



University of
Leicester

Financial Statements

2012 - 2013

Elite without being elitist

THE Awards Winner
2007, 2008, 2009, 2010, 2011, 2012, 2013

www.le.ac.uk

Contents

Treasurer's Report.....	3 – 8
Public Benefit Statement	9 – 11
Corporate Governance and Internal Control.....	12 – 13
Responsibilities of the Council of the University of Leicester	14 – 15
Independent Auditor's Report	16
Statement of Principal Accounting Policies	17 – 19
Consolidated Income and Expenditure Account	20
Consolidated Statement of Total Recognised Gains and Losses.....	21
Balance Sheets.....	22
Consolidated Cash Flow Statement.....	23
Reconciliation of Net Cash Flow to Movement in Net Debt.....	23
Notes to the Financial Statements	24 – 45
Five Year Summary Accounts.....	46
Financial Statistics	47

Treasurer's Report

FOR THE YEAR ENDED 31 JULY 2013

Format of the Financial Statements

The University was established by Royal Charter in 1957 and acts as an autonomous, self-governing institution. The University has exempt charitable status and is regulated by the Higher Education Funding Council for England (HEFCE).

The Financial Statements include the University and its subsidiary companies College Court Conference Centre Limited (formerly Leicester Academic Trading Services Limited), and the near-dormant Leicester Academic Library Services Limited. The University's interests in spin-out companies are listed but none are material for inclusion in the Financial Statements.

The Mission and Strategy for the University

The University of Leicester is a leading UK university committed to international excellence through the creation of world changing research and high quality inspirational teaching within an inclusive academic culture. The vision for the University is:

- We will consolidate our position as the most inclusive of Britain's top 20 leading universities.
- We will become an established top ten UK university and rank in the top 150 institutions in the world.
- Our growing research strength will underpin this change. We will build on our position as the pre-eminent university in the Midlands for teaching quality, student satisfaction and research impact.
- We will become Britain's top university for student satisfaction and teaching quality.

More detail on the University's vision is set out in the Strategic Vision to 2015 document, available on the University website.

Highlights of the Year

This has been another very successful year for the University.

In August 2012 the University of Leicester, in collaboration with the Richard III Society and Leicester City Council, began one of the most ambitious archaeological projects ever attempted: no less than a search for the lost grave of King Richard III, the last English king to die in battle.

Incredibly, the excavation uncovered not only the friary of Grey Friars but also a battle-scarred skeleton with spinal curvature. On 4th February 2013, the University announced to the world's press that these were the remains of King Richard III.

The University has maintained its ranking as a top university in

the UK this year, ranking 16th in the Complete University Guide, 13th in the Guardian University Guide and 14th in the Times Good University Guide. The University has also been placed at 161st place in the Times Higher Education University World Rankings. The University is one of the few top 20 universities to meet or exceed the government benchmarks for inclusivity for students from state schools and lower socio-economic groups.

The 2012 National Student Survey ranked Leicester 4th for student satisfaction, placing the University in the top ten for nine years running. The impact of research conducted by the University, measured by citations per academic, is the strongest of any Midlands university. Our citation levels place us amongst the top 2% of universities in the world and are the 10th highest of universities in England (QS World University Rankings 2013). In 2012/13 a record level of 79.3% students graduated with a first or upper second class degree.

Student recruitment remains strong, with a continued increase in full-time overseas students. The recruitment of overseas students has again been supported by significant increases in activity by the University's English Language Teaching Unit and the International Study Centre, who provide a foundation year. Overseas recruitment has remained strong this year with the overseas student population increasing from 17% of full time undergraduates to 18%. Overall, overseas students represent 36% of the student headcount, with the largest cohort coming from China.

The distribution of students in 2012/13 and 2011/12 was:

	2012/13	2011/12
Undergraduate	11,263	11,364
Postgraduate	10,169	10,806
Occasional/Exchange	343	381
	<hr/>	<hr/>
	21,775	22,551
	<hr/>	<hr/>
Full-time	14,027	13,417
Part-time/distance learning	7,748	9,134
	<hr/>	<hr/>
	21,775	22,551
	<hr/>	<hr/>

The University has an ambitious £230 million investment plan for the University's estate during the next five years. The programme will allow the capacity of the campus to increase which will allow student numbers to grow.

The improved sports facilities opened at Manor Road in October 2012 improving the staff and student sports experience at Leicester. The University of Leicester British Heart Foundation Cardiovascular Research Centre opened at the end of 2012 and is situated on the Leicester Glenfield Hospital site. This has been named a regional winner of a LABC Building Excellence award in the Best Education Development category.

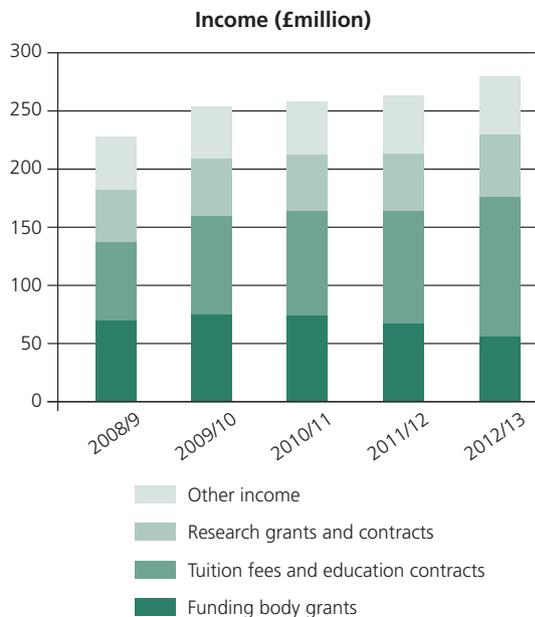
Treasurer's Report

FOR THE YEAR ENDED 31 JULY 2013

The University of Leicester also purchased the Brookfield site, close to the main campus, in May 2013, to provide additional space for growth. The University has developed a leading residential and conference facility at College Court which opened in October 2013.

Income and Expenditure Account

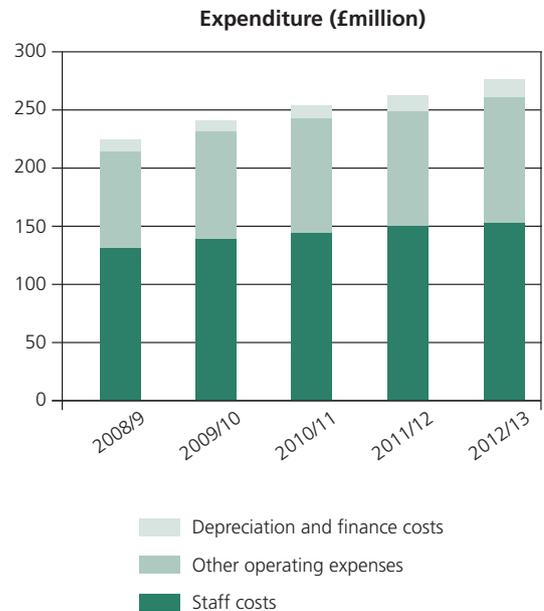
Total income rose by 6.7% to £281.435 million, while total expenditure increased by 5.6% to £274.451 million. The University's income comes from a number of sources, as shown in the chart below:



Tuition fee income again reached the highest ever level for the University at £120.910 million, 23.0% higher than in 2011/12. The majority of the increase arose from full-time campus-based UK and EU students who accounted for 38.6% of tuition fee income. Income from part-time and distance learning students increased slightly, despite a reduction in overall student numbers. Grants from funding bodies reduced by 16.5%, reflecting the shift in government funding from block grant to tuition fees.

Income from research grants and contracts increased to £55.206 million, following an increase in grant awards from UK based charities and other research councils. Research awards and applications in the year reached the highest levels yet, with a particularly strong performance in Medical and Biological Sciences and Psychology including two Biomedical Research Units in the areas of Respiratory and Lifestyle and Diabetes.

Expenditure of £274.451 million was incurred, of which 55.7% relates to staff costs.



The operating surplus was £6.984 million (2.5%), compared to £3.920 million (1.5%) in 2011/12. The total surplus for the year was £7.197 million (2.6% of income), after the transfer from endowed funds, which compares to £4.268 million in 2011/12 (1.6% of income). The result exceeded the budget for the year of £5.590 million (2.0% of income) due in part to increased profitability of the trading areas.

Balance Sheet as at 31 July 2013

Net assets have increased by £19.721 million to £168.750 million as at 31 July 2013.

Cash and short-term investments totalled £42.689 million as at 31 July 2013; £5.109 million higher than the previous year.

Fixed assets have increased by £30.077 million in the year to reach £254.674 million. This increase reflects total capital expenditure of £42.747 million, disposals of £0.194 million and depreciation of £12.476 million. Capital grants of £5.419 million were recognised in the year. The main capital expenditure items were in respect of the College Court conference and accommodation facility, the acquisition of the Brookfield site, land for the new medical building as well as refurbishment of the Charles Wilson building.

Endowed assets have increased by £4.750 million in the year. The largest single contributor was the second instalment of an unprecedented £7 million gift from the Jon and Lucille van Geest Foundation to support the University's world-leading research into heart disease.

The movement in long term creditors from £47.983 million at 31 July 2012 to £59.368 million at 31 July 2013 includes the impact

Treasurer's Report

FOR THE YEAR ENDED 31 JULY 2013

of drawing down £30.0 million of a new loan facility totalling £55.0 million from the European Investment Bank as well as the restructuring of existing loans.

Short term creditors increased by £18.695 million to £87.893 million at 31 July 2013. As part of the University's refinancing a revolving credit facility of £15 million has been established, £12.5 million is currently drawn down. Net current liabilities consequently increased from £4.259 million at 31 July 2012 to £16.003 million as at 31 July 2013.

The pension liability for the Pension and Assurance Scheme significantly decreased in the year by 26.5% to £21.983 million.

Cash Flow for the Year to 31 July 2013

There was a net cash inflow of £19.660 million from operating activities during the year, compared to £12.227 million in the previous year, an increase of £7.433 million. The other main features of the cash flow were the capital expenditure and new loans described above.

Closing net debt was £30.388 million, up from £12.335 million last year, due mainly to capital expenditure requiring the negotiation of new loan financing.

Pension Schemes

The University provides pension provision for its employees through three defined benefit schemes; the University of Leicester Pension and Assurance Scheme (PAS), the Universities Superannuation Scheme (USS), the NHS Pension Scheme, and one defined contribution scheme; the University of Leicester Stakeholder Scheme.

The PAS and the USS have the most direct impact on the University's expenditure and pose the greatest risk to the University's financial position.

The PAS is included in the financial statements on the basis of its FRS 17 valuation undertaken at 31 July 2013. The valuation shows that the Scheme had assets of £124.373 million at 31 July 2013, liabilities of £146.356 million and a resultant deficit of £21.983 million. The value of the assets has increased during the year by £13.842 million reflecting better than expected investment returns. The present value of the liabilities has increased from last year's level by £5.903 million. The resultant deficit at 31 July 2013 is therefore £7.939 million lower than the level reported at 31 July 2012.

Whilst the FRS17 valuation is required to be incorporated into the University's financial statements, the funding of the Scheme is assessed at each triennial actuarial valuation which is undertaken by the Scheme actuary. Work on the actuarial valuation due at

1 August 2013 is currently underway but the results will not be available to the Trustees and the University until early in 2014.

The last full actuarial valuation of the Scheme was completed as at 1 August 2010. The results of this showed that at that time the Scheme's assets fell short of the value of its liabilities by some £28.805 million. This is equivalent to a 77.0% funding level, representing deterioration from the 2007 actuarial valuation which showed a 90.0% funding level.

A recovery plan was put in place whereby the University agreed to remove the shortfall by 2026/27, making an annual deficit payment of approximately £1.860 million per annum. Made up of a £1.500 million lump sum payment plus an increased employers contribution of 5.3% of pensionable salary, in addition to the on-going service employer contribution of 23.5%, giving a total employer contribution of 28.7%.

Unlike the PAS, the current accounting rules do not require an annual FRS17 valuation to be included in the University's financial statements for the USS, which is a multi-employer scheme.

The most recent triennial actuarial valuation of the USS was undertaken as at 31 March 2011, and showed a shortfall of £2.910 billion. This was updated as at 31 March 2013 where a shortfall of £11.500 billion was reported.

In response to the results of the full actuarial valuation of March 2011, and after consultation with employers, the USS Trustees have put in place a recovery plan aimed at eliminating the deficit by 31 March 2021. This is based on maintaining the employer contribution rate at 16.0% until March 2017, and then for the four years from March 2017 to March 2021, agreeing that the employer's contribution rate would be the future service rate required at that time plus an excess of 2.0% towards the deficit reduction plan.

