



UNIVERSITY OF
LEICESTER

Financial Statements

2015-2016





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University Overview and Strategic Report

Our University was founded as Leicestershire and Rutland University College in 1921 and was granted a Royal Charter in 1957.

The site for our University was donated by a local textile manufacturer, Thomas Fielding Johnson, in order to create a living memorial for those who lost their lives in First World War. This is reflected in our motto:

Ut Vitam Habeant – ‘so that they may have life’.

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

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

Our professional services, located in the academic departments, colleges and Corporate Services, work in partnership with academics to support our academic mission of the University. Professional services are led by the Registrar and Chief Operating Officer.

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

We are a leading UK university committed to undertaking research that saves, improves and enriches lives, and to fostering a teaching and learning environment that transforms the prospects of our students and those they will go on to influence. We aim to pioneer a distinctive elite of research-intensive universities which are open to anyone with talent. The four key pillars of activity to deliver this mission are:

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

Discovery-led Research

We will deliver and support excellent research in all its forms, from the fundamental and conceptual – which lays the foundations of new knowledge – to the applied and translational work that delivers social and economic impact.

Our priorities include:

Transforming our national and international position

We will nurture talent at all levels and tailor support to the different stages of the research career, providing the environment and encouragement to boost the number and quality of our external grant applications and to raise our standing in national and international research rankings year on year.

Interdisciplinary institutes and networks

We will launch a suite of interdisciplinary Research Institutes to build on our existing strengths. We are also launching a number of Research Networks to facilitate new interdisciplinary conversations.

A new city campus

In collaboration with funding, business and local stakeholders, we will launch a National Space Park. Focusing our world-class strengths in space and Earth observation science, this national centre will provide a new anchor for a vital British industry. It will assist in realising the ambition that our cutting-edge translational research and enterprise enriches the local and regional economy and fuels the Midlands as an engine of future growth.

An enterprise culture

To advance the enterprise culture across our University we will expand our commercialisation activities. We will develop new strategic partnerships that take our academic expertise into a range of priority sectors and provide a new level of support and training for our student and staff entrepreneurs.

Incentives for impact

In order to increase the impact of our research for all sectors (public and private), we will develop an even stronger focus on short, medium and long-term impact in the planning of our research activities and collaborations, our evaluation of our research performance and our recognition of research excellence.

Risks to success

Our University strategic risk register identifies several key risks and themes to our research strategy. These can be summarised as follows:

- The UK's vote to leave the EU in the recent referendum may impact our ability to access EU research funding for research and knowledge exchange activities in the future. We are engaging with the process to find the outcome for UK research after Brexit.
- There is a risk that research performance will not be sufficiently strong, or compliant with new regulatory requirements (e.g. REF / HEFCE Open access) to ensure the desired outcome in the next assessment exercises. We are already establishing our strategy for the next REF and systems are in place to meet all new regulatory requirements.

Key achievements

We are ranked in the top 25 UK universities for research power. In September 2016 we launched four new research institutes. These are:

CAMEo – Research Institute for Cultural and Media Economies

Delivering high quality theoretical, empirical and applied research into the productive dynamics of the cultural and creative

industries, media and the arts, both nationally and internationally.

LISEO – Leicester Institute for Space and Earth Observation

Focusing on space/earth observation missions and instruments, data and innovation, science leadership, engineering capability, data analysis, data exploitation and leading technology that can be applied both within space research and outside in other areas.

LISCB – Leicester Institute of Structural and Chemical Biology

Exploiting synergies in research technologies and approaches to deliver major advances in both fundamental and translational research in the fields of structural biology, chemical biology and single-molecule research.

LPMI – Leicester Precision Medicine Institute

Developing, evaluating and implementing prevention and treatment based on unique characteristics of individuals and subgroups of the population to provide more effective and safer healthcare and improved health to our diverse population.

One of our spin out companies, Haemostatix Limited, was acquired by Ergomed plc during the year. This signals the confidence held in the technologies developed by Haemostatix and could generate up to £20m for the former shareholders dependent on future development and sales.

75% 
of our research is
**INTERNATIONALLY
EXCELLENT***
*REF 2014

Some of our KPI metrics in respect of research are as follows:

Income and Growth

Research income represented 17.5% of 2015-16 total income. We are targeting research income to be 20% of total income by 2019-20.

2015-16
INCOME 
£51.8m



Discovery-led Learning

We will put student benefit at the heart of our decisions about education and the student experience, because our students matter.

Our priorities include:

Pathways: new and innovative approaches to education

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

Graduates with talent

To foster students' employability and success in professional careers, we are engaging employers and graduate recruiters even more directly in our curriculum and teaching. This is being accomplished through advisory boards, co-authoring of provision, co-funded studentships, student enterprise projects and start-up schemes, and 'earn and learn' degrees. We will also make increased use of our alumni as mentors and role models.

Broadening access and participation

As we continue our efforts to widen participation and increase access, we are launching a campaign to develop an educational outreach centre. Through formal access programmes and a broad commitment to outreach we will explore ways to encourage all talented students to consider and enter higher education.

Internationalised learning and teaching

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

Students as partners in learning

Close and constructive relationships with our students will be enshrined in a Staff and Student Charter, a range of departmental and institutional partnership projects to improve our students' learning and experience, and a bi-annual Forum, hosted by senior leaders and open to all students, to explore future directions for our university.

Fabulous First Year

We will implement our Schools and Colleges Partnerships, which focus on building the most effective possible links between schools, colleges and our University. This will be complemented by our Fabulous First Year, an approach to first-year teaching, assessment and support that ensures an effective transition to university study and university life and builds the skills that will help our students flourish throughout their time here.

Risks to success

Our University strategic risk register identifies several key risks and themes to our learning strategy. These can be summarised as follows:

- There are risks that poor NSS results or poor TEF results (when introduced) impact our reputation for ensuring that students matter. These could also have a negative impact on our league table positions. We have made improvements over a number of areas which have led to an improvement in our NSS results in 2016.
- The current government's stance on immigration, which increasingly is making the UK a less appealing place to study. We are aiming to deliver new international partnerships to make our recruitment more resilient.
- The UK's vote to leave the EU in the recent referendum may impact our ability to recruit in the EU market going forward. We will continue to monitor EU recruitment closely.

Key achievements

The launch of Pathways for students commencing their studies in 2016-17, offering students greater flexibility and choice with single, joint or major/minor degree options.

During 2016 the Quality Assurance Agency for Higher Education (QAA) visited our University. Their report highlighted the following areas of good practice:

- Our inclusive approach to the management of change.
- Our commitment to widening participation which promotes student inclusivity.
- Our strategic approach to professional development of students which enhances their employability.

We measure a broad range of KPIs in respect of learning, some of which are presented below:

Student Recruitment

For Home/EU undergraduate intake in 2015-16 we had a target of 2,959 and a stretch target of 3,259. Whilst we are disappointed not to have achieved our stretch target we are pleased to have achieved the original target and grown Home/EU numbers overall. We are pleased to note that 2016-17 recruitment has been strong, showing growth and we have met our 2016-17 stretch targets.

2015-16 
**HOME/EU FULL-TIME
UNDERGRADUATE INTAKE**
3,072

Teaching Excellence

56.3% of our staff have a teaching qualification. Our target is to achieve 90% over the next five years.

14 of our **ACADEMICS**
have won
National Teaching Awards
for their outstanding and
distinctive contributions 

Student Satisfaction

We are pleased to see an improvement from 86% in 2014-15. Our target is 90%.

Student Success

Completion rates have reached 92% and our DLHE score has improved from 90% in 2014-15.

 **93.8%**
of our students are
in employment or
further study six months
AFTER GRADUATING*
*DLHE 2016



Discovery-enabling Culture

We expect excellence. We foster a culture that actively supports all of our staff in fulfilling their potential, sharing their ideas and experiences and learning through leading. We know that a culture that helps us flourish also makes the very best people want to come and join us.

Our priorities include:

Making decisions in the right way, in the right place

Our governance structure has been reviewed to rationalise the number of committees and working groups, free up time, shift our focus from roles to projects and contributions, and ensure that we are making well-informed decisions and developing clear lines of responsibility.

Leading by example on equalities, diversities and well-being

We have raised our ambitions in relation to Athena Swan accreditation, the Stonewall Index and other charters of equality. Our role as one of only ten universities in the world to take the lead in the United Nations' HeForShe movement puts us at the forefront of the effort to achieve gender equality in UK universities. Constructive and effective partnerships with trade unions will be maintained, and we will implement a Health and Well-Being Programme for all staff.

Developing talent in people

Leadership training programmes, coaching and other forms of support develop the people management and strategic skills of current and future leaders. The intention is that all staff will benefit from improved training, appraisal and mentoring, and we will use a workload model to ensure that our academic staff have the time they need for quality research and enterprise as well as excellent teaching and student support.

Celebrating and rewarding success

Ensuring our approach to appraisal, reward, recognition and promotion for academic and professional services staff is transparent, understandable and fair. It should acknowledge excellence in colleagues' contributions to a range of activities that are equally valued.

Outreach and social responsibility: PROUD

With our strategic plan, we are also introducing PROUD, a commitment to work in and with the City of Leicester to improve economic, social and cultural well-being, the environment and health. We will also increase the impact of existing social responsibility initiatives in our city and region, including those that focus on cultural heritage and exemplify the role of universities in developing public understanding of and engagement in the sciences and the arts. We will expand our volunteering schemes, in order to deepen the relationships between our University and a range of local, national and global agencies committed to social justice, sustainability and global awareness.

Further details on our outreach and corporate, social responsibility policies are included within our statement on public benefit.

Risks to success

Our University strategic risk register identifies several key risks and themes to our culture strategy. These can be summarised as follows:

- There are risks that poor NSS results or poor TEF results (when introduced) impact our ability to attract and retain high quality staff. Our people strategy includes

actions to maintain our high levels of staff satisfaction to ensure our staff retention.

- The Home Office will continue to tighten immigration controls on HEIs as sponsors of international staff members. In addition following the UK's vote to leave the EU and pronouncements following the change in leadership in government it is expected that pressures on recruitment of international staff will increase. We will continue to closely monitor the data around recruitment and retention of international staff.

Key achievements

- In 2015-16 we were awarded three Athena Swan silver awards and one bronze award, taking our total awards since 2006 to ten, in addition to an institutional bronze award.
- We have invested in our leadership through the Leadership Excellence Programme – 60 colleagues completed the training and provided an overwhelming positive reaction to the programme and confirmed the importance of on-going leadership development.
- Our University continues to sponsor twenty six female members of staff through the Aurora Women's leadership programme in support of our advancement of gender equality.
- In our 2016 staff survey 66% of staff responded and 87% stated that they would recommend our University as a place to work.

Discovery-enabling Environment

We will develop environmentally sensitive, digitally-enabled and world-class campus facilities that will be envied and emulated on a national and international scale.

Our priorities include:

Forming the heart of the Leicester Educational Quarter

We are developing a new estate master plan to deliver a 21st century urban campus as the centre-piece of Leicester's Educational Quarter. This involves a programme of investment in academic and student facilities, including research infrastructure and a much improved public realm, as well as a focus on spaces for social learning and collaborative interaction.

A digital future

We will design and develop our Digital Campus, creating an inclusive, personalised and interactive environment for our students, staff and partners that will also support excellence in research, enterprise and learning. There will be a focus on furthering the digital skills and capacities of students and staff. As digital technologies become all-encompassing, we will support and enable scholars to explore and conceive of new ways to undertake and communicate their research. Staff and students alike will benefit from a digitally-enabled approach to teaching, learning, student experience, engagement and well-being.

Open scholarship

Embracing open scholarship and the open academy – and to sustain partnership, collaboration and the dissemination of knowledge – we will provide tools for scholar-led publishing and open repositories for data and learning materials. We will also maintain open licensing policies for research outputs, data and websites.

A great place to live

Our Oadby Student Village and City Living accommodation provide a great place for our students to live. They are a key part in delivering our Fabulous First Year and an affordable, flexible home base for undergraduate and postgraduate students coming to Leicester from all over the globe. We will enhance our strong existing focus on residential support and well-being. We will focus our City Living accommodation onto an integrated site to provide a vibrant student community, including learning space, close to our academic campus.

Sustainable finances

With a new approach to strategic and operational planning, including a greater focus on scenario planning and future scoping, and a financial model that is fit for purpose, robust and easier for academic and professional leaders to use, we will ensure that we have the tools to track and improve our performance. Further details on this and the performance measures are included in the Financial Review section of this report.

Risks to success

Our University strategic risk register identifies several key risks and themes to our environment strategy. These can be summarised as follows:

- The risks of unauthorised access to systems and compromise of University data. We have robust controls in place around our digital infrastructure.
- Ageing infrastructure will lead to poor quality built estate and possible failure of engineering systems and building fabric and/or failure to comply with legislative standards. Our physical estate strategy seeks to address ageing infrastructure as part of our ambitious capital programme.

Key achievements:

- In January 2016 we opened our new Centre for Medicine, providing state of the art facilities for medical teaching and applied research.
- The refurbishment of the Grade II* listed Engineering roof continues, during 2015-16 all of the existing glazing was removed and replacement works commenced, whilst ensuring that the building remained operational for all users with minimal impact on day-to-day operations.
- Our campus has seen some large changes this summer, in May 2016 works commenced on the redevelopment of car parking space on campus to create a central campus square for use for major events, open days and student fairs. This will, when finished, provide a much improved environment at the heart of our campus.
- We have embarked on an ambitious transformation programme. The Higher Education sector is becoming increasingly competitive and whilst we have much of which we should be, and are, very proud, we must not be complacent and allow our university to stagnate. Our transformation programme will ensure that we are resourced, designed and enabled to succeed in this challenging market.

Financial Review

Student numbers

Undergraduate recruitment remained strong and Home/EU undergraduate student numbers have grown by 4% from the prior year. We experienced a significant (14%) drop in international student recruitment in 2015-16. There have also been falls in our postgraduate student and part time/distance learning student population. Despite this we have once again reached our highest ever level for tuition fee income of £151.4m. Student recruitment for the 2016-17 academic year is strong with growth expected in all areas.

