



BISHOP GROSSETESTE UNIVERSITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED

31 JULY 2016

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 1st 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^{1, 3, 6}
Dr K Brown¹
Mr D Clements^{2, 3}
Mr R Corn (until 30/11/2016)⁴
Mrs J Croft²
Mrs A Crowe^{2, 3, 5}
Bishop D Court
Miss T Dawson (from 01/08/2016)
Mrs S Grattrick (until 13/10/2016)⁴
Mr R Hallsworth (from 28/06/2016)²
Dr T Hill^{3, 5}
Professor D Head^{4, 6}
Mr S Lawrence¹
Right Reverend C Lawson, The Bishop of Lincoln
Bishop D Court (in attendance on behalf of Right Reverend C Lawson, The Bishop of Lincoln)
Air Vice-Marshal G MacKay¹
Mr G Meeson⁴
Professor J Mitchell⁶
Mr R Mosey (Chair until 31/07/2016)^{3, 4, 5, 6}
Reverend Dr S Myers^{2, 6}
Reverend Canon Professor P Neil^{1, 4, 5, 6}
Mr K Parrish (from 01/08/2016)
Mrs J Phull⁴
Miss R Smith (until 31/07/2016)
Mrs B Starling²
Dr J Smith (until 13/10/2016)²
Mr A Stacey (from 01/02/2016)
Professor M Thompson (until 31/08/2016)^{1, 3}
Mr B Walder (Chair from 01/08/2016)^{3, 4, 5, 6}

VICE CHANCELLOR: Reverend Canon Professor Peter Neil ^{1, 4, 5, 6}

REGISTRAR AND SECRETARY: Dr Anne Craven

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

Financial statements for the year ended 31 July 2016

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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 2016.

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 which 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 is undertaking 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 2015/16:

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 SU to develop its representational and engagement role on behalf of all students.

D. Implement our Research and Internationalisation Strategies

- Establish new Research Clusters with focus and growth of expertise established.
- Develop new Internationalisation Strategy covering next steps in the internationalisation of the curricula/student experience, collaborative research networks and delivery of high-quality teaching and learning plans.

E. Build Collaborative Partnerships and Develop our Academic Portfolio

- Develop a planned approach to strategic collaboration with other HEIs, FECs and other education providers.
- Play an active part in community engagement and regional economic development, particularly through the work of the Greater Lincolnshire Local Enterprise Partnership.

Principal Risks & Uncertainties

The process for identification and monitoring of risk is well established both strategically and operationally. Risks relate directly to the delivery of the Business Plan objectives. The risk position is subject to review by the senior managers and Audit Committee, and the overall risk management process is subject to review by Internal Audit. This ensures that key internal controls are regularly reviewed and remain effective. Risks have been well managed during 2015/16, with significant strides forward having been taken e.g. as regards the management of risk in areas of regulatory compliance (QAA HER, Ofsted) and data submissions.

Key Performance Indicators

BGU saw a healthy growth in overall student numbers up from 2185 in 2014/15 to 2321 in 2015/16. Most of the increase of 136 students was due to increased numbers on undergraduate programmes and was in line with expectations set out in our Five Year Strategy: 2014-19.

BGU's retention and progression/success rates have generally been sustained or improved in relation to last year's results and remain on an upward trajectory for the lifetime of the strategy. NSS Student Satisfaction rates have remained high and rose to all-time record levels in 2016. Other indicators such as the DLHE outcome of 97.2% (of students who leave BGU in 2014/15 with an undergraduate degree and find work or are continuing to study six months following graduation) is above sector average of 91% and give further confidence that we are above benchmark as regards provision for our students whilst they are at the University and in relation to their employability after completing their programmes of study. These measures put the institution in an excellent position:

Strategic Report (continued)

Retention & Success Rates (Source: BGU's Annual HESA Student Return 2014/15):

- In 2014/15 97% of undergraduate students and 93% of postgraduate students were retained at Bishop Grosseteste University (BGU);
- 93% of undergraduate students in 2014/15 progressed to the next level of study or graduated;
- Since 2011/12 undergraduate retention rates have remained broadly stable at around 96% to 97% whilst progression/graduation has steadily increased from 88.6% to 93.0%;
- In 2014/15 66% of graduating students achieved a good degree (1st or 2.1).

Satisfaction (Source: NSS Results 2015/16):

- 92% of students were satisfied overall with the quality of their course;
- 7 percentage point increase compared with previous year and highest ever score for BGU;
- 6 percentage points above the sector average and benchmark (statistically significant);
- 2nd highest score in the country among public universities.

During the academic year 2015/16 BGU was inspected by the main UK/English regulatory bodies - Ofsted, the Quality Assurance Agency (QAA), HEFCE and the British Psychological Society. In relation to Ofsted we achieved 'good' or better in all categories relating to all four of our areas of provision of teacher education (early years, primary, secondary and FE). The institution has produced post inspection action plans and will adhere to them accordingly.

In the Higher Education Review (HER) conducted by the Quality Assurance Agency, we met UK standards in all areas and several aspects of good practice were highlighted; this successful outcome allows us to raise student fees in line with inflation from 2017 as the Government progresses with the Teaching Excellence Framework (TEF).

The five-yearly HEFCE Assurance Review noted full confidence in our governance. This was complemented by an internal review of effectiveness of our governance procedures conducted by an external consultant, due to report to the University Council in the first quarter of this year. We have recently appointed a new Chair of University Council who took up post on 1 August 2016.

The British Psychological Society accredited our provision in single honours Psychology to add to the accreditation of joint provision granted last year; this was completed within three years of the psychology portfolio being offered. It was an intense year but the outcomes from all of these visits clearly demonstrated that the University is performing well in relation to UK standards in all areas of activity.

The estate continues to be developed in relation to strategic objectives with the renovation of Constance Stewart Hall. Phase 1 was completed in September 2015 and further work is underway on Constance Stewart Hall Phase 2, which will be completed by May 2017; this will provide further spaces to enhance learning and teaching across the institution.

The Centre for Excellence in Learning and Teaching (CELT) developed professional development opportunities for our staff through a series of workshops and seminars. Preparations were made to allow us to achieve our first Fellows of the Higher Education Academy on the BGU route. This is a significant process and it is envisioned that the Fellows will work with CELT mentoring both academic and professional support colleagues to build BGU's capacity of accredited staff.

