategic Plan, which is available on our website:

**[www.le.ac.uk/about/strategydevelopment/strategy](http://www.le.ac.uk/about/strategydevelopment/strategy)**

Through our strategy we bring a presence and positive impact to the local community, regionally, nationally and internationally.

The members of Council serve as trustees, and in setting our mission and strategy, have due regard to the Charity Commission's public benefit guidance.

We are long established, yet focused on a future that will see us pioneering a distinctive elite of research-intensive institutions, open to all who have talent. This will ensure that employers know that a degree from the University of Leicester is second to none.

The most significant direct beneficiaries of our charitable objects are the undergraduate and postgraduate students, who come to our University to enhance their academic qualifications, life skills, and employability. The regional economy also directly benefits from the activities of our University. Estimates of the annual economic benefit of our University are in the region of £750 million both through direct consumption by the student body, but also by provision of jobs and the integration of our activities into local communities and collaborative activities with businesses, large and small. The national economy benefits significantly from the strength of international representation in the student body. We have a strong reputation in international territories, contributing significantly to the HEI export market.

Public benefit can also be clearly felt via the learning opportunities and the creation of jobs in territories in which our distance learning activities are present. We have 3,744 students studying part-time or by distance learning, making this part of our core education provision.

We contribute significantly to the city of Leicester, the surrounding county of Leicestershire and further afield. We have a longstanding reputation of working alongside many local agencies, groups and other stakeholders. As a major institution our impact within the local economy is considerable. We add value to the stock of learning and education in schools and colleges via our outreach and widening participation programmes and adult learning courses.

We are working on being good neighbours to our local communities. We recognise that we impact greatly on those communities alongside our campus and facilities elsewhere in the city. We are committed to working alongside people who live close by us to build strong community relations, designed to address issues and problems. We aim to increase the scope of consultation with our local communities and find ways to involve them in our plans. We do this through a 'community

development' approach using dedicated staff to whom local people can have immediate access and with whom they can work collaboratively.

## Corporate Social Responsibility

Our core themes for our corporate social responsibility strategy were selected with input from some of our key partners and in discussion with our local communities. They remain important to the city and county and are areas in which we make meaningful contributions. They are:

- Health
- Environment
- Culture
- Education
- Economy
- Social inclusion
- Community liaison

We want to have positive relationships with our neighbours and make a difference to the areas in which we live and work. We are keen to have open and honest dialogue with local community groups about our University and the impact we have on them, and on the city as a whole. We understand that it is important for us to listen to all feedback and, where possible, proactively address issues which have a negative impact on the community.

We support these core themes through our teaching and research as detailed below.

## Teaching

We provide a high-quality learning experience for all of our students, informed by world-leading research. We achieved a rating of Silver in the government's Teaching Excellence Framework (TEF) and remain committed to providing all of our students with an education that will inspire their learning and prepare them for progression to fulfilling careers.

The most recently published DLHE (Destinations of Leavers from Higher Education survey) shows that 94.4% of our graduates are in employment or further study six months after they graduate, and we are proud to be among the top quartile of universities targeted by the top 100 graduate employers.

Our Medical School continues to train the doctors of tomorrow, many of whom choose to stay on and practise in the area after graduation. Fifteen students completed the first Medicine with Foundation Year programme, launched to open up opportunities for medical training. In partnership with a local charitable trust, the programme is aimed at increasing access to the medical professions from less-represented groups. Eligible students from the East Midlands receive scholarships worth £9,000, and those who pass the Foundation course and either choose to continue studying medicine or another related course qualify for a further £2,000 a year scholarship funding for the rest of their degree. This is designed to attract more students from state schools and lower



## PUBLIC BENEFIT STATEMENT

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socio-economic groups. Fourteen of the first cohort are now continuing studies for the rest of their medicine degree at the University. The other student has progressed to Biological Sciences BSc at Leicester.

In addition to training future doctors, we are also proud to train future teachers. We offer PGCE courses at both primary and secondary levels, covering a broad range of subjects and also routes into teaching.

We continue to run MOOCs (Massive Online Open Courses) on forensics, research ethics, Richard III, museums, and how to write a research proposal for postgraduate applications. We have also introduced two new courses this year on applied linguistics and sustainable development. These courses run for three to six weeks, on a rolling basis. In 2017-18, more than 44,000 people from across the world joined one of our MOOCs, gaining access to university-standard teaching.

Languages at Leicester utilises the expertise of staff in our School of Modern Languages to provide courses at a variety of ability levels, in a wide range of European and Asian languages. These courses are available not only to staff and students but also to members of the local community.

In 2017-18, our Botanic Garden provided educational activities to 11,537 schoolchildren and 5,403 adults. Tens of thousands of members of the public also visited the Garden during this period. The Garden devises and provides both passive and formal education programmes aimed at all age groups, in particular reaching out into the wider community to demonstrate the contemporary significance of plants in a rapidly changing world.

### Research

We are a research intensive institution with a long-established and well-respected reputation in a number of fields. Our four research institutes are continuing to bring a renewed focus on our strengths and creating additional opportunities for colleagues from across our University to work together to grapple with fundamental questions. These institutes are delivering an ongoing programme of external collaboration and engagement with different practitioners, policymakers, communities and publics.

Research within our College of Life Sciences continues to take advantage of Leicester's distinctive population to address culturally specific health issues. Our medical research makes a tangible impact within our local community in a number of vitally important areas including stroke, diabetes, respiratory, heart and kidney disease.

We have a distinguished history in space research and working with industry, with a University of Leicester developed instrument operating in space each year for over 50 years.

The latest instalment in this tradition, is the MIXS Instrument (The Mercury Imaging X-ray Spectrometer) – launched as part of the European Space Agency and Japan Aerospace Exploration Agency BepiColombo mission. MIXS has been developed over the past decade by University scientists and engineers from the Department of Physics and Astronomy and will provide never before seen detailed images of the surface of Mercury. A copy of the instrument, and further explanation of the mission, is on display at the popular National Space Centre in Leicester.





In partnership with Leicester City Council and the Leicester and Leicestershire Enterprise Partnership (LLEP), we received £12.87 million in funding from the Local Growth Fund for Phase 1 of Space Park Leicester, located within an Enterprise Zone on the site of the former John Ellis School on Leicester's Waterside, in close proximity to the National Space Centre. Further funding for Phase 1 comes from the University of Leicester (up to £13 million) and the Natural Environment Research Council (£1.5 million).

The first phase will focus on space data, applications and services. The building will consolidate the University's Earth Observation capability in one physical location, together with first class teaching and laboratory facilities, and house commercial partners, both large and small. It is anticipated that 150 businesses will be active participants within the first five years. We are currently seeking funds for further phases.

Space Park Leicester will be a hub for space research, learning, public engagement and innovation. It is anticipated that Space Park Leicester will create 2,500 jobs, contribute £715 million gross added value (GVA) and further help attract and retain a skilled workforce.

Additionally Space Park Leicester will develop and deliver educational programmes with partners, such as the National Space Academy, to create a cohesive educational and training framework that is accessible to schools, apprenticeships, undergraduates, postgraduates and people wishing to further their careers in the space sector with CPD courses.

There has been very positive public consultation of the plans for Space Park Leicester, with recent submission of the detailed planning application for Phase 1. Subject to planning, construction will start on Phase 1 in the early part of 2019 and the facility would open mid-2020.

The East Midlands has a thriving Life Science industrial base and is one of the fundamental industrial growth pillars for Leicester and Leicestershire's Local Industrial Strategy. The University has a strong heritage of working in partnership with industry and the NHS to speed knowledge transfer and innovation for the benefit of the local and national population.

### **Community, inclusive and accessible**

The University works hard, in accordance with its founding principles and widening participation credentials, to bring the city of Leicester into learning.

Our Attenborough Arts Centre continues to be a major venue within the city for music and performance art with a particular emphasis on events for children with special needs.

We continue to work closely with the community on a number of projects. In 2017-18, our annual festival of the written word, Literary Leicester, attracted big name authors and playwrights including Adele Parks, Anne Robinson, David Olusoga and Michael Pennington, with over 1,250 attendees coming to more than 20 events over the four-day period.

The University works in close collaboration with Leicester City Council in key areas that will benefit local people.





## PUBLIC BENEFIT STATEMENT

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Projects include:

- Understanding the level of air pollution and the health impacts it has on people walking, cycling and driving in the city
- Purchasing and visualising commercially available high resolution air pollution hot spot maps. Maps will contain average NO<sub>2</sub> to identify priority areas for interventions
- Exploring the implementation of 'The Daily Mile' by Leicester City primary schools and the implications for public health programming
- Better understanding 'urban diabetes' and creating a more holistic picture of how our environment impacts our health
- 5 Ways to Wellbeing - Supporting the wellbeing of people with multiple chronic conditions

A wide range of activities took place to mark the 50<sup>th</sup> anniversary of the death of Leicester-born playwright Joe Orton (1933-1967). This included a film by Dr Emma Parker, Associate Professor in the School of Arts at the University and filmmaker Chris Shepherd jointly funded by the University and Arts Council England. They made a short animated film inspired by the prank letters of complaint that Joe Orton penned under the pseudonym 'Edna Welthorpe'. Emma and Chris commissioned acclaimed writers and artists including actor Alec Baldwin to pay tribute to Orton's subversive comic style by writing new Edna Welthorpe letters. The film was screened and the letters were read at Latitude Festival and at a special event at The Little Theatre, Leicester in August 2017. A series of public exhibitions in the region celebrating Orton's life and legacy was also held.

The University of Leicester launched its bid to become a University of Sanctuary in October 2017, defined as one that 'offers good practice in welcoming asylum seekers and refugees into the university community and fostering a culture of welcome and inclusion for all'.

Leicester City of Sanctuary is a charity which aims to hold true to the multicultural and multi-ethnic ethos of the city itself, welcoming refugees and asylum seekers and integrating them into our city and community.

During the year, the University has organised and participated in a multitude of events and initiatives – in the city and on campus – aimed at supporting refugees and asylum seekers and raising awareness for initiatives to support them.

We became the first University in the UK to have a menopause policy. The University is now working on a portfolio of projects in various workplaces - implementing and engaging the report recommendations with organisations and employers including the NHS, TUC Education, ACAS, West Midlands Police, **menopauseintheworkplace.co.uk**, **talkingmenopause.com** and **menopausedoctor.co.uk**. The catalyst for change has been a Government-commissioned report authored by a team from the University of Leicester School of Business. July marked the one year anniversary of the report.

Over £9,000 has been raised by volunteers who took part in the University of Leicester's 'Big Sleep' on 20 March. Staff and students from the University spent a night out in the elements in order to raise awareness of homelessness and the reality of sleeping rough in aid of local charity The Bridge - Homelessness to Hope. A total of 45 volunteers spent the night under the stars for a glimpse into what street homelessness might be like - with only cardboard, a sleeping bag, flasks and the clothes on their back for warmth.

The University of Leicester's traditional RAG (Raising and Giving) and Wellbeing Week returned with a bang this year. The campus ran, jumped, laughed and sang from 26 February to 2 March, all in aid of raising money for good causes.

RAG this academic year has seen an astonishing £13,096.11 raised by charity-minded staff and students, supplemented with an additional £2,785.65 raised from the University's student group fundraising competition and £439.20 raised during RAG and Wellbeing Week. RAG and Wellbeing Week has three goals: to celebrate the fantastic fundraising and giving activity already taking place, to promote positive mental, physical and emotional wellbeing and to join together to raise even more money for charity.

We engage with learners from primary age to mature learners through a variety of workshops and events. These include visits to campus, workshops in schools and the opportunity for local students to engage with our current undergraduate students. Our primary outreach programme aims to broaden the horizons of learners from a young age. It also enables us to provide a sustained, progressive programme of support to the learners and their families throughout their education.

The Leicester Academy ran once again in 2017-18. This is a hub for sport related opportunities, producing a workforce who will be deployed into local schools and community clubs who have been selected with the help of widening participation. Students who are part of the Academy are given the opportunity to complete coaching/officiating qualifications, enabling them to then deliver in the community, local schools and at our University.

During 2017-18, 25,794 schoolchildren participated in one or more of the 510 widening participation activities offered by us.

We offer a range of scholarships and are committed to attracting the brightest and the best students to Leicester regardless of background. At Leicester, we do not want fears about finance to stop prospective students from considering further study.







