



our tradition - your future

FINANCIAL STATEMENTS
FOR THE YEAR ENDED

31 JULY 2011

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

CONSTITUTION: The University College is a registered charity (number 527276). It is governed by an instrument and articles of government dated 1st October 1998 updated 1st September 2006.

GOVERNORS AND ADMINISTERING TRUSTEES:

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

Mrs J Babb ^{2,3,5}
Mr H Beeken ^{3,4,5}
Mr I Bennett
Mr J Brown ¹ (Resigned May 2011)
Dr K Brown
The Very Reverend P Buckler²
Mr D Clements²
Mr R Corn
Dr I Fisher (Resigned November 2010)
Professor John Fothergill ^{1,3,5}
Dr T Hill
Mr S Illidge (Appointed August 2011)
Mr M Jacob⁴
Mr M Manin (Chair)^{1,3,4,5}
Mrs J McDonald ²
Mr G Meeson
Mrs Haf Merrifield (Appointed December 2010)
Mrs J Phull ⁴
Professor M A Robinson ^{4,5}
Mr J Rowland ¹
The Right Reverend J C Saxbee the Lord Bishop of Lincoln (Resigned January 2011)
Mrs B Starling ²
Mrs P Taylor ¹
Mr S Thompson (Resigned July 2011)
Mrs L Wood

PRINCIPAL: Professor M A Robinson ^{4,5}

BANKERS: National Westminster Bank plc

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

EXTERNAL AUDITORS: RSM Tenon Audit Limited, The Poynt, 45 Wollaton Street, Nottingham, NG1 5FW

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. Nominations Committee
5. Selection Committee

Financial statements for the year ended 31 July 2011

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Principal's Report

Scope of the Financial Statements

The Financial Statements comprise the consolidated results of the University College and its subsidiary, BG (Lincoln) Limited (formerly known as BGC (Lincoln) Limited). BG (Lincoln) Limited undertakes conference and catering services using the University College's facilities and Gift Aids the whole of any taxable profits to the University College.

Results for the Year

The University College's Consolidated Income, Expenditure and Results for the year to 31 July 2011 are summarised as follows:-

	<u>2010/11</u> £000	<u>2009/10</u> £000
Income	16,341	14,784
Expenditure	(13,569)	(13,513)
	====	====
Surplus after Depreciation of Assets at Valuation and Before Tax	2,772	1,271
	====	====
Surplus after Depreciation of Assets at Valuation, Disposal of Assets and Tax	2,772	1,271
	====	====
Surplus for the Year on an Historical Cost Basis	2,816	1,315
	====	====

The University College's total income increased by 10.5% compared with the previous year. Income from the main teaching grants, received from the Higher Education Funding Council and the Training and Development Agency for Schools, together with home and EC student and overseas fee revenue, increased by 10.6%.

Registrations, reported to the HEFCE as at 1 December 2010, were 1,731 full-time, and 183 part-time students (2009 = 1,462 full-time and 281 part-time).

The retained historical cost surplus for the year was £2,816,000. As a percentage of income this equated to 17.2% which is a performance that exceeded the budget set for the year. Total recognised gains since the last financial statements were £3,697,000. The University College's net asset level is regarded as satisfactory.

Financial Objectives and Strategy

The Financial Strategy is concerned with financing the University College'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 College 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 College's business;
- Manage and mitigate financial risk, identify opportunities, and ensure value for money in the University College'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.

Principal's Report (continued)

Performance Indicators

In order to set and effectively monitor the financial objectives, the University College will concentrate on a set of financial ratios and performance. The University College 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;
- Current Assets to Liabilities ratio;
- Borrowing as a percentage of income;
- Staff costs as a % of total income.

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 College continues and that appropriate training is arranged. It is the policy of the University College that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

Disability Statement

The University College 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 College 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 to further improve physical access and providing additional technologies for dyslexic and visually impaired and deaf students are planned. The University College 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 College's arrangements for its governance: this year's statement appears on pages 4 to 5. The work which has been undertaken under the Corporate Governance heading in 2010/11 is given in the detailed statement on pages 6 to 8 and reflects a risk based approach to determining the control systems. The University College believes that the risk process is embedded and that a full compliance statement is in order for 2010/11.

Payment of Creditors

It is the University College'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 College endeavours to include and abide by specific payment terms.

Future Developments

During the course of the academic year 2010/11, following the change of Government, far-reaching changes were announced to the national funding and policy context within which BG works. The year 2011/12 will be a year of transition to the new arrangements most of which will come into effect in 2012/13. The re-organisation of provision and structure undertaken in 2010/11 will begin to bear fruit during the 2011/12 financial year, with traded services projected to move to a break-even position and recruitment underway to the re-structured academic portfolio in the School of Culture Education and Innovation.

Principal's Report (continued)

Policy and funding changes in relation to Initial Teacher Education have been announced later than those in relation to the HE system as a whole. A consequence of this is that the work of reviewing and reorganising the portfolio and staffing of the school of Teacher Development has also been on a slightly later timetable than the work in relation to the rest of the University College and this project will be an important aspect of our work in the first half of 2011/12.

From 2012/13 most of BG's income will come in the form of fees from individual students – supported by the new national loans scheme – rather than grants from Government. Setting the level of those fees was therefore a very significant decision during 2010/11 and the Governing Body took a prudent and principled approach. In common with many other HEIs, the 2011/12 intake was particularly high, with anecdotal evidence that some students sought to start their Higher Education before the advent of the new funding system. The risk that this peak will be followed system-wide by a recruitment dip was anticipated in the modelling work which supported our decision on fees, but 2011/12 will see a particularly intensive investment in student recruitment.

