



Loughborough
University

Financial Statements 2016-17

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OUR UNIVERSITY

Loughborough University is renowned for its excellence in research, teaching and enterprise; the unique contribution it makes to the world of sport and the links it holds with business, industry and policymakers ensures that the University and its activities have a tangible positive impact on issues worldwide.

Since its inception in 1909, the University has grown significantly and now operates across two sites – the main campus in Loughborough and Loughborough University London, a postgraduate campus located on the Queen Elizabeth Olympic Park.

The University offers undergraduate, postgraduate taught and postgraduate research programmes, across a wide range of disciplines. Both sites also offer access to a range of student support services and amenities, as well as one of the best students' unions in the country, Loughborough Students' Union.

The University's diverse student community, across both Loughborough and London campuses, is made up of over 17,900 students from over 100 countries.

Supporting this community is a workforce of over 3,600 employees, including teaching and research staff, and staff that provide a range of support, professional and technical services.

Loughborough is a research-active institution that contributes at the very highest levels to new knowledge and understanding, helping business and industry to compete more effectively, shaping public policy and, ultimately, helping to improve the quality of people's lives.

Loughborough University also owns and manages Loughborough University Science and Enterprise Park (LUSEP), an established, dynamic innovation community of organisations and business start-ups.

University organisation

The University has 10 academic schools, more than 100 research groups, institutes and centres, and over 35 professional services teams.

The University Council is the governing body, responsible for the University's finances, buildings and land. The University Senate is responsible for the academic work of the University, including programmes, examinations, teaching and research quality.

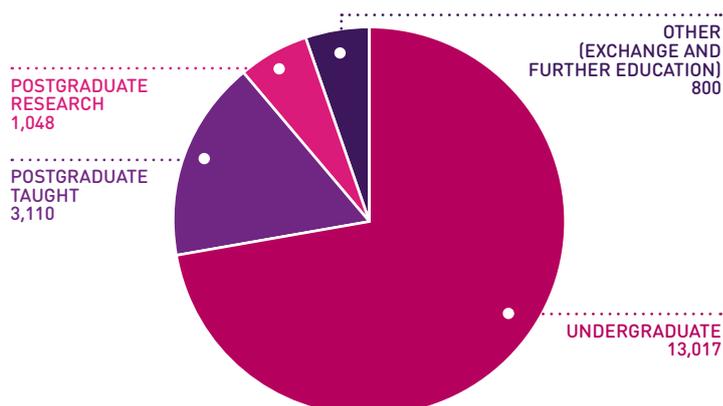
Our mission

- To further knowledge and understanding through internationally-recognised research.
- To provide a high quality, comprehensive educational experience that prepares our graduates for their future lives and the global workplace.
- To influence the economic and social development of individuals, businesses, professions and communities.
- To shape national and international policy and practice.

Our values

- Respect each other and celebrate our diversity.
- Recognise and reward excellence in our staff for their contribution and commitment.
- Be inclusive and value the views of our staff, students, alumni and partners.
- Respect the communities and environments in which we operate.
- Work together as a team with professionalism and integrity.
- Take pride in being the very best we can be.

STUDENT NUMBERS 2016/17 TOTAL 17,975



OUR STRATEGY

The success Loughborough enjoys is built on the hard work and high standards achieved by our staff and students. These high standards stem from our ambitious outlook, which is reflected in our Building Excellence strategy.

Our ambitions

The Building Excellence strategy outlines that by 2020 we will have achieved the following as an institution:

- A distinctive international reputation for excellence.
- A life-shaping student experience.
- Outstanding partnerships to deliver social, economic and cultural prosperity.
- A culture of delivering excellence in all that we do.
- One outstanding university: two vibrant campuses.

Monitoring the University's performance in delivering Building Excellence is a primary responsibility of Council. Council considers a suite of over 30 key performance indicators (KPI's) aligned to the five ambitions set out above together with an overarching measure of financial sustainability and an overall assessment of institutional performance. These KPI's are kept under constant review, as is our benchmark for success which continues to rise in line with our performance expectations. Key performance indicators are reflected in the graphics and statistics that appear throughout this Strategic Report.

Our drivers

The strategy is built upon four central themes which act as drivers to support us in achieving our ambitions – with research, teaching, enterprise and sport embedded in each.

- **Investing in our staff** – We will be an outstanding employer; supporting our staff to achieve their full potential and recognising excellence and achievement. We will maintain a strong staffing profile to enhance our centres of research excellence and provide a dynamic learning environment for our students.
- **Educating for success** – We will develop our students as creative, confident and adaptable individuals who will make a significant contribution to global society.
- **Growing capacity and influence** – We will grow capacity in key areas of teaching, research and enterprise by investing strategically and developing international partnerships and collaborations, with policymakers, business, industry and the community.
- **Raising standards and aspirations** – We will build on our strengths and focus on developing the activities we do well, such as internationally excellent research and a high quality student experience.

Sector changes and challenges

The higher education environment is continuously evolving. Our strategy supports us in anticipating and responding to change so that we remain in a strong position. Current sector challenges include:

- **Raised student expectations** – A rise in tuition fees has generated greater expectations from students regarding the experience they receive.
- **Uncertainty around overseas recruitment** – Changes to the student immigration policy and visas, as well as the impact of the EU Referendum result make realistic recruitment targets difficult to set.
- **Rising pension and national insurance costs** – Changes to both national insurance contributions and the provision of pensions, which continue to increase, puts pressure on employment costs.
- **Increased competition** – The removal of the student numbers cap in 2015 and an increasing number of alternative and private providers has contributed towards growing competition in the sector.
- **Higher Education and Research Bill 2017** – Adding to the above, the most significant sector legislation in 25 years has now been passed. Although legislation has been delayed until 2020, under the Bill, new rules and regulations will make teaching quality transparent, and up the value students get for their money. It will also increase competition further by making it simpler and quicker for innovative and specialist providers to set up, award degrees and compete alongside existing institutions. It will place students at the heart of higher education regulation through the creation of a single regulator.
- **Research** – Under the same Bill the seven existing Research Councils are being brought together into a single body. There are some concerns that this could lead to the loss of the close relationships between specialist funding bodies and research groups that have created a system of effective funding that nurtures world-class research.
- **Reduction in teaching grant to universities** – During the Autumn Statement in 2015 it was announced that the teaching grant to universities would be reduced by £120 million by 2019/20.

IN A TIME OF CHANGE WE WILL MAXIMISE
OUR DISTINCTIVE APPROACH TO BUILD ON
OUR ACHIEVEMENTS AND FLOURISH

REVIEW OF THE YEAR 2016/17

PROFILE AND REPUTATION

Current position

Loughborough University enjoys a strong profile and reputation. In recent years we have cemented our position amongst the UK's higher education elite and have established a growing international reputation for the University.

Progress in 2016/17

League tables

The University consolidated its position as one of the top ten best universities in the country, placing 6th in The Guardian University Guide 2018, 10th in The Complete University Guide 2018 and retained our position as highest ranking university in the East Midlands.

These results followed a strong performance earlier in the financial year in the Times Higher Education (THE) 'Table of Tables', in which the University rose six places to 6th.

Influential figures

Lord Sebastian Coe was announced as the University's new Chancellor in March and officially installed at the graduation ceremonies in July 2017. The role will see the high profile sportsman and long standing friend of the University act as our Chief Ambassador.

In the latest Queen's New Year Honours list 23 Loughborough University-linked athletes, alumni and honorary graduates were recognised. A further six alumni were recognised in the Queen's Birthday Honours list for 2017.

Media coverage

At the Rio Olympics in summer 2016 it was not just the immense success of our athletes that raised the profile of Loughborough University – our PR and digital teams seized the opportunity too.

The teams ran a digital campaign covering both the build up to the Games and our athletes' success during the competition. Our content was viewed in 169 different countries, and delivered 49,000 visits to the website and 9.4 million social media impressions. Across the duration of the campaign 23 videos were released, which garnered 433,000 views overall.

The following summer, academics from the University's Centre for Research in Communication and Culture worked closely with our PR and digital teams to cement their position as leaders in the field during another high profile event, the General Election 2017. The Centre delivered a real-time news audit of the election, on what media coverage the political parties, their policies and MPs secured each week. This resulted in 96 media appearances for our academics; over 22,000 video views across 27 countries; and 289,000 Twitter impressions.

Overseas visits

In the last 12 months the University's Vice-Chancellor Professor Robert Allison has made a number of trips overseas, to lead by example in developing and maintaining strategic international partnerships that define our place in the world and support us in growing our global capacity and influence.

This included a trip to the USA, visiting the University of California Los Angeles (UCLA) as well as existing partner Massachusetts Institute of Technology (MIT), which resulted in a number of positive collaborative discussions across a range of areas including the broader learning and teaching agenda.

As part of the trip two special alumni dinners and a reception were held, attended by graduates spanning over 60 years, giving us the opportunity to connect with alumni that can provide us with invaluable insight, connections and opportunities. In the last 12 months, the Vice-Chancellor has held high profile alumni receptions in Singapore, Malaysia, Hong Kong, Beijing, Shanghai and New York.

Another significant trip from the year was to Victoria University in Melbourne, Australia, where Professor Allison co-delivered a lecture at a major conference, with a group of students that were live in Loughborough. The students captivated everyone, and were described by attendees as 'inspirational, compelling, realistic, and energising'.

Moving forwards

The rapid pace of life at the University reflects the challenge we all face of keeping Loughborough at the front of UK higher education. Every new year brings new challenges, but we start the next financial year in a very strong position.

