

FINANCIAL STATEMENTS

2018-19



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2018-19 AT A GLANCE – YEAR ENDED 31 JULY 2019

£330.9 million

total income

£2.9 million

underlying surplus

£168.2 million

income from tuition fees

£58.1 million

research income

£2.0 million

new endowments and donations

£190.1 million

staff costs

£12.7 million

operating cash flow

2,855

student intake

79.9%*

of our staff have a teaching qualification

*subject to HESA confirmation

84%

of our students are satisfied

94.4%

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

82%

completion rate

72nd

UK Stonewall Workplace Equality Index for lesbian, gay, bi and trans equality

28,000

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

£73.3 million

of research grants awarded

UNIVERSITY OVERVIEW AND STRATEGIC REPORT

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 Executive Board, 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 Executive Board.

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 lead 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

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 research partnerships and networks, including significant ongoing activity with developing countries via the Global Challenges Research Fund. We continue to strengthen our links with European research funding programmes, notably Horizon 2020.

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 continue to 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 2018-19 of £73.3 million. Significant awards include:
 - £13.75 million from UK Research Partnership Investment Fund (UK-RPIF) to support Space Park Leicester (our largest ever award) together with more than £30 million industrial-match funding.

- Two Research England Connecting Capabilities Fund projects: UK space research innovation network and technology programme (£5 million) and Midlands Innovation Commercialisation of Research Accelerator (MICRA) (£5 million).
- £2 million (jointly with University Hospitals Leicester) from the UK Space Agency to develop a new mobile app providing disease specific exercise advice.
- Three College of Social Sciences Arts and Humanities awards totalling £4.6 million from the European Research Council (ERC) plus ERC Starting Grant awarded to Dr Eloise Marais in the College of Science and Engineering (€2 million).
- A number of high-value agreements with key pharma commercial partners have been signed, enabling large complex clinical trials with the potential for high impact. These include contracts with Astra Zeneca (£2.7 million), Eli Lilly (£1.6 million), GSK (£2.5 million) and Roche (£1.3 million).
- UK-RPIF £13.5 million Manufacturing, Engineering, Technology and Earth Observation Research Centre (METEOR) project formally awarded.
- Award of Natural Environment Research Council (NERC) programme coordination team for the £10.5 million Strategic Priority Fund 'landscape decisions' (£725,000).
- ESA/UKSA/NHS project awarded £1.5 million looking at an exercise platform using pollution monitoring information.

Key performance indicators:

Research income and growth

Research income represented 17.6% of 2018-19 total income (2017-18: 16.6%). We are targeting research income to be 20% of total income by 2019-20.

Research income has grown for 2018-19 to £58.1 million (2017-18: £54.9 million). This figure is projected to continue to grow in future years as the impact of the strong awards performance in year 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

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:

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 Education Excellence programme continues to drive projects across a range of areas: student support/community, assessment and feedback, and inclusive curriculum. Student Support workshops are delivered in seven key departments.
- The Personalised Calendar Service is now available to all students.
- The Leicester Award is embedded across all Year 1 core modules.
- In the 2018/19 academic year 15 new programmes were approved along with two year abroad variants and one year in industry variant added to existing programmes, ensuring students have access to vibrant teaching experiences.
- The University continues to focus on its portfolio of collaborative activity, expanding our offer at the Dalian Leicester Institute in China.

- The Standing Together initiative continues to raise visibility of the need to make a stand against sexual violence, bullying and harassment on campus. It has provided a platform on which to develop support services and interventions, including the delivery of regular awareness campaigns across campus, training of frontline staff, student-focused animations and electronic reporting mechanisms.

Key performance indicators:

Student recruitment

For Home/EU undergraduate intake in 2018-19 we had a target of 3,448. We recruited 2,855 students, which is notably less than our 2017-18 intake of 3,441. However this was a conscious decision in order to maintain a high tariff.

Teaching excellence

The University achieved a rating of Silver in the Government's new Teaching Excellence Framework (TEF). 79.9%* of our staff have a teaching qualification (2017-18: 73.9%). Our target is to achieve 90% over the next five years. 18 of our academics have won National Teaching Awards for their outstanding and distinctive contributions.

Student satisfaction

84% of our students are satisfied, according to the results of the 2019 National Student Survey (NSS). Our target is 90%.

Student success

The percentage of students receiving a good honours degree for the 2017-18 cohort of students was 82% (compared to 83% of students in 2016-17). 2018-19 data will be available after November 2019.

The latest sector information held around graduate leavers from Higher Education remains the Destination of Leavers from Higher Education survey (DLHE) score received in 2016-17 which pitched the university at 94.4% with a target set at 95%.

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 be available in spring 2020.

Risks to success:

- It is becoming increasingly clear that the BAME student experience needs more focus as it is affecting overall NSS scores and attainment is poor relative to white students.
- 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 Student Experience Action Groups for key schools, and embedded the Education Excellence Programme which delivers a number of initiatives, working collaboratively across students, professional services and schools. Development of teaching and social learning space is also improving student experience.
- The Graduate Outcomes survey poses significant risks linked to the TEF rating for employability being double weighted. Practical steps to mitigating against the risk are being undertaken and managed by the Graduate Outcomes Working Group and the manager for Student Voice and Partnership. Specific activity includes embedding the Leicester Award and Leicester Award Gold initiatives, focusing on providing opportunities for significant experience for all students and the development of the accelerator programme.

*subject to HESA confirmation

DISCOVERY-ENABLING CULTURE

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

In August 2019 we launched a new Dignity and Respect at Leicester policy and practice framework. We remain committed to our ambitions in relation to Athena SWAN, Race Equality Charter, the Stonewall Index and Disability Confident Scheme.

Developing talent in people

We want 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. We are developing career pathways for colleagues who work in professional services.

Celebrating and rewarding success

Our approach to performance development discussions, reward, recognition and promotion for all staff is transparent, understandable and fair, acknowledging excellence in contributions both from individual colleagues and teams. Exceptional performance is recognised at the annual Discovering Excellence Awards.

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 performance indicators:

Gender pay gap

The gender pay gap is the percentage difference in mean or median pay per hour between female and male staff.

The University's mean gender pay gap is 23.1%, and its median gender pay gap is 19.0%, which is a slight improvement from 2017 when the mean gender pay gap was 24.1% and the median gender pay gap was 22.7%

Mean bonus gap	64.4%
Median gender bonus gap	0%
Proportion of males receiving a bonus	5.4%
Proportion of females receiving a bonus	4.3%

The University has a range of actions in place to close its gender pay gap but it will take time to see the impact of these. Our work around recruitment, pay and reward, promotion and progression, support and development will continue, we will take targeted action where appropriate and support all staff facing barriers.

Trade union time

In 2018-19 a total of 52 employees were trade union officials. The percentage of their time spent on facility time was:

0%	18 officials
1-50%	34 officials
Total employees who were union officials	52 officials
% of pay bill spent on facility time	0.12%
Time spent on paid trade union activities as a % of total paid facility hours	13.43%

Athena SWAN gender equality charter award

The University achieved two Bronze departmental awards in 2018-19. In total, the University has 14 departmental Athena SWAN awards (8 Bronze and 6 Silver), and an institutional Silver award (awarded 2018).

Development for women

In the period since the Aurora women's leadership development initiative was launched we have developed a network of around 80 colleagues, which includes alumnae, participants, mentors and role models. In 2019, to build on this success, we set up our own internal programme, Women Leading with Purpose.

Stonewall Workplace Equality Index

In 2018-19 the University ranked 72nd in the UK Stonewall Workplace Equality Index for LGBT+ equality. Areas of identified strength include the University's policies and benefits, the employee lifecycle, community engagement and support and inclusion for students.

Staff equality, diversity and inclusion training

In September 2016, we introduced a mandatory staff development module on equality, diversity and inclusion. As of 31 March 2019, almost 80% of staff had completed the module. In July 2018, we also introduced a new mandatory staff development module on challenging unconscious bias. As of 31 March 2019, almost 80% of staff had completed the module.

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. During 2018-19 we launched a range of activities such as the colleague engagement group, Executive Board focus groups, 'pulse' staff surveys and workshops to embed our VITAL values.
- With the uncertainty of Brexit, it is expected that pressures on recruitment of non-UK staff will increase. There is a current proposal that a new points-based immigration system will be introduced following the UK leaving the EU which will govern how we employ non-UK nationals. This is likely to increase the costs associated with the provision of sponsorship and increase the administrative burden of compliance with UKVI regulations. We will continue to closely monitor the data around recruitment and retention of international staff and any proposed changes to the points-based system.

DISCOVERY-ENABLING ENVIRONMENT

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 campus masterplan to deliver a 21st 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 bring our city-living accommodation together to offer a vibrant student community, and 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:

- Approaching completion, the Brookfield site provides a bright, vibrant, productive and collegiate home for the School of Business. Newly refurbished Brookfield House was previously owned by one of the University's founders, Thomas Fielding Johnson. A new building contains a lecture theatre and other learning spaces.
- The Percy Gee east wing extension is due for completion in Easter 2020. This includes a new food court, shared spaces for the University and Student Union's student services, plus other student facilities and an IT suite.
- The project to develop Freeman's Common will provide almost 1,200 new student bed spaces, a teaching and learning centre and a multi-storey car park. It will be completed in stages between September 2020 and September 2022.

- Work on Space Park Leicester starts in November 2019. External funding towards phase 2 of the project enables us to continue to develop our research capability and collaborate with industry partners. Phase 1 will be ready to occupy in March 2021, phase 2 later that year.
- Summer work on the Attenborough seminar block, in the Physics Building and Bennett Building has delivered improved social space and collaborative learning spaces. Two refurbished lecture theatres in the Bennett Building greatly enhance the learning environment.
- We hosted regular meetings with neighbours, local community groups and the City Council to support our students in the local community and to promote student activity and engagement in Leicester.
- Our new timetabling system allows students and staff to receive personalised teaching and learning calendars synchronised to their Office 365 calendar and available on their mobile device.
- To support postgraduate students we have rolled out a new system for managing PGR studies called MyPGR
- Improvements to our digital learning environment include new in-class engagement tools, standardised look and feel, and an improved interface with the student records system, give students quicker access to their materials.
- We've enhanced student study support through the delivery of a Personal Tutor Dashboard, putting more data and information quickly into the hands of personnel.

Key performance indicators:

NSS 2019

- Satisfaction with IT resources and facilities: 84.54% (2017-18: 84.23%)
- Satisfaction with library resources: 88.46% (2017-18: 86.29%)
- Satisfaction with course-specific resources: 87.76% (2017-18: 87.16%)

Facilities in RICS good condition

- 2017-18: 75.3% 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. 2018-19 figures are being finalised.

Absolute carbon emissions

- In 2017-18 we reduced our carbon emissions by 9% to 21,494 tCO₂ (2016-17 23,563 tCO₂). 2018-19 figures are being finalised.

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 before USS pension adjustments of £2.9 million with income growing by 0.2%. Total net assets decreased by 48% reflecting adjustments to the USS pension provision of £46.5 million. A net cash inflow of £31.2 million reflects a new £55 million private placement in support of continuing capital investment.