The distribution of students in 2015-16 and 2014-15 was:

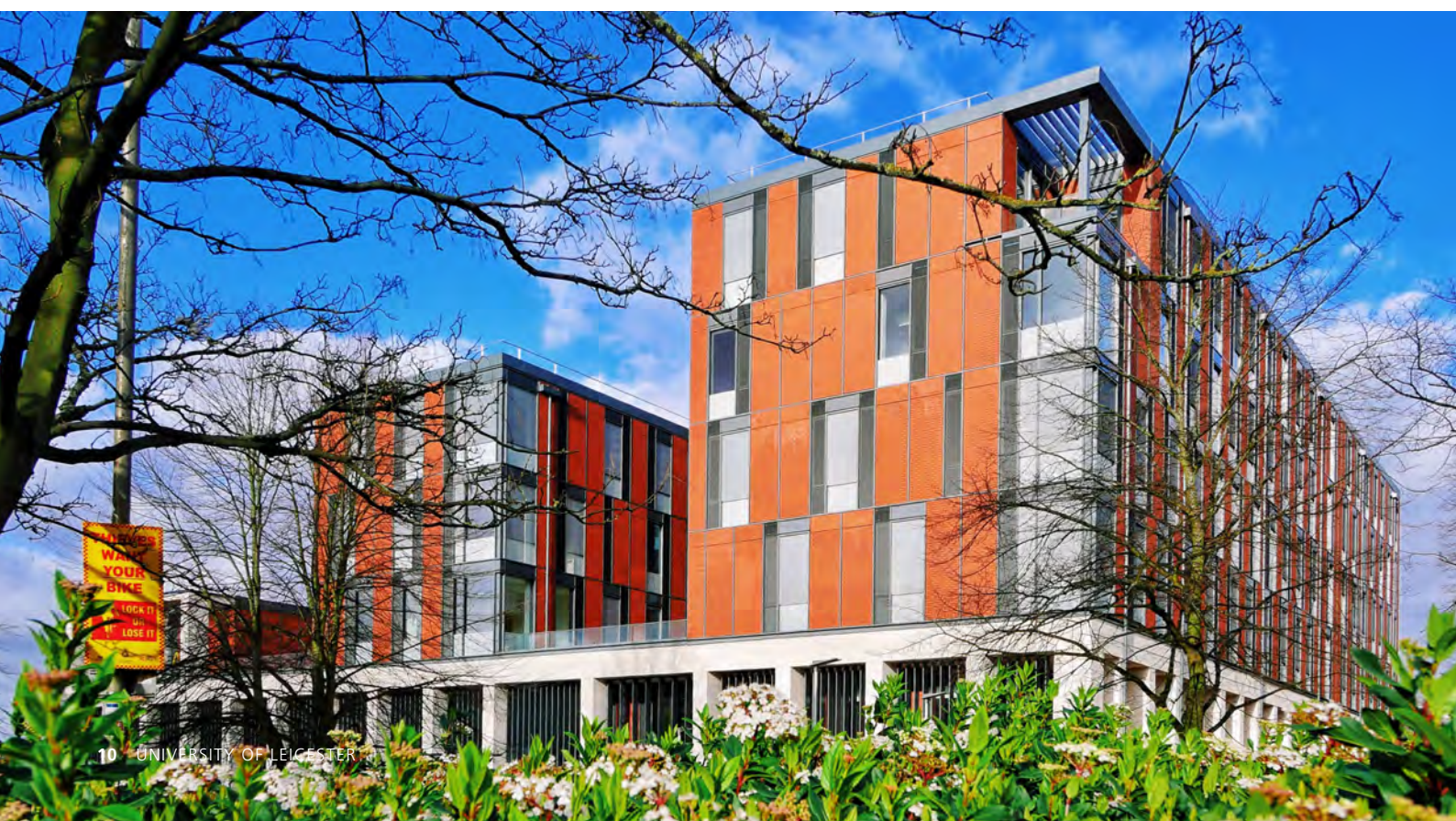
	2015-16	2014-15
Undergraduate	11,608	11,302
Postgraduate	7,555	8,749
Occasional/Exchange	15	99
	19,178	20,150
Full-time	13,961	13,966
Part-time/distance learning	5,217	6,184
	19,178	20,150

Future investment

Significant investment in the year was in our two major capital projects, the Centre for Medicine and the replacement of the Grade II* listed roof of the Engineering building.

The Centre for Medicine is a £42m project to create state of the art facilities for medical teaching and research and has been built to Passivhaus specifications, demonstrating our commitment to a high-quality, sustainable estate. The building was completed in January 2016.

We are developing an ambitious £370m investment plan for our University's infrastructure and estate in support of the strategic plan over the next 10 years. This will involve a programme of investment in our existing estate, in digital infrastructure and in state of the art teaching and research facilities. We are committed to improving the spaces available for social learning and collaborative interaction across our campus.



Surplus rose by
2.7%

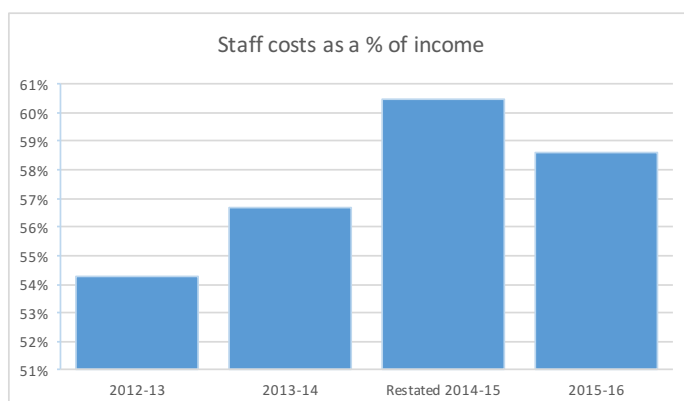
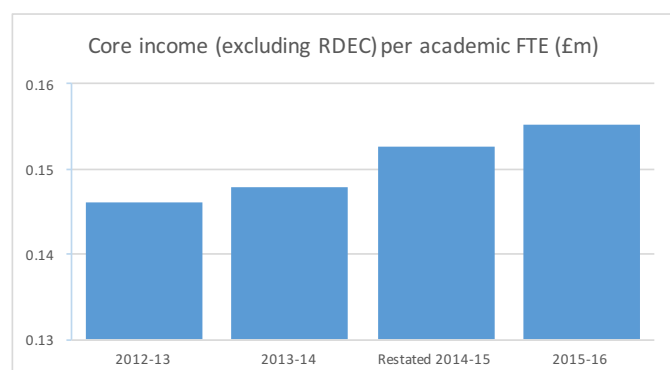
Included within the discovery-enabling finance strategy are a range of performance indicators. The key KPIs are presented below.

Core income per academic FTE*

Core income is measured as research income, tuition fees and funding body grants.

Income per FTE in 2015-16 was £0.16m which is comparable with the prior year. Included in 2014-15 income is £7.3m of Research and Development Expenditure Credit (RDEC) income. When this one off income is excluded income per FTE in 2014-15 was £0.15m therefore 2015-16 shows an increase of £0.01m or 6.7%.

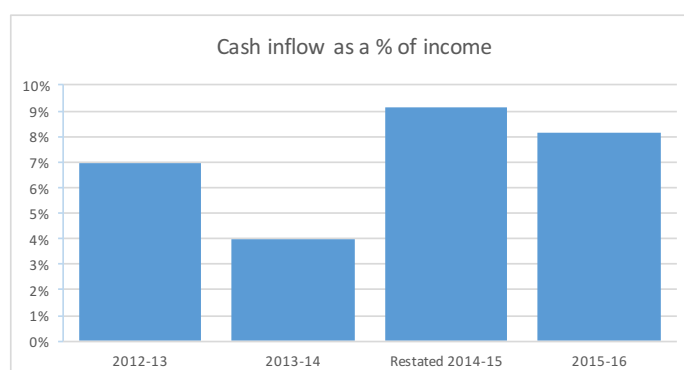
* full time equivalent staff numbers



Operating cash flow as a % of income

There was a net cash inflow of £24.2m from operating activities during the year, compared to £27.4m in the previous year. This represents a decrease of £3.2m, principally arising from working capital debtor and creditor movements.

Continued high levels of cash generation will be required in future years to support increased investment in our infrastructure and we are targeting cash inflow as a % of income to be 8%.



Staff costs as a % of income

Staff costs fell by £8.0m (4.4%) from the restated 2014-15 level to £173.5m and continue to represent the largest element of total costs at 58.9% of total expenditure. This is down from 60.3% in the prior year but broadly in line with the longer term average.

The reduction in costs in 2015-16 is a result of a significant one off cost in 2014-15. In the prior year the USS pension scheme had a full actuarial valuation resulting in a £13.4m cost. This was in order to ensure that our share of agreed recovery contributions were recognised on balance sheet. Excluding the USS provision movements the prior year pay costs were £168.5m and 2015-16 is £173.5m. This shows an increase of £5.0m or 2.9%.

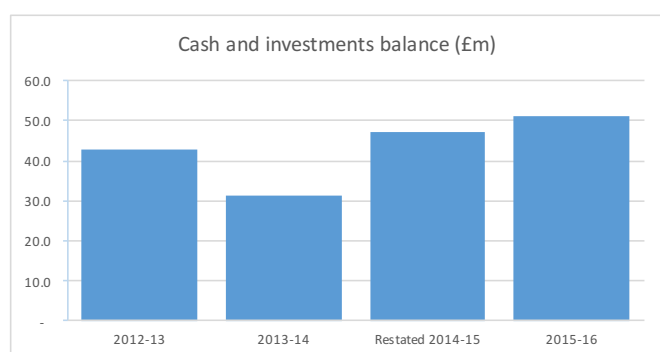
Staff costs are expected to rise further in the coming year as the impact of our restructuring programmes take effect and the apprenticeship levy is implemented.

Financial Review

Year end cash balance

Cash and short-term investments totalled £51.3m as at 31 July 2016; £4.2m higher than the previous year. This is principally from the movement in non-endowed cash balances arising from careful cash management throughout the period.

We consider a minimum cash holding to be £20.0m. Debt balances at the year end of £78.5m include loans from Barclays and the European Investment Bank. During the year the outstanding balance with NatWest was repaid. This was originally due for repayment in 2019. This repayment has removed the only fixed charge we had over our assets and has simplified our loan portfolio.

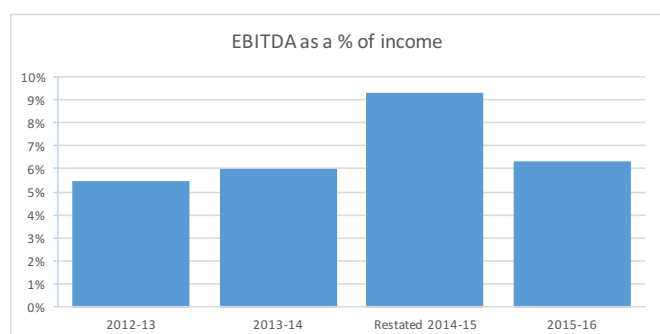


EBITDA* as a % of income

EBITDA has fallen by £9.3m from the prior year (32.8%). The 2015-16 underlying performance has not been as strong as 2014-15. But for the significant change in the USS Pension provision in 2014-15 the surplus would have been one of our highest ever.

As a percentage of income 2015-16 EBITDA is 6.3% of income, compared to 9.3% in the prior year. Our target is EBITDA of 9.5% of income by 2019-20.

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



Pension schemes

Pension provision for our employees is provided through three defined benefit schemes; the University of Leicester Pension and Assurance Scheme (PAS), the Universities Superannuation Scheme (USS), the NHS Pension Scheme, and three defined contribution schemes; the University of Leicester Stakeholder Scheme, the Aviva Group Personal Pension Scheme and the College Court Stakeholder Scheme.

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

The PAS currently has a defined benefit liability of £54.3m. This is an increase of £26.1m on the prior year. The PAS was closed to new members in 2003 but remained open to future benefit accrual for existing members. Following a consultation which commenced in May 2015, we closed PAS to future benefit accrual from 31 March 2016 in order to contain the risks associated with future benefit accrual. All current members transferred to the University of Leicester Stakeholder Scheme.

Our obligation to fund the deficit on the USS Pension scheme stands at £29.1m at the balance sheet date, an increase of £0.6m on the prior year.

Treasury management

We have an in-house Treasury team who manage our working capital 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.

We received £0.7m (2015: £0.6m) of new endowments and generated investment income on endowments of £0.4m (2015: £0.4m) which is comparable with the prior year.

Future financial outlook and going concern

The overall position of Higher Education in the UK remains positive but there has been a significant shift in the market during the course of the last five years. The introduction of the £9,000 fee and the gradual opening up of a genuine market for student recruitment is the biggest change in recent decades.

During the 2016 planning round we have faced up to some significant challenges in respect of the level of international student recruitment and the level of investment needed in our infrastructure to deliver our teaching and research ambitions.

The 2016-17 financial year has a budget for income to remain stable at £300.7m, and forecasts a deficit of £11.2m. The budgeted deficit is a result of one off costs associated with achieving the transformational change envisaged in our University's strategic plan.

The challenge for 2016-17 remains to maintain Home/EU undergraduate recruitment and control costs. At this point in the year both aspects are within the budget parameters.

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

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

Key opportunities, threats and risks

There are a number of factors impacting on our University's strategic position as noted in our risk register. The key financial risks and opportunities are:

The downturn in international student recruitment in 2015-16 had a significant impact on international tuition fee income, and there is a risk that the expected growth in 2017-18 is not achieved. There has been a general slowdown in the Chinese economy. 58% of our 2015-16 international student intake came from China, being the single largest population of international students, therefore this has the potential for further significant impact on our University.

Our University's PAS scheme is currently completing an actuarial valuation as at 31 July 2016, and this is expected to show a substantial increase in the deficit. This may result in requirements for additional deficit contributions. In addition the national USS pension scheme has an actuarial valuation in March 2017 which may impact on pension costs from 2018-19.