# CORPORATE GOVERNANCE

FOR THE YEAR ENDED 31 JULY 2018

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The following statement is given to assist readers of the financial statements in obtaining an understanding of the governance procedures of our University. We endeavour to conduct our affairs in accordance with The Higher Education Code of Governance, published by the Committee of University Chairs (CUC), and in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership).

## Summary of the University's Structure of Corporate Governance

### The Council

The Council, which normally holds at least five 'Ordinary' meetings a year, is the governing body of the University. It comprises a mixture of ex-officio, appointed and elected lay and academic persons – the majority of whom are non-executive members appointed by Council itself – and student representation.

In 2017, with the approval of the Privy Council, the total size of our University Council was reduced from its previous total of 25 members to its current total of 21. This reduction was achieved mostly by reducing the number of staff members of Council, with a consequent increase in the size of the lay majority.

The role of the Chair of Council is separated from the role of the University's Chief Executive, the President and Vice-Chancellor. The powers of the Council are set out in the Statutes and Ordinances and in Council's Statement of Primary Responsibilities, all of which are published on our website, and are consistent with the Council's accountability obligations to the Office for Students (OfS).

The Council holds itself responsible for the ongoing strategic objectives of the University, including approval of major new developments, and for monitoring progress against these. Council receives regular reports from its committees on the operation and performance of the University and its subsidiary companies.

In the financial year 2017-18, the principal standing Committees of Council included the Audit, Finance, Nominations and Remuneration committees. All are formally constituted Committees with published terms of reference, and all include some members drawn from the lay membership of Council. In addition to the standing committees, the Council also receives reports as required from the University Leadership Team.

### Audit Committee

On behalf of Council, the Audit Committee provides oversight of the University's risk management, control and governance arrangements, and the arrangements to provide economy, efficiency and effectiveness. It also advises Council on the University's internal and external audit arrangements, and audit aspects of the financial statements.

The Audit Committee is made up solely of lay members of Council and other external, lay members, who are co-opted for their

expertise. A number of University officers were in attendance at meetings of the Audit Committee during the year, where required, but did not do so as members of the Committee.

At the end of each of its scheduled meetings, the Audit Committee continued in private session with the internal and external auditors, for independent discussions, as necessary. The Audit Committee also held a development session led by the internal and external auditors, in which it discussed recent developments and key issues for Audit Committees across the higher education sector.

No member of the Audit Committee may also be a member of the Finance Committee, unless Council makes a formal decision to allow one Audit Committee member to sit on both. This did not occur in 2017-18.

During 2017-18, the Audit Committee met with the internal auditors to consider detailed internal audit reports and their recommendations for the improvement of our systems of internal control, together with management's responses and implementation plans. The work of internal audit was guided by an assessment of the key areas of risk in our activities. It received the internal opinion for the year and was pleased to note that significant assurance with minor improvements could be given on the overall adequacy of the University's framework of internal control, risk management and governance.

It met with the external auditors to discuss audit risks and findings. The Committee reviewed the audit of our University's annual financial statements together with the accounting policies.

In addition, the Audit Committee received reports on a range of items related to its business, considered any items from the OfS as they affected the University's business, and monitored adherence to regulatory requirements.

### Finance Committee

During the year, the Finance Committee was responsible for recommending to Council our University's annual financial statements, financial forecasts and annual budgets and for the monitoring of those budgets in year. The Committee also monitors the University's overall financial health, advises on overall financial strategy, and provides oversight of key campus and capital projects and programmes.

### Nominations Committee

On behalf of Council and Court, the Nominations Committee maintained oversight of and provided advice on matters relating to the lay membership of Council, the Standing Committees of Council and Senate, and Court, as specified in our University's Statutes and Ordinances.

The Nominations Committee reflects regularly on the balance of relevant knowledge, experience and skills amongst the membership of Council, and also on matters in relation to ethnicity and gender balance. In 2017-18 there was, for the first time, a female majority on Council.

During 2017-18, in anticipation of two lay vacancies on Council that would need to be filled from the start of 2018-19, the Committee conducted an external recruitment process. The opportunities were promoted through advertisements in the national press, on social media, and by circular to alumni. A record number of more than 40 applications were received and following interviews with shortlisted candidates, two excellent appointments were confirmed. During the year, under established processes, the Committee also brought forward recommendations for the appointment of our next Treasurer and Chancellor, and these were approved by the Council and the Court respectively.

### Remuneration Committee

From the start of 2017-18 the membership of the Remuneration Committee was comprised solely of independent lay members, including the Chair of Council and the Treasurer. Senior officers have never have been permitted to be present at the Committee for any discussions affecting their own personal position. The Committee is chaired by the Chair of Council, except when it is considering the remuneration of the President and Vice-Chancellor, in which case the Treasurer will take the chair.

During the year, the Committee considered and reported to the Council on the remuneration of the President and Vice-Chancellor, the Registrar and Chief Operating Officer, the Director of Finance, the Provost, the Pro-Vice-Chancellors and Heads of Colleges, and other members of the University Leadership Team.

In addition to the Remuneration Committee there is a completely separate Senior Staff Pay Committee, chaired by the President and Vice-Chancellor. During the year this Committee considered and reported to the Council on the remuneration of Grade 10 senior staff, non-clinical professorial staff and non-professorial Heads of Department.

Council was provided with details of the various awards determined by the Remuneration and Senior Staff Pay Committees and the range of factors that had been taken into account, particularly the continued application of robust and objective comparative data, designed to inform the decision-making process for both committees.

In June 2018 a new Higher Education Senior Staff Remuneration Code was published by the Committee of University Chairs (CUC). Council has already confirmed its commitment to complying with the principles of the Code and has approved some immediate amendments to the terms of reference of the Remuneration Committee. Further refinements will be made if necessary as circumstances develop during 2018-19.

### Internal Control

Council is responsible for maintaining the University's ongoing system of internal control and for reviewing its effectiveness. This is a risk-based system designed to identify and manage – rather than eliminate totally – the risk of failure to achieve financial, business, operational and compliance objectives, and

provides reasonable but not absolute assurance against material misstatement or loss.

Council has approved a comprehensive risk management policy reporting procedure for our University, which is reviewed regularly and updated as required in response to changes in the risk environment. It is underpinned by supporting policies and procedures, contained within our Financial Regulations, on the prevention of bribery and corruption, responses to fraud, anti-money laundering, and the acceptance of gifts and hospitality.

The University Leadership Team receives regular reports setting out key performance and risk indicators and considers possible control issues brought to its attention by senior managers in the operational units. The University Leadership Team and the Audit Committee also receive regular reports from the internal auditors, which include any necessary recommendations for improvement.

Throughout 2017-18 Council and the Audit and Finance committees all received and discussed termly updates of the corporate strategic risk register. These updates drew attention to any changes in our risk environment, including the likelihood and impact of identified risks, and the mitigating actions arising from these. They also provided details of steps taken by our University, with recommendations and support from the internal auditors, to further improve and strengthen its risk management procedures. This comprehensive approach to embedding risk assessment and internal control within ongoing operations, not merely reporting by exception, is designed to provide the necessary degree of assurance for the underlying effectiveness of our approach to risk management.

Enhancements implemented during the year included showing the University's appetite for risk in each section of the risk register; formally embedding and communicating the processes for the agreement and escalation of changes to the contents of the risk register; and identifying the owners of mitigating actions, with clear completion dates.

### Effectiveness Reviews

In May 2017 an externally facilitated comprehensive review of Council's effectiveness was undertaken. The reviewers' final report and recommendations was presented to Council in July 2017. During 2017-18, on behalf of Council, the Nominations Committee fully examined the various detailed recommendations and suggestions arising from the review. Its proposed actions in response to these were subsequently approved by Council in due course, with the aim of all agreed changes being fully implemented from 1 August 2018. In accordance with the requirements of the new Higher Education Code of Governance, Council will normally conduct reviews of its own effectiveness at least every four years in the future.

Council has requested an effectiveness review of Senate to be undertaken during 2018-19. The Standing Committees of Council and Senate already review their own effectiveness at regular intervals and improvement opportunities are taken as they arise.



During 2017-18, in addition to the changes implemented for the Remuneration Committee, referred to above, Council also approved revisions to the terms of reference of the Health and Safety and Finance committees, the latter in order to strengthen the Committee's oversight of estates-related matters. Senate also approved a number of changes to its own committee structure and responsibilities, including the merger of the Research and Enterprise committees.

### Attendance monitoring

As part of Council's ongoing commitment to the efficiency and transparency of its activities, the attendance record of its members at meetings of Council and the Audit, Finance, Nominations and Remuneration committees is published within the University's financial statements. The attendance record for meetings held in 2017-18 is shown in the table overleaf.



# CORPORATE GOVERNANCE

## COMMITTEE ATTENDANCE 2017-18

	Council		Audit Committee		Nominations Committee		Finance Committee		Remuneration Committee	
	Eligible to Attend	Actually Attended	Eligible to Attend	Actually Attended	Eligible to Attend	Actually Attended	Eligible to Attend	Actually Attended	Eligible to Attend	Actually Attended
Janet Arthur (Lay)	6	5	4	4	4	2				
Professor Paul Boyle (VC)	6	6			4	3				
Professor Edmund Burke (Deputy VC) from July 2018	1	1								
Gary Dixon (Lay)	6	5			4	4	6	5		
Mehmooda Duke (Lay)	6	4								
Cathy Ellis (Lay)	6	6					6	5		
Professor Dame Janet Finch (Lay) medical leave of absence from April 2018	6	3								
Martin Hindle (Lay)	6	5	4	3						
Ian Johnson (Lay)	6	5	4	4	4	3				
Dr Dominic Luckett (Lay)	6	4							1	1
Professor Suzanne Macleod (Staff)	6	5								
David Moore (Treasurer)	6	6			4	4	6	6	1	1
Amy Moran (Students' Union)	6	4					6	4		
Andrew Morgan (Lay)	6	6							1	1
Professor Paul O'Brien (Staff)	6	5								
Steph Osborn (Lay)	6	5			4	4				
Professor Mark Peel (Provost) to Dec 2017	2	2			2	2	2	2		
Professor Emma Raven (Staff)	6	4								
Professor John Schwabe (Lay)	6	6								
Dr Vijay Sharma (Lay)	6	4	4	2					1	1
Carole Thorogood (Lay)	6	3					6	4		
Dr Bridget Towle (Chair)	6	6			4	4	6	6	1	1



# RESPONSIBILITIES OF THE COUNCIL OF THE UNIVERSITY OF LEICESTER

## FOR THE YEAR ENDED 31 JULY 2018

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In accordance with the University's Statutes and Ordinances, the Council of the University of Leicester is responsible for the administration and management of the affairs of the University.

The primary responsibilities of the Council are as follows:

- To approve the mission and strategic vision of the University, long-term academic and business plans and key performance indicators, and to ensure that these meet the interests of stakeholders.
- To delegate authority to the President and Vice-Chancellor, as chief executive, for the academic, corporate, financial, estate and personnel management of the institution, and to establish and keep under regular review the policies, procedures and limits within such management functions as shall be undertaken by and under the authority of the President and Vice-Chancellor.
- To ensure the establishment and monitoring of systems of control and accountability, including financial and operational controls and risk assessment, safeguards against fraud, and procedures for handling internal grievances and for managing conflicts of interest.
- To ensure processes are in place to monitor and evaluate the performance and effectiveness of the institution against the plans and approved key performance indicators, which should be, where possible and appropriate, benchmarked against other comparable institutions.
- To establish processes to monitor and evaluate the performance and effectiveness of Council itself.
- To conduct its business in accordance with the CUC Higher Education Code of Governance, the CUC Higher Education Senior Staff Remuneration Code, and with the principles of public life drawn up by the Committee on Standards in Public Life.
- To safeguard the good name and values of the University.
- To appoint the President and Vice-Chancellor, on the recommendation of a Joint Committee of Council and Senate, and to put in place suitable arrangements for monitoring his/her performance.
- To appoint the Registrar and Chief Operating Officer, on the recommendation of a Joint Committee of Council and Senate, who will be Secretary to the Council. The Council will ensure that appropriate arrangements are in place to maintain a separation of the Registrar and Chief Operating Officer's functions as Head of the University's Corporate Services, with direct accountability to the President and Vice-Chancellor, and as Secretary to the Council, with direct accountability to the Chair of Council and Council members.
- To be the employing authority for all staff in the University and to be responsible for establishing a human resources strategy.
- To be the principal financial and business authority of the University, to ensure that proper books of account are kept, to

approve the annual budget and financial statements, and to have overall responsibility for the University's assets, property and estate.