The summary financial results for the year are below:

	2018-19	2017-18
	£m	£m
Income	330.9	330.4
Expenditure	(332.8)	(328.5)
Other gains	4.8	1.7
Surplus for the year before movement on USS pension	2.9	3.6
Movement on USS pension	(46.5)	-
(Deficit)/surplus for the year	(43.6)	3.6
Non-current assets	402.9	384.7
Current assets	106.5	71.6
Current liabilities	(98.2)	(97.2)
Non-current liabilities	(213.4)	(162.3)
Provisions	(137.3)	(80.4)
Total net assets	60.5	116.4
Operating cash flows	12.7	18.0
Investing cash flows	(30.7)	(23.4)
Financing cash flows	49.2	(3.6)
Net cash flows	31.2	(9.0)
Cash and cash equivalents	61.5	30.3

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 a contribution of £0.7 million before internal recharges. The Leicester Services Partnership Limited, a joint catering and retail initiative with our Students' Union, has completed its second full year of trading with sales of £6.8 million.

Capital investment

We have invested £44 million in our estate and infrastructure. Two major campus projects continued during 2018-19 – the £15.8 million renovation of our Brookfield campus for our School of Business and a £21.2 million investment in the Percy Gee building, home to our Students' Union. Both projects are due to complete in 2019-20. The development of 1,164 student bedrooms, a multi-

storey car park, café, academic building and two public squares on our Freeman's Common site began during the year and is due to complete in 2022.

We have also invested £1.0 million in our residential estate, £6.8 million on campus improvements and £9.8 million in our IT and equipment infrastructure.

Having secured a total of £26 million of government funding, work will commence on Space Park Leicester in autumn 2019. The park will become a national hub for space research, learning, public engagement and innovation.

Philanthropy

We have recognised £2 million new endowments and donations comprising ongoing major donations, support from the local community and donations from our alumni.

Pension schemes

We hold two pension provisions on our balance sheet in relation to the University of Leicester Pension and Assurance Scheme (PAS) and the Universities Superannuation Scheme (USS). At 31 July 2019 the PAS provision was £61.0 million, an increase of £10.9 million on the prior year.

Our obligation to fund the deficit on the USS pension scheme currently stands at £75.6 million, an increase of £47.1 million on the prior year. As detailed in note 28, a new schedule of contributions has been agreed which will see this provision reduce to £44.8 million in 2019-20, although uncertainty regarding the USS provision continues to be one of our key risks.

Student numbers

Student numbers decreased by 4.2% to 18,338, driven by a reduction in postgraduate and international students. As a result our tuition fee income decreased by 3% to £168.2 million however recruitment for the 2019-20 academic year is strong and tuition fees are forecast to remain stable.

The distribution of students, on a headcount basis, in 2018-19 and 2017-18 was:

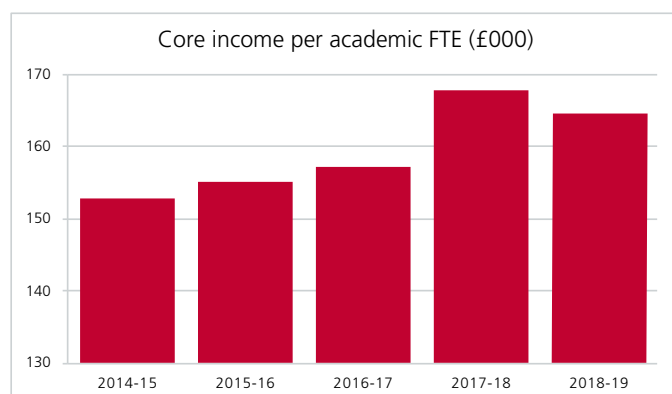
	2018-19	2017-18
Undergraduate	12,413	12,548
Postgraduate	5,925	6,602
	18,338	19,150
Home	12,264	12,544
EU	1,172	1,222
International	4,902	5,384
	18,338	19,150
Full-time	15,293	15,406
Part-time/distance learning	3,045	3,744
	18,338	19,150

KEY PERFORMANCE INDICATORS

Core income per academic FTE*

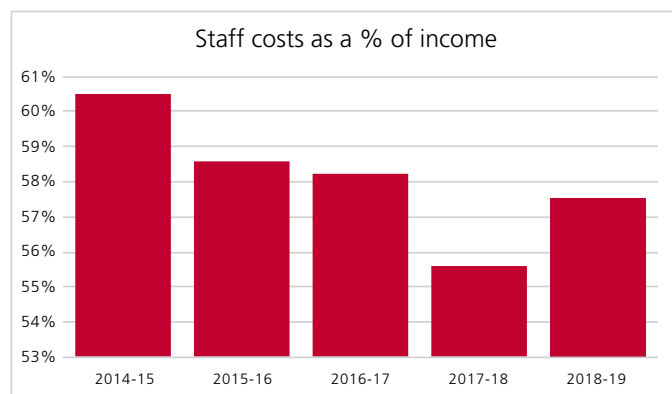
Core income is measured as research income, tuition fees and funding body grants. Income per academic FTE for 2018-19 was £165,000 (2017-18: £168,000), with a small decrease of £3,000 driven by lower tuition fee income.

*full-time equivalent staff numbers



Staff costs as a % of income

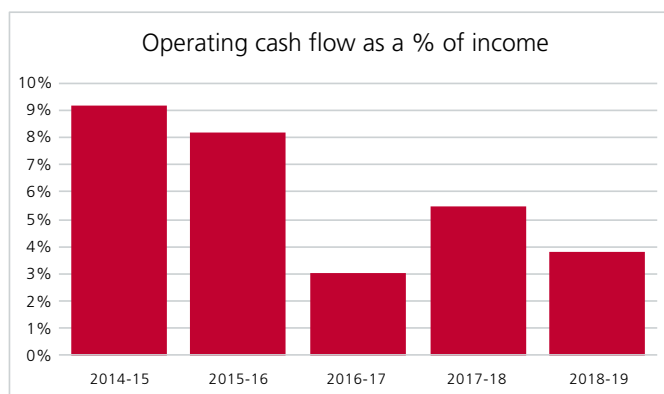
Staff costs increased by £6.4 million (3.5%) from the prior year to £190.1 million and continue to represent the largest element of total costs. Staff costs as a % of income increased from the prior year to 57.5% due to lower tuition fee income being achieved. Our target is to move towards the sector average of 53.8%.



Operating cash flow as a % of income

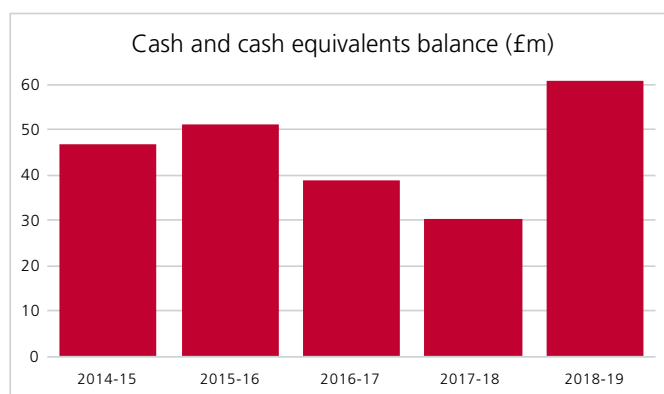
There was a net cash inflow of £12.7 million from operating activities during the year compared to £18.0 million in the previous year, a decrease of £5.3 million. This is principally the result of a lower surplus and working capital movements.

Operating cash flow as a % of income was 3.8%. 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 % of income to be 10% within five years.



Year-end cash balance

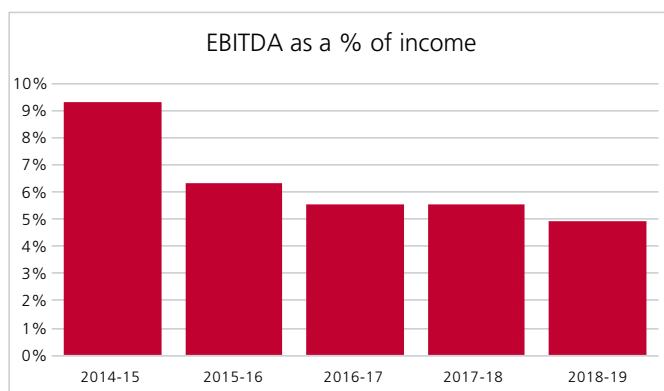
Cash and short-term investments totalled £61.5 million as at 31 July 2019 (2016-17: £30.3 million). This increase of £31.2 million is the result of a £55 million private placement to support our capital investment plans.



EBITDA* as a % of income

EBITDA decreased by £1.9 million from the prior year, a decrease of 10.7%, and EBITDA as a % of income was 5.0%. This key performance indicator has remained stable at 5-6% over the last 4 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 University's strategic position as noted in our risk register. Our key financial risks and opportunities are:

- Tuition fee income planned in the University budgets and forecasts will not be achieved.
- Growth in research income planned in the 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 the 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 we continue to develop partnerships in China.
- Our upcoming centenary celebrations provide an opportunity for community engagement and fundraising.
- Our campus development will enhance our estate and facilities, providing opportunities for student growth.

Future financial outlook and going concern

The 2019-20 financial year has a budget for income to increase to £339 million and forecasts a surplus of £2.5 million before USS pension adjustments. USS adjustments are expected to be favourable in the year as our provision to fund the scheme deficit is updated to reflect the newly agreed schedule of contributions – see note 18 for further details.

In the short to medium term, funding and tuition fees appear to be stable however the longer term financial outlook will be determined by government discussions following the Augur review, political climate and consultation with the sector.

Council confirms that it has reasonable expectations that our 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 our University move towards the achievement of its strategy. In particular, it is satisfied that the academic strategies take account of the environment in which the University is operating.

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

Our new President and Vice Chancellor, Professor Nishan Canagarajah, joined the University on 4 November 2019 and will lead on the development of our new strategy in 2019-20.



PUBLIC BENEFIT STATEMENT

Our Mission

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/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. 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 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.

Tangible impact

Public benefit can also be clearly felt via the learning opportunities and the creation of jobs. 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 are a major bedrock for the economy – contributing 10,000 jobs to the UK economy and 7,000 in Leicester and Leicestershire. We make a major economic contribution – £600 million to the UK economy and £360 million to Leicester and Leicestershire. Almost a quarter of our employed graduates go on to work locally in the Leicester and Leicestershire LEP area. Over three-quarters of our graduates go on to work in high-skilled occupations, compared to 71% nationally

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.

A University in the public eye

Their Royal Highnesses The Duke and Duchess of Cambridge visited the University of Leicester in November 2018 to celebrate the University's work in the local community and with Leicester City Football Club. They met staff and students currently working on projects created to support and enrich the local community, including the Leicester City Football Club Professorship in Child Health, a newly created post, funded through a £1 million donation by the late Vichai Srivaddhanaprabha, Chairman of Leicester City FC. The Leicester City Football Club Professorship in Child Health focuses on how to reach into the community and bridge the discovery and outreach activity at the University with the clinical work at the University's hospitals.