We must now focus on the future to sustain excellence and maintain our current position.

Looking ahead we will continue to build on our connections and partnerships across teaching, research, enterprise, sport and student experience, to grow our capacity and influence and firmly establish our place in the world.

We will also continue to work closely with both our students and staff to generate positive change and progression towards the factors that matter the most to them, which in turn can only have a positive effect on our profile and reputation.



THE COMPLETE
UNIVERSITY GUIDE 2018
TOP 10



GUARDIAN UNIVERSITY
GUIDE 2018
RANKED 6TH

TEACHING AND LEARNING

Current position

Teaching and learning is a primary focus at Loughborough. It is our main service provision and directly impacts on the lives of all our students.

We work with our students to ensure that we are delivering what they need to succeed.

It is an approach that has proved successful, as Loughborough remains popular amongst prospective students at all levels. During the 2016 admissions cycle, we received over 29,500 applications for undergraduate entry and accepted an intake of 3,734 students to start in 2016. At postgraduate level we received 17,397 applications for postgraduate taught entry and accepted an intake of 1,850 students to start in 2016.

Progress in 2016/17

Gold standard

The University's dedication to teaching excellence was officially recognised in June when we were awarded Gold, the top accolade, in the national Teaching Excellence Framework (TEF).

We scored highly on retention and progression of students to highly skilled employment or further study. Our results in student satisfaction with teaching, assessment and feedback, and academic support were also notably above the sector benchmark.

Keeping employers involved

The University was named the top university for student – employer connections in the QS Employability Rankings 2017.

The ranking is determined by the level of employer engagement demonstrated across both our campuses, and recognises the value of events such as the Graduate Recruitment and Placement Fair, which during 2016 attracted more than 240 businesses and organisations, and led to the event being run across two days for the first time ever.

We also use our employer connections to enhance the learning experience of our students through the delivery of guest lectures and site visits. At the beginning of the academic year, our London campus welcomed Chief Scientist at NASA, Dr Ellen Stofan, to talk to students and staff about the administration's 2030 Journey to Mars. In addition to those that attended the talk on campus, almost 8,500 further individuals benefitted from the session being streamed live online.

Educating for success

The success of our investment in teaching and learning is ultimately evidenced by the success of our students both whilst they are here at university, and once they have finished.



ONE MEMBER OF STAFF
TO EVERY 14.6
STUDENTS



TEACHING EXCELLENCE
FRAMEWORK
GOLD

In the major UK league tables the University retained its place as a top 10 university in the UK for graduate prospects in both The Guardian University Guide 2018 and The Complete University Guide 2018.

New course provisions

During 2016/17 the University established a new undergraduate course, BArch (Hons) Architecture. The programme has been created as a direct response to the changing needs of architectural practice, and will focus on quality over quantity, meaning cohorts will be kept small, allowing for significant dialogue with tutors and greater access to the excellent facilities available. New courses have also been established in Bioengineering, which recruited for students to start in September 2017, and Biosciences, which is open for applications from students looking to start at Loughborough in September 2018.

At our London campus a new institute has been established. The Institute for International Management, which will run courses from September 2018, will be a major centre for research and teaching in the international management field. It will form partnerships with leading universities in other countries and with a range of companies in and around London.

Moving forwards

A major focus in the coming year will be the implementation of our Digital Strategy for Learning and Teaching. In particular, we want to ensure that all of our students are provided with the encouragement and high quality resources, both face-to-face and online, needed to actively engage with their studies and achieve success. Alongside the curriculum, we are piloting 'Personal Best' – a new scheme that will support students via a blend of academic guidance, pastoral care, mentorship, peer support and self-directed endeavour to allow them to reflect on and improve their performance and well-being. In addition, we will focus on consistency and standards in the academic experience of our students to ensure that it is the best it can be.

STUDENT EXPERIENCE

Current position

In collaboration with Loughborough Students' Union we deliver an award-winning student experience that is renowned within the higher education sector. However, we don't rest or rely on this outstanding reputation; instead we work together, with the Students' Union, to develop our experience into one that is inclusive and relevant to all.

Progress in 2016/17

Awards and recognition

The University was placed 2nd in the Times Higher Education Student Experience Survey 2017. The result puts Loughborough at the top for Britain's best student experience over the last 10 years, as since the inception of the table in 2006 the University has ranked top seven times and in the top five no less than 10 times.

Fundraising and volunteering are key elements of our student experience, with almost 2,000 students dedicating over 20,000 hours in voluntary work in 2016/17, and over £1.1 million raised through Rag.

In June, LSU Action was awarded The Queen's Award for Voluntary Service for the significant impact their work has on local communities. Since the application process began the University's Action 'Heroes' have volunteered over 100,000 hours, including at weekly Soup Kitchens for the homeless, dog walking at a local kennel, garden projects, and in the campus nursery. The award is the highest possible given to volunteer groups across the UK.

The impact of the University's voluntary and fundraising work was also recognised at the WhatUni? Student Choice Awards 2017 when the University was placed first for Giving Back.

An international experience

In March, Loughborough Students' Union hosted its first ever International Showcase, during which students from international backgrounds showcased cultural performances that best represented their country, to over 250 people.

The Union's annual International Day also proved to be a record breaker this year, with 47 countries represented and over 1,700 students and staff attending to celebrate the University's wonderful cultural diversity.

Committed at all levels

At the first Loughborough Students' Union Postgraduate Awards evening the student experience on our London campus was recognised multiple times, including Postgraduate Event of the Year award for their 'Think and Drink' event, the Immediate Impact award, and The Bryn Pike award won by LSU Manager Ellie Read for her exceptional contribution to the postgraduate experience.

Moving forwards

The partnership between the University and Loughborough Students' Union continues to be a key role in delivering an outstanding experience for students. Moving forwards we intend to support the Union in their commitment to delivering a world-class student experience that is adaptable and inclusive to all. This will include:

- Supporting the Union to deliver on its Education Priorities, such as shaping and improving teaching and learning in line with the student voice.
- Developing and articulating opportunities for a personalised study experience during a student's 'Loughborough Journey' within and outside of the curriculum.



TIMES HIGHER EDUCATION
STUDENT EXPERIENCE
SURVEY

BRITAIN'S BEST STUDENT
EXPERIENCE OVER THE
LAST 10 YEARS 2007-2017



WHATUNI? STUDENT
CHOICE AWARDS 2017
1ST FOR GIVING BACK

RESEARCH

Current position

As a university we are renowned for the relevance of our research. Our results help business and industry to compete more effectively, shape public policy and ultimately improve the quality of people's lives.

Our five research beacons: Built Environment, Communication and Culture, High Value Manufacturing, Sport and Exercise, and Transport Technologies, are the major research strengths of the University.

Collaboration is key to our success. This includes our partnerships with multi-national businesses and many public and private sector organisations. We also combine our disciplinary strengths across the University to develop multi-disciplinary solutions for the biggest societal challenges of our time.

This work is delivered by a research community of over 2,500 staff and students, who are committed to delivering excellence in all that they do.

Progress in 2016/17

Research strategy

This year saw the launch of our new CALIBRE framework (Collective Ambition at Loughborough for Building Research Excellence). Research excellence is fundamental in the new framework, which has the diverse but focused research strengths across all our schools at its heart.

In addition to launching the new strategy, the priority areas for our Beacon and Global Challenge programmes have also been set.

Income and investment

Grant income for research during 2016/17 totalled £43 million, the highest we have achieved as a university.

Doctoral College

In June we launched our Doctoral College, which is responsible for our postgraduate researchers and PhD students, their recruitment, progression and development. The College will deliver the 'Educating for Success' strand of the CALIBRE framework and will bring significant benefits and enhanced profile to Doctoral Researchers at the University.

Investing in our staff

In order for research at the University to flourish, investment is also needed in the individuals that deliver the end results.

Recruitment

Our commitment to developing the best early career academics was bolstered by the announcement of The Midlands Graduate School Doctoral Training Partnership, which is being established to offer world-class postgraduate training and study in social sciences.

During the early part of the financial year the University welcomed five new academics across science, engineering, sport, geography and the arts, as part of the Vice-Chancellor's first Research Fellows, which are designed to support early



**£43 MILLION
SECURED IN RESEARCH
GRANTS AND CONTRACTS**

career individuals who are developing an international reputation for the quality of their research.

Professional development

As part of our commitment to the development of our research community, 174 researcher development workshops were delivered on our Loughborough campus this year, and over 25 at Loughborough University London.

The University also retained its HR Excellence in Research Award from the European Commission in recognition of its long-term commitment to career development for researchers.

Powerful partnerships

In December the University was announced as a partner in three £10 million research hubs designed to upgrade the UK's manufacturing capabilities and techniques. Funded by the Engineering and Physical Sciences Research Council (EPSRC), the partnership will bring together 17 universities and 200 industrial and academic partners.

Our award-winning reputation for transport technologies research secured the University a role in a £92 million academia and industry partnership aimed at developing the future of British railways. Eight universities will form three centres of excellence in the UK Railway Research and Innovation Network (UKRRIN), and will work alongside 17 rail sector organisations including Network Rail, Transport for London and British Steel.

This year also marked 25 years of partnership between the University and Rolls-Royce.

Research impact

The beginning of 2017 saw the culmination of a four-year project between the University and supermarket giant Tesco, which aimed to reduce the retailer's carbon footprint and save on its energy bill. The resulting research showed how goal-driven incentives for each worker coupled to careful job design can bring about radical reductions in energy use in the retail environment.