- To be the University's legal authority and, as such, to ensure that systems are in place for meeting all the institution's legal obligations, including those arising from contracts and other legal commitments made in the institution's name.
- To make such provision as it thinks fit for the general welfare of students, in consultation with Senate.
- To act as trustee for any property, legacy, endowment, bequest or gift in support of the work and welfare of the University.
- To ensure that the University's Charter, Statutes and Ordinances are followed at all times and that appropriate advice is available to enable this to happen.

The Council is required to present audited financial statements for each financial year and is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the University and enable it to ensure that the financial statements are prepared in accordance with: the 'carried forward' powers and duties of previous legislation (Further and Higher Education Act 1992 and the Higher Education Act 2004) and the new powers of the Higher Education and Research Act 2017 during the transition period to 31 July 2019, the Accounts Direction issued by the OfS, the Statement of Recommended Practice: Accounting for Further and Higher Education 2015 and applicable UK law and accounting standards. In addition under the terms and conditions of funding for higher education institutions issued by the OfS, the Council, through its designated accountable officer (the President and Vice-Chancellor), is required to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the University and of the surplus or deficit and cash flows for that year.

In causing the financial statements to be prepared the Council has to ensure that:

- suitable accounting policies are selected and applied consistently;
- judgements and estimates are made that are reasonable and prudent;
- applicable UK law and accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- financial statements are prepared on the going concern basis unless it is inappropriate to presume that the University will continue in operation. The Council has reviewed the University's financial forecasts and is satisfied that the University has adequate resources to continue in operation for the foreseeable future; for this reason the going-concern basis continues to be adopted in the preparation of the financial statements.

The Council has taken reasonable steps to:

- have a robust and comprehensive system of risk management, control and corporate governance. This includes arrangements for the prevention and detection of corruption, fraud, bribery and irregularities.
- have regular, reliable, timely and adequate information to monitor performance and track the use of public funds.
- plan and manage its activities to remain sustainable and financially viable.
- inform the OfS of any material change in its circumstances, including any significant developments that could impact on the mutual interests of the University and the OfS.
- use public funds for proper purposes and seeks to achieve value for money from public funds.
- comply with the mandatory requirements relating to audit and financial reporting, set out in the OfS Audit Code of Practice and in the OfS annual accounts direction.

The key elements of the University's system of internal financial control, which is designed to discharge the responsibilities set out above, include the following:

- a medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets;
- regular reviews of financial results involving variance reporting and updates of forecast out-turns;
- clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to appraisal and review according to approved levels set by the Council;
- comprehensive Financial Regulations, detailing financial controls and procedures and the responsibilities of budget holders, approved by the Finance Committee; and
- a professional internal audit team whose annual programme is approved by the Audit Committee and is endorsed by the Council. The internal audit manager provides the Council with an annual report on internal audit activity and an opinion on the adequacy and effectiveness of the University's system of internal control, including internal financial control.

The Members of Council who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the University's auditor is unaware; and each member has taken all the steps that he or she ought to have taken to be aware of any relevant audit information and to establish that the University's auditors are aware of that information.

The Council are responsible for the maintenance and integrity of the corporate and financial information included on the University's website.

Signed on behalf of the Council

**Dr Bridget Towle, Chair of Council**  
**21 November 2018**

## Members of Council

The Members of Council who served in the 2017-18 financial year, and up to the date of the signing of this report, were as follows:

Janet Arthur

Professor Paul Boyle

Professor Edmund Burke (from 2 July 2018)

Gary Dixon

Mehmooda Duke

Cathy Ellis

Professor Dame Janet Finch

Martin Hindle

Ian Johnson

Dr Dominic Lockett (until 31 July 2018)

Dr Suzanne Macleod (until 31 July 2018)

Amy Moran

Andrew Morgan

David Moore (until 31 July 2018)

Professor Paul O'Brien

Steph Osborn (from 1 September 2017)

Professor Mark Peel (until 31 December 2017)

Professor Emma Raven (until 31 July 2018)

Professor John Schwabe

Dr Vijay Sharma

Carole Thorogood

Dr Bridget Towle (Chair of Council)

## New appointments from 1 August 2018:

Professor Sarah Davies

Dr Sandra Dudley

Anil Majithia

Azam Mamujee



# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE COUNCIL OF THE UNIVERSITY OF LEICESTER

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

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### Opinion

We have audited the financial statements of the University of Leicester ('the parent institution') and its subsidiaries (the 'group') for the year ended 31 July 2018 which comprise the Consolidated Statement of Comprehensive Income and Expenditure Account, Consolidated and University Statement of Changes in Reserves, Consolidated and University Balance sheets, Consolidated Cash Flow Statement, the related notes 1 to 27, and the statement of accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 "The Financial Reporting standard applicable in the UK and Republic of Ireland".

In our opinion the financial statements:

- give a true and fair view of the group's and of the parent institution's affairs as at 31 July 2018, and of the group's and parent institution's income and expenditure, gains and losses, changes in reserves and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education, and relevant legislation.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the group and parent institution in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Council's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Council have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent institution's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorised for issue.

### Other information

The other information comprises the information included in the annual report set out on pages 4 to 25, other than the financial statements and our auditor's report thereon. The Council is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

### Opinion on other matters prescribed by the Office for Students terms and conditions of funding for higher education institutions

In our opinion, based on the work undertaken in the course of the audit, in all material respects:

- funds from whatever source administered by the University of Leicester have been properly applied to those purposes and managed in accordance with relevant legislation;
- funds provided by the Office for Students and Research England have been applied in accordance with the applicable Terms and conditions attached to them; and
- the requirements of the Office for Students accounts direction for the relevant year's financial statements have been met.

### Responsibilities of the Council

As explained more fully in the Responsibilities of the Council set out on pages 26 and 27, the Council is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Council determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Council is responsible for assessing the group's and the parent institution's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of

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accounting unless the Council either intend to liquidate the group or the parent institution or to cease operations, or have no realistic alternative but to do so.

## **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the

Financial Reporting Council's website at

**<https://www.frc.org.uk/auditorsresponsibilities>**.

This description forms part of our auditor's report.

## **Use of our report**

This report is made solely to the Council of the University of Leicester, as a body, in accordance with the Charters and Statutes of the University. Our audit work has been undertaken so that we might state to the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the University of Leicester and the Council as a body, for our audit work, for this report, or for the opinions we have formed.

**Ernst & Young LLP**  
**Birmingham**  
**26 November 2018**

Notes:

1. The maintenance and integrity of the University of Leicester website is the responsibility of the Council; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



# STATEMENT OF ACCOUNTING POLICIES

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2018

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### 1. Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2015 and in accordance with Financial Reporting Standards (FRS 102).

The University is a public benefit entity and therefore has applied the relevant public benefit requirements of FRS 102. The financial statements are prepared in accordance with the historical cost convention (modified by the revaluation of certain fixed assets and derivative financial instruments).

Having made appropriate enquiries, the Council considers that the University has adequate financial resource to continue in operation for the foreseeable future, being not less than 12 months from signing the financial statements. Accordingly they continue to adopt the going concern basis in preparing financial statements.

The following accounting policies have been applied consistently in dealing with items which are considered to be material in relation to the consolidated University financial statements.

The University meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available in relation to presentation of a cash flow statement and remuneration of key management personnel.

### 2. Basis of consolidation

The consolidated financial statements include the University and all its subsidiaries for the financial year to 31 July 2018. The results of subsidiaries acquired or disposed of during the period are included in the consolidated statement of income and expenditure from the date of acquisition or up to the date of disposal. Intra-group transactions are eliminated on consolidation.

The consolidated financial statements do not include the income and expenditure of the Students' Union as the University does not exert control or dominant influence over policy decisions there.

Joint ventures and associated companies are accounted for using the equity method.

### 3. Income recognition

Income from the sale of goods or services is credited to the statement of income and expenditure when the goods or services are supplied to the external customers or the terms of the contract have been satisfied.

Fee income is stated gross of any expenditure which is not a discount and credited to the statement of income and expenditure over the period in which students are studying. Where the amount of the tuition fee is reduced, by a discount for prompt payment, income receivable is shown net of the discount. Bursaries and scholarships are accounted for gross as expenditure and not deducted from income.

Funding body recurrent grant income represents income in support of general or specific revenue activities of the University

during the period and is credited direct to the statement of income and expenditure.

Investment income is credited to the statement of income and expenditure on a receivable basis.

Funds the University receives and disburses as paying agent on behalf of a funding body are excluded from the income and expenditure of the University where the University is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

Income from trading activities, including residences, catering and conference services is recognised when the goods or services are supplied to the customers or the terms of the contract have been satisfied.

#### Grant funding

For government grants the accruals model has been adopted. This means that revenue grants, including funding body block grant, and research grants are recognised in income over the periods in which the University recognises the related costs for which the grant is intended to compensate. Where part of a government grant is deferred, it is recognised as deferred income within creditors and allocated between creditors due within one year and due after more than one year as appropriate.

Grants (including research grants) from non-government sources are recognised in income when the University is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

#### Donations and endowments

Donations and endowments are non-exchange transactions without performance related conditions. Donations and endowments with donor imposed restrictions are recognised in income when the University is entitled to the funds. Income is retained within the restricted reserve until such time that it is utilised in line with such restrictions at which point the income is released to general reserves through a reserve transfer. Donations with no restrictions are recognised in income when the University is entitled to the funds.

Investment income and gains on restricted expendable endowments are recognised in the year in which they arise. Investment income and gains on permanent endowments are accounted for on a total return basis.

There are four main types of donations and endowments identified within reserves:

1. Restricted donations – the donor has specified that the donation must be used for a particular objective.
2. Unrestricted permanent endowments – the donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of the University.

3. Restricted expendable endowments – the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and the University has the power to use the capital.
4. Restricted permanent endowments – the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective.

### Capital grants

Government capital grants are recognised in income over the expected useful life of the asset. Other capital grants are recognised in income when the University is entitled to the funds subject to any performance related conditions being met.

## 4. Accounting for retirement benefits

The two principal pension schemes for the University's staff are the Universities Superannuation Scheme (USS) and The University of Leicester Stakeholder Scheme. A small number of staff are members of other pension schemes as detailed in note 27.

The USS is a hybrid pension scheme, providing defined benefits (for all members), as well as defined contribution benefits. The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the assets are not attributed to individual institutions and a scheme-wide contribution rate is set. The University is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis.

As required by Section 28 of FRS 102 'Employee benefits', the University therefore accounts for the scheme as if it were a wholly defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme. Since the University has entered into an agreement (the Recovery Plan) that determines how each employer within the scheme will fund the overall deficit, the University recognises a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and therefore an expense is recognised.

The University of Leicester Stakeholder Scheme is a defined contribution pension scheme.

### Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the University pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

### Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans. Under defined benefit plans, the

University's obligation is to provide the agreed benefits to current and former employees, and actuarial risk (that benefits will cost more or less than expected) and investment risk (that returns on assets set aside to fund the benefits will differ from expectations) are borne, in substance, by the University. The University recognises a liability for its obligations under defined benefit plans net of plan assets. This net defined benefit liability is measured as the estimated amount of benefit that employees have earned in return for their service in the current and prior periods, discounted to determine its present value, less the fair value (at bid price) of plan assets. The calculation is performed by a qualified actuary using the projected unit credit method. Where the calculation results in a net asset, recognition of the asset is limited to the extent to which the University is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

## 5. Employment benefits

Short-term employment benefits such as salaries and compensated absences are recognised as an expense in the year in which the employees render service to the University. Any unused benefits are accrued and measured as the additional amount the University expects to pay as a result of the unused entitlement.

## 6. Foreign currencies

Transactions in foreign currencies are translated to the respective functional currencies of group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in surplus or deficit.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

## 7. Operating leases

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Rental income from operating leases is recognised on a straight line basis over the term of the lease irrespective of when such payments are due.

## 8. Fixed assets

Fixed assets are stated at cost / deemed cost less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets that had been revalued to fair value on the date of transition to the 2015 SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.



## STATEMENT OF ACCOUNTING POLICIES

Where material components of a fixed asset have different useful lives, they are accounted for as separate items of fixed assets.