Major capital works will continue on BG's estate during 2011/12. A new business and enterprise centre, BGfutures, partially funded by ERDF and County Council grants, will be complete in November 2011. Work on a major library extension and new student support facility, funded from University College reserves, is also underway on site and will be complete in August 2012, doubling the size of the University College's library and offering purpose built student support and independent study space to enhance students' learning experience.

Conclusion

The University College continues to live within its income and has again improved its financial reserves. This is a position designed to allow the University College to respond flexibly to a rapidly changing environment and to continue to invest appropriately in the University College's infrastructure, following the completion of the major projects outlined above.

The University College continues to receive due recognition for the quality of its work which will be the key factor in securing its future, growth and development.

The importance of effective and efficient management of resources is understood across the University College and the delegation of an increased number of budgets using the resource allocation model has added to the awareness at middle and junior levels of the need to be accountable and prudent in the use of resources.

The University College will celebrate its 150th anniversary during the coming year satisfied that prudent financial management will ensure its continued contribution to learning and teaching for many years to come.


PRINCIPAL

17th November 2011

Institutional governance statement

Introduction

The University College 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 College that applied during the financial year. These arrangements are set out in the University College's Instrument and Articles of Government; the terms of reference of committees of the Governing Body; the University College's financial regulations; and such resolutions as the Governing Body may from time to time adopt. The University College's governance arrangements are consistent with good practice and Committee of University Chairs (CUC) code of practice.

Roles and responsibilities

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

The Articles empower the Governing Body to delegate certain of its functions to committees of the Governing Body or to the Principal. The Governing Body may not delegate responsibility for:

- determining the educational character and mission of the University College;
- approving the annual estimates;
- ensuring the solvency of the institution and for safeguarding its assets;
- the appointment or dismissal of the Principal;
- varying or revoking the Articles of Government.

The responsibilities of the Governing Body are considered in more detail in the statement presented on pages 6 to 8.

Governing Body: constitution

The Governing Body of the University College has 23 members:

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

Governors are appointed for a term of four years except for the following; The Vice-Principal of the University College whose term has been one year (but see note below); the President of the Students' Union whose term is tied to his or her term of office; the elected student governor 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 Principal who shall hold office as Governor so long as he or she is the Principal and has chosen to be a Governor. The Chair's term of office is an appointed position for three years with a possible renewal period of three years.

During 2010/11 the University College, following a restructuring of the Senior Leadership Team, has amended the constitution to reflect the removal of the role of Vice-Principal of the University College and replaced this with a Deputy Principal.

Institutional governance statement (continued)

This change will also see an amendment to the term of office for this person who will now serve for the duration of their employment rather than for a period of just one year. This structure will be in place for the 2011/12 year.

The Clerk to the Governors maintains a register of financial and personal interests of the Governors. The register is available for inspection at the University College address.

The Governing Body and its committees meet as follows:

- Governing Body – four times per year;
- Finance, Employment and General Purposes Committee – at least three times per year;
- Audit Committee – four times per year;
- Nominations and Governance Committee – normally three times per year;
- Remuneration Committee – at least once per year; and
- Selection Committee – as and when required.

Recognising that decisions may sometimes be required at times when it is not possible or expedient for the Governing Body as a whole to meet, the Governing Body has resolved that decisions may be taken on its behalf by two of the following:

- the Chair of the Governing Body;
- the Vice-Chair of the Governing Body;
- the Principal.

Similarly, decisions may be taken on behalf of committees by the Chair of the relevant committee with two of the three people listed above.

The Governing Body has delegated certain of its functions to committees. The Governing Body 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 deals with such employment, financial and administrative matters as the Governing Body 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 Nominations Committee advises the Governing Body about the appointment of independent members to the Governing Body and the membership of committees of the Governing Body, other than the Nominations Committee itself;
- the Remuneration Committee advises the Governing Body about the remuneration and terms and conditions of employment of senior staff, including the Principal; and
- the Selection Committee manages the appointment process for senior posts and advises the Governors about such appointments.

The Academic Board is a committee of the staff of the University College whose composition and functions are defined in the Articles of Government. Its purpose is to make recommendations to the Principal or the Governing Body, as appropriate, about the content of the University College curriculum, academic standards and a range of related matters.

Statement of the Governing Body's responsibilities

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

The Governing Body is responsible for keeping proper accounting records which disclose with appropriate accuracy at any time the financial position of the University College and to 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 a Financial Memorandum agreed between the Training and Development Agency for Schools and the Governing Body of Bishop Grosseteste University College Lincoln, the Governing Body, 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 College and of the surplus or deficit and cash flows for that year.

In causing the financial statements to be prepared, the Governing Body 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;
- financial statements are prepared on the going concern basis unless it is inappropriate to presume that the University College will continue in operation. The Governing Body is satisfied that it 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 Governing Body has taken reasonable steps to:

- ensure that funds from the Higher Education Funding Council for England and the Training and Development Agency for Schools 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 Financial Memorandum with the Agency 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 College and prevent and detect fraud;
- secure the economical, efficient and effective management of the University College's resources and expenditure.

Statement of the Governing Body's responsibilities (continued)

The key elements of the University College'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 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 Governing Body;
- comprehensive financial regulations, detailing financial controls and procedures, approved by the Audit Committee and the Governing Body;
- a professional Internal Audit team whose annual programme is approved by the Audit Committee and endorsed by the Governing Body and whose head provides the Governing Body with a report on internal audit activity within the University College and an opinion on the adequacy and effectiveness of the University College'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 Governing Body of Bishop Grosseteste University College Lincoln, 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 Governing Body in the instrument and articles and the Financial Memorandum with the TDA and 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 ongoing 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 2011 and up to the date of approval of the financial statements and accords with HEFCE guidance.