Work in Student Engagement has gathered momentum. Our digistars project (students who support their peers in digital fluency) and the first set of Students Creating Change projects came to an end. Our very successful NSS scores this year may be, in part, a result of the very intensive work that has been done in student engagement.

Research has been further enhanced with the appointment of additional research-focused staff and the awarding of the first PhD studentships. A Research Audit of all research-active staff was commenced; this will inform a REF Action Plan as part of the Research & Knowledge Exchange Strategy. The aim of the Action Plan is to optimise the University's preparations, investment and submission to the next REF, in ways which are congruent with the University's strategic objectives and its ambition of gaining Research Degree Awarding Powers.

Strategic Report (continued)

We are currently reviewing our work with stakeholders and are implementing a Stakeholder Engagement Strategy; this will continue into next year and further enhance our community engagement and strategic approach to regional economic development. This includes input into the work for the Greater Lincolnshire Local Enterprise Partnership, where we have increased BGU's representation amongst sub-committees.

Targets in all areas of the Strategy have therefore been met and we are convinced that the direction of travel remains the same. In order to ensure that the Strategy continues to be relevant in light of an ever-changing sector, we are embarking on a review of the Strategy which will be completed in the first half of next year.

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.

Results for the Year

The University Consolidated Income, Expenditure and Results for the year to 31 July 2016 are summarised as follows:-

	<u>2015/16</u>	Restated
	£000	<u>2014/15</u>
		£000
Income	20,436	20,018
Expenditure	(18,622)	(17,503)
	====	====
Surplus before other gains and losses	1,814	2,515
	====	====
(Loss)/gain on disposal of fixed assets	(3)	17
	====	====
Surplus for the year	1,811	2,532
	====	====
Actuarial loss in respect of pension schemes	(1,289)	(727)
Transfers between revaluation reserve and income and expenditure reserve	36	36
	====	====
Total comprehensive income for the year	558	1,841
	====	====

The University's total income increased by 2.1% compared with the previous year.

Registrations, reported to the HEFCE were 2049 full-time, and 180 part-time students (2014/15 =1,970 full-time and 215 part-time).

The surplus for the year was £1,811,000. As a percentage of income this equated to 8.9% which is a performance that exceeded the budget set for the year. Total comprehensive income since the last financial statements were £558,000. The University's net asset level is regarded as satisfactory.

Strategic Report (continued)

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.

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 on-going 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 8 to 9. The work which has been undertaken under the Corporate Governance heading in 2015/16 is given in the detailed statement on pages 10 to 12 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 2015/16.

Strategic Report (continued)

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.

Future Developments

The five-year strategy is at the mid-point of its implementation. It is subdivided according to five themes: Learning, Teaching and Student Engagement; Enhancement of the Academic Portfolio, Research, Internationalisation; Employability and Enterprise; External Engagement, Partnership and Community; and Environment and Sustainability. Progress is being made in all areas, although progress is not uniform, as there is an inevitable staging of deliverables, as well as a rapidly changing external HE Sector. In order to ensure BGU is prepared to meet these challenges BGU will be undertaking a Strategy Stocktake exercise in order to:

- (i) Assess progress under existing Strategy Themes;*
- (ii) Confirm achievements, share and celebrate the successes and progress made to date;*
- (iii) Consider future priorities and an updated Five Year Strategy for 2014-19;*
- (iv) Articulate a common and shared understanding of BGU's identity and future vision.*

Outputs from this process could be used to inform work of our Leadership Development Programme, which will focus on developing leadership across the institution, and business planning priorities as we progress through future years of delivery against the strategy.

There have been a number of encouraging developments in the area of Internationalisation. Joint work has commenced with regard to staff development programmes in Italy, Spain and Turkey. The University will make progress towards entering various international markets. Our focus will remain on building on our partnership agreements in China and Australia, as well as growing our international student numbers.

The academic portfolio will continue to be developed in order to meet our recruitment targets at foundation, undergraduate and postgraduate levels. BGU will also offer its first PhD studentships in the academic year 2016/17 and seek to secure European monies to deliver a Lincolnshire Open Research and Innovation Centre. This is mirrored by an ongoing programme of capital investment in the campus, with works ongoing throughout 2016/17. Major works include Constance Stewart Phase 2 which will provide additional teaching and learning spaces, as well as redevelopment to locate our Centre for Excellence in Teaching and Learning at the heart of our campus.

Recruitment remains buoyant as does the financial situation of the institution; it is therefore in a robust place to respond creatively to challenges and uncertainties in the future.

Conclusion

The University is in a very positive position and is making progress towards the Strategy for growth. The success of the Strategy to date indicates that appropriate priorities are being targeted, while the Strategy Stocktake will allow us to make adjustments to the second phase of delivery of our Five Year Strategy 2014-2019.

Vice Chancellor



25 November 2016

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 10 to 12.

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)

In December 2014, BGU appointed Dr Anne Craven as 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 Governing Body, 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 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 2016 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. A regular agenda item for the Senior Leadership Team to identify and keep up to date the record of risks facing the organisation.
 - f. A programme of risk awareness training is under way through Staff Council and off-campus staff development days.
 - g. A robust risk prioritisation methodology based on risk ranking has been established.
 - h. 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 2009. 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.

.....
Bob Waddell
CHAIR

25 November 2016

Independent Auditors' Report to the Council of Bishop Grosseteste University

Independent Auditors' Report to 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 2016 which comprise the consolidated Statement of Comprehensive Income and Expenditure, the consolidated and University Statement of Changes in Reserves, the consolidated and University Balance Sheet, the consolidated Cash Flow Statement, 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 (FRS 102).

Respective responsibilities of the Board of Governors and Auditors

As explained more fully in the Statement of Corporate Governance, the Council 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 Council 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 Council; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and University's affairs as at 31 July 2016, and of the 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; and
- have been prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education.

**Independent Auditors' Report to 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.

Morgan LL

Mazars LLP

Chartered Accountants and Statutory Auditors

Nottingham

25 November 2016

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 2016.

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 (the scheme). Throughout the current and preceding periods, the scheme was a defined benefit only pension scheme which was contracted out of the State Second Pension (S2P) until 31 March 2016. 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. 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.