The University also highlighted the impact of its work with the view to informing policy to a range of ministers and MPs who visited the University. Those visiting included Shadow Health Secretary, Jon Ashworth and Minister of State for Universities, Science, Research and Innovation, Chris Skidmore. We also supported the ministerial visit to the National Space Centre of James Brokenshire MP, Midlands Engine Champion and Communities Secretary. Former Liberal Democrat leader and former Business Secretary Vince Cable also visited as did Brandon Lewis, then Chairman of the Conservative Party and Minister without Portfolio.

Communicating our civic contribution

A further way of demonstrating the civic contribution that the University makes through the Attenborough Arts Centre, Botanic Garden and various community and public engagement projects has been developed during the year. A digital platform has been created to highlight examples of our existing civic contribution – focussing on the impact of the University's civic engagement from the beneficiaries themselves:

<https://le.ac.uk/engagement/case-studies>

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 Destinations of Leavers from Higher Education survey (DLHE) 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.

PUBLIC BENEFIT STATEMENT

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 Open Online Courses) on research ethics, museums, Richard III, sustainable development, applied linguistics, and how to write a research proposal for postgraduate applications. These courses run for three to six weeks, on a rolling basis. In 2018-19, more than 28,000 people from across the world joined one of our MOOCs, gaining access to university-standard teaching.

Boosting the city's profile

Our research and discoveries have shaped Leicester, boosted the city's national and international profile and led to the creation of world class tourist destinations. Our expertise led to the creation of the popular National Space Centre which attracts 300,000 visitors to Leicester annually, and a total of almost 4 million since it opened. The discovery of DNA fingerprinting by Professor Sir Alec Jeffreys continues to command global publicity as we mark the 35th anniversary of the discovery.

In a project supported by the Richard III Society and Leicester City Council, our archaeologists uncovered the remains of King Richard III. And in the process we supercharged international tourism to Leicester. Visitors have flocked from every corner of the globe to learn about the remarkable discovery, told in the King Richard III Visitor Centre, and see his final resting place in Leicester Cathedral. A report commissioned by Leicester City Council estimates that the discovery of King Richard III generated more than £59 million for Leicester's economy from the time of the discovery to the reinterment, and attracted an additional 600,000 visitors to Leicester. The King Richard III Visitor Centre was established in 2014 and has welcomed over 350,000 visitors to date.

We make a significant contribution to the cultural life of the city, through the venues and facilities that we run. Our Attenborough Arts Centre delivers a varied programme of performances, courses, workshops, contemporary art exhibitions, family activities and events. The gallery, venue, workshop, and performance space are free to the public and it is one of only five venues in the UK that are purpose-built for disabled artists and audiences. The Centre has approximately 110,000 visits a year, of which around 10% are from disabled people.

Our Botanic Garden offers a unique resource for teaching, research and community engagement, focusing on global biodiversity, providing the opportunity to see and learn about a diverse range of plants in the collections from around the world. The site hosts a series of public events and lectures and welcomes around 50,000 visitors each year. It provides educational courses and activities for more than 11,000 school children and 3,000 adults every year.

We engage with our community through over 2,000 publicly available lectures and events annually. We welcomed over 14,500 attendees at our public lectures during the last academic year, the second highest of any university in the East Midlands and 33rd of all UK universities. We also had over 42,000 attendees at our other public events (performances, exhibitions, museum education and other events).

Research

We are a research intensive institution with a long-established and well-respected reputation in a number of fields. Our five 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.

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.

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 nearly 60 years. The latest instalment in this tradition is the Mercury Imaging X-ray Spectrometer instrument (MIXS) which was 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 School of Physics and Astronomy and will provide never-seen-before 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.

Space Park Leicester

The new purpose built Space Park in Leicester received planning permission approval for the first phase of construction. The £100 million park will create a world-leading hub for space and space-enabled industries to flourish.

Space Park Leicester will be home to some of the UK's leading space research, businesses and world-renowned academics. It will create a highly collaborative commercial and academic community, and will have flexible state-of-the-art accommodation to cater for established multi-national businesses right through to the smallest start-up company. It is anticipated that Space Park Leicester will create more than 2,500 high-value jobs.

The first phase is predominantly focused on Earth observation, including relocating the famous National Centre for Earth Observation, run by University of Leicester. There will also be new first-class teaching and laboratory facilities and some business hosting, which will allow industry partners to collaborate and innovate with University researchers.

Space Park Leicester will develop and work with key future sectors that use space data or technology, such as international communications, resource management, environmental monitoring and disaster relief.

Situated on the former John Ellis school site in Leicester, within the Loughborough and Leicester Science and Innovation Enterprise Zone, the location of the new flagship regional facility ensures it will be a critical component of the UK's National

PUBLIC BENEFIT STATEMENT

Space infrastructure. The development will be delivered by the University of Leicester, working closely with Leicester City Council, the National Space Centre and the Leicester and Leicestershire Enterprise Partnership (LLEP). A £8.175 million grant from the Local Growth Fund was allocated by the LLEP to support the development of the site. There has also been a £1.5 million contribution from the Natural Environment Research Council.

In July, the University received the largest funding award in its history. The new Manufacturing, Engineering, Technology and Earth Observation Research Centre (METEOR) received nearly £14 million in funding through Round 6 of Research England's flagship capital investment scheme, the UK Research Partnership Investment Fund (UKRPIF). This funding will leverage a further £50 million of investments in space and Earth observation (EO) research in Leicester.

Remaining true to our origins

The University of Leicester has a unique history – we are the only university in the world to be established by community funding as a memorial to those who made sacrifices in the First World War. The origins of our university lie in the desire of the people of Leicester, Leicestershire and Rutland to commemorate the sacrifices made by local people for the First World War. We are a university founded by the people and for the people.

On Sunday 11 November 2018 (Armistice Day), we marked 100 years since the end of the First World War. This date also marked the beginning of the story to create a university for Leicester, Leicestershire and Rutland as a living memorial to honour those who made sacrifices during the Great War. Our motto, *Ut vitam habeant* – So that they may have life, stands as a permanent reminder of that story and our unique legacy.

To mark this event, we held an official naming ceremony to dedicate Centenary Square in commemoration of the 100 year anniversary of Armistice Day with a name that recognises the significance of this date in our history.

Sir David Attenborough and Michael Attenborough CBE officially opened the square and also launched our poppy wreath pilgrimage – a three-year project to lay poppy wreaths at war memorials across Leicester, Leicestershire and Rutland – ending in November 2021, the year of our own centenary.

A University of Sanctuary

At the dedication ceremony for Centenary Square, it was announced that the University has attained the status of being a University of Sanctuary.

A University of Sanctuary is an institution that has committed to establishing the best practice possible to welcome asylum seekers and refugees into the university community. The central aim is to help those in need and enable them to realise their potential, helping them to contribute positively to their new home. In practical terms that means welcoming asylum seekers and refugees onto university courses and providing incentives, clear pathways and support to enable them to get involved with university life and make the most of the opportunity in front of them.

Speaking at the official opening of Centenary Square, Sir David Attenborough said: "This university, as the city itself, is notable for its general humanity and support of the community in which it is placed. You have now become a University of Sanctuary, offering scholarships to people who come here for many reasons – to seek safety, sanctuary and learning – and you, the citizens of this city, will be supporting them and I hope will continue to support them."

Healthy outlook

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

We are working with partners on tackling Type 2 diabetes. Leicester City is the first and the only UK city to join the Cities Changing Diabetes (CCD) global network. CCD is an international programme which aims to stem increases in urban diabetes globally and involves cities in China, Denmark, Mexico, USA and more. The Leicester Diabetes Centre runs a number of innovative and inspiring programmes, activities and events, whereby world-leading research on prevention and theory on individual's behaviour is combined with local insight, creating meaningful and unique partnerships. Leicester Changing Diabetes is tailoring prevention efforts and adopting an evidence-based approach to development and evaluation. This will see attention being provided to the city's most overlooked communities, through alternative means beyond traditional primary care.

Embedding sustainability in everything we do

Climate change is a defining global challenge of our time. The University of Leicester is at the forefront in addressing the most pressing issues facing society at a global, national and local level. We are drawing on our expertise and resources to embed sustainability into our core business.

We were one of the first UK Higher Education signatories of the UN Sustainable Development Goals (SDGs) Accord in 2017 and we have incorporated sustainability into everything we do. Our experts are working with Leicester City Council to understand and inform policy on air pollution, advising global environmental Non-Governmental Organisations (NGOs) with our Earth Observation and leading educational outreach events in the community.

We also practice what we preach, embedding sustainability into the design of our buildings. Our George Davies Centre is the largest non-residential Passivhaus building in the UK and boasts the largest green wall outside of London.

These efforts have already led to achievements of which we are proud. We ranked 37th out of well over 500 institutions from 75 countries worldwide on our performance in contributing to the UN's Sustainable Development Goals. We ranked 8th among universities in the UK. We also ranked 35th (of 719 universities around the world) and 9th in the UK in the UI GreenMetric global ranking of sustainable universities.



CORPORATE GOVERNANCE

FOR THE YEAR ENDED 31 JULY 2019

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 and the Higher Education Senior Staff Remuneration Code, both 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 supreme governing body of our university. It has a total of 21 members, comprised of 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. Quoracy rules require the independent lay members to be in a majority at all formal meetings of Council.

The role of the Chair of Council is separated from the role of our university's Chief Executive and Accountable Officer, the President and Vice-Chancellor. The powers of the Council are set out in the Statutes and Ordinances of our university 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 our 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 our university and its subsidiary companies.

In the financial year 2018-19, 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 Executive Board, which is the university's senior management 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 2018-19.

During 2018-19, 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 audit opinion for the year and was pleased to note significant with minor improvements assurance was given on the overall adequacy and effectiveness of the university's framework of risk management, control 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 value for money, considered any items from the OfS as they affected our 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. This was maintained during

2018-19, which also saw an increase from two to five in the number of BAME members of Council.

During 2018-19 the incumbent Chair of Council, Bridget Towle, announced that she would be retiring at the end of July 2019, after almost twenty years' distinguished service to the governance of the university, including as Treasurer between 2009-2013 and as Chair since 2013.

Following an open recruitment process and interviews conducted by a formally constituted selection panel, with an independent external assessor, Council approved a recommendation of the Nominations Committee for the appointment of Gary Dixon as the next Chair of Council.

Council also approved supplementary recommendations from the Nominations Committee for the appointment of Ian Johnson as the university's next Treasurer, and the appointment of Vijay Sharma to the newly-established position of Vice-Chair of Council. All three appointments were effective from 1 August 2019.

Under its terms of reference the Nominations Committee is also responsible for considering and making recommendations to Council on any general matters of governance and procedure referred to it by the Council.

During 2018-19 the Committee reviewed and reported to the Council on the university's ongoing compliance with the current Higher Education Code of Governance, and provided a full statement of the evidence for this. Council agreed that this provided a comprehensive level of assurance for the university's compliance with the requirements of the Code, and that there were no obvious urgent gaps that needed to be addressed in the short term.

