

BISHOP  
GROSSETESTE  
UNIVERSITY

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED**

**31 JULY 2017**

**CUSTODIAN TRUSTEE:** The Lincoln Diocesan Trust and Board of Finance Limited.

**CONSTITUTION:** The University is a registered charity (number 527276). It is governed by an instrument and articles of government dated 1 October 1998 updated October 2012.

**COUNCIL AND ADMINISTERING TRUSTEES:**

The Council members who served in the year and up to the date of the signature of the financial statements were:

Mr D Babb<sup>1, 3, 6</sup>  
Dr K Brown<sup>1</sup>  
Mr D Clements (until 31/08/2017)<sup>2, 3</sup>  
Dr S Critchley (from 01/10/2017)<sup>2</sup>  
Mrs J Croft (until 31/08/2017)<sup>1, 3</sup>  
Mrs J Croft (from 01/11/2017)<sup>1, 3</sup>  
Mrs A Crowe<sup>2, 3, 5</sup>  
Miss T Dawson (until 31/07/2017)  
Mrs S Grattrick (until 13/10/2016)<sup>4</sup>  
Mr R Hallsworth<sup>2</sup>  
Dr T Hill<sup>3, 4, 5</sup>  
Professor D Head<sup>4, 6</sup>  
Mr S Lawrence<sup>1</sup>  
Right Reverend C Lowson, The Bishop of Lincoln<sup>5</sup>  
Air Vice-Marshal G MacKay<sup>1</sup>  
Mr G Meeson<sup>4</sup>  
Professor J Mitchell<sup>6</sup>  
Reverend Dr S Myers<sup>2, 6</sup>  
Reverend Canon Professor P Neil<sup>1, 4, 5, 6</sup>  
Mr K Parrish  
Mrs J Phull (until 31/12/2016)<sup>4</sup>  
Miss R Smith (until 31/07/2016)  
Dr J Smith (until 13/10/2016)<sup>2</sup>  
Mr A Stacey<sup>1</sup>  
Professor M Thompson (until 31/08/2016)<sup>1, 3</sup>  
Mr B Walder (Chair from 01/08/2016)<sup>3, 4, 5, 6</sup>

**VICE CHANCELLOR:** Reverend Canon Professor Peter Neil<sup>1, 4, 5, 6</sup>

**REGISTRAR AND SECRETARY:** Dr Anne Jackson (until 31/07/2017)  
Stephen Deville, Secretary (from 01/08/2017)

**BANKERS:** National Westminster Bank plc

**PRINCIPAL SOLICITORS:** Andrew & Co, St Swithin's Court, 1 Flavian Road, Nettleham Road, Lincoln, LN2 4GR

**EXTERNAL AUDITORS:** Mazars LLP, Park View House, 58 The Ropewalk, Nottingham, NG1 5DW

**INTERNAL AUDITORS:** UNIAC, Armstrong House, Oxford Road, Manchester, M1 7ED

Key to membership of committees:

1. Finance, Employment & General Purposes Committee
2. Audit Committee
3. Remuneration Committee
4. Governance & Nominations Committee
5. Selection Committee
6. Strategy Sponsor Board

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## Strategic Report

### Introduction

The University Council present their annual report, including the Vice Chancellor's report and the audited financial statements for the year ended 31 July 2017.

### Structure of the University

Bishop Grosseteste University (BGU) has, since its inception, been an unincorporated association, regulated by the Charities Commission (in addition to the University-specific regulation from government agencies, notably the Higher Education Funding Council for England, to which the University is subject).

BGU was originally established as a teacher training college for the Diocese of Lincoln in 1862. It gained taught degree awarding powers in 2006 and was granted full university status on 3 December 2012. BGU is distinguished by its academic coherence and strong sense of community as well as its sustained successes in areas like student employability and levels of student satisfaction.

The Lincoln Diocesan Trust is a custodian trustee and the University Council members are the managing trustees of BGU.

### Charitable Purpose and Public Benefit

The University has no linked charities and its charitable objectives are to provide the services of education and training of young people and the general public. It does this through the teaching of a diverse curriculum and by educating a broad range of students. Its students and potential students are the principal beneficiaries.

It is important to BGU that access to education is offered in an open and affordable way to all who may benefit. Widening access and improving participation to higher education is actively promoted.

Bishop Grosseteste University has a very strong track record in relation to widening participation. As a University with an Anglican Foundation, we are committed to being a community which welcomes and hosts a diverse population of students and staff, and fosters an ethos of mutual respect, trust and care. We are an open, forward looking community that celebrates diversity and welcomes applications from all students and trainees regardless of their race, disability, gender (and its reassignment), marriage/civil partnership, sexual orientation, pregnancy or maternity, age, or religion and belief.

BGU is committed to widening access and aims to encourage applications from all communities, particularly those currently under-represented in higher education generally, and at the University specifically.

BGU has consistently exceeded sector benchmarks in recruitment of students from State Schools, and Low Participation Neighbourhoods. More challenging areas of widening participation include recruitment of Black and Minority Ethnic (BME) students – this is largely due to the local demographic in Lincolnshire (which our recruitment exceeds), and a propensity for students in these groups to choose their 'local' university.

The University's access agreement, approved by the Office for Fair Access (OFFA), contains a range of financial support arrangements to help ensure that the opportunity to benefit from higher education is not restricted by the ability to afford fees or living costs. These arrangements are intended to complement the government's provision of loans and maintenance grants and are targeted at those identified as being most in need.

The University has a number of support mechanisms in place to support students, including a support centres offering counselling, financial advice, academic and study skills, careers advice, placement and volunteering services, health services, specialist dyslexia and disability assessment and various support services.

## Strategic Report (continued)

### Strategy and Priorities

The strategic plan for the period 2014 – 2019 is aspirational and forward looking, building upon the University's successes. This is a growth strategy that aspires to see the University expand its academic offer, research capacity, stakeholder engagement and student base. These will be achieved by developing the portfolio, by strategically expanding our research areas of strength, and by widening access to our courses locally, nationally and internationally. The imperative for action to raise aspirations amongst potential higher education learners in Greater Lincolnshire remains acute, with some of the lowest participation rates in the country.

Building on our sustained successes such as student employability and high levels of student satisfaction, we continue to focus on and enhance the student experience. The key goals for our Strategy are to:

- Grow our registered student numbers;
- Provide an appropriate and attractive offer to "non-traditional" students, to mature students and to their employers through well-designed part-time and work-based programmes;
- Increase the proportion of postgraduate and research students; and
- Improve BGU's current high levels of student retention, satisfaction and success in employment and further study.

BGU completed a mid-term Strategy Stocktake, which will further inform our focus in the latter part of the current strategy period.

### Vision

Bishop Grosseteste University is committed to being a leader in learning, to inspire excellence, and to enrich the lives of its students and staff and the communities it serves.

### Mission

Inspired by the University's Church of England foundation our mission is to:

- Excel at teaching, learning and research;
- Enable all students to achieve in the highest possible standard in their chosen field of study;
- Provide life-enriching opportunities for our students;
- Recognise aspiration and achievements and provide opportunities for self-development;
- Foster an ethos in which individuals are valued and diversity is celebrated; and
- Develop productive partnerships to extend and deepen our external contribution regionally, nationally and internationally.

### Values

- We aim to be an inclusive community which fosters an ethos of mutual respect, trust and care;
- We seek to take an ethical approach to all activity and policy-making;
- We recognise the place of faith within the human experience and provide for its practice, nurture and exploration;
- We believe in education, learning and the facilitation of personal development, placing high value upon the academic quality of the courses we offer; and
- We want to make a positive impact on the societies in which we live and work and this includes supporting sustainable development and Fairtrade.

### Ethos

We are for life in all its fullness:

- Valuing Faith
- Creating Community
- Inspiring Trust
- Informing Conscience
- Attaining Wisdom

## Strategic Report (continued)

### Annual Priorities for 2016/17:

- A. Growing Student Numbers in line with figures in the 2014-19 Strategy**
- Grow the student population broadly in line with the profile in the Strategy
  - Sustain or improve BGU's current retention, satisfaction and success rates as the student body grows
- B. Ensure Regulatory Compliance**
- Ensure BGU has a coherent approach in relation to external review and audit by QAA (Higher Education Review)
  - Ensure BGU has a coherent approach in relation to HESA, HEFCE and other data submission responsibilities
  - Ensure BGU has a coherent approach in relation to external review and audit by Ofsted and implements any changes in relation to inspection
- C. Implement BGU's new Learning, Teaching and Assessment Strategy**
- Deliver continuous improvement in levels of student engagement and in the quality of their learning and teaching experience
  - Support and encourage the Student Union to develop its representational and engagement role on behalf of all students
- D. Implement our Research Strategy**
- Further develop the Research Clusters with focus and growth of expertise established
  - Embed research into links with collaborative partnerships, income diversification and Knowledge Exchange
- E. Implement our Internationalisation Strategy**
- Internationalisation of the curriculum through managed development of the academic portfolio
  - internationalisation of the student experience through the delivery of high-quality teaching and learning plans
- F. Build Collaborative Partnerships and Develop our Academic Portfolio**
- Develop a planned approach to strategic collaboration through a new Stakeholder Engagement Strategy
  - Play an active part in community engagement and regional economic development, particularly through the work of the Greater Lincolnshire Local Enterprise Partnership
  - Work with the Skills Funding Agency to build capacity across BGU to deliver Higher and Degree Apprenticeships
- G. Develop awareness of, and prepare for, wide-reaching changes in the HE Policy environment**
- Follow developments in the changing policy landscape in HE in the BIS Green and subsequent White Paper, and prepare for the introduction of the Teaching Excellence Framework
  - Engage with the HESA Data Futures Project on the changing HE Data Landscape and take into account in future reviews of BGU's Information Strategy
  - Review BGU's position in the increasingly competitive market place in HE, including the role of Further Education Colleges, existing and new providers

## Strategic Report (continued)

### Key Performance Indicators and Risk Management

BGU has a set of institutional Key Performance Indicators (KPIs) as part of its Strategic Planning Framework. These indicators cover the range of activities identified in the strategic plan and reflect a balance of measures that contribute to assurance of delivery to Council. KPIs at BGU are used to help to bring attention to and identify increasing and decreasing risk and are linked to the aims in BGU's Strategy aligning strategic aims with performance and risk through an established framework.