The £9,000 fee has remained static without inflationary increases since it was introduced in 2012. The Government has now announced that inflationary rises are permissible from 2017-18.

There remains a strong demand for undergraduate student places at our University. For 2016 entry Home / EU undergraduate applications following clearing were strong and we have significantly exceeded our recruitment targets for these students.

Transition to FRS 102

This is the first year in which our University is reporting in accordance with FRS 102 and the new SORP.

As a result the 2014-15 results have been re-stated for FRS 102, and this has the significant impact of taking our 2nd highest surplus as an institution of £15.5m and turning it into a deficit of £1.2m. In addition our net assets fell by £43.0m to £129.6m.

There are a number of reasons for these shifts, which are detailed in note 28 to these financial statements. The significant changes are as follows:

- Increase in value of fixed assets arising from the revaluation of certain assets on transition to FRS 102. This has the effect of increasing net assets by £62.2m.
- Deferred capital government grants of £104.4m which were previously classified as reserves are now classified as creditors due after more than one year and creditors due within one year. This reduces net assets by the same amount.
- We are now required to recognise the present value of the contributions payable in respect of the USS deficit as a provision. This increases the provisions on our balance sheet at transition by £15.0m and then by a further £13.4m in 2014-15.
- Overall there is a £2.4m reduction in 2014-15 income as a result of FRS 102 – this is due to changes in the treatment of deferred capital grants from non-government sources, and the changes in the accounting for the University of Leicester Pension and Assurance Scheme (PAS) and derivatives.
- Overall there is a £16.0m increase in 2014-15 expenditure as a result of FRS 102. The most significant element of this is the increase in the USS provision of £13.4m noted above. This arose because of the USS pension valuation at 31 March 2014, which led to the agreement of a new recovery plan and increased the employer contributions payable towards the deficit in the scheme. As we are required to recognise the present value of our deficit recovery contributions payable there will be significant changes in the provision every three years when the USS pension valuation is undertaken and the recovery plan is reassessed.
- In addition we are required to recognise our derivative financial instruments on our balance sheet. Any changes in the value of the instruments are recognised in interest and other finance costs. The fair value of the financial instruments is directly linked to the expected yields on gilts and has fluctuated significantly year on year. In 2014-15 this had the impact of reducing our surplus by £1.4m.

Public Benefit Statement

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

Our Charter sets the overall objectives of our University to provide “a University within Our City and County of Leicester for the Advancement of Knowledge, the Diffusion and Extension of Arts, Sciences and Learning, the Provision of Liberal, Professional and Technological Education”. Today this objective is articulated through the Strategy, launched in September 2015.

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

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

Our public benefit is related to our strategy as highlighted in the University Overview and Strategic Report on pages 3-13. Through this we bring a presence and positive impact to the local community, regionally, nationally and internationally.

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

The most significant direct beneficiaries of our charitable objects are the undergraduate and postgraduate students, who come to our University to enhance their academic qualifications, life skills, and employability. The regional economy also directly benefits from the activities of our University. Estimates of the annual economic benefit of our University are in the region of £750m both through direct consumption by the student body, but also by provision of jobs and the integration of our activities into local communities and collaborative activities with businesses, large and small. The national

economy benefits significantly from the strength of international representation in the student body. We have a strong reputation in international territories, contributing significantly to the HEI export market.

Public benefit can also be clearly felt via the learning opportunities and the creation of jobs in territories in which our distance learning activities are present. We have 5,217 students studying part time or by distance learning, making this part of our core education provision.

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

We are working on being good neighbours to our local communities. We recognise that we impact greatly on those communities alongside our campus and facilities elsewhere in the city. We are committed to working alongside people who live close by us to build strong community relations, designed to address issues and problems. We aim to increase the scope for consultation with our local communities and find ways to involve them in our plans. We do this through a ‘community development’ approach using dedicated staff to whom local people can have immediate access and with whom they can work collaboratively.

PROUD

We have chosen five core themes and one underpinning theme around which our Corporate Social Responsibility Strategy has been developed. These have been

selected with input from some of our key partners and in discussion with our local communities and are based on a review of local strategic priorities, data and other sources of relevant information. They have been chosen because they are important to the city and the county and because they are areas in which we can make meaningful contributions.

Proud stands for:

- **Promoting** health and wellbeing
- **Restoring** our environment
- **Opening** access to culture and heritage
- **Upskilling** for the 21st century
- **Developing** children and young people

Specific information is provided below on how the activities of our University support the five core themes.

Teaching

Our new Centre for Medicine provides state of the art training for the doctors of tomorrow bringing together cutting edge medical research and education under one roof for the first time at Leicester. Built to Passivhaus standards the environmental impact of the new building has been significantly reduced, and planting has been introduced to encourage insects and birds which will help pollination and to promote bio-diversity.

Not only training the doctors of tomorrow our University is also proud to train the teachers of tomorrow. We offer PGCE courses at both primary and secondary levels, covering a broad range of subjects and also routes in to teaching through either University led study or the School Direct scheme introduced in 2012.

In May 2016 the Independent placed Leicester 8th in the rankings of UK universities where graduates are most likely to lead to top management positions,

particularly in smaller entrepreneurial businesses.

We currently run four MOOCs (massive online open courses) on forensics, Richard III, museums and calculus. Each of these runs for three to six weeks, on a rolling basis, allowing thousands of people across the world access to university-standard teaching. Some of our MOOC students use the course as a stepping stone to a full degree.

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

Our Botanic Garden provides educational activities to more than 11,000 school children and 3,000 adults every year, on top of its annual 50,000 casual visitors. The Botanic Garden is fundamentally an academic institution engaged in teaching and research. The team devises and provides both passive and formal education programmes aimed at all age groups, in particular reaching out into the wider community to demonstrate the contemporary significance of plants in a rapidly changing world.

Research

We are a research intensive institution with a long-established and well-respected Medical School. Research within our College of Medicine, Biological Sciences and Psychology takes advantage of Leicester's distinctive population to address culturally specific health issues. Our medical research makes a tangible impact within our local community which can then be rolled out nationally and internationally.

Also at our University, we provide creative solutions to tomorrow's air quality challenges, informing and enabling intelligent decisions grounded in world-class research.

Using the latest technology - whether gathering data from satellites in space, placing air pollution cameras on traffic lights, or utilising aircraft to take pictures of pollution - we lead science that creates everyday impact. Our pioneering work includes CityScan, a novel ground-based hemispherical NO₂ mapper, invented and developed at our University.

Working closely alongside our partner organisations including local authorities, government agencies and research institutes, we help shape government policy by conducting ground-breaking research in areas that affect people on a local, national and international level. As an example, we support Leicester City Council with the Air Quality Action Plan, a key citywide strategic approach to tackling the problem.

Our studies cover everything from improving traffic flow, urban sustainability and examining the effects of wood burning in cities through to climate change. We are closely involved with the UTRAQ system, which is designed to help towns and cities manage air quality by employing traffic management strategies which consider how vehicle emissions will disperse given the current climatic conditions.

We bring together university academics in chemistry, physics, geography, medicine and meteorology on a project-by-project basis to assess user needs, fully understand the wider scientific problem, develop and evaluate solutions and identify opportunities for today, tomorrow and the future of Leicester as well as the rest of the world.

In summer 2016 we launched four new research institutes, bringing a renewed focus on our strengths and bringing together colleagues from across our University to grapple with fundamental questions that arise at the intersection of different disciplines. These institutes will deliver an ongoing programme of external collaboration and engagement with different practitioners, policy-makers, communities and publics.

In particular the programme of Cultural Publics in the Research Institute for Cultural and Media Economies (CAMEo) is designed to showcase the latest research and thinking, and to build new partnerships and collaborations in the city, nationally and internationally. Additionally the Leicester Precision Medicine Institute (LPMI) represents an exciting, novel and new initiative between our University and the University of Leicester Hospitals (UHL) NHS Trust. LPMI coalesces and aligns the research missions of our University and the NHS. As a Centre of Excellence, it will develop, evaluate and implement prevention and treatment based on unique characteristics of individuals and subgroups of the population to provide more effective and safer healthcare and improved health to our diverse population, both locally and nationally.

Community, inclusive and accessible

Our Attenborough Arts Centre is a major venue within the city for music and performance art with a particular emphasis on events for children with special needs. A new wing for exhibitions of visual and conceptual art was formally opened by Sir David Attenborough in 2016. Each year Attenborough Arts hosts part of the Leicester Comedy Festival.

Leicester is one of the most culturally diverse cities in the UK, hence access to culture and heritage is a priority for many within our local communities. Through our Departments of Museum Studies, Archaeology and English, we have already worked closely with our local communities. Our exemplar work around the discovery, identification and reinternment of Richard III and our ongoing work within the Leicester Heritage Partnership demonstrate our skill and expertise within the heritage arena.

We have developed a new unit for Diversity Inclusion and Community Engagement (DICE) which helps us engage more strategically around this issue at a local

Public Benefit Statement

and national level. We want to bring our expertise in culture and heritage to the assistance of local communities to support and explore a wide range of cultural and heritage subjects.

Literary Leicester, our annual festival of the written word, attracts big-name authors to our University including Will Self, Louis de Bernieres, Roger McGough, Jaqueline Wilson, Julia Donaldson and Carol Ann Duffy.

Leicester has one of the highest rates of child poverty in the country. Some 26,000 children under the age of 19 live in poverty. Through student volunteering and schemes such as STEMNET, we are already helping young people develop skills to help them progress in later life.

Our students work with Beaumont Leys School in Leicester to support students on the GCSE C/D grade borderline. In 2014-15, 100% of the pupils our students worked with achieved a C or above in their GCSE Maths grade. Students work closely with a supervisor at the school to work through the curriculum with the pupils. They receive support in terms of developing teaching materials, but are expected to lead small groups of students in maths lessons, aimed at bringing them up to a C grade.

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

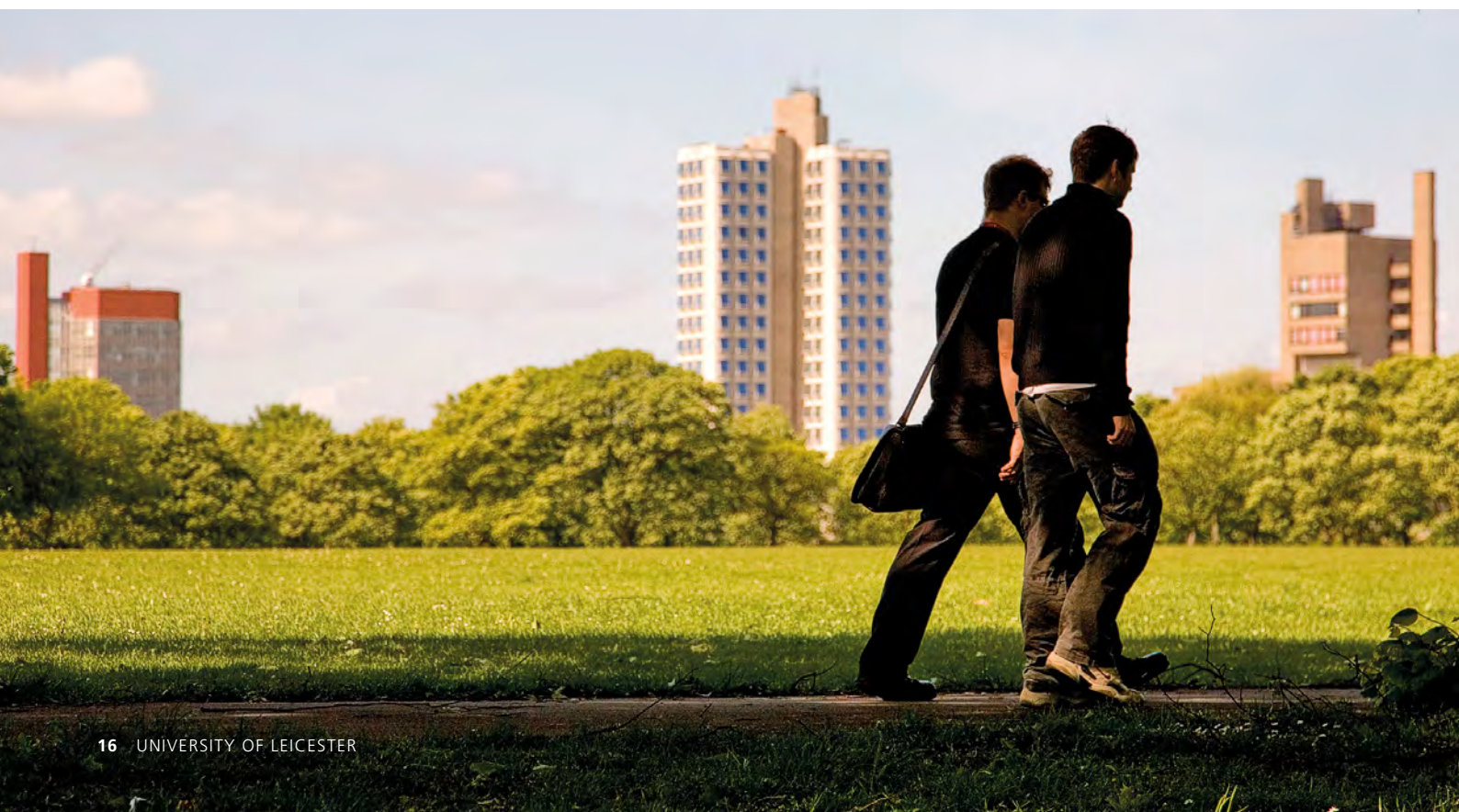
Through 2015-2016 we ran The Leicester Academy for the very first time. The Leicester Academy is our University's hub for sport related opportunities, producing a workforce who will be deployed into local schools and community clubs who have been selected with the help of Widening Participation. Students who are part of the Academy are given the opportunity to complete coaching/officiating qualifications, enabling them to then deliver in the community, local schools and at our University.