A brand new edition of the Code is expected to be published by the CUC in 2020. The Committee will review the governance requirements of the new Code, alongside the recommendations arising from the external review of the effectiveness of Senate, referred to below, as part of its programme of work during 2019-20, and will make recommendations to Council as appropriate to ensure continued compliance.

Remuneration Committee

From the start of 2018-19 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 takes the chair.

During the year, the Committee considered and reported to the Council on the remuneration of the President and Vice-Chancellor, the Acting President and Vice-Chancellor (from April 2019), the Registrar and Chief Operating Officer, the Chief Financial Officer, the Deputy Vice-Chancellor, the Pro-Vice-Chancellors and Heads of Colleges, and other members of the Executive Board.

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 and details of individual's contribution and performance over the period in question.

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.

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, antimoney laundering, and the acceptance of gifts and hospitality.

The Executive Board 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 Executive Board and the Audit Committee also receive regular reports from the internal auditors, which include any necessary recommendations for improvement.

Throughout 2018-19 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 during the year included the implementation of a new system of assurance mapping of each strategic risk, to provide additional comfort that the degree of oversight and control is appropriate and effective; and to further enhance assurance levels the Executive Board now undertakes regular scheduled 'deep dive' reviews of individual strategic risks and their mitigating actions.

Effectiveness Reviews

Following an externally facilitated and comprehensive review of Council's own effectiveness that was undertaken during 2017-18, Council requested that an equivalent effectiveness review of the Senate (the university's principal academic body) be undertaken during 2018-19. The final report and recommendations from this review have been referred for consideration by the Nominations Committee as part of its wider review of the university's governance framework, referred to above.

The Standing Committees of Council and Senate review their terms of reference, membership and effectiveness at regular intervals and improvement opportunities are taken as they arise. During 2018-19 the estates-related terms of reference of the Finance Committee were extended in order to strengthen the Committee's oversight of the university's environmental and sustainability responsibilities. The Health and Safety Committee was renamed as the Health, Safety and Wellbeing Committee, to better reflect the developing scope of the Committee's role and remit.

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 2018-19 is shown in the table overleaf.



CORPORATE GOVERNANCE

COMMITTEE ATTENDANCE 2018-19

	Council		Audit Committee		Finance Committee		Nominations 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	6			7	6	4	3		
Paul Boyle (Staff) VC to March 2019	4	4					3	2		
Edmund Burke (Staff) Acting VC from April 2019	6	6			7	7	4	4		
Martin Cullen (Lay) from July 2019	1	1								
Sarah Davies (Staff)	6	5								
Sandra Dudley (Staff)	6	5								
Gary Dixon (Lay) Treasurer to July 2019, Chair from August 2019	6	5			7	7	4	4	7	7
Mehmooda Duke (Lay)	6	3								
Cathy Ellis (Lay)	6	6			7	4				
Janet Finch (Lay)	6	4	5	3						
Martin Hindle (Lay)	6	5	5	4					7	3
Ian Johnson (Lay) Treasurer from August 2019	6	4	5	5			4	3		
Amy Moran (Students' Union) to April 2019	4	3			4	3				
Anil Majithia (Lay)	6	4	5	4						
Azam Mamujee (Lay)	6	4			7	6				
Andrew Morgan (Lay)	6	6							7	5
Oge Obioha (Students' Union) from May 2019	2	2			3	2				
Paul O'Brien (Staff)	6	3								
Stephanie Osborn (Lay) to May 2019	5	4					3	2		
John Schwabe (Staff)	6	4								
Vijay Sharma (Lay)	6	5							7	7
Carole Thorogood (Lay)	6	3					4	2		
Bridget Towle (Lay) Chair to July 2019	6	6			7	7	3	3	7	7

RESPONSIBILITIES OF THE COUNCIL OF THE UNIVERSITY OF LEICESTER

FOR THE YEAR ENDED 31 JULY 2019

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 (see basis of preparation on page 30), 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 for the period to 31 July 2024, prepared under the direction of the OfS and on the basis of assumptions made as to the continuance of government grants to be given by the OfS. On that basis, Council has a reasonable expectation that the

university has adequate resources to continue its operations for the foreseeable future. For this reason, the financial statements continue to be prepared on the going concern basis.

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 (see basis of preparation on page 30).

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 within the university and an opinion on the adequacy and effectiveness of the university's system of internal control, including internal financial control.

Signed on behalf of the Council

Gary Dixon, Chair of Council
28 November 2019

Members of Council

The Members of Council who served in the 2018-19 financial year, and up to the date of the signing of this report, were as follows:

Janet Arthur
Paul Boyle (until 31 March 2019)
Edmund Burke
Martin Cullen (from 1 July 2019)
Gary Dixon
Mehmooda Duke
Cathy Ellis
Janet Finch (until 31 July 2019)
Martin Hindle
Ian Johnson
Anil Majithia (until 31 July 2019)
Azam Mamujee
Amy Moran (until 30 April 2019)
Andrew Morgan
Oge Obioha (from 1 May 2019)
Paul O'Brien (until 31 July 2019)
Stephanie Osborn (until 31 May 2019)
John Schwabe (until 31 July 2019)
Vijay Sharma
Carole Thorogood
Bridget Towle (until 31 July 2019)

New appointments from 1 August 2019:

Alison Goodall
Richard Tapp
Craig Brown (from 1 October 2019)
Nishan Canagarajah (from 4 November 2019)
Sophie Dale-Black (from 21 October 2019)

Registered Office

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

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 2019 which comprise the Consolidated and University Statement of Comprehensive Income and Expenditure, Consolidated and University Statement of Changes in Reserves, Consolidated and University Balance sheet, Consolidated Cash Flow Statement and the related notes 1 to 28, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"] (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the group's and of the parent institution's state of affairs as at 31 July 2019, and of the Group's and parent institution's income and expenditure, gains and losses and changes in reserves and of the Group's 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 twelve 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 current year's financial statements have been met.

Responsibilities of the Council

As explained more fully in the Statement of the Council Responsibilities set out on pages 26 to 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

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 and Young LLP Birmingham

Date:

Notes:

1. The maintenance and integrity of the University of Leicester web site 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 web site.
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 2019

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 Office for Students 2018 Accounts Direction has been applied with the exception of the basis for calculating the pay multiples on page 42, which the University has chosen to early adopt from the 2019 Accounts Direction.

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 2019. 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.

Associated companies are accounted for using the cost method. Joint ventures 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.

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. Intangible assets

Intangible assets are recorded at cost and amortised over their expected useful life.

STATEMENT OF ACCOUNTING POLICIES

9. 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.

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.

It is University policy to depreciate a full year in the year of acquisition and nothing in the year of disposal.

Equipment, fixtures and fittings

Equipment, fixtures and fittings 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.

It is University policy to depreciate a full year in the year of acquisition and nothing in the year of disposal.

Borrowing costs

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

10. 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.

11. 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.

12. 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.

13. 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.

14. 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.

15. 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.

16. 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.

STATEMENT OF ACCOUNTING POLICIES

17. 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.

18. 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 note 28.

Useful lives of fixed assets

The useful lives of the University's 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 11.

Fair value measurement

The University discloses the following items at fair value:

- derivative financial instruments (note 17)
- endowment investments (notes 12 and 15)

- investments in listed shares (note 12)

The fair value measurement of these assets and liabilities utilises market observable inputs and data as far as possible.

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.

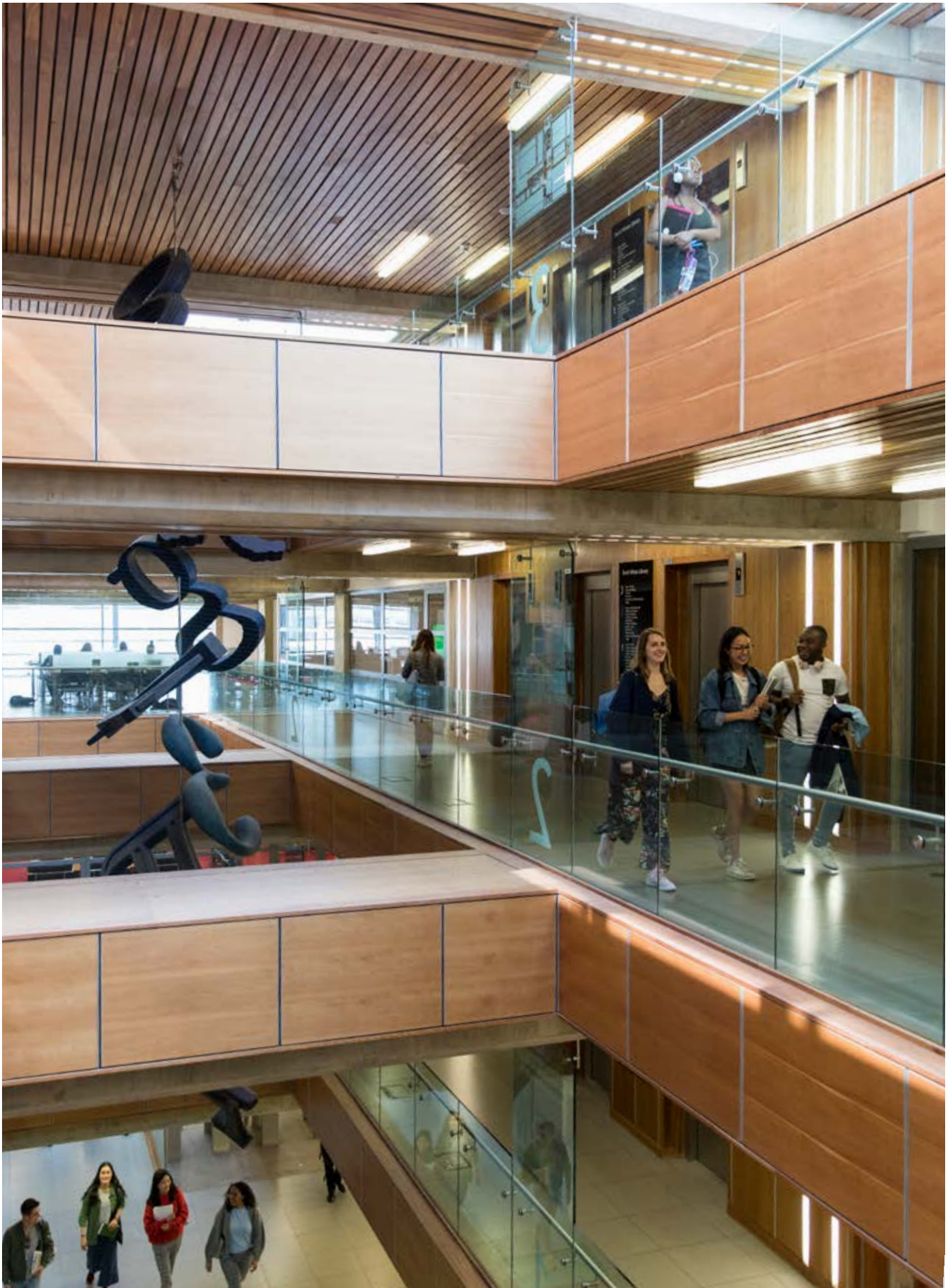
Details of the amounts recognised in respect of pledged endowments are included in note 20.