The University maintains an executive risk register to identify the key risks and opportunities, and is reviewed throughout the year by the Senior Management Team and Audit Committee, with the latter reporting to Council. Risk management forms part of the planning process of the University with departmental heads responsible for managing operational risks. The risk register includes an evaluation of the likelihood and impact of risks becoming a reality, with mitigating actions identified. The key risks identified throughout the reporting period are:-

- Student Recruitment
- Profitability of subsidiary company
- Pension liabilities
- Capacity to Meet Teaching Excellence Framework
- Changes in Government teacher funding
- Capacity for Research Excellence Framework 2021
- Data Capability

A review of KPIs and Risk Management is underway with the intention of achieving more effective performance management and better value from risk identification, assessment and mitigation. This will be completed in October 2017.

During 2016/17 BGU's performance has been good across all indicators and excellent in some, for example Undergraduate Student Retention rates at 97%. Risk has been managed through an established policy and process using controls and mitigation to reduce or remove risk where possible. BGU performs consistently above the National average in key performance areas which confirms its commitment to its students, staff and the wider community.

A Teaching Excellence Framework (TEF) Panel, made up of independent experts from across the country, judged that BGU delivers consistently outstanding teaching, learning and outcomes for its students and of the highest quality found in the UK. Our success in the TEF, achieving a Gold Award, has provided even further momentum to our intentions to excel in learning and teaching and with our wider aspirations to achieve our mission, vision and values through the effective management of academic and financial performance. An overview of key areas of performance is provided below.

Targets for student numbers were agreed at the start of the period and confirmed through the Strategy Stocktake – BGU's mid-term review of its Strategic Plan. Performance in this area has been challenging due to, for example, the volatility and uncertainty in the sector and extremely competitive market since the removal of the cap and aggressive recruitment campaigns by competitors that were previously attractors. The Sector has recognised that student growth, a strategy that appeared in most UK University Strategies, is now becoming more challenging because of political and sector change and this is resulting in the need for an increase in tactical approaches to student recruitment to support delivery of the Financial Plan which underpins BGU's Strategy.

Our Student satisfaction is measured through three metrics: the National Student Survey (NSS), our internal student survey BGUSS and Module Evaluation. Our NSS rate remains high at 85% and above the national average and the numbers of students completing the survey at BGU was the highest in the country; our BGUSS survey results said 96.1% of students were satisfied with BG overall and 92% were satisfied overall with their course; the quality of our modules are assessed through module evaluations. We exceeded our target of 75% satisfaction with 94% for Semester 1 and 86% for Semester 2, with an overall combined result of 90% for the academic year.

## Strategic Report (continued)

Cross disciplinary research units have been established in a number of areas and with a growing research community BGU's performance has been positive over the last year. We have increased our professorial and reader and now have 29 PhD students who now have access to a total of 16 mentors – growth from 2 in the previous year. We have also seen an increase in staff who will be eligible for the forthcoming Research Excellence Framework and the recent Research Audit has confirmed that more staff are now research active than in the previous year with 25% of our academic staff carrying out research activity. This means we are now better placed to collaborate with others on research projects which should support the increase in funding bid applications with the intention to increase research funding overall.

BGU's performance and profile as a result of success in key performance areas provides an indication of the quality of provision and students studying and achieving graduate destinations with the University. BGU continues to use a variety of media channels to maintain and improve its profile in the Sector, which forms one of the metrics in the indicator. The approach is wider than media contact though and covers other activities which share academic practice nationally and internationally particularly around our teacher development programmes. Our partnership development and the relationships we are building through, for example, programme delivery at other sites, working with further education providers, employers and wider community stakeholders including the Greater Lincolnshire Local Enterprise Partnership (GLLEP) to improve Lincolnshire's skills development offering through our academic portfolio and helping to support SMEs with enterprise growth.

BGU's success rates have been sustained over the last five years and this is also reflected in our NSS results which continue to make BGU one of the top performing Universities for Student Satisfaction.

Retention and Success Rates are measured in the following three areas and are confirmed in our HESA Student Return for 2015/16:

- Success: Our Undergraduate Students achieve good degrees (a 1<sup>st</sup> or 2:1) 71% of the time compared with the Sector at 73%. Since 2010/11 the proportion of BGU students achieving a 1<sup>st</sup> or 2.1 has increased from 55% to 71% in 2015/16, increasing in line with national trends.
- Retention and progression: In 2015/16, 97% of our Undergraduate Students and 88% of our Postgraduate students were retained with 91% of Undergraduates progressing to the next level of study or who graduated. Our Undergraduate Retention has remained high at 96-97% since 2011/12. We continue to have very low withdrawal and failure rates (3% and 0.1% respectively).

During the course of 2016-17 the five-year strategy was reviewed. The conclusions were that the Strategy was on course, that milestones reached were appropriate and that the direction of travel should remain the same and that growth should continue in the broadest sense. To the existing strategy themes was added a strand on 'data capability' and the change management programme was re-aligned and its title changed to 'organisational development'. The existing themes remain – Managing the academic portfolio; Learning, Teaching and Student Engagement; Research; Internationalisation; Stakeholder Engagement and Estates and Infrastructure.

Highlights in relation to teaching and learning during the year included the award of a gold award in the Teaching Excellence Framework which identified BGU as having:

- well maintained learning and teaching spaces and good digital resources which provide an outstanding learning and teaching environment to aid students' learning
- a well established institutional culture which recognises and rewards excellent teaching is embedded
- students are consistently and frequently engaged with developments from the forefront of research, scholarship or practice
- employability and enterprise skills are embedded throughout the student experience enabling students to acquire knowledge, skills and understanding that are most highly valued by employers
- a personalised approach with high quality support maximising retention, attainment and progression
- course design and assessment practices that provide scope for outstanding levels of stretch and ensure all groups of students are consistently challenged to achieve their full potential.



## Strategic Report (continued)

During the period we celebrated the opening of the Centre for the Enhancement for Learning and Teaching (CELT), the main purpose of which is to support and enhance both student and staff learning and contribute to improving our performance. The award of European Structural and Investment Funds (ESIF) for the establishment of the Lincolnshire Open Research and Innovation Centre was welcomed to support our Research Strategy; this will result in a central location to provide open research particularly aimed at the business community.

In relation to the estate, two key capital projects were completed; first the Centre for the Enhancement of Learning and Teaching was opened to staff and students in a central campus location to facilitate better collaboration within and among teams both of staff and students. The second capital project was the second phase of the Constance Stewart Hall (CSH) development; this was completed by the end of June and was opened officially by the Duke of Gloucester on 6 July. This extension facility is an iconic additional build onto the CSH and provides an additional flexible learning and teaching space which can be sub-divided into seven classrooms with state of the art facilities.

As the Strategy moves into its next phase, the focus in relation to teaching and learning will be on further developing the portfolio and methods of delivery; further building on student engagement with a particular focus on the students creating change and digistars. The research agenda will continue increasing the number of research active staff and students.

In relation to international we will continue to develop international partnerships in relation both to teaching and research. Our wider work in the context of stakeholder engagement will continue as we explore relationships with other organisations. The estates strategy next year includes the repurposing of one central area to be dedicated to admissions and recruitment.

### Conclusion

The sector faces significant challenges ahead with sector policy, regulatory and legislative change impacting on delivery and planning. These changes are in the context of increasing competition from more institutions attempting to deliver growth strategies but prospective student numbers diminishing over the next few years – a national picture.

Growth in the broadest sense remains at the heart of BGU's refreshed Five Year Strategy for 2014-19. This means some growth in student numbers relative to modes of study, diversity of students and partnership working, as well as the development of our portfolio. We continue to strive for excellence in learning and teaching, together with an increasingly engaged student body, and our increase in research activity has the potential to improve partnerships and income. We are committed to Internationalisation to establish and generate international partners and increase the proportion of staff and students participating in international mobility projects and exchanges. This also creates international research links that are capable of producing world-leading and internationally relevant research outputs to attracting more international visitors and students to study at our campus. On Stakeholder Engagement, we will continue to grow our stakeholder and partnership engagement activities, and ensure connections are actively pursued across other Strategy Themes.

Our assets, people, data and our estate are also a key part of an underpinning strategic approach that provides quality resources with which to support and sustain growth and flourish as a distinctive university.

### Scope of the Financial Statements

The Financial Statements comprise the consolidated results of the University and its subsidiary, BG (Lincoln) Limited. BG (Lincoln) Limited undertakes conference and catering services using the University's facilities.

**Strategic Report (continued)****Results for the Year**

The University Consolidated Income, Expenditure and Results for the year to 31 July 2017 are summarised as follows:-

	<u>2016/17</u>	<u>2015/16</u>
	£000	£000
Income	22,114	20,436
Expenditure	(21,432)	(18,622)
	=====	=====
Surplus before other gains and losses	682	1,814
	=====	=====
Gain / (loss) on disposal of fixed assets	6	(3)
	=====	=====
Surplus for the year	688	1,811
	=====	=====
Actuarial gain / (loss) in respect of pension schemes	2,156	(1,289)
Transfers between revaluation reserve and income and expenditure reserve	35	36
	=====	=====
Total comprehensive income for the year	2,879	558
	=====	=====

The University's total income increased by 8.2% compared with the previous year.

Registrations, reported to the HEFCE were 2,011 full-time, and 179 part-time students (2015/16 =2,049 full-time and 180 part-time).

The surplus for the year was £688,000. As a percentage of income, this equated to 3.1%, which is a performance that exceeded the budget set for the year. Total comprehensive income since the last financial statements were £2,879,000. The University's net asset level is regarded as satisfactory.

**Financial Objectives and Strategy**

The Financial Strategy is concerned with financing the University's corporate objectives by providing a sound and prudent financial planning and management framework. Within this strategy, a number of main objectives have been identified which are to:

- Maintain the financial health of the University and ensure its long-term viability;
- Generate satisfactory surpluses to maintain productive capacity to meet current objectives on infrastructure capital and revenue expenditure to ensure the sustainability of the University's business;
- Manage and mitigate financial risk, identify opportunities, and ensure value for money in the University's operations; and
- Generate sufficient surpluses to support corporate strategic initiatives.