During 2015-16 over 5,000 school children participated in one or more of the 120 widening participation activities offered by us and over 3,000 Leicester students visited local schools through the Students in Classrooms project.

Our two sports centres are open to the local community. We are also the home venue for Leicester City FC women's under-17, under-15, under-13 and under-11 teams. This use of the sports facilities for non-university associated teams means that local people are steadily increasing their fitness and wellbeing every week. We are also a partner (with Leicester City Council and ParkRun) in the weekly Victoria Park Run.

We have ambitious plans to develop a National Space Park to boost innovation, growth, jobs, skills and training in the sector. The Government sees space as a strategic sector that is set for rapid growth. Working with local, national and international partners, the National Space Park will respond to and be shaped by the demands of the UK space and space-enabled economy.

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





11,608

Undergraduate Students

7,555

Postgraduate Students

5,217

Students Studying
Part time or by
Distance Learning

Corporate Governance

For the year ended 31 July 2016

The following statement is given to assist readers of the financial statements in obtaining an understanding of the governance procedures of our University. We endeavour to conduct our affairs in accordance with published guidance on good governance in higher education, 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). We have 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. We are satisfied that our University has complied with the provisions of the Code, in so far as it is applicable.

Summary of our University's Structure of Corporate Governance

The Council

The Council, which normally meets at least four times a year, is the governing body of our University. It comprises a mixture of ex-officio, appointed and elected lay and academic persons, the majority of whom are non-executive members appointed by Council itself.

In response to recommendations from the Nominations Committee submitted in July 2016, Privy Council approval is to be sought for the total size of the University Council to be reduced from its current total of 25 members to 21. This will be achieved mostly by a reduction in the number of staff members of Council, with a consequent increase in the size of the lay majority.

The role of the Chair of Council is separated from the role of our University's Chief Executive; the President and Vice-Chancellor. The powers of the Council are set out in the Statutes and Ordinances of our University and in its Statement of Primary Responsibilities, all of which are published on our University's website, and are consistent with the Council's accountability obligations to the Higher Education Funding Council for England (HEFCE). The Council holds itself responsible for the on-going strategic objectives of our University, including approval of major new developments, and for monitoring progress against these. Council receives regular reports from its committees on the operation and performance of our University and its subsidiary companies.

In the financial year 2015-16 the principal Committees of Council included the Council Advisory Committee, Audit Committee, Finance Committee, Nominations Committee, and Remuneration and Senior Staff Pay Committees. All are formally constituted committees, with published terms of reference, and all include some members drawn from the lay membership of Council. In addition to the principal Committees, the Council also receives regular reports from the University Leadership Team.

Council Advisory Committee

The role of the Council Advisory Committee is to discuss from an early stage, monitor the subsequent development of, and recommend for approval by Council our University's corporate strategy and supporting strategies; and to monitor the achievement of our strategic objectives through appropriate systems of institutional performance monitoring and risk management.

Audit Committee

During the year the Audit Committee met with both internal and external auditors.

It met with the internal auditors to consider detailed internal audit reports and their recommendations for the improvement of our systems of internal control, together with management's responses and implementation plans. The work of internal audit was guided by an assessment of the key areas of risk in our activities.

It met with the external auditors to discuss audit risks and findings. The Committee reviewed the audit of our University's annual financial statements together with the accounting policies. As part of that statutory audit, the external auditors reviewed and tested the system of internal control to the extent that they considered necessary to support their audit opinion.

In addition, the Audit Committee received reports on value for money, considered any items from HEFCE as they affected our University's business, and monitored adherence to regulatory requirements.

University officers attended meetings of the Audit Committee as necessary during the year, but not as members of the Committee, which is made up solely of lay members of Council and other external members co-opted for their expertise. At the end of each of its scheduled meetings during the year the Audit Committee continued in private session with the internal and external auditors, for independent discussions as necessary. No member of the Audit Committee may also be a member of the Finance Committee unless Council makes a formal decision to allow one Audit Committee member to sit on both. This did not occur in 2015-16.

Finance Committee

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

Nominations Committee

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

The Nominations Committee reflects regularly on the balance of relevant knowledge, experience and skills amongst the membership of Council, and also on matters in relation to ethnicity and gender balance. This helps to inform the approach to be taken in the recruitment and selection of new lay members of Council.

With specific regard to gender balance, the Committee has noted HEFCE's agreed 2015 Business Plan objective of encouraging greater diversity within governing bodies in the publicly funded sector, with a target for "40% of governors to be female by 2020". The 2015-16 figure for Leicester was 32%, slightly below the HE sector average, with 8 of the 25 Council members being female.

Remuneration Committee

The Remuneration Committee is chaired by the Chair of Council. Independent lay members, including the Treasurer, form the majority of its membership. The President and Vice-Chancellor and the Registrar and Chief Operating Officer are members of the Committee, but they are not permitted to be present for any discussions that affect their own personal position. During the year the Committee considered and reported to the Council on the remuneration of the President and Vice-Chancellor, the Registrar and Chief Operating Officer, the Director of Finance, the Provost, the Pro-Vice-Chancellors and Heads of Colleges.

The Senior Staff Pay Committee is chaired by the President and Vice-Chancellor. The membership also includes the Chair of Council and the Treasurer. During the year the Committee considered and reported to the Council on the remuneration of Grade

10 senior staff, non-clinical professorial staff and non-professorial Heads of Department.

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

The University Leadership Team

The University Leadership Team are the executive management team of our University.

The Team is responsible for providing effective, coordinated and strategically aware leadership of our University's current and future performance.

Risk Management

Council is responsible for our 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 reporting procedure for our University, which is reviewed regularly and updated as required in response to changes in the risk environment.

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

Throughout 2015-16 Council and the Audit Committee both received and discussed termly updates of the corporate strategic risk register. The updates drew attention to any changes identified in our risk environment, and provided details of steps taken by our University, with recommendations and support from the internal auditors, to further improve and strengthen its risk management procedures. This comprehensive approach, not merely reporting by exception, is designed to provide the necessary degree of assurance for the underlying effectiveness of our approach to risk management.

Enhancements were implemented during the year to achieve a greater focus on High/Critical risks to the emerging objectives of our new strategic plan, and to provide more concise and specific information on the key controls and improvement actions, and progress against these. Other planned developments include a proposal to introduce a regular review of key strategic risks at meetings of the University Leadership Team, and to further embed ownership of the identification and management of risks within Colleges and Professional Services.

Effectiveness Reviews

Council reviews aspects of its own effectiveness on a regular basis. In accordance with the requirements of the new Higher Education Code of Governance, Council will seek to conduct formal, comprehensive reviews of its own effectiveness at least every four years in future.

The Standing Committees of Council and Senate are also required to formally review their own effectiveness at intervals of no longer than four years. Improvement opportunities are taken at other times as they arise. A record of improvement actions taken in response to committee effectiveness reviews is maintained by the Governance Office, so that examples of good practice can be shared across committees as appropriate.

Responsibilities of the Council of the University of Leicester

For the year ended 31 July 2016

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

The Primary Responsibilities of the Council are as follows:

- To approve the mission and strategic vision of the University, long-term academic and business plans and key performance indicators, and to ensure that these meet the interests of stakeholders.
- To delegate authority to the President and Vice-Chancellor, as chief executive, for the academic, corporate, financial, estate and personnel management of the institution, and to establish and keep under regular review the policies, procedures and limits within such management functions as shall be undertaken by and under the authority of the President and Vice-Chancellor.
- To ensure the establishment and monitoring of systems of control and accountability, including financial and operational controls and risk assessment, safeguards against fraud, and procedures for handling internal grievances and for managing conflicts of interest.
- To ensure processes are in place to monitor and evaluate the performance and effectiveness of the institution against the plans and approved key performance indicators, which should be, where possible and appropriate, benchmarked against other comparable institutions.
- To establish processes to monitor and evaluate the performance and effectiveness of Council itself.
- To conduct its business in accordance with the CUC Higher Education Code of Governance and with the principles of public life drawn up by the Committee on Standards in Public Life.

- To safeguard the good name and values of the University.
- To appoint the President and Vice-Chancellor, on the recommendation of a Joint Committee of Council and Senate, and to put in place suitable arrangements for monitoring his/her performance.
- To appoint the Registrar and Chief Operating Officer, on the recommendation of a Joint Committee of Council and Senate, who will be Secretary to the Council. The Council will ensure that appropriate arrangements are in place to maintain a separation of the Registrar and Chief Operating Officer's functions as Head of the University's Corporate Services, with direct accountability to the President and Vice-Chancellor, and as Secretary to the Council, with direct accountability to the Chair of Council and Council members.
- To be the employing authority for all staff in the University and to be responsible for establishing a human resources strategy.
- To be the principal financial and business authority of the University, to ensure that proper books of account are kept, to approve the annual budget and financial statements, and to have overall responsibility for the University's assets, property and estate.
- To be the University's legal authority and, as such, to ensure that systems are in place for meeting all the institution's legal obligations, including those arising from contracts and other legal commitments made in the institution's name.
- To make such provision as it thinks fit for the general welfare of students, in consultation with Senate.
- To act as trustee for any property, legacy, endowment, bequest or gift in support of the work and welfare of the University.
- To ensure that the University's Charter, Statutes and Ordinances are followed at

all times and that appropriate advice is available to enable this to happen.

- The Council is required to present audited financial statements for each financial year and is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the University and enable it to ensure that the financial statements are prepared in accordance with the 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 of its accountability obligations to the Higher Education Funding Council for England the University Council, through its designated accountable officer (the President and Vice-Chancellor), is required to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the University 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 2020, prepared under the direction of the Funding Council. Council has a reasonable expectation that the

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

The Council has taken reasonable steps to:

- 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 all 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 designed to discharge the responsibilities set out above, include the following:

- a medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets;
- regular reviews of financial results involving variance reporting and updates of forecast out-turns;
- clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to appraisal and review according to approved levels set by the University Council;
- comprehensive Financial Regulations, detailing financial controls and procedures and the responsibilities of budget holders, approved by the Finance Committee; and
- a professional internal audit team whose annual programme is approved by the Audit Committee and is endorsed by the 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
28 November 2016

Members of Council

The Members of Council who served in the 2015-16 financial year, and up to the date of the signing of this report, were as follows:

Mr P. Ash (until 31 July 2016)
Professor P. Baker (until 31 July 2016)
Professor M. Barstow (until 31 July 2016)
Professor P. Boyle
Professor J. Coleman (until 31 July 2016)
Mr G. Dixon
The Right Hon the Lord Grocott (until 31 July 2016)
Judge A. Hampton (until 31 July 2016)
Mr M. Hindle
Ms R. Holland
Mr I. Johnson
Professor J. Ketley (until 31 July 2016)
Mr P. Lawson
Professor M. Lester (until 31 July 2016)
Dr D. Luckett
Dr S. Macleod
Mr A. Morgan
Mr D. Moore
Professor M. Peel
Professor E. Raven
Dr N. Reed
Dr V. Sharma
Ms C. Thorogood
Dr B. Towle (Chair of Council)
Mr L. Trotman

New appointments from 1 August 2016:

Professor P. O'Brien
Professor J. Schwabe
Mrs J. Arthur (from 16 September 2016)
Ms M. Duke (from 6 October 2016)

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

We have audited the financial statements of the University of Leicester for the year ended 31 July 2016 which comprise the Statement of Accounting Policies, Consolidated Statement of Comprehensive Income and Expenditure, the Consolidated and University Statement of Changes in Reserves, the Consolidated and University Balance Sheets, the Consolidated Cash Flow and the related notes 1 to 28. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Statement of Recommended Practice: Accounting for Further and Higher Education.

This report is made solely to the members of the Council in accordance with the financial memorandum of assurance and accountability effective August 2014. Our audit work has been undertaken so that we might state to the governing body 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 governing body and auditor

As explained more fully in the Responsibilities of the Council of the University of Leicester, the governing body 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 Group's and the University's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the governing body; 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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's and University's affairs as at 31 July 2016 and of the its 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 2016 have been applied for the purposes for which they were received; and
- income during the year ended 31 July 2016 has been applied in accordance with the University's statutes and, where appropriate, with the memorandum of assurance and accountability, with the funding council; and
- the requirements of HEFCE's accounts direction have been met.

**Deloitte LLP,
Chartered Accountants
and Statutory Auditor
Nottingham, UK**

Statement of Accounting Policies

Financial Statements for the year ended 31 July 2016

1. Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2015 and in accordance with Financial Reporting Standards (FRS 102). The University is a public benefit entity and therefore has applied the relevant public benefit requirements of FRS 102. The financial statements are prepared in accordance with the historical cost convention (modified by the revaluation of certain fixed assets and derivative financial instruments).

Having made appropriate enquiries, the Council considers that the University has adequate financial resource to continue in operation for the foreseeable future, being not less than 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 consolidated University financial statements.

2. Basis of consolidation

The consolidated financial statements include the University and all its subsidiaries for the financial year to 31 July 2016. The results of subsidiaries acquired or disposed of during the period are included in the consolidated statement of income and expenditure from the date of acquisition or up to the date of disposal. Intra-group transactions are eliminated on consolidation.

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

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

3. Income recognition

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

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

Funding 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 statement of income and expenditure.

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

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

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

Grant funding

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

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

Donations and endowments

Non-exchange transactions without performance related conditions are donations and endowments. Donations and endowments with donor imposed restrictions are recognised in income when the University is entitled to the funds. Income is retained within the restricted reserve until such time that it is utilised in line with such restrictions at which point the income is released to general reserves through a reserve transfer.

Donations with no restrictions are recognised in income when the University is entitled to the funds.

Investment income and appreciation of endowments is recorded in income in the year in which it arises and as either restricted or unrestricted income according to the terms other restriction applied to the individual endowment fund.

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

1. Restricted donations - the donor has specified that the donation must be used for a particular objective.
2. Unrestricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of the University.
3. Restricted expendable endowments - the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and the University has the power to use the capital.
4. Restricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective.