Moving forwards

The year ahead will build on last year's launch of our new CALIBRE framework.

Following a successful year of initiatives and grant income, we will continue on this track in the coming year, which will also see the delivery of our first three Institute of Advanced Studies programmes, in Communication, Migration and Energy.

ENTERPRISE

Current position

Enterprise is integrated in everything the University does. We provide opportunities for organisations to tap into our expertise and collaborate with our academics; inspire our students to be enterprising and nurture new graduate businesses; and provide an outstanding base for businesses to grow through Loughborough University Science and Enterprise Park (LUSEP).



**OVER 6,000 STUDENTS
WERE ENGAGED
IN ENTERPRISE
ACTIVITIES IN 2016/17**



**MORE THAN 80% OF
LUSEP ORGANISATIONS
ARE DIRECTLY ENGAGED
WITH THE UNIVERSITY**

Progress in 2016/17

We have continued to weave enterprise into all that we do, ensuring that both our external partnerships and the opportunities we provide add value to our teaching and research activities. All academic schools now have an enterprise committee to encourage greater engagement in enterprise activity, and activity is now rooted across our academic work.

Impact through enterprise

The University has directly funded a number of important enterprise projects, which showcase outstanding commercial potential.

This includes the creation of a new 'dementia-friendly' home. The house, a 100sqm Victorian terrace in Watford, will be adapted to cater for different types and stages of the debilitating illness, which affects 850,000 people in the UK.

Once complete the converted building will give developers, care providers and families an opportunity to learn about better ways to equip buildings and homes, to make certain aspects of everyday living more manageable for people with dementia. The transdisciplinary project draws expertise from across building, engineering, design and sport.

Research in the School of Mechanical, Electrical and Manufacturing Engineering led to the unveiling of an industry-first technology that has the potential to significantly cut nitrogen oxide (NOx) emissions in diesel engines, which are a growing public health concern. Commercialisation activity is already underway to bring this unique technology to market.

Our work in enterprise also has the scope to impact on an international scale. In the past 10 years, landslides have caused more than 30,000 fatalities. Loughborough technology, Community Slope SAFE, could revolutionise landslide monitoring and help protect vulnerable communities, by 'listening' to slope displacements, detecting the onset of a landslide, and communicating wirelessly to alert the community to the danger and provide valuable time to evacuate. The innovative sensor system has performed well in laboratory tests and will now undergo field trials with a number of global collaborators.



**AT LEAST 18 COLLABORATIVE
RESEARCH LINKS HAVE
BEEN ESTABLISHED, MANY
IN PRIORITY AREAS FOR
THE UNIVERSITY**

LUSEP and the new enterprise zone

In February, Loughborough was announced as part of a new Enterprise Zone for the region. Loughborough and Leicester Science and Innovation Enterprise Zone is expected to make Leicester and Leicestershire extremely attractive to science, innovation and hi-tech manufacturing companies, and is anticipated to bring more than 21,000 new jobs and £123 million into the area over the next 25 years.

Existing LUSEP facility, the Advanced Technology Innovation Centre (ATIC) continues to attract a pipeline of dynamic companies including several companies set up by new graduates.

Student and graduate enterprise

The University and Santander Universities UK signed a new agreement worth £435,000 to support a further three year partnership. Amongst other initiatives, the new agreement will provide funding to student and graduate enterprise activities. LUSEP organisations continue to benefit from the talent pool we provide. In the last three years over 115 Loughborough graduates have been employed by organisations on the Park, 55 year-long placements have been completed, alongside numerous MBA and student projects.

The Studio, the University's incubation hub, continues to thrive in supporting our graduates to develop their businesses. To date, it has supported 42 businesses, which have created over 70 jobs, hired 83 interns and volunteers, and raised over £500,000 in funding and investments.

Moving forwards

Looking ahead over the next year, we will continue to grow our activity and build on our reputation as a leading institution for enterprise. This will include delivery in three key areas:

- Launch of the Loughborough Enterprise Network, which will bring together the dedicated resources and support available from Loughborough Students' Union, the University, the Studio and Glendonbrook Centre for Enterprise Development, for the benefit of students and graduates. Once launched, work will also be done to ensure that the benefits of the network reach beyond just our students and graduates, providing use for the businesses and organisations that are associated with enterprise at Loughborough too.
- Several new design and build projects at LUSEP moving into the planning stage.
- Pushing take up of space in ATIC close to 100%.



**QS WORLD UNIVERSITY
RANKINGS BY SUBJECT**
BEST UNIVERSITY IN THE
WORLD TO STUDY SPORTS-
RELATED SUBJECTS



**BRITISH UNIVERSITIES
AND COLLEGES SPORT
CHAMPIONS**
37 YEARS IN A ROW

SPORT

Current position

Over 100 years ago our Principal, Herbert Schofield, made educating the mind and the body central to his student welfare philosophy and saw sport and physical education as crucial to this.

Today, Loughborough Sport plays host to many of the highest performing student athletes and teams in the country and our campus-wide opportunities allow all of our students the chance to enjoy life-shaping experiences through sport. Our focus is on ensuring that every student has the opportunity to enjoy sport regardless of ability or interest.

Progress in 2016/17

Awards and recognition

In September 2016, the University was named University of the Year for Sport by The Times and Sunday Times Good University Guide 2017.

Six months later, in March 2017, the University was named the best university in the world to study sports-related subjects in the QS World University Rankings by Subject.

To finish the year, Loughborough was named British Universities and Colleges Sport (BUCS) champion for the 37th consecutive year. For the first time in the competition's history Loughborough's athletes broke the 6,000 points barrier, finishing over 1,700 points ahead of second place.

Hosting the School Games

In September 2016, the University hosted the School Games – a major multi-sport event for elite young athletes. The event, which aims to replicate the experience of a major sporting event like an Olympic or Paralympic Games, brought together 1,600 athletes from across the UK. Loughborough hosted the Games again in 2017.

Sport and good causes

This year marked the 12th year of the 'Volunteer Zambia' project, which sends students from seven universities, including Loughborough, to deliver coaching, build new sports facilities and undertake sports development capacity building programmes across Zambia.

Inspiring winners

A remarkable 17 Loughborough athletes were named in the Great Britain team for this year's IAAF World Championships that took place in London during August. A further 12 Loughborough athletes were also named in the British team for the World Para Athletics Championships, which took place at the London Stadium in July. Our athletes won nine of Team GB's 39 medals, including an astonishing three world records.

Sport for everyone

Last year the University embarked on an innovative way of collecting and analysing sport and physical activity trends and habits of their students through the 'Swipe Me' project. The initiative encourages students to scan their student card when using University facilities (indoor only) to log their attendance. The data has allowed the University to look at what, when and how students are using the facilities to better understand habits, behaviours and trends in relation to sport and physical activity. This will enable us to further develop the sporting offer and in turn, improve the student experience at the University.

Moving forwards

Building on another incredible year for sport we are committed to setting new and even higher standards.

Over the next 12 months we will continue to invest in the outstanding support services we offer to athletes in order to ensure we maintain, if not extend, our British Universities and Colleges Sport winning margin. From improvements to our support in strength and conditioning, physiotherapy, nutrition, and facilities we will continue to build upon our formula for success.

We continue to develop our strong relationship between the Sports Development Centre and the School of Sport, Exercise and Health Sciences to increase the level of applied sports science we offer. This is of huge benefit to our sporting performances, our sports science students and the high quality research produced at the University.

We are committed to providing some of Europe's very best athlete accommodation through our investment in the Elite Athlete Centre and Hotel. Opening in September 2018, this gives us an unrivalled sporting offer across our campus.

STAFF



90% OF STAFF THINK
THE UNIVERSITY IS A
GOOD PLACE TO WORK



93% OF STAFF PUT
FORWARD FOR A
DISCRETIONARY REWARD
IN 2017 WERE APPROVED

Current position

Investing in our staff is a central theme of our University strategy. We invest in the development of our employees and their well-being, and aim to create a culture and community across both our campuses that individuals want to be a part of.

Progress in 2016/17

Making personal development a priority

The Performance and Development Review (PDR) process was previously reviewed and updated, and following successful trials the new process was rolled out across all schools and professional services during 2016/17.

Approximately 94% of staff received a PDR in 2017, an increase of 38% on 2016. Of the staff that received a PDR, 77% received a rating of good or very good and 20% received a rating of excellent.

To help us evaluate the revised process a reviewees' survey was also run. All comments made will be reviewed in order to improve the process further next year.

Rewarding hard work

As part of the PDR process review, staff rewards were also amended. All staff receiving an excellent rating were put forward automatically for a reward, and staff with a very good rating were put forward at the discretion of their line manager.

93% of those put forward for a discretionary reward were approved. This was an increase of 135% on the number of awards approved in 2016. A number of lump sum payments were also made to recognise exceptional contributions to one-off projects.

Two years ago the money put aside in our budget for discretionary awards was approximately £230,000. This year it was in excess of £1 million.

Investing in leading academics

Our staff are the key to our ongoing success, and we are fortunate to be home to some of the very best academic minds.

In January we launched an ambitious campaign to further enhance our teaching and research profile. Excellence100 aims to recruit up to 100 outstanding academics across a wide range of disciplines. So far 13 new appointments have been made, and we are currently seeking to appoint lecturers, senior lecturers and readers across all of our academic schools.