Statement of principal accounting policies (continued)**8. Pension schemes (continued)**

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 operate 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.

b. Equipment

All equipment, including computers and software costing more than £1,000 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.

Statement of principal accounting policies (continued)**11. 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.

12. 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 therefore it meets the definitions of a charity for UK corporation tax purposes. Accordingly the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by chapter 3 part 11 Corporation Tax Act 2010 or 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.

13. 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.

14. 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.

15. 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.

16. 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.

17. Transition to 2015 FE HE SORP

The University is preparing its financial statements in accordance with FRS 102 for the first time and consequently has applied the first time adoption requirements. Some of the FRS 102 recognition, measurement, presentation and disclosure requirements and accounting policy choices differ from previous UK GAAP. Consequently, the University has amended certain accounting policies to comply with FRS 102 and the 2015 FE HE SORP. An explanation of how the transition to FRS 102 and the 2015 FE HE SORP has affected the reported financial position, financial performance and cash flows of the consolidated results of the University is provided in note 27.

Statement of principal accounting policies (continued)**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 26, 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 2013 has been used by the actuary in valuing the pensions liability at 31 July 2016. 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 2016

	Notes	Year ended 31 July 2016		Restated Year ended 31 July 2015	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
Income					
Tuition fees and education contracts	1	16,712	16,712	15,496	15,496
Funding body grants	2	1,040	1,040	1,300	1,300
Research grants and contracts	3	9	9	81	81
Other income	4	2,620	1,883	3,122	2,495
Investment income	5	55	55	19	19
Total income		20,436	19,699	20,018	19,391
Expenditure					
Staff costs	6	11,298	10,697	9,797	9,233
Other operating expenses	7	5,891	5,665	6,408	6,108
Depreciation	10	1,237	1,230	1,124	1,119
Interest and other finance costs	8	196	189	174	169
Total expenditure	9	18,622	17,781	17,503	16,629
Surplus before other gains losses		1,814	1,918	2,515	2,762
(Loss)/Gain on disposal of fixed assets		(3)	(3)	17	17
Surplus before tax		1,811	1,915	2,532	2,779
Taxation		-	-	-	-
Surplus for the year		1,811	1,915	2,532	2,779
Actuarial loss in respect of pension schemes	23	(1,289)	(1,248)	(727)	(679)
Transfers between revaluation and income and expenditure reserve		36	36	36	36
Total comprehensive income for the year		558	703	1,841	2,136
Represented by:					
Unrestricted comprehensive income		522	667	1,805	2,100
Revaluation reserve comprehensive income		36	36	36	36
Attributable to the University		558	703	1,841	2,136
Surplus for the year attributable to:					
BG (Lincoln) LTD		(104)	-	(247)	-
University		1,915	1,915	2,779	2,779
		1,811	1,915	2,532	2,779

All items of income and expenditure relate to continuing activities

Consolidated Statement of Changes in Reserves Year ended 31 July 2016

Consolidated	Income and expenditure account		Revaluation reserve	Total
	Restricted	Unrestricted		
	£'000	£'000	£'000	£'000
Restated Balance at 1 August 2014	844	18,637	3,620	23,101
Surplus from the income and expenditure statement	-	2,515	-	2,515
Other comprehensive income	-	(710)	-	(710)
Transfers between revaluation and income and expenditure reserve	-	36	(36)	-
Release of restricted funds spent in year	-	-	-	-
Total comprehensive income for the year	-	1,841	(36)	1,805
Restated Balance at 1 August 2015	844	20,478	3,584	24,906
Surplus from the income and expenditure statement	-	1,814	-	1,814
Other comprehensive income	-	(1,292)	-	(1,292)
Transfers between revaluation and income and expenditure reserve	-	36	(36)	-
Total comprehensive income for the year	-	558	(36)	522
Balance at 31 July 2016	844	21,036	3,548	25,428

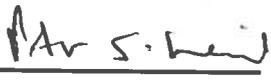
University Statement of Changes in Reserves Year ended 31 July 2016

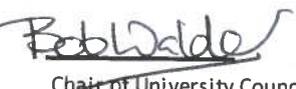
University	Income and expenditure account		Revaluation reserve	Total
	Restricted	Unrestricted		
	£'000	£'000	£'000	£'000
Balance at 1 August 2014	844	19,062	3,620	23,526
Surplus from the income and expenditure statement	-	2,762	-	2,762
Other comprehensive income	-	(662)	-	(662)
Transfers between revaluation and income and expenditure reserve	-	36	(36)	-
Total comprehensive income for the year	-	2,136	(36)	2,100
Balance at 1 August 2015	844	21,198	3,584	25,626
Surplus from the income and expenditure statement	-	1,918	-	1,918
Other comprehensive income	-	(1,251)	-	(1,251)
Transfers between revaluation and income and expenditure reserve	-	36	(36)	-
Total comprehensive income for the year	-	703	(36)	667
Balance at 31 July 2016	844	21,901	3,548	26,293

Consolidated Balance Sheet
Year ended 31 July 2016

	Notes	As at 31 July 2016		Restated As at 31 July 2015	
		Consolidated	University	Consolidated	University
		£'000	£'000	£'000	£'000
Non-current assets					
Fixed assets	10	<u>23,979</u>	<u>23,946</u>	<u>23,308</u>	<u>23,295</u>
		<u>23,979</u>	<u>23,946</u>	<u>23,308</u>	<u>23,295</u>
Current assets					
Stock	11	13	-	18	-
Trade and other receivables	12	519	1,059	1,050	1,647
Investments	13	6,751	6,751	243	243
Cash and cash equivalents	18	<u>6,793</u>	<u>6,723</u>	<u>10,440</u>	<u>10,328</u>
		<u>14,076</u>	<u>14,533</u>	<u>11,751</u>	<u>12,218</u>
Less: Creditors: amounts falling due within one year	14	<u>(2,212)</u>	<u>(2,021)</u>	<u>(1,402)</u>	<u>(1,324)</u>
Net current (liabilities)/assets		11,864	12,512	10,349	10,894
Total assets less current liabilities		35,843	36,458	33,657	34,189
Creditors: amounts falling due after more than one year	15	<u>(2,945)</u>	<u>(2,945)</u>	<u>(3,002)</u>	<u>(3,002)</u>
Provisions					
Pension provisions	16	<u>(7,470)</u>	<u>(7,220)</u>	<u>(5,749)</u>	<u>(5,561)</u>
Total net assets		<u>25,428</u>	<u>26,293</u>	<u>24,906</u>	<u>25,626</u>
Restricted Reserves					
Income and expenditure reserve - endowment reserve	17	697	697	697	697
Income and expenditure reserve - restricted reserve	17	147	147	147	147
Unrestricted Reserves					
Income and expenditure reserve - unrestricted		21,036	21,901	20,478	21,198
Revaluation reserve		<u>3,548</u>	<u>3,548</u>	<u>3,584</u>	<u>3,584</u>
		<u>25,428</u>	<u>26,293</u>	<u>24,906</u>	<u>25,626</u>
Total Reserves		<u>25,428</u>	<u>26,293</u>	<u>24,906</u>	<u>25,626</u>