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 notes 18 and 27, management have concluded the current schedule of contributions is the correct one to use, noting that the new schedule of contributions agreed in October 2019, based on the 2018 actuarial valuation, will result in a decrease in the provision which will be reflected in the financial statements for the year ended 31 July 2020.



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE

YEAR ENDED 31 JULY 2019

	Notes	Year ended 31 July 2019		Year ended 31 July 2018	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
Income					
Tuition fees and education contracts	1	168,218	168,218	173,394	173,394
Funding body grants	2	43,970	43,970	40,064	40,064
Research grants and contracts	3	58,085	58,085	54,892	54,892
Other income	4	58,467	55,648	56,224	52,884
Investment income	5	208	355	707	854
Donations and endowments	6	1,977	1,977	5,084	5,084
Total income		330,925	328,253	330,365	327,172
Expenditure					
Staff costs	7	190,143	186,301	184,590	180,616
Staff costs - movement on USS pension provision	7	46,478	46,478	(865)	(865)
Other operating expenses		115,235	115,573	120,439	120,934
Depreciation	11	21,686	21,396	19,323	19,034
Amortisation	10	214	214	-	-
Interest and other finance costs	8	5,514	5,514	4,964	4,964
Total expenditure	9	379,270	375,476	328,451	324,683
(Deficit)/surplus before other gains losses		(48,345)	(47,223)	1,914	2,489
Gain on disposal of fixed assets		3,455	3,455	891	891
Gain on investments		1,293	1,293	792	792
(Deficit)/surplus before tax		(43,597)	(42,475)	3,597	4,172
Taxation		-	-	-	-
(Deficit)/surplus for the year		(43,597)	(42,475)	3,597	4,172
Actuarial (loss)/gain in respect of pension schemes	28	(12,205)	(12,205)	12,522	12,522
Total comprehensive income for the year		(55,802)	(54,680)	16,119	16,694
Represented by:					
Endowment comprehensive income for the year		383	383	2,927	2,927
Restricted comprehensive income for the year		(523)	(523)	312	312
Unrestricted comprehensive income for the year		(55,662)	(54,540)	12,880	13,455
		(55,802)	(54,680)	16,119	16,694
Total comprehensive income for the year					
Attributable to:					
Non-controlling interest		(519)	-	(260)	-
University		(55,283)	(54,680)	16,379	16,694
		(55,802)	(54,680)	16,119	16,694

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 2019

Income and expenditure account	Endowment	Restricted	Unrestricted	Non-controlling interest	Total
	£'000	£'000	£'000	£'000	£'000
Consolidated					
Balance at 1 August 2017	17,698	2,647	80,039	(107)	100,277
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	-	-
Total comprehensive income for the year	2,927	312	13,140	(260)	16,119
Balance at 1 August 2018	20,625	2,959	93,179	(367)	116,396
Surplus/(deficit) from the income and expenditure statement	2,317	715	(46,110)	(519)	(43,597)
Other comprehensive expenditure	-	-	(12,205)	-	(12,205)
Release of endowment and restricted funds spent in year	(1,934)	(1,238)	3,172	-	-
Total comprehensive income/(loss) for the year	383	(523)	(55,143)	(519)	(55,802)
Balance at 31 July 2019	21,008	2,436	38,036	(886)	60,594
University					
Balance at 1 August 2017	17,698	2647	83,185	-	103,530
Surplus from the income and expenditure statement	2,927	1,989	(744)	-	4,172
Other comprehensive income	-	-	12,522	-	12,522
Release of endowment and restricted funds spent in year	-	(1,677)	1,677	-	-
Total comprehensive income for the year	2,927	312	13,455	-	16,694
Balance at 1 August 2018	20,625	2,959	96,640	-	120,224
Surplus/(deficit) from the income and expenditure statement	2,317	715	(45,507)	-	(42,475)
Other comprehensive expenditure	-	-	(12,205)	-	(12,205)
Release of endowment and restricted funds spent in year	(1,934)	(1,238)	3,172	-	-
Total comprehensive income/(loss) for the year	383	(523)	(54,540)	-	(54,680)
Balance at 31 July 2019	21,008	2,436	42,100	-	65,544

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

CONSOLIDATED AND UNIVERSITY BALANCE SHEET

YEAR ENDED 31 JULY 2019

	Notes	As at 31 July 2019		As at 31 July 2018	
		Consolidated	University	Consolidated	University
		£'000	£'000	£'000	£'000
Non-current assets					
Intangible assets	10	703	703	-	-
Tangible assets	11	395,876	395,283	379,116	378,243
Investments	12	6,322	6,622	5,652	5,952
		402,901	402,608	384,768	384,195
Current assets					
Stock		421	405	435	414
Trade and other receivables	14	34,414	39,226	31,344	34,923
Investments	15	10,172	10,172	9,548	9,548
Cash and cash equivalents	22	61,526	61,494	30,281	30,229
		106,533	111,297	71,608	75,114
Less: Creditors: amounts falling due within one year	16	(98,167)	(97,784)	(97,226)	(96,443)
Net current assets/(liabilities)		8,366	13,513	(25,618)	(21,329)
Total assets less current liabilities		411,267	416,121	359,150	362,866
Creditors: amounts falling due after more than one year	16	(213,400)	(213,304)	(162,312)	(162,200)
Provisions					
Pension provisions	18	(136,588)	(136,588)	(78,599)	(78,599)
Other provisions	18	(685)	(685)	(1,843)	(1,843)
Total net assets		60,594	65,544	116,396	120,224
Restricted reserves					
Income and expenditure reserve - endowment reserve	20	21,008	21,008	20,625	20,625
Income and expenditure reserve - restricted reserve	21	2,436	2,436	2,959	2,959
Unrestricted reserves					
Income and expenditure reserve - unrestricted		38,036	42,100	93,179	96,640
		61,480	65,544	116,763	120,224
Non-controlling interest		(886)	-	(367)	-
Total reserves		60,594	65,544	116,396	120,224

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

The financial statements were approved by Council on 28 November 2019 and were signed on its behalf on that date by:

Gary Dixon, Chair of Council

Professor Nishan Canagarajah, President and Vice-Chancellor

Martyn Riddleston, Chief Financial Officer

CONSOLIDATED CASH FLOW STATEMENT

YEAR ENDED 31 JULY 2019

	Notes	Year ended 31 July 2019 £'000	Year ended 31 July 2018 £'000
Cash flow from operating activities			
Surplus for the year		(43,597)	3,597
Adjustment for non-cash items:			
Depreciation	11	21,686	19,323
Amortisation of intangibles	10	214	-
Gain on investments		(1,293)	(792)
(Increase)/ decrease in stock		14	38
Decrease/(increase) in debtors	14	(3,068)	(3,973)
Increase/(decrease) in creditors	16	4,458	7,240
Increase/(decrease) in pension provision	18	43,866	(808)
Increase/(decrease) in other provisions	18	(701)	434
Adjustment for investing or financing activities:			
Investment income	5	(208)	(707)
Interest payable	8	5,514	4,964
Endowment income	20	(1,269)	(3,266)
Gain on the sale of fixed assets		(3,455)	(891)
Capital grant income		(9,432)	(7,151)
Net cash inflow from operating activities		12,729	18,008
Cash flows from investing activities			
Proceeds from sales of fixed assets		6,789	1,764
Capital grant receipts		7,252	10,000
Investment income		206	705
Payments made to acquire fixed assets		(44,018)	(35,735)
Payments made to acquire intangible assets		(917)	-
New investments		-	(161)
		(30,688)	(23,427)
Cash flows from financing activities			
Interest paid		(2,812)	(2,892)
New endowments		1,869	2,166
Endowment payments		(1,934)	-
New unsecured loans		54,821	-
Repayments of amounts borrowed		(2,740)	(2,865)
		49,204	(3,591)
Increase in cash and cash equivalents in the year		31,245	(9,010)
Cash and cash equivalents at beginning of the year	22	30,281	39,291
Cash and cash equivalents at end of the year	22	61,526	30,281

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

NOTES TO THE ACCOUNTS

YEAR ENDED 31 JULY 2019

	Year ended 31 July 2019		Year ended 31 July 2018	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
1 Tuition fees and education contracts				
Full-time home and EU students	97,533	97,533	97,603	97,603
Full-time international students	51,465	51,465	54,006	54,006
Part-time students	15,231	15,231	17,983	17,983
Research training support grant	3,989	3,989	3,802	3,802
	168,218	168,218	173,394	173,394
2 Funding body grants				
Recurrent grant				
Office for Students	13,867	13,867	12,167	12,167
Research England	18,490	18,490	19,382	19,382
Specific grants				
Higher Education Innovation Fund	5,359	5,359	2,987	2,987
Capital grant	4,666	4,666	4,032	4,032
Other	1,588	1,588	1,496	1,496
	43,970	43,970	40,064	40,064

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 £3,661,000 (2017-18: £3,243,000) relates to buildings and £1,005,000 (2017-18: £789,000) relates to equipment.

3 Research grants and contracts				
Research councils	16,846	16,846	17,525	17,525
Research charities	10,070	10,070	9,177	9,177
Government (UK and overseas)	18,626	18,626	17,753	17,753
Industry and commerce	4,287	4,287	4,006	4,006
Research capital grants	3,548	3,548	2,514	2,514
Other	4,708	4,708	3,917	3,917
	58,085	58,085	54,892	54,892

Of the amounts disclosed as research capital grants £2,262,578 (2017-18: £1,407,257) is funded by research councils, £228,435 (2017-18: £70,801) is funded by research charities, £901,494 (2017-18: £826,407) is funded by other government sources and £155,371 (2017-18: £209,785) is funded by other sources.

NOTES TO THE ACCOUNTS – YEAR ENDED 31 JULY 2019

	Notes	Year ended 31 July 2019		Year ended 31 July 2018	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
4 Other income					
Residences, catering and conferences		33,165	29,337	34,016	30,350
NHS funded posts		11,843	11,843	10,709	10,709
Other services rendered		4,928	4,928	4,287	4,287
Retail		143	134	130	120
Other capital grants		1,218	1,218	605	605
Other income		7,170	8,188	6,477	6,813
		58,467	55,648	56,224	52,884
5 Investment income					
Investment income on endowments	20	38	38	561	561
Other investment income		170	170	146	146
Interest receivable on intercompany loans		-	147	-	147
		208	355	707	854
6 Donations and endowments					
New endowments	20	1,269	1,269	3,266	3,266
Donations with restrictions	21	629	629	1,746	1,746
Unrestricted donations		79	79	72	72
		1,977	1,977	5,084	5,084
7 Staff costs					
Salaries		152,392	148,754	148,821	145,186
Social security costs		15,071	14,867	14,622	14,434
Other pension costs		22,680	22,680	21,055	20,904
Provision for severance payments		-	-	92	92
		190,143	186,301	184,590	180,616
Movement on USS pension provision		46,478	46,478	(865)	(865)
Total		236,621	232,779	183,725	179,751

NOTES TO THE ACCOUNTS – YEAR ENDED 31 JULY 2019

7 Staff costs (continued)

	Year ended 31 July 2019		Year ended 31 July 2018
	Professor Paul Boyle 01.08.2018 - 31.03.2019	Professor Edmund Burke 01.04.2019 - 31.07.2019	Professor Paul Boyle 01.08.2017 - 31.07.2018
	£'000	£'000	£'000
Total remuneration of the President and Vice-Chancellor			
Basic salary	194	74	285
Bonus	-	-	10
Taxable benefits:			
Subsidised accommodation	3	-	4
Pension contributions to USS	4	2	6
	201	76	305
Non-taxable benefits:			
Living accommodation	2	-	8
	203	76	313

Professor Paul Boyle left the University on 31 March 2019 and Professor Edmund Burke was appointed as Acting President and Vice-Chancellor from 1 April 2019.