Statement of the Governing Body's responsibilities (continued)

4. As the Governing Body, we have responsibility for reviewing effectiveness of the system of internal control. The following processes have been established:
 - a. Regular meetings (at least termly) are held to consider the plans and strategic direction of the University College.
 - b. Regular reports are received from the Chair of the Audit Committee concerning internal control, and we require regular reports from the Principal 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.
 - 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 College's system of internal control, together with recommendations for improvement.
 - e. A regular agenda item for the Directorate 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 College'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 Directorate 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 Governors 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 College's auditors are unaware; and each Governor 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 College's auditors are aware of that information.


CHAIR

17th November 2011

Report of the independent auditors' to the Governing Body of Bishop Grosseteste University College Lincoln

We have audited the financial statements on pages 14 to 40 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and in accordance with the accounting policies set out on pages 11 to 13.

This report is made solely to the Governing Body of the University College. Our audit work has been undertaken so that we might state to the Governing Body those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the University College and the Governing Body for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Governing Body and Auditors

As described, on pages 6 to 8, the University College's Governing Body is responsible for preparing the financial statements in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education, applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether, in all material respects, the financial statements give a true and fair view and are properly prepared in accordance with the Statement of Recommended Practice on Accounting in Further and Higher Education. We also report to you whether income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the University College have been properly applied only for the purposes which they were received and whether income has been applied in accordance with the Statutes and where appropriate, with the Financial Memorandum with the Higher Education Funding Council for England, and the funding agreement with the Training and Development Agency and any other terms and conditions attached to them.

We also report to you if, in our opinion, the University College has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding governors' remuneration and transactions with the University College is not disclosed.

We report to you whether in our opinion the information given in the Principal's Report is consistent with the financial statements.

Basis of our Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board, and the Audit Code of Practice issued by the Higher Education Funding Council for England. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Governing Body in the preparation of the financial statements, and of whether the accounting policies are appropriate to the University College's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Report of the independent auditors' to the Governing Body of
Bishop Grosseteste University College Lincoln
(continued)**

Opinion

In our opinion:

- ◆ the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the University College and the group at 31 July 2011, and of the group's surplus of income over expenditure and cash flows for the year then ended;
- ◆ the financial statements have been properly prepared in accordance with the Statement of Recommended Practice - Accounting for Further and Higher Education;
- ◆ the information in the Principal's report is consistent with the financial statements;
- ◆ in all material respects, income from the Higher Education Funding Council for England and the Training and Development Agency grants and income for specific purposes and from other restricted funds administered by the University College have been applied for the purposes for which they were received;
- ◆ in all material respects, income has been applied in accordance with the University College's statutes and where appropriate with the Financial Memoranda with the Higher Education Funding Council for England and with the Funding Agreement with the Training and Development Agency.

RSM Tenon Audit Limited

RSM Tenon Audit Limited
Registered Auditor
The Poynt
45 Wollaton Street
Nottingham
NG1 5FW.

November 2011

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 (SORP): Accounting for Further and Higher Education 2007 and in accordance with United Kingdom Generally Accepted Accounting Practice. They conform to guidance published by HEFCE and the TDA.

3. Basis of accounting

The financial statements are prepared under the historical cost convention modified by the revaluation of certain fixed assets.

4. Basis of consolidation

The consolidated financial statements include the University College and its subsidiary undertaking, BG (Lincoln) Limited. Intra-group sales and profits are eliminated fully on consolidation. In accordance with FRS2, the activities of the student union have not been consolidated because the University College does not control those activities. All financial statements are made up to 31st July 2011.

5. Recognition of income

Grant:

The recurrent grants from the HEFCE and the TDA represent the funding allocations attributable to the current financial year and credited directly to the income and expenditure account. Recurrent grants are recognised in line with planned activity. Any under-achievement against this planned activity is adjusted at the year end and reflected in the level of recurrent grant recognised in the income and expenditure account.

Non-recurrent grants from the HEFCE and the TDA received in respect of the acquisition or construction of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the life of the assets.

Other income:

Income from academic fees, other operating income, short-term deposits and interest is credited to the income and expenditure account in the period in which it is earned.

6. Maintenance of premises

The University College 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.

Statement of principal accounting policies (continued)**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 College 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 College and the employees and are contracted out of the State Earnings-Related Pension Scheme. 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 College 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 24, the TPS is a multi employer scheme and the University College 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 total recognised gains and losses.

9. Enhanced Pensions

The actual cost of any enhanced ongoing pension to a former member of staff is paid by the University College annually. An estimate of the expected future cost of any enhancement to the ongoing pension of a former member of staff is charged in full to the University College'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**a. Land and Buildings**

Land and buildings are stated at cost or, in the case of land and buildings held at 1 August 1993, at a professional valuation. The transitional provisions of FRS 15, 'Tangible Fixed Assets', were being followed. The basis of valuation is open market value for existing use or, where such a valuation is not practicable, depreciated replacement cost. The valuation carried out on 9 June 1995 was performed by Humberts Stapleton, Chartered Surveyors. This valuation has not been updated. 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.

Statement of principal accounting policies (continued)

b. Equipment

All equipment 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.

c. Subsequent expenditure on existing 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;
- Significant extension of the assets life beyond that conferred by repairs and maintenance.

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 College 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 College 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 College receives no similar exemption in respect of value added tax (VAT). For this reason the University College 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 College's subsidiary company, BG (Lincoln) Ltd, is subject to corporation tax and VAT in the same way as any commercial organisation.

13. Cash Flows and Liquid Resources

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

Liquid resources comprise assets held as a readily disposable store of value. They include term deposits held as part of the University College's treasury management activities.

14. Provisions

Provisions are recognised when the University College 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.