Pension Auto-enrolment

A significant event in the year was the implementation of the Government's policy on pension auto-enrolment. Auto-enrolment for USS commenced on 1 April 2013, but this only had a marginal impact as most eligible staff were already members of USS. Auto-enrolment for support staff on grades 1 to 5 and casual workers was postponed for a two month period and commenced on the 1 June 2013. The University has embraced auto-enrolment and adopted the existing Stakeholder pension scheme, operated by FriendsLife, as its preferred Scheme for this group of workers. The University Pensions Office and FriendsLife gave some 12 joint presentations to staff on auto-enrolment and the benefits of the Stakeholder scheme during April and May 2013. As at 31 July, the Scheme membership stood at 585, a net increase of 251 members in the year. It is anticipated that membership will continue to grow through 2013/14.

Treasurer's Report

FOR THE YEAR ENDED 31 JULY 2013

Treasury Management

Through the Treasury Management Sub-Committee the University sets the policy for and manages its portfolio of investment assets and short-term investments.

For the portfolio of investments the Sub-Committee aims to balance the risk and potential returns. Investments in equities, fixed interest stocks and property are managed by external investment managers. In addition the University has an in-house Treasury team who manage the working capital of the University and make a number of bank and building society deposits in accordance with the Treasury Management Policy. This policy determines the limits in terms of the credit ratings of institutions used for investments and on the sums placed with any one provider.

The level of endowment and interest income in the year was £830,000 compared to £841,000 in 2011/12.

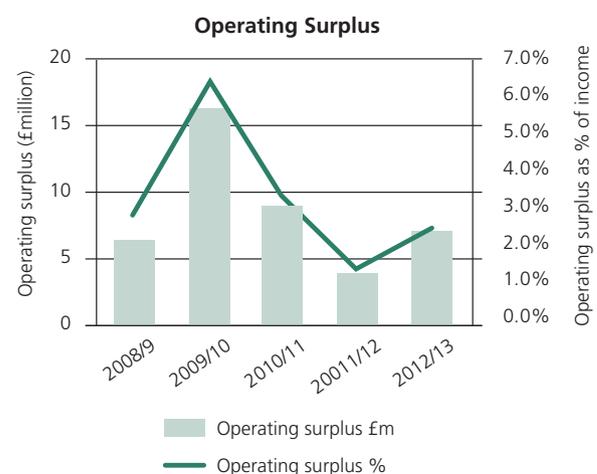
At 31 July 2013 the University had £73.533 million of borrowing. The University has six loans repayable on different terms. The key features of the loans are:

- A loan from NatWest Bank with an outstanding balance of £2.907 million. This loan is repayable in instalments over periods to 2019, with interest payable at a fixed rate of 9.8%.
- Two on-going loans from Barclays Bank, one repayable in instalments over periods to 2018 with an outstanding balance of £2.820 million and one repayable in instalments over periods to 2031 with an outstanding balance of £9.714 million. Swap arrangements are in place fixing the interest payable at 6.0%.
- A further loan from Barclays with an outstanding balance of £14.362 million. This loan facility is to fund capital schemes and is repayable in instalments over periods to 2037. A swap arrangement is in place for the loan, fixing the interest rate at approximately 5.4%.
- A new loan has been secured from the European Investment Bank; the first tranche of £30.0 million has been drawn down during the current year. The first tranche will be repayable by 2038, with interest payable fixed at 3.5%. The remainder of the loan is available for drawdown until 2016.
- A revolving credit facility of £15.0 million has also been secured during the current year. At 31 July 2013 £12.5 million has been drawn down. This is a short term facility made available to the University until 2018. Quarterly interest is payable on the drawn down balance at a rate of 2.0% and a non-utilisation fee will be payable on the remainder of the facility.
- An interest free loan provided through the HEFCE and Salix Revolving Green Fund Scheme with a balance of £800,000. The loan is used to fund initiatives to reduce the University's carbon emissions and only becomes repayable once there are no longer any new schemes to reinvest the savings generated by previous schemes. At this point it is not known when this loan will be repaid. A further HEFCE loan through the Revolving Green Fund 2 of £430,000 is repayable in biannual equal instalments up until November 2016.

Financial Strategy

Through its financial strategy the University aims to continue to be financially sustainable, while providing continued funding for the on-going capital programme.

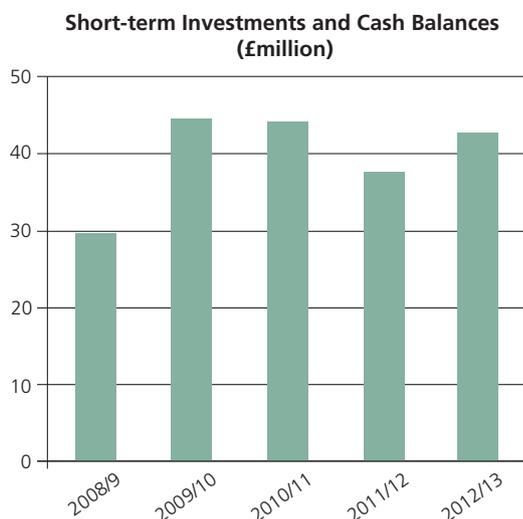
Within the financial strategy there are two key performance indicators. The first is to achieve a minimum operating surplus, measured as the surplus before exceptional items such as asset disposals and tax, as a percentage of total income. 2012/13 was anticipated to be an uncertain year for the University. Higher fees were introduced for Home/EU undergraduate students combined with a change in basis for the student number control which excluded students with AAB or equivalent A level grades. Council approved a target operating surplus of 2.0% for the year, rising to 5% by 2015/16, building additional surplus to fund capital investment in later years. The operating surplus for 2012/13 exceeded target by 0.6%. The operating surplus results from recent years are shown in the chart below.



Treasurer's Report

FOR THE YEAR ENDED 31 JULY 2013

The second key performance indicator is the level of short-term investments and cash. The aim within the financial strategy is to hold a prudent level of cash and short-term investments as measured at the year end, this is based on a minimum of two months payroll costs. The level of short-term investments and cash is shown in the chart below.



In all years the target has been exceeded. The balance of £42.689 million as at 31 July 2013 is satisfactory and is required to fund working capital requirements and the planned investment in fixed assets over the University's forecast period to 2016/17.

Future Financial Outlook

The Financial Forecasts to 2016/17 and budget for 2013/14 approved by Council in July 2013 included some challenging targets for both the growth of income and the maintenance of a surplus for the University.

Over the past year the financial position of the University has been strengthened by:

- The refinancing of the loan portfolio specifically the negotiation of the £55 million loan facility with the European Investment Bank and the Revolving Credit Facility of £15 million from Barclays.
- Increased profitability of the trading areas overall, with a particularly strong performance from the English Language Teaching Unit.
- Overseas postgraduate research income that is higher following good recruitment this year; this pattern is expected to continue.

However, there has been increased financial pressure due to a number of factors:

- Recruitment of overseas postgraduate students in the College of Science & Engineering at lower than target levels.
- Distance learning recruitment continues to be difficult.
- The costs of auto-enrolment for pensions are estimated at £450,000 per annum from 2013/14.

The 2013/14 financial year has a budget for income to grow to £292.421 million and for an operating surplus of £7.308 million. The budgeted surplus is in line with the revised financial strategy, at 2.5% of income. The challenge for 2013/14 remains to be maintaining Home/EU undergraduate recruitment and controlling costs. At this point in the year both aspects are within the budget parameters.

Key Risks and Opportunities

The most significant risks in achieving the Financial Forecasts, expanding on the Government policy risks previously discussed, and the measures in place to control them are:-

- that there is a further reduction in the HEFCE grant over and above the level now included:-

Further cuts in 2013/14 will be difficult to absorb. Although relatively unlikely at this stage, a 10% cut in Teaching and Research grants would reduce the forecast surplus to zero, demonstrating the in-year sensitivity to funding changes. Any additional grant cuts will be reviewed by the University to establish what short or long term actions may be appropriate. In later years the reliance on HEFCE grants lessens. Major changes to the OFFA access agreement will be monitored and acted upon by the University.

- that Home/EU undergraduate recruitment will falter from 2013/14 following the changes in market dynamics:-

The pattern of undergraduate recruitment has changed in 2012/13 and is likely to change again in 2013/14. Specific contingencies are held for potential dips in recruitment. However the move to free up places at ABB strengthens the University's position in later years and the confirmation process is carefully monitored each year to ensure the University's outcome is maximised.

- that campus-based overseas student fee income will not grow as planned:-

The University was very successful in campus based overseas student recruitment in each of the last three years, with excellent recruitment in many academic departments. The

Treasurer's Report

FOR THE YEAR ENDED 31 JULY 2013

University continues to show strong application rates in the current year for many areas and it is now very important that these are again converted to student registrations in the autumn.

- that distance learning income does not meet the forecasts:-

The Colleges, senior management team and the Finance Committee will continue to support the achievement of distance learning targets by responding to information from monthly monitoring reports. Distance learning forecasts have reduced significantly compared to this time last year, reflecting a reduction in agent based recruitment and an acknowledgement of the challenging economic climate.

- that the anticipated increase in income and contribution from research grants and contracts is not achieved:-

The forecasts show an increase in research income and contribution over the period. The senior management team and Research Committee will continue to monitor progress against the targets. The data on grant and contract applications and awards in the prior and current year is encouraging and supports the assumptions used in the forecasts. However there remains continuing uncertainty of the impact of government cuts on research council funded bodies and the consequent impact on the amount of research money available. The University recognises a need to further diversify income sources, particularly with respect to industry and enterprise.

- sustaining the ability to maintain and grow a competitive position for the quality of teaching and research. It is critical to maintain the University's position in the top 20 of key league tables and remain very highly ranked (at least in the top 10) in the National Student Survey:-

The University plans to carefully deliver the research and teaching strategy, investing in high quality infrastructure and staff and annually reviewing and rewarding performance.

- there are potential operating risks in a number of areas, such as leadership, governance, IT infrastructure, pensions and regulation compliance which could impact on the University's ability to deliver the financial forecasts and strategic plan and cause reputational damage.

The University has a strong governance and risk management process to ensure that any risks are proactively managed and mitigated.

There are also some upside possibilities which could favourably affect the forecasts:-

- the shift in the threshold for student number control

from AAB to ABB provides an opportunity to strengthen recruitment at the undergraduate level from 2013/14.

- better achievement than estimated on overseas students (with associated investment to ensure an excellent student experience) and the other matters above.
- achievement of further significant fundraising towards the capital programme through development appeals.
- significant increases in research funding at the end of the planning period following a successful REF 2014.

Conclusion

The University has had a successful year in many ways, reflected in increased investment in our capital programme and a surplus which exceeds forecast, despite the challenges experienced in student recruitment. The University is determined to continue the progress made over recent years and take advantage of the funding changes to strengthen its academic and financial base. The University will continue to invest heavily in its activities and facilities and aims to stay on course to meet the targets set within the financial strategy, focusing on continued financial sustainability and the creation of the cash generating capability necessary to invest in the University's future.

Finally, it is worth noting that as a University our most valuable asset resides in the undoubted quality of the people who work for us. It is to them that we owe a continuing debt of gratitude for it is on their shoulders that the University of Leicester will continue to build on its already enviable strengths, cementing and growing its international reputation through the excellence of its research and teaching.

Mr D. Moore
Treasurer
20 November 2013

Public Benefit Statement

FOR THE YEAR ENDED 31 JULY 2013

The University has exempt charitable status and is regulated by HEFCE under the Charities Act 2011.

The members of Council serve as trustees, and in setting the University's mission and strategy have due regard to the Charity Commission's public benefit guidance, and the guidance issued by HEFCE. The two general principles of the guidance are:

1. There must be an identifiable benefit or benefits.
2. Benefit must be to the public, or a section of the public.

The University's public benefit is related to the mission and strategy of the University, highlighted in the Treasurer's report. Through this the University brings a presence and positive impact to the local community, regionally, nationally and internationally.

The University's Charter sets the overall objectives of the 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". This objective is articulated through the Mission and Strategy and is summarised by the values approach of being "elite without being elitist".

The University is proud to be elite but it is not elitist. It is equally as proud to be a university that is inclusive and accessible in its academic culture. The University is one of the few top 20 universities to meet or exceed all of its benchmarks for widening participation. It is also the only university to have won seven consecutive Times Higher Awards. Success through its distinctive work is characterised by its approach:

- an inclusive and accessible culture;
- a personal, supportive experience for those who use its' services;
- a commitment to high quality, innovation and rigorous academic standards;
- a belief that teaching and research are synergistic.

The most significant direct beneficiaries of the University's charitable objects are the undergraduate and postgraduate students, who come to the University to enhance their academic qualifications, life skills, and employability. The regional economy also directly benefits from the activities of the University, recent calculations show the annual economic benefit of the University to be £729 million both through direct consumption by the student body, but also by the provision of jobs and the integration of University activity into local communities. The University continues to support the employability of our graduates and members of the local community by offering an employment service, providing temporary work to the University and local businesses.

The national economy benefits significantly from the strength of overseas representation in the University's student body. The University has a strong reputation in overseas territories, contributing significantly to the HEI export market. As noted in the Treasurer's report full time international student numbers continue to rise year on year.

Public benefit can also be clearly felt via the learning opportunities and the creation of jobs in territories in which the University's distance learning activities are present. The University has around 6,000 students studying by distance learning, making it part of its' core educational provision.