A series of performance indicators have been agreed to monitor the success of these objectives.

## Strategic Report (continued)

### Performance Indicators

In order to set and effectively monitor the financial objectives, the University will concentrate on a set of financial ratios and performance. In the area of finance, the University will specifically concentrate on the following key performance indicators:

- Historical cost surplus/ (deficit) after tax in £000s and as % of total income;
- Net liquidity/days ratio of net liquid assets to total expenditure (current assets: cash at bank and in hand plus investments - minus creditors: amounts falling due within one year: bank overdrafts)/ (total expenditure) x 365 days;
- Borrowing as a percentage of income;
- Staff costs as a % of total income.

The University also considers its performance through predominantly non-financial KPIs measuring e.g. research capability, student success, student satisfaction and reputation.

### Employment of Disabled Persons

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of existing employees becoming disabled every effort is made to ensure that their employment with the University continues and that appropriate training is arranged. It is the policy of the University that the training, career development and promotion of disabled persons should, as far as possible, be equitable when compared with that of other employees.

### Disability Statement

The University is committed to developing an environment that is inclusive, fair, open and welcoming of individuals from diverse groups. Diversity and equality are recognised, encouraged, promoted and valued at all levels of the University and in all its functions.

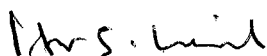
Recent years have seen significant alterations to help make the campus buildings more accessible for disabled students and visitors. Improvements are ongoing so that physical access can be further improved, and suitable assistive technologies are provided for dyslexic, visually impaired and deaf students. The University will ensure that every effort is made to meet individuals' support needs.

### Corporate Governance

In recent years, the financial statements have included a statement confirming the University's arrangements for its governance: this year's statement appears on pages 14 to 15. The work which has been undertaken under the Corporate Governance heading in 2016/17 is given in the detailed statement on pages 13 to 15 and reflects a risk based approach to determining the control systems. The University believes that the risk process is embedded and that a full compliance statement is in order for 2016/17.

### Payment of Creditors

It is the University's policy to obtain the best terms for all business and, thus, there is no single policy as to the terms used. In agreements negotiated with suppliers, the University endeavours to include and abide by specific payment terms.



Vice Chancellor

22 November 2017

## Institutional governance statement

### Introduction

The University is committed to exhibiting best practice in all aspects of corporate governance. This section summarises and explains the arrangements for the governance of the University that applied during the financial year. These arrangements are set out in the University's Instrument and Articles of Government; the terms of reference of committees of the University Council; the University's Schedule of Delegation; the University's financial regulations; and such resolutions as the University Council may from time to time adopt, including Byelaws. The University's governance arrangements are consistent with good practice and Committee of University Chairs (CUC) Higher Education Code of Governance.

### Roles and responsibilities

The Articles of Government set out the respective powers and responsibilities of the University Council and the Vice Chancellor. Broadly speaking, the University Council is generally responsible for overseeing the running of the University and specifically for the effective, efficient and economic use of resources, the approval of annual budgets and senior appointments. The Vice Chancellor is responsible for the organisation, direction and management of the University and for making recommendations to the University Council on the matters for which it is responsible.

The Articles empower the University Council to delegate certain of its functions to committees of the University Council or to the Vice Chancellor. The University Council may not delegate responsibility for:

- determining the educational character and mission of the University;
- approving the annual budgets;
- ensuring the solvency of the institution and safeguarding its assets;
- the appointment or dismissal of the Vice Chancellor;
- varying or revoking the Articles of Government.

The responsibilities of the University Council are considered in more detail in the statement presented on pages 13 to 15.

### University Council: constitution

The University Council of the University has 23 members:

- the Bishop of Lincoln;
- the University Vice Chancellor;
- the Deputy Vice Chancellor of the University;
- three persons appointed by the Diocesan Council of Lincoln;
- one member appointed by a higher education institution;
- one elected member of the University Teaching staff;
- one elected member of the University Non-Teaching staff;
- one elected student of the University;
- the President of the Students' Union; and
- twelve members co-opted by the University Council.

Council members are appointed for an initial term of four years and thereafter shall be eligible for one re-appointment for consecutive service only. Exceptions to this are as follows; The Deputy Vice Chancellor of the University whose term will be for the duration of his or her employment; the President of the Students' Union whose term is tied to his or her term of office; the elected Student Member of the University Council whose term is four years or the duration of his or her programme of study, whichever is the shorter; the Bishop of Lincoln who shall hold office throughout his tenure of the See; and the Vice Chancellor who shall hold office as Council Member so long as he or she is the Vice Chancellor and has chosen to be a Council Member. The Chair's term of office is an appointed position for three years with a possible renewal period of three years.

### Institutional governance statement (continued)

For the year up to 31 July 2017, Dr Anne Jackson was Registrar and Secretary. The University Secretary acts as Secretary to Council and all its Committees including Senate and has a key role to play in the operation and conduct of the University Council, ensuring that appropriate procedures are followed to support the governance processes in line with best practice.

The Governance Office maintains a register of financial and personal interests of the University Council. The register is available for inspection at the University address.

The University Council and its committees meet as follows:

- University Council – four times per year;
- Finance, Employment and General Purposes Committee – at least three times each financial year;
- Audit Committee – at least three times per year;
- Governance and Nominations Committee – normally three times, and at least twice each financial year;
- Remuneration Committee – at least twice each financial year;
- Selection Committee – as and when required; and
- Sponsor Board – at least three times each financial year.

Recognising that decisions may sometimes be required at times when it is not possible or expedient for the University Council as a whole to meet, the University Council has created a Schedule of Delegation in line with sector best practice and in accordance with the guidance from the Committee of University Chairs (CUC). Further details can be found at:-

<http://www.bishopg.ac.uk/about/Governance>

The University Council has delegated certain of its functions to committees. The University Council determines the membership of its committees, which then elect their own Chair. The scope of the committees' responsibilities is summarised below:

- the Finance, Employment and General Purposes Committee considers such employment, financial and administrative matters as the University Council may remit to it;
- the Audit Committee is responsible for monitoring the performance and effectiveness of internal and external audit, reviewing the effectiveness of the internal control system and a range of other matters relating to financial efficiency, effectiveness and propriety;
- the Governance and Nominations Committee advises the University Council on matters of governance and Council effectiveness as well as on the appointment of independent members to the University Council and the membership of committees of the University Council, other than the Governance and Nominations Committee itself;
- the Remuneration Committee advises the University Council on the remuneration and terms and conditions of employment of senior staff, including the Vice Chancellor;
- the Selection Committee manages the appointment process for senior posts and advises the Council members about such appointments; and
- the Strategy Sponsor Board investigates matters relating to the implementation of the 2014-19 strategy.

The University Senate is a committee of the staff of the University whose composition and functions are defined in the Articles of Government. Its purpose is to make recommendations to the Vice Chancellor or the University Council, as appropriate, about the content of the University curriculum, academic standards and a range of related matters.

## Statement of the University Council's responsibilities

The principal responsibilities of the University Council are set out in the Statement of Primary Responsibilities and are consistent with the University's Instrument and Articles of Government and follow the guidance given by the Committee of University Chairs (CUC). The Council is the Governing Body of the Institution. Subject to the powers of the Senate as provided for in the Instruments and Articles, it has ultimate responsibility for the affairs of the University. Further details regarding the Statement of Primary Responsibilities can be found at:-

<http://www.bishopg.ac.uk/about/Governance/universitycouncil>

In accordance with the University's Instrument and Articles of Government, the University Council is responsible for the administration and management of the University's affairs, including ensuring an effective system of internal control, and is required to present audited financial statements for each financial year.

The University Council is responsible for keeping proper accounting records which disclose with appropriate 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 Statement of Recommended Practice on Accounting for Further and Higher Education and other relevant accounting standards. In addition, within the terms and conditions of the Memorandum of Assurance and Accountability agreed between the Higher Education Funding Council for England and the University Council of Bishop Grosseteste University, the University Council, through its designated office holder, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the University and of the surplus or deficit and cash flows for that year.

In causing the financial statements to be prepared, the University Council has ensured 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
- the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the University will continue in operation. The University Council is satisfied that the University has adequate resources to continue in operation for the foreseeable future: for this reason the going concern basis continues to be adopted in the preparation of the financial statements.

The University Council has taken reasonable steps to:

- ensure that funds from the Higher Education Funding Council for England (HEFCE) and the National College for Teaching and Leadership (NCTL) are used only for the purposes for which they have been given and in accordance with the Funding Agreement with the Funding Council and the Memorandum of Assurance and Accountability any other conditions which the funding bodies may from time to time prescribe;
- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- safeguard the assets of the University and prevent and detect fraud; and
- secure the economical, efficient and effective management of the University's resources and expenditure.

## Statement of the University Council's responsibilities (continued)

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

- clear definitions of the responsibilities of, and the authority delegated to, Heads of Academic Schools and Administrative departments;
- a comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets;
- regular reviews of key performance indicators and termly reviews of financial results involving variance reporting and updates of forecast outturns;
- clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the University Council;
- comprehensive financial regulations, detailing financial controls and procedures, approved by the Audit Committee and the University Council; and
- a professional Internal Audit team whose annual programme is approved by the Audit Committee and endorsed by the University Council and whose head provides the University Council with a 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 financial control.

Any system of internal financial control can, however, only provide reasonable, but not absolute, assurance against material misstatement or loss.