The financial statements were approved by the Governing Body on 25 November 2016 and were signed on its behalf on that date by:


 Vice-Chancellor


 Chair of University Council


 Director of Resources

Consolidated Cash Flow
Year ended 31 July 2016

	Notes	Year ended 31 July 2016 £'000	Restated Year ended 31 July 2015 £'000
Cash flow from operating activities			
Surplus for the year		1,811	2,532
Adjustment for non-cash items			
Depreciation	10	1,237	1,124
Decrease/(increase) in stock	11	5	(5)
Decrease in debtors	12	531	433
Increase/(decrease) in creditors	14	810	(335)
Increase in pension provision	16	12	57
LGPS Pension FRS102 Adjustments		420	242
Adjustment for investing or financing activities			
Investment income	5	(55)	(19)
Loss on the sale of fixed assets		3	(17)
Capital grant income	15	(200)	(281)
Net cash inflow from operating activities		<u>4,574</u>	<u>3,731</u>
Cash flows from investing activities			
Proceeds from sales of fixed assets		4	17
Capital grants receipts		143	219
Withdrawal of deposits		(6,508)	2,992
Investment income		55	19
Payments made to acquire fixed assets		(1,915)	(1,341)
Net cash (outflow)/inflow from investing activities		<u>(8,221)</u>	<u>1,906</u>
Cash flows from financing activities			
Net cash flow from investing activities		<u>-</u>	<u>-</u>
(Decrease)/increase in cash and cash equivalents in the year		<u>(3,647)</u>	<u>5,637</u>
Cash and cash equivalents at beginning of the year	18	10,440	4,803
Cash and cash equivalents at end of the year	18	6,793	10,440

Notes to the financial statements

	Year Ended 31 July 2016		Year Ended 31 July 2015	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
1 Tuition fees and education contracts				
UK Higher Education Students	16,712	16,712	15,496	15,496
Education Contracts	-	-	-	-
	16,712	16,712	15,496	15,496
2 Funding body grants				
	Year Ended 31 July 2016		Year Ended 31 July 2015	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Recurrent grant				
Higher Education Funding Council	755	755	923	923
National College for Teaching and Leadership	114	114	103	103
Specific grants				
Higher Education Funding Council Inherited Liabilities - Staff	17	17	20	20
National College for Teaching and Leadership	-	-	19	19
Deferred Capital Grants Released in Year				
Higher Education Funding Council	153	153	234	234
National College for Teaching and Leadership	1	1	1	1
	1,040	1,040	1,300	1,300
3 Research grants and contracts				
	Year Ended 31 July 2016		Year Ended 31 July 2015	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Research councils	2	2	81	81
Industry and commerce	7	7	-	-
	9	9	81	81
4 Other income				
	Year Ended 31 July 2016		Year Ended 31 July 2015	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Residences, catering and conferences	1,987	1,118	1,868	1,107
Non-Funding Council Capital Grants Released	46	46	46	46
Other income	587	719	1,208	1,342
	2,620	1,883	3,122	2,495

Notes to the financial statements (continued)

5	Investment income	Year Ended 31 July 2016		Year Ended 31 July 2015	
		Consolidated	University	Consolidated	University
		£'000	£'000	£'000	£'000
	Investment Income from short-term deposits	55	55	19	19
		55	55	19	19

6	Staff costs	Year ended 31 July 2016		Year ended 31 July 2015	
		Consolidated	University	Consolidated	University
		£'000	£'000	£'000	£'000
	Salaries	9,052	8,540	8,044	7,558
	Social security costs	703	678	578	552
	Movement on USS provision	29	29	69	69
	Other pension costs - FRS102 adjustment	227	213	21	24
	Other pension costs	1,287	1,237	1,085	1,030
	Total	11,298	10,697	9,797	9,233

	2016	2015
	£	£
Emoluments of the Vice-Chancellor:		
Salary	139,264	133,855
Benefits	5,070	5,074
	144,334	138,929
Pension contributions to USS	23,211	21,422
	167,545	160,351

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. No members other than the Vice Chancellor received remuneration of more than £100,000 (excluding employer's pension contributions).

	2016	2015
	No.	No.
Average staff numbers by major category :		
Academic	90	81
Management & Administrative	125	112
Other	60	55
	275	248

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:

Notes to the financial statements (continued)

6 Staff costs (continued)

	Year ended 31 July 2016 £'000	Year ended 31 July 2015 £'000
Key management personnel compensation	604	584

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 (2015 - none).