Capital grants

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

4. Accounting for retirement benefits

The two principal pension schemes for the University's staff are the Universities Superannuation Scheme (USS) and the University of Leicester Pension and Assurance Scheme (PAS). Throughout the current and prior period these were defined benefit pension schemes which were, until 31 March 2016, contracted out of the State Second Pension (S2P). The assets of both schemes are held in separate trustee administered funds.

Following the closure to future accrual of the PAS in the year a significant number of staff are now members of the University of Leicester Stakeholder Scheme. A small number of staff are members of other pension schemes.

The USS is a multi-employer scheme for which it is not possible to identify the assets and liabilities to University at members due

to the mutual nature of the scheme and therefore this scheme is accounted for as a defined contribution retirement benefit scheme.

A liability is recorded within provisions for any contractual commitment to fund past deficits within the USS scheme.

Defined benefit plan

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

Defined contribution plan

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

5. Employment benefits

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

6. Foreign currencies

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

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

7. Operating leases

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

8. Fixed assets

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

Statement of Accounting Policies

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

Land and buildings

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

New Build	50 Years
Refurbishments	15 Years

Leasehold land and buildings are depreciated over the period of the lease up to a maximum of 50 years.

No depreciation is charged on assets in the course of construction.

Equipment, fixtures and fittings

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

Capitalised equipment, fixtures and fittings are stated at cost and depreciated over the expected useful life as follows:

General equipment including vehicles and computer hardware, 4 years

Fixtures and fittings, 5 – 10 years

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

All software costs, including licence fees, are written off to the statement of income and expenditure as incurred.

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

Borrowing costs

Borrowing costs are recognised as expenditure in the period in which they are incurred.

9. Heritage assets

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

10. Investments

Non-current asset investments are held on the balance sheet at amortised cost less impairment.

Investments in associates and subsidiaries are carried at cost less impairment in the University's accounts.

Current asset investments are held at fair value with movements recognised in the Surplus or Deficit.

11. Stocks

Stocks comprise departmental bulk stores, sundry stores and stocks held at bookshops, halls of residence and catering and are stated at the lower of cost or net realisable value, and is measured using the average cost formula.

12. Cash and cash equivalents

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

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

13. Provisions, contingent liabilities and contingent assets

Provisions are recognised in the financial statements when:

- a. the University has a present obligation (legal or constructive) as a result of a past event;

- b. it is probable that an outflow of economic benefits will be required to settle the obligation; and

- c. a reliable estimate can be made of the amount of the obligation.

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

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

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

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

14. Taxation

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

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

The University's subsidiaries are liable to Corporation Tax and VAT in the same way as any other commercial organisation (with the exception of College Court Conference Centre Limited which is VAT grouped with the University).

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

15. Financial instruments and derivatives

Financial assets and financial liabilities are recognised when the University becomes a party to the contractual provisions of the instrument.

Financial liabilities are classified according to the substance of the contractual arrangements entered into.

(i) Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

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

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

(a) The contractual return to the holder is (i) a fixed amount; (ii) a positive fixed rate or a positive variable rate; or (iii) a combination of a positive or a negative fixed rate and a positive variable rate.

(b) The contract may provide for repayments of the principal or the return to the holder (but not both) to be linked to a single relevant observable index of general price inflation of the currency in which the debt instrument is denominated, provided such links are not leveraged.

(c) The contract may provide for a determinable variation of the return to the holder during the life of the instrument, provided that (i) the new rate satisfies condition (a) and the variation is not contingent on future events other than (1) a change of a contractual variable rate; (2) to protect the holder against credit deterioration of the issuer; (3) changes in levies applied by a central bank or arising from changes in relevant taxation or law; or (ii) the new rate is a market rate of interest and satisfies condition (a).

(d) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.

(e) Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in levies applied by a central bank or arising from changes in relevant taxation or law.

(f) Contractual provisions may permit the extension of the term of the debt instrument, provided that the return to the holder and any other contractual provisions applicable during the extended term satisfy the conditions of paragraphs (a) to (c).

Debt instruments that have no stated interest rate (and do not constitute financing transaction) and are classified

as payable or receivable within one year are initially measured at an undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

With the exception of some hedging instruments, other debt instruments not meeting these conditions are measured at fair value through profit or loss.

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

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

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

16. Reserves

Reserves are classified as restricted or unrestricted. Restricted endowment reserves include balances which, through endowment to the University, are held as a permanently restricted fund which the University must hold in perpetuity.

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

17. Transition to 2015 SORP

The University is preparing its financial statements in accordance with FRS 102 for the first time and consequently has applied the first time adoption requirements. An explanation of how the transition to 2015 SORP has affected the reported financial position, financial performance and cash flows of the consolidated results of the University is provided in note 28. Application of first time adoption grants certain exemption from the

Statement of Accounting Policies

full requirements of 2015 SORP in the transition period. The following transitional arrangements have been adopted in these financial statements:

- Fair value or revaluation as deemed cost
- at 01 August 2014, fair value has been used for deemed cost for certain items of land and buildings measured at fair value.

18. Accounting estimates and judgements

The preparation of our financial statements requires management to use estimates and assumptions that affect reported carrying amounts of assets and liabilities.

Estimates and assumptions are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Fair value measurement

A number of assets and liabilities included in the University's financial statements require measurement at fair value. The fair value measurement of the University's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible.

The University discloses the following items at fair value:

- derivative financial instruments
- endowment investments
- retirement benefit obligations (see below)

Retirement benefit obligation valuations

In determining the valuation of defined benefit schemes' assets and liabilities, a number of key assumptions have been made. The key assumptions, which are given below, are largely dependent on factors outside the control of the University:

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

The University is exposed to risks through its defined benefit schemes if actual experience differs to the assumptions used and through volatility in the plan assets. Details of the assumptions used, and associated sensitivities, are included in note 27.



Consolidated Statement of Comprehensive Income and Expenditure

Year ended 31 July 2016

	Notes	Year ended 31 July 2016		Restated Year ended 31 July 2015	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
Income					
Tuition fees and education contracts	1	151,399	151,399	149,457	149,457
Funding body grants	2	40,561	40,561	40,407	40,407
Research grants and contracts	3	51,768	51,768	58,529	58,529
Other income	4	50,663	48,999	50,048	48,679
Investment income	5	677	814	607	742
Total income before endowments and donations		295,068	293,541	299,048	297,814
Donations and endowments	6	1,184	1,184	1,163	1,163
Total income		296,252	294,725	300,211	298,977
Expenditure					
Staff costs	7	173,548	172,781	181,584	180,953
Other operating expenses		98,651	97,651	99,189	97,964
Depreciation	11	15,458	15,038	14,560	14,140
Interest and other finance costs	8	7,080	7,080	5,685	5,685
Total expenditure	9	294,737	292,550	301,018	298,742
Surplus/(deficit) before other gains and losses		1,515	2,175	(807)	235
Gain on disposal of fixed assets		1,830	1,830	629	629
Gain on investments	20	33	33	592	592
Surplus before tax		3,378	4,038	414	1,456
Taxation	10	(195)	(195)	(1,612)	(1,612)
Surplus / (deficit) for the year		3,183	3,843	(1,198)	(156)
Actuarial loss in respect of pension schemes	27	(26,621)	(26,621)	(2,847)	(2,847)
Total comprehensive income for the year		(23,438)	(22,778)	(4,045)	(3,003)
Represented by:					
Endowment comprehensive income for the year		787	787	1,031	1,031
Restricted comprehensive income for the year		1,530	1,530	1,790	1,790
Unrestricted comprehensive income for the year		(25,755)	(25,095)	(6,866)	(5,824)
		(23,438)	(22,778)	(4,045)	(3,003)

All items of income and expenditure relate to continuing activities

An explanation of the restatement on transition to FRS 102 is provided in note 28. The notes on pages 32 to 55 form part of these financial statements.

Consolidated and University Statement of Changes in Reserves

Year ended 31 July 2016

	Income and expenditure reserve			Total
	Endowment	Restricted	Unrestricted	
	£'000	£'000	£'000	£'000
Consolidated				
Balance at 1 August 2014 as restated	12,197	2,276	115,132	129,605
Surplus/(deficit) from the restated income and expenditure statement	1,031	1,790	(4,019)	(1,198)
Other comprehensive income/ (expenditure)	-	-	(2,847)	(2,847)
Release of restricted funds spent in year	-	(465)	465	-
Total comprehensive income for the year	1,031	1,325	(6,401)	(4,045)
Balance at 1 August 2015 as restated	13,228	3,601	108,731	125,560
Surplus from the income and expenditure statement	787	1,530	866	3,183
Transfer between unrestricted and restricted reserves	-	210	(210)	-
Other comprehensive income / (expenditure)	-	-	(26,621)	(26,621)
Release of restricted funds spent in year	-	(4,504)	4,504	-
Total comprehensive income for the year	787	(2,764)	(21,461)	(23,438)
Balance at 31 July 2016	14,015	837	87,270	102,122
University				
Balance at 1 August 2014 as restated	12,197	2,276	116,443	130,916
Surplus from the restated income and expenditure statement	1,031	1,790	(2,977)	(156)
Other comprehensive income / (expenditure)	-	-	(2,847)	(2,847)
Release of restricted funds spent in year	-	(465)	465	-
Total comprehensive income for the year	1,031	1,325	(5,359)	(3,003)
Balance at 1 August 2015 as restated	13,228	3,601	111,084	127,913
Surplus from the income and expenditure statement	787	1,530	1,526	3,843
Transfer between unrestricted and restricted reserves	-	210	(210)	-
Other comprehensive income / (expenditure)	-	-	(26,621)	(26,621)
Release of restricted funds spent in year	-	(4,504)	4,504	-
Total comprehensive income for the year	787	(2,764)	(20,801)	(22,778)
Balance at 31 July 2016	14,015	837	90,283	105,135

An explanation of the restatement on transition to FRS 102 is provided in note 28. The notes on pages 32 to 55 form part of these financial statements.

Consolidated and University Balance Sheet

Year ended 31 July 2016

	Notes	As at 31 July 2016		As restated at 31 July 2015	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
Non-current assets					
Fixed assets	11	354,928	353,511	344,807	342,970
Investments	12	4,859	5,159	4,664	4,964
		359,787	358,670	349,471	347,934
Current assets					
Stock	14	659	640	536	517
Trade and other receivables	15	27,428	31,423	34,415	38,096
Investments	16	8,128	8,128	8,215	8,215
Cash and cash equivalents	22	51,280	51,241	47,051	47,016
		87,495	91,432	90,217	93,844
Less: Creditors: amounts falling due within one year	17	(89,665)	(89,472)	(85,088)	(84,825)
Net current (liabilities)/assets		(2,170)	1,960	5,129	9,019
Total assets less current liabilities		357,617	360,630	354,600	356,953
Creditors: amounts falling due after more than one year	18	(170,465)	(170,465)	(171,272)	(171,272)
Provisions					
Pension provisions	19	(83,381)	(83,381)	(56,760)	(56,760)
Other provisions	19	(1,649)	(1,649)	(1,008)	(1,008)
Total net assets		102,122	105,135	125,560	127,913
Restricted reserves					
Income and expenditure reserve - endowment reserve	20	14,015	14,015	13,228	13,228
Income and expenditure reserve - restricted reserve	21	837	837	3,601	3,601
Unrestricted reserves					
Income and expenditure reserve - unrestricted		87,270	90,283	108,731	111,084
Total reserves		102,122	105,135	125,560	127,913

An explanation of the restatement on transition to FRS 102 is provided in note 28. The notes on pages 32 to 55 form part of these financial statements.

The financial statements were approved by Council on 28 November 2016 and were signed on its behalf on that date by:

Dr B.E. Towle, Chair of Council

Professor P. Boyle, President & Vice-Chancellor

Consolidated Cash Flow

Year ended 31 July 2016

	Notes	Year ended 31 July 2016 £'000	Restated Year ended 31 July 2015 £'000
Cash flow from operating activities			
Surplus for the year		3,378	414
Adjustment for non-cash items			
Depreciation	11	15,458	14,560
Gain on investments	20	(33)	(592)
(Increase)/decrease in stock	14	(123)	27
(Increase)/decrease in debtors	15	6,665	(5,184)
Increase in creditors	17	1,629	7,395
Increase in pension provision	19	-	13,096
Increase/(decrease) in other provisions	19	641	(268)
Pension costs less contributions payable		(828)	(524)
Adjustment for investing or financing activities			
Investment income	5	(677)	(607)
Interest payable	8	7,080	5,685
Endowment income	20	(688)	(585)
Profit on the sale of fixed assets		(1,830)	(629)
Capital grant income		(6,507)	(5,359)
Net cash inflow from operating activities		24,165	27,429
Cash flows from investing activities			
Proceeds from sales of fixed assets		3,108	-
Capital grant receipts		7,082	5,731
Withdrawal of deposits		1,000	-
Investment income		670	610
Payments made to acquire fixed assets		(24,976)	(33,421)
New investments		(327)	(357)
New deposits		(913)	(1,000)
		(14,356)	(28,437)
Cash flows from financing activities			
Interest paid		(2,604)	(2,982)
Endowment cash received		688	419
New unsecured loans		-	25,000
Repayments of amounts borrowed		(3,664)	(6,782)
		(5,580)	15,655
Increase in cash and cash equivalents in the year		4,229	14,647
Cash and cash equivalents at beginning of the year	22	47,051	32,404
Cash and cash equivalents at end of the year	22	51,280	47,051

An explanation of the restatement on transition to FRS 102 is provided in note 28. The notes on pages 32 to 55 form part of these financial statements.