### Statement of internal control


1. As the University Council of Bishop Grosseteste University, we have responsibility for maintaining a sound system of internal control that supports the achievement of policies, aims and objectives, while safeguarding the public and other funds and assets for which we are responsible, in accordance with the responsibilities assigned to the University Council in the Instrument and Articles and the Memorandum of Assurance and Accountability with the HEFCE.
2. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.
3. The system of internal control is based on an on-going process designed to identify the principal risks to the achievement of policies, aims and objectives; to evaluate the nature and extent of those risks; and to manage them efficiently, effectively and economically. This process has been in place for the year ended 31 July 2017 and up to the date of approval of the financial statements and accords with HEFCE guidance.
4. As the University Council, we have responsibility for reviewing adequacy and effectiveness of the system of internal control and arrangements for the management and quality assurance of data submitted to Higher Education Statistics Agency, Student Loans Company, HEFCE and other bodies. The following processes have been established:
  - a. Regular meetings (at least termly) are held to consider the plans and strategic direction of the University.
  - b. Regular reports are received from the Chair of the Audit Committee concerning internal control, and we require regular reports from the Vice Chancellor on the steps being taken to manage risks, including progress reports on key projects.
  - c. We have requested the Audit Committee to oversee risk management.

### Statement of the University Council's responsibilities (continued)

- d. The Audit Committee receives regular reports from the Head of Internal Audit, which include the Head of Internal Audit's independent opinion on the adequacy and effectiveness of the University's system of internal control, together with recommendations for improvement.
  - e. An effectiveness review of Council and all sub-committees was undertaken during 2016/17. A number of recommendations made to improve the effectiveness have been implemented during 2017/18, with any outstanding items due to be implemented during 2017/18.
  - f. A regular agenda item for the Senior Leadership Team to identify and keep up to date the record of risks facing the organisation.
  - g. A programme of risk awareness training is under way through Staff Council and off-campus staff development days.
  - h. A robust risk prioritisation methodology based on risk ranking has been established.
  - i. Reports are received from senior staff on internal control activities.
5. Our review of the effectiveness of the system of internal control is informed by the internal audit service, which operates to standards defined in the HEFCE Audit Code of Practice and which was last reviewed for effectiveness by the HEFCE Audit Service in December 2016. The internal auditors submit regular reports which include the Head of Internal Audit's independent opinion on the adequacy and effectiveness of the University's system of internal control, with recommendations for improvement.
6. Our review of the effectiveness of the system of internal control is also informed by the work of the Senior Leadership Team within the institution, who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors in their management letter and other reports.

#### Disclosure of information to auditors

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

  
.....  
CHAIR

22 November 2017



## **Independent Auditors' Report to the Members of the Council of Bishop Grosseteste University**

We have audited the group and parent institution financial statements (the "financial statements") of Bishop Grosseteste University for the year ended 31 July 2017 which comprise the consolidated statement of comprehensive income and expenditure account, the consolidated balance sheet, the University balance sheet, the consolidated cash flow, the consolidated statement of changes in reserves and the related notes. 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 the Financial Reporting Standard Applicable in the UK and Republic of Ireland for charities (FRS 102).

### **Respective responsibilities of the Board of Governors and Auditors**

As explained more fully in the Statement of Corporate Governance, the Board of Governors are responsible for the preparation of financial statements and for being satisfied that they 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 of Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Board of Governors as a body in accordance with paragraph 14(2) of the University's articles and section 124B of the Education Reform Act 1988 and for no other purpose. We do not, in giving these opinions, accept or assume any responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### **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 parent institution's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board of Governors; 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 2017, and of the group's income and expenditure, recognised gains and losses and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including the Financial Reporting Standard Applicable in the UK and Republic of Ireland for charities (FRS 102); and
- have been prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education.

**Independent Auditors' Report to the Members of the Council of Bishop Grosseteste University  
(continued)**

**Opinion on other matters prescribed in the HEFCE Audit Code of Practice issued under the  
Further and Higher Education Act 1992**

In our opinion, in all material respects:

- Funds from whatever source administered by the institution for specific purposes have been properly applied to those purposes and, if relevant, managed in accordance with relevant legislation;
- Income has been applied in accordance with the institution's articles of government; and
- Funds provided by HEFCE have been applied in accordance with the Financial Memorandum and any other terms and conditions attached to them.

We have nothing to report in respect of the following matter where the HEFCE Audit Code of Practice issued under the Further and Higher Education Act 1992 requires us to report to you if, in our opinion:

- The statement of internal control included as part of the Corporate Governance Statement is inconsistent with our knowledge of the parent institution and group.

*Mazars LLP*

Mazars LLP

Chartered Accountants and Statutory Auditor

Nottingham

*24 NOVEMBER 2017*

## Statement of principal accounting policies

### 1. Statement of accounting policies

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

### 2. Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2015 (the 2015 FE HE SORP) and in accordance with Financial Reporting Standards 102 – “The Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102). The University is a public benefit entity and therefore has applied the relevant public benefit requirement of FRS 102.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the University's accounting policies.

### 3. Basis of accounting

The financial statements are prepared under the historical cost convention modified by the revaluation of certain fixed assets, and are presented in £000.

### 4. Basis of consolidation

The consolidated financial statements include the University and its subsidiary undertaking, BG (Lincoln) Limited. Intra-group sales and profits are eliminated fully 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. All financial statements are made up to 31 July 2017.

### 5. Recognition of income

Income from the sale of goods or services is credited to the Consolidated Statement of Comprehensive 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 Consolidated Statement of Income and Comprehensive 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.

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.

Grant funding:

Government 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.

**Statement of principal accounting policies (continued)****5. Recognition of income (continued)**

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.

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.

**6. Maintenance of premises**

The University has produced a long-term maintenance plan. The plan includes all recurring work, the number of years necessary to complete a full maintenance cycle, and the likely annual cost. The cost of long-term and routine corrective maintenance is charged to the income and expenditure account as incurred.

**7. Foreign currency translation**

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling either at year-end rates or, where there are related forward foreign exchange contracts, at contract rates. The resulting exchange differences are dealt with in the determination of income and expenditure for the financial year.

**8. Pension schemes**

Retirement benefits for most employees of the University are provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit schemes which are independently administered schemes, funded by contributions from the University and the employees. Contributions to the TPS are charged to the income and expenditure so as to spread the cost of pensions over employees' working lives with the University in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of quinquennial valuations using a prospective benefit method. As stated in note 23, the TPS is a multi-employer scheme and the University is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

The assets of the LGPS are measured using closing market values. LGPS liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The increase in the present value of the liabilities of the scheme expected to arise from employee service in the period is charged to the operating surplus. The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities, arising from the passage of time, are included in pension finance costs. Actuarial gains and losses are recognised in the Statement of Comprehensive Income and Expenditure.

The institution participates in the Universities Superannuation Scheme. With effect from 1 October 2016, the scheme changed from a defined benefit only pension scheme to a hybrid pension scheme, providing defined benefits (for all members), as well as defined contribution benefits. The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. The institution 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.

## Statement of principal accounting policies (continued)

### 8. Pension schemes (continued)

As required by Section 28 of FRS102 "Employee benefits", the institution therefore accounts for the scheme as if it were a wholly defined contribution scheme. As a result, the amount charged to the Statement of Comprehensive Income and Expenditure represents the contributions payable to the scheme. Since the institution has entered into an agreement (the Recovery Plan that determines how each employer within the scheme will fund the overall deficit), the institution recognises a liability for the contributions payable that arise from the agreement to the extent that they relate to the deficit and the resulting expense in the income and expenditure account.

Bishop Grosseteste University also participates in the Church of England Funded Pension Scheme which is a defined benefit scheme but the University is unable to determine its share of the underlying assets and liabilities on a consistent and reasonable basis. The Scheme is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

The University operates a defined contributions pension scheme, the Bishop Grosseteste University Flexible Retirement Account. The assets of the scheme are held separately from those of the University in an independently administered fund.

### 9. Enhanced Pensions

The actual cost of any enhanced on-going pension to a former member of staff is paid by the University annually. An estimate of the expected future cost of any enhancement to the on-going pension of a former member of staff is charged in full to the University's income and expenditure account in the year that the member of staff retires. In subsequent years a charge is made to provisions in the balance sheet using guidance prepared for the HEFCE by Deloitte & Touche Actuarial & Benefit Services.

### 10. Tangible fixed assets

Where significant expenditure is incurred on tangible fixed assets it is charged to the income and expenditure account in the period it is incurred, unless it meets one of the following criteria, in which case it is capitalised and depreciated on the relevant basis:

- Market value of the fixed asset has subsequently improved;
- Asset capacity increases;
- Substantial improvement in the quality of output or reduction in operating costs; and
- Significant extension of the assets life beyond that conferred by repairs and maintenance.

#### a. Land and Buildings

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets that had been revalued to fair value on or prior to 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.

The basis of valuation is open market value for existing use or, where such a valuation is not practicable, depreciated replacement cost. A full valuation of the land was carried out by Hodgson Elkington Chartered Surveyors on transition to FRS 102.

Land is held freehold and is not depreciated. Buildings are depreciated over their expected useful lives of 50 years from 1 August 1993 or from the date of acquisition. Subsequent capital improvements to existing buildings are depreciated over the remaining useful life of the building to which the expenditure relates.

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

**Statement of principal accounting policies (continued)****10. Tangible fixed assets (continued)****b. Equipment**

All equipment, including computers and software costing more than £1,000 per individual item and having an expected life of more than one year is capitalised. Equipment, including motor vehicles, is stated at cost and depreciated over its expected useful life of 5 years.

**11. Intangible Assets**

Computer software is carried at cost less accumulated amortisation and any recognised impairment loss. Externally acquired computer software and software licences are capitalised and amortised on a straight-line basis over their useful lives of five years. Amounts capitalised include the total cost of any external products or services and labour costs directly attributable to development. The addition during the year relates to the purchase of a software intangible asset. The amortisation period is 5 years.

**12. Stocks**

The stocks are catering provisions and shop items. Stocks are stated at the lower of cost and net realisable value. Where necessary, provision is made for obsolete, slow moving and defective stocks.

**13. Taxation**

The University is an exempt charity within the meaning of Part 3 of the Charity Act 2011. It is considered to pass the tests set out in paragraph 1 schedule 6 of 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 sections 478-488 of the Corporation Tax Act 2010 or section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income is applied to exclusively charitable purposes.

The University receives no similar exemption in respect of value added tax (VAT). For this reason the University is generally unable to recover input VAT it suffers on goods and services purchased. Non-pay expenditure is therefore shown inclusive of VAT with any partial recovery netted off against these figures.