Looking outward to push boundaries is second nature at the University. Nowhere is this commitment more evident – and more beneficial – than in the pioneering work to support the establishment and development of the University of Gondar in Ethiopia. This African university did not exist in 2003 and is now a thriving institution with 10,000 students which celebrated its first PhD graduate from the Leicester-Gondar PhD programme in the year. By enabling Gondar to manage this huge expansion and cope with the pressure it places upon its resources, the link with Leicester is providing the model upon which other UK-Developing World partnerships will be based.

The University's public benefit is also demonstrated through high quality research and teaching.

High quality teaching

The quality of the University's teaching is high and the National Student Survey shows that Leicester University students are some of the most satisfied in England.

The University's high standards in teaching are affirmed by the most recent institutional audit completed by the Quality Assurance Agency for Higher Education which gave confidence (the highest category of outcome) in the soundness of the management of academic standards. For the second year in a row in 2012/13 the University was awarded two HEFCE National Teaching Fellowships for individual excellence in learning and teaching. The University caters for students at all levels of Higher Education, from undergraduate certificates, to postgraduate doctorates. Study can be carried out on campus or by accessing our large distance learning portfolio of programmes. The University encourages access to higher education from all areas of the community, using the flexibility of distance learning and innovative e-learning solutions.

The University's students enter the workplace with a well-rounded university experience, having undergone rigorous academic assessment and been offered numerous opportunities to engage with CV enhancing activities (e.g. volunteering, student enterprise projects, part time work). The most recently published DLHE (Destinations of Leavers from Higher Education)

Public Benefit Statement

FOR THE YEAR ENDED 31 JULY 2013

statistics show that only 7.1% of graduates are still seeking employment or further study six months after graduation (compared to a sector average of 8.6%). This is testimony to the University's investment in ensuring our beneficiaries are provided with the best skills possible to contribute to their communities. The students leaving the University do so in the knowledge that they will have the skills to contribute to a strong and vibrant workforce which can substantially contribute to the health of their nation.

High quality research

The high quality research being conducted across the University continues to provide public benefit at local, national and global levels.

No-one can have failed to notice the massive global coverage of the University's most high profile research project ever: the search for, discovery of and identification of the remains of King Richard III, announced at a major international press conference in February.

The impact of this work on the reputation and economy of the city of Leicester cannot be underestimated, with King Richard projected to bring an estimated £140 million of tourism to the city, and underpinning Leicester's bid to be UK City of Culture 2017. Meanwhile the remains themselves continue to provide scientific and historical insight for University academic researchers before their 2014 re-interment. In addition the project has also been shortlisted in the Times Higher Education Awards 2013 category for Research project of the year.

The University's work in cancer research continues to create high-profile stories which highlight the continuing wider benefits of the research, notably the start of a nine-year study into survival rates among lung cancer patients, in conjunction with University Hospitals of Leicester NHS Trust. Significant breakthroughs have also been made this year at Leicester in the search for effective treatments for several major neurodegenerative diseases including Huntington's, Alzheimer's and Parkinson's.

The University is also involved in three research partnerships with University Hospitals of Leicester NHS Trust looking into cardiovascular disease, respiratory disease and nutrition, diet and lifestyle. The research is helping to develop and translate new scientific discoveries into ground-breaking medicines, treatments and better care for all NHS patients.

Through the University's enterprise and business development activities the University offers many different ways for external organisations and companies to access and benefit from University expertise, from leading-edge research and consultancy, to first-rate testing facilities and technologies. Projects developed by the University which boost regeneration and support local

business include the SME Support to Growth project which assists businesses in optimising growth and international trade potential. Also Innovation Partnerships, which enables businesses to access expertise and resources at the University through consultancy with leading academics and graduate Internships.

The University's 2012/13 HEFCE research funding is the 20th highest of universities funded by HEFCE.

The University has one of the highest proportions of research active staff in the UK, with approximately 93% of staff submitted for the national 2008 Research Assessment Exercise (RAE). 87% of research activity was deemed by the RAE to be internationally significant research.

Unless contractual arrangements place restrictions on publication, the results of the University's research are placed in the public domain through journals, books or online on the Leicester Research Archive facility within the University Library.

Research conducted by the University complies with research good practice guidance and the University's Research Code of Conduct overseen by the University Research Committee.

Inclusive and accessible

The University is one of the most socially inclusive of Britain's top 20 leading universities and one of few universities to achieve official government benchmarks for inclusivity for both state school students and students from lower socio-economic groups (as detailed in the latest HESA Widening Participation Performance Indicators for young undergraduate entrants).

Outreach into schools and colleges includes substantial work targeted at the most disadvantaged students in the most disadvantaged schools, and includes university experience days, subject based master-classes and summer schools. Placements are offered for current students to work in these schools – supporting teaching and acting as role models for the students.

Working with community groups and the promotion of learning opportunities for 'hard to reach' groups is a key priority for the University's Institute for Lifelong Learning.

The outreach work of the University is complemented by a targeted bursary scheme (worth £4 million in 2013/14) for students from poorer backgrounds and a clear and transparent policy of fair admissions, set out in our Code of Practice for Admissions.

Tuition fees for full time undergraduate and PGCE courses are regulated by the Office for Fair Access (OFFA). Under the agreement that the University has with OFFA, UK undergraduate students are eligible for University bursaries of non-repayable cash awards.

Public Benefit Statement

FOR THE YEAR ENDED 31 JULY 2013

Bursaries and scholarships are available for other students for the study of postgraduate courses based on academic merit.

The University recognises that a significant barrier to many postgraduate research students is financial. The University both internally funds standard PhD scholarships but also encourages academic staff to integrate PhD scholarships into research grant contract activity. This has the dual benefit of creating further scholarship opportunities but also increases knowledge transfer within research areas. In addition to standard PhDs, the University offers Graduate Teaching and Graduate Research Assistant scholarships, enabling students to study for a PhD while at the same time gaining experience in either teaching or research. This increases peer to peer learning opportunities and provides additional opportunities to 'up-skill' postgraduate students before they enter the workplace.

The University engages with the local community in a wide variety of other ways including public lectures, the University's Arts Centre (Embrace Arts), the Literary Leicester Festival, the annual international sculpture exhibition, the University's Botanic Gardens and the recently enhanced sports facilities. Many of these facilities include free access for the public and are promoted as part of the University's outreach programme.

The University continues to enhance its estate to not only provide a campus that allows for a growing student base but also entices the local diverse community and national and international visitors to take advantage of the facilities offered.

The University has a well-established unit working with local business and enterprise to ensure strong links between teaching, the community and industries students will go on to work in. It has strong partnerships with both traditional graduate employers and public sector partners, who see the benefit that research led teaching brings to a student body and their ability to be flexible and adaptive in a changing economic environment.

The University has a Regional Engagement Team to work with and engage agencies, policy leaders, government bodies and all types of stakeholders including trade associations, working together to establish effective partnerships and collaborations for mutual benefit. Since 2009 the University has helped to secure over £7 million in funding with additional matched funding from the University to work with local businesses. A number of these businesses in the East Midlands are reaping the benefits of Innovation Partnerships with the University and have already seen major improvements to both their business practices and their future prospects. Such schemes have made a positive difference to local companies and the communities that then use their services.

The University will continue to promote public benefit to raise aspirations and transform lives in the local, national and international communities it engages with.

Corporate Governance and Internal Control

FOR THE YEAR ENDED 31 JULY 2013

The following statement is given to assist readers of the Financial Statements to obtain an understanding of the governance procedures of the University. The University endeavours to conduct its affairs in accordance with the Governance Code of Practice for Higher Education Bodies in the UK, issued 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). The University has applied the principles set out in Section 1 of the revised Combined Code on Corporate Governance issued by the London Stock Exchange in July 2003, incorporating internal control guidance as amended by the British Universities Finance Directors Group. The University is satisfied that it has complied with the provisions of the Code, in so far as it is applicable.

Summary of the University's Structure of Corporate Governance

The University's Council, the governing body of the University, comprises a number of ex-officio, appointed and elected lay and academic persons, the majority of whom are non-executive. The Council normally meets four times a year. The role of the Chair of Council is separated from the role of the University's Chief Executive, the Vice-Chancellor. The powers of the Council are set out in the Statutes and Ordinances of the University, by its Statement of Primary Responsibilities, which is published on the University's website, and under the Financial Memorandum with the Higher Education Funding Council for England. The Council holds to itself responsibility for the on-going strategic objectives of the University, including approval of major new developments, and for monitoring progress against these. Council receives regular reports from its committees on the operations of the University and of its subsidiary companies. Council also receives an annual summary assessment of the University's performance against a range of key performance indicators, and these assessments are published on the University's website.

In the financial year 2012-13 the principal Committees of Council included the Finance Committee, Audit Committee and two Remuneration Committees, all formally constituted with terms of reference and all including members drawn from the lay membership of Council. Further details of the University's committee structure are published on the website.

The Finance Committee is responsible for recommending to Council the University's annual Financial Statements and annual budgets, for the overall monitoring of the University's financial health and for advising on the University's overall financial strategy. The Finance Committee also monitors the financial resources that are allocated to the administrative and other support service areas.

The Audit Committee is responsible for meeting with the external auditors to discuss audit findings, and with the internal auditors

to consider detailed internal audit reports and recommendations for the improvement of the University's systems of internal control, together with management's responses and implementation plans. The work of internal audit is guided by an assessment of the key areas of risk in the University's activities. In addition, as part of statutory audit, the external auditors review and test the system of internal control to the extent that they consider necessary to support their audit opinion. The Audit Committee also receives reports on value for money, considers items from the Higher Education Funding Council for England as they affect the University's business, and monitors adherence to the regulatory requirements. The Committee reviews the audit of the University's annual Financial Statements together with the accounting policies. Whilst senior executives attend meetings of the Audit Committee as necessary, they are not members of the Committee, which is made up of lay members of Council or other external members co-opted for their specific expertise. The Committee meets privately with the internal and external auditors for independent discussions as necessary. Under the Audit Committee's Terms of Reference no member of the 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.

The two Remuneration Committees determine the remuneration of professorial and senior administrative staff, including the Vice-Chancellor.

The University undertakes regular external reviews of the effectiveness of Council. The last such review was conducted during 2010 and the full report is available on the University's website. The main findings of the review confirmed Council's strength in its monitoring and assurance function, but also proposed a number of ways in which Council could further develop its strategic role. Council agreed the implementation of detailed responses to the full set of recommendations.

In November 2011 HEFCE conducted an assurance review at the University to examine how the institution exercises accountability for the public funding which it receives. HEFCE's conclusion from the review was that it could place reliance on the University's accountability information, with no recommendations for improvements in any of the areas reviewed. This opinion will remain valid for a period of five years.

Risk Management

Council is responsible for the University's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and provides reasonable but not absolute assurance against material misstatement or loss. Council has approved a comprehensive risk management policy for the University, which is reviewed regularly and updated as required.

Corporate Governance and Internal Control

FOR THE YEAR ENDED 31 JULY 2013

The senior management team receives termly reports setting out key performance and risk indicators and considers possible control issues brought to its attention by early warning mechanisms which are embedded within the operational units. The senior management team and the Audit Committee also receive regular reports from the internal auditors, which include any necessary recommendations for improvement. The Audit Committee's role in this area is confined to a high level review of the arrangements for internal financial control. Council receives regular reports on Risk Management and Internal Control from the Vice-Chancellor and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. During the year Council approved regular amendments to the Corporate Strategic Risk Register to reflect changes in the level of exposure to recognised risks, and the emergence of new risks, as indicated by the Internal Control Reports submitted to Council.

At its meeting in July 2013 Council received a report from senior management, originally prepared for the Audit Committee, on the operation of the University's risk management procedures in 2012-13. Council agreed that the mechanisms employed by the University to manage and monitor its major risks were firmly embedded and continued to provide effective systems of identifying, evaluating and managing the University's significant risks for the year ended 31 July 2013 and up to the date of approval of the annual report and financial statements.

During the last year there have been no major events necessitating the review of risk control and reporting procedures.

Responsibilities of the Council of the University of Leicester

FOR THE YEAR ENDED 31 JULY 2013

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 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 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 Governance Code of Practice 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 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, 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's functions as Head of the University's Corporate Services, with direct accountability to the 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 University's Statutes and Ordinances, the Statement of Recommended Practice: Accounting for Further and Higher Education and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between the Higher Education Funding Council for England and the University of Leicester, the University Council, through its designated accountable officer (the 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 of Leicester and of the surplus or deficit and cash flows for that year.

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

- suitable accounting policies are selected and applied consistently;
- judgements and estimates are made that are reasonable and prudent;
- applicable 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 2017, prepared under the direction of the Funding Council and

Responsibilities of the Council of the University of Leicester

FOR THE YEAR ENDED 31 JULY 2013

on the basis of assumptions made as to the continuance of government grants to be given by the Funding Council. On that basis, Council has a reasonable expectation that the University has adequate resources to continue operations for its foreseeable future. For this reason, the financial statements continue to be prepared on the going concern basis.