Staff Survey actions

The results of the Staff Survey in the year previous showed that 90% of staff think the University is a good place to work, but also identified areas where we could improve.

This year, action plans were put in place very quickly at school/professional services and University level to provide a clear structure moving forwards. More significantly, action planning and monitoring is now firmly embedded in the formal governance procedures of the University.

Staff well-being

The chance to take a lunch break or some time out was highlighted as an issue in the Staff Survey. As a result of this, the University held its first Take Your Lunch Break day, just one initiative of a wider programme designed to support the well-being of staff. The event showcased the range of services, activities and facilities available across campus that staff can take advantage of on a day-to-day basis.

Moving forwards

Over the next year, we will continue our review of the new PDR process and to embed further changes to both the PDR and reward processes where appropriate. This work will include reviewing the comments and feedback from staff members submitted as part of the reviewees' survey.

Recruitment will also be a key focus, as we continue the work of the Excellence100 campaign.

Staff numbers for 2016/17

Administrative services	633
Management and specialist	603
Operational services	931
Other academic related	13
Specialist and supporting academic	419
Research, teaching and enterprise	792
Technical services	218
Total number	3,609

Total headcount as of December 2016



THE TIMES HIGHER
EDUCATION STUDENT
EXPERIENCE SURVEY 2017
**1ST FOR HIGH
QUALITY FACILITIES**



WHATUNI STUDENT
CHOICE AWARDS 2017
**1ST FOR UNIVERSITY
FACILITIES**

CAMPUS DEVELOPMENT AND FACILITIES

Current position

Loughborough University has two incredible campuses.

In the East Midlands, our stunning 440-acre green campus offers great facilities for every aspect of student life, with plenty of open space, gardens and sports areas, interspersed with academic buildings and student accommodation.

Loughborough University London, our dedicated postgraduate campus, is situated at the heart of the Queen Elizabeth Olympic Park, which was the home of the London 2012 Olympic and Paralympic Games.

Progress in 2016/17

Completed facilities open

The University welcomed Minister of State for Universities, Science, Research and Innovation, Jo Johnson MP to campus to officially open the West Park Teaching Hub.

During the same visit guests were also given a tour of STEMLab, a £17 million state-of-the-art learning facility, which was under construction for the majority of the 2016/17 financial year, and launched in September 2017.

Work starts on campus

Work officially began in June on the new multi-million pound National Centre in Combustion and Aerothermal Technology, a project that was announced last year.

New facilities announced

In September 2016, the University revealed plans to create sport-specific accommodation on campus that will secure Loughborough's place as a training centre for elite athletes. The build will also include the construction of new bedrooms to satisfy demand from new and returning students for places in halls of residence. Approximately 600 rooms will be built, including up to 70 student athlete rooms and 40 elite athlete rooms. The accommodation and surrounding areas will be designed to support the well-being of students, staff and visitors by discouraging the use of cars and promoting cycling, walking and running in and around campus.

The build started in August 2017 and is expected to be completed by September 2019. When fully operational the project will result in the creation of between 30 and 50 new jobs.

Green campus

A HESA report at the beginning of the year highlighted Loughborough's success in promoting sustainable travel choices amongst its students and staff. Data showed that 70% of students at the University opt to walk or cycle to campus rather than driving, compared to the national average of 40%. The report also showed that 27% of staff choose to leave their car behind.

Moving forwards

The main focus for the year ahead will be the construction of several major projects on campus including the building of new village residences and the Elite Athlete Centre and Hotel, and the refurbishment of the David Davies and S building on West Park.

Options for master planning of Central and East Parks will also be explored during the year, to enable further consolidation and co-location of departments and schools through a programme of refurbishments and demolitions of our older building stock.

OUR FINANCIAL STRATEGY REMAINS TO INVEST STRATEGICALLY WHILE PRESERVING LIQUIDITY TO MANAGE RISK OR SEIZE OPPORTUNITY IN A CONTINUING UNCERTAIN FINANCIAL ENVIRONMENT

RISKS AND UNCERTAINTIES

The University maintains a strategic risk register overseen by Council; while strategic risks remain broadly consistent with the prior year the University perceives increased risk as a result of changes to the regulatory environment and government funding policy.

As the University consolidates its position in the UK Top 10, it is mindful of the need to ensure that its reputation for providing an excellent student experience and forming valued partnerships with industry and other stakeholders is maintained.

However, the University is well placed to respond to these risks. Our financial position remains strong, with efficiencies derived from existing operations being targeted towards new investment and planning to ensure compliance with new legislation is underway.

With challenges to the financial strength of the sector continuing to dominate, we have taken steps in early 2017/18 to further enhance our liquidity and our ability to continue to innovate and invest in a life-shaping experience for all of our students.

Government policy and changes to regulation

There remains a high risk that changes to government policy and/or regulation could impact the University's funding or compliance obligations including, but not limited to, regulated student fees, visa and immigration compliance, the new Criminal Finances Act and the General Data Protection Regulation (GDPR).

The sector is subject to change and ambiguity; planning could be insufficient to identify emerging threats or ensure financial sustainability. In the last few months, it has been confirmed that anticipated inflation-linked increases to regulated student fees will be suspended.

Brexit and international relationships

There is continuing uncertainty regarding the UK's exit from the European Union. Access to EU funding streams for research and to support activities such as student placements overseas remain undecided. With the continued growth of our campus on the Queen Elizabeth Olympic Park in London, our exposure to volatility in international student recruitment is increasing. A continuing lack of clarity around immigration issues post-Brexit together with the wider impact on the attractiveness of UK higher education to overseas students means that we have to see this as a risk.

A material change to the international student population could result in a significant loss of income to the University. In response, we continue to plan prudently and carry a contingency within our forward forecasts. We are pleased to report that recruitment for the 2017/18 academic year has been strong with that contingency being available to support the University strategy during the year.

The University employs a significant number of EU (non-UK) members of staff, notably in our academic community and we

continue to seek clarity for colleagues regarding their future immigration and employment status. For now, our strong performance and reputation means that we are still able to attract excellent staff to the University and continue to invest in growing our academic staff base, with no increase in student numbers, through our Excellence100 programme.

Pensions

Pension arrangements in higher education remain an attractive element of overall remuneration for staff. However, the viability of existing defined benefit schemes, driven in part by high valuation of liabilities with persistently low discount rates, remains under review.

We await the outcome of the 2017 valuation of the Universities Superannuation Scheme (USS). An increase in employer contributions and/or the deficit recovery liability could result in a real cost pressure for the University in terms of cash contributions to the scheme and/or a material charge to the Statement of Comprehensive Income and Expenditure as we restate future liabilities.

Macroeconomic risks

Finally, we note that our financial sustainability is dependent on a strong domestic economy. Students' ability to live and study away from home in a campus environment such as Loughborough may be impacted by macroeconomic factors such as inflation and interest rates. We contribute to and benefit from a strong local, regional and national economy by working closely with industrial partners, both to offer placements of value to our students but also to advance our research and enterprise activity. As such any threats to the economy continue to present an ongoing risk to the success and sustainability of the University.

FINANCIAL REVIEW

The University is pleased to report a net cash inflow from operating activities of £25.0 million, 8.3% of income.

The cash position remains strong with a balance sheet total of cash and short-term deposits of £76.1 million.

Income and expenditure

In 2016/17 total income grew by 3.2% to £300.8 million. The mix of income remained very similar year on year, with tuition fees representing 49% of total income. The breakdown by category is shown in the chart below.

Tuition fee income continues to rise, reaching £147.4 million (up 3.6%). Fees from Home/EU students of £99.4 million account for 33% of the total income of the University and 67% of total tuition fees, an increase of £6.1 million (6.6%) over the previous year. A further £41.8 million of tuition fees relate to international students, principally at postgraduate level which is supported by strong operational growth at our London campus.

Grants from funding bodies increased £5.2 million (14%) to £42.3 million. This is largely due to higher capital grant income in 2016/17 driven by the recognition of the £5.0 million HEFCE capital grant for STEMLab, which was released to income on completion of the building at the end of June 2017.

Income from research grants and contracts increased by £3.2 million (7.9%) to £43.3 million. Research income benefited for a final year from further income of £0.6 million arising from release of the remaining provision for Research & Development Expenditure Credits (RDEC) during 2016/17 (2015/16: £1.8

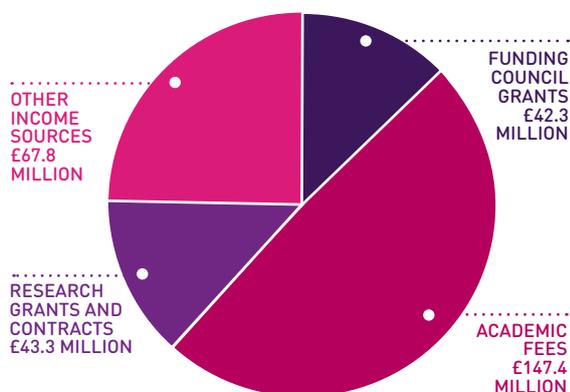
million). This year we are pleased to report that the underlying trend excluding the RDEC impact is an increase of £4.4 million (11.5%). This increase in research income combined with improved levels of overhead recovery, highlighting the success of our investment in research infrastructure which will underpin research for the medium to long-term.

Total expenditure increased by 1.9% to £280.3 million, the breakdown by category is shown in the chart below.