The University's subsidiary company, BG (Lincoln) Ltd, is subject to corporation tax and VAT in the same way as any commercial organisation.

**14. Cash and Cash Equivalents**

Cash flows comprise increases or decreases in cash. Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty. No investments, however liquid, are included in cash.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value.

**15. Provisions**

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

**Statement of principal accounting policies (continued)****16. 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.

**17. Operating Leases**

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Any lease premiums or incentives are spread over the minimum lease term.

**18. Judgements in applying accounting policies and key sources of estimation uncertainty**

In preparing these financial statements, management have made the following judgements:

***Tangible fixed assets***

Tangible fixed assets, other than investment properties, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

***Local Government Pension Scheme***

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 23, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 July 2017. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

***Bad debt provision***

Provision is made for debts that are not considered to be collectable – referred to as a bad debt provision. This provision is calculated based on experience of previous years' collectability of differing type of debt and applied to the amount of outstanding debt. The University currently provides for 80% of outstanding debt.

# Consolidated Statement of Comprehensive Income and Expenditure

## Year Ended 31 July 2017

	Notes	Year ended 31 July 2017		Year ended 31 July 2016	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>Income</b>					
Tuition fees and education contracts	1	16,984	16,984	16,712	16,712
Funding body grants	2	1,512	1,512	1,040	1,040
Research grants and contracts	3	63	63	9	9
Other income	4	3,475	2,627	2,620	1,883
Investment income	5	80	80	55	55
<b>Total income</b>		<b>22,114</b>	<b>21,266</b>	<b>20,436</b>	<b>19,699</b>
<b>Expenditure</b>					
Staff costs	6	12,580	11,975	11,298	10,697
Other operating expenses	7	7,315	7,040	5,891	5,665
Depreciation / amortisation	10 & 11	1,360	1,350	1,237	1,230
Interest and other finance costs	8	177	170	196	189
<b>Total expenditure</b>	9	<b>21,432</b>	<b>20,535</b>	<b>18,622</b>	<b>17,781</b>
<b>Surplus before other gains losses</b>		<b>682</b>	<b>731</b>	<b>1,814</b>	<b>1,918</b>
Gain / (loss) on disposal of fixed assets		6	6	(3)	(3)
<b>Surplus before tax</b>		<b>688</b>	<b>737</b>	<b>1,811</b>	<b>1,915</b>
Taxation		-	-	-	-
<b>Surplus for the year</b>		<b>688</b>	<b>737</b>	<b>1,811</b>	<b>1,915</b>
Actuarial gain / (loss) in respect of pension schemes	23	2,156	2,094	(1,289)	(1,248)
Transfers between revaluation and income and expenditure reserve		35	35	36	36
<b>Total comprehensive income for the year</b>		<b>2,879</b>	<b>2,866</b>	<b>558</b>	<b>703</b>
Represented by:					
Unrestricted comprehensive income for the year		2,844	2,831	552	667
Revaluation reserve comprehensive income for the year		35	35	36	36
		<b>2,879</b>	<b>2,866</b>	<b>558</b>	<b>703</b>
<b>Surplus for the year attributable to:</b>					
BG (Lincoln) LTD		(49)	-	(104)	-
University		<b>737</b>	<b>737</b>	<b>1,915</b>	<b>1,915</b>
		<b>688</b>	<b>737</b>	<b>1,811</b>	<b>1,915</b>

All items of income and expenditure relate to continuing activities.



## Consolidated Statement of Changes in Reserves

### Year ended 31 July 2017

Consolidated	Income and expenditure account	Revaluation reserve	Total
	<i>Restricted</i> £'000	<i>Unrestricted</i> £'000	£'000
<b>Balance at 1 August 2015</b>	<b>844</b>	<b>20,478</b>	<b>24,906</b>
Surplus from the income and expenditure statement	-	1,811	1,811
Other comprehensive income	-	(1,289)	(1,289)
Transfers between revaluation and income and expenditure reserve	-	36	-
Release of restricted funds spent in year	-	-	-
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>(36)</b>	<b>522</b>
<b>Balance at 1 August 2016</b>	<b>844</b>	<b>21,036</b>	<b>25,428</b>
Surplus from the income and expenditure statement	-	688	688
Other comprehensive income	-	2,156	2,156
Transfers between revaluation and income and expenditure reserve	-	35	-
Release of reserves spent in year	-	(14)	(14)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>2,865</b>	<b>2,830</b>
<b>Balance at 31 July 2017</b>	<b>844</b>	<b>23,901</b>	<b>28,258</b>

# **University Statement of Changes in Reserves** **Year ended 31 July 2017**

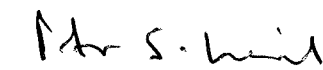
University	Income and expenditure account		Revaluation reserve	Total
	<i>Restricted</i>	<i>Unrestricted</i>		
	£'000	£'000	£'000	£'000
<b>Balance at 1 August 2015</b>	<b>844</b>	<b>21,198</b>	<b>3,584</b>	<b>25,626</b>
Surplus from the income and expenditure statement	-	1,915	-	1,915
Other comprehensive income	-	(1,248)	-	(1,248)
Transfers between revaluation and income and expenditure reserve	-	36	(36)	-
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>703</b>	<b>(36)</b>	<b>667</b>
<b>Balance at 1 August 2016</b>	<b>844</b>	<b>21,901</b>	<b>3,548</b>	<b>26,293</b>
Surplus from the income and expenditure statement	-	737	-	737
Other comprehensive income	-	2,094	-	2,094
Transfers between revaluation and income and expenditure reserve	-	35	(35)	-
Release of reserves spent in year	-	(14)	-	(14)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>2,852</b>	<b>(35)</b>	<b>2,817</b>
<b>Balance at 31 July 2017</b>	<b>844</b>	<b>24,753</b>	<b>3,513</b>	<b>29,110</b>

### Consolidated Balance Sheet

#### Year ended 31 July 2017

	Notes	As at 31 July 2017		As at 31 July 2016	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>Non-current assets</b>					
Intangible assets	10	359	359	411	411
Fixed assets	11	<u>27,573</u>	<u>27,545</u>	<u>23,568</u>	<u>23,535</u>
		<u>27,932</u>	<u>27,904</u>	<u>23,979</u>	<u>23,946</u>
<b>Current assets</b>					
Stock	12	16	-	13	-
Trade and other receivables	13	1,481	2,007	519	1,059
Investments	14	4,444	4,444	6,751	6,751
Cash and cash equivalents	15	<u>6,052</u>	<u>6,039</u>	<u>6,793</u>	<u>6,723</u>
		11,993	12,490	14,076	14,533
Less: Creditors: amounts falling due within one year	16	(2,763)	(2,596)	(2,212)	(2,021)
<b>Net current assets</b>		9,230	9,894	11,864	12,512
<b>Total assets less current liabilities</b>		<u>37,162</u>	<u>37,798</u>	<u>35,843</u>	<u>36,458</u>
Creditors: amounts falling due after more than one year	17	(2,919)	(2,919)	(2,945)	(2,945)
<b>Provisions</b>					
Pension provisions	18	(5,985)	(5,769)	(7,470)	(7,220)
<b>Total net assets</b>		<u>28,258</u>	<u>29,110</u>	<u>25,428</u>	<u>26,293</u>
<b>Restricted Reserves</b>					
Income and expenditure reserve - endowment reserve	19	697	697	697	697
Income and expenditure reserve - restricted reserve	19	147	147	147	147
<b>Unrestricted Reserves</b>					
Income and expenditure reserve - unrestricted		23,901	24,753	21,036	21,901
Revaluation reserve		<u>3,513</u>	<u>3,513</u>	<u>3,548</u>	<u>3,548</u>
		28,258	29,110	25,428	26,293
<b>Total Reserves</b>		<u>28,258</u>	<u>29,110</u>	<u>25,428</u>	<u>26,293</u>

The financial statements were approved by the Governing Body on 22 November 2017 and were signed on its behalf on that date by:

  
Vice-Chancellor

  
Chair of University Council

  
Chief Operating Officer

### Consolidated Cash Flow Statement

#### Year ended 31 July 2017

	Notes	Year ended 31 July 2017 £'000	Year ended 31 July 2016 £'000
<b>Cash flow from operating activities</b>			
Surplus for the year		688	1,811
<b>Adjustment for non-cash items</b>			
Depreciation and amortisation	10 & 11	1,360	1,237
(Increase) / decrease in stock	12	(3)	5
(Increase) / decrease in debtors	13	(962)	531
Increase in creditors	15	525	810
Increase in pension provision	17	7	12
LGPS Pension FRS102 Adjustments		690	420
<b>Adjustment for investing or financing activities</b>			
Investment income	5	(80)	(55)
(Profit) / loss on the sale of fixed assets		(6)	3
Capital grant income		(199)	(200)
Release of unrestricted reserves		(14)	-
<b>Net cash inflow from operating activities</b>		2,006	4,574
<b>Cash flows from investing activities</b>			
Proceeds from sales of fixed assets		6	4
Capital grants receipts		173	143
Withdrawal of deposits		2,307	(6,508)
Investment income		80	55
Payments made to acquire fixed assets		(5,313)	(1,915)
		(2,712)	(8,221)
<b>Cash flows from financing activities</b>			
		-	-
<b>Decrease in cash and cash equivalents in the year</b>		(741)	(3,647)
Cash and cash equivalents at beginning of the year	15	6,793	10,440
Cash and cash equivalents at end of the year	15	6,052	6,793