The total expenses paid to or on behalf of council members was £7,733 (2015 - £5,677). 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 2016		Year ended 31 July 2015	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Residences, Catering & Conferences Operating Expenditure	959	391	978	423
Residences - Long-Term Maintenance	40	40	35	35
Consumables and Laboratory Expenditure	292	292	398	398
Books and Periodicals	211	211	136	136
Heat, Light, Water and Power	227	227	301	301
Repairs and General Maintenance	156	156	122	122
Non-Residential - Long-Term Maintenance	206	206	330	330
Grants to BG Students' Union	124	124	51	51
External Auditors' Remuneration				
Financial Statements Audit	22	18	5	1
Internal Auditors' Remuneration	51	51	34	34
Bursary Payments to Students	583	583	545	545
Other Expenses	3,020	3,366	3,473	3,732
	5,891	5,665	6,408	6,108

Notes to the financial statements (continued)

	Notes	Year Ended 31 July 2016		Year Ended 31 July 2015	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
8 Interest and other finance costs					
Net charge on pension scheme	23	196	189	174	169
		196	189	174	169
9 Analysis of total expenditure by activity					
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
Academic Departments		5,997	5,997	5,329	5,329
Academic Services		700	700	574	574
Residences & Catering		1,675	506	1,684	561
Premises		1,326	1,326	1,372	1,372
Administration		5,865	5,841	5,201	5,176
Other expenses		3,059	3,411	3,345	3,617
		18,622	17,781	17,505	16,629

Notes to the financial statements (continued)**10 Fixed Assets**

Consolidated	Land £'000	Leasehold Land		Buildings £'000	Fixtures, Fittings and Equipment £'000	Assets in the Course of Construction £'000	Total £'000
		Land £'000	Buildings £'000				
Cost or valuation							
At 1 August 2015	2,700	8	22,630	5,980	632	31,950	
Additions	-	-	987	763	165	1,915	
Transfers	-	-	632	-	(632)	-	
Disposals	-	-	-	(12)	-	(12)	
At 31 July 2016	2,700	8	24,249	6,731	165	33,853	
At Valuation	2,700	-	2,500	-	-	5,200	
At Costs	-	8	21,749	6,731	165	28,653	
	2,700	8	24,249	6,731	165	33,853	
Depreciation							
At 1 August 2015	-	-	3,848	4,794	-	8,642	
Charge for the year	-	-	612	625	-	1,237	
Disposals	-	-	-	(5)	-	(5)	
At 31 July 2016	-	-	4,460	5,414	-	9,874	
Net book value							
At 31 July 2016	2,700	8	19,789	1,317	165	23,979	
At 31 July 2015	2,700	8	18,782	1,186	632	23,308	

10 Fixed Assets (continued)

University	Land	Leasehold Land	Buildings	Fixtures, Fittings and Equipment	Assets in the Course of Construction	Total
Cost and valuation						
At 1 August 2015	2,700	8	22,630	5,960	632	31,930
Additions	-	-	987	736	165	1,888
Transfers	-	-	632	-	(632)	-
Disposals	-	-	-	(12)	-	(12)
At 31 July 2016	2,700	8	24,249	6,684	165	33,806
Depreciation						
At 1 August 2015	2,700	-	2,500	-	-	5,200
Charge for the year	-	8	21,749	6,684	165	28,606
Disposals	-	-	-	(5)	-	(5)
At 31 July 2016	-	-	4,460	5,400	-	9,860
Net book value						
At 31 July 2016	2,700	8	19,789	1,284	165	23,946
At 31 July 2015	2,700	8	18,782	1,173	632	23,295

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)

11 Stock

	Year ended 31 July 2016		Year ended 31 July 2015	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
General consumables	<u>13</u>	<u>-</u>	<u>18</u>	<u>-</u>
	<u>13</u>	<u>-</u>	<u>18</u>	<u>-</u>

12 Trade and other receivables

	Year ended 31 July 2016		Year ended 31 July 2015	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Amounts falling due within one year:				
Other trade receivables	234	105	846	800
Prepayments and accrued income	285	278	204	197
Amounts due from subsidiary companies	-	676	-	650
	<u>519</u>	<u>1,059</u>	<u>1,050</u>	<u>1,647</u>

13 Current Investments

	Year ended 31 July 2016		Year ended 31 July 2015	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Short term deposits	<u>6,751</u>	<u>6,751</u>	<u>243</u>	<u>243</u>
	<u>6,751</u>	<u>6,751</u>	<u>243</u>	<u>243</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.

14 Creditors : amounts falling due within one year

	Year ended 31 July 2016		Year ended 31 July 2015	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Trade payables	1,054	968	787	750
Social security and other taxation payable	262	225	49	23
Accruals	539	478	300	289
Payments received in advance	28	21	50	46
Deferred Capital Grants	200	200	200	200
Amounts owed to funding councils	<u>129</u>	<u>129</u>	<u>16</u>	<u>16</u>
	<u>2,212</u>	<u>2,021</u>	<u>1,402</u>	<u>1,324</u>

Notes to the financial statements (continued)

15 Creditors : amounts falling due after more than one year

Deferred Capital Grants

	Consolidated and University £'000			
	HEFCE	NCTL	Other	Total
At 1 August 2015				
Buildings	1,842	-	959	2,905
Equipment	157	31	13	297
	<u>1,999</u>	<u>31</u>	<u>972</u>	<u>3,002</u>
Received				
Buildings	143	-	-	143
Equipment	-	-	-	-
	<u>143</u>	<u>-</u>	<u>-</u>	<u>143</u>
Released				
Buildings	(70)	-	(34)	(104)
Equipment	(83)	(1)	(12)	(96)
	<u>(153)</u>	<u>(1)</u>	<u>(46)</u>	<u>(200)</u>
At 31 July 2016				
Buildings	1,985	-	959	2,944
Equipment	157	31	13	201
	<u>1,989</u>	<u>30</u>	<u>926</u>	<u>2,945</u>

16 Provisions for liabilities

Consolidated	Obligation to fund deficit on USS Pension £'000	Pension enhancements on termination £'000	Defined Benefit Obligations (Note 23) £'000	Total £'000
At 1 August 2015	107	395	5,247	5,749
Utilised in year	(5)	(28)	-	(33)
Additions in 2015/16	37	8	1,709	1,754
At 31 July 2016	<u>139</u>	<u>375</u>	<u>6,956</u>	<u>7,470</u>

Notes to the financial statements (continued)

16 Provisions for liabilities (continued)

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 2015	107	395	5,059	5,561
Utilised in year	(5)	(28)	-	(33)
Additions in 2015/16	37	8	1,647	1,692
Unused amounts reversed in 2015/16	-	-	-	-
At 31 July 2016	139	375	6,706	7,220

USS deficit

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

17 Restricted Reserves

	Year ended 31 July 2016		Year ended 31 July 2015	
	Consolidated £000	University £000	Consolidated £000	University £000
Permanent endowment reserves				
At 1 August 2015 and at 31 July 2016	697	697	697	697
At 31 July 2016	697	697	697	697
Other restricted reserves				
At 1 August 2015 and at 31 July 2016	147	147	147	147
Total restricted reserves at 31 July 2016	844	844	844	844

Notes to the financial statements (continued)

17 Restricted Reserves (continued)

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.