Notes to the Accounts

Year ended 31 July 2016

	Year Ended 31 July 2016		Restated Year Ended 31 July 2015	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
1 Tuition fees and education contracts				
Full-time home and EU students	77,789	77,789	68,243	68,243
Full-time international students	52,005	52,005	57,497	57,497
Part-time students	18,131	18,131	20,758	20,758
Research Training Support Grant	3,474	3,474	2,959	2,959
	151,399	151,399	149,457	149,457
2 Funding body grants				
Recurrent grant				
Higher Education Funding Council	32,674	32,674	33,998	33,998
Specific grants				
Higher Education Innovation Fund	2,738	2,738	2,165	2,165
National Scholarship Programme	332	332	-	-
Capital grant	4,179	4,179	3,724	3,724
National College for Teaching and Leadership	3	3	-	-
Other	635	635	520	520
	40,561	40,561	40,407	40,407
Capital grant comprises amounts received from the Higher Education Funding Council for the purposes of capital development and expenditure. Funds are held within creditors and released to income over the useful life of the asset. Of the amounts disclosed £3,052,576 (2015: £2,839,447) relates to buildings and £1,126,453 (2015: £885,000) relates to equipment.				
3 Research grants and contracts				
Research councils	16,782	16,782	17,161	17,161
Research charities	9,591	9,591	9,009	9,009
Government (UK and overseas)	17,369	17,369	19,326	19,326
Industry and commerce	2,622	2,622	2,634	2,634
Research capital grants	735	735	630	630
Other	3,726	3,726	2,409	2,409
	50,825	50,825	51,169	51,169
Research and Development Expenditure Credits	943	943	7,360	7,360
	51,768	51,768	58,529	58,529

Of the amounts disclosed as research capital grants £354,759 (2015: £263,963) is funded by research councils, £90,598 (2015: £63,971) is funded by research charities and £289,654 (2015: £301,854) is funded by other government sources.

Notes to the Accounts – Year ended 31 July 2016

	Notes	Year Ended 31 July 2016		Restated Year Ended 31 July 2015	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
4 Other income					
Residences, catering and conferences		27,364	25,375	26,937	25,069
Health Authority Funded Posts		9,463	9,463	9,932	9,932
Other Services Rendered		3,450	3,450	3,619	3,619
Bookshops		868	868	934	934
Other capital grants		1,593	1,593	1,005	996
Other income		7,925	8,250	7,621	8,129
		50,663	48,999	50,048	48,679
5 Investment income					
Investment income on endowments	20	386	386	358	358
Other investment income		291	291	249	249
Interest receivable on intercompany loans		-	137	-	135
		677	814	607	742
6 Donations and endowments					
New endowments	20	688	688	585	585
Donations with restrictions	21	496	496	540	540
Unrestricted donations		-	-	38	38
		1,184	1,184	1,163	1,163
7 Staff costs					
Salaries		141,237	140,511	139,562	138,964
Social security costs		11,895	11,857	10,827	10,798
Movement on USS provision		73	73	13,064	13,064
Other pension costs		19,337	19,334	18,131	18,127
Provision for severance payments		1,006	1,006	-	-
		173,548	172,781	181,584	180,953
				Year Ended 31 July 2016 £'000	Year Ended 31 July 2015 £'000
Emoluments of the Vice-Chancellor: Professor Paul Boyle CBE					
Salary				259	204
Relocation Expenses				-	15
Benefits				4	5
Pension contributions to USS				32	33
				295	257
Professor Sir Robert Burgess					
Salary				-	43
Benefits				-	6
Pension contributions to USS				-	7
				-	56

Professor Sir Robert Burgess retired from the University on 30 September 2014. His successor Professor Paul Boyle commenced employment with the University on 1 October 2014.

Notes to the Accounts – Year ended 31 July 2016

7 Staff costs (continued)

Remuneration of other 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		Clinical Scales		Non-Clinical Scales	
	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15
£100,000 to £109,999	21	21	11	8	10	13
£110,000 to £119,999	20	18	9	9	11	9
£120,000 to £129,999	8	11	4	8	4	3
£130,000 to £139,999	7	5	4	2	3	3
£140,000 to £149,999	7	9	6	7	1	2
£150,000 to £159,999	8	5	6	3	2	2
£160,000 to £169,999	6	4	4	4	2	-
£170,000 to £179,999	4	6	4	6	-	-
£180,000 to £189,999	3	4	3	4	-	-
£190,000 to £199,999	2	2	2	2	-	-
£200,000 to £209,999	-	1	-	-	-	1
£210,000 to £219,999	1	-	-	-	1	-
£220,000 to £229,999	-	-	-	-	-	-
£230,000 to £239,999	-	-	-	-	-	-
£240,000 to £249,999	-	1	-	1	-	-
£250,000 to £259,999	1	-	1	-	-	-
	88	87	54	54	34	33

Average staff numbers by major category:

	2015-16	2014-15
	No.	No.
Academic and clinical	896	875
Research	443	448
Administration, library, computer and other related	807	766
Technical	245	219
Clerical, manual and ancillary	1,304	1,297
	3,695	3,605

Compensation for loss of office payable to a senior post-holder:

	£'000	£'000
Compensation payable recorded within staff costs	-	127

Notes to the Accounts – Year ended 31 July 2016

7 Staff costs (continued)

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the University. Staff costs includes compensation paid to key management personnel.

The University considers its key management personnel to be those individuals who serve the University Leadership Team. Leadership Team (ULT). This committee was first convened in October 2014. Prior to this date the key management personnel were the members of the Vice-Chancellor's Advisory Committee.

Current membership of the University Leadership Team is detailed on our website: www.le.ac.uk/offices/vc/ult

Note that compensation consists of salary and benefits excluding any employer's pension contribution

	Year ended 31 July 2016	Restated Year ended 31 July 2015
	£	£
Key management personnel compensation	1,796,569	£1,800,679

Council Members

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

	Income transactions	Expenditure transactions	Balance due to / (from) the University
	£	£	£
British Geological Survey	1,060,541	-	253,443
East Midlands Academic Health Science Network	52,500	-	-
Leicestershire County Council	-	72,045	-
OIA	-	38,945	-
Public Health England	44,856	9,346	(446)
University Hospitals of Leicester NHS Trust	17,605,420	6,066,031	1,126,830
University of Leicester Students' Union	14,968	297,005	(14,691)
University of Oxford	283,028	836,570	65,623
University of Sheffield	14,629	329,077	(9,777)
	19,075,942	7,649,019	1,420,982

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

No council member has received any remuneration/waived payments from the group during the year (2015: none)

The total expenses paid to or on behalf of 17 (2015: 15) council members was £33,360 (2015: £28,580). Not all members of Council have claimed expenses in either year. The amounts paid represent travel and subsistence expenses incurred in attending Council, Committee meetings and Charity events in their official capacity. Where a member of Council is also a member of University staff the expenses paid will also represent expenses incurred in their capacity as a member of staff.

Notes to the Accounts – Year ended 31 July 2016

	Notes	Year Ended 31 July 2016		Restated Year ended 31 July 2015	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
8 Interest and other finance costs					
Loan interest		3,664	3,664	2,967	2,967
Exchange differences		(289)	(289)	(120)	(120)
Increase in fair value of derivatives		2,271	2,271	1,386	1,386
Net charge on PAS pension scheme	27	946	946	1,008	1,008
Unwind of discount on USS pension provision		488	488	444	444
		<u>7,080</u>	<u>7,080</u>	<u>5,685</u>	<u>5,685</u>
9 Analysis of total expenditure by activity					
Academic and related expenditure		145,824	146,177	142,049	142,377
Administration and central services		45,049	45,181	42,892	42,956
Premises (including service concession cost)		33,349	33,373	32,383	32,388
Residences, catering and conferences		22,220	19,338	22,586	19,822
Research grants and contracts		41,050	41,235	41,789	41,878
Other expenses		7,245	7,246	19,319	19,321
		<u>294,737</u>	<u>292,550</u>	<u>301,018</u>	<u>298,742</u>
Other operating expenses include:					
External auditors remuneration in respect of audit services		73	65	53	45
External auditors remuneration in respect of non-audit services		29	29	29	29
Operating lease rentals:					
Land and buildings		490	490	566	566
Other		317	317	367	367
10 Taxation					
Recognised in the statement of comprehensive income: Consolidated and University					
Taxation on Research and Development Expenditure Credit (RDEC) income in respect of:					
2013 and 2014		-	-	1,033	1,033
2015		195	195	579	579
		<u>195</u>	<u>195</u>	<u>1,612</u>	<u>1,612</u>

Notes to the Accounts – Year ended 31 July 2016

11 Fixed assets

	Freehold Land and Buildings £'000	Leasehold Land and Buildings £'000	Equipment £'000	Fixtures and Fittings £'000	Assets in the Course of Construction £'000	Total £'000
Consolidated						
Cost						
At 1 August 2015 as restated	342,614	25,993	50,625	4,423	37,681	461,336
Additions	8,116	2,175	4,589	1,252	10,097	26,229
Transfers	32,555	188	296	1,717	(34,756)	-
Disposals	(908)	-	(477)	-	-	(1,385)
At 31 July 2016	382,377	28,356	55,033	7,392	13,022	486,180
Depreciation						
At 1 August 2015 as restated	62,843	5,144	47,090	1,452	-	116,529
Charge for the year	9,281	766	4,145	1,266	-	15,458
Disposals	(258)	-	(477)	-	-	(735)
At 31 July 2016	71,866	5,910	50,758	2,718	-	131,252
Net book value						
At 31 July 2016	310,511	22,446	4,275	4,674	13,022	354,928
At 31 July 2015	279,771	20,849	3,535	2,971	37,681	344,807
University						
Cost						
At 1 August 2015 as restated	342,614	25,993	50,625	1,746	37,681	458,659
Additions	8,116	2,175	4,589	1,252	10,097	26,229
Transfers	32,555	188	296	1,717	(34,756)	-
Disposals	(908)	-	(477)	-	-	(1,385)
At 31 July 2016	382,377	28,356	55,033	4,715	13,022	483,503
Depreciation						
At 1 August 2015 as restated	62,843	5,144	47,090	612	-	115,689
Charge for the year	9,281	766	4,145	846	-	15,038
Disposals	(258)	-	(477)	-	-	(735)
At 31 July 2016	71,866	5,910	50,758	1,458	-	129,992
Net book value						
At 31 July 2016	310,511	22,446	4,275	3,257	13,022	353,511
At 31 July 2015	279,771	20,849	3,535	1,134	37,681	342,970

At 31 July 2016, freehold land and buildings includes £78,513,018 (2015: £78,732,243) in respect of freehold land which is not depreciated. Leasehold land and buildings includes £830,000 (2015: £830,000) in respect of long leasehold land which is not depreciated where the long leasehold interest is deemed to be equivalent to a freehold interest.

Notes to the Accounts – Year ended 31 July 2016

11 Fixed assets (continued)

Leasehold land and buildings includes:	Net book value £'000
Michael Atiyah Building (125 year lease commencing 1996 from Wyggeston and Queen Elizabeth I College)	4,814
Main Campus Sports Centre (99 year lease commencing 2000 from Wyggeston and Queen Elizabeth I College)	5,777
Various NHS sites	10,726
Other sites and leasehold improvements	1,129
At 31 July 2016	22,446
At 31 July 2015 (restated)	20,849

A full valuation of the University's freehold land assets was carried out on transition to FRS 102 by Innes England. This resulted in an uplift of £69,658,068 at the transition date as an opening balance sheet adjustment. The University also devalued College Court Conference Centre by £7,576,029 at the transition date.

12 Non-current investments

	Subsidiary companies £'000	Investment in spinouts £'000	Other fixed assets investments £'000	Total £'000
Consolidated				
At 1 August 2015 as restated	-	132	4,532	4,664
Additions	-	244	83	327
Disposals	-	(132)	-	(132)
At 31 July 2016	-	244	4,615	4,859
University				
At 1 August 2015 as restated	300	132	4,532	4,964
Additions	-	244	83	327
Disposals	-	(132)	-	(132)
At 31 July 2016	300	244	4,615	5,159

The investment in subsidiary companies relates to the share capital of College Court Conference Centre Limited. See note 26 for further details.

Notes to the Accounts – Year ended 31 July 2016

12 Non-current investments (continued)

Investment in Spinouts

Name	Shareholding at 31 July 2016	Principal Activity
OCB Media Limited	24%	Development and pursuit of electronically distributed high level e-learning material and multimedia products
MIP Diagnostics Limited	13%	Commercialisation of Molecular imprinted Polymers (MIPs)

Other non-current investments consist of :

	31 July 2016 Consolidated and University £'000
Fair value of endowment assets invested in securities on permanent endowments	4,615

13 Investment in joint venture

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

Name	Shareholding	Principal Activity
Scionix Limited	50%	This is a joint venture company owned equally by the University and Whyte Chemicals Limited. Its principle activity is the development of solvents for industrial purposes

This entity is not accounted for on an equity basis on the grounds of materiality. The arrangements are treated as a joint venture and are accounted for using the cost method, such that the cost of the investment is incorporated into the consolidated balance sheet of the University. The value of the investment is reassessed at each balance sheet date to fair value. As per the University accounting policies the initial investments in spinout companies are written off.

	31 July 2016		As restated 31 July 2015	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000

14 Stock

Stock	659	640	536	517
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15 Trade and other receivables

Amounts falling due within one year:

Research grants receivables	14,866	14,866	17,163	17,163
Other trade receivables	7,009	6,943	11,924	11,782
Other receivables	931	919	46	42
Prepayments and accrued income	4,279	4,165	4,879	4,848
Amounts due from subsidiary companies	-	1,733	-	1,181

Amounts falling due after more than one year:

Students' Union Loan	343	343	403	403
Amounts due from subsidiary companies	-	2,454	-	2,677
	27,428	31,423	34,415	38,096

Notes to the Accounts – Year ended 31 July 2016

	31 July 2016		As restated 31 July 2015	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
16 Current investments				
Fair value of endowment assets invested in securities on expendable endowments	8,128	8,128	7,215	7,215
Short term deposits	-	-	1,000	1,000
	8,128	8,128	8,215	8,215

Endowed assets are invested in securities. The investments relating to expendable endowments are classified as current asset investments as they are convertible to cash on notice to the University's investment advisor.

Deposits are held with banks and building societies operating in the London market and licensed by the Financial Services Authority with more than three months but less than twelve months maturity at inception. The interest rates for these deposits are fixed for the duration of the deposit at time of placement. The deposit at 31 July 2015 matured in May 2016.