## Notes to the financial statements

	Year Ended 31 July 2017		Year Ended 31 July 2016	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>1 Tuition fees and education contracts</b>				
UK Higher Education Students	16,984	16,984	16,712	16,712
	<b>16,984</b>	<b>16,984</b>	<b>16,712</b>	<b>16,712</b>
<b>2 Funding body grants</b>				
	Year Ended 31 July 2017		Year Ended 31 July 2016	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>Recurrent grant</b>				
Higher Education Funding Council	782	782	755	755
National College for Teaching and Leadership	175	175	114	114
<b>Specific grants</b>				
Higher Education Funding Council Inherited Liabilities - Staff	11	11	17	17
Higher Education Funding Council National Collaborative Outreach Project	386	386	-	-
Higher Education Funding Council Learning Gain Project	4	4	-	-
<b>Deferred Capital Grants Released in Year</b>				
Higher Education Funding Council	154	154	153	153
National College for Teaching and Leadership	-	-	1	1
	<b>1,512</b>	<b>1,512</b>	<b>1,040</b>	<b>1,040</b>
<b>3 Research grants and contracts</b>				
	Year Ended 31 July 2017		Year Ended 31 July 2016	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Research councils	1	1	2	2
Government (UK and overseas)	22	22	-	-
Industry and commerce	40	40	7	7
	<b>63</b>	<b>63</b>	<b>9</b>	<b>9</b>
<b>4 Other income</b>				
	Year Ended 31 July 2017		Year Ended 31 July 2016	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Residences, catering and conferences	2,141	1,160	1,987	1,118
Non-Funding Council capital grants released	46	46	46	46
Other income	1,288	1,421	587	719
	<b>3,475</b>	<b>2,627</b>	<b>2,620</b>	<b>1,883</b>

## Notes to the financial statements (continued)

## 5 Investment income

	Year Ended 31 July 2017		Year Ended 31 July 2016	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Investment Income from short-term deposits	80	80	55	55
	<b>80</b>	<b>80</b>	<b>55</b>	<b>55</b>

## 6 Staff costs

	Year ended 31 July 2017		Year ended 31 July 2016	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Staff costs :				
Salaries	9,711	9,212	9,052	8,540
Social security costs	898	868	703	678
Movement on USS provision	17	17	29	29
Other pension costs - FRS102 adjustment	491	470	227	213
Other pension costs	1,463	1,408	1,287	1,237
Total	<b>12,580</b>	<b>11,975</b>	<b>11,298</b>	<b>10,697</b>

	2017	2016
Emoluments of the Vice-Chancellor:	£	£
Salary	158,222	139,264
Benefits	4,966	5,070
	<b>163,188</b>	<b>144,334</b>
Pension contributions to USS	28,480	23,211
	<b>191,668</b>	<b>167,545</b>

The pension contributions in respect of the Vice Chancellor are in respect of employer's contributions to the Universities Superannuation Scheme and are paid at the same rate as for other employees.

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

	No.	No.
£100,000 to £109,999	<b>1</b>	-
	<b>2017</b>	<b>2016</b>
Average staff numbers by major category :	No.	No.
Academic	91	90
Management & Administrative	151	125
Other	62	60
	<b>304</b>	<b>275</b>

## Notes to the financial statements (continued)

## 6 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 and include members of the Senior Leadership Team and University Council. Staff costs paid to key management personnel are as follows:

	Year ended 31 July 2017 £'000	Year ended 31 July 2016 £'000
Key management personnel compensation	682	604

## 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.

No council member has received any remuneration from the group during the year (2016 - none).

The total expenses paid to or on behalf of council members was £9,196 (2016 - £7,733). This represents travel and subsistence expenses incurred in attending Council, Committee meetings and Charity events in their official capacity.

## 7 Other operating expenses

	Year ended 31 July 2017		Year ended 31 July 2016	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Residences, Catering & Conferences Operating Expenditure	1,077	436	959	391
Residences - Long-Term Maintenance	48	48	40	40
Consumables and Laboratory Expenditure	323	323	292	292
Books and Periodicals	234	234	211	211
Heat, Light, Water and Power	208	208	227	227
Repairs and General Maintenance	175	175	156	156
Non-Residential - Long-Term Maintenance	405	405	206	206
Grants to BG Students' Union	120	120	124	124
External Auditors' Remuneration				
Financial Statements Audit	19	15	22	18
Internal Auditors' Remuneration	32	32	51	51
Bursary Payments to Students	722	722	583	583
Other Expenses	3,952	4,322	3,020	3,366
	7,315	7,040	5,891	5,665

## Notes to the financial statements (continued)

	Notes	Year Ended 31 July 2017		Year Ended 31 July 2016	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>8 Interest and other finance costs</b>					
Net charge on pension scheme	23	177	170	196	189
		177	170	196	189
<b>9 Analysis of total expenditure by activity</b>					
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
Academic Departments		6,527	6,527	5,997	5,997
Academic Services		1,178	1,178	700	700
Residences & Catering		1,779	534	1,675	506
Premises		1,562	1,562	1,326	1,326
Administration		5,572	5,947	5,865	5,841
Other expenses		4,814	4,787	3,059	3,411
		21,432	20,535	18,622	17,781
<b>10 Intangible assets</b>					
<b>Software</b>				<b>Consolidated and University</b>	
				<b>£'000</b>	<b>£'000</b>
<b>Cost</b>					
At 1 August 2016				2,171	2,171
Additions				124	124
<b>At 31 July 2017</b>				<b>2,295</b>	<b>2,295</b>
<b>Amortisation</b>					
At 1 August 2016				1,760	1,760
Charge for the year				176	176
<b>At 31 July 2017</b>				<b>1,936</b>	<b>1,936</b>
<b>Net book value</b>					
<b>At 31 July 2017</b>				<b>359</b>	<b>359</b>
At 31 July 2016				411	411



## Notes to the financial statements (continued)

## 11 Fixed Assets

Consolidated	Land £'000	Leasehold Land £'000	Buildings £'000	Fixtures, Fittings and Equipment £'000	Assets in the Course of Construction £'000	Total £'000
<b>Cost or valuation</b>						
At 1 August 2016	2,700	8	24,232	4,577	165	31,682
Additions	-	-	3,616	521	1,052	5,189
Transfers	-	-	165	-	(165)	-
Disposals	-	-	-	(14)	-	(14)
<b>At 31 July 2017</b>	<b>2,700</b>	<b>8</b>	<b>28,013</b>	<b>5,084</b>	<b>1,052</b>	<b>36,857</b>
At Valuation	2,700	-	2,500	-	-	5,200
At Costs	-	8	25,513	5,084	1,052	31,657
	<b>2,700</b>	<b>8</b>	<b>28,013</b>	<b>5,084</b>	<b>1,052</b>	<b>36,857</b>
<b>Depreciation</b>						
At 1 August 2016	-	-	4,443	3,671	-	8,114
Charge for the year	-	1	748	435	-	1,184
Disposals	-	-	-	(14)	-	(14)
<b>At 31 July 2017</b>	<b>-</b>	<b>1</b>	<b>5,191</b>	<b>4,092</b>	<b>-</b>	<b>9,284</b>
<b>Net book value</b>						
<b>At 31 July 2017</b>	<b>2,700</b>	<b>7</b>	<b>22,822</b>	<b>992</b>	<b>1,052</b>	<b>27,573</b>
At 31 July 2016	2,700	8	19,789	906	165	23,568

## 11 Fixed Assets (continued)

University	Land	Leasehold Land	Buildings	Fixtures, Fittings and Equipment	Assets in the Course of Construction	Total
<b>Cost and valuation</b>						
At 1 August 2016	2,700	8	24,232	4,530	165	31,635
Additions	-	-	3,616	516	1,052	5,184
Transfers	-	-	165	-	(165)	-
Disposals	-	-	-	(14)	-	(14)
<b>At 31 July 2017</b>	<b>2,700</b>	<b>8</b>	<b>28,013</b>	<b>5,032</b>	<b>1,052</b>	<b>36,805</b>
At Valuation	2,700	-	2,500	-	-	5,200
At Costs	-	8	25,513	5,032	1,052	31,605
	<b>2,700</b>	<b>8</b>	<b>28,013</b>	<b>5,032</b>	<b>1,052</b>	<b>36,805</b>
<b>Depreciation</b>						
At 1 August 2016	-	-	4,443	3,657	-	8,100
Charge for the year	-	1	748	425	-	1,174
Disposals	-	-	-	(14)	-	(14)
<b>At 31 July 2017</b>	<b>-</b>	<b>1</b>	<b>5,191</b>	<b>4,068</b>	<b>-</b>	<b>9,260</b>
<b>Net book value</b>						
At 31 July 2017	<b>2,700</b>	<b>7</b>	<b>22,822</b>	<b>964</b>	<b>1,052</b>	<b>27,545</b>
At 31 July 2016	<b>2,700</b>	<b>8</b>	<b>19,789</b>	<b>873</b>	<b>165</b>	<b>23,535</b>

Certain buildings have been partially funded from external sources. Should these particular buildings be sold, the University may either have to surrender the proceeds to the external party or use them in accordance with the financial memorandum agreement made with that particular external party. A full valuation of the land was carried out by Hodgson Elkington Chartered Surveyors on transition to FRS102.

## Notes to the financial statements (continued)

## 12 Stock

	Year ended 31 July 2017		Year ended 31 July 2016	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
General consumables	16	-	13	-
	<u>16</u>	<u>-</u>	<u>13</u>	<u>-</u>

## 13 Trade and other receivables

	Year ended 31 July 2017		Year ended 31 July 2016	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Amounts falling due within one year:				
Other trade receivables	395	124	234	105
Prepayments and accrued income	1,086	1,086	285	278
Amounts due from subsidiary companies	-	797	-	676
	<u>1,481</u>	<u>2,007</u>	<u>519</u>	<u>1,059</u>

## 14 Current Investments

	Year ended 31 July 2017		Year ended 31 July 2016	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Short term deposits	4,444	4,444	6,751	6,751
	<u>4,444</u>	<u>4,444</u>	<u>6,751</u>	<u>6,751</u>

Deposits are held with banks and building societies operating in the London market and licensed by the Financial Services Authority with less than three months maturity at the balance sheet date. The interest rates for these deposits are fixed for the duration of the deposit at time of placement.