The Council has taken reasonable steps to:

- ensure that funds from the Higher Education Funding Council for England, and income for other specific purposes, are used only for the purposes for which they have been given and in accordance with the Financial Memorandum of the Funding Council and any other conditions which the Funding Council may from time to time prescribe;
- ensure that income for grants and specific purposes and from other restricted funds administered by the University have been expended on the purpose for which they have been provided;
- ensure that funds relating to the contracts with the National Health Service have been properly expended on the purposes for which they have been provided;
- ensure that the University has a sound system of internal financial management and control and takes into account any relevant guidance on accountability or propriety issued from time to time by the Funding Council, the National Audit Office or the Public Accounts Committee;
- safeguard the assets of the University and prevent and detect fraud;
- secure the economical, efficient and effective management of the University's resources and expenditure; and
- plan and conduct its financial and academic affairs to ensure that the University remains solvent.

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

- definitions of the responsibilities of, and the authority delegated to, heads of academic and administrative departments;
- 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 University Council;

- comprehensive Financial Regulations, detailing financial controls and procedures, 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 University Council. The internal audit manager provides the University 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

Dr B. E. Towle, Chair of Council

20 November 2013

Members of Council

The Members of Council who served in the 2012-13 financial year were as follows:

Professor A. Abbott (until 31.7.2013)
 Mr P. Ash
 Mr P. Bateman (until 31.7.2013)
 Mr R. Bettles (Chair of Council, until 31.7.2013)
 Professor Sir Robert Burgess
 Mr G. Dixon
 Ms J. Dunne (until 31.7.2013)
 Mr D. Flatt
 Judge A. Hampton
 Mr M. Hindle
 Mr D. James (until 31.7.2013)
 Mr I. Johnson
 Dr D. Lockett
 Mr A. Mamujee (until 28.2.2013)
 Mr D. Moore
 Mr P. Mulvihill
 Professor E. Murphy (until 31.7.2013)
 Dr N. Reed
 Professor K. Schürer (until 31.7.2013)
 Professor M. Thompson
 Dr B. Towle (Chair of Council, from 1.8.2013)
 Professor D. Wynford-Thomas
 Dr M. Rawlinson
 Professor J. Scott

New appointments from 1 August 2013:

Professor M. Barstow
 Professor J. Ketley
 Mr P. Lawson
 Professor M. Lester
 Mr A. Morgan
 Professor M. Peel (from 1.10.2013)
 Ms V. Sharma
 Ms C. Thorogood

Independent Auditor's Report to the Council of the University of Leicester

FOR THE YEAR ENDED 31 JULY 2013

We have audited the financial statements of the University of Leicester for the year ended 31 July 2013 which comprise the Statement of Principal Accounting Policies, the Consolidated Income and Expenditure Account, the Consolidated Statement of Total Recognised Gains and Losses, the Consolidated and University Balance Sheets, the Consolidated Cash Flow Statement, the Reconciliation of Net Cash Flow to Movement in Net Debt, and the related notes 1 to 32. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice: Accounting for Further and Higher Education.

This report is made solely to the Council in accordance with the financial memorandum effective August 2010. Our audit work has been undertaken so that we might state to the Council those matters we are required to state to it 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 board of governors as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Council and Auditor

As explained more fully in the Council's Responsibilities Statement, the Council is responsible for the preparation of the financial statements that give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the University's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Council; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on Financial Statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group and the University's affairs as at 31 July 2013 and of the Group's surplus for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice: Accounting for Further and Higher Education.

Opinion on other matters prescribed by the Higher Education Funding Council for England Audit Code of Practice

In our opinion:

- in all material respects, income from the funding council, grants and income for specific purposes and from other restricted funds administered by the University during the year ended 31 July 2013 have been applied for the purposes for which they were received; and
- in all material respects, income during the year ended 31 July 2013 has been applied in accordance with the University's statutes and, where appropriate, with the financial memorandum, with the funding council.

Matter on which we are required to report by exception

We have nothing to report in respect of the following matter where the Higher Education Funding Council for England Audit Code of Practice requires us to report to you if, in our opinion:

- the Statement of Internal Control (included as part of the Corporate Governance Statement) is inconsistent with our knowledge of the University.

Deloitte LLP
Chartered Accountants and Statutory Auditor
Nottingham, UK

Statement of Principal Accounting Policies

FOR THE YEAR ENDED 31 JULY 2013

1. Accounting Convention

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of Endowment Asset Investments, and in accordance with both the Statement of Recommended Practice: Accounting for Further and Higher Education 2007 (SORP) and applicable Accounting Standards.

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 twelve 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 group's financial statements.

2. Basis of Consolidation

The consolidated financial statements consolidate the financial statements of the University and all subsidiary and associated undertakings with material financial transactions for the financial year to 31 July 2013. The consolidated financial statements do not include those of the University of Leicester Students' Union as it is a separate organisation in which the University has no significant influence over policy decisions.

3. Recognition of Income

Funding Council 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 Income and Expenditure Account.

Tuition fees represent student fees received and receivable, which are attributable to the current accounting period. Where the amount of a tuition fee is reduced income is shown net of the discount. Bursaries and scholarships are accounted for gross as expenditure and not deducted from income.

Income from research grants, contracts and other services rendered is included to the extent of the expenditure incurred during the year. Contributions towards overhead costs are aligned with expenditure and recognised based on expenditure to date. All income from fixed, current and endowment asset investments is credited to the Income and Expenditure Account on a receivable basis. Income from restricted endowments not expended in accordance with the restrictions of the endowment is transferred from the Income and Expenditure Account to restricted endowments.

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.

4. Accounting for Charitable Donations

Unrestricted donations

Charitable donations are recognised in the accounts when the charitable donation has been received, or if, before receipt, there is sufficient evidence to provide the necessary certainty that the donation will be received and the value of the incoming resources can be measured with sufficient reliability.

Endowment funds

Where charitable donations are to be retained for the benefit of the University as specified by the donors, these amounts are accounted for as endowments. There are three main types:

- Unrestricted permanent endowments are where a donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of the University. Receipts where the capital amount cannot be spent are credited to unrestricted permanent endowments and only accumulated income is available to be transferred to general reserves.
- Restricted permanent endowments are where the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective. Receipts where the capital amount cannot be spent are credited to restricted permanent endowments and only accumulated income is available to be transferred to general reserves as the related expenditure is incurred.
- Restricted expendable endowments are where the donor has specified a particular objective other than the purchase of intangible or fixed assets, and the institution can convert the donated sum into income. These receipts are credited to endowment reserves and transferred to general reserves as the related expenditure is incurred.

Endowment Asset investments are included in the Balance Sheet at market value, with changes taken to the Statement of Total Recognised Gains and Losses.

Donations for fixed assets

Donations received to be applied to the cost of a tangible fixed asset are shown on the Balance Sheet as a deferred capital grant. The deferred capital grant is released to the Income and Expenditure Account over the same estimated useful life that is used to determine the depreciation charge associated with the tangible fixed asset.

Gifts in kind, including donated tangible fixed assets

Gifts in kind are included in 'Other Income' using a reasonable estimate of their gross value or the amount actually realised.

Statement of Principal Accounting Policies

FOR THE YEAR ENDED 31 JULY 2013

Donations received to be applied to the cost of land are recognised by inclusion as 'Other Income' in the Income and Expenditure Account.

5. Pension Schemes

The two principal pension schemes for the University's staff are the Universities Superannuation Scheme (USS) and the University of Leicester Pension and Assurance Scheme (PAS). The Schemes are defined benefit schemes which are externally invested and contracted out of the State Earnings-Related Pension Scheme. The Funds are valued every three years by actuaries using the projected unit method for USS, and the defined accrued benefit method for PAS, the rates of contribution payable being determined by the trustees on the advice of the actuaries. In the intervening years, the actuaries review the progress of the Schemes. Pension costs are assessed on the latest actuarial valuations of the Schemes. A small number of staff remain in other pension schemes.

The USS is a defined benefit scheme which is contracted out of the State Second Pension. The assets of the Scheme are held in a separate trustee-administered fund. The University is unable to identify its share of the underlying assets and liabilities of the Scheme on a consistent and reasonable basis and therefore, as required by FRS 17 "Retirement Benefits", accounts for the Scheme as if it were a defined contribution scheme. As a result, the amount charged to the Income and Expenditure Account represents the contributions payable to the Scheme in respect of the accounting period. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

The PAS is accounted for on the basis of FRS 17. The assets of the Scheme are included at market value and Scheme liabilities are measured on an actuarial basis using the defined accrued benefit method. The difference between the fair value of assets and liabilities measured on an actuarial basis, are recognised in the University's Balance Sheet as a pension scheme liability or asset as appropriate. A surplus is only included to the extent that the University is able to recover the surplus either through reduced contributions in the future or through refunds from the Scheme. The movement in the Scheme asset or liability is split as follows. The current service cost is shown within operating charges. The interest cost and the expected return on assets is shown within finance costs. Actuarial gains and losses are recognised immediately in the Statement of Total Recognised Gains and Losses.

6. Foreign Currencies

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling either at year end rates or, where

there are related forward foreign exchange contracts, at contract rates. The resulting exchange differences are dealt with in the determination of income and expenditure for the financial year.

7. Leases

Rental costs under operating leases are charged to expenditure in equal annual amounts over the period of the leases. Rental income from operating leases is recognised on a straight line basis over the year of the lease irrespective of when such payments are due.

8. Land and Buildings

Land and Buildings are stated at cost. Land which is held freehold 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 of 50 years. Refurbishment costs that meet the requirements of FRS 15 are capitalised and depreciated over the period of 15 years on a straight line basis. Leasehold buildings are depreciated over 50 years, or if shorter, the period of the lease, on a straight line basis.

Where the University has earmarked assets for sale within one year of the balance sheet date, these are transferred to current assets as held for sale.

Where buildings are acquired with the aid of specific grants they are capitalised and depreciated as above. The related grants are treated as deferred capital grants and released to income over the expected useful life of the buildings.

Assets in the course of construction are capitalised but not depreciated.

9. Equipment

Equipment costing less than £25,000 per individual item is written off in the year of acquisition. All other equipment is capitalised.

Capitalised equipment is stated at cost and depreciated over its expected useful life on a straight line basis, as follows:

General equipment including vehicles and computer hardware - 3 years

Equipment acquired for specific research projects - 3 years or the normal project life if less than 3 years

Where equipment is acquired with the aid of specific grants it is capitalised and depreciated as above. The related grant is treated as a deferred capital grant and released to income over the expected useful life of the equipment (the period of the grant in respect of specific research projects).

Statement of Principal Accounting Policies

FOR THE YEAR ENDED 31 JULY 2013

All software costs, including licence fees, are written off to the Income and Expenditure Account as incurred.

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

Endowment Asset Investments are included in the Balance Sheet at market value, with changes taken to the Statement of Total Recognised Gains and Losses. All other investments are included at the lower of cost and net realisable value.

12. Restructuring Costs

The University continues to operate a voluntary severance and early retirement scheme. Costs are provided for in full from the date applications to the scheme are agreed by the relevant committee.

13. Stocks

Stocks comprise Departmental Bulk Stores, Heating Oil, Sundry Stores and stocks held at Bookshops, Halls of Residence and Catering and are stated at the lower of cost or net realisable value.

14. Maintenance of Premises

The cost of routine corrective and planned maintenance is charged to the Income and Expenditure Account in the year it is incurred. Expenditure that extends the useful life of an asset or enhances an asset is capitalised.

15. Provisions

Provisions are recognised when the University has a present legal or constructive obligation as a result of a past event, it is probable that a transfer of economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the definition of a provision is not met a contingent liability is disclosed by way of a note. A contingent liability arises in one of three scenarios: possible rather than present obligation; a possible rather than probable outflow of economic benefit; an inability to measure the economic outflow.

16. Taxation Status

The University is an exempt charity within the meaning of Schedule 3 of the Charities Act 2011 (formerly Schedule 2 of the Charities Act 1993) and as such is a charity within the meaning of Para 1 of Schedule 6 to the Finance Act 2010. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by Sections 478-488 of the Corporation Tax Act 2010 (formerly enacted in Section 505 of the Income and Corporation Taxes Act 1988) 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. For this reason the University is generally unable to recover input VAT it suffers on goods and services purchased. Non-pay expenditure is therefore shown inclusive of VAT with any partial recovery netted off against these figures. The University's subsidiary companies are subject to corporation tax and VAT in the same way as any commercial organisation (with the exception of College Court Conference Centre Ltd (formerly Leicester Academic Trading Services Ltd) which is VAT grouped with the University).

17. Cash Flows and Liquid Resources

Cash flows comprise increases or decreases in cash. 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. No other investments are included in cash.

Liquid resources comprise Current Asset Investments which are readily disposable. They include term deposits arising from the University's treasury management activities. They exclude any such assets held as Endowment Asset Investments.

18. Agency Arrangements

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

19. Intra-group transactions

Gains or losses on any intra-group transactions are eliminated in full. Amounts in relation to debts and claims between undertakings included in the consolidation are also eliminated.