17 Creditors: amounts falling due within one year

Secured loans	-	-	415	415
Unsecured loans	2,412	2,412	1,947	1,947
Trade payables	18,074	18,048	21,160	21,039
Social security and other taxation payable	4,113	4,103	4,176	4,162
Other payables	3,173	3,170	2,565	2,565
Accruals and deferred income	61,893	61,739	54,825	54,697
	89,665	89,472	85,088	84,825

Deferred income

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

Research grants received on account	32,304	32,304	30,584	30,584
Grant income	1,907	1,907	2,083	2,083
Capital grant income	4,381	4,381	4,180	4,180
Other income	5,792	5,776	5,996	5,988
	44,384	44,368	42,843	42,835

Notes to the Accounts – Year ended 31 July 2016

	31 July 2016		As restated 31 July 2015	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
18 Creditors: amounts falling due after more than one year				
Deferred capital grant income	86,723	86,723	85,627	85,627
Derivatives	7,692	7,692	5,420	5,420
Secured loans	-	-	1,763	1,763
Unsecured loans	76,050	76,050	78,462	78,462
	170,465	170,465	171,272	171,272
Analysis of secured and unsecured loans:				
Due within one year or on demand (note 17)	2,412	2,412	2,362	2,362
Due between one and two years	2,863	2,863	2,864	2,864
Due between two and five years	8,505	8,505	9,747	9,747
Due in five years or more	64,682	64,682	67,614	67,614
Due after more than one year	76,050	76,050	80,225	80,225
Total secured and unsecured loans	78,462	78,462	82,587	82,587

Whilst the loan with NatWest was repaid at 31 July 2016 the security held by the bank over the University's assets was not revoked until after the year end.

Included in loans are the following:

Lender	Amount £'000	Term	Secured / Unsecured	Interest rate %	Borrower
Salix	800	N/A	Unsecured	-	University
Salix	61	2017	Unsecured	-	University
Barclays	1,216	2018	Unsecured	6.15	University
Barclays	8,675	2031	Unsecured	5.95	University
Barclays	13,170	2037	Unsecured	5.42	University
European Investment Bank	29,540	2038	Unsecured	3.47	University
European Investment Bank	25,000	2040	Unsecured	2.90	University
Total	<u>78,462</u>				

Deferred income

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

	31 July 2016		As restated 31 July 2015	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Capital grant income	86,723	86,723	85,627	85,627
	86,723	86,723	85,627	85,627

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

Derivative financial instruments

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

Interest rate swap and cap contracts

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

	Average contract fixed interest rate		Notional principal value		Fair value	
	2016	2015	2016	2015	2016	2015
	%	%	£'000	£'000	£'000	£'000
1 to 2 years	6.15	-	1,216	-	63	-
2 to 5 years	-	6.15	-	1,778	-	116
5 years or more	5.62	5.62	21,845	22,622	7,629	5,304
			23,061	24,400	7,692	5,420

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

19 Provisions for liabilities

	Obligation to fund deficit on USS Pension £'000	Defined benefit obligations (note 27) £'000	Total pensions provisions £'000	Total other provisions £'000
Consolidated and University				
At 1 August 2015 as restated	28,515	28,245	56,760	1,008
Utilised in year	(1,256)	(2,861)	(4,117)	(748)
Additions in 2015-16	1,817	28,921	30,738	1,389
At 31 July 2016	29,076	54,305	83,381	1,649

USS deficit

The obligation to fund the past deficit on the University's Superannuation Scheme (USS) arises from the contractual obligation with the pension scheme for total payments relating to benefits arising from past performance. Management have estimated the number of future employees within the USS scheme and salary payments over the period of the contracted obligation in assessing the value of this provision which is discounted at 1.71%.

Additions in the year arise from the unwinding of the discount on the provision (£488,000) and changes in assumptions relating to future staff membership and pay inflation (£1,329,000).

Defined benefit obligations

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

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

Further information is available in note 27.

Other provisions

Decommission of science facilities

This is 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.

Reductions to future government funding

This obligation is for the expected reduction in Higher Education Funding Council for England teaching grant for 2015-16 following the submission of final student number returns for the period. It is anticipated that this will be fully utilised during 2016-17.

Severance payments on termination

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

Notes to the Accounts – Year ended 31 July 2016

20 Endowment reserves

Restricted net assets relating to endowments are as follows:

	Restricted permanent endowments £'000	Unrestricted permanent endowments £'000	Restricted expendable endowments £'000	2016 Total £'000	Restated 2015 Total £'000
Balances at 1 August					
Capital	3,240	1,292	7,215	11,747	11,105
Accumulated income	640	15	826	1,481	1,092
	3,880	1,307	8,041	13,228	12,197
 New endowments	 71	 7	 610	 688	 585
 Investment income	 106	 40	 240	 386	 358
Expenditure	(65)	(43)	(212)	(320)	(504)
	41	(3)	28	66	(146)
 Increase in market value of investments	 7	 3	 23	 33	 592
 At 31 July	 3,999	 1,314	 8,702	 14,015	 13,228
 Represented by:					
Capital	3,313	1,302	8,128	12,743	11,747
Accumulated income	686	12	574	1,272	1,481
	3,999	1,314	8,702	14,015	13,228
 Analysis by type of purpose:					
Lectureships	230	109	-	339	338
Scholarships and bursaries	1,297	400	1,374	3,071	2,736
Research support	352	-	5,988	6,340	6,043
Prize funds	813	-	36	849	838
General	1,307	805	1,304	3,416	3,273
	3,999	1,314	8,702	14,015	13,228
 Analysis by asset					
Current and non-current asset investments (notes 12 and 16)				12,743	11,747
Cash and cash equivalents				1,106	1,315
Pledged endowments debtor				166	166
				14,015	13,228

Notes to the Accounts – Year ended 31 July 2016

21 Restricted reserves

Reserves with restrictions are as follows:

	Unspent capital grants £'000	Donations £'000	Other restricted funds £'000	2016 Total £'000	Restated 2015 Total £'000
Balances at 1 August 2015	2,745	365	491	3,601	2,276
New capital funds	1,033	-	-	1,033	1,220
New donations	-	496	-	496	540
New other restricted funds	-	-	211	211	30
Capital funds utilised	(3,778)	-	-	(3,778)	-
Expenditure	-	(627)	(99)	(726)	(465)
	(3,778)	(627)	(99)	(4,504)	(465)
At 31 July 2016	-	234	603	837	3,601

Analysis of other restricted funds / donations by type of purpose:

Scholarships and bursaries	254	207
Research support	380	476
Prize funds	13	15
General	190	158
	837	856

22 Cash and cash equivalents

	As restated at 1 August 2015 £'000	Cash flow £'000	At 31 July 2016 £'000
Consolidated			
Cash and cash equivalents			
Endowed cash and cash equivalents (note 20)	1,315	(209)	1,106
Non-endowed cash and cash equivalents	45,736	4,438	50,174
	47,051	4,229	51,280
University			
Cash and cash equivalents			
Endowed cash and cash equivalents (note 20)	1,315	(209)	1,106
Non-endowed cash and cash equivalents	45,701	4,434	50,135
	47,016	4,225	51,241

Non-endowed cash and cash equivalents includes £7,571,000 (2015: £5,019,000) of term deposits with a maturity of three months or less from the date of placement.

At 31 July 2016 the weighted average interest rate of these fixed rate deposits was 0.71% per annum and the remaining weighted average period for which the interest rate is fixed on these deposits was 44 days.

Notes to the Accounts – Year ended 31 July 2016

23 Capital and other commitments

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

	31 July 2016		31 July 2015	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Commitments contracted for	13,660	13,660	20,749	20,749
	13,660	13,660	20,749	20,749

24 Contingent liabilities

The University has given written undertakings to support the subsidiary companies for twelve months from the date of approval of these financial statements.

25 Lease obligations

Total rentals payable under operating leases:

	31 July 2016		As restated 31 July 2015	
	Land and Buildings £'000	Other leases £'000	Total £'000	Total £'000
Payable during the year	490	317	807	933
Future minimum lease payments due:				
Not later than 1 year	532	358	890	892
Later than 1 year and not later than 5 years	1,376	464	1,840	1,897
Later than 5 years	343	-	343	681
Total lease payments due	2,251	822	3,073	3,470

26 Subsidiary undertakings

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

Company	Note	Principal Activity	Status
Leicester Academic Library Services Limited		Not Trading	100% owned
College Court Conference Centre Limited	13	Operating of a conferencing facility	100% owned
Axendos Therapeutics Limited		Not Trading	100% owned
Earthsense Systems Limited		Not Trading	100% owned

On 11 July 2016 Earthsense Systems Limited was incorporated with share capital of £1. The University currently has 100% shareholding with the intention of entering into a joint venture arrangement when the company commences trading in the next financial year.

27 Pension schemes

The University (including the subsidiary College Court Conference Centre Limited) operates six pension schemes:

- Universities' Superannuation Scheme (USS)
- University of Leicester Pension and Assurance Scheme (PAS)
- National Health Service Pension Scheme (NHSPS)
- The University of Leicester Stakeholder Scheme
- The Aviva Group Personal Pension Scheme
- The College Court Stakeholder Scheme

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

	Year Ended 31 July 2016	Year Ended 31 July 2015
	£'000	£'000
Universities Superannuation Scheme	16,105	14,795
University of Leicester Pension and Assurance Scheme (PAS)	828	1,206
NHS Pension Scheme	1,012	996
University of Leicester Stakeholder Scheme	1,386	1,127
Aviva Group Personal Pension Scheme	3	3
College Court Stakeholder Scheme	3	4
	19,337	18,181

(i) The Universities Superannuation Scheme

The Universities' Superannuation Scheme (USS) is the main scheme covering most academic and academic-related staff, which provides benefits based on a defined benefit basis (up to 30 September 2016) and a defined benefit/defined contribution basis (as from 1 October 2016).

The assets of the scheme are held in a separate fund administered by the trustee, Universities Superannuation Limited.

As at 31 July 2016 there are 2,206 active members of USS at the University.

Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. The University is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by Section 28 of FRS 102 "Employee benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the statement of income and expenditure represents the contributions payable to the scheme in respect of the accounting period. Since the University has entered into an agreement (the Recovery Plan that determines how each employer within the scheme will fund the overall deficit), the University recognises a liability for the expected contributions payable that arise from the agreement to the extent that they relate to the deficit (note 19).

The latest available full actuarial valuation of the scheme was at 31 March 2014 ("the valuation date"), which was carried out using the projected unit method.

Since the University cannot identify its share of the scheme assets and liabilities the following disclosures reflect those relevant for the scheme as a whole.

The 2014 valuations was the third valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date the value of the assets of the scheme was £41.6 billion and the value of the scheme's technical provisions was £46.9 billion, indicating a shortfall of £5.3 billion. The assets therefore were sufficient to cover 89% of the benefits which had been accrued to members after allowing for expected future increases in earnings.

Notes to the Accounts – Year ended 31 July 2016

27 Pension schemes (continued)

Defined benefit liability numbers for the scheme have been produced using the following assumptions:

	2016	2015
Discount rate	3.60%	3.30%
Pensionable salary growth	n/a	3.5% in first year and 4.0% thereafter
Pension increases (CPI)	2.20%	2.20%

The main demographic assumption used relates to the mortality assumptions. Mortality is retirement is assumed to be in line with the Continuous Mortality Investigation's (CMI) S1NA tables as follows:

Male members' mortality	98% of S1NA ("light") YoB tables - no age rating
Female members' mortality	99% S1NA ("light") YoB tables - rates down one year

Use of these mortality tables reasonably reflects the actual USS experience. To allow for further improvements in mortality rates the SMI 2014 projections with a 1.5% pa long term rate were also adopted. The assumed life expectations on retirement at age 65 are:

	2016 years	2015 years
Males currently aged 65	24.3	24.2
Females currently aged 65	26.5	26.4
Males currently aged 45	26.4	26.3
Females currently aged 45	28.8	28.7

Existing Benefits	£ billion	£ billion
Scheme assets	49.8	49.1
Total scheme liabilities	58.3	60.2
FRS 102 total scheme deficit	8.5	11.1
FRS 102 total funding level	85%	82%

(ii) University of Leicester Pension and Assurance Scheme

The University of Leicester Pension and Assurance Scheme (PAS) 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 Students' Union withdrew from the Scheme under a deed dated 8 September 2011.

The Scheme is governed by its Fifth Definitive Trust Deed and Schemes Rules of 25 June 1999. The Scheme is a "registered pension scheme" for tax purposes (reference number 100222535). It is registered under the Data Protection Act 1998 (registration number Z8179467). The Scheme is contracted out of the State Second Pension Scheme.

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

The Scheme closed to new members in July 2003 and then on 31 March 2016 to future benefit accrual. Existing active members at the closure date who were in grades 6 and above were enrolled in USS and members in grade 5 and below were enrolled in the University of Leicester Stakeholder Scheme.

The employer current service contribution rate in the year 2015-16 for the period 1 August 2015 to 31 March 2016 was 19% and the employee contribution was 7.5%.

The last actuarial valuation was held on 31 July 2013 which reported a shortfall of assets of £29.6m against liabilities of £154m. This represented a funding level of 81%. The agreed recovery plan designed to meet this shortfall provided for the University making an annual contribution of £1.8m for each year up to 31 July 2027, making a payment of £321,000 pa (uplifted each year by RPI) towards scheme running costs and reimbursement of the PPF levy payable in each year.

The next actuarial valuation is due on 31 July 2016 and the results will be available in early 2017.