Professor Paul Boyle - 01/08/2018 to 31/03/2019

The President and Vice-Chancellor's basic salary is 8.4 times (2017-18: 8.5 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 7.6 times (2017-18: 8.1 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.

Professor Edmund Burke - 01/04/2019 to 31/07/2019

The President and Vice-Chancellor's basic salary is 6.4 times (2017-18: not applicable) 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 5.6 times (2017-18: not applicable) 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.

The median salary and remuneration figures used in the above calculations include all staff that are included in real-time reporting to HMRC.

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.

Other higher paid staff

The number of staff with a basic salary of over £100,000 per annum has been included below. Where a proportion of the salary is reimbursed by another body, such as the NHS, only the portion paid by the University is disclosed.

The prior year comparative has been restated to reflect staff on a full-time equivalent, rather than headcount, basis. The previously reported headcount was 49 members of staff.

7 Staff costs (continued)

	2018-19 No.	2017-18 restated No.
£100,000 - £104,999	7	7
£105,000 - £109,999	9	14
£110,000 - £114,999	12	6
£115,000 - £119,999	3	4
£120,000 - £124,999	4	9
£125,000 - £129,999	4	4
£130,000 - £134,999	3	2
£135,000 - £139,999	4	3
£140,000 - £144,999	3	2
£145,000 - £149,999	2	1
£150,000 - £154,999	1	3
£155,000 - £159,999	-	-
£160,000 - £164,999	-	3
£165,000 - £169,999	1	-
£170,000 - £174,999	-	-
£175,000 - £179,999	-	-
£180,000 - £184,999	-	-
£185,000 - £189,999	1	2
£190,000 - £194,999	-	1
£195,000 - £199,999	1	-
	55	61

	2018-19		2017-18	
	Consolidated No.	University No.	Consolidated No.	University No.
Average staff numbers by major category				
Academic and clinical	917	917	911	911
Research	440	440	410	410
Administration, library, computer and other related	944	935	920	911
Technical	284	284	279	279
Clerical, manual and ancillary	1,204	1,098	1,272	1,159
	3,789	3,674	3,792	3,670

The total compensation for loss of office paid to 127 (2017-18: 136) people during the year was £1,382,842 (2017-18: £1,289,480).

All severance payments including compensation for loss of office in respect of higher paid staff are approved by the University's Remuneration Committee. Amounts for compensation for loss of office and redundancy for all other staff are approved by management in accordance with delegated authority.

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 includes compensation paid to key management personnel. The University considers its key management personnel to be those individuals who serve the Executive Board. Current membership of the Executive Board is detailed on our website: <https://le.ac.uk/about/governance-and-management/vc-office/eb>

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

NOTES TO THE ACCOUNTS – YEAR ENDED 31 JULY 2019

7 Staff costs (continued)

	Year ended 31 July 2019	Year ended 31 July 2018
	£'000	£'000
Key management personnel compensation	1,859	2,016
FTEs for key management	10	12

	Notes	Year ended 31 July 2019		Year ended 31 July 2018	
		Consolidated	University	Consolidated	University
		£'000	£'000	£'000	£'000
Loan interest		2,813	2,813	2,914	2,914
Exchange differences		(141)	(141)	1,245	1,245
Change in fair value of derivatives		924	924	(1,219)	(1,219)
Unwind of discount on USS pension provision	18	615	615	533	533
Net charge on PAS pension scheme	28	1,303	1,303	1,491	1,491
		5,514	5,514	4,964	4,964

8 Interest and other finance costs

9 Analysis of total expenditure by activity

Academic and related expenditure	159,920	160,228	162,158	162,619
Administration and central services	50,513	50,576	52,280	52,375
Premises	37,482	37,490	37,883	37,988
Residences, catering and conferences	30,431	26,128	31,483	26,943
Research grants and contracts	46,217	46,291	42,500	42,606
Other expenses	54,707	54,763	2,147	2,152
	379,270	375,476	328,451	324,683

Other expenses includes USS pension costs of £46.5 million (2017-18: £0.9 million credit). See note 7 for further details.

Other operating expenses include:

External auditors remuneration in respect of audit services (exc. VAT)	74	56	73	55
External auditors remuneration in respect of non-audit services (exc. VAT)	28	28	14	14

Operating lease rentals

Land and buildings	510	510	557	557
Other	451	451	422	422

10 Intangible assets

	Year ended 31 July 2019	
	Consolidated	University
	£'000	£'000
Software		
Opening balance	-	-
Additions in the year	917	917
Amortisation charge for the year	(214)	(214)
Closing balance	703	703

Additions during the year relate to the purchase and development of software intangible assets. The amortisation period is between 3 and 6 years.

11 Tangible 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
Consolidated						
Cost						
At 1 August 2018	419,392	28,704	64,523	9,762	17,211	539,592
Additions	3,406	276	8,800	974	30,031	43,487
Transfers	4,555	-	625	1,172	(6,352)	-
Disposals	(5,685)	(543)	(3,417)	-	-	(9,644)
At 31 July 2019	421,668	28,437	70,531	11,908	40,890	573,435
Depreciation						
At 1 August 2018	92,751	7,297	54,841	5,587	-	160,476
Charge for the year	11,285	802	8,045	1,554	-	21,686
Disposals	(922)	(264)	(3,417)	-	-	(4,603)
At 31 July 2018	103,114	7,835	59,469	7,141	-	177,559
Net book value						
At 31 July 2019	318,554	20,602	11,062	4,767	40,890	395,876
At 31 July 2018	326,641	21,407	9,682	4,175	17,211	379,116
University						
Cost						
At 1 August 2018	419,392	28,704	64,523	7,057	17,211	536,887
Additions	3,406	276	8,800	964	30,031	43,477
Transfers	4,555	-	625	1,172	(6,352)	-
Disposals	(5,685)	(543)	(3,417)	-	-	(9,644)
At 31 July 2019	421,668	28,437	70,531	9,193	40,890	570,720
Depreciation						
At 1 August 2018	92,751	7,297	54,841	3,755	-	158,644
Charge for the year	11,285	802	8,045	1,264	-	21,396
Disposals	(922)	(264)	(3,417)	-	-	(4,603)
At 31 July 2019	103,114	7,835	59,469	5,019	-	175,437
Net book value						
At 31 July 2019	318,554	20,602	11,062	4,174	40,890	395,283
At 31 July 2018	326,641	21,407	9,682	3,302	17,211	378,243

At 31 July 2019, freehold land and buildings includes £74,388,818 (2017-18 : £77,603,018) in respect of freehold land which is not depreciated. Leasehold land and buildings includes £830,000 (2017-18 : £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 2019

11 Tangible 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)	4,425
Main campus sports centre (99 year lease commencing 2000 from Wyggeston and Queen Elizabeth I College)	5,506
Various NHS sites	9,734
Other sites and leasehold improvements	937
At 31 July 2019	20,602
At 31 July 2018	21,407

12 Non-current investments

	Subsidiary companies £'000	Other non-current investments £'000	Total £'000
Consolidated			
At 1 August 2018	-	5,652	5,652
Change in fair value	-	670	670
At 31 July 2019	-	6,322	6,322
University			
At 1 August 2018	300	5,652	5,952
Change in fair value	-	670	670
At 31 July 2019	300	6,322	6,622

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 2019 £'000	31 July 2018 £'000
Other non-current investments consist of:		
Fair value of endowment assets invested in securities on permanent endowments	5,795	5,395
Fair value of investments in listed shares	527	257
	6,322	5,652

12 Non-current investments (continued)

Investment in spinouts

Name	Shareholding at 31 July 2019	Principal Activity
OCB Media Limited	24%	Development and pursuit of electronically distributed high level e-learning material and multimedia products
MIP Diagnostics Limited	5%	Commercialisation of Molecular imprinted Polymers (MIPs)

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

13 Investment in joint ventures

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

Name	Shareholding	Principal Activity
Scionix Limited	50%	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 2019		31 July 2018	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
14 Trade and other receivables				
Amounts falling due within one year:				
Research grants receivables	14,651	14,651	13,936	13,936
Other trade receivables	11,511	11,366	8,200	8,007
Other receivables	103	100	120	119
Prepayments and accrued income	8,149	7,985	9,088	9,044
Amounts due from subsidiary companies	-	3,339	-	1,809
Amounts falling due after more than one year:				
Amounts due from subsidiary companies	-	1,785	-	2,008
	34,414	39,226	31,344	34,923

NOTES TO THE ACCOUNTS – YEAR ENDED 31 JULY 2019

	31 July 2019		31 July 2018	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
15 Current investments				
Fair value of endowment assets invested in securities on expendable endowments	9,947	9,947	9,338	9,338
Fair value of investments in securities	225	225	210	210
	<u>10,172</u>	<u>10,172</u>	<u>9,548</u>	<u>9,548</u>

16 Creditors: amounts falling due within one year

Unsecured loans	2,840	2,840	2,740	2,740
Trade payables	14,443	14,393	12,844	12,748
Social security and other taxation payable	4,073	4,025	4,282	4,245
Other payables	3,034	3,012	3,321	3,301
Accruals and deferred income	73,777	73,514	74,039	73,409
	<u>98,167</u>	<u>97,784</u>	<u>97,226</u>	<u>96,443</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	34,677	34,677	33,250	33,250
Grant income	2,912	2,912	3,290	3,290
Capital grant income	7,775	7,775	6,470	6,470
Other income	9,529	9,434	9,313	9,219
	<u>54,893</u>	<u>54,798</u>	<u>52,323</u>	<u>52,229</u>

	31 July 2019		31 July 2018	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
17 Creditors: amounts falling due after more than one year				
Deferred income	85,278	85,182	87,095	86,983
Derivatives	5,694	5,694	4,770	4,770
Unsecured loans	122,428	122,428	70,447	70,447
	213,400	213,304	162,312	162,200
Analysis of unsecured loans:				
Due within one year or on demand (note 16)	2,840	2,840	2,740	2,740
Due between one and two years	2,948	2,948	2,835	2,835
Due between two and five years	9,509	9,509	9,156	9,156
Due in five years or more	109,971	109,971	58,456	58,456
Due after more than one year	122,428	122,428	70,447	70,447
Total secured and unsecured loans	125,268	125,268	73,187	73,187