Consolidated Income and Expenditure Account

FOR THE YEAR ENDED 31 JULY 2013

	Note	2012/13 £000	2011/12 £000
Income			
Funding Body Grants	1	55,055	65,895
Tuition Fees and Education Contracts	2	120,910	98,274
Research Grants and Contracts	3	55,206	49,634
Other Income	4	49,434	49,218
Endowment and Investment Income	5	830	841
Total Income		281,435	263,862
Expenditure			
Staff Costs	6	152,826	148,439
Other Operating Expenses		106,227	97,894
Depreciation	9	12,476	11,016
Interest and Other Finance Costs	7	2,922	2,593
Total Expenditure	8	274,451	259,942
Surplus Before Tax		6,984	3,920
Taxation		–	–
Surplus After Tax		6,984	3,920
Transfer from Accumulated Income in Endowment Funds	18	213	348
Surplus for the Year Retained Within General Reserves	19	7,197	4,268

- There is no difference between the retained surplus shown above and its historical cost equivalent.
- All items of income and expenditure arise from continuing operations.
- There are no exceptional items in the financial years reported.

Consolidated Statement of Total Recognised Gains and Losses

FOR THE YEAR ENDED 31 JULY 2013

	Note	2012/13 £000	2011/12 £000
Surplus on Continuing Operations After Tax		6,984	3,920
Appreciation/(Depreciation) of Endowment Asset Investments	11	926	(52)
New Endowments	18	4,037	600
Valuation Gain on transfer to Endowments		301	–
Actuarial Gain/(Loss) in Respect of Pension Scheme	32	7,083	(8,444)
Total Recognised Gains/(Losses) Relating to the Year		19,331	(3,976)

Reconciliation

	2012/13 £000	2011/12 £000
Opening Reserves and Endowments	48,004	51,980
Total Recognised Gains/(Losses) for the Year	19,331	(3,976)
Closing Reserves and Endowments	67,335	48,004

Balance Sheets

AS AT 31 JULY

	Note	Consolidated		University	
		2013 £000	2012 £000	2013 £000	2012 £000
Fixed Assets					
Tangible Assets	9	254,674	224,597	254,674	224,597
Investments	10	63	63	63	63
		254,737	224,660	254,737	224,660
Endowment Asset Investments	11	11,776	7,026	11,776	7,026
Current Assets					
Stocks		586	678	586	678
Debtors	12	28,615	26,681	28,636	26,682
Investments	13	704	21,471	704	21,471
Cash at Bank and in Hand		41,985	16,109	41,976	16,099
		71,890	64,939	71,902	64,930
Creditors: Amounts Falling Due Within One Year	14	(87,893)	(69,198)	(88,064)	(69,368)
Net Current (Liabilities)		(16,003)	(4,259)	(16,162)	(4,438)
Total Assets Less Current Liabilities		250,510	227,427	250,351	227,248
Creditors: Amounts Falling Due After More Than One Year	15	(59,368)	(47,983)	(59,368)	(47,983)
Provisions for Liabilities and Charges	16	(409)	(493)	(409)	(493)
Net Assets Excluding Pension Liability		190,733	178,951	190,574	178,772
Pension Liability	32	(21,983)	(29,922)	(21,983)	(29,922)
Net Assets Including Pension Liability		168,750	149,029	168,591	148,850
Deferred Capital Grants	17	101,415	101,025	101,415	101,025
Endowments					
Expendable	18	7,174	2,989	7,174	2,989
Permanent	18	4,602	4,037	4,602	4,037
		11,776	7,026	11,776	7,026
Reserves					
General Reserve Excluding Pension Liability		77,542	70,900	77,383	70,721
Pension Reserve	32	(21,983)	(29,922)	(21,983)	(29,922)
General Reserve Including Pension Liability	19	55,559	40,978	55,400	40,799
Total		168,750	149,029	168,591	148,850

Professor Sir R.G. Burgess, Vice-Chancellor
 Dr B.E. Towle, Chair of Council
 20 November 2013

Consolidated Cash Flow Statement

FOR THE YEAR ENDED 31 JULY 2013

	Note	2012/13 £000	2011/12 £000
Net Cash Inflow From Operating Activities	20	19,660	12,227
Returns on Investments and Servicing of Finance	21	(1,618)	(1,422)
Taxation		-	-
Capital Expenditure and Financial Investment	22	(36,095)	(23,850)
Management of Liquid Resources	23	20,455	1,906
Financing	24	22,801	6,517
Increase/(Decrease) in Cash in the Year	25	25,203	(4,622)

Reconciliation of Net Cash Flow to Movement in Net Debt

FOR THE YEAR ENDED 31 JULY 2013

	Note	2012/13 £000	2011/12 £000
Increase/(Decrease) in Cash in the Year	25	25,203	(4,622)
Change in Short Term Deposits	25	(20,455)	(1,906)
Change in Debt	25	(22,801)	(6,517)
Change in Net (Debt)/Funds		(18,053)	(13,045)
Net (Debt)/Funds at 1 August	25	(12,335)	710
Net Debt at 31 July	25	(30,388)	(12,335)

Notes to the Financial Statements

FOR THE YEAR ENDED 31 JULY 2013

1 Funding Body Grants	2012/13	2011/12
	£000	£000
Recurrent Grant		
Higher Education Funding Council for England	49,362	57,373
Training and Development Agency for Schools	250	1,821
Non Recurrent Grants		
Higher Education Innovation Fund	1,933	1,771
National Scholarship Programme	333	–
Employer Engagement	35	702
Matched Funding Scheme	–	41
Training and Development Agency for Schools Specific Grants	198	169
Other Specific Grants	337	332
Deferred Capital Grants Released In Year		
Buildings	2,448	2,350
Equipment	159	1,336
	55,055	65,895
	55,055	65,895
2 Tuition Fees and Education Contracts	2012/13	2011/12
	£000	£000
Full-time Home and EU Students	46,483	32,826
Full-time International Students	49,838	41,096
Part-time Students	21,511	21,493
Research Training Support Grants	3,078	2,859
	120,910	98,274
	120,910	98,274
3 Research Grants and Contracts	2012/13	2011/12
	£000	£000
Research Councils	17,792	16,500
UK Based Charities	13,632	11,118
UK Government, Health and Hospital Authorities	14,222	12,320
UK Industry, Commerce and Public Corporations	2,215	3,006
EU Government Bodies	5,253	4,432
EU Other	805	1,438
Other Overseas	1,148	672
Other Sources	139	148
	55,206	49,634
	55,206	49,634

Research grants and contracts income includes £2,198,000 (2012: £1,869,000) in respect of the release of deferred capital grants on equipment and £41,500 (2012: £25,000) in respect of the release of deferred capital grants on buildings.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 JULY 2013

4 Other Income	2012/13	2011/12
	£000	£000
Residences, Catering and Conferences	24,438	24,072
Health Authority Funded Posts	11,121	11,520
Other Services Rendered	6,244	5,637
Bookshops	941	1,415
Deferred Capital Grants Released in Year	573	562
Other Income	6,117	6,012
	49,434	49,218
	<u><u>49,434</u></u>	<u><u>49,218</u></u>

5 Endowment and Investment Income	2012/13	2011/12
	£000	£000
Income from Expendable Endowments	68	76
Income from Permanent Endowments	108	108
Income from Current Asset Investments and Cash at Bank	654	657
	830	841
	<u><u>830</u></u>	<u><u>841</u></u>

6 Staff Costs	2012/13	2011/12
	£000	£000
Salaries	125,034	120,514
Social Security Costs	10,322	10,078
Other Pension Costs	18,996	18,608
	154,352	149,200
FRS 17 Adjustment	(1,526)	(761)
	152,826	148,439
	<u><u>152,826</u></u>	<u><u>148,439</u></u>

The pension contributions to the Universities Superannuation Scheme (USS) were at the standard rate of 16% of salary.

The pension contributions to the Pension and Assurance Scheme (PAS) were at the standard rate of 28.7% of salary. In addition, the University made a lump sum supplementary contribution of £1,565,000 (2012: £1,500,000) to the PAS, in line with the schedule of contributions.

The pension contributions to the FriendsLife scheme were at the standard rate of 5, 7, 9 or 11% of salary dependent upon the employee contribution rate chosen.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 JULY 2013

6 Staff Costs (continued)

	2012/13 £000	2011/12 £000
Emoluments of the Vice-Chancellor:		
Salary	252	246
Benefits	7	23
Employer's Pension Contributions	40	39
	<u>299</u>	<u>308</u>

The Vice-Chancellor has continued to receive the benefit of the same accommodation throughout his office, however the taxable value of that benefit reduced in 2012/13. This followed an agreement with HM Revenue and Customs in respect of the method of calculation of this benefit in previous years.

Remuneration of other higher-paid staff, excluding employer's pension contributions:

Remuneration of higher-paid staff, excluding employer's pension contributions but including payments made on behalf of the NHS in respect of its contractual obligations to University staff under separate NHS contracts of employment were within the following ranges:

	All Staff		Staff on Clinical Scales		Staff on Non-Clinical Scales	
	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12
£100,000 – £109,999	22	12	4	4	18	8
£110,000 – £119,999	14	12	6	5	8	7
£120,000 – £129,999	6	12	2	5	4	7
£130,000 – £139,999	11	8	5	5	6	3
£140,000 – £149,999	4	3	3	3	1	–
£150,000 – £159,999	8	12	8	12	–	–
£160,000 – £169,999	8	4	8	4	–	–
£170,000 – £179,999	6	8	6	7	–	1
£180,000 – £189,999	3	2	3	2	–	–
£190,000 – £199,999	3	2	3	2	–	–
£200,000 – £209,999	–	–	–	–	–	–
£210,000 – £219,999	1	3	1	3	–	–
£220,000 – £229,999	2	2	2	2	–	–
£230,000 – £239,999	–	–	–	–	–	–
£240,000 – £249,999	1	–	1	–	–	–

There are no compensation for loss of office payments to former higher-paid staff (2011/12: £nil).

Average staff numbers (full-time equivalent) by major category:

	2012/13	2011/12
Academic and Clinical	820	821
Research and Analogous	429	423
Administration, Library, Computer and Other Related	713	684
Technical	236	235
Clerical, Manual and Ancillary	1,082	1,084
	<u>3,280</u>	<u>3,247</u>

Notes to the Financial Statements

FOR THE YEAR ENDED 31 JULY 2013

7 Interest and Other Finance Costs	2012/13	2011/12
	£000	£000
Loans Wholly or Partly Repayable in More Than Five Years	2,317	2,298
Net Charge on Pension Scheme	605	295
	<u>2,922</u>	<u>2,593</u>
	<u><u>2,922</u></u>	<u><u>2,593</u></u>
8 Analysis of Total Expenditure by Activity	2012/13	2011/12
	£000	£000
Academic Departments	115,740	111,092
Academic Services	24,585	23,297
Administration and Central Services	35,730	35,007
Premises	28,070	25,703
Residences, Catering and Conferences	20,608	21,374
Research Grants and Contracts	45,414	39,784
Other Expenses	4,304	3,685
	<u>274,451</u>	<u>259,942</u>
	<u><u>274,451</u></u>	<u><u>259,942</u></u>
Total expenditure includes:		
External Auditor's Remuneration in Respect of Audit Services:		
Deloitte LLP	40	40
External Auditor's Remuneration in Respect of Audit Services to Subsidiaries:		
Deloitte LLP	3	3
External Auditor's Remuneration in Respect of Non-audit Services:		
Deloitte LLP – other assurance services	29	11
– other services	6	7
Operating Lease Rentals:		
Land and Buildings	369	356
Other	165	159
Payments to Members of Council in Respect of Council Activities	1	1

Notes to the Financial Statements

FOR THE YEAR ENDED 31 JULY 2013

9 Tangible Assets	Freehold Land and Buildings £000	Leasehold Land and Buildings £000	Equipment £000	Assets in the Course of Construction £000	Total £000
Consolidated and University					
Cost					
At 1 August 2012	223,718	17,497	36,483	18,455	296,153
Additions	11,425	1,340	6,792	23,190	42,747
Disposals	(216)	–	(127)	–	(343)
Transfers at cost	8,712	6,884	111	(15,707)	–
At 31 July 2013	243,639	25,721	43,259	25,938	338,557
Depreciation					
At 1 August 2012	36,549	3,325	31,682	–	71,556
Charge for the year	6,905	579	4,992	–	12,476
Eliminated on disposals	(22)	–	(127)	–	(149)
At 31 July 2013	43,432	3,904	36,547	–	83,883
Net Book Value					
At 31 July 2012	187,169	14,172	4,801	18,455	224,597
At 31 July 2013	200,207	21,817	6,712	25,938	254,674

Land and buildings with a cost of £94,648,979 and a net book value of £76,437,405 have been funded from UK Government Treasury sources; should these buildings be sold, the University would either have to surrender the proceeds to the Treasury or use them in accordance with the Financial Memorandum with the HEFCE.