Notes to the Accounts – Year ended 31 July 2016

27 Pension schemes (continued)

Assumptions

The financial assumptions used to calculate scheme liabilities under FRS102 are:

	At 31 July 2016 %pa	At 31 July 2015 %pa
Price Inflation (RPI)	2.8	3.25
Price Inflation (CPI)	1.8	2.35
Rate of increase in salaries	1.5% for four years and 1.8% thereafter	1.25%, 1.5%, 2.0%, 2.0% and 3.25% thereafter
Revaluation	1.9	2.35
Discount rate for scheme liabilities	2.35	3.65

Pension Increases

	At 31 July 2016 %pa	At 31 July 2015 %pa
Pre 06.04.1988 GMP	0.00	0.00
Post 05.04.1988 GMP	1.70	2.05
Pre 06.04.1997 Non-GMPs	2.75	3.10
Post 05.04.1997	2.75	3.10
Post 01.08.2012	1.90	2.35

The most significant non-financial assumption is the assumed level of longevity. The table below shows the life expectancy assumptions used in the accounting assessments based on the life expectancy of male and female members at age 65.

	Male Pensioner (currently aged 65)	Male Non-pensioner (currently aged 45)	Female Pensioner (currently aged 65)	Female Non-pensioner (currently aged 45)
At 31 July 2015	21.6	23.3	24.4	25.9
At 31 July 2016	21.4	23.1	24.2	25.7

The main demographic assumption used relates to the mortality assumptions. Mortality in retirement is assumed to be in line with the Continuous Mortality Investigations (CMI) SIPXA tables.

Scheme assets and expected rate of return for PAS

The assets in the scheme were:

	Fair value as at	
	31 July 2016 £'000	31 July 2015 £'000
Equities	43,935	43,089
Bonds	37,165	36,266
Property	5,001	4,929
Diversified growth funds	54,163	52,800
Cash	1,332	2,463
Total	141,596	139,547

Notes to the Accounts – Year ended 31 July 2016

27 Pension schemes (continued)

	Year Ended 31 July 2016 £'000	As restated Year Ended 31 July 2015 £'000
Analysis of the amount shown in the balance sheet for PAS:		
Scheme assets	141,596	139,547
Scheme liabilities	195,901	167,792
Deficit in the scheme – net pension liability recorded within pension provisions (note 19)	54,305	28,245
Current service cost	828	1,206
Admin expenses	526	552
Total operating charge:	1,354	1,758
Analysis of the amount charged to interest payable/credited to other finance income for PAS:		
Interest on net deficit	946	1,008
Net charge to other finance income	946	1,008
Total profit and loss charge before deduction for tax	2,300	2,766
Analysis of other comprehensive income for PAS and ex-gratia pensions:		
Gain on assets	506	6,055
Experience loss on liabilities	(27,127)	(8,902)
Total other comprehensive income before deduction for tax	(26,621)	(2,847)
Changes in value of defined benefit obligation		
Present value of PAS liabilities at the start of the year	167,792	157,661
Current service cost (net of member contributions)	828	1,206
Interest expense on defined benefit obligation	6,018	6,336
Actual member contributions (including notional contributions)	250	414
Actuarial loss	27,127	8,902
Actual benefit payments	(6,114)	(6,727)
Present value of PAS liabilities at the end of the year	195,901	167,792
Analysis of movement in the fair value of scheme assets		
Fair value of assets at the start of the year	139,547	131,739
Interest income on assets	5,072	5,328
Gain on assets	506	6,055
Actual contributions paid by University	2,861	3,290
Actual member contributions (including notional contributions)	250	414
Actual benefit payments	(6,114)	(6,727)
Admin costs incurred	(526)	(552)
Fair value of scheme assets at the end of the year	141,596	139,547

27 Pension schemes (continued)

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

Actual return on Scheme assets

Interest income on scheme assets	5,072	5,328
Gain on scheme assets	506	6,055
	5,578	11,383

(iii) NHS Pension Scheme

The University has 100 employees who are members of the NHS Pension Scheme. The University allows continued membership of the Scheme for appropriate employees who are already members of the Scheme, and contributes 14.3% of pensionable earnings to the Scheme. Employees contribute between 5% and 14.5% of pensionable earnings to the Scheme. The employee's contribution rate is based on how much the members earn in a year. The Scheme is accounted for as a defined contribution scheme as it is not possible to identify the underlying share of scheme assets and liabilities.

(iv) 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 had some 1,358 members as at 31 July 2016.

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.

The University's advisers for the Scheme are KPMG LLP.

As from 1 January 2016 the University changed the Scheme's default investment fund from the Baillie Gifford Managed Fund to the FriendsLife My Future Fund. All new members were enrolled into this fund from this date and existing members were informed of the change and invited to attend presentations. The FriendsLife My Future fund has a Growth Fund and a Consolidated Fund as a lifestyle strategy and members funds are transferred 15 years from their retirement date in a phased way from the Growth Fund into the Consolidation Fund. The FriendsLife My future fund carries a management charge of 0.43% which compares with the 0.75% cost of the previous default fund.

The Scheme operates a salary sacrifice arrangement for pension 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.

(v) College Court Pension Scheme

The University has a conference centre, College Court, which operates as a separate subsidiary company. College Court provides a defined contribution stakeholder scheme for its staff, offered through FriendsLife.

College Court 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 College Court adds 5%, 7%, 9% and 11% respectively.

The Scheme has the Baillie Gifford Managed Fund as its default fund and the annual management charge was reduced from 0.75% to 0.69% as from April 2016. In the seven years running up to retirement the default investment strategy moves from the Baillie Gifford Managed Fund to the lower risk FriendsLife Pre-Retirement Fixed Interest Fund and FriendsLife Cash Fund.

The Scheme has an auto enrolment staging date of July 2017 and at this time a review of the default investment fund arrangements will also be undertaken.

The Scheme has three members.

(vi) Aviva Group Personal Pension Plan

The University contributed to the Aviva Group Personal Pension Plan for one employee who is subject to a TUPE transfer arrangement.

Notes to the Accounts – Year ended 31 July 2016

28 Transition to FRS102 and the 2015 SORP

As explained in the accounting policies, these are the University's first financial statements prepared in accordance with FRS 102 and the new HEI/FE SORP. The accounting policies set out in the Statement of Accounting Policies have been applied in preparing the financial statements for the year ended 31 July 2016, the comparative information presented in these financial statements for the year ended 31 July 2015 and in the preparation of an opening FRS 102 balance sheet at 1 August 2014. In preparing the FRS 102, SORP based balance sheet, the University has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (2007 SORP).

An explanation of how the transition to FRS 102 and the SORP has affected the consolidated financial position and financial performance is set out in the following tables.

These adjustments all occur within the University with the following exception:

On transition to FRS 102 the subsidiary company, College Court Conference Centre Limited, recognised an annual leave accrual (within creditors: amounts falling due within one year) of £11,079. During 2014-15 £2,035 was charged to expenditure reflecting an increase in the annual leave accrual to £13,114.

	Notes	As at 1 August 2014			As at 31 July 2015		
		2007 SORP £'000	Effect of transition to 2015 SORP	2015 SORP £'000	2007 SORP £'000	Effect of transition to 2015 SORP	2015 SORP £'000
			£'000			£'000	
Non-current assets							
Fixed assets	A	259,338	66,851	326,189	277,881	66,926	344,807
Investments	B	82	4,111	4,193	132	4,532	4,664
		259,420	70,962	330,382	278,013	71,458	349,471
Endowment assets	C	12,197	(12,197)	-	13,062	(13,062)	-
Current assets							
Stock		563	-	563	536	-	536
Trade and other receivables	D	29,903	750	30,653	33,748	667	34,415
Investments	E	2	6,994	6,996	6,319	1,896	8,215
Cash and cash equivalents	F	31,310	1,092	32,402	40,717	6,334	47,051
		61,778	8,836	70,614	81,320	8,897	90,217
Less: Creditors: amounts falling due within one year	G	(75,964)	(6,002)	(81,966)	(78,877)	(6,211)	(85,088)
Net current assets/(liabilities)		(14,186)	2,834	(11,352)	2,443	2,686	5,129
Total assets less current liabilities		257,431	61,599	319,030	293,518	61,082	354,600
Creditors: amounts falling due after more than one year	H	(57,586)	(89,634)	(147,220)	(80,224)	(91,048)	(171,272)
Provisions							
Pension provisions	I	(25,922)	(15,007)	(40,929)	(28,245)	(28,515)	(56,760)
Other provisions		(1,276)	-	(1,276)	(1,008)	-	(1,008)
Total net assets		172,647	(43,042)	129,605	184,041	(58,481)	125,560

Notes to the Accounts – Year ended 31 July 2016

28 Transition to FRS102 and the 2015 SORP (continued)

	Notes	As at 1 August 2014			As at 31 July 2015		
		2007 SORP £'000	Effect of transition to 2015 SORP	2015 SORP	2007 SORP £'000	Effect of transition to 2015 SORP	2015 SORP
			£'000	£'000		£'000	£'000
Deferred capital grants	J	104,056	(104,056)	-	104,437	(104,437)	-
Restricted reserves							
Income and expenditure reserve - endowment reserve		12,197	-	12,197	13,062	166	13,228
Income and expenditure reserve - restricted reserve	K	-	2,276	2,276	-	3,601	3,601
Unrestricted reserves							
Income and expenditure reserve - unrestricted		56,394	58,738	115,132	66,542	42,189	108,731
		68,591	61,014	129,605	79,604	45,956	125,560
Total reserves		172,647	(43,042)	129,605	184,041	(58,481)	125,560

Notes to the reconciliation of reserves

- A Being the impact of revaluing portions of the University estate on transition to FRS 102, effective 1 August 2014.
- B Being the recategorisation of endowment assets in respect of capital on permanent endowments.
- C Endowment assets recategorised into investments and cash and cash equivalents (see B, E and F).
- D Being the recognition of pledged donation receivables.
- E Being the recategorisation of endowment assets in respect of the capital on expendable endowments.
- F Being the recategorisation of endowment assets in respect of accumulated income cash balances on all endowments.
- G Being the impact of the creation (2014-15 increase in) of the annual leave accrual, changes in the accounting treatment of deferred capital grants (see J) and the reduction in creditors for income received without performance conditions which is no longer deferred.
- H Being the impact of recognising the fair value of derivatives (2014-15 change in fair value) in respect of long term loans and the changes in accounting treatment of deferred capital grants (see J).
- I Being the recognition of (2014-15 increase in) the USS deficit contributions provision for the University in line with the deficit recovery plan enacted at the balance sheet date.
- J Deferred capital grants are now disclosed as liabilities, split between creditors due within one year and amounts falling due after more than one year (see G and H).
- K Being the creation of (2014-15 movement in) restricted reserves in respect of income received with restrictions and associated expenditure.

Notes to the Accounts – Year ended 31 July 2016

28 Transition to FRS102 and the 2015 SORP (continued)

	Notes	Year ended 31 July 2015			
		2007 SORP	STRGL Items*	Effect of	2015 SORP
				transition to	
		£'000	£'000	2015 SORP	£'000
Income					
Funding body grants	A	40,057	-	350	40,407
Tuition fees and education contracts	B	150,026	-	(569)	149,457
Research grants and contracts	C	59,573	-	(1,044)	58,529
Other income	D	50,804	-	(756)	50,048
Investment income	E	1,719	-	(1,112)	607
Total income before donations and endowments		302,179	-	(3,131)	299,048
Donations and endowments	F	-	419	744	1,163
Total income		302,179	419	(2,387)	300,211
Expenditure					
Staff costs	G	168,377	-	13,207	181,584
Other operating expenses	H	99,085	-	104	99,189
Depreciation		14,546	-	14	14,560
Interest and other finance costs	I	2,967	-	2,718	5,685
Total expenditure		284,975	-	16,043	301,018
Gain on disposal of fixed assets	J	-	-	629	629
Gain on investments	K	-	592	-	592
Surplus before tax		17,204	1,011	(17,801)	414
Taxation		(1,612)	-	-	(1,612)
Surplus/(deficit) after tax and for the year		15,592	1,011	(17,801)	(1,198)
Transfer from accumulated income in endowment funds	L	(112)	-	112	-
Actuarial loss in respect of pension schemes	M	-	(5,543)	2,696	(2,847)
Total comprehensive income for the year		15,480	(4,532)	(14,993)	(4,045)

28 Transition to FRS102 and the 2015 SORP (continued)

* This column represents items that were previously recorded within the Statement of Total Recognised Gains and Losses (STRGL) and are now recorded within the Statement of Comprehensive Income (SoCI). This column does not include recognition of valuation changes arising from the adoption of the 2015 SORP. These are included within the effect of transition to 2015 SORP column.

Notes to the reconciliation of surplus/(deficit)

- A Being an increase in income arising from changes in the accounting treatment of deferred capital grants.
- B Being a reduction in income and expenditure arising from the treatment of externally funded post graduate students.
- C Being a reduction in income arising from changes in the accounting treatment of deferred capital grants.
- D Changes in income arising from changes in the accounting treatment of deferred capital grants, separate disclosure of donation income and the reduction in creditors for income received without performance conditions which is no longer deferred.
- E Investment income has reduced as a result of changes in accounting in respect of the University's defined benefit scheme (PAS).
- F As required by SORP 2015 donation and endowment income is separately disclosed and amounts previously recognised in the STRGL are included in total comprehensive income for the year.
- G Staff costs have increased due to the increase in the annual leave accrual, changes in pension accounting in respect of the University's defined benefit scheme (PAS) and changes in the USS deficit contributions, principally due to the revised deficit recovery plan agreed in the year.
- H Other operating expenses are adjusted for changes in the accounting treatment of the University defined benefit pension scheme previously accounted for under FRS 17 and the costs of fee reductions for post graduate students where fees are paid by an external sponsor.
- I Movement on the fair value of financial instruments held by the University in relation to some of its long term loans and also the unwinding of the discount on the USS pension deficit provision.
- J As required by SORP 2015 the gain or loss on the disposal of fixed assets is separately disclosed.
- K Representing amounts previously disclosed within the STRGL now included in total comprehensive income for the year.
- L Endowment income and expenditure is now fully disclosed within other balances in the SoCI, there is no transfer between the SoCI and endowments.
- M The actuarial loss has reduced as a result of changes in accounting in respect of the University's defined benefit scheme (PAS).

For more information

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