Consolidated Income and Expenditure Account

For the year ended 31 July 2011

	Notes	2011 £000	2010 £000
INCOME			
Funding council grants	1	8,466	7,969
Tuition fees and education contracts	2	5,719	4,862
Research grants and contracts	3	-	-
Other income	4	2,093	1,916
Investment income	5	63	37
Total Income		<u>16,341</u>	<u>14,784</u>
EXPENDITURE			
Staff costs	6	8,006	8,101
Other operating expenses	7	4,727	4,576
Depreciation	11	770	699
Interest payable	8	66	137
Total expenditure	9	<u>13,569</u>	<u>13,513</u>
Surplus on continuing operations after depreciation of assets at valuation and before tax		2,772	1,271
Profit on disposal of assets		-	-
Taxation		<u>-</u>	<u>-</u>
Surplus on continuing operations after depreciation of assets at valuation and tax	10	<u>2,772</u>	<u>1,271</u>

The income and expenditure account is in respect of continuing activities.

Consolidated Statement of Historical Cost Surpluses and Deficits

For the year ended 31 July 2011

	Notes	2011 £000	2010 £000
Surplus on continuing operations before taxation		2,772	1,271
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	17	<u>44</u>	<u>44</u>
Historical cost surplus for the year before taxation		<u>2,816</u>	<u>1,315</u>
Historical cost surplus for the year after taxation		<u>2,816</u>	<u>1,315</u>

Consolidated Statement of Total Recognised Gains and Losses
For the year ended 31 July 2011

	2011 £000	2010 £000
Surplus after depreciation of assets at valuation and tax	2,772	1,271
Actuarial gain/(loss) in respect of the pension scheme (note 24)	925	331
Total recognised gain / (loss) relating to the year	<u>3,697</u>	<u>1,602</u>
Reconciliation of reserves		
Opening reserves	13,510	11,908
Total recognised gain / (loss) relating to the year	3,697	1,602
Closing reserves	<u>17,207</u>	<u>13,510</u>

Balance sheets as at 31 July 2011

	Notes	Group 2011 £000	University College 2011 £000	Group 2010 £000	University College 2010 £000
Fixed Assets					
Tangible assets	11	<u>11,744</u>	<u>11,744</u>	<u>10,221</u>	<u>10,221</u>
Current Assets					
Stock		20	16	41	36
Debtors	13	422	486	609	656
Short-term deposits		9,063	9,063	3,013	3,013
Cash at bank and in hand		<u>2,803</u>	<u>2,737</u>	<u>6,599</u>	<u>6,554</u>
Total Current Assets		<u>12,308</u>	<u>12,302</u>	<u>10,262</u>	<u>10,259</u>
Less: Creditors - amounts falling due within one year	14	<u>(1,418)</u>	<u>(1,412)</u>	<u>(1,246)</u>	<u>(1,243)</u>
Net Current Assets		<u>10,890</u>	<u>10,890</u>	<u>9,016</u>	<u>9,016</u>
Total assets less current liabilities excluding pension liability		22,634	22,634	19,237	19,237
Net pension liability	25	<u>(2,051)</u>	<u>(2,051)</u>	<u>(2,966)</u>	<u>(2,966)</u>
NET ASSETS INCLUDING PENSION LIABILITY		<u>20,583</u>	<u>20,583</u>	<u>16,271</u>	<u>16,271</u>
Deferred capital grants	16	<u>3,376</u>	<u>3,376</u>	<u>2,761</u>	<u>2,761</u>
Restricted reserves	18	<u>844</u>	<u>844</u>	<u>844</u>	<u>844</u>
Income and expenditure account excluding pension reserve	19	16,061	16,061	13,235	13,235
Pension Reserve	25	<u>(2,051)</u>	<u>(2,051)</u>	<u>(2,966)</u>	<u>(2,966)</u>
Income and expenditure account including pension reserve	19	<u>14,010</u>	<u>14,010</u>	<u>10,269</u>	<u>10,269</u>
Revaluation reserve	17	<u>2,353</u>	<u>2,353</u>	<u>2,397</u>	<u>2,397</u>
TOTAL		<u>20,583</u>	<u>20,583</u>	<u>16,271</u>	<u>16,271</u>

The financial statements on pages 15 to 40 were approved by the Governing Body on 17 November 2011 and were signed on its behalf by:



Principal
Bishop Grosseteste University College Lincoln



Chair



Director of Resources

Consolidated Cash Flow Statement**For the year ended 31 July 2011**

	Notes	Year Ended 2011 £000	Year Ended 2010 £000
Cash inflow from operating activities	20	3,567	1,821
Returns on investments and servicing of finance	21	(3)	(100)
Capital expenditure and financial investment	22	(1,310)	(285)
Management of liquid resources	23	(6,050)	(13)
(Decrease)/Increase in cash	23	<u>(3,796)</u>	<u>1,423</u>
Reconciliation of net cash flow to movement in net funds			
(Decrease)/Increase in cash		(3,796)	1,423
Movement in short term deposits		<u>6,050</u>	<u>13</u>
Movement in net funds in year		2,254	1,436
Net funds at 1 August		<u>9,612</u>	<u>8,176</u>
Net funds at 31 July	23	<u>11,866</u>	<u>9,612</u>

In this Statement, figures in brackets refer to cash outflows and all other figures are cash inflows to the University College.