### Land and buildings

Freehold land is not depreciated as it is considered to have an indefinite useful life. Freehold buildings are depreciated on a straight line basis over their expected useful lives as follows:

New build	50 years
Refurbishments	15 years

Leasehold land and buildings are depreciated over the period of the lease up to a maximum of 50 years. Assets in the course of construction are capitalised but not depreciated until they become operational.

### Equipment, fixtures and fittings

Equipment, fixtures and fittings, including computers and software, costing less than £25,000 per individual item (or group of related items) are recognised as expenditure. All other equipment, fixtures and fittings are capitalised.

Capitalised equipment, fixtures and fittings are stated at cost and depreciated on a straight line basis over the expected useful life as follows:

General equipment including vehicles and computer hardware	4 years
Fixtures and fittings	5 – 10 years
Equipment acquired for specific research projects	3 years

Assets in the course of construction are capitalised but not depreciated until they become operational.

### Borrowing costs

Borrowing costs which are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised.

## 9. Heritage assets

The University holds a number of collections, exhibits and artefacts most of which have been donated or bequeathed to the University. These assets cannot be reliably valued and are therefore not included within the financial statements. New heritage assets acquired are included at valuation.

## 10. Investments

Non-current and current asset investments in securities are held at fair value with movements recognised in the surplus or deficit. Investments in associates and subsidiaries are carried at cost less impairment in the University's accounts. Initial investments in spinout companies are written off.

## 11. Stock

Stock, comprising departmental bulk stores, sundry stores and stock held at catering and retail outlets, is stated at the lower of cost or net realisable value and is measured using the average cost formula.

## 12. Cash and cash equivalents

Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are, in practice, available within 24 hours without penalty.

Cash equivalents are short-term (with a maturity of three months or less), highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value.

## 13. Provisions, contingent liabilities and contingent assets

Provisions are recognised in the financial statements when:

- the University has a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

A contingent liability arises from a past event that gives the University a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the University. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

A contingent asset arises where an event has taken place that gives the University a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the University.

Contingent assets and liabilities are not recognised in the balance sheet but are disclosed in the notes.

## 14. Taxation

The University is an exempt charity within the meaning of Part 3 of the Charities Act 2011, it is therefore a charity within the meaning of Para 1 of schedule 6 to the Finance Act 2010 and accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 478-488 of the Corporation Tax Act 2010 (CTA 2010) or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

The University receives no similar exemption in respect of Value Added Tax. Irrecoverable VAT on inputs is included in the costs of such inputs. Any irrecoverable VAT allocated to fixed assets is included in their cost.

The University's subsidiaries are liable to Corporation Tax and VAT in the same way as any other commercial organisation. College Court Conference Centre Limited and The Leicester Services Partnership Limited are VAT grouped with the University.

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are more likely than not to be recovered. Deferred tax assets and liabilities are not discounted.

## 15. Financial instruments and derivatives

The University applies the provisions of Section 11 and Section 12 of FRS 102 in relation to financial instruments. Financial assets and liabilities are recognised when the University becomes a party to the contractual provisions of the instrument and they are classified according to the substance of the contractual arrangements entered into.

### (i) Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction.

If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the balance sheet when, and only when there exists a legally enforceable right to set off the recognised amounts and the University intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the following conditions are subsequently measured at amortised cost using the effective interest method:

- a. The contractual return to the holder is (i) a fixed amount; (ii) a positive fixed rate or a positive variable rate; or (iii) a combination of a positive or a negative fixed rate and a positive variable rate.
- b. The contract may provide for repayments of the principal or the return to the holder (but not both) to be linked to a single relevant observable index of general price inflation of the currency in which the debt instrument is denominated, provided such links are not leveraged.
- c. The contract may provide for a determinable variation of the return to the holder during the life of the instrument, provided that (i) the new rate satisfies condition (a) and the variation is not contingent on future events other than (1) a change of a contractual variable rate; (2) to protect the holder against credit deterioration of the issuer; (3) changes in levies applied by a central bank or arising from changes in relevant taxation or law; or (ii) the new rate is a market rate of interest and satisfies condition (a).

- d. There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.
- e. Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in levies applied by a central bank or arising from changes in relevant taxation or law.
- f. Contractual provisions may permit the extension of the term of the debt instrument, provided that the return to the holder and any other contractual provisions applicable during the extended term satisfy the conditions of paragraphs (a) to (c).

Debt instruments that have no stated interest rate (and do not constitute financing transaction) and are classified as payable or receivable within one year are initially measured at an undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

Other debt instruments not meeting these conditions are measured at fair value through profit or loss.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Financial assets are derecognised when and only when (a) the contractual rights to the cash flows from the financial asset expire or are settled, (b) the University transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or (c) the University, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

### (ii) Derivative financial instruments

The University uses derivative financial instruments to reduce exposure to interest rate movements. Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date, with the resulting gain or loss recognised in income and expenditure.

## 16. Reserves

Reserves are classified as restricted or unrestricted. Restricted endowment reserves include balances which, through endowment to the University, are held as a permanently restricted fund which the University must hold in perpetuity. The University operates a total return investment management policy for permanent endowments.

Other restricted reserves include balances where the donor has designated a specific purpose and therefore the University is restricted in the use of these funds.



## STATEMENT OF ACCOUNTING POLICIES

### 17. Critical accounting estimates and judgments

The preparation of the financial statements requires management to use estimates and judgements that may affect the reported carrying amounts of assets and liabilities.

#### Estimates

Estimates are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual experience may differ from these estimates.

The areas most affected by the use of estimates are detailed below:

#### Retirement benefit obligations

In determining the valuation of defined benefit schemes' assets and liabilities, a number of key estimates and assumptions have been made in relation to:

- inflation rate;
- life expectancy;
- discount rate; and
- salary and pension growth rates.

The University is exposed to risks through its defined benefit schemes if actual experience differs to the estimates used and through volatility in the plan assets.

Details of the estimates used, and associated sensitivities, are included in notes 17 and 27.

#### Useful lives of tangible fixed assets

Tangible fixed assets represent a significant proportion of the University's total assets. Therefore the estimates of the useful lives over which these assets are depreciated can have a significant impact on the University's financial performance.

The useful lives of tangible fixed assets are determined at the time the asset is acquired and reviewed regularly for appropriateness. The lives are based on historical experience with similar assets as well as anticipation of future events, such as changes in technology.

Details of the carrying values of fixed assets are included in note 10.

#### Fair value measurement

The University discloses the following items at fair value:

- derivative financial instruments (note 16)
- endowment investments (notes 11 and 14)
- investments in listed shares (note 11)

The fair value measurement of these assets and liabilities utilises market observable inputs and data however changes to market conditions can significantly impact the valuation of these items.

#### Judgements

In the process of applying the University's accounting policies, management have made the following critical judgements:

#### Recognition of pledged endowments

New endowments are recognised on an entitlement basis. Where endowment income has been pledged in the year, but cash will be received over a number of years, an analysis of the performance conditions attached to the income is undertaken.

If there are no performance conditions attached to the pledged endowment, and the University is in receipt of a signed gift agreement, then the total amount is recognised in the year of the pledge, along with a corresponding debtor.

Details of the amounts recognised in respect of pledged endowments are included in note 20.

#### Universities Superannuation Scheme

FRS 102 makes the distinction between a group plan and a multi-employer scheme. A group plan consists of a collection of entities under common control typically with a sponsoring employer. A multi-employer scheme is a scheme for entities not under common control and represents (typically) an industry-wide scheme such as Universities Superannuation Scheme. The accounting for a multi-employer scheme where the employer has entered into an agreement with the scheme that determines how the employer will fund a deficit results in the recognition of a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and the resulting expense in profit or loss in accordance with section 28 of FRS 102.

Management are satisfied that Universities Superannuation Scheme meets the definition of a multi-employer scheme and has therefore recognised the discounted fair value of the contractual contributions under the funding plan in existence at the date of approving the financial statements.

As detailed in note 18, management have concluded the current schedule of contributions is the correct one to use however there is a level of uncertainty around the liability recognised at 31 July 2018.





# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE

YEAR ENDED 31 JULY 2018

	Notes	Year ended 31 July 2018		Year ended 31 July 2017	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>Income</b>					
Tuition fees and education contracts	1	173,394	173,394	155,933	155,933
Funding body grants	2	40,064	40,064	40,768	40,768
Research grants and contracts	3	54,892	54,892	52,222	52,222
Other income	4	56,224	52,884	51,404	48,664
Investment income	5	707	854	658	782
Donations and endowments	6	5,084	5,084	4,421	4,421
Total income		330,365	327,172	305,406	302,790
<b>Expenditure</b>					
Staff costs	7	183,725	179,751	177,760	176,213
Other operating expenses		120,439	120,934	104,914	103,888
Depreciation	10	19,323	19,034	16,023	15,740
Interest and other finance costs	8	4,964	4,964	1,655	1,655
Total expenditure	9	328,451	324,683	300,352	297,496
Surplus before other gains		1,914	2,489	5,054	5,294
Gain on disposal of fixed assets		891	891	2,337	2,337
Gain on investments		792	792	1,071	1,071
Surplus before tax		3,597	4,172	8,462	8,702
Taxation		-	-	-	-
<b>Surplus for the year</b>		<b>3,597</b>	<b>4,172</b>	<b>8,462</b>	<b>8,702</b>
Actuarial gain/(loss) in respect of pension schemes	27	12,522	12,522	(10,307)	(10,307)
<b>Total comprehensive income/(expenditure) for the year</b>		<b>16,119</b>	<b>16,694</b>	<b>(1,845)</b>	<b>(1,605)</b>
Represented by:					
Endowment comprehensive income for the year		2,927	2,927	3,683	3,683
Restricted comprehensive income for the year		312	312	1,810	1,810
Unrestricted comprehensive income/(expenditure) for the year		12,880	13,455	(7,338)	(7,098)
		<b>16,119</b>	<b>16,694</b>	<b>(1,845)</b>	<b>(1,605)</b>
<b>Total comprehensive income/(expenditure) for the year</b>					
Attributable to:					
Non-controlling interest		(260)	-	(107)	-
University		16,379	16,694	(1,738)	(1,605)
		<b>16,119</b>	<b>16,694</b>	<b>(1,845)</b>	<b>(1,605)</b>

All items of income and expenditure relate to continuing activities.

The notes on pages 40-63 form part of these financial statements.

# CONSOLIDATED AND UNIVERSITY STATEMENT OF CHANGES IN RESERVES

YEAR ENDED 31 JULY 2018

Income and expenditure account	Endowment	Restricted	Unrestricted	Non-controlling interest	Total
	£'000	£'000	£'000	£'000	£'000
<b>Consolidated</b>					
<b>Balance at 1 August 2016</b>	<b>14,015</b>	<b>837</b>	<b>87,270</b>	-	<b>102,122</b>
Surplus/(deficit) from the income and expenditure statement	3,683	2,291	2,595	(107)	8,462
Other comprehensive expenditure	-	-	(10,307)	-	(10,307)
Release of restricted funds spent in year	-	(481)	481	-	-
<b>Total comprehensive income/(expenditure) for the year</b>	<b>3,683</b>	<b>1,810</b>	<b>(7,231)</b>	<b>(107)</b>	<b>(1,845)</b>
<b>Balance at 1 August 2017</b>	<b>17,698</b>	<b>2,647</b>	<b>80,039</b>	<b>(107)</b>	<b>100,277</b>
Surplus/(deficit) from the income and expenditure statement	2,927	1,989	(1,059)	(260)	3,597
Other comprehensive income	-	-	12,522	-	12,522
Release of restricted funds spent in year	-	(1,677)	1,677	-	-
<b>Total comprehensive income/(expenditure) for the year</b>	<b>2,927</b>	<b>312</b>	<b>13,140</b>	<b>(260)</b>	<b>16,119</b>
<b>Balance at 31 July 2018</b>	<b>20,625</b>	<b>2,959</b>	<b>93,179</b>	<b>(367)</b>	<b>116,396</b>
<b>University</b>					
<b>Balance at 1 August 2016</b>	<b>14,015</b>	<b>837</b>	<b>90,283</b>	-	<b>105,135</b>
Surplus from the income and expenditure statement	3,683	2,291	2,728	-	8,702
Other comprehensive expenditure	-	-	(10,307)	-	(10,307)
Release of restricted funds spent in year	-	(481)	481	-	-
<b>Total comprehensive income/(expenditure) for the year</b>	<b>3,683</b>	<b>1,810</b>	<b>(7,098)</b>	-	<b>(1,605)</b>
<b>Balance at 1 August 2017</b>	<b>17,698</b>	<b>2,647</b>	<b>83,185</b>	-	<b>103,530</b>
Surplus/(deficit) from the income and expenditure statement	2,927	1,989	(744)	-	4,172
Other comprehensive income	-	-	12,522	-	12,522
Release of restricted funds spent in year	-	(1,677)	1,677	-	-
<b>Total comprehensive income for the year</b>	<b>2,927</b>	<b>312</b>	<b>13,455</b>	-	<b>16,694</b>
<b>Balance at 31 July 2018</b>	<b>20,625</b>	<b>2,959</b>	<b>96,640</b>	-	<b>120,224</b>

The notes on pages 40-63 form part of these financial statements.