## 15 Cash and cash equivalents

	Consolidated £000	University £000
At 1 August 2016	6,793	6,722
Cash Flows	(741)	(683)
At 31 July 2017	<u>6,052</u>	<u>6,039</u>

## Notes to the financial statements (continued)

## 16 Creditors : amounts falling due within one year

	Year ended 31 July 2017		Year ended 31 July 2016	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Trade payables	898	731	1,054	968
Social security and other taxation payable	240	240	262	225
Accruals	625	625	539	478
Payments received in advance	88	88	28	21
Deferred Capital Grants	828	828	200	200
Amounts owed to funding councils	84	84	129	129
	<u>2,763</u>	<u>2,596</u>	<u>2,212</u>	<u>2,021</u>

## 17 Creditors : amounts falling due after more than one year

## Deferred Capital Grants

	Consolidated and University			
	£'000			
	HEFCE	NCTL	Other	Total
At 1 August 2016				
Buildings	1,915	-	925	2,840
Equipment	74	30	1	105
	<u>1,989</u>	<u>30</u>	<u>926</u>	<u>2,945</u>
Received				
Buildings	173	-	-	173
Equipment	-	-	-	-
	<u>173</u>	<u>-</u>	<u>-</u>	<u>173</u>
Released				
Buildings	(76)	-	(34)	(110)
Equipment	(77)	-	(12)	(89)
	<u>(153)</u>	<u>-</u>	<u>(46)</u>	<u>(199)</u>
At 31 July 2017				
Buildings	2,012	-	891	2,903
Equipment	(3)	30	(11)	16
	<u>2,009</u>	<u>30</u>	<u>880</u>	<u>2,919</u>

## Notes to the financial statements (continued)

## 18 Provisions for liabilities

Consolidated	Obligation to fund deficit on USS Pension	Pension enhancements on termination	Defined Benefit Obligations (Note 23)	Total
	£'000	£'000	£'000	£'000
At 1 August 2016	139	375	6,956	7,470
Utilised in year	-	(29)	-	(29)
Additions in 2016/17	21	15	-	36
Unused amounts reversed in 2016/17	-	-	(1,492)	(1,492)
<b>At 31 July 2017</b>	<b>160</b>	<b>361</b>	<b>5,464</b>	<b>5,985</b>

University	Obligation to fund deficit on USS Pension	Pension enhancements on termination	Defined Benefit Obligations (Note 23)	Total
	£'000	£'000	£'000	£'000
At 1 August 2016	139	375	6,706	7,220
Utilised in year	-	(29)	-	(29)
Additions in 2016/17	21	15	-	36
Unused amounts reversed in 2016/17	-	-	(1,458)	(1,458)
<b>At 31 July 2017</b>	<b>160</b>	<b>361</b>	<b>5,248</b>	<b>5,769</b>

## USS deficit

The obligation to fund the past deficit on the Universities Superannuation Scheme (USS) arises from the contractual obligation with the pension scheme for total payments relating to benefits arising from past performance. Management have assessed future employees within the USS scheme and salary payment over the period of the contracted obligation in assessing the value of this provision.

## Enhanced Pension Provision

The calculation of the cost of early retirement provisions charged to the income and expenditure account in the year of retirement is based on the total capital cost of providing enhanced pensions with allowance for future investment at 2% in excess of price inflation. The overall provision was revalued in 2014/15 financial year using guidance prepared for the HEFCE by Deloitte & Touche Actuarial & Benefit Services. The provision will be released against the cost to the University of Enhanced Pension Entitlements over the estimated life expectancy of each relevant ex-employee.

The enhanced pension provision relates mostly to early retirements whereby an expectation of the payment existed prior to retirement.

## Notes to the financial statements (continued)

## 19 Restricted Reserves

	Year ended 31 July 2017		Year ended 31 July 2016	
	Consolidated £000	University £000	Consolidated £000	University £000
<b>Permanent endowment reserves</b>				
At 1 August 2016 and at 31 July 2017	697	697	697	697
<b>Other restricted reserves</b>				
At 1 August 2016 and at 31 July 2017	147	147	147	147
<b>Total restricted reserves at 31 July 2017</b>	<b>844</b>	<b>844</b>	<b>844</b>	<b>844</b>

**Other restricted reserves**

During 2006, the University sold a property with proceeds of £147,000. The proceeds from the sale are to be reinvested within 3 years from the sale date. The funds were used to assist with the building of a new administration office at the University.

**Permanent endowment reserves**

Permanent endowment reserves are made up from the sale of two properties previously owned by the University. As required by the Charity Commission, the University Council obtained and considered proper advice before investing this money. To date £332,000 has been used to purchase an additional residential building and the remaining funds are currently held in an interest bearing account.

## 20 Capital and other commitments

Provision has not been made for the following capital commitments at 31 July 2017:

	Year ended 31 July 2017		Year ended 31 July 2016	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Commitments contracted for				
Land and Buildings	425	425	2,753	2,753
Equipment	277	277	25	25
	<b>702</b>	<b>702</b>	<b>2,778</b>	<b>2,778</b>

## Notes to the financial statements (continued)

**21 Lease obligations**

Total rentals payable under operating leases:

	Consolidated and University			Year ended 31 July 2016 Total
	Land and Buildings	Year ended 31 July 2017 Plant and Machinery	Total	
	£'000	£'000	£'000	£'000
<b>Payable during the year</b>	<b>364</b>	<b>245</b>	<b>609</b>	<b>482</b>
<b>Future minimum lease payments due:</b>				
Not later than 1 year	364	67	431	482
Later than 1 year and not later than 5 years	1,459	17	1,476	1,459
Later than 5 years	4,376	-	4,376	4,741
<b>Total lease payments due</b>	<b>6,199</b>	<b>84</b>	<b>6,283</b>	<b>6,682</b>

**22 Training bursaries**

	Consolidated and University	
	Year ended 31 July 2017 £000	Year ended 31 July 2016 £000
NCTL Grants	1,324	1,385
Disbursed to Students	(1,240)	(1,263)
Balance unspent at 31 July, included in creditors	84	122

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

## Notes to the financial statements (continued)

**23. Pension and similar obligations**

The University's employees belong to five principal pension schemes, the Church of England Funded Pensions Scheme, the Teachers' Pensions Scheme (TPS), the Local Government Pension Scheme (LGPS), the University Superannuation Scheme (USS) and the Bishop Grosseteste University Flexible Retirement Account provided by Friends Life. Four of these schemes are defined benefit schemes with the Bishop Grosseteste University Flexible Retirement Account being a defined contribution scheme.

**Total pension cost for the year**

The pension contributions for the year was £1,463,000 (2016: £1,287,000) excluding the FRS 102 adjustment.

	Year ended 31 July 2017		Year ended 31 July 2016	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Teacher's Pension Scheme: contributions payable	632	632	594	594
Local Government Pension Scheme: charge to the Consolidated Statement of Income & Expenditure	702	672	592	554
Universities Superannuation Scheme: contributions payable	80	80	63	63
Church of England Funded Pension Scheme	9	9	9	9
Bishop Grosseteste University Flexible Retirement Account: charge to the Consolidated Statement of Income & Expenditure	40	15	29	17
Total Pension Cost for the Year (excluding FRS 102 adjustment)	<u>1,463</u>	<u>1,408</u>	<u>1,287</u>	<u>1,237</u>

**Church of England Funded Pensions Scheme:**

Bishop Grosseteste University participates in the Church of England Funded Pensions Scheme and employs 1 member of the Scheme out of a total membership of approximately 8,500 active members. This scheme is administered by the Church of England Pensions Board, which holds the assets of the scheme separately from those of the Employer and the other participating employers.

The Church of England Funded Pensions Scheme is a defined benefit scheme but Bishop Grosseteste University is unable to identify its share of the underlying assets and liabilities - each employer in that scheme pays a common contribution rate. A valuation of the Scheme was carried out as at 31 December 2015. This revealed a shortfall of £236m, with assets of £1,308m and a funding target of £1,544m, assessed using the following assumptions:

- Discount rate 4.6%
- RPI 3.2%
- Pension increases:
  - Increasing in line with RPI (capped at 5%) 3.1%
  - Increasing in line with RPI (capped at 3.5%) 2.6%
- Rate of increase of pensionable stipends 3.2%
- Post-retirement mortality: 80% of the S1NMA and S1NFA mortality tables projected from 2007 in line with the CMI 2015 core projections with a long term annual rate of improvement of 1.5% pa for both males and females



## Notes to the financial statements (continued)

### 23. Pension and similar obligations (continued)

For schemes such as the Church of England Funded Pensions Scheme, paragraph 28.11 of FRS102 requires Bishop Grosseteste University to account for pension costs on the basis of contributions actually payable to the Scheme in the year. A valuation of the scheme is carried out once every three years. The next valuation is due to be carried as at 31 December 2018.

Bishop Grosseteste University contribution rate is 39.9% of pensionable stipends of which 14.1% will be in respect of the £226m shortfall in the Scheme and 25.8% is in respect of accrual of future benefits and the day-to-day expenses of running the Scheme.

#### Teachers' Pension Scheme (TPS):

##### Teachers' Pension Scheme

The Teachers' Pension Scheme ("TPS") is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations 2010 (as amended), and, from 1 April 2014, by the Teachers' Pensions Regulations 2014. These regulations apply to teachers in schools and other educational establishments in England and Wales maintained by local authorities, to teachers in many independent and voluntary-aided schools, and to teachers and lecturers in establishments of further and higher education. Membership is automatic for full-time teachers and lecturers and from 1 January 2007 automatic for teachers and lecturers in part-time employment following appointment or a change of contract. Teachers and lecturers are able to opt out of the TPS.

##### The Teachers' Pension Budgeting and Valuation Account

Although teachers and lecturers are employed by various bodies, their retirement and other pension benefits, including annual increases payable under the Superannuation Act 1972, are paid out of monies provided by Parliament. The TPS is an unfunded scheme and members contribute on a 'pay-as-you-go' basis – these contributions, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Act.

The Teachers' Pensions Regulations 2010 require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pensions' increases). From 1 April 2001, the Account has been credited with a real rate of return, which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

##### Valuation of the Teachers' Pension Scheme

The latest actuarial review of the TPS was carried out as at 31 March 2012 and in accordance with *The Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014*. The valuation report was published by the Department on 9 June 2014. The key results of the valuation are:

- New employer contribution rates were set at 16.48% of pensionable pay (including administration fees of 0.08%);
- total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £191.5 billion, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £176.6 billion, giving a notional past service deficit of £14.9 billion;
- an employer cost cap of 10.9% of pensionable pay will be included in future valuations;
- the assumed real rate of return is 3.0% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 2.75%. The assumed nominal rate of return is 5.06%.