Included in loans are the following:

Lender	Amount £'000	Term	Secured / Unsecured	Interest rate %	Borrower
Salix	800	n/a	Unsecured	-	University
Barclays	7,471	2031	Unsecured	6.17	University
Barclays	11,818	2036	Unsecured	5.67	University
European Investment Bank	26,606	2038	Unsecured	3.47	University
European Investment Bank	23,752	2040	Unsecured	2.90	University
Private Placement - Lincoln National Life Insurance	19,821	2044	Unsecured	3.18	University
Private Placement - Lincoln National Life Insurance	10,000	2049	Unsecured	3.25	University
Private Placement - Pacific Life Insurance	25,000	2049	Unsecured	3.25	University
Total	125,268				

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 2019		31 July 2018	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Capital grant income	85,182	85,182	86,983	86,983
Other income	96	-	112	-
	85,278	85,182	87,095	86,983

17 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 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	
	2019	2018	2019	2018	2019	2018
	%	%	£'000	£'000	£'000	£'000
Five years or more	5.86	5.86	19,289	20,179	5,694	4,770

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

18 Provisions for liabilities

	Obligation to fund deficit on USS pension £'000	Defined benefit obligations (note 28) £'000	Total pensions provisions £'000	Total other provisions £'000
Consolidated and University				
At 1 August 2018	28,477	50,122	78,599	1,843
Utilised in year	(1,474)	(3,811)	(5,285)	(796)
Additions in the year	48,567	14,707	63,274	425
Released in the year	-	-	-	(787)
At 31 July 2019	75,570	61,018	136,588	685

USS deficit

The obligation to fund the past deficit on the Universities Superannuation Scheme (USS) arises from the contractual obligation with the USS to deficit payments in accordance with the deficit recovery plan. In calculating this provision, management have estimated future staff levels within the USS scheme for the duration of the contractual obligation and salary inflation. Key assumptions are set out below and further information is provided in note 28.

The adoption of the new deficit recovery plan following the 2017 actuarial valuation has given rise to a significant increase in the deficit provision which has increased from £28.5 million to £75.6 million. £47.9 million of this increase is attributable to the change in the deficit contributions contractual commitment. See note 7 in respect of significant pension costs. More details on the 2017 actuarial valuation are set out in note 28.

Since the year end, following the completion of the 2018 actuarial valuation, a new deficit recovery plan has been agreed of which more detail is given in note 28. As at 31 July 2019 and with all other assumptions used to calculate the provision unchanged, this would have resulted in a revised provision of £44.8m, a decrease of £30.8m from the current year end provision.

The major assumptions used in calculating the provision are:

	2019	2018
	%	%
Discount rate	1.58	2.16
Inflation	2.0 to 2.20	1.5 to 2.15

Additions in the year arise from the unwinding of the discount on the provision (£615,093) and changes in assumptions relating to future staff membership, salary inflation and deficit contribution rates (£47,952,072).

Sensitivity analysis

As set out in the accounting policies, there are some critical judgements made in estimating the obligation to fund the USS deficit. The sensitivity of the principal assumptions used to measure the USS deficit provision under the 2017 deficit recovery plan are set out below:

Change in assumption at 31 July 2019	Approximate impact
0.5% pa decrease in discount rate	£3.2m
0.5% pa increase in salary inflation over duration	£3.2m
0.5% increase in staff changes over duration	£3.3m
0.5% pa increase in salary inflation year 1 only	£0.4m
0.5% increase in staff changes year 1 only	£0.4m

18 Provisions for liabilities (continued)

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. Management have engaged Aon Hewitt to determine the value of this obligation.

Further information is available in note 28.

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.

Reductions to future government funding - £425,000

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 2019-20.

19 Financial instruments

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

	31 July 2019		31 July 2018	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Financial assets				
Measured at fair value through income and expenditure				
Investments in listed shares	527	527	257	257
Investments in securities	15,967	15,967	14,943	14,943
Measured at amortised cost				
Loans receivable	-	2,008	-	2,231
Measured as undiscounted amount receivable				
Trade and other receivables	26,265	29,233	22,256	23,648
Measured at cost less impairment				
Investments in unlisted equity instruments	-	300	-	300
	42,759	48,035	37,456	41,379
Financial liabilities				
Measured at fair value through income and expenditure				
Derivative financial instruments	5,694	5,694	4,770	4,770
Measured at amortised cost				
Loans payable	125,268	125,268	73,187	73,187
Measured at undiscounted amount payable				
Trade and other payables	21,550	21,430	20,447	20,294
	152,512	152,392	98,404	98,251

20 Endowment reserves

	Restricted permanent endowment 2019 £'000	Unrestricted permanent endowment 2019 £'000	Total 2019 £'000	Total 2018 £'000
Balances at 1 August				
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
New endowments	155	-	155	6
Investment income	4	-	4	260
Expenditure	(83)	-	(83)	(313)
Increase in market value of investments	293	87	380	327
Total endowment comprehensive income for the year	369	87	456	280
At 31 July	4,915	1,564	6,479	6,023
Represented by:				
Capital	3,234	1,075	4,309	3,922
Unapplied return	1,681	489	2,170	2,101
	4,915	1,564	6,479	6,023
Analysis by type of purpose:				
Lectureships			397	384
Scholarships and bursaries			2,540	1,931
Research support			388	371
Prize funds			910	928
General			2,244	2,410
			6,479	6,023
Analysis by asset:				
Non-current asset investments			5,795	5,395
Cash and cash equivalents			684	628
			6,479	6,023

NOTES TO THE ACCOUNTS – YEAR ENDED 31 JULY 2019

20 Endowment reserves (continued)

Restricted expendable endowments

	Total 2019 £'000	Total 2018 £'000
Balances at 1 August		
Capital	9,338	8,770
Accumulated income	5,264	3,185
	14,602	11,955
New endowments	1,114	3,260
Investment income	34	301
Expenditure	(1,851)	(1,372)
Increase in market value of investments	630	458
Total endowment comprehensive income for the year	(73)	2,647
At 31 July	14,529	14,602
 Represented by:		
Capital	9,967	9,338
Accumulated income	4,562	5,264
	14,529	14,602
 Analysis by type of purpose:		
Lectureships	2,026	2,000
Scholarships and bursaries	1,594	1,673
Research support	9,354	9,375
Prize funds	50	78
General	1,505	1,477
	14,529	14,602
 Analysis by asset:		
Current asset investments	9,947	9,338
Cash and cash equivalents	4,082	3,164
Pledged endowments debtor	500	2,100
	14,529	14,602

Analysis of major endowments:

	Capital £'000	Income £'000	Total £'000
van Geest Foundation Heart and Cardiovascular Disease Research Fund			
Balance at 1 August 2018	5,672	332	6,004
Investment income	-	1	1
Expenditure	(472)	-	(472)
Increase in market value of investments	366	-	366
Balance at 31 July 2019	5,566	333	5,899

21 Restricted reserves

Reserves with restrictions are as follows:

Consolidated and University	Donations £'000	Other restricted funds £'000	Total 2019 £'000	Total 2018 £'000
Balances at 1 August	1,380	1,579	2,959	2,647
New donations	629	-	629	1,746
New other restricted funds	-	86	86	243
Expenditure	(1,123)	(115)	(1,238)	(1,677)
Total restricted comprehensive income for the year	(494)	(29)	(523)	312
At 31 July	886	1,550	2,436	2,959

Analysis of restricted funds by type of purpose:

Scholarships and bursaries	795	971
Research support	1,325	1,369
General	316	619
	2,436	2,959

22 Cash and cash equivalents

	At 1 August 2018 £'000	Cash flows £'000	At 31 July 2019 £'000
Consolidated			
Cash and cash equivalents			
Endowed cash and cash equivalents	3,792	974	4,766
Non-endowed cash and cash equivalents	26,489	13,761	40,250
Cash held in escrow	-	16,510	16,510
	30,281	31,245	61,526
University			
Cash and cash equivalents			
Endowed cash and cash equivalents	3,792	974	4,766
Non-endowed cash and cash equivalents	26,437	13,781	40,218
Cash held in escrow	-	16,510	16,510
	30,229	31,265	61,494

At 31 July 2019 £16.5m cash was held in an escrow account in relation to the Freeman's Common transaction detailed in Note 27.

Non-endowed cash and cash equivalents includes £5,077,014 (2017-18: £3,049,000) of term deposits and notice accounts with a maturity of 3 months or less from the date of placement. At 31 July 2019 the weighted average interest rate of these fixed rate deposits was 0.95% per annum and the weighted average period for which the interest rate is fixed on these deposits was 54 days.

NOTES TO THE ACCOUNTS – YEAR ENDED 31 JULY 2019

23 Capital commitments

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

	31 July 2019		31 July 2018	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Commitments contracted for	37,305	37,305	29,738	29,738

24 Lease obligations

Total rentals payable under operating leases are as follows:

	Land and buildings £'000	Other leases £'000	Total 2019 £'000	Total 2018 £'000

Consolidated and University

Future minimum lease payments due:

Not later than one year	522	445	967	963
Later than one year and not later than five years	1,151	461	1,612	1,853
Later than five years	213	-	213	411
Total lease payments due	1,886	906	2,792	3,227

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	12
The Leicester Services Partnership Limited	Operating of catering facilities	50% owned	12
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. These subsidiary companies commenced trading on 2 August 2019 when the University entered into the Freeman's Common transaction detailed in Note 27.

26 Related party transactions

During the year the group entered into transactions, in the ordinary course of business, with other related parties. Transactions entered into, and balances outstanding at 31 July 2019, are as follows.

The University has taken advantage of the exemption within FRS 102 and has not disclosed transactions with other group entities where it holds 100% of the voting rights.

26 Related party transactions (continued)

	Income transactions £'000	Expenditure transactions £'000	Balance due from the related party £'000	Balance due to the related party £'000
Argo Natural Resources	514	-	439	-
DEFRS	53	-	-	-
Leicestershire Partnership NHS Trust	-	97	-	-
Leicester Services Partnership Limited	4,143	5,335	1,679	-
Medical Research Council	135	-	14	-
National Space Centre	-	66	-	-
North Warwickshire and South Leicestershire College	-	41	-	-
Public Health England	22	81	14	-
Rockstar Marketing Group Limited	-	33	-	2
Springer	-	26	-	7
Study Group Bellerbys	135	-	-	-
University Hospitals of Leicester NHS Trust	11,558	6,034	1,791	-
University of Leicester Students' Union	40	331	3	-
University of Nottingham	487	739	80	-
Universities UK	-	95	-	-
Weightmans LLP	1	97	-	4
	17,088	12,975	4,020	13

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

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 above, are conducted at arms length and in accordance with the University's Financial Regulations and procurement procedures.

No Council member has received any remuneration or waived payments from the University during the year (2018: none).

The total expenses paid to or on behalf of 5 (2017-18: 4) Council members was £2,665 (2017-18: £1,896). 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.