18 Cash and cash equivalents

	At 1st August 2015 £'000	Cash Flows £'000	At 31st July 2016 £'000
Consolidated			
Cash and cash equivalents	<u>10,440</u>	<u>(3,647)</u>	<u>6,793</u>

19 Capital and other commitments

Provision has not been made for the following capital commitments at 31 July 2016:

	Year ended 31 July 2016		Year ended 31 July 2015	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Commitments contracted for				
Land and Buildings	2,753	2,753	228	228
Equipment	<u>25</u>	<u>25</u>	<u>114</u>	<u>114</u>
	<u>2,778</u>	<u>2,778</u>	<u>342</u>	<u>342</u>

Notes to the financial statements (continued)

20 Lease obligations

Total rentals payable under operating leases:

	Consolidated and University			Year ended 31 July 2015 Total £'000
	Year ended 31 July 2016			
	Land and Buildings £'000	Plant and Machinery £'000	Total £'000	
Payable during the year	<u>364</u>	<u>118</u>	<u>482</u>	<u>394</u>
Future minimum lease payments due:				
Not later than 1 year	364	118	482	394
Later than 1 year and not later than 5 years	1,459	-	1,459	1,459
Later than 5 years	<u>4,741</u>	<u>-</u>	<u>4,741</u>	<u>5,105</u>
Total lease payments due	<u><u>6,564</u></u>	<u><u>118</u></u>	<u><u>6,682</u></u>	<u><u>6,958</u></u>

21 Hardship funds & opportunity bursaries

	Consolidated and University	
	Year ended 31 July 2016 £000	Year ended 31 July 2015 £000
Balance brought forward	-	14
Funding Council grants	-	-
	<u>-</u>	<u>14</u>
Funding Council Grant Repaid Disbursed to Students	-	(4)
	-	(10)
	<u>-</u>	<u>-</u>
Balance unspent at 31 July, included in creditors	<u><u>-</u></u>	<u><u>-</u></u>

Funding Council 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 Expenditure Account.

22 Training bursaries

	Consolidated and University	
	Year ended 31 July 2016 £000	Year ended 31 July 2015 £000
NCTL Grants Disbursed to Students	1,385	1,300
Administration	(1,263)	(1,313)
	<u>-</u>	<u>-</u>
Balance unspent/(owed) at 31 July, included in debtors	<u><u>122</u></u>	<u><u>(13)</u></u>

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 £1,287,000 (2015: £1,085,000) excluding the FRS 102 adjustment.

	Year ended 31 July 2016		Year ended 31 July 2015	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Teacher's Pension Scheme: contributions payable	594	594	447	447
Local Government Pension Scheme: charge to the Consolidated Statement of Income & Expenditure	592	554	554	512
Universities Superannuation Scheme: contributions payable	63	63	45	45
Church of England Funded Pension Scheme	9	9	9	9
Bishop Grosseteste University Flexible Retirement Account: charge to the Consolidated Statement of Income & Expenditure	29	17	30	17
Total Pension Cost for the Year (excluding FRS 102 adjustment)	1,287	1,237	1,085	1,030

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.

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 2012. This revealed a shortfall of £293m, with assets of £896m and a funding target of £1,189m, assessed using the following assumptions:

- An investment strategy of:
 - for investments backing liabilities for pensions in payment, an allocation to gilts, increasing linearly from 10% at 31 December 2012 to 66% by 31 December 2029, with the balance in return-seeking assets; and
 - for investments backing liabilities prior to retirement, a 100% allocation to return-seeking assets.
- Investment returns of 3.2% pa on gilts and 5.2% pa on equities;
- RPI inflation of 3.2% pa (and pension increases consistent with this);
- Increase in pensionable stipends of 3.2% pa; and
- Post-retirement mortality in accordance with 80% of the S1NMA and S1NFA tables, with allowance made for improvements in mortality rates from 2003 in line with the CMI 2012 core projections, with a long term annual rate of improvement of 1.5% for males and females.

Notes to the financial statements (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.

23. Pension and similar obligations (continued)

Following the results of the 2012 valuation, the Bishop Grosseteste University contribution rate increased from 38.2% to 39.9% of pensionable stipends from 1 January 2015 (of which 14.1% will be in respect of the £293m 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. The regulations under which the TPS operates are the Teachers' Pensions Regulations 2010 (as amended), and the Teachers' Pensions Regulations 2014 (as amended). 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 too 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 Pensions (Increase) Acts are, as provided for in the Superannuation Act 1972, paid out of monies provided by Parliament. Under the unfunded TPS, teachers' contributions on a 'pay-as-you-go' basis, and employers' contributions, 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 (in excess of price increases and currently set at 3.0%), 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

Not less than every four years the Government Actuary ("GA"), using normal actuarial principles, conducts a formal actuarial review of the TPS. The aim of the review is to specify the level of future contributions.

The contribution rate paid into the TPS is assessed in two parts. First, a standard contribution rate ("SCR") is determined. This is the contribution, expressed as a percentage of the salaries of teachers and lecturers in service or entering service during the period over which the contribution rate applies, which if it were paid over the entire active service of these teachers and lecturers would broadly defray the cost of benefits payable in respect of that service. Secondly, a supplementary contribution is payable if, as a result of the actuarial investigation, it is found that accumulated liabilities of the Account for benefits to past and present teachers, are not fully covered by standard contributions to be paid in future and by the notional fund built up from past contributions. The total contribution rate payable is the sum of the SCR and the supplementary contribution rate.

The last valuation of the TPS related to the period 1 April 2004 - 31 March 2012. The GA's report of June 2014 revealed that the total liabilities of the Scheme (pensions currently in payment and the estimated cost of future benefits) amounted to £191.5 billion. The value of the assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) was £176.6 billion. The assumed rate of return is 3.0% in excess of prices. The rate of real earnings growth is assumed to be 2.75%. The assumed gross rate of return is 5.06%.