Leasehold land and buildings includes:

	Cost £000	Net Book Value £000
Michael Atiyah Building (125 year lease commencing 1996 from Wyggeston and Queen Elizabeth I College)	6,471	4,872
Main Campus Sports Centre (99 year lease commencing 2000 from Wyggeston and Queen Elizabeth I College)	6,071	5,637
Various NHS Sites	13,179	11,308

Freehold land and buildings includes £9,525,175 (2012: £4,821,543) in respect of land. In accordance with the University's accounting policies this is not depreciated.

The University occupies space in a number of NHS owned properties, for which it pays no rent due to the existence of long-standing reciprocal cost sharing agreements. It is not practicable to assign a value to these occupancies.

Consolidated and University	
	£000
The depreciation charge has been funded by:	
Deferred Capital Grants Released (note 17)	5,419
General Income	7,057
	<u>12,476</u>

Notes to the Financial Statements

FOR THE YEAR ENDED 31 JULY 2013

10 Investments

The University has interests in the following subsidiary and associated undertakings, all of which are registered in England and Wales, unless otherwise stated.

Subsidiary Undertakings

Name	2013 % Shareholding	2012 % Shareholding	Principal Activity
Leicester Academic Library Services Limited	100%	100%	Not trading (ceased trading on 28 February 2007)
College Court Conference Centre Limited	100%	100%	Operation of conferencing facility

The consolidated Financial Statements incorporate the activities of Leicester Academic Library Services Limited and College Court Conference Centre Limited (formerly Leicester Academic Trading Services Limited).

Associated Undertakings

Name	2013 % Shareholding or Other Interest	2012 % Shareholding or Other Interest	Principal Activity
Scionix Limited	50%	50%	Development of solvents for industrial purposes
Gamma Technologies Limited	49%	49%	Development of a portable scintography camera
OCB Media Limited	25%	25%	Development and pursuit of electronically distributed high level e-learning material and multimedia products
TTE Systems Limited	–	40%	Design and development of software modules for embedded systems (in liquidation)
Bionutrix LLC. (registered in the USA)	10%	10%	Development of the commercial potential of research in Microbiology
Haemostatix Limited	6%	6%	Rational design and development of drugs
Bioastral Limited	34%	34%	To exploit the potential of adapting optical detection technology developed for space research to use in biological research
Spectral ID Limited	50%	50%	Other research and experimental development on natural sciences and engineering.
Open Brain Limited	39%	–	Development of software based on Baysig technology platform with a wide range of potential applications

The University's share of the profit or loss for the year and the net assets of the associated undertakings are not material to the University's Financial Statements and have therefore been excluded from the consolidation.

During the year the University made a new investment in Open Brain Limited. TTE Systems Limited was formally placed into liquidation on 13 June 2013.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 JULY 2013

11 Endowment Asset Investments

	2013 £000	2012 £000
Consolidated and University		
Balance at 1 August	7,026	6,826
Additions: Capital	4,037	600
Net (Expenditure)	(213)	(348)
Appreciation/(Depreciation) on Revaluation	926	(52)
	<u>11,776</u>	<u>7,026</u>
Balance at 31 July	<u>11,776</u>	<u>7,026</u>
Represented by:		
Securities	10,723	5,300
Cash at Bank Held for Endowment Funds	1,053	1,726
	<u>11,776</u>	<u>7,026</u>

12 Debtors

	Consolidated		University	
	2013 £000	2012 £000	2013 £000	2012 £000
Amounts Falling Due Within One Year:				
Research Grants and Contracts	12,322	12,497	12,322	12,497
Amount Owed by Subsidiary Undertaking	–	–	21	1
Other Debtors and Prepayments	15,776	13,616	15,776	13,616
Amounts Falling Due After More Than One Year:				
Students' Union Loan	517	568	517	568
	<u>28,615</u>	<u>26,681</u>	<u>28,636</u>	<u>26,682</u>

13 Current Asset Investments

	2013 £000	2012 £000
Consolidated and University		
Fixed Interest Stocks	597	679
Equities	–	230
Bank and Building Society Deposits	107	20,562
	<u>704</u>	<u>21,471</u>

The bank and building society deposits shown above are held on time deposits and notice accounts. The weighted average interest rate receivable was 1.78% and these are held for an average period of 66 days.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 JULY 2013

14 Creditors: Amounts Falling Due Within One Year

	Consolidated		University	
	2013 £000	2012 £000	2013 £000	2012 £000
Mortgages and Other Loans	14,189	2,773	14,189	2,773
Research Grants and Contracts	18,391	24,113	18,391	24,113
Payments Received in Advance	16,191	11,623	16,191	11,623
Other Creditors	20,460	19,938	20,460	19,938
Social Security and Other Tax Payable	3,291	3,700	3,291	3,700
Accruals and Deferred Income	15,371	7,051	15,370	7,051
Amount Owed to Subsidiary Undertaking	–	–	172	170
	87,893	69,198	88,064	69,368

15 Creditors: Amounts Falling Due After More Than One Year

	2013 £000	2012 £000
Consolidated and University		
Mortgages:		
Barclays Bank Plc repayable by 2018	2,312	5,640
NatWest Bank Plc repayable by 2019	2,558	2,907
Barclays Bank Plc repayable by 2031	9,385	19,428
Barclays Bank Plc repayable by 2037	13,982	19,000
European Investment Bank repayable by 2038	30,000	–
Salix Revolving Green Fund	1,107	984
Other	24	24
	59,368	47,983

The NatWest mortgage is secured on a portion of freehold land and buildings of the University. The NatWest mortgage is repayable in instalments over periods up to 2019, with interest payable at a fixed rate of 9.753%. The European Investment Bank loan is repayable in instalments over periods up to 2038, with interest payable at a fixed rate of 3.467%.

The Barclays mortgages are repayable in instalments over the periods up to 2018, 2031 and 2037 respectively. The rates of interest on the loans are fully hedged, at rates of 4.895%, 4.67% and 4.165% respectively. As at 31 July 2013 the cap and swap hedging arrangements in respect of floating rate loans had a negative fair value of £4,568,698 (2012: £6,552,516).

Bank loans and mortgages are repayable as follows:

	2013 £000	2012 £000
Consolidated and University		
In one year or less (<i>note 14</i>)	14,189	2,773
Between one and two years	1,782	2,945
Between two and five years	8,113	9,270
In five or more years	49,449	35,744
	73,533	50,732

Notes to the Financial Statements

FOR THE YEAR ENDED 31 JULY 2013

16 Provisions for Liabilities and Charges

	2013	2012
	£000	£000
Consolidated and University		
Balance at 1 August	493	588
Expenditure in the Year	(233)	(276)
Transferred from Income and Expenditure Account: In Respect of Pension Costs	149	181
Balance at 31 July	409	493

Included within provisions are amounts payable for enhanced pension costs and severance payments in respect of staff who have elected to take early retirement or voluntary severance. This provision is additional to that disclosed for pension costs under FRS 17 (Note 32). Provisions for enhanced pension costs and severance payments are calculated on the basis of estimated costs for members of staff that sign agreements before 31 July each year.

Also included in provisions are 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 may take place in 2027.

17 Deferred Capital Grants

	Funding Council £000	Other Grants & Benefactions £000	Total £000
Consolidated and University			
At 1 August 2012			
Buildings	76,981	21,065	98,046
Equipment	159	2,820	2,979
Total	77,140	23,885	101,025
Cash Received and Receivable			
Buildings	1,337	2,275	3,612
Equipment	–	2,197	2,197
Total	1,337	4,472	5,809
Released to Income and Expenditure			
Buildings	2,448	614	3,062
Equipment	159	2,198	2,357
Total	2,607	2,812	5,419
At 31 July 2013			
Buildings	75,870	22,726	98,596
Equipment	–	2,819	2,819
Total	75,870	25,545	101,415

Notes to the Financial Statements

FOR THE YEAR ENDED 31 JULY 2013

18 Endowments

	Unrestricted Permanent £000	Restricted Permanent £000	Total Permanent £000	Restricted Expendable £000	2013 Total £000	2012 Total £000
Consolidated and University						
Balances at 1 August	960	3,077	4,037	2,989	7,026	6,826
New Endowments	–	19	19	4,018	4,037	600
Investment Income	28	80	108	68	176	184
Expenditure	(28)	(70)	(98)	(291)	(389)	(532)
Increase in Market Value of Investments	148	388	536	390	926	(52)
Balance at 31 July	<u>1,108</u>	<u>3,494</u>	<u>4,602</u>	<u>7,174</u>	<u>11,776</u>	<u>7,026</u>
Represented by:						
Capital	1,108	2,892	4,000	6,716	10,716	5,301
Accumulated Income	–	602	602	458	1,060	1,725
	<u>1,108</u>	<u>3,494</u>	<u>4,602</u>	<u>7,174</u>	<u>11,776</u>	<u>7,026</u>

Funds Exceeding £100,000 at 31 July	2013 £000	2012 £000
Restricted Permanent		
Burton Holocaust Centre	275	265
Tyler Chair	165	159
Fraser Bursary Fund	137	128
Faire and Allaway Fund	133	125
Leicester Judgment and Decision Making Fund	123	121
Marc Fitch Fund	114	110
Restricted Expendable		
The van Geest Foundation Heart and Cardiovascular Diseases Research Fund	4,476	500
Wathes Centenary Scholarship Fund	660	634
Ulverscroft Endowment	520	502
Frears Endowment	322	302
Richard Attenborough Centre Fund	261	260
Spire Endowment	179	170
Transplant Research Programme Fund	145	346
Unrestricted Permanent		
Lewis Lilley Fund	289	278
Church Langton Fund	240	229
Simpson Gee Fund	181	167

Notes to the Financial Statements

FOR THE YEAR ENDED 31 JULY 2013

19 General Reserve Including Pension Liability

	Consolidated £000	University £000
Balance at 1 August 2012	40,978	40,799
Surplus Retained for the Year	7,197	7,217
Valuation Gain on transfer to Endowments	301	301
Actuarial gain in Respect of Pension Scheme	7,083	7,083
Balance at 31 July 2013	55,559	55,400

In the year the University restructured its endowment investments resulting in a transfer from current assets to endowment assets. The resultant gain of £301,000 is shown as a movement on reserves in the year

20 Reconciliation of Surplus before Tax to Net Cash Inflow from Operating Activities

	2012/13 £000	2011/12 £000
Surplus before Tax	6,984	3,920
Depreciation (<i>note 9</i>)	12,476	11,016
Loss on disposal of fixed assets	194	–
Deferred Capital Grants Released to Income (<i>note 17</i>)	(5,419)	(6,142)
Investment Income (<i>note 5</i>)	(830)	(841)
Investment Write Down	–	37
Interest Payable Excluding FRS 17	2,317	2,298
Decrease in Stocks	92	348
(Increase) in Debtors	(1,958)	(1,467)
Increase in Creditors	6,744	3,619
(Decrease) in Provisions	(84)	(95)
Pension Costs less Contributions Payable	(856)	(466)
Net Cash Inflow from Operating Activities	19,660	12,227

21 Returns on Investments and Servicing of Finance

	2012/13 £000	2011/12 £000
Income from Endowments (<i>note 18</i>)	176	184
Other Interest Received	531	662
Interest Paid	(2,325)	(2,268)
	(1,618)	(1,422)

Notes to the Financial Statements

FOR THE YEAR ENDED 31 JULY 2013

22 Capital Expenditure and Financial Investment

	2012/13 £000	2011/12 £000
Current Asset Investments Sold	760	66
New Endowments Received (<i>note 18</i>)	4,037	600
Endowment Funds Invested (<i>note 18</i>)	(4,497)	(84)
Payments made to Acquire Fixed Assets	(42,204)	(31,780)
Deferred Capital Grants Received	5,809	7,348
	<u>(36,095)</u>	<u>(23,850)</u>

23 Management of Liquid Resources

	2012/13 £000	2011/12 £000
Withdrawals from Deposits	20,455	1,906

24 Financing

	2012/13 £000	2011/12 £000
Loans Brought Forward	50,732	44,215
New Unsecured Loan	42,746	246
New Secured Loan	–	8,277
Capital Repayments	(19,945)	(2,006)
Net Changes	<u>22,801</u>	<u>6,517</u>
Loans Carried Forward	<u>73,533</u>	<u>50,732</u>

25 Analysis of Changes in Net (Debt)

	At 1 August 2012 £000	Cash Flows £000	Other Changes £000	At 31 July 2013 £000
Endowment Assets (<i>note 11</i>)	1,726	(673)	–	1,053
Cash at Bank and in Hand	16,109	25,876	–	41,985
Cash Resources	17,835	25,203	–	43,038
Short Term Investments (<i>note 13</i>)	20,562	(20,455)	–	107
Debt Due Within One Year (<i>note 15</i>)	(2,773)	7,445	(18,861)	(14,189)
Debt Due After One Year (<i>note 15</i>)	(47,959)	(30,246)	18,861	(59,344)
Net (Debt)	<u>(12,335)</u>	<u>(18,053)</u>	<u>–</u>	<u>(30,388)</u>

Notes to the Financial Statements

FOR THE YEAR ENDED 31 JULY 2013

26 Capital Commitments

	Consolidated		University	
	2013 £000	2012 £000	2013 £000	2012 £000
Commitments Contracted at 31 July	5,601	7,603	5,601	7,603
Authorised but Not Contracted at 31 July	64,958	74,220	64,958	74,220
	70,559	81,823	70,559	81,823

27 Contingent Liability

The University is not aware of any contingent liabilities (2012: £nil).