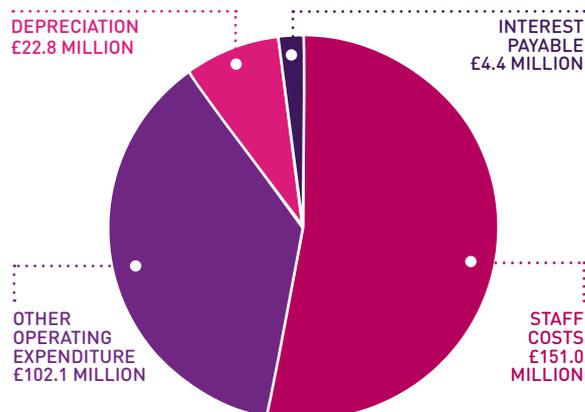
The majority of expenditure (54%) relates to staff costs of £151.0 million which have increased by 3.7%. In addition to inflationary and incremental salary increases, the major factors influencing the increase in staff costs include; changes to National Insurance contributions; the introduction of the apprenticeship levy and changes to employer pension contribution rates.

Other operating expenses of £102.1 million have been held relatively static with an increase of only 0.3% on the previous year demonstrating strong budgetary control. In addition, we continually strive to identify and realise efficiencies to secure funds for innovation and investment. Depreciation increased by 6.3% to £22.8 million, resulting from continued investment in campus infrastructure including buildings and equipment.

TOTAL INCOME 2016/17 £300.8 MILLION



TOTAL EXPENDITURE 2016/17 £280.3 MILLION



Balance sheet

Net assets increased 11.3% to £288.8 million in 2016/17.

Fixed assets increased by £17.6 million (4.5%) to £408.6 million, an increase which demonstrates significant investment, with no revaluations or accounting adjustments in the year.

The University has continued to invest significant sums in capital expenditure to enhance facilities, supporting the strategic ambition of 'one outstanding university; two vibrant campuses'. Capital expenditure of £41.4 million included the following major project spend in year:

1. STEMLab building £10.8 million, providing new teaching space for 2017/18.
2. West Park Refurbishment £6.8 million, representing the start of a three-year project to transform academic space for Engineering and Science.
3. Student Village £2.1 million, which will provide over 600 new student rooms on the Loughborough campus.
4. Equipment £7.6 million to support research, teaching and campus-wide infrastructure.

Cash and short-term investments totalled £76.1 million, a decrease of £6.0 million on the previous year.

There were no changes to the loan portfolio in 2016/17 and no significant change to the Universities Superannuation Scheme (USS) provision. The Local Government Pension Scheme (LGPS) provision reduced by 6.7% based on actuarial advice driven by better than expected returns on the assets.

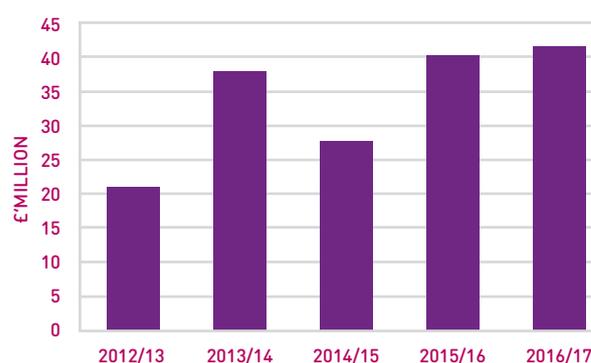
The ratio of debt to income of 21% remains a relatively low gearing compared to our peers.

Cash flow

The net cash inflow from operating activities totalled £25.0 million, compared to £29.4 million the previous year.

Overall, the net decrease in 'cash and cash equivalents' for the year is £11.0 million; however a further £20.0 million cash is invested on deposits with 3-12 months' notice (2016: £15.0 million), giving an overall cash and short-term investment decrease of £6.0 million. This year, as last year, included relatively high levels of capital expenditure with £37.7 million cash spent on fixed assets, primarily funded by cash generation in year.

TOTAL CAPITAL EXPENDITURE



All treasury decisions are taken within the framework of the University's Treasury Management Policy. The underlying principle is that the University operates a low-risk approach in managing investments and liquidity. In balancing risk against return, the University is more concerned to avoid risk than to maximise return. The Treasury Management Policy determines the limits in terms of the credit ratings of institutions used for investments and on the sums placed with any one provider. The counter-party list is regularly reviewed and approved by Finance Committee.

Future financial outlook

The University remains in a strong position in the higher education market, reflected in the league table standings and further evidenced by the continuing strength of student applications. Given the expectation of a stable student base on the Loughborough campus and continued growth on the London campus, the forecasts for net cash inflow from operating activities are over £30.0 million pa for the next three years. Major capital expenditure plans continue at over £170.0 million of investment in the same period and since the year-end the University has taken steps to improve liquidity to continue to support its strategic ambitions.

DELIVERY OF PUBLIC BENEFIT

Loughborough University is an independent corporation established by Royal Charter and has the status of an exempt charity.

The information below notes the way in which the University has delivered activity for the benefit of the public, taking into consideration the guidance on public benefit, as set out in the Charities Act 2006. Due regard has also been given to the University's responsibilities as a charitable body, which is regulated by the Higher Education Funding Council for England (HEFCE).

What we seek to achieve

When looking at the University's delivery of benefit to the public, the University and its students contribute to this in a number of ways. These include:

- Contributing to knowledge and understanding across all sectors at the highest of levels.
- Contributing to the wider public in terms of making education accessible to all, and removing any barriers.
- Contributing to industry and economic growth at both a local and national level.
- Contributing to the level of talent and excellence in industry.
- Contributing widely to Loughborough's economy, community and social environment.

Our strategy

Public benefit is embedded across our strategic aims, ambitions and drivers; benefitting the public both internal and external to the University.

This section of the report presents our delivery of public benefit in two main areas: academic benefit, which covers our core charitable objects of delivering higher education (teaching, research and enterprise), and corporate benefit, which covers our approach to being socially responsible in the way that we run our business, the way that we work with external organisations, including suppliers, and the impact our actions have on the local community and economy.

Academic benefit

Research

Our aim in the delivery of our research is to create relevance; where the results help business and industry to compete more effectively, shape public policy, impact on the challenges we face in today's society, and ultimately improve the quality of people's lives.

It was announced at the beginning of the academic year that the University would receive a slice of the UK's largest ever investment into health research. The regional consortium, which also features the University of Leicester, and will be led by University Hospitals of Leicester NHS Trust, will receive over £11 million to establish a Biomedical Research Centre (BRC).

The partnership is one of 20 NHS and University partnerships across England to receive part of a record £816 million in a five-year funding package to develop new, ground-breaking treatments, diagnostics, prevention and care for patients in a wide range of diseases.

At Loughborough University, scientists will research how physical activity can help prevent and manage obesity, cardiovascular disease, chronic kidney disease and Type 2 diabetes.

Our research also delivers benefit to the public on a global scale. The Middle East has the second highest road traffic fatality rate in the world after Africa, with road traffic accidents the leading cause of death for its young people. This year, road safety experts from the University partnered with Price Waterhouse Cooper (PwC) Middle East to develop a new road safety guide that will support Middle Eastern governments and policymakers in reducing road traffic fatalities in the region. Globally, road traffic fatalities claim the lives of 1.2 million people every year, so the guide will also be released across the world by PwC through its global network.

Further examples of our research and the benefit it brings to communities locally, nationally and internationally can be found in the earlier Research and Enterprise sections of this report.

Teaching and learning

Access to education

As a university we are committed to supporting students throughout the important stages of their educational careers to reach their full potential. We strive for teaching excellence and work to ensure that the opportunity to experience this is accessible to all.

Recruitment

As part of the University's Admissions Policy, we welcome applications from students irrespective of race, colour, nationality, ethnic origin, gender, marital status, disability, religious or political beliefs, age, sexual orientation or socioeconomic background.

As well as weekly campus tours we run University-wide open days twice a year, to provide those considering the University with an insight into what it is like to be a student at Loughborough, and the development opportunities that are available to them. The open days attract a large number of prospective students every year. Our events in 2016 welcomed over 29,500 people, an increase of almost 40% compared to the previous year. The events proved just as popular in 2017, attracting almost 30,000 individuals - our largest number of visitors ever.

The School and College Liaison team also contributed to our recruitment activity, through their involvement in and delivery of over 410 events and initiatives, which reached 43,727 people.

Widening participation to higher education

We also focus on inspiring individuals with little family history of progression to Higher Education, by raising awareness and the aspirations of prospective applicants from areas of low HE participation.

This is coordinated by our School and College Liaison team who work in conjunction with colleagues across the institution to deliver a number of engaging initiatives. In 2016/17 this enabled us to reach over 8,300 individuals from disadvantaged backgrounds. As a team they delivered 83 widening participation events and initiatives, an increase of almost 30% compared to the year previous. This activity, which was organised and delivered by Loughborough University, reached 5,351 participants and includes initiatives such as Subject in a Box. Subject in a Box enables teachers of Year 10 students to provide their class with a unique insight into courses offered at degree level through an engaging, interactive lesson that is suitable for their current level of learning. Schools are sent their requested box free of charge, which includes a lesson plan, presentation, worksheets and the equipment required to deliver the lesson.

In addition, last year saw the launch of the Inclusive Community webpages, which have been assembled to provide new students from under-represented and disadvantaged groups with information and support. These pages can be viewed at www.lboro.ac.uk/inclusive.