Notes to the financial statements (continued)

23. Pension and similar obligations (continued)

As from 1 April 2015, and as part of the cost-sharing agreement between employers' and teachers' representatives, the SCR was assessed at 20.4%, and the supplementary contribution rate was assessed to be 5.6% (to balance assets and liabilities as required by the regulations within 15 years). This resulted in a total contribution rate of 26.0%, which translated into an average employee contribution rate of 9.6% and employer contribution rate of 16.4% payable. The cost-sharing agreement also introduced a 10.9% cap on employer contributions payable. It was agreed that these revised contributions were to be implemented from 1 September 2015.

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. From 1 September 2015, the employer contribution rate increased to 16.4%.

The pension costs paid to TPS in the year amounted to £594,000 (2014/15 - £447,000). No contributions were payable to the schemes at 31st July 2016 and 31st July 2015.

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.

Universities Superannuation Scheme (USS)

The company 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. In 2015, the percentage was 16% (2014: 16%) and increased to 18% from 1st April 2016.

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.

Notes to the financial statements (continued)

23. Pension and similar obligations (continued)

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.

The total cost charged to the profit and loss account is £63,000 (2015: £45,000). 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. 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:

	2016	2015
Discount Rate	3.6%	3.3%
Pensionable salary growth	n/a	3.5% in the first year and 4.0% thereafter
Price Inflation (CPI)	2.2%	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 2009 projections with a 1.5% pa long term rate were also adopted for the 2014 FRS17 figures, for the March 2015 figures the long term rate has been increased to 1.5% and the CMI 2014 projections adopted. The current life expectancies on retirement at age 65 are:

	2016	2015
Males currently aged 65 (years)	24.3	24.2
Females currently aged 65 (years)	26.5	26.4
Males currently aged 45 (years)	26.4	26.3
Females currently aged 45 (years)	28.8	28.7
	2016	2015
Existing benefits		
Scheme assets	£49.8bn	£49.1bn
Total scheme liabilities	£58.3bn	£60.2bn
FRS 102 total scheme deficit	£8.5bn	£11.1bn
FRS 102 total funding level	85%	82%

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 £29,000 (2015 - £30,000).

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 2016 was £975,000 (2015 - £966,000), of which employer's contributions totalled £745,000 (2015 - £751,000) and employees' contributions totalled £230,000 (2015 - £215,000). The agreed contribution rates are 18% plus an annual lump sum of £153,000 for employers and 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 2016 %pa	At 31 July 2015 %pa
Price Inflation	2.40%	2.60%
Rate of increase in salaries	3.40%	4.00%
Discount rate	2.40%	3.60%

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 2015	22.2 years	24.5 years	24.4 years	26.8 years
At 31 July 2016	22.2 years	24.5 years	24.4 years	26.8 years

Notes to the financial statements (continued)

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

	Year ended 31 July 2016		Year ended 31 July 2015	
	Consolidated £000	University £000	Consolidated £000	University £000
Analysis of the amount shown in the balance sheet				
Scheme assets	15,445	14,868	13,050	12,595
Scheme liabilities	(22,401)	(21,574)	(18,297)	(17,654)
Deficit in the scheme – net pension liability recorded within pension provisions (Note 16)	(6,956)	(6,706)	(5,247)	(5,059)
Current service cost	983	927	793	733
Past service costs	20	14	0	0
Total operating charge	1,003	941	793	733
Analysis of the amount charged to interest payable/credited to other finance income				
Interest cost	(676)	(651)	(640)	619
Expected return on assets	483	465	467	451
Net charge to other finance income	(193)	(186)	(173)	1,070
Total profit and loss charge before deduction for tax				
Analysis of other comprehensive incomes:				
Gain on assets	1,226	1,182	572	553
Experience loss on liabilities	180	180	100	100
Changes in Financial Assumptions	(2,695)	(2,610)	(1,399)	(1,332)
Total other comprehensive income before deduction for tax	(1,289)	(1,248)	(727)	(679)
Analysis of movement in deficit				
Deficit at beginning of year	18,297	17,654	15,663	15,182
Employee contributions	231	219	215	201
Benefits Paid	(321)	(321)	(313)	(313)
Current service cost	983	927	793	733
Past service cost	20	14	0	0
Other finance charge	676	651	640	619
Gain recognised in other comprehensive income	2,515	2,430	1,299	1,232
Deficit at end of year	22,401	21,574	18,297	17,654
Analysis of movement in the fair value of scheme assets				
Fair value of assets at the start of the year	13,050	12,595	11,358	10,994
Expected return on assets	483	465	467	451
Actuarial gain on assets	1,226	1,182	572	553
Actual contributions paid by University	776	728	751	709
Actual member contributions (including notional contributions)	231	219	215	201
Actual benefit payments	(321)	(321)	(313)	(313)
Fair value of scheme assets at the end of the year	15,445	14,868	13,050	12,595

Notes to the financial statements (continued)

23. Pension and similar obligations (continued): Local Government Pension Scheme (LGPS) (continued):**Consolidated History of experience gains and losses**

	Year to				
	31-Jul 2016	31-Jul 2015	31-Jul 2014	31-Jul 2013	31-Jul 2012
Difference between actual and expected return on scheme assets:					
Amount (£m)	1,226	572	(401)	1,112	(308)
% of assets at end of year	7.9%	4.4%	(3.5%)	10.5%	(3.6%)
Experience (gains)/losses on scheme liabilities:					
Amount (£m)	2,515	1,232	(472)	0	(110)
% of liabilities at end of year	11.23%	6.73%	-3.00%	0.00%	0.90%

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 2016, comprised share capital of £2 (2015 - £2).

26. Post Balance Sheet Events

No significant events have occurred since the balance sheet date.

Notes to the financial statements (continued)

27. Transition to FRS102 and the 2015 FE HE SORP

As explained in the accounting policies, these are the University's first financial statements prepared in accordance with FRS 102 and the FE HE SORP. The accounting policies set out in Note 1 have been applied in preparing the financial statements for the year ended 2016, the comparative information presented in these financial statements for the year ended 2015 and in the preparation of an opening FRS 102 Statement of Financial Position at 1 August 2014. In preparing its FRS 102, FE HE SORP based Statement of Financial Position, the University has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (2007 SORP). An explanation of how the transition to FRS 102 and the FE HE SORP has affected the Groups financial position, financial performance and cash flows is set out in the following tables.