Notes to the financial statements

1. Funding council grants

	HEFCE £000	2011 TDA £000	TOTAL £000	2010 £000
Recurrent Grant	4,840	2,885	7,725	7,242
Specific Grants				
HEFCE Inherited Liabilities - Staff	29	-	29	23
HEFCE Other	102	-	102	103
TDA Graduate Teacher Programme	-	143	143	159
TDA Other	-	99	99	167
Deferred Capital Grants Released in Year				
Buildings (Note 16)	59	-	59	41
Equipment grant (Note 16)	289	20	309	234
	<u>5,319</u>	<u>3,147</u>	<u>8,466</u>	<u>7,969</u>

2. Tuition fees and education contracts

	2011 £000	2010 £000
UK Higher Education Students	5,657	4,858
Education contracts	<u>62</u>	<u>4</u>
	<u>5,719</u>	<u>4,862</u>

3. Research grants and contracts

	2011 £000	2010 £000
Other grants and contracts	<u>-</u>	<u>-</u>

Notes to the financial statements (continued)

4. Other income

	2011 £000	2010 £000
Residences, catering and conferences	1,031	1,138
Other Income	1,062	778
	<u>2,093</u>	<u>1,916</u>

5. Investment income

	2011 £000	2010 £000
Investment income from short-term deposits	13	13
Other interest receivable	50	24
	<u>63</u>	<u>37</u>

Notes to the financial statements (continued)

6. Staff

The average number of persons (including senior post-holders) employed by the University College during the year, described as full-time equivalents, was:

	2011 Number	2010 Number
Academic	73	78
Management and Administrative	84	94
Other	45	45
	<u>202</u>	<u>217</u>

Staff costs for the above persons:

	2011 £000	2010 £000
Wages and salaries	6,568	6,688
Social security costs	506	513
Other pension costs - FRS 17 adjustment	(46)	(49)
Other pension costs (Note 24)	978	949
	<u>8,006</u>	<u>8,101</u>

The above costs include amounts payable to the Principal (who is the highest paid senior post holder) of:

	2011 £	2010 £
Salary	122,133	121,646
Benefits in kind	<u>5,677</u>	<u>5,458</u>
	<u>127,810</u>	<u>127,104</u>
Pension contributions	<u>17,221</u>	<u>17,152</u>

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

No member of staff other than the Principal received remuneration of more than £100,000 (excluding employer's pension contributions).

Notes to the financial statements (continued)

7. Other operating expenses

	2011	2010
	£000	£000
Residences, Catering & Conferences Operating Expenditure	466	506
Residences - Long-Term Maintenance	40	41
Consumables and Laboratory Expenditure	214	241
Books and Periodicals	104	91
Heat, Light, Water and Power	246	285
Repairs and General Maintenance	84	83
Non-Residential - Long-Term Maintenance	544	76
Grants to BG Students' Union	80	79
External Auditors' Remuneration		
Financial Statements Audit	12	11
Internal Auditors' Remuneration	20	27
Bursary Payments to Students	884	753
Other Expenses	2,033	2,383
	<u>4,727</u>	<u>4,576</u>

8. Interest payable

	2011	2010
	£000	£000
Interest on FRS 17 Liability (Note 24)	66	137
	<u>66</u>	<u>137</u>

Notes to the financial statements (continued)

9. Analysis of 2010/2011 expenditure by activity

	Staff Costs £000	Dep'n £000	Operating Expenses £000	Interest Payable £000	Total £000
Academic Departments	3,987	-	616	-	4,603
Academic Services	297	-	168	-	465
Residences & Catering	492	-	606	-	1,098
Premises	431	-	904	-	1,335
Administration	2,470	-	719	-	3,189
Other Expenses	329	770	1,714	66	2,879
	<u>8,006</u>	<u>770</u>	<u>4,727</u>	<u>66</u>	<u>13,569</u>
Totals per Income and Expenditure Account	<u>8,006</u>	<u>770</u>	<u>4,727</u>	<u>66</u>	<u>13,569</u>

The depreciation charge has been funded by:

Deferred Capital Grants Released	368
Revaluation Reserve Released (Note 17)	44
General Income	<u>358</u>
	<u>770</u>

10. Surplus on continuing operations for the year

	2011 £000	2010 £000
University College's surplus for the year	2,746	1,232
Surplus generated by the subsidiary undertaking and transferred to the University College under gift aid	<u>26</u>	<u>39</u>
Total	<u>2,772</u>	<u>1,271</u>

Notes to the financial statements (continued)

11. Tangible fixed assets (Group and University College)

	Land and Buildings				
	Land	Leasehold	Buildings	Equipment	Total
	£000	£000	£000	£000	£000
Cost or valuation					
At 1 August 2010					
At valuation	927	-	2,946	-	3,873
At cost	118	8	7,115	3,204	10,445
Additions	-	-	1,811	482	2,293
Disposals	-	-	(9)	(10)	(19)
At 31 July 2011					
At valuation	927	-	2,937	-	3,864
At cost	118	8	8,926	3,676	12,728
	<u>1,045</u>	<u>8</u>	<u>11,863</u>	<u>3,676</u>	<u>16,592</u>
Depreciation					
At 1 August 2010	-	-	1,896	2,201	4,097
Charge for period	-	-	252	518	770
Eliminated in respect of disposals	-	-	(9)	(10)	(19)
At 31 July 2011	<u>-</u>	<u>-</u>	<u>2,139</u>	<u>2,709</u>	<u>4,848</u>
Net Book Value					
At 31 July 2011	<u>1,045</u>	<u>8</u>	<u>9,724</u>	<u>967</u>	<u>11,744</u>
At 31 July 2010	<u>1,045</u>	<u>8</u>	<u>8,165</u>	<u>1,003</u>	<u>10,221</u>

Certain buildings have been partially funded from external sources. Should these particular buildings be sold, the University College may either have to surrender the proceeds to the external party or use them in accordance with the financial memorandum or agreement made with that particular external party.

Notes to the financial statements (continued)

12. Investments

Nominees of the University College hold all the 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, the taxable profits of which are payable to the University College under a deed of covenant. The University College's interest in the company at 31 July, 2011, comprised Share Capital of £2 (2010, £2).