# CONSOLIDATED AND UNIVERSITY BALANCE SHEET

## YEAR ENDED 31 JULY 2018

	Notes	As at 31 July 2018		As at 31 July 2017	
		Consolidated	University	Consolidated	University
		£'000	£'000	£'000	£'000
<b>Non-current assets</b>					
Fixed assets	10	379,116	378,243	363,950	362,816
Investments	11	5,652	5,952	5,279	5,579
		<b>384,768</b>	<b>384,195</b>	<b>369,229</b>	<b>368,395</b>
<b>Current assets</b>					
Stock		435	414	473	455
Trade and other receivables	13	31,344	34,923	26,649	30,130
Investments	14	9,548	9,548	8,968	8,968
Cash and cash equivalents	22	30,281	30,229	39,291	39,254
		<b>71,608</b>	<b>75,114</b>	<b>75,381</b>	<b>78,807</b>
Less: Creditors: amounts falling due within one year	15	(97,226)	(96,443)	(87,576)	(87,043)
Net current liabilities		<b>(25,618)</b>	<b>(21,329)</b>	<b>(12,195)</b>	<b>(8,236)</b>
<b>Total assets less current liabilities</b>		<b>359,150</b>	<b>362,866</b>	<b>357,034</b>	<b>360,159</b>
Creditors: amounts falling due after more than one year	16	(162,312)	(162,200)	(165,465)	(165,337)
<b>Provisions</b>					
Pension provisions	17	(78,599)	(78,599)	(89,906)	(89,906)
Other provisions	17	(1,843)	(1,843)	(1,386)	(1,386)
<b>Total net assets</b>		<b>116,396</b>	<b>120,224</b>	<b>100,277</b>	<b>103,530</b>
<b>Restricted reserves</b>					
Income and expenditure reserve - endowment reserve	20	20,625	20,625	17,698	17,698
Income and expenditure reserve - restricted reserve	21	2,959	2,959	2,647	2,647
<b>Unrestricted reserves</b>					
Income and expenditure reserve - unrestricted		93,179	96,640	80,039	83,185
		<b>116,763</b>	<b>120,224</b>	<b>100,384</b>	<b>103,530</b>
Non-controlling interest		(367)	-	(107)	-
<b>Total reserves</b>		<b>116,396</b>	<b>120,224</b>	<b>100,277</b>	<b>103,530</b>

The notes on pages 40-63 form part of these financial statements.

The financial statements were approved by Council on 21 November 2018 and were signed on its behalf on that date by:

Dr Bridget Towle, Chair of Council

Professor Paul Boyle, President and Vice-Chancellor

# CONSOLIDATED CASH FLOW STATEMENT

YEAR ENDED 31 JULY 2018

	Notes	Year ended 31 July 2018 £'000	Year ended 31 July 2017 £'000
<b>Cash flow from operating activities</b>			
Surplus for the year		3,597	8,462
<b>Adjustment for non-cash items:</b>			
Depreciation	10	19,323	16,023
Gain on investments		(792)	(1,071)
Decrease in stock		38	186
(Increase)/decrease in debtors	13	(3,973)	1,786
Increase/(decrease) in creditors	15	7,240	(2,605)
Decrease in pension provision	17	(808)	(3,782)
Increase/(decrease) in other provisions	17	434	(697)
<b>Adjustment for investing or financing activities:</b>			
Investment income	5	(707)	(658)
Interest payable	8	4,964	1,655
Endowment income	20	(3,266)	(2,960)
Profit on the sale of fixed assets		(891)	(2,337)
Capital grant income		(7,151)	(4,779)
<b>Net cash inflow from operating activities</b>		<b>18,008</b>	<b>9,223</b>
<b>Cash flows from investing activities</b>			
Proceeds from sales of fixed assets		1,764	3,831
Capital grant receipts		10,000	4,736
Investment income		705	654
Payments made to acquire fixed assets		(35,735)	(25,123)
New investments		(161)	(189)
		<b>(23,427)</b>	<b>(16,091)</b>
<b>Cash flows from financing activities</b>			
Interest paid		(2,892)	(3,895)
Endowment cash received		2,166	1,584
Repayments of amounts borrowed		(2,865)	(2,810)
		<b>(3,591)</b>	<b>(5,121)</b>
<b>Decrease in cash and cash equivalents in the year</b>		<b>(9,010)</b>	<b>(11,989)</b>
Cash and cash equivalents at beginning of the year	22	39,291	51,280
Cash and cash equivalents at end of the year	22	30,281	39,291

The notes on pages 40-63 form part of these financial statements.



# NOTES TO THE ACCOUNTS

YEAR ENDED 31 JULY 2018

	Year Ended 31 July 2018		Year ended 31 July 2017	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>1 Tuition fees and education contracts</b>				
Full-time home and EU students	97,603	97,603	89,436	89,436
Full-time international students	54,006	54,006	47,605	47,605
Part-time students	17,983	17,983	16,723	16,723
Research training support grant	3,802	3,802	2,169	2,169
	173,394	173,394	155,933	155,933
<b>2 Funding body grants</b>				
<b>Recurrent grant</b>				
Office for Students/HEFCE teaching grant	12,167	12,167	14,313	14,313
Research England/HEFCE research grant	19,382	19,382	19,059	19,059
<b>Specific grants</b>				
Higher Education Innovation Fund	2,987	2,987	3,080	3,080
Capital grant	4,032	4,032	3,630	3,630
Other	1,496	1,496	686	686
	40,064	40,064	40,768	40,768
<p>The Higher Education Funding Council England (HEFCE) was replaced by the Office for Students (OfS) and Research England from 1 April 2018.</p> <p>Capital grant comprises amounts received from the above bodies for the purposes of capital development and expenditure. Funds are held within creditors and released to income over the useful life of the asset. Of the amounts disclosed £3,243,000 (2016-17: £3,130,817) relates to buildings and £789,000 (2016-17: £498,838) relates to equipment.</p>				
<b>3 Research grants and contracts</b>				
Research councils	17,525	17,525	16,026	16,026
Research charities	9,177	9,177	9,159	9,159
Government (UK and overseas)	17,753	17,753	18,703	18,703
Industry and commerce	4,006	4,006	3,490	3,490
Research capital grants	2,514	2,514	797	797
Other	3,917	3,917	3,125	3,125
	54,892	54,892	51,300	51,300
Research and Development Expenditure Credits	-	-	922	922
	54,892	54,892	52,222	52,222

Of the amounts disclosed as research capital grants £1,407,257 (2016-17: £481,527) is funded by research councils, £70,801 (2016-17: £240,161) is funded by research charities, £826,407 (2016-17: £23,598) is funded by other government sources and £209,785 (2016-17: £51,529) is funded by other sources.



## NOTES TO THE ACCOUNTS – YEAR ENDED 31 JULY 2018

### 7 Staff costs (continued)

	Year Ended 31 July 2018	Year Ended 31 July 2017
	£'000	£'000
<b>Emoluments of the President and Vice-Chancellor: Professor Paul Boyle</b>		
Basic salary	285	278
Bonus	10	-
Taxable benefits:		
Subsidised accommodation	4	4
Pension contributions to USS	6	6
	305	288
Non-taxable benefits:		
Living accommodation	8	2
	313	290

The emoluments of the President and Vice-Chancellor are determined by Council on the recommendation of the Remuneration Committee. The President and Vice-Chancellor is not in attendance for, or plays any part in the discussions over his own emoluments.

Remuneration Committee consider two key factors in order to determine any increase to salary, bonus payments or benefits. The first is the comparative position compared to a benchmark group of other similar sized research-intensive UK universities. The second is the achievements and contributions made during the year which are assessed through the appraisal process. This process includes an assessment of the success and progress achieved against a set of agreed performance objectives. The Committee rewards strong performance and delivery of the University's Strategic Plan. The President and Vice-Chancellor does not receive the national cost of living increase and any pay adjustment is therefore based solely on performance.

The President and Vice-Chancellor's basic salary is 8.5 times (2016-17: 8.4 times) the median pay of staff, where the median pay is calculated on a full-time equivalent basis for the salaries paid by the University to its staff. The President and Vice-Chancellor's total remuneration is 8.1 times (2016-17: 7.5 times) the median total remuneration of staff, where the median total remuneration is calculated on a full-time equivalent basis for the total remuneration paid by the University of its staff.

Agency and atypical staff have been excluded from the above calculations as full-time equivalent data is not available.

#### Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the University. Staff costs include compensation paid to key management personnel. The University considers its key management personnel to be those individuals who serve the University Leadership Team. Current membership of the University Leadership Team is detailed on our website: [www.le.ac.uk/about/governance-and-management/vc-office/ult](http://www.le.ac.uk/about/governance-and-management/vc-office/ult)

Compensation consists of salary and benefits including any employer's pension contribution.

	Year ended 31 July 2018	Year ended 31 July 2017
	£'000	£'000
Key management personnel compensation	2,016	1,974
FTEs for key management	12	12

#### Other higher paid staff

The basic salaries of other higher paid staff were within the following ranges. Where a proportion of the salary is reimbursed by another body, such as the NHS, only the portion paid by the University is disclosed. This disclosure has been prepared on a headcount basis as full-time equivalent data is not readily available. Work has begun to capture full-time equivalent data in future years.



## 7 Staff costs (continued)

	2017-18 No.	2016-17 No.
£100,000 - £104,999	7	4
£105,000 - £109,999	12	11
£110,000 - £114,999	2	3
£115,000 - £119,999	4	9
£120,000 - £124,999	8	6
£125,000 - £129,999	3	4
£130,000 - £134,999	3	4
£135,000 - £139,999	1	-
£140,000 - £144,999	2	2
£145,000 - £149,999	1	1
£150,000 - £154,999	2	2
£155,000 - £159,999	-	1
£160,000 - £164,999	2	-
£190,000 - £194,999	1	-
£210,000 - £214,999	-	1
£215,000 - £219,999	-	1
£250,000 - £254,999	1	1
	49	50

### Council members

The University's Council members are the trustees for charitable law purposes. Due to the nature of the University's operations and the composition of the Council, being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the Council may have an interest. All transactions involving organisations in which a member of Council may have an interest, including those identified below, are conducted at arms length and in accordance with the University's Financial Regulations and procurement procedures.

	Income transactions £'000	Expenditure transactions £'000	Balance due to / (from) the University £'000
Aston University	1	28	-
Cardiff University	1	129	(4)
De Montfort University	7	179	(49)
Ernst & Young LLP	-	77	(77)
Leicestershire Partnership NHS Trust	619	47	131
Loughborough University	138	743	(227)
Medical Research Council	142	25	14
National Space Centre	-	40	-
North Warwickshire & South Leicestershire College	-	75	-
Science & Technologies Facilities Council	12	655	(19)
Springer	-	97	(57)
University of Leicester Students' Union	6	381	(14)
University of Manchester	103	8	45
University of Northampton	12	748	(5)
University of Nottingham	529	960	354
Universities UK	-	58	-
Weightmans LLP	1	60	-
	1,571	4,310	92

## NOTES TO THE ACCOUNTS – YEAR ENDED 31 JULY 2018

### 7 Staff costs (continued)

No information has been listed above for organisations where income and expenditure is less than £25,000 in the current financial year.

No member of Council has received any remuneration or waived payments from the University during the year (2016-17: none).