27 Events after the reporting period

On 2 August 2019 the University entered into a 50 year agreement with a consortium including Equitix Ltd (an investment company) and Engie (a constructor). The consortium will design, build, fund, manage and operate new residences built on the Freeman's Common site which will include 1,164 new bedrooms. The consortium will also build non-residential buildings including a multi-story car park, a cafe, an academic building, two squares and other non-residential buildings. Building works commenced in September 2019 and will take three years to complete.

This is considered to be an off-balance sheet transaction as the special purpose vehicle "Freeman's Common Village LLP" (of which the University will be a 10% partner) will be funding the project via a mixture of debt and equity.

At 31 July 2019 the University held £16.5 million cash in an escrow account in relation to the transaction.

As set out in Note 28 in respect of the USS pension scheme, a new schedule of contributions based on the 2018 actuarial valuation has been agreed. This results in a decrease of £30.8 million in the provision for the obligation to fund the deficit on the USS pension, which would instead be £44.8 million. This adjustment will be reflected in the University's financial statements for the year ended 31 July 2020.

27 Events after the reporting period (continued)

As set out in the accounting policies, there are some critical judgments made in estimating the obligation to fund the USS deficit. The sensitivity of the principal assumptions used to measure the USS deficit provision under the new 2018 deficit recovery plan are set out below:

Change in assumption at 31 July 2019	Approximate impact
0.5% pa decrease in discount rate	£1.2m
0.5% pa increase in salary inflation over duration	£1.2m
0.5% increase in staff changes over duration	£1.3m
0.5% pa increase in salary inflation year 1 only	£0.2m
0.5% increase in staff changes year 1 only	£0.2m

28 Pension schemes

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

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

The USS has two sections which work alongside each other: the Retirement Income Builder which is a defined benefit section where benefits are based on length of service and salary up to a threshold; and the Investment Builder a defined contribution section for earnings above the salary threshold and any additional contributions members choose to make.

The three stakeholder schemes are defined contribution schemes.

The NHS scheme is a defined benefit scheme.

The University also continues to administer two previous pension schemes: the University of Leicester Pension and Assurance Scheme (PAS), a defined benefit scheme, and the Federated Superannuation System for Universities (FSSU), a defined contribution scheme. Both schemes are now closed to new entrants.

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

	Year ended 31 July 2019	Year ended 31 July 2018
	£'000	£'000
Universities Superannuation Scheme	19,475	18,380
University of Leicester Pension and Assurance Scheme (PAS)	400	-
NHS Pension Scheme	1,197	1,035
University of Leicester Stakeholder Scheme	1,462	1,489
College Court Stakeholder Scheme	32	31
Leicester Services Partnership Stakeholder Scheme	114	120
	22,680	21,055

(i) The Universities Superannuation Scheme

As at 31 July 2019 there are 2,310 (2017-18: 2,337) active members of USS.

The University participates in Universities Superannuation Scheme (USS) which is the main scheme covering most academic and academic-related staff. The scheme 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.

28 Pension schemes (continued)

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 Consolidated Statement of Comprehensive Income 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 latest available complete actuarial valuation of the Retirement Income Builder section of the Scheme is at 31 March 2017 ("the valuation date"), which was carried out using the projected unit method. As at the year end a valuation as at 31 March 2018 was underway but not yet complete.

Since the institution 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 2017 valuation was the fourth 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 £60.0 billion and the value of the scheme's technical provisions was £67.5 billion indicating a shortfall of £7.5 billion and a funding ratio of 89%.

The key financial assumptions used in the 2017 valuation are described below. More detail is set out in the Statement of Funding Principles.

Discount rate (forward rates)	Years 1-10: CPI - 0.53% reducing linearly to CPI - 1.32%
	Years 11-20: CPI + 2.56% reducing linearly to CPI + 1.7% by year 21
	Years 21 +: CPI + 1.7%
Pension increase (CPI)	Term dependent rates in line with the difference between the Fixed Interest and Index Linked yield curves, less 1.3% p.a.

The main demographic assumption used relates to the mortality assumptions. These assumptions are based on 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:

	2017 valuation
Mortality base table	Pre-retirement
	71% of AMC00 (duration 0) for males and 112% of AFC00 (duration 0) for females.
	Post retirement
	96.5% of SAPS S1NMA "light" for males and 101.3% of RFV00 for females.
Future improvements to mortality	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.

The current life expectancies on retirement at age 65 are:

	2019	2018
Males currently aged 65 (years)	24.6	24.5
Females currently aged 65 (years)	26.1	26.0
Males currently aged 45 (years)	26.6	26.5
Females currently aged 45 (years)	27.9	27.8

28 Pension schemes (continued)

The funding position of the scheme has since been updated on an FRS 102 basis:

	2019	2018
	£ billion	£ billion
Scheme assets	67.4	63.6
Total scheme liabilities	79.2	72
FRS 102 total scheme deficit	11.8	8.4
FRS 102 total funding level	85%	88%

Key assumptions used are:

	2019	2018
Discount rate	2.44%	2.64%
Pensionable salary growth	n/a	n/a
Pension increases (CPI)	2.11%	2.02%

A new deficit recovery plan was put in place as part of the 2017 valuation and is set out in the new Schedule of Contributions dated 28 January 2019. This requires payment of 5% of salaries over the period 1 April 2020 to 30 June 2034. In accordance with the requirements of FRS 102 and the SORP, the University has made a provision for this contractual commitment to fund the past deficit. In the prior year, the deficit payments were 2.1% of salaries up to March 2031.

This significant increase in deficit contributions has given rise to a substantial increase in the deficit provision which has increased from £28.5 million to £75.6 million as set out in note 18. £47.9 million of this increase is attributable to the change in the deficit contributions contractual commitment. See also note 7 in respect of significant pension costs.

The 2018 actuarial valuation was finalised after the year end which indicated a shortfall of £3.6 billion and a funding ratio of 95%.

Since the year end, following the completion of the 2018 actuarial valuation, a new deficit recovery plan has been agreed. This amends the existing deficit recovery plan as set out in the 2017 valuation Schedule of Contributions. This new plan requires deficit payments of 2% of salaries from 1 October 2019 to 30 September 2021 and then payments of 6% of salaries from 1 October 2021 to 31 March 2028. As at 31 July 2019 and assuming all other assumptions used to calculate the provision remain unchanged, this would have resulted in a revised provision of £44.8 million, a decrease of £30.8 million from the current year end provision and a lower face of the Statement of Comprehensive Income of £25.0 million loss.

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

The PAS 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 2019, there are 987 (2017-18: 1,040) 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, the results of which are due to be finalised by the Trustees in December 2019.

A one-off past service cost of £0.4m has been recognised in the year in respect of GMP equalisation within the scheme.

28 Pension schemes (continued)

Assumptions

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

	At 31 July 2019	At 31 July 2018
	%pa	%pa
Discount rate for scheme liabilities	2.10	2.70
Price inflation (RPI)	3.20	3.15
Price inflation (CPI)	2.20	2.15
Rate of increase in salaries	2.00, 2.00, 2.00, 2.00 and 2.20 thereafter	2.00, 1.5, 1.5, 1.5 and 2.15 thereafter
Pension increases	%pa	%pa
Pre 06.04.1988 GMP	0.00	0.00
Post 05.04.1988 GMP	2.00	1.90
Pre 06.04.1997 Non-GMPs	3.05	3.00
Post 05.04.1997	3.05	3.00
Post 01.08.2012	2.20	2.20

Demographic assumptions

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 (currently aged 65)	Male (currently aged 45)	Female (currently aged 65)	Female (currently aged 45)	Female (currently employed deferred member aged 45)
At 31 July 2018	21.2	22.6	23.7	24.9	24.2
At 31 July 2019	20.7	22.1	23.2	24.4	23.7

Scheme assets

The assets in the scheme were:

	Fair value as at	
	31 July 2019	31 July 2018
	£'000	£'000
Equities	52,398	38,923
Bonds	49,047	42,417
Gilts	11,281	-
Property	5,523	5,369
Diversified growth funds	31,084	60,382
Cash	4,072	1,247
Other	4,879	-
Total	158,284	148,338

None of the Scheme assets are invested in the University's financial instruments or in property occupied by, or other assets used by, the University.

NOTES TO THE ACCOUNTS – YEAR ENDED 31 JULY 2019

28 Pension schemes (continued)

	31 July 2019 £'000	31 July 2018 £'000
Analysis of the amount shown in the balance sheet for PAS:		
Scheme assets	158,284	148,338
Scheme liabilities	(219,302)	(198,460)
Deficit in the scheme – net pension liability recorded within pension provisions (note 18)	(61,018)	(50,122)
Analysis of the amount charged to expenditure for PAS:		
Current service cost	-	-
Past service cost	400	
Admin expenses	799	532
Total operating charge:	1,199	532
Analysis of the amount charged to interest payable for PAS:		
Interest on net defined benefit liability	1,303	1491
Total income and expenditure charge before deduction for tax	2,502	2,023
Analysis of other comprehensive income for PAS:		
Gain on assets	9,248	3,135
Experience (loss)/gain on liabilities	(21,453)	9,387
Total other comprehensive income before deduction for tax	(12,205)	12,522
Changes in value of defined benefit obligation		
Present value of PAS liabilities at the start of the year	198,460	209,481
Past service cost	400	-
Interest expense on defined benefit obligation	5,274	5,051
Actuarial (gain) / loss	21,453	(9,387)
Actual benefit payments	(6,285)	(6,685)
Present value of PAS liabilities at the end of the year	219,302	198,460
Analysis of movement in the fair value of scheme assets		
Fair value of assets at the start of the year	148,338	148,384
Interest income on assets	3,971	3,560
Gain on assets	9,248	3,135
Actual contributions paid by University	3,811	476
Actual benefit payments	(6,285)	(6,685)
Admin costs incurred	(799)	(532)
Fair value of scheme assets at the end of the year	158,284	148,338

28 Pension schemes (continued)

	31 July 2019 £'000	31 July 2018 £'000
Actual return on scheme assets		
Interest income on scheme assets	3,971	3,560
Gain / (loss) on scheme assets	9,248	3,135
	13,219	6,695

(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 2019, the University has 103 (2017-18: 101) 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 20.68% including an 0.08% scheme administration levy (2017-18: 14.38%) 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 Scheme

All three Schemes are defined contribution pension schemes offered through and administered by Aviva. They are open to University support staff in salary grade level 5 and below, all employees of University trading subsidiaries and are also available to casual workers.

As at 31 July 2019, each scheme had active members as follows:

	2019	2018
The University of Leicester Stakeholder Scheme	1,273	1,290
The College Court Stakeholder Scheme	31	35
The Leicester Services Partnership Scheme	99	97

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 a 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% (2017-18: 0.43%) of fund value. The Baillie Gifford Managed Fund management charge is 0.66% (2017-18: 0.69%) of fund value.

The University maintains an Advisory 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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*9NINE Super Seed

 **Leicester stands**
together*

*HeForShe - 1 of only 10 University
IMPACT Champions worldwide

Top 35
world university for sustainability*

*UI GreenMetric World University
Rankings 2018

Top 100
Europe's most innovative
universities*

*Reuters 2019