13. Debtors - Amounts falling due within the year

	Group 2011 £000	University College 2011 £000	Group 2010 £000	University College 2010 £000
Trade debtors	308	279	509	457
Amounts owed by subsidiary undertaking	-	93	-	99
Prepayments and accrued income	114	114	100	100
	<u>422</u>	<u>486</u>	<u>609</u>	<u>656</u>

14. Creditors: Amounts falling due within one year

	Group 2011 £000	University College 2011 £000	Group 2010 £000	University College 2010 £000
Payments received in advance	35	31	100	98
Trade creditors	1,137	1,137	814	814
Other taxation and social security	59	59	202	202
Accruals	52	50	42	41
Amounts owed to funding councils	128	128	87	87
Hardship Funds & Opportunity Bursaries carried forward (Note 29)	7	7	1	1
	<u>1,418</u>	<u>1,412</u>	<u>1,246</u>	<u>1,243</u>

Notes to the financial statements (continued)

15. Enhanced pension provision

Group and University College
Total
£000
At 1 August 2010
Utilised in Year
Revaluation
Transfer from income & expenditure account
At 31 July 2011

369

(25)

-

15

359

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 2½% in excess of price inflation. The overall provision was revalued in 2008/09 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 College 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. As such, the account has been treated as a retirement benefit pension under FRS17 (see Note 24).

Notes to the financial statements (continued)

16. Deferred capital grants

Group and University College

	HEFCE £000	TDA £000	Other £000	Total £000
At 1 August 2010				
Buildings	2,216	-	-	2,216
Equipment	491	54	-	545
Total	<u>2,707</u>	<u>54</u>	<u>-</u>	<u>2,761</u>
Cash Receivable in the Year				
Buildings	6	-	544	550
Equipment	428	5	-	433
Total	<u>434</u>	<u>5</u>	<u>544</u>	<u>983</u>
Released to Income & Expenditure				
Buildings (Note 1)	(59)	-	-	(59)
Equipment (Note 1 and Note 4)	(289)	(20)	-	(309)
Total (Note 9)	<u>(348)</u>	<u>(20)</u>	<u>-</u>	<u>(368)</u>
At 31 July 2011				
Buildings	2,163	-	544	2,707
Equipment	630	39	-	669
Total	<u>2,793</u>	<u>39</u>	<u>544</u>	<u>3,376</u>

Notes to the financial statements (continued)

17. Revaluation reserve

	Group 2011 £000	University College 2011 £000	Group 2010 £000	University College 2010 £000
At 1 August	2,397	2,397	2,441	2,441
Transfer from revaluation reserve to general reserve in respect of:				
Depreciation on revalued assets	<u>(44)</u>	<u>(44)</u>	<u>(44)</u>	<u>(44)</u>
At 31 July	<u>2,353</u>	<u>2,353</u>	<u>2,397</u>	<u>2,397</u>

18. Restricted reserves

	Group 2011 £000	University College 2011 £000	Group 2010 £000	University College 2010 £000
Permanent endowment reserves				
At 1 August 2010 and at 31 July 2011	<u>697</u>	<u>697</u>	<u>697</u>	<u>697</u>
Other restricted reserves				
At 1 August 2010 and at 31 July 2011	<u>147</u>	<u>147</u>	<u>147</u>	<u>147</u>
Total restricted reserves at 31 July	<u>844</u>	<u>844</u>	<u>844</u>	<u>844</u>

Other restricted reserves

During 2006 the University College, 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 College.

Permanent endowment reserves

Permanent endowment reserves are made up from the sale of two properties previously owned by the University College. As required by the Charity Commission, the Governors 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.

Notes to the financial statements (continued)

19. Income and expenditure account

	Group 2011 £000	University College 2011 £000	Group 2010 £000	University College 2010 £000
At 1 August	10,269	10,269	8,623	8,623
Surplus on continuing operations	2,772	2,772	1,271	1,271
Transfer to Other restricted reserves	-	-	-	-
Transfer from Revaluation Reserve	44	44	44	44
Actuarial gain in respect of pension	925	925	331	331
At 31 July	<u>14,010</u>	<u>14,010</u>	<u>10,269</u>	<u>10,269</u>
Balance represented by:				
Pension reserve (Note 24)	(2,051)	(2,051)	(2,966)	(2,966)
Income and expenditure account reserve excluding pension reserve	<u>16,061</u>	<u>16,061</u>	<u>13,235</u>	<u>13,235</u>
At 31 July	<u>14,010</u>	<u>14,010</u>	<u>10,269</u>	<u>10,269</u>

Notes to the financial statements (continued)

20. Reconciliation of consolidated operating surplus to net cash inflow from operating activities

	2011 £000	2010 £000
Surplus on continuing operations after depreciation of assets at valuation and disposal of assets	2,772	1,271
Depreciation (Note 11)	770	699
Deferred capital grants released to income (Note 16)	(368)	(275)
Loss on disposal of fixed assets	-	9
Interest Paid (Note 8)	66	137
Pension cost less contributions payable	20	88
Decrease/(Increase) in Stocks	21	(1)
Decrease in Debtors	187	95
Increase/(Decrease) in Creditors	172	(157)
Decrease in provisions	(10)	(8)
Interest received (Note 5)	(63)	(37)
Net Cash Inflow from Operating Activities	3,567	1,821

21. Returns on investments and servicing of finance

	2011 £000	2010 £000
Investment interest received (Note 5)	63	37
Interest paid (Note 8)	(66)	(137)
	(3)	(100)

22. Capital expenditure and financial investment

	2011 £000	2010 £000
Purchase of tangible fixed assets (Note 11)	(2,293)	(1,008)
Deferred capital grants received (Note 16)	983	723
Net cash outflow from capital expenditure and financial investment	(1,310)	(285)

Notes to the financial statements (continued)

23. Analysis of changes in net funds

	At 2010 £000	Cash Flows £000	At 2011 £000
Cash in hand and at bank	6,599	(3,796)	2,803
Short-term deposits	<u>3,013</u>	<u>6,050</u>	<u>9,063</u>
	<u>9,612</u>	<u>2,254</u>	<u>11,866</u>

24. Pension and similar obligations

The University College's employees belong to three principal pension schemes, the Church of England Funded Pensions Scheme, the Teachers' Pensions Scheme (TPS) and the Local Government Pension Scheme (LGPS). All three are defined benefit schemes.