The new employer contribution rate for the TPS was implemented in September 2015. The next valuation of the TPS is currently underway based on April 2016 data, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

## Notes to the financial statements (continued)

### 23. Pension and similar obligations (continued)

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website at the following location:

<https://www.teacherspensions.co.uk/news/employers/2014/06/publication-of-the-valuation-report.aspx>

#### Scheme Changes

Following the Hutton report in March 2011 and the subsequent consultations with trade unions and other representative bodies on reform of the TPS, the Department published a Proposed Final Agreement, setting out the design for a reformed TPS to be implemented from 1 April 2015.

The key provisions of the reformed scheme include: a pension based on career average earnings; an accrual rate of 1/57th; and a Normal Pension Age equal to State Pension Age, but with options to enable members to retire earlier or later than their Normal Pension Age. Importantly, pension benefits built up before 1 April 2015 will be fully protected.

In addition, the Proposed Final Agreement includes a Government commitment that those within 10 years of Normal Pension Age on 1 April 2012 will see no change to the age at which they can retire, and no decrease in the amount of pension they receive when they retire. There will also be further transitional protection, tapered over a three and a half year period, for people who would fall up to three and a half years outside of the 10 year protection.

Regulations giving effect to a reformed Teachers' Pension Scheme came into force on 1 April 2014 and the reformed scheme commenced on 1 April 2015.

The pension costs paid to TPS in the year amounted to £632,000 (2015/16 - £594,000). No contributions were payable to the scheme at 31 July 2017 and 31 July 2016.

Under the definitions set out in FRS 102 (28.11), the TPS is a multi-employer pension plan. The University is unable to identify its share of the underlying assets and liabilities of the plan.

Accordingly, the University has taken advantage of the exemption in FRS 102 and has accounted for its contributions to the scheme as if it were a defined contribution plan. The University has set out above the information available on the plan and the implications for the University in terms of the anticipated contribution rates.

#### Universities Superannuation Scheme (USS)

The University participates in the Universities Superannuation Scheme (USS), a defined benefit scheme. The assets of the scheme are held in a separate fund administered by the trustee, Universities Superannuation Scheme Limited. The company is required to contribute a specified percentage of payroll costs to the pension scheme to fund the benefits payable to the company's employees. The employer contribution rate is 18%.

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

The directors are satisfied that the scheme provided by USS meets the definition of a multi-employer scheme and has therefore recognised the discounted fair value of the contractual contributions under the funding plan in existence at the date of approving the financial statements.

## Notes to the financial statements (continued)

**23. Pension and similar obligations (continued)**

The total cost charged to the profit and loss account is £80,000 (2016: £63,000). There was neither a prepayment nor an accrual at the end of the financial year in respect of these contributions. The disclosures below represent the position from the scheme's financial statements.

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. The valuation as at 31 March 2017 is underway. Since the institution cannot identify its share of scheme assets and liabilities, the following disclosures reflect those relevant for the scheme as a whole.

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

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

	2017	2016
Discount Rate	2.57%	3.6%
Pensionable salary growth	n/a	n/a
Price Inflation (CPI)	2.41%	2.2%

The main demographic assumption used relates to the mortality assumptions. Mortality in 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% of S1NA ["light"] YoB tables – rated down 1 year

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

	2017	2016
Males currently aged 65 (years)	24.4	24.3
Females currently aged 65 (years)	26.6	26.5
Males currently aged 45 (years)	26.5	26.4
Females currently aged 45 (years)	29.0	28.8

	2017	2016
<b>Existing benefits</b>		
Scheme assets	£60.0bn	£49.8bn
Total scheme liabilities	£77.5bn	£58.3bn
FRS 102 total scheme deficit	£17.5bn	£8.5bn
FRS 102 total funding level	77%	85%

## Notes to the financial statements (continued)

## 23. Pension and similar obligations (continued)

## Bishop Grosseteste University Flexible Retirement Account

The University operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the University in an independently administered fund. The pension cost charge represents contributions payable by the University to the fund and amounted to £40,000 (2016 - £29,000).

## Local Government Pension Scheme (LGPS):

The LGPS is a funded defined benefit scheme, with the assets held in separate trustee administered funds. The total contribution made for the year ended 31 July 2017 was £1,094,000 (2016 - £975,000), of which employer's contributions totalled £833,000 (2016 - £745,000) and employees' contributions totalled £261,000 (2016 - £230,000). The agreed contribution rate was 18% up to 31 March 2017 and an annual lump sum of £153,000. From 1 April 2017, the agreed contribution rate was 20.9% plus an annual lump sum of £80,000 for employers. Contributions are between 5.5% and 12.5% depending upon salary for employees.

## Assumptions

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

	At 31 July 2017	At 31 July 2016
	%pa	%pa
Price Inflation	2.70%	2.40%
Rate of increase in salaries	2.90%	3.40%
Discount rate	2.70%	2.40%

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.

	Males		Females	
	Pensioner	Non-pensioner (currently aged 45)	Pensioner	Non-pensioner (currently aged 45)
At 31 July 2016	22.2 years	24.5 years	24.4 years	26.8 years
At 31 July 2017	22.1 years	24.1 years	24.4 years	26.6 years

## Analysis of plan assets

	At 31 July 2017	At 31 July 2016
Equities	78%	76%
Bonds	12%	13%
Property	9%	11%
Cash	1%	0%

## Notes to the financial statements (continued)

## 23. Pension and similar obligations (continued): Local Government Pension Scheme (LGPS) (continued):

	Year ended 31 July 2017		Year ended 31 July 2016	
	Consolidated £000	University £000	Consolidated £000	University £000
<b>Analysis of the amount shown in the balance sheet</b>				
Scheme assets	17,818	17,170	15,445	14,868
Scheme liabilities	(23,282)	(22,418)	(22,401)	(21,574)
<b>Deficit in the scheme – net pension liability recorded within pension provisions (Note 18)</b>	<b>(5,464)</b>	<b>(5,248)</b>	<b>(6,956)</b>	<b>(6,706)</b>
Current service cost	1,293	1,245	983	927
Past service costs	21	-	20	14
Total operating charge:	1,314	1,245	1,003	941
<b>Analysis of the amount charged to interest payable/credited to other finance income</b>				
Interest cost	(552)	(530)	(676)	(651)
Expected return on assets	379	364	483	465
<b>Net charge to other finance income</b>	<b>(173)</b>	<b>(166)</b>	<b>(193)</b>	<b>(186)</b>
<b>Total profit and loss charge before deduction for tax</b>				
<b>Analysis of other comprehensive income:</b>				
Gain on assets	1,344	1,341	1,226	1,182
Experience loss on liabilities	763	668	180	180
Changes in Financial Assumptions	(426)	(372)	(2,695)	(2,610)
Changes in demographic assumptions	475	457	-	-
<b>Total other comprehensive income before deduction for tax</b>	<b>2,156</b>	<b>2,094</b>	<b>(1,289)</b>	<b>(1,248)</b>
	Year ended 31 July 2017		Year ended 31 July 2016	
	Consolidated £000	University £000	Consolidated £000	University £000
<b>Analysis of movement in deficit</b>				
<b>Deficit at beginning of year</b>	<b>22,401</b>	<b>21,574</b>	<b>18,297</b>	<b>17,654</b>
Employee contributions	265	256	231	219
Benefits Paid	(438)	(434)	(321)	(321)
Current service cost	1,293	1,245	983	927
Past service cost	21	-	20	14
Other finance charge	552	530	676	651
Gain recognised in other comprehensive income	(812)	(753)	2,515	2,430
<b>Deficit at end of year</b>	<b>23,282</b>	<b>22,418</b>	<b>22,401</b>	<b>21,574</b>

## Notes to the financial statements (continued)

**23. Pension and similar obligations (continued): Local Government Pension Scheme (LGPS) (continued):**

	Year ended 31 July 2017		Year ended 31 July 2016	
	Consolidated	University	Consolidated	University
	£000	£000	£000	£000
	£000	£000	£000	£000
<b>Analysis of movement in the fair value of scheme assets</b>				
Fair value of assets at the start of the year	15,445	14,868	13,050	12,595
Expected return on assets	379	364	483	465
Actuarial gain on assets	1,344	1,341	1,226	1,182
Actual contributions paid by University	823	775	776	728
Actual member contributions (including notional contributions)	265	256	231	219
Actual benefit payments	(438)	(434)	(321)	(321)
Fair value of scheme assets at the end of the year	17,818	17,170	15,445	14,868

**Consolidated History of experience gains and losses**

	Year to				
	31-Jul 2017	31-Jul 2016	31-Jul 2015	31-Jul 2014	31-Jul 2013
<b>Difference between actual and expected return on scheme assets:</b>					
Amount (£m)	1,344	1,226	572	(401)	1,112
% of assets at end of year	7.5%	7.9%	4.4%	(3.5%)	10.5%
<b>Experience (gains)/losses on scheme liabilities:</b>					
Amount (£m)	(812)	2,515	1,232	(472)	-
% of liabilities at end of year	(3.49%)	11.23%	6.73%	(3.00%)	0.00%

**24. Related Party Transactions**

Due to the nature of the University's operations and the composition of the University Council (being drawn from public and private sector organisations), it is inevitable that transactions will take place with organisations in which a member of the University Council may have an interest. All transactions involving organisations in which a member of the University Council may have an interest are conducted at arm's length and in accordance with the University's financial regulations and normal procurement procedures. No transactions were identified which should be disclosed under the provisions of FRS 102. In the opinion of the University Council, there is no controlling party.

**25. Investments**

The University holds all issued ordinary share capital of BG (Lincoln) Limited, a trading company registered in England and Wales, the principal activity of which is the organisation of functions and conferences and catering. The University's interest in the company at 31 July 2017, comprised share capital of £2 (2016 - £2).

**26. Post Balance Sheet Events**

No significant events have occurred since the balance sheet date.