The total expenses paid to or on behalf of 4 (2016-17 restated: 6) Council members was £1,896 (2016-17 restated: £2,857). Not all members of Council have claimed expenses in the year or prior year. The amounts paid represent travel and subsistence costs incurred in attending Council, committee meetings and charity events in their official capacity. Where Council members are also employees of the University, expenses claimed in their capacity as an employee are not included.

	Notes	Year Ended 31 July 2018		Year ended 31 July 2017	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>8 Interest and other finance costs</b>					
Loan interest		2,914	2,914	3,060	3,060
Exchange differences		1,245	1,245	(1,429)	(1,429)
Change in fair value of derivatives		(1,219)	(1,219)	(1,702)	(1,702)
Unwind of discount on USS pension provision	17	533	533	497	497
Net charge on PAS pension scheme	27	1,491	1,491	1,229	1,229
		<u>4,964</u>	<u>4,964</u>	<u>1,655</u>	<u>1,655</u>

### 9 Analysis of total expenditure by activity

Academic and related expenditure	162,158	162,619	152,410	152,823
Administration and central services	52,280	52,375	46,455	46,540
Premises	37,883	37,988	33,547	33,553
Residences, catering and conferences	31,483	26,943	25,454	21,995
Research grants and contracts	42,500	42,606	40,172	40,266
Other expenses	2,147	2,152	2,314	2,319
	<u>328,451</u>	<u>324,683</u>	<u>300,352</u>	<u>297,496</u>

#### Other operating expenses include:

External auditors remuneration in respect of audit services	73	55	59	51
External auditors remuneration in respect of non-audit services	14	14	29	29

#### Operating lease rentals

Land and buildings	557	557	582	582
Other	422	422	528	528

## 10 Fixed assets

	Freehold land and buildings £'000	Leasehold land and buildings £'000	Equipment £'000	Fixtures and fittings £'000	Assets in the course of construction £'000	Total £'000
<b>Consolidated</b>						
<b>Cost</b>						
At 1 August 2017	407,700	28,356	59,259	8,779	6,406	510,500
Additions	10,316	775	10,378	836	13,057	35,362
Transfers	1,741	(427)	791	147	(2,252)	-
Disposals	(365)	-	(5,905)	-	-	(6,270)
<b>At 31 July 2018</b>	<b>419,392</b>	<b>28,704</b>	<b>64,523</b>	<b>9,762</b>	<b>17,211</b>	<b>539,592</b>
<b>Depreciation</b>						
At 1 August 2017	81,775	6,676	54,027	4,072	-	146,550
Charge for the year	10,799	884	6,125	1,515	-	19,323
Transfers	263	(263)	-	-	-	-
Disposals	(86)	-	(5,311)	-	-	(5,397)
<b>At 31 July 2018</b>	<b>92,751</b>	<b>7,297</b>	<b>54,841</b>	<b>5,587</b>	<b>-</b>	<b>160,476</b>
<b>Net book value</b>						
<b>At 31 July 2018</b>	<b>326,641</b>	<b>21,407</b>	<b>9,682</b>	<b>4,175</b>	<b>17,211</b>	<b>379,116</b>
At 31 July 2017	325,925	21,680	5,232	4,707	6,406	363,950
<b>University</b>						
<b>Cost</b>						
At 1 August 2017	407,700	28,356	59,259	6,102	6,406	507,823
Additions	10,316	775	10,378	808	13,057	35,334
Transfers	1,741	(427)	791	147	(2,252)	-
Disposals	(365)	0	(5,905)	-	-	(6,270)
<b>At 31 July 2018</b>	<b>419,392</b>	<b>28,704</b>	<b>64,523</b>	<b>7,057</b>	<b>17,211</b>	<b>536,887</b>
<b>Depreciation</b>						
At 1 August 2017	81,775	6,676	54,027	2,529	-	145,007
Charge for the year	10,799	884	6,125	1,226	-	19,034
Transfers	263	-263	-	-	-	-
Disposals	(86)	-	(5,311)	-	-	(5,397)
<b>At 31 July 2018</b>	<b>92,751</b>	<b>7,297</b>	<b>54,841</b>	<b>3,755</b>	<b>-</b>	<b>158,644</b>
<b>Net book value</b>						
<b>At 31 July 2018</b>	<b>326,641</b>	<b>21,407</b>	<b>9,682</b>	<b>3,302</b>	<b>17,211</b>	<b>378,243</b>
At 31 July 2017	325,925	21,680	5,232	3,573	6,406	362,816

At 31 July 2018, freehold land and buildings includes £77,603,018 (2016-17: £77,565,018) in respect of freehold land which is not depreciated. Leasehold land and buildings includes £830,000 (2016-17: £830,000) in respect of long leasehold land which is not depreciated where the long leasehold interest is deemed to be equivalent to a freehold interest.



## NOTES TO THE ACCOUNTS – YEAR ENDED 31 JULY 2018

### 10 Fixed assets (continued)

Leasehold land and buildings includes:	Net book value £'000
Michael Atiyah building (125 year lease commencing 1996 from Wyggeston and Queen Elizabeth I College)	4,555
Main campus sports centre (99 year lease commencing 2000 from Wyggeston and Queen Elizabeth I College)	5,537
Various NHS sites	9,939
Other sites and leasehold improvements	1,376
<b>At 31 July 2018</b>	<b>21,407</b>
At 31 July 2017	21,680

### 11 Non-current investments

	Subsidiary companies £'000	Other non-current investments £'000	Total £'000
<b>Consolidated</b>			
At 1 August 2017	-	5,279	5,279
Additions	-	72	72
Change in fair value	-	301	301
At 31 July 2018	-	<b>5,652</b>	<b>5,652</b>
<b>University</b>			
At 1 August 2017	300	5,279	5,579
Additions	-	72	72
Change in fair value	-	301	301
At 31 July 2018	<b>300</b>	<b>5,652</b>	<b>5,952</b>

The investment in subsidiary companies relates to the share capital of College Court Conference Centre Limited and The Leicester Services Partnership Limited.

See note 25 for further details.

	Consolidated and University	
	31 July 2018 £'000	31 July 2017 £'000
<b>Other non-current investments consist of:</b>		
Fair value of endowment assets invested in securities on permanent endowments	5,395	4,991
Fair value of investments in listed shares	257	288
	<b>5,652</b>	<b>5,279</b>

## 11 Non-current investments (continued)

### Investment in spinouts

Name	Shareholding at 31 July 2018	Principal Activity
OCB Media Limited	24%	Development and pursuit of electronically distributed high level e-learning material and multimedia products
MIP Diagnostics Limited	6%	Commercialisation of Molecular imprinted Polymers (MIPs)

It is University policy to write off the initial investment in spinout companies.

## 12 Investment in joint venture

The University holds the following shares in companies considered to be joint ventures:

Name	Shareholding	Principal Activity
Scionix Limited	50%	This is a joint venture company owned equally by the University and Whyte Chemicals Limited. Its principal activity is the development of solvents for industrial purposes.
Earthsense Systems Limited	33%	A joint venture company owned equally by the University, Bluesky International Limited and Professor Roland Leigh. Its principal activity is the development and commercialisation of products and services for monitoring of air quality.

These entities are not accounted for on an equity basis on the grounds of materiality. It is University policy to write off the initial investment in spinout companies.

	31 July 2018		31 July 2017	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>13 Trade and other receivables</b>				
<b>Amounts falling due within one year:</b>				
Research grants receivables	13,936	13,936	12,115	12,115
Other trade receivables	8,200	8,007	6,539	6,369
Other receivables	120	119	147	147
Prepayments and accrued income	9,088	9,044	7,848	7,703
Amounts due from subsidiary companies	-	1,809	-	1,565
<b>Amounts falling due after more than one year:</b>				
Amounts due from subsidiary companies	-	2,008	-	2,231
	<b>31,344</b>	<b>34,923</b>	<b>26,649</b>	<b>30,130</b>

## NOTES TO THE ACCOUNTS – YEAR ENDED 31 JULY 2018

	31 July 2018		31 July 2017	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>14 Current investments</b>				
Fair value of endowment assets invested in securities on expendable endowments	9,338	9,338	8,770	8,770
Fair value of investments in securities	210	210	198	198
	<u>9,548</u>	<u>9,548</u>	<u>8,968</u>	<u>8,968</u>

### 15 Creditors: amounts falling due within one year

Unsecured loans	2,740	2,740	2,863	2,863
Trade payables	12,844	12,748	14,262	14,206
Social security and other taxation payable	4,282	4,245	4,388	4,377
Other payables	3,321	3,301	3,197	3,192
Accruals and deferred income	74,039	73,409	62,866	62,405
	<u>97,226</u>	<u>96,443</u>	<u>87,576</u>	<u>87,043</u>

#### Deferred income

Included with accruals and deferred income are the following items of income which have been deferred until specific performance related conditions have been met.

Research grants received on account	33,250	33,250	27,802	27,802
Grant income	3,290	3,290	2,021	2,021
Capital grant income	6,470	6,470	4,467	4,467
Other income	9,313	9,219	8,179	8,066
	<u>52,323</u>	<u>52,229</u>	<u>42,469</u>	<u>42,356</u>



	31 July 2018		31 July 2017	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>16 Creditors: amounts falling due after more than one year</b>				
Deferred income	87,095	86,983	86,289	86,161
Derivatives	4,770	4,770	5,989	5,989
Unsecured loans	70,447	70,447	73,187	73,187
	<b>162,312</b>	<b>162,200</b>	<b>165,465</b>	<b>165,337</b>
Analysis of secured and unsecured loans:				
<b>Due within one year or on demand (note 15)</b>	2,740	2,740	2,863	2,863
Due between one and two years	2,835	2,835	2,740	2,740
Due between two and five years	9,156	9,156	8,827	8,827
Due in five years or more	58,456	58,456	61,620	61,620
<b>Due after more than one year</b>	<b>70,447</b>	<b>70,447</b>	<b>73,187</b>	<b>73,187</b>
<b>Total secured and unsecured loans</b>	<b>73,187</b>	<b>73,187</b>	<b>76,050</b>	<b>76,050</b>

Included in loans are the following:

Lender	Term	Secured / Unsecured	Interest rate %	Borrower	31 July 2018 £'000	31 July 2017 £'000
Salix	n/a	Unsecured	-	University	800	800
Barclays	2018	Unsecured	6.15	University	-	623
Barclays	2031	Unsecured	6.20	University	7,892	8,294
Barclays	2037	Unsecured	5.67	University	12,287	12,738
European Investment Bank	2038	Unsecured	3.47	University	27,618	28,595
European Investment Bank	2040	Unsecured	2.90	University	24,590	25,000
Total					<b>73,187</b>	<b>76,050</b>

### Deferred income

Deferred income due after more than one year represents balances on capital grants from government sources, from non-government sources where the grant stipulates performance conditions and contracted income received in advance.

	31 July 2018		31 July 2017	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Capital grant income	86,983	86,983	86,161	86,161
Other income	112	-	128	-
	<b>87,095</b>	<b>86,983</b>	<b>86,289</b>	<b>86,161</b>

**16 Creditors: amounts falling due after more than one year (continued)**

**Derivative financial instruments**

Interest rate swaps and caps are valued at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

**Interest rate swap and cap contracts**

The following table details the notional principal amounts and remaining terms of interest rate swap contracts outstanding as at the reporting date:

	Average contract fixed interest rate		Notional principal value		Fair value	
	2018	2017	2018	2017	2018	2017
	%	%	£'000	£'000	£'000	£'000
Less than one year	-	-	-	-	-	-
One to two years	-	6.15	-	623	-	18
Two to five years	-	-	-	-	-	-
Five years or more	5.86	5.61	20,179	21,031	4,770	5,971
			<b>20,179</b>	<b>21,654</b>	<b>4,770</b>	<b>5,989</b>

The interest rate swaps settle on a quarterly basis. The floating rate on the interest rate swaps is three months' LIBOR. The company will settle the difference between the fixed and floating interest rate on a net basis.

## 17 Provisions for liabilities

	Obligation to fund deficit on USS pension £'000	Defined benefit obligations (note 27) £'000	Total pensions provisions £'000	Total other provisions £'000
<b>Consolidated and University</b>				
At 1 August 2017	28,809	61,097	89,906	1,386
Utilised in year	(2,144)	(589)	(2,733)	(692)
Additions in the year	1,812	-	1,812	1,149
Released in the year	-	(10,386)	(10,386)	-
<b>At 31 July 2018</b>	<b>28,477</b>	<b>50,122</b>	<b>78,599</b>	<b>1,843</b>

### USS deficit

The obligation to fund the past deficit on the Universities Superannuation Scheme (USS) arises from the contractual obligation with the pension scheme for total payments relating to benefits arising from past performance.