Looking to the year ahead, in addition to their ongoing widening participation activity, the team will be focusing on their work with young carers and refugees. This will involve working alongside Loughborough-based charity Baca, who provide specialist supported accommodation and training for young forced migrants 16+, to provide respite fun through access to sporting facilities, as well as English language support sessions. The team will also have representation on two new boards within Leicestershire, which directly support young carers in the county.

Loughborough Sport also deliver a number of outreach programmes specifically designed to inspire and engage local and regional young people to consider Loughborough, or Higher Education more broadly, as a viable option for them in the future. This year, the University has welcomed 1,885 young people including 696 from widening participation backgrounds onto campus to experience our fantastic facilities and participate in a number of inspiring workshops on a range of subjects delivered by our committed student workforce.

The impact of our work in this area is monitored and evaluated through our membership of the East Midlands Widening Participation Research and Evaluation Partnership (EMWPREP). The EMWPREP database enables us and other partner institutions to record our activity and track progression of participants into Higher Education. It is a collaboration of locally based HE providers who jointly fund the service that is based at Loughborough University.

Financial support

In addition to raising the aspirations of individuals, the University also works to widen the access to higher education by ensuring that finance is not a barrier.

For study during 2016/17 the Loughborough Scholarship Programme awarded almost £5.5 million in bursaries and tuition fee waivers – providing support to a total of 2,483 undergraduate students. Of these students, 2,330 received a

bursary. The other 153 were either EU students, on placement, or both, so only eligible for fee waivers.

The total amount awarded through the programme in bursaries was £4.3 million, with an average award per student of £1,873.

A further £1.1 million was awarded in tuition fee waivers, providing support to 662 students.

Over 80 Loughborough students also benefited from a further £208,665, which was awarded in bursaries through other support programmes such as our Pre-2012 Continuing Student Bursaries, Development Trust Scholarships, Elite Sports FY Bursaries, PGCE Bursaries, and Ford Blue Oval Scholarships.

At postgraduate level, 752 students based on our Loughborough campus received a scholarship which in total equalled more than £2.6 million. These figures only include the amount funded by University budgets.

Loughborough University London once again partnered with the London Legacy Development Corporation, providing scholarships that cover 100% of funding to nine graduates from across the East London boroughs, who started a master's degree with us in September 2016. It is estimated that there are more than 2,000 graduates living in East London struggling to find graduate level employment – this scheme is bridging that gap. A total of 181 scholarships were offered to students starting at our London campus in September 2016, including UK, EU, and International, full-time and part-time students, through a range of diverse scholarship types.

Continuing our support at postgraduate level, 47 new studentships were also funded by the Doctoral College in 2016/17, which is the equivalent to £2.6 million in terms of the full committed costs.

In support of widening access to postgraduate education the Doctoral College also advertised 250 funded studentships and over 70 other PhD opportunities.

Investment in our future

Aeronautical Engineering graduate and long-time supporter of the University, Captain Desmond Penrose, made a generous donation earlier in the year to fund a two-day engineering residential during the summer of 2018, which will encourage young females to consider STEM subjects as a future career. According to the National Centre for Universities and Business, the proportion of young women studying engineering has remained virtually static since 2012, and just 9% of the British engineering workforce is female (Institute of Engineering and Technology).

The University was also honoured to receive a significant legacy from Reginald J Hewson. The £2.5 million gift, which is the largest legacy the University has ever received, has enabled us to create and offer a new undergraduate architecture course for 2017/18 that will produce exceptional architects through an education that is immersed in hands-on experiences, complemented by the development of vital transferable skills.

Development opportunities

Opportunities, whether they are curricular or extra-curricular, have always been a key part of the student experience at Loughborough. The wide range of opportunities we offer enable our students to achieve their full potential, professionally and personally as well as academically.

Encouraging our students to get involved in activities such as these also has a knock-on benefit to others too.

Employable graduates

Development opportunities at the University build on our students' skills and knowledge to improve their employability, which ultimately has an effect on the businesses and organisations they work for and their contribution to society.

The University was once again named as top 10 in the UK for Graduate Prospects in both The Guardian University Guide 2018 and The Complete University Guide 2018.

A study revealed that salaries for Loughborough University graduates are among the highest in the country, particularly those that have studied communications, business or architecture. Released by the Department for Education (DfE) the Longitudinal Education Outcomes (LEO) Report 2017 also ranks Loughborough second in the UK for having the most graduates in sustained work or further study five years after graduation.

In a recent report created for the University by Regeneris Consulting, the effects of our graduates' productivity over their lifetimes, for the organisations they work for and the premiums of their own earnings are estimated at £390 million for the UK.

Work placements

The University offers all undergraduate students the chance to complete a work placement during their studies, through the opportunity to embark on a year in industry. A variety of other work-related opportunities are also available to postgraduate students and undergraduates not wanting to complete a full year in industry. Our central Employer Engagement team continues to extend the range of services for businesses designed to deliver positive outcomes and proactive relationships, a service which has extended to include our new Loughborough University London campus.

Coach and Volunteer Academy (CVA)

The CVA at Loughborough was set up to provide and deliver a high quality programme of student development through sport. This includes the opportunity for personal and professional development, building on employability skills and advancing career progression. This year the academy launched an online volunteer management system (CVA Portal), which allows students to identify and apply for a vast range of voluntary opportunities. In addition to this students can access a number of high quality masterclasses, qualifications and workshops, delivered by industry professionals, completely free of charge,

further adding to the opportunities they have to enhance their skills. The portal is a huge development in relation to providing students with access to opportunities and getting them out to support the community through sport. In its first eight months, the portal has recorded 1,792 members who have logged just under 28,000 hours of volunteering.

Enterprise

Enterprise enhances the impact and delivery of public benefit within both our research and teaching, by connecting the work we do with the outside world across industry, public bodies and charities. The impact can be localised but significant, linking to global issues such as reducing pollution and improving human health.

Students in enterprise

Opportunities to engage in enterprise are embedded within our teaching curriculum as well as the student experience; opportunities which ultimately prepare them for the workplace and add to the economy and its growth by enhancing their employability or supporting them in starting up their own business.

Staff in enterprise

By involving our academic staff in enterprise we offer external organisations the opportunity to tap into relevant expertise, as well as the opportunity for knowledge exchange, which can deliver results and solutions with a lasting impact for both the business and our economy. Collaborating through enterprise also enriches the daily work of our academics, and allows them to add real-world relevance to their teaching to enhance our students' learning experience.

Our business in enterprise

Loughborough University Science and Enterprise Park offers start-ups to global organisations an unrivalled opportunity to join a dynamic innovation community with a world-class research base and graduate supply.

Corporate benefit

Corporate social responsibility

The University is committed to acting in a socially responsible way that maximises its positive impact and minimises its negative impact on society and for the communities in which it is based. Our strategy confirms this commitment with a promise to embed sustainability and social responsibility into all of our processes, operations and developments, whilst also working closely with local partners to enhance the social, cultural, and economic well-being of the communities around us.

Sustainability

In providing high quality educational, research and workplace facilities we recognise that many of our activities have environmental impacts. The University takes its responsibility for the environment seriously and understands the need to respond to the challenges we face globally around issues such as climate change, human well-being, food, water and energy security. Loughborough seeks to respond to these opportunities by leading in environmental sustainability, building on the work of our research and enterprise activities and aspiring to make the campus a living laboratory demonstrating operationally our mission to provide a sustainable campus.

Our 440-acre campus is one of our greatest assets; and the green spaces we enjoy contribute to this fact just as much as the incredible facilities we have created. Biodiversity is a key element in maintaining this and is an area that staff, students and members of the community are actively encouraged to be involved in. Many of our green spaces are open for the public to enjoy, and the Sustainability team run a variety of innovative schemes and creative events for the public to engage with and contribute towards the sustainability of our campus.

Community

Staff volunteering

As part of our aim to build on relationships with the local community, the University runs an employer-supported volunteering policy, which supports University employees and their involvement within the community and charitable organisations.

Community Donations Fund

Each year the University sets aside a budget for its Community Donations Fund to provide financial support to community groups and organisations across Charnwood. During 2016/17 over £46,000 was donated to 38 different projects.

Spit Happens

In March, Loughborough University, Loughborough Students' Union, Anthony Nolan and the Rik Basra Leukaemia Campaign (RBLC) delivered a huge campaign to increase the number of donors on the Anthony Nolan register. The campus-wide event, Spit Happens, broke the national record for the number of stem cell donors recruited in one day at a university, resulting in a total of 2,056 eligible donors being added to the register. The previous record was 1,404 individuals.

Coach and Volunteer Academy (CVA) outreach

In addition to the aforementioned outreach work, Loughborough Sport's CVA also delivered a coaching outreach project that brings benefit to schools and the wider community. Over 100 Loughborough University student coaches were recruited, trained and deployed into various community sports programmes across the Leicestershire and Derbyshire area to support and enhance the sport experience of thousands of young people.

Student led activity

Our students are renowned for their volunteering and fundraising efforts. This year almost 2,000 students were involved in volunteering activity, completing over 20,000 hours of work for the benefit of local communities. Students also raised over £1.1 million for good causes through Rag.

Economic impact

An economic contribution report released in 2016/17 revealed that the University supports an estimated total of 14,400 FTE jobs and £940 million in Gross Value Added* in the UK.

When breaking this down into direct and indirect contribution: the University employs a total of 2,800 direct FTEs and its total direct contribution to Gross Value Added is £190 million.