Total pension cost for the year

The pension contributions for the year was £978,000 (2010: £949,000) excluding the FRS 17 adjustment.

	2011 £000	2010 £000
Teachers Pension Scheme: contributions payable	452	453
Local Government Pension Scheme: Charge to the Income and Expenditure Account	518	488
Church of England Funded Pensions Scheme: contributions payable	8	8
Total Pension Cost for Year (excluding the FRS 17 adjustment)	<u>978</u>	<u>949</u>

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuations of the TPS was 31 March 2004 and the LGPS was 31 March 2010.

Contributions amounting to £105,000 (2010 £109,000) were payable to the schemes at 31st July and are included within creditors.

Notes to the financial statements (continued)

Church of England Funded Pensions Scheme:

The University College participates in the Church of England Funded Pensions Scheme and employs 1 member of the scheme out of a total membership of approximately 9,000 active members. The Church of England Funded Pensions Scheme is a defined benefit scheme but the University College is unable to identify its share of the underlying assets and liabilities of the scheme. Each employer in that scheme pays a common contribution rate. The latest valuation of the scheme was carried out as at 31 December 2009. This revealed a shortfall of £262m, with assets of £605m and a funding target of £867m, assessed using the following assumptions:

- An investment strategy of:
 - for investments backing liabilities for pensions in payment, an allocation to gilts, increasing linearly from nil at 31 December 2009 to 2/3 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 4.4% pa on gilts and 5.9% pa on equities;
- RPI inflation of 3.8% pa (and pension increases consistent with this);
- Increase in pensionable stipends of 3.8% pa; and
- Post-retirement mortality in accordance with 80% of the S1NA tables, with allowance for future improvements according to the "medium cohort" projections, and subject to a minimum annual improvement in mortality rates of 1.5% for males and 1.0% for females.

For schemes such as the Church of England Funded Pensions Scheme, paragraph 9(b) of FRS 17 requires the University College to account for pension costs on the basis of contributions actually payable to the scheme in the year. The contribution rate was 45% of pensionable stipends with effect from 1st January 2010, reflecting unfavourable investment experience and changes in financial market conditions. Following the valuation of the Scheme as at 31 December 2009, and some agreed changes to benefits, the contribution rate has been set at 38.2% with effect from 1 January 2011. The next valuation of the Scheme will be due as at 31 December 2012.

Teachers' Pension Scheme (TPS):

The TPS is an unfunded defined benefit scheme. Contributions on a "pay as you go" basis are credited to the Exchequer under arrangements governed by the Superannuation Act 1972. A notional asset value is ascribed to the scheme for the purpose of determining contribution rates.

The pensions cost is normally assessed not less than once every five years in accordance with the advice of the government actuary. The assumptions and other data that have the most significant effect on the determination of the contributions levels are as follows:

Latest actuarial valuation	31 March 2004
Actuarial method	Prospective Benefits
Investments return per annum	6.5%
Salary scale increases per annum	5.0%
Notional value of assets at date of last valuation	£162,650 million
Proportion of members' accrued benefits covered by the notional value of the assets	98.88%

Notes to the financial statements (continued)**24. Pension and similar obligations (continued)**

Following the implementation of the Teachers' Pensions (Employers' Supplementary Contributions) Regulations 2000, the government actuary carried out a further review on the level of employers' contributions. For the period from 1 August 2010 to 31 July 2011 the employer contribution was 14.1%. The employee rate was 6.4% for the same period.

Under the definitions set out in Financial Reporting Standard 17 (Retirement Benefits), the TPS is a multi-employer pension scheme. The University College is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the University College has taken advantage of the exemption in FR517 and has accounted for its contributions to the scheme as if it were a defined contribution scheme. The University College has set out above the information available on the deficit in the scheme and the implications for the University College in terms of the anticipated contribution rates.

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 2011 was £683,000, of which employer's contributions totalled £518,000 and employees' contributions totalled £165,000. The agreed contribution rates are 20.6% for employers and between 5.5% and 7.5% depending upon salary for employees.

Notes to the financial statements (continued)

24. Pension and similar obligations (continued)

Local Government Pension Scheme (LGPS) (continued): FRS17

The following information is based upon a full actuarial valuation of the Fund at 31 March 2010 updated to 31 July 2011 by a qualified independent actuary

	At 31-Jul-11	At 31-Jul-10
Rate of increase for pensions/inflation	2.70%	2.90%
Rate of increase in salaries	5.00%	4.90%
Expected return on assets	6.40%	6.50%
Discount rate for liabilities	5.30%	5.40%
The University College share of the assets and liabilities in the scheme and the expected rates of return were:		
	Long term rate of return expected at 31-Jul-11 %	Long term rate of return expected at 31-Jul-10 %
Equities	7.0	7.3
Bonds	4.6	4.8
Property	5.1	5.3
Cash	4.0	4.4
	Year ended 31-Jul-11 £000	Year ended 31-Jul-10 £000
Equities	5,981	4,226
Bonds	1,037	1,217
Property	877	768
Cash	80	192
Total market value of assets	7,975	6,403

Notes to the financial statements (continued)

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

	Year ended 31-Jul-11 £000	Year ended 31-Jul-10 £000
University College's estimated asset share	7,975	6,403
Present value of liabilities	(9,667)	(9,000)
Net pension liability	(1,692)	(2,597)

Analysis of the amount charged to income and expenditure account

	Year ended 31-Jul-11 £000	Year ended 31-Jul-10 £000
Service cost (net of employee contributions)	458	439
Past service cost	-	-
Losses on curtailments of settlements	14	-
Total operating charge	472	439