28 Lease Obligations

At 31 July, the University had annual commitments under non-cancellable operating leases in respect of equipment and land and buildings as follows:

	Land and Buildings		Land and Buildings	
	2013 £000	Equipment 2013 £000	2012 £000	Equipment 2012 £000
Consolidated and University				
Leases expiring:				
Within one year	138	155	–	–
Between two and five years	–	254	138	159
Over five years	290	–	290	–
	428	409	428	159

The University has no finance lease commitments (2012: £nil).

29 Post Balance Sheet Events

There are no post balance sheet events.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 JULY 2013

30 Amounts Disbursed as Agent

Access to Learning Fund	2012/13	2011/12
	£000	£000
Consolidated and University		
Income		
HEFCE Grants	191	221
	191	221
Expenditure		
Expenditure in Relation to Eligible Students	191	221
	191	221
Balance at 31 July	–	–

HEFCE grants are available solely for students; the University acts only as paying agent. The grants and related disbursements are therefore excluded from the Income and Expenditure Account.

Training and Development Agency for Schools: Training Bursaries	2012/13	2011/12
	£000	£000
Cash Received	2,033	765
Bursaries Paid	(1,910)	(713)
Administrative Costs and Training Grant	–	(22)
	(1,910)	(735)
Repayable to TDA	123	30

Cash received (other than income towards administrative costs and training grant) and bursaries paid are excluded from the Income and Expenditure Account.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 JULY 2013

31 Related Party Transactions

Due to the nature of the University's operations and the members of 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 Council or a member of the senior management team may have an interest.

All such transactions, including those identified below, are conducted at arms' length and in accordance with the University's Financial Regulations and normal procurement procedures.

The University has taken advantage of the exemption within FRS 8 (Related Party Disclosures) and has not disclosed transactions with College Court Conference Centre Ltd (formerly Leicester Academic Trading Services Ltd) and Leicester Academic Library Services Ltd where it holds 100% of the voting rights.

Related parties were identified by examining returns submitted by members of Council and senior management team members for the financial year 2012/13.

These financial statements include the following transactions with related parties. No information has been listed for organisations where the income and expenditure is less than £25,000 in the financial year:

	Income Transactions £000	Expenditure Transactions £000	Balance due to / (from) the University £000
University Hospitals of Leicester NHS Trust	16,632	6,161	2,447
University of Leicester Students' Union	29	240	491
British Library	–	34	(2)
Health Protection Agency	–	116	–
Open University	26	43	(1)
Higher Education Academy	29	23	7
Quality Assurance Agency	–	34	–
	16,716	6,651	2,942

University Hospitals of Leicester NHS Trust

The University's College of Medicine, Biological Sciences and Psychology has a close business relationship with the University Hospitals of Leicester NHS Trust. The University employs many staff which serve both organisations and the NHS Trust funds its share of these staff costs in the form of a recharge from the University. These recharges represent the majority of the income transactions disclosed above. The University Council includes a Non-Executive Director and the Chairman of the NHS Trust.

University of Leicester Students' Union

The University contributes towards the running costs of the Union in the form of a grant which represents the majority of the expenditure transactions shown above. The University Council includes the Academic Affairs Officer of the Students' Union.

Health Protection Agency

One member of Council is a member of the Health Protection Agency Board.

British Library

One member of Council is a member of the British Library Board.

Open University

Two members of Council are employed by the Open University.

Higher Education Academy

The Vice Chancellor of the University of Leicester is also Chair of the Higher Education Academy.

Quality Assurance Agency

One member of Council is a reviewer for the Quality Assurance Agency.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 JULY 2013

32 Pension Schemes

The University provides pension provision for its employees through the following four schemes:

- The Universities Superannuation Scheme (USS). This is a defined benefit scheme.
- The University of Leicester Pension and Assurance Scheme (PAS). This is a defined benefit scheme.
- The University of Leicester Stakeholder Scheme. This is a defined contribution scheme.
- The NHS Pension Scheme. This is a defined benefit scheme.

The University's contributions to the various schemes in respect of its own staff, in the years 2012/13 and 2011/12 were:

	2012/13	2011/12
	£000	£000
Universities Superannuation Scheme	13,512	13,323
University of Leicester Pension and Assurance Scheme	3,699	3,672
University of Leicester Stakeholder Scheme	661	535
NHS Pension Scheme	1,124	1,078
	18,996	18,608
FRS 17 adjustment re PAS charges to salaries & wages	(1,526)	(761)
	17,470	17,847

Universities Superannuation Scheme (USS)

The University participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is contracted out of the State Second Pension (S2P). The assets of the Scheme are held in a separate fund administered by the trustee, Universities Superannuation Scheme Limited. At 31 March 2013, USS had over 148,000 active members whilst the University had 1,961 active members participating in the scheme at 31 July 2013.

Membership increased by a net 47 members in the year. The University's staging date for auto-enrolment was April 2013, but this had only a marginal impact on membership levels as most eligible staff were already members of the scheme.

The appointment of directors to the board of trustee is determined by the trustee company's Articles of Association. Four of the directors are appointed by Universities UK; three are appointed by the University and College Union, of whom at least one must be a USS pensioner member; and a minimum of three and a maximum of five are independent directors of the board. Under the scheme trust deed and rules, the employer contribution rate is determined by the trustee, acting on actuarial advice.

The University is unable to identify its share of the underlying assets and liabilities of the Scheme on a consistent and reasonable basis and therefore, as required by FRS 17 'Retirement Benefits', accounts for the Scheme as if it were a defined contribution scheme. As a result, the amount charged to the Income and Expenditure Account represents the contributions payable to the Scheme in respect of the accounting period.

The latest triennial actuarial valuation of the Scheme, using the projected unit method, was at 31 March 2011. The Actuary also carries out a review of the funding level each year between triennial valuations and details of his estimate of the funding level at 31 March 2013 are also included in this note.

Use of standard mortality tables in the valuation assumptions reasonably reflects the actual USS experience but also provides an element of conservatism to allow for further improvements in mortality rates. The assumed life expectations on retirement at age 65 are:

Males (Females) currently aged 65	23.7 (25.6) years
Males (Females) currently aged 45	25.5 (27.6) years

At the valuation date, the value of the assets of the Scheme was £32,433.5 million and the value of the Scheme's technical provisions was £35,343.7 million indicating a shortfall of £2,910.2 million. The assets therefore were sufficient to cover 92% of the benefits which had accrued to members after allowing for expected future increases in earnings.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 JULY 2013

32 Pension Schemes (continued)

As at the valuation date the Scheme was a fully Final Salary Scheme for future accruals and the prevailing employer contribution rate was 16% of Salaries.

Since the previous valuation as at 31 March 2008 there have been a number of changes to the benefits provided by the scheme although these became effective from October 2011. These include:

- New entrants are now provided for on a Career Revalued Benefits basis rather than a Final Salary basis.
- Normal pension age was increased to age 65.
- Flexible retirement options were introduced.
- Membership contributions were increased.
- Cost sharing – If the total contribution level exceeds 23.5% of Salaries per annum, the employer will pay 65% of the excess and the members the remaining 35%.
- Pension increase cap – For service derived after 30 September 2011, USS will match increases in official pensions for the first 5%. If official pensions increase by more than 5% then USS will pay half of the difference up to a maximum increase of 10%.

The actuary has estimated that the funding level as at 31 March 2013 under the scheme specific funding regime had fallen from 92% to 77%. This estimate is based on the results from the valuation at 31 March 2011 allowing primarily for investment returns and changes to market conditions. These are cited as the two most significant factors affecting the funding positions which have been taken into account for the 31 March 2013 estimation.

On the FRS 17 basis, using an AA bond discount rate of 4.2% per annum based on spot yields, the actuary calculated that the funding level at 31 March 2013 was 68%. An estimate of the funding level measured on a historic gilts basis at that date was approximately 55%.

Surpluses or deficits which arise at future valuations may impact on the institution's future contribution commitment. A deficit may require additional funding in the form of higher contribution requirements, whereas a surplus could, perhaps, be used to similarly reduce contribution requirements.

USS is a 'last man standing' scheme so that in the event of the insolvency of any of the participating employers in USS, the amount of any pension funding shortfall (which cannot otherwise be recovered) in respect of that employer will be spread across the remaining participant employers and reflected in the next actuarial valuation of the scheme.

The positive cash flow of the Scheme means that it is not necessary to realise investments to meet liabilities. The trustee believes that this, together with the ongoing flow of new entrants into the Scheme and most critically the ability of the employers to provide additional support to the scheme should additional contributions be required, enables it to take a longer-term view of its investments. Some short-term volatility in returns can be tolerated and need not feed through immediately to the contribution rate. However, the trustee is mindful of the difficult economic climate which exists for defined benefit pension schemes currently, and the need to be clear about the responses that are available should the deficit persist and a revised recovery plan becomes necessary following the next actuarial valuation of the scheme as at March 2014. The trustee is making preparations ahead of the next valuation to compile a formal financial management plan, which will bring together – in an integrated form – the various funding strands of covenant strength, investment strategy and funding assumptions, in line with the latest guidance from the Pensions Regulator.

The total pension cost for the institution was £13,512,000 (2012: £13,323,000). This includes £1,756,705 (2012: £1,694,196) outstanding contributions at the balance sheet date. The contribution rate payable by the institution was 16% of pensionable salaries.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 JULY 2013

Leicester Pension and Assurance Scheme (PAS)

The University of Leicester Pension and Assurance Scheme was established with effect from 23 July 1962 to provide retirement and death benefits for support staff of the University of Leicester and for certain employees of the University of Leicester Students' Union. The Scheme is governed by its Fifth Definitive Trust Deed and Schemes Rules of 25 June 1999. Up to 5 April 2006, the Scheme was approved by HMRC as an exempt approved scheme under the provisions of Chapter I Part XIV of the Income and Corporation Taxes Act 1988. From 6 April 2006, the Fund became a registered pension scheme for tax purposes. It is registered under the Data Protection Act 1998 (Registration number Z8179467) and with the Pension Scheme Registry (Reference number 100222535). Members are currently contracted out of the State Second Pension Scheme. At 31 July 2013 there were 328 active members in the PAS.

The Trustees of the Scheme have the responsibility for its proper and correct management. The Scheme changed its administrators during the year, with Aon Hewitt taking on the combined roles of administrators, consultants and actuaries as from 1 July 2013.

Subject to the provisions of the Trust Deed and Scheme Rules, the power of appointing and removing Trustees is exercised by deed and is invested in the principal employer, the University of Leicester. Member Nominated Trustees may only be removed if all other Trustees approve or the Pensions Act allows. Member Nominated Trustees are nominated by active and pensioner members of the Scheme and ballots are held if required.

The latest triennial valuation was undertaken on 1 August 2010. The outcome of the valuation was that:-

- the value of the Scheme liabilities was £123.406 million
- the Scheme's assets were valued at £94.601 million
- there was therefore a shortfall of £28.805 million
- which represents a funding level (assets divided by liabilities) of 77%

The 2010 actuarial valuation was calculated according to the assumptions agreed by the University and the Trustees in the PAS Statement of Funding Principles which was confirmed before the actuarial valuation in August 2010. These assumptions are required to be prudent. The assumptions used in the 1 August 2010 valuation are as follows:-

Date of latest actuarial valuation	1 August 2010
Actuarial method	Projected Unit
Mortality	Average of medium and long cohort projections
Investment returns per annum	4.6% – 5.7%
Pension increases per annum	2.9%
Salary scale increases per annum	3.4%

The University agreed to meet the past service shortfall of £28.805 million by making a payment of £1 million in July 2011, continuing to pay a supplementary employer's contribution rate of 4.12% of each employee's pensionable salary for the period from 1 August 2011 up to 31 July 2027, and making annual payments of £1.5 million in each year beginning 2011/12 until 2026/27. In addition, following the increase in the employee's contribution rate from 6.35% to 7.50% from April 2012, the University adjusted the balance in the employer's contribution rate. The contribution rates applied in the year were as follows:-

Ongoing Service Contribution Rate	23.43%
Deficit Contribution Rate	5.27%
Total Employers Contribution Rate	28.70%
Employees Contribution Rate	7.50%
Combined Contribution Rate	36.20%

The employer contribution rate to finance future Scheme benefits is 23.43% of pensionable earnings. This rate includes an allowance of 2.3% for expenses but excludes the costs of the Pension Protection Fund Levy which the University has agreed to fund directly.