In 2015/16 the University spent a total of £80 million on external suppliers, of which £71 million was sourced from the UK. Of this amount, almost £50 million worth of purchases were made with suppliers based in the Midlands.

Procurement

During 2016/17 the University's other operating expenditure was £102.1 million, further highlighting the impact the University has on both the regional and national economy.

As part of this the University ensures that it takes the necessary steps to ensure that our procurement processes do not create unnecessary barriers for small and medium-sized enterprises (SME's), which may deter or inhibit them when our contract opportunities are advertised. The University also regularly delivers presentations at local and regional supplier events explaining how it does business and where to find contract opportunities.

We also work towards sustainable procurement where wider social, economic and environmental benefits can be gained through our procurement contracts.

As a university we are committed to ensuring our practices do not support organisations or individuals who engage in slavery and human trafficking.

*This figure includes the value of the skills and productivity effects over graduates' working lifetimes.

STATEMENT OF CORPORATE GOVERNANCE

The following statement is given to assist readers of the Financial Statements to obtain an understanding of the governance procedures applied by the University Council (Council).

The Royal Charter sets out the objectives which form the University's charitable purpose:

"To advance knowledge, wisdom, understanding and professional competence through teaching, research and collaboration with industrial and other bodies and to develop the character of its students by virtue of its corporate life".

The University is committed to observing good practice in all aspects of Corporate Governance. Council last undertook a review of its own effectiveness in 2016/17 and approved changes will be implemented during 2017/18. Council initiated an effectiveness review of the Senate in 2013/14 which enabled it to satisfy itself that arrangements for academic governance were generally in good health. A number of specific recommendations for further enhancement of Senate's operations were implemented during 2014/15. The next effectiveness review of Senate is planned for 2017/18.

The revised Higher Education Code of Governance was published by the Committee of University Chairs (CUC) in December 2014. The University reviewed its current practice in light of the provisions of the revised Code and sought an opinion on its compliance from its internal auditors.

The internal audit review concluded that the University is "compliant with the requirements of the Code in the majority of areas across the seven primary elements" and that the action plan to address a small number of gaps "is sensible and will ensure full compliance is achieved". The only remaining exception remains the size of Council as noted below.

As in previous years, with a membership of 30, Council does not comply with the recommendations of the Code (i.e. that it should comprise 12-25 members). Following the effectiveness review in 2016/17, at its meeting in October 2017, Council agreed in principle to proposals for reduction of the size of Council including transfer of the composition from Statute XII to an Ordinance. Under the changes, which will be submitted to the Privy Council in 2017/18, the size of Council will be reduced to 24 in 2018/19 and 23 in 2019/20. All existing constituencies will remain although there will be modest changes in the proportion of members in each group.

In addition, the members of Council, the trustees of the University, have had due regard to the Charity Commission's guidance on charitable purpose and public benefit.

The University's Structure of Corporate Governance

The operation of the University is governed by its Charter, Statutes, Ordinances and Regulations.

The Council, the governing body of the University, comprises independent (lay), academic staff, non-academic staff and student members appointed or elected under the Statutes and Ordinances of the University, the majority of whom are non-executive. The role of Chair of the Council is separated from the role of the University's chief executive, the Vice-Chancellor.

In accordance with the CUC Code, Council has published a list of its primary responsibilities and these include the ongoing strategic direction of the University and approval of major developments. Certain matters are specifically reserved for Council under the Memorandum of Assurance & Accountability issued by the Higher Education Funding Council for England (HEFCE). Council meets at least four times a year and is advised by the Senate on academic issues.

The University also has the status of an exempt charity. This means that members of Council have the responsibilities of charity trustees in relation to ensuring the institution's work is for the public benefit and that it complies with Charity Commission expectations.

Both Council and Senate conduct their routine business through a committee structure; some of the committees are jointly composed. This structure is kept under regular review.

The financial management of the University rests with the Operations and Finance committees. The Operations Committee, comprising executive officers, has responsibility for the integration of academic, financial and physical planning and the allocation of resources to academic Schools and Professional Services. The Operations Committee monitors the budget holders on a regular basis. Finance Committee is responsible for advising Council on both the University's financial strategy and treasury management; the Committee is chaired by the Vice-Chancellor and comprises executive officers and lay members of Council.

The external auditors address their report on the Financial Statements to Council through the Audit Committee which comprises lay (independent) members of Council, who are not otherwise involved in the management of the University, and other independent persons appointed by Council. Both internal and external auditors report to the Audit Committee on a regular basis. The Committee considers their detailed reports together with any recommendations on the systems and controls in operation. The Committee takes account of guidance issued by HEFCE through its Memorandum of Assurance & Accountability. The Committee appoints the internal auditors whilst Council appoints the external auditors.

Both internal and external auditors have direct access to the Chair of Council, the Chair of Audit Committee and the Vice-Chancellor at any time.

The Nominations Committee of Council is chaired by the Chair of Council and includes lay members, academic members and the Vice-Chancellor with lay members in the majority. Its role is to make recommendations to Council on the appointment of senior lay officers (excluding the Chair of Council) and on the

appointment of other lay members of Council as well as advise on other matters related to lay contributions to the governance of the University.

The Remuneration Committee of Council, comprising lay members and the Vice-Chancellor (except for discussions on his/her own remuneration), determines the remuneration of professorial and senior administrative staff.

Internal control and management of risk

The Council, as the governing body of Loughborough University, has responsibility for maintaining a sound system of internal control that supports the achievement of strategic objectives, whilst safeguarding the public and other funds and assets for which it is responsible, in accordance with the responsibilities assigned to the governing body in the Charter, Statute XIII and the Memorandum of Assurance & Accountability with HEFCE.

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.

The system of internal control is based on an ongoing review process designed to identify the principal risks to the achievement of policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. This process has been in place for the year ended 31 July 2017 and up to the date of approval of the Financial Statements and accords with the HEFCE guidance.

The University maintains a strategic risk register which is aligned with the University strategy Building Excellence.

Risk management processes and procedures continue to evolve with input from our internal auditors with all work being overseen by the Audit Committee. This included workshops with Council during the 2016/17 financial year.

Council, both directly and through its committees, is responsible for ensuring the delivery of value for money, defined as economical, effective and efficient use of resources.

Council is responsible for the safeguarding of assets and oversight of systems to prevent and detect fraud.

The system of internal control provides for a comprehensive financial planning process, assessment of income, expenditure, capital and cash flow budgets during the year and periodic review of management information including the reporting of material variances and the projection of out-turn for the year.

On behalf of Council, the Audit Committee monitors the effectiveness of control, governance, the management of risk and gains assurance on the University's arrangements to secure value for money and data quality. It receives regular reports from the internal auditors and where relevant, the external auditors. Periodic reports concerning internal control are received by Council from the Audit Committee.

Reports on the progress on key projects and regular reports from senior management on the steps they are taking to manage risks in their area of responsibility are received by the

Council and its principal committees.

Going concern

Council is satisfied that the University has adequate resources to continue in operation for the foreseeable future and for a period of not less than twelve months from the date of this report. The Operations Committee, Finance Committee and Council have reviewed the University's financial forecast for the period to August 2018 and have a reasonable expectation that the University has adequate resources to continue operations for its foreseeable future.

Following a review of our corporate structure, the decision was taken to reduce the number of subsidiaries. Consequently, the financial statements of Loughborough Sport Limited, Loughborough University Services Limited and Loughborough University Development Trust have been prepared on the basis other than that of a going concern. The financial statements of the University, the remaining subsidiaries and the consolidated group continue to be prepared on a going concern basis.

Officers of the University

The University's formal principal officer is its Chancellor, who has responsibility for conferring Loughborough's academic awards at congregations and plays an important role in the advancement of the University. The recent vacancy in this role was filled during 2016/17 and The Lord Coe CH KBE (Sebastian Coe), formerly a Pro-Chancellor, was installed as Chancellor in July 2017.

The Senior Pro-Chancellor, Sir Peter Bonfield, serves as the Chair of Council and also chairs the Nominations and Remuneration Committees.

The day-to-day running of the University is the responsibility of the Vice-Chancellor and President, who is the academic and executive head and the accountable officer to HEFCE.