The University has estimated the number of future employees within the USS scheme and salary payments over the period of the contracted obligation in assessing the value of this provision.

The assumptions used in calculating the provision are as follows:

	2018 %	2017 %
Discount rate	2.16	1.85
Inflation	1.5 to 2.15	1.5 to 2.5

Additions in the year arise from the unwinding of the discount on the provision (£532,965) and changes in assumptions relating to future staff membership and salary inflation (£1,278,928).

### Defined benefit obligations

The obligation in relation to the University's Pension and Assurance Scheme (PAS) arises from the contractual obligation with the pension scheme for a net defined benefit liability.

This is the present value of obligations under the defined benefit plans at the reporting date. The University has engaged Aon Hewitt to determine the value of this obligation.

Further information is available in note 27.

### Other provisions

#### Decommission of science facilities - £260,000

This obligation relates to the expected costs of decommissioning certain scientific facilities within the University. Based upon knowledge at the date of signing the financial statements it is expected that the decommissioning will take place in 2027.

#### Severance payments on termination - £92,000

This obligation is for amounts payable in severance payments in respect of staff who have elected to take voluntary severance. Provisions for severance payments are calculated on the basis of estimated costs for members of staff where there is a constructive or contractual obligation on the part of the University.

#### Reductions to future government funding - £1,034,000

This obligation is for the expected reduction in Office for Students teaching grant following the submission and audit of student number returns in the period. It is anticipated this will be fully utilised during 2018-19.

#### Clawback of government funding - £457,000

This obligation relates to the expected clawback of government funding due to a breach of grant conditions. Based upon knowledge at the date of signing the financial statements it is expected the payment will be made in 2023.



## NOTES TO THE ACCOUNTS – YEAR ENDED 31 JULY 2018

### 18 Contingent liabilities

In accordance with the requirements of the SORP, the University currently recognises a provision for its obligation to fund past deficits arising within the Universities Superannuation Scheme (USS). The recovery plan in the 2014 actuarial valuation requires employers to contribute 2.1% of salaries towards repairing the deficit over a period of 17 years, of which 14 years remain. Details of this provision, which has been discounted at a rate of 2.16% as at 31 July 2018, are included in note 17 to the financial statements.

The 2017 actuarial valuation of USS has been undertaken but this has not yet been formally completed. The 2017 valuation has set out the challenges currently facing the scheme and the likelihood of significant increases in contributions being required to address these challenges.

In the judgement of the University, as the 2017 valuation has not formally completed, and there remains various stages of consultation around the key factors specifically relating to the funding of the past deficit, including the level of contributions required, the period of the recovery plan and the level of asset performance over the period, it remains appropriate to continue to account for the past deficit obligation in accordance with the plan agreed after the 2014 actuarial valuation.

However, there is a significant risk that the year-end provision as calculated will not reflect the position following the final outcome of negotiations, potentially by a very significant amount depending upon what is finally agreed as regards future deficit contributions and their duration. The University expects to have greater clarity in this respect during the next financial year. Based on the inputs to the model, the following sensitivity analysis outlines the potential impact on the existing liability of £28.5 million (assuming the same discount rate of 2.16%):

	14 years	17 years	20 years
<b>Impact of 1% increase</b>	£13.5 million	£21.3 million	£28.2 million
<b>Impact of 3.9% increase to 6%</b>	£52.9 million	£67.9 million	£81.3 million

### 19 Financial instruments

The carrying values of the University's financial assets and liabilities are summarised below:

	31 July 2018		31 July 2017	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>Financial assets</b>				
<b>Measured at fair value through income and expenditure</b>				
Investments in listed shares	257	257	288	288
Investments in securities	14,943	14,943	13,959	13,959
<b>Measured at amortised cost</b>				
Loans receivable	-	2,231	-	2,454
<b>Measured as undiscounted amount receivable</b>				
Trade and other receivables	22,256	23,648	18,801	19,973
<b>Measured at cost less impairment</b>				
Investments in unlisted equity instruments	-	300	-	300
	<b>37,456</b>	<b>41,379</b>	<b>33,048</b>	<b>36,974</b>
<b>Financial liabilities</b>				
<b>Measured at fair value through income and expenditure</b>				
Derivative financial instruments	4,770	4,770	5,989	5,989
<b>Measured at amortised cost</b>				
Loans payable	73,187	73,187	76,050	76,050
<b>Measured at undiscounted amount payable</b>				
Trade and other payables	20,447	20,294	21,847	21,775
	<b>98,404</b>	<b>98,251</b>	<b>103,886</b>	<b>103,814</b>

## 20 Endowment reserves

	Restricted permanent endowment 2018 £'000	Unrestricted permanent endowment 2018 £'000	Total 2018 £'000	Total 2017 as restated £'000
<b>Balances at 1 August</b>				
Capital	2,796	1,029	3,825	3,727
Unapplied return	1,539	379	1,918	1,586
	4,335	1,408	5,743	5,313
New endowments	4	2	6	13
Investment income	133	127	260	144
Expenditure	(163)	(150)	(313)	(101)
Increase in market value of investments	237	90	327	374
<b>Total endowment comprehensive income for the year</b>	211	69	280	430
<b>At 31 July</b>	<b>4,546</b>	<b>1,477</b>	<b>6,023</b>	<b>5,743</b>
<b>Represented by:</b>				
Capital	2,867	1,055	3,922	3,825
Unapplied return	1,679	422	2,101	1,918
	4,546	1,477	6,023	5,743
<b>Analysis by type of purpose:</b>				
Lectureships			384	366
Scholarships and bursaries			1,931	1,819
Research support			371	364
Prize funds			928	882
General			2,410	2,312
			<b>6,023</b>	<b>5,743</b>
<b>Analysis by asset:</b>				
Non-current asset investments			5,395	4,991
Cash and cash equivalents			628	676
Pledged endowment debtor			-	76
			<b>6,023</b>	<b>5,743</b>

**20 Endowment reserves (continued)**

During the year the University changed its approach to investment management, adopting a total return approach for all endowments. The endowment reserves have therefore been restated to recognise the proportion of the total investment return that has been applied to the permanent funds. The impact of this restatement is summarised below:

	<b>Total permanent endowments</b>		
	<b>2017 as previously reported</b>	<b>Impact of total returns adjustment</b>	<b>2017 as restated</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Balance at 1 August</b>			
Capital	4,615	(888)	3,727
Accumulated income	698	(698)	-
Unapplied total return	-	1,586	1,586
	5,313	-	5,313
<b>Total endowment comprehensive income for the year</b>	430	-	430
<b>Balance at 31 July</b>			
Capital	4,991	(1,166)	3,825
Accumulated income	752	(752)	-
Unapplied total return	-	1,918	1,918
	5,743	-	5,743



## 20 Endowment reserves (continued)

### Restricted expendable endowments

	Total 2018 £'000	Total 2017 £'000	
<b>Balances at 1 August</b>			
Capital	8,770	8,128	
Accumulated income	3,185	574	
	<u>11,955</u>	<u>8,702</u>	
New endowments	3,260	2,947	
Investment income	301	282	
Expenditure	(1,372)	(614)	
Increase in market value of investments	458	638	
<b>Total endowment comprehensive income for the year</b>	<u>2,647</u>	<u>3,253</u>	
<b>At 31 July</b>	<b><u>14,602</u></b>	<b><u>11,955</u></b>	
<b>Represented by:</b>			
Capital	9,338	8,770	
Accumulated income	5,264	3,185	
	<u>14,602</u>	<u>11,955</u>	
<b>Analysis by type of purpose:</b>			
Lectureships	2,000	-	
Scholarships and bursaries	1,673	1,708	
Research support	9,375	8,817	
Prize funds	78	77	
General	1,477	1,353	
	<u>14,602</u>	<u>11,955</u>	
<b>Analysis by asset:</b>			
Current asset investments	9,338	8,770	
Cash and cash equivalents	3,164	1,885	
Pledged endowments debtor	2,100	1,300	
	<u>14,602</u>	<u>11,955</u>	
<b>Analysis of major endowments:</b>			
	Capital £'000	Income £'000	Total £'000
<b>van Geest Foundation Heart and Cardiovascular Disease Research Fund</b>			
Balance at 1 August 2017	5,332	271	5,603
Investment income	-	181	181
Expenditure	-	(120)	(120)
Increase in market value of investments	340	-	340
<b>Balance at 31 July 2018</b>	<u><b>5,672</b></u>	<u><b>332</b></u>	<u><b>6,004</b></u>

## NOTES TO THE ACCOUNTS – YEAR ENDED 31 JULY 2018

### 20 Endowment reserves (continued)

	Capital £'000	Income £'000	Total £'000
<b>The Mayer Family Fund</b>			
Balance at 1 August 2017	-	2,300	2,300
Expenditure	-	(818)	(818)
<b>Balance at 31 July 2018</b>	<b>-</b>	<b>1,482</b>	<b>1,482</b>

### 21 Restricted reserves

Reserves with restrictions are as follows:

	Donations £'000	Other restricted funds £'000	Total 2018 £'000	Total 2017 £'000
<b>Consolidated and University</b>				
<b>Balances at 1 August</b>	1,235	1,412	<b>2,647</b>	837
New donations	1,746	-	<b>1,746</b>	1,412
New other restricted funds	-	243	<b>243</b>	879
Expenditure	(1,601)	(76)	<b>(1,677)</b>	(481)
<b>Total restricted comprehensive income for the year</b>	<b>145</b>	<b>167</b>	<b>312</b>	<b>1,810</b>
<b>At 31 July</b>	<b>1,380</b>	<b>1,579</b>	<b>2,959</b>	<b>2,647</b>

#### Analysis of restricted funds by type of purpose:

Scholarships and bursaries			<b>971</b>	1,195
Research support			<b>1,369</b>	1,205
Prize funds			-	8
General			<b>619</b>	239
			<b>2,959</b>	<b>2,647</b>

### 22 Cash and cash equivalents

	At 1 August 2017 £'000	Cash flows £'000	At 31 July 2018 £'000
<b>Consolidated</b>			
Cash and cash equivalents			
Endowed cash and cash equivalents	2,561	1,231	3,792
Non-endowed cash and cash equivalents	36,730	(10,241)	26,489
	<b>39,291</b>	<b>(9,010)</b>	<b>30,281</b>
<b>University</b>			
Cash and cash equivalents			
Endowed cash and cash equivalents	2,561	1,231	3,792
Non-endowed cash and cash equivalents	36,693	(10,256)	26,437
	<b>39,254</b>	<b>(9,025)</b>	<b>30,229</b>

## 22 Cash and cash equivalents (continued)

Non-endowed cash and cash equivalents includes £3,049,000 (2016-17: £9,087,000) of term deposits with a maturity of three months or less from the date of placement. At 31 July 2018 the weighted average interest rate of these fixed rate deposits was 0.31% per annum and the weighted average period for which the interest rate is fixed on these deposits was one day.

## 23 Capital commitments

Provision has not been made for the following capital commitments at 31 July:

	31 July 2018		31 July 2017	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Commitments contracted for	29,738	29,738	7,577	7,577

## 24 Lease obligations

Total rentals payable under operating leases are as follows:

	Land and buildings £'000	Other leases £'000	Total 2018 £'000	Total 2017 £'000
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### Consolidated and University

#### Future minimum lease payments due:

Not later than one year	525	438	963	977
Later than one year and not later than five years	1,475	378	1,853	1,680
Later than five years	411	-	411	188
<b>Total lease payments due</b>	<b>2,411</b>	<b>816</b>	<b>3,227</b>	<b>2,845</b>

Land and building leases are held in respect of office premises and car parking facilities. Other leases comprise vehicle and computer equipment leases.

## 25 Subsidiary undertakings

The subsidiary companies (all of which are registered in England and Wales) wholly-owned or effectively controlled by the University are as follows:

Company	Principal activity	Status	Note
College Court Conference Centre Limited	Operating of a conferencing facility	100% owned	11
The Leicester Services Partnership Limited	Operating of catering facilities	50% owned	11
Leicester Academic Library Services Limited	Not trading	100% owned	-
UOL Investments Limited	Not trading	100% owned	-
UOL FC Limited	Not trading	100% owned	-

The Leicester Services Partnership Limited is a joint arrangement between the University and University of Leicester Students' Union. It is accounted for as a subsidiary of the University on the basis that the University can exercise a majority of voting rights.