In addition to the triennial actuarial valuation, the PAS Actuary also carries out annual actuarial updates, the latest of which was undertaken as at August 2012. This showed that the funding position of the PAS had deteriorated since the full 2010 actuarial valuation and a shortfall of £51.5 million was reported, a funding level of 68%. This was due to changes in market conditions, driving down index linked gilt yields, which are used to measure the liabilities of the PAS. Work on the full actuarial valuation as at 31 August 2013 is now underway.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 JULY 2013

32 Pension Schemes (continued)

An alternative view of the financial position of the fund can be found in the accounting FRS 17 assessment. This shows, using a different set of assumptions, that the deficit in the PAS at 31 July 2013 is £21.983 million.

Set out below is the FRS 17 disclosure as at 31 July 2013, prepared in accordance with the requirements of the Actuarial Guidance Note GN36 – Accounting for Retirement Benefits under Financial Reporting Standard 17 as adopted by the Board for Actuarial Standards.

The assumptions used by the actuary in the FRS 17 valuation are:

	2013	2012
Rate of increase in salaries *	3.30%	2.80%
Rate of increase in pensions in payment:		
Post 05.04.1988 GMPs	2.10%	1.80%
Non-GMPs	3.10%	2.70%
Discount rate	4.45%	4.40%
Inflation assumption RPI	3.30%	2.70%
Inflation assumption CPI	2.40%	1.80%
Expected return on plan assets at 31 July	5.70%	5.00%

* The 2013 FRS 17 assumption for salary increases is 3.3% from 2018 onwards. Up to that period the percentage increase is as follows:

Year 1	(01.08.2014)	1.00%
Year 2	(01.08.2015)	1.50%
Year 3	(01.08.2016)	2.00%
Year 4	(01.08.2017)	2.00%

The life expectancies in years based on a retirement age of 65 are:

	2013	2012
Males – retirals in year	21.6	21.7
– retirals in 20 years	22.9	23.0
Females – retirals in year	23.6	23.9
– retirals in 20 years	24.7	24.8

Scheme Assets

The value of the assets in the Scheme were:

	2013	2012
	£000	£000
Equities	47,153	44,434
Bonds	26,275	25,538
Diversified Growth Funds	51,177	40,537
Cash	(232)	22
	124,373	110,531

The expected long-term rates of return were:

	2013	2012
Equities	6.70%	5.30%
Bonds	4.45%	3.90%
Cash	2.95%	1.55%

Notes to the Financial Statements

FOR THE YEAR ENDED 31 JULY 2013

Net Pension Liability

The following amounts at 31 July were measured in accordance with the requirements of FRS 17:

	2013	2012	2011	2010	2009
	£000	£000	£000	£000	£000
Fair value of employer assets	124,373	110,531	105,946	94,721	79,884
Present value of Scheme liabilities	(146,356)	(140,453)	(127,890)	(129,077)	(104,473)
Net pension liability	(21,983)	(29,922)	(21,944)	(34,356)	(24,589)

Fair Value of Employer Assets:

	2013	2012
	£000	£000
Opening Fair Value of Plan Assets	110,531	105,946
Expected Return on Assets	5,537	6,483
Contributions by Members	507	499
Contributions by Employer	3,699	3,672
Actuarial Gains / (Losses)	8,117	(2,578)
Estimated Benefits Paid	(4,018)	(3,491)
Total	124,373	110,531

The University expects to contribute £2.60 million to its defined benefit pension plan from 1 August 2013 - 31 July 2014.

Present Value of the Defined Benefit Plan:

	2013	2012
	£000	£000
Opening Defined Benefit Obligation	140,453	127,890
Current Service Cost	2,173	2,911
Past Service Cost	65	-
Interest Cost	6,142	6,778
Contributions by Members	507	499
Actuarial Losses	1,034	5,866
Estimated Benefits Paid	(4,018)	(3,491)
Closing Defined Benefit Obligation	146,356	140,453

Analysis of amounts charged to Income and Expenditure Account:

	2012/13	2011/12
	£000	£000
Current service cost	(2,173)	(2,911)
Past service cost	(65)	-
Financing:		
- expected return on Scheme assets	5,537	6,483
- interest on expected Scheme liabilities	(6,142)	(6,778)
- net charge	(605)	(295)
Net Income and Expenditure Account Cost	(2,843)	(3,206)

Notes to the Financial Statements

FOR THE YEAR ENDED 31 JULY 2013

32 Pension Schemes (continued)

	2012/13 £000	2011/12 £000
Actual return on plan assets	13,654	3,905
Analysis of amounts recognised in Statement of Total Recognised Gains and Losses:		
	2012/13 £000	2011/12 £000
Actual return less expected return on Scheme assets	8,117	(2,578)
Experience gains and (losses) arising on Scheme liabilities	1,672	(752)
Changes in assumptions underlying the present value of Scheme liabilities	(2,706)	(5,114)
Total actuarial gain/(loss) recognised	7,083	(8,444)

The movement in the Scheme's deficit during the year is made up as follows:

	2013 £000	2012 £000
Deficit on Scheme at 1 August	(29,922)	(21,944)
Movement in year:		
– current service cost	(2,173)	(2,911)
– past service cost	(65)	–
– contributions	3,699	3,672
– other finance loss	(605)	(295)
– actuarial gain/(loss)	7,083	(8,444)
Deficit on Scheme at 31 July	(21,983)	(29,922)

The gains and losses for the year ended 31 July 2013 were as follows:

	2013	2012	2011	2010	2009
Difference between the expected and actual return on Scheme assets:					
Amount (£000)	8,117	(2,578)	5,026	8,384	(9,957)
Percentage of Scheme assets	6.5%	(2.3)%	4.7%	8.9%	(12.5)%
Experience gains and (losses) on Scheme liabilities:					
Amount (£000)	1,672	(752)	4,538	(234)	12,999
Percentage of the present value of Scheme liabilities	1.1%	(0.5)%	3.7%	(0.2)%	12.4%
Total amount recognised in the statement of total recognised gains and (losses):					
Amount (£000)	7,083	(8,444)	11,865	(10,208)	4,987
Percentage of the present value of Scheme liabilities	4.8%	(6.0)%	9.3%	(7.9)%	4.8%

Notes to the Financial Statements

FOR THE YEAR ENDED 31 JULY 2013

The University of Leicester Stakeholder Scheme

The University of Leicester Stakeholder Scheme is a defined contribution scheme offered through FriendsLife. It was established on 1 August 2003 following the closure to new members of the University of Leicester PAS. The Scheme is open to support staff in salary grades level 5 and below, and is also made available to casual workers. The Scheme has 585 members.

Membership increased by a net 251 members in the year to 31 July 2013, primarily driven by the effects of auto-enrolment. The University's staging date was 1 April 2013, but auto-enrolment into the Stakeholder commenced in June 2013 as the University utilised a two month postponement facility. Further increases in membership are anticipated in 2013/14 as auto-enrolment continues.

The University contributes to the Scheme in proportion to that of member contributions. Members of the Scheme can choose to contribute either 3%, 4%, 5% or 6% of their pensionable pay and the University adds 5%, 7%, 9% and 11% respectively. In addition, staff members receive life assurance and health cover benefits as part of their membership.

The University's advisers for the Scheme are Aon Hewitt. The Scheme carries a basic annual management charge of 0.5% which is applied each year to members' funds. Some individual investment funds carry a higher charge including the default investment fund, the Baillie Gifford Managed Fund which carries an additional charge of 0.25%. In the 7 years running up to retirement, the default investment strategy provides for members' existing funds and ongoing contributions to be phased into the Annuity Protector Fund (gilts) and a Cash Fund through a balanced lifestyle programme resulting in all funds being transferred to gilts and cash at the point of retirement. Aon Hewitt provide assistance to members in the selection of an appropriate annuity and make no charge to either members or the University for this service.

The Scheme operates a salary sacrifice arrangement for pensions deductions. This is an opt-in scheme.

The University maintains an Advisory and Issues Group, which has trade union membership. This Group supports the governance of the Scheme and provides advice on the Scheme to the University's Finance Committee.

NHS Scheme

The University has 123 employees who are members of the NHS Pension Scheme. This is a multi-employer, defined-benefit scheme. The University is not able to identify its share of the underlying liabilities and assets, and it is therefore accounted for on a contribution basis.

The University allows continued membership of the Scheme for appropriate employees who are already members of the Scheme, and contributes 14% of pensionable earnings to the Scheme. Employees contribute between 5% and 8.5% of pensionable earnings to the Scheme. The employees contribution rate is based on how much the members earn in a year.

The latest assessment of the liabilities of the scheme is contained in the scheme actuary report, which forms part of the annual NHS Pension Scheme (England and Wales) Pension Accounts, published annually. These accounts can be viewed on the NHS Pensions website. Copies can also be obtained from The Stationery Office.

Five Year Summary Accounts

FOR THE YEAR ENDED 31 JULY 2013

Income and Expenditure Account

	2012/13	2011/12	2010/11	2009/10	2008/09
	£000	£000	£000	£000	£000
Income					
Funding Body Grants	55,055	65,895	74,840	74,810	67,746
Tuition Fees and Education Contracts	120,910	98,274	89,386	85,245	69,787
Research Grants and Contracts	55,206	49,634	48,732	49,968	45,007
Other Income	49,434	49,218	47,003	45,035	45,663
Endowment Income and Interest	830	841	725	657	1,040
Total Income	281,435	263,862	260,686	255,715	229,243
Expenditure					
Staff Costs	152,826	148,439	142,466	137,449	130,882
Other Operating Expenses	106,227	97,894	98,068	91,853	82,076
Depreciation	12,476	11,016	8,235	7,360	6,658
Interest and Other Finance Costs	2,922	2,593	2,984	2,896	3,142
Total Expenditure	274,451	259,942	251,753	239,558	222,758
Transfer (to)/from Endowment Funds	(213)	(348)	(227)	(17)	43
Surplus for the Year	7,197	4,268	9,160	16,174	6,442

Balance Sheet

Fixed Assets	254,737	224,660	205,246	174,087	156,152
Endowment Asset Investments	11,776	7,026	6,826	6,042	5,005
Net Current (Liabilities)/Assets	(16,003)	(4,259)	(7,055)	9,742	5,343
Creditors: Amounts Due After One Year	(59,368)	(47,983)	(30,686)	(32,482)	(33,645)
Provisions for Liabilities and Charges	(409)	(493)	(588)	(376)	(539)
Pension Liability	(21,983)	(29,922)	(21,944)	(34,356)	(24,589)
Total Net Assets	168,750	149,029	151,799	122,657	107,727
Represented By:					
Deferred Capital Grants	101,415	101,025	99,819	92,486	84,559
Endowments	11,776	7,026	6,826	6,042	5,005
General Reserve	77,542	70,900	67,098	58,485	42,752
Pension Reserve	(21,983)	(29,922)	(21,944)	(34,356)	(24,589)
Total Funds	168,750	149,029	151,799	122,657	107,727

Financial Statistics

FOR THE YEAR ENDED 31 JULY 2013

Sources of Income

% of Total Income	2012/13	2011/12	2010/11	2009/10	2008/09
Grants from Funding Bodies (HEFCE and TDA)	19.5%	25.1%	28.8%	29.3%	29.5%
Tuition Fees and Education Contracts	43.0%	37.2%	34.4%	33.3%	30.5%
Research Grants and Contracts	19.6%	18.8%	18.4%	19.5%	19.6%
Residences, Catering and Conferences	8.7%	9.1%	8.4%	8.0%	8.7%
Other Income	9.2%	9.8%	10.0%	9.9%	11.7%
Total Income	100.0%	100.0%	100.0%	100.0%	100.0%

Analysis of Expenditure

% of Total Expenditure	2012/13	2011/12	2010/11	2009/10	2008/09
Staff Costs	55.7%	57.1%	56.6%	57.4%	58.8%
Other Operating Expenses	38.7%	37.7%	38.9%	38.3%	36.8%
Depreciation	4.5%	4.2%	3.3%	3.1%	3.0%
Interest Payable	1.1%	1.0%	1.2%	1.2%	1.4%
Total Expenditure	100.0%	100.0%	100.0%	100.0%	100.0%
Surplus for the Year as a % of Total Income	2.6%	1.6%	3.5%	6.3%	2.8%

Indicators of Financial Strength

Days Ratio of Total General Funds to Total Expenditure <i>To indicate the number of days total expenditure which could be met from general funds</i>	103	100	97	89	70
Days Ratio of Net Current (Liabilities)/Assets to Total Expenditure <i>Number of days an institution could meet expenditure from net assets</i>	(21)	(6)	(10)	15	8
% Ratio of Long-Term Liabilities to Total General Funds <i>Measures the extent to which an institution is funded by long-term debt</i>	77	68	46	56	78

Indicators of Liquidity and Solvency

% Ratio of Liquid Assets to Current Liabilities <i>Extent to which current liabilities could be met from cash and liquid investments</i>	49	54	57	74	64
Ratio of Current Assets to Current Liabilities <i>Extent to which current liabilities could be met from current assets</i>	0.8	0.9	0.9	1.2	1.1
Debtor Days <i>Days of total income (excluding Funding Council income) represented by debtors</i>	45	49	51	50	47



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