	01-Aug-14 Effect of transitio n to 2015			Year ended 31 July 2015 Effect of transitio n to 2015		
	2007 SORP £'000	2015 FE SORP £'000	2015 FE HE SORP £'000	2007 SORP £'000	2015 FE SORP £'000	2015 FE HE SORP £'000
Non-current assets						
Fixed Assets	21,435	1,655	23,090	21,653	1,655	23,308
	<u>21,435</u>	<u>1,655</u>	<u>23,090</u>	<u>21,653</u>	<u>1,655</u>	<u>23,308</u>
Current assets						
Stock	13	-	13	18	-	18
Trade and other receivables	1,483	-	1,483	1,050	-	1,050
Investments	3,235	-	3,235	243	-	243
Cash and cash equivalents	4,803	-	4,803	10,440	-	10,440
	<u>9,534</u>	<u>-</u>	<u>9,534</u>	<u>11,751</u>	<u>-</u>	<u>11,751</u>
Less: Creditors: amounts falling due within one year	(1,438)	(299)	(1,737)	(1,088)	(314)	(1,402)
Net current assets	<u>8,096</u>	<u>(299)</u>	<u>7,797</u>	<u>10,663</u>	<u>(314)</u>	<u>10,349</u>
Total assets less current liabilities	29,531	1,356	30,887	32,316	1,341	33,657
recorded within other Comprehensive Income.						
Creditors: amounts falling due after more than one year	-	(3,064)	(3,064)	-	(3,002)	(3,002)
Provisions						
Other pension liability	(4,686)	(36)	(4,722)	(5,642)	(107)	(5,749)
Total net assets	<u>24,845</u>	<u>(1,744)</u>	<u>23,101</u>	<u>26,674</u>	<u>(1,768)</u>	<u>24,906</u>
Deferred capital grants	3,264	(3,264)	-	3,202	(3,202)	-
Restricted Reserves						
Income and expenditure reserve - endowment reserve	697	-	697	697	-	697
Income and expenditure reserve - restricted reserve	147	-	147	147	-	147
Unrestricted Reserves						
Income and expenditure reserve - unrestricted	18,772	(135)	18,637	20,699	(221)	20,478
Revaluation reserve	1,965	1,655	3,620	1,929	1,655	3,584
	<u>21,581</u>	<u>1,520</u>	<u>23,101</u>	<u>23,472</u>	<u>1,434</u>	<u>24,906</u>
Total Reserves	<u>24,845</u>	<u>(1,744)</u>	<u>23,101</u>	<u>26,674</u>	<u>(1,768)</u>	<u>24,906</u>

Notes to the financial statements (continued)

27. Transition to FRS102 and the 2015 FE HE SORP (continued)

	2007 SORP £'000	Year ended 31 July 2015		2015 FE HE SORP £'000
		STRGL Items* £'000	Effect of transition to 2015 FE HE SORP £'000	
Income				
Tuition fees and education contracts	15,496	-		15,496
Funding body grants	1,300	-		1,300
Research grants and contracts	81	-		81
Other income (adjusted to exclude income from joint ventures)	3,122	-		3,122
Investment income	88	-	(69)	19
Total income	20,087	-	(69)	20,018
Expenditure				
Staff costs	9,712	-	85	9,797
Other operating expenses	6,408	-	-	6,4108
Depreciation	1,124	-	-	1,124
Interest and other finance costs	0	-	174	174
Total expenditure	17,244	-	259	17,503
Gain on disposal of fixed assets	17	-	-	17
Surplus before tax	2,860	-	(328)	2,532
Taxation	-	-		-
Surplus after tax	2,860	-	(328)	2,532
Surplus for the year	2,860	-	(328)	2,532
Unrealised surplus on revaluation of land and buildings	36	-	-	36
Actuarial loss in respect of pension schemes	-	(969)	242	(727)
Total comprehensive income for the year	2,896	(969)	(86)	1,841

* This column represents items that were previously recorded within the Statement of Total Recognised Gains and Losses (STRGL) and are now recorded within the Statement of Comprehensive Income.

Notes to the financial statements (continued)

27. Transition to FRS102 and the 2015 FE HE SORP (continued)

The following were changes in accounting policies arising from the transition to FRS 102:-

Holiday pay accrual

Under FRS 102, BGU is required to accrue for all holiday entitlement earned but not taken at the date of the statement of financial position. The impact is an increase in Creditors of £99,000 as at 1 August 2014 and £15,000 as at 31 July 2015. The impact on the Statement of Comprehensive Income is an increase in staff costs of £15,000 for the year ended 31 July 2015.

Defined benefit pension scheme

There is a presentation change under FRS 102 whereby net interest on the LGPS net defined benefit pension liability is presented in the profit and loss account using the liability discount rate. Under previous UK GAAP the interest on the expected return on net assets was calculated using an expected asset return discount rate. This had no impact on shareholders equity on transition but affects the allocation of £242,000 of interest between the profit and loss account and other comprehensive income.

Under previous UK GAAP the USS Pension Scheme was accounted for as a defined contribution scheme. Under FRS 102, the scheme has been accounted for as a defined benefit scheme by the company and recognises a liability on the Balance Sheet. The opening liability of the scheme as at 1 August 2014 was £36,000 and was recalculated at 31 July 2015 at £107,000 and is included in the opening pension liability balance on the Balance Sheet. The movement in the liability is shown in the Statement of Comprehensive Income with £1,000 being the interest cost and £70,000 being charged to staff costs.

Deferred 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. Under FRS 102 deferred capital grants of £200,000 are classified as creditors falling due within one year as at 1 August 2014 and 31 July 2015, and £3,064,000 at 1 August 2014 and £3,002,000 at 31 July 2015 are classified as creditors falling due after more than one year on the Balance Sheet.

Land Revaluation

FRS 102 allows for revaluation of land on first adoption of the new standard. BGU has revalued the land on transition to FRS 102 at 1 August 2014, an increase of £1,655,000 to the value of the land in fixed assets.

Presentation of actuarial gains and losses with Total Comprehensive Income

Actuarial gains and losses on the defined benefit plans were previously presented in the Statement of Total Recognised Gains and Losses (STRGL), a separate statement to the Income and Expenditure account. All such gains and losses are now required under FRS 102 to be presented within the Statement of Comprehensive Income, as movements in Other Comprehensive Income.