UOL Investments Limited and UOL FC Limited were incorporated on 13 March 2018. There are no plans for these subsidiary companies to commence trading in 2018-19.



**26 Events after the reporting period**

Following a High Court ruling on 26 October 2018, all defined benefit pension schemes will be subject to a GMP equalisation adjustment which will result in increased liabilities. Work has commenced to quantify the impact of this ruling on the University's pension liabilities. This is considered to be a non-adjusting event for these financial statements.

**27 Pension schemes**

Different categories of staff are eligible to join one of the following schemes:

- Universities Superannuation Scheme (USS)
- University of Leicester Pension and Assurance Scheme (PAS)
- National Health Service Pension Scheme (NHS)
- The University of Leicester Stakeholder Scheme
- The College Court Stakeholder Scheme
- The Leicester Services Partnership Stakeholder Scheme

The USS, PAS and NHS schemes are defined benefit schemes. The other schemes are defined contribution schemes.

The amounts charged to staff costs in respect of the schemes is as follows:

	<b>Year ended 31 July 2018</b>	<b>Year Ended 31 July 2017</b>
	<b>£'000</b>	<b>£'000</b>
Universities Superannuation Scheme	18,380	17,635
University of Leicester Pension and Assurance Scheme (PAS)	-	-
University of Leicester Stakeholder Scheme	1,489	1,546
NHS pension Scheme	1,035	973
College Court Stakeholder Scheme	31	13
Leicester Services Partnership Stakeholder Scheme	120	33
Aviva Group Personal Pension Scheme	-	3
	<b>21,055</b>	<b>20,203</b>

In the prior year the University contributed to the Aviva Group Personal Pension Plan for one employee subject to a TUPE transfer arrangement.

**(i) The Universities Superannuation Scheme**

As at 31 July 2018 there are 2,337 (2016-17: 2,196) active members of USS.

The latest available complete actuarial valuation of the Retirement Income Builder section of the Scheme is at 31 March 2014 (the valuation date), which was carried out using the projected unit method. The valuation as at 31 March 2017 is underway but not yet completed.

## 27 Pension schemes (continued)

Since the University cannot identify its share of Retirement Income Builder section of the Scheme assets and liabilities, the following disclosures reflect those relevant for the section as a whole.

The 2014 valuation was the third valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the Scheme was £41.6 billion and the value of the Scheme's technical provisions was £46.9 billion indicating a shortfall of £5.3 billion. These figures will be revised once the 2017 Scheme Valuation is complete.

Defined benefit liability numbers for the Scheme for accounting purposes have been produced using the following assumptions as at 31 March 2017 and 2018.

	2018	2017
Discount rate	2.64%	2.57%
Pensionable salary growth	n/a	n/a
Pension increases (CPI)	2.02%	2.41%

The main demographic assumption used relates to the mortality assumptions. These assumptions have been updated for the 31 March 2018 accounting position, based on updated analysis of the Scheme's experience carried out as part of the 2017 actuarial valuation. The mortality assumptions used in these figures are as follows:

	2018	2017
<b>Mortality base table</b>	<b>Pre-retirement</b>	
	71% of AMC00 (duration 0) for males and 112% of AFC00 (duration 0) for females.	98% of SAPS S1NA "light" YOB unadjusted for males.
	<b>Post retirement</b>	
	96.5% of SAPS S1NMA "light" for males and 101.3% of RFV00 for females.	99% of SAPS S1NA "light" YOB with a -1 year adjustment for females.
<b>Future improvements to mortality</b>	CMI_2016 with a smoothing parameter of 8.5 and a long term improvement rate of 1.8% pa for males and 1.6% pa for females.	CMI_2014 with a long term rate of 1.5% p.a.

The current life expectancies on retirement at age 65 are:

	2018	2017
Males currently aged 65 (years)	24.5	24.4
Females currently aged 65 (years)	26.0	26.6
Males currently aged 45 (years)	26.5	26.5
Females currently aged 45 (years)	27.8	29.0

<b>Existing Benefits</b>	<b>£ billion</b>	<b>£ billion</b>
Scheme assets	63.6	60.0
Total scheme liabilities	72.0	77.5
FRS 102 total scheme deficit	8.4	17.5
FRS 102 total funding level	88%	77%

**27 Pension schemes (continued)**

**(ii) University of Leicester Pension and Assurance Scheme**

The University of Leicester Pension and Assurance Scheme is a defined benefit scheme and a registered pension scheme for tax purposes (reference number 100222535).

The Scheme closed to new members in July 2003 and then on 31 March 2016 to future benefit accrual. The Scheme was contracted out of the State Second Pension Scheme until its closure. Active members of the Scheme at the closure date were enrolled into The University of Leicester Stakeholder Plan or, if eligible, the Universities Superannuation Scheme (USS). As at 31 July 2018, there are 1,040 (2016-17: 1,083) deferred members of the Scheme.

The Trustees of the Scheme have the responsibility for its management. The Scheme administrators are Aon Hewitt who also act as consultant and actuary to the Scheme.

The last actuarial valuation was held on 31 July 2016 and this reported a past service deficit of £54.9 million, which represented a funding ratio of 72%. A recovery plan has been agreed with the University which provides for repayment of this deficit by 31 August 2029. The next actuarial valuation is due on 31 July 2019.

**Assumptions**

The financial assumptions used to calculate scheme liabilities under FRS 102 are:

	<b>At 31 July 2018</b>	<b>At 31 July 2017</b>
	<b>%pa</b>	<b>%pa</b>
Price inflation (RPI)	3.15	3.15
Price inflation (CPI)	2.15	2.15
Rate of increase in salaries	2.00, 1.5, 1.5, 1.5 and 2.15 thereafter	1.84, 1.5, 1.5, 1.5 and 2.15 thereafter
Revaluation	2.15	2.15
Discount rate for scheme liabilities	2.70	2.45
<b>Pension increases</b>	<b>%pa</b>	<b>%pa</b>
Pre 06.04.1988 GMP	0.00	0.00
Post 05.04.1988	1.90	1.90
Pre 06.04.1997 Non-GMPs	3.00	3.00
Post 05.04.1997	3.00	3.00
Post 01.08.2012	2.20	2.20

## 27 Pension schemes (continued)

The most significant non-financial assumption is the assumed level of longevity. The main demographic assumption used relates to mortality assumptions. Mortality in retirement is assumed to be in line with the Continuous Mortality Investigations (CMI) S2PXA tables. The table below shows the life expectancy assumptions used in the accounting assessments based on the life expectancy of male and female members at age 65.

	Male pensioner (currently aged 65)	Male non-pensioner (currently aged 45)	Female pensioner (currently aged 65)	Female non-pensioner (currently aged 45)
At 31 July 2017	21.3	22.7	23.7	25
At 31 July 2018	21.2	22.6	23.7	24.9

### Scheme assets and expected rate of return for PAS

The expected return on assets has been derived as the weighted average of the expected returns from each of the main asset classes (i.e. equities and bonds).

The expected return for each asset class reflects a combination of historical performance analysis, the forward looking views of the financial markets (as suggested by the yields available) and the views of investment organisations.

The assets in the Scheme were:

	Fair value as at	
	31 July 2018	31 July 2017
	£'000	£'000
Equities	38,923	41,644
Bonds	42,417	37,148
Property	5,369	5,167
Diversified growth funds	60,382	56,892
Cash	1,247	7,533
<b>Total</b>	<b>148,338</b>	<b>148,384</b>

PAS assets do not include any of the University's own financial instruments, or any property occupied by, or other assets used by, the University.



## NOTES TO THE ACCOUNTS – YEAR ENDED 31 JULY 2018

### 27 Pension schemes (continued)

	31 July 2018 £'000	31 July 2017 £'000
<b>Analysis of the amount shown in the balance sheet for PAS:</b>		
Scheme assets	148,338	148,384
Scheme liabilities	(198,460)	(209,481)
<b>Deficit in the scheme – net pension liability recorded within pension provisions (note 17)</b>	<b>(50,122)</b>	<b>(61,097)</b>
<b>Analysis of the amount charged to expenditure for PAS:</b>		
Current service cost	-	-
Admin expenses	532	621
<b>Total operating charge:</b>	<b>532</b>	<b>621</b>
<b>Analysis of the amount charged to interest payable for PAS:</b>		
Interest on net deficit	1,491	1,229
<b>Total income and expenditure charge before deduction for tax</b>	<b>2,023</b>	<b>1,850</b>
<b>Analysis of other comprehensive income for PAS:</b>		
Gain on assets	3,135	4,978
Experience gain/(loss) on liabilities	9,387	(15,285)
<b>Total other comprehensive income before deduction for tax</b>	<b>12,522</b>	<b>(10,307)</b>
<b>Changes in value of defined benefit obligation</b>		
<b>Present value of PAS liabilities at the start of the year</b>	<b>209,481</b>	<b>195,901</b>
Interest expense on defined benefit obligation	5,051	4,531
Actuarial (gain)/loss	(9,387)	15,285
Actual benefit payments	(6,685)	(6,236)
<b>Present value of PAS liabilities at the end of the year</b>	<b>198,460</b>	<b>209,481</b>
<b>Analysis of movement in the fair value of scheme assets</b>		
<b>Fair value of assets at the start of the year</b>	<b>148,384</b>	<b>141,596</b>
Interest income on assets	3,560	3,302
Gain on assets	3,135	4,978
Actual contributions paid by University	476	5,365
Actual benefit payments	(6,685)	(6,236)
Admin costs incurred	(532)	(621)
<b>Fair value of scheme assets at the end of the year</b>	<b>148,338</b>	<b>148,384</b>

## 27 Pension schemes (continued)

	31 July 2018 £'000	31 July 2017 £'000
<b>Actual return on scheme assets</b>		
Interest income on scheme assets	3,560	3,302
Gain on scheme assets	3,135	4,978
	<b>6,695</b>	<b>8,280</b>

### (iii) NHS Pension Scheme

The NHS Pension Scheme is a multi-employer defined benefit scheme that is treated as a defined contribution scheme as it is not possible to identify the University's share of the underlying assets and liabilities. As at 31 July 2018, the University has 101 (2016-17: 90) employees who are members of the Scheme. The University allows continued membership of the Scheme for new employees who are already members of the Scheme. Employees contribute between 5% and 14.5% of pensionable earnings to the scheme, whilst the University contributes a standard 14.3% of the employees' pensionable earnings. The employee % rate is based on their earnings in a year.

### (iv) The University of Leicester Stakeholder Scheme The College Court Stakeholder Scheme The Leicester Services Partnership Stakeholder Scheme

All three Schemes, defined contribution pension schemes offered through and administered by Aviva, are open to University support staff in salary grade level 5 and below, all employees of its trading subsidiaries and also available to casual workers. The Schemes' terms and conditions, employee and employer rates were normalised between the three schemes during the year.

As at 31 July 2018, each scheme had active members as follows:

	2018	2017
The University of Leicester Stakeholder Scheme	1,290	1,278
The College Court Stakeholder Scheme	35	33
The Leicester Services Partnership Scheme	97	100

Each scheme employer contributes to the Scheme in proportion to that of member contribution rate as a percentage of pensionable pay, according to the table below.

	Employee's contribution	Employer's contribution
Tier 1	3%	5%
Tier 2	4%	7%
Tier 3	5%	9%
Tier 4	6%	11%
	7% or more	11%

The Schemes operate an opt-in salary sacrifice arrangement for pension deductions.

As of 1 January 2016, all new scheme members are enrolled in the Aviva My Future Fund default investment fund, whilst prior to this date the default invest fund was the Baillie Gifford Managed Fund. The Aviva default investment fund incorporates a lifestyle strategy which changes the mix of default investments as the member nears their chosen retirement age from growth investments to lower risk funds.

The Aviva My Future Fund carries a management charge of 0.43% (2016-17: 0.43%) of fund value. The Baillie Gifford Managed Fund management charge is 0.69% (2016-17: 0.69%) of fund value.

The University maintains an Advisory and Issues Group, which has employee representation, and supports the governance of the Scheme(s) and provides advice on the Scheme(s) to the University's Finance Committee. The Scheme(s) retains KPMG LLP as independent pensions' advisors.

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