Analysis of pension finance costs

	Year ended 31-Jul-11 £000	Year ended 31-Jul-10 £000
Expected return on pension scheme assets	430	354
Interest on pension liabilities	(496)	(491)
Pension finance costs	(66)	(137)

Amount recognised in the statement of total recognised gains and losses (STRGL)

	Year ended 31-Jul-11 £000	Year ended 31-Jul-10 £000
Actuarial gains/(losses) on pension scheme assets	691	441
Actuarial gains/(losses) on scheme liabilities including CPI credit of £nil, (2010 £586,000)	234	(110)
Actuarial gain/(loss) recognised in the STRGL	925	331

Notes to the financial statements (continued)

24. Pension and similar obligations (continued)

Local Government Pension Scheme (LGPS) (continued):

	Year ended 31-Jul-11 £000	Year ended 31-Jul-10 £000
Asset and Liability Reconciliation		
Liabilities at start of period	8,414	7,972
Service cost	458	439
Interest cost	496	491
Employee contributions	165	162
Actuarial (gain)/loss	(234)	110
Past service gains	-	(586)
Losses/(Gains) on Curtailments	14	-
Benefits paid	(232)	(174)
Liabilities at end of period	<u>9,081</u>	<u>8,414</u>
Assets at start of period	6,403	5,132
Expected return on assets	430	354
Actuarial (gain)/loss	691	441
Employer contributions	518	488
Employee contributions	165	162
Benefits paid	(232)	(174)
Assets at end of period	<u>7,975</u>	<u>6,403</u>

Notes to the financial statements (continued)

24. Pension and similar obligations (continued)

Local Government Pension Scheme (LGPS) (continued):

	Year ended 31-Jul-11 £000	Year ended 31-Jul-10 £000
Movement in deficit during the year		
Deficit in scheme at 1 August	(2,597)	(2,840)
Movement in year:		
Current service charge (net of employee contributions)	(458)	(439)
Contributions (employer)	518	488
Past service costs	-	-
Losses on Curtailments	(14)	-
Net return/(interest) on asset	(66)	(137)
Actuarial gain	925	331
Deficit in scheme at 31 July	<u>(1,692)</u>	<u>(2,597)</u>

The estimated value of employer contributions for the year ended 31st July 2012 is £528,000

History of Experience Gains and Losses	2011	2010
Difference between the expected and actual return on assets:		
Amount (£000)	691	441
Percentage of scheme assets	8.7%	6.9%
Experience gains and losses on scheme liabilities:		
Amount (£000)	(315)	0
Percentage of scheme liabilities	-3.3%	0.0%
Total amounts recognised in STRGL		
Amount (£000)	925	331
Percentage of scheme liabilities	9.6%	3.7%

Notes to the financial statements (continued)

25. Pension liability

Group and University College

	2011 £000	2010 £000
LGPS liability (Note 24)	1,692	2,597
Enhanced pension provision (Note 15)	359	369
	<u>2,051</u>	<u>2,966</u>

26. Capital commitments

Group and University College

	2011 £000	2010 £000
Land and Buildings	3,096	267
Equipment	55	-
Commitments contracted for at 31 July	<u>3,151</u>	<u>267</u>

27. Financial commitments

At 31 July the University College had annual commitments under non-cancellable operating leases as follows

Group and University College

	2011 £000	2010 £000
Equipment		
Expiring between two and five years inclusive	<u>9</u>	<u>6</u>
	<u>9</u>	<u>6</u>

28. Related Party Transactions

Due to the nature of the University College's operations and the composition of the Governing Body (being drawn from public and private sector organisations) it is inevitable that transactions will take place with organisations in which a member of the Governing Body may have an interest. All transactions involving organisations in which a member of the Governing Body may have an interest are conducted at arm's length and in accordance with the University College's financial regulations and normal procurement procedures. No transactions were identified which should be disclosed under Financial Reporting Standard 8 - Related Party Disclosures.

In the opinion of the Governing Body there is no controlling party.

Notes to the financial statements (continued)

29. Hardship funds & opportunity bursaries

Group and University College

	2011 £000	2010 £000
Balance brought forward	1	-
Funding Council grants	67	87
	<u>68</u>	<u>87</u>
Disbursed to Students	(61)	(86)
Balance unspent at 31 July, included in creditors	<u>7</u>	<u>1</u>

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

30. Training bursaries

Group and University College

	2011 £000	2010 £000
TDA Grants	1,318	1,324
Disbursed to Students	(1,265)	(1,286)
Administration	<u>(26)</u>	<u>(26)</u>
Balance unspent at 31 July, included in creditors	<u>27</u>	<u>12</u>

TDA grants are available solely for students; the University College 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)

31. Minority ethnic funding

Group and University College

	2011 £000	2010 £000
TDA Grants	-	4
Utilised in Year	-	(4)
Balance unspent at 31 July, included in creditors	-	-

32. Student associate scheme

Group and University College

	2011 £000	2010 £000
TDA Grants	83	124
Utilised in Year	(42)	(111)
Balance unspent at 31 July	41	13

33. Aimhigher - Partnerships for Progression

Group and University College

	2011 £000	2010 £000
Balance brought forward	83	51
Grants Received During Year	736	774
	819	825
Grants paid out during Year	(631)	(697)
Administration Charge	(42)	(45)
Balance unspent at 31 July, included in creditors	146	83

The University College acts as the Aimhigher Sub-regional Lead for the East Midlands. Funds received are, in the main, distributed to institutions to fund projects meeting suitable criteria. In addition to this, funds are used to pay a small number of staff and to purchase non-pay items for its administration at the University College. The net creditor of £146,000 is held within the University College's balance sheet.

34. Post Balance Sheet Events

No significant events have occurred since the balance sheet date.