Officers of the University

Visitor	Paul Michell
The Chancellor	Lord Sebastian Coe <i>(from 6 July 2017)</i>
The Senior Pro Chancellor (Chair)	Sir Peter Bonfield
The Pro Chancellors	Lord Sebastian Coe <i>(until 6 July 2017)</i> Alan Hughes Mark Sismey-Durrant <i>(from 6 July 2017)</i>
Honorary Treasurer	Alan Hughes
The Vice-Chancellor	Professor Robert Allison
Provost	Professor Chris Linton
Pro Vice-Chancellor (Teaching)	Professor Rachel Thomson
Pro Vice-Chancellor (Research)	Professor Steve Rothberg
Pro Vice-Chancellor (Enterprise)	Professor Tracy Bhamra
Chief Operating Officer	Richard Taylor
Director of Finance	Andrew Stephens

Chairs of Key Committees

Council	Sir Peter Bonfield
Senate	Professor Robert Allison
Remuneration Committee	Sir Peter Bonfield
Finance Committee	Professor Robert Allison
Audit Committee	Mark Sismey-Durrant

Members of the University Council

who served during 2016/17 and up to 23 November 2017

The Chancellor	Lord Sebastian Coe <i>(from 6 July 2017)</i>
The Senior Pro Chancellor (Chair)	Sir Peter Bonfield
The Pro Chancellors	Alan Hughes <i>(Deputy Chair)</i> Lord Sebastian Coe <i>(until 6 July 2017)</i> Mark Sismey-Durrant <i>(from 6 July 2017)</i>
Honorary Treasurer	Alan Hughes
The Vice-Chancellor	Professor Robert Allison
Provost	Professor Chris Linton
Appointed by the Alumni Association	Paul Drummond

Members of the University Council (continued)

Appointed by the Students' Union	George Hetherington <i>(from 1 August 2017)</i> Sam Hanys <i>(from 1 August 2017)</i> Jonathan Ako <i>(until 31 July 2017)</i> Hersh Patel <i>(until 31 July 2017)</i>
Elected by the Senate	Dr Marcus Collins <i>(until 31 July 2017)</i> Dr Alexandre Zagoskin <i>(from 1 August 2017)</i> Professor Sergey Saviliev Professor Mark Lewis
Elected by the General Assembly	Dr Sandie Dann <i>(until 31 July 2017)</i> Dr David Kerr <i>(until 31 July 2017)</i> Professor Eleonora Belfiore <i>(from 1 August 2017)</i> Professor Marsha Meskimmon <i>(from 1 August 2017)</i> Dr Heike Jons
Other elected members	Jane McCormack Siobhan O'Reilly
Co-opted members	John Sinnott Jean Tomlin Peter Saraga Mark Sismey-Durrant <i>(until 6 July 2017)</i> Tony Williams Jim Murphy <i>(until 31 July 2017)</i> Sally-Ann Hibberd Jane Tabor Anne Greenwood Professor Alan Jones <i>(until 31 July 2017)</i> Steve Varley Paul Hodgkinson Jennifer Maxwell-Harris <i>(from 1 August 2017)</i>

Key Advisers

External auditor	Deloitte LLP
Internal auditor	PwC LLP

STATEMENT OF THE RESPONSIBILITIES OF COUNCIL

The University Charter establishes Council as the Governing Body of the University, subject to other terms of the Charter and the Statutes, and its responsibility for:

1. General control over the University and all its affairs, purposes and functions.
2. The management and administration of the revenue and property of the University.
3. The custody and use of the Common Seal of the University.

The Council has identified a number of primary responsibilities arising from these general duties under the Charter, which are consistent with the functions of Council noted in Section 6 of Statute XIII:

1. To approve the mission and strategic vision of the University, long-term academic and business plans and key performance indicators, and to ensure that these meet the interests of stakeholders.
2. To approve the annual budget and Financial Statements, to ensure the establishment and monitoring of systems of control and accountability, including financial and operational controls and risk assessment, and procedures for handling internal grievances and for managing conflicts of interest.
3. To ensure processes are in place to monitor and evaluate the performance and effectiveness of the University against the plans and approved key performance indicators, which should be, where possible and appropriate, benchmarked against other comparable institutions.
4. To appoint the Vice-Chancellor as chief executive and principal Academic and Administrative Officer of the University, in accordance with paragraph 7 of the Charter, and to put in place suitable arrangements for monitoring his/her performance.
5. To delegate authority to the Vice-Chancellor for the appointment of University nominees to the boards of public bodies, limited companies and other institutions.
6. To establish processes to monitor and evaluate the performance and effectiveness of Council itself.
7. To conduct its business in accordance with best practice in higher education, corporate governance and with the principles of public life drawn up by the Committee on Standards in Public Life.
8. To safeguard the good name and values of the University.
9. To appoint the Secretary to Council, and to ensure that, if he/she has managerial responsibilities in the University, there is an appropriate separation in the lines of accountability.
10. To be the employing authority for all staff in the University and to be responsible for establishing a human resources strategy.
11. To be the principal financial and business authority of the University, to ensure that proper books of account are kept, and to have overall responsibility for the University's assets, property and estate.
12. To be the institution's legal authority and, as such, to ensure that systems are in place for meeting all the institution's legal obligations, including those arising from contracts and other legal commitments made in the institution's name.

13. To make such provision as it thinks fit for the general welfare of students, in consultation with Senate.

14. To ensure that the University's Charter, Statutes and Ordinances are followed at all times and that appropriate advice is available to enable this to happen.

It follows from the above that Council is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the University and its subsidiary companies and enable it to ensure that the financial statements are prepared in accordance with the relevant parts of the Royal Charter, company law, the Statement of Recommended Practice on Accounting for Further and Higher Education and other Accounting Standards.

In addition, within the terms and conditions of the Memorandum of Assurance & Accountability between the Higher Education Funding Council for England and the University, the latter, through its accountable officer, 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 its subsidiary companies and of the surplus or deficit and cash flows of the University and its subsidiary companies for that year.

In preparing the Financial Statements, Council has to ensure that:

- suitable accounting policies are selected and applied consistently
- judgements and estimates are made that are reasonable and prudent
- applicable Accounting Standards have been followed
- the going concern basis is used unless it is inappropriate to presume that the University will continue in operation.

Council has taken reasonable steps to:

- ensure that funds from the Higher Education Funding Council for England (HEFCE) are used only for the purposes for which they have been given and in accordance with the Memorandum of Assurance & Accountability with HEFCE and any other conditions which HEFCE may from time to time prescribe
- ensure that income from the National College for Teaching and Leadership is applied for the purpose for which it has been received and in accordance with the funding agreement with the agency
- ensure that income from the Education & Skills Funding Agency and research councils is applied for the purpose for which it has been received and in accordance with the funding agreement with the relevant body
- 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 its subsidiary companies and prevent and detect fraud, and
- secure the economical, efficient and effective management of the resources and expenditure of the University and its subsidiary companies.

Alan Hughes
Pro Chancellor and Honorary Treasurer
23 November 2017

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE COUNCIL OF LOUGHBOROUGH UNIVERSITY

Report on the audit of the financial statements

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the university's affairs as at 31 July 2017 and of the group's and the university's income and expenditure, gains and losses and changes in reserves and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Statement of Recommended Practice: Accounting for Further and Higher Education.

We have audited the financial statements of Loughborough University (the 'university') and its subsidiaries (the 'group') which comprise:

- the group and university statements of comprehensive income and expenditure;
- the group and university statements of changes in reserves;
- the group and university balance sheets;
- the group cash flow statement;
- the statement of accounting policies; and
- the related notes 1 to 30.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice: Accounting for Further and Higher Education.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the university in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the governing body's use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the governing body has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and the university's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The governing body is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge

obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of the governing body

As explained more fully in the statement of responsibilities of Council, Council is responsible for the preparation of the financial statements that give a true and fair view, and for such internal control as the governing body determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the governing body is responsible for assessing the group's and the university's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the governing body either intends to liquidate the group or the university or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the governing body in accordance with the charter and statutes of the university. Our audit work has been undertaken so that we might state to the governing body those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the board of governors as a body, for our audit work, for this report, or for the opinions we have formed.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Higher Education Funding Council for England Audit Code of Practice (HEFCE)

In our opinion, in all material respects:

- funds from HEFCE, the Teaching Agency and the Skills Funding Agency administered by the university for specific purposes during the year ended 31 July 2017 have been applied to those purposes and managed in accordance with relevant legislation;
- funds provided by HEFCE have been applied in accordance with the memorandum of assurance and accountability and any other terms and conditions attached to them during the year ended 31 July 2017; and
- the requirements of HEFCE's accounts direction have been met.

Deloitte LLP
Statutory Auditor
St Albans, United Kingdom
23 November 2017

Financial Statements 2016-17

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

1. General information

Loughborough University is an independent corporation established by Royal Charter and has the status of an exempt charity which is regulated by the Higher Education Funding Council for England (HEFCE).

2. Accounting convention

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education [2015] and in accordance with Financial Reporting Standard 102 [FRS102].

The University is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS102.

The financial statements are prepared in accordance with the historical cost convention [modified by the revaluation of certain fixed assets and derivative financial instruments].

The University meets the definition of a qualifying entity under FRS102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. Exemption has been taken in these separate company financial statements in respect of presentation of a cash flow statement.

3. Basis of consolidation

The consolidated financial statements combine the financial statements of the University and all its subsidiary undertakings for the financial year to 31 July 2017. Intra-group transactions are eliminated on consolidation.

The consolidated financial statements do not include the accounts of Loughborough Students Union, as it is a separate body over which the University does not exert control and nor does it have dominant influence over policy and operational decisions.

4. Recognition of income

Tuition fees

Tuition fee income is recognised over the period of study to which the fee relates. Where the amount of the tuition fee is reduced by a discount, income receivable is shown net of the discount. Bursaries and scholarships are accounted for gross as expenditure and not deducted from income.

Grant funding

Grant funding including funding council block grant, research grants from government sources and grants (including research grants) from non-government sources are recognised as income when the University is entitled to the income and any 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 are recognised in income when the University is

entitled to the funds and any performance related conditions have been met.

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.

Other income

Income, from trading activities, is recognised when the goods or services are supplied to the customers or the terms of the contract have been satisfied. Investment income is recognised on a receivable basis.

Donations and endowments

Resources received from non-government bodies as part of a non-exchange transaction will either be treated as a donation, or as an endowment in the event the donor either wishes an endowment fund to be established, or places sufficiently large restrictions on expenditure such that the funds will need to be retained over an extended period.

Donations are recognised as income when the University is entitled to the funds and any performance related conditions have been met. Where income is received in advance of performance related conditions being met, it is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

Where a donor imposes restriction on the use of the donated resources, income is retained within a restricted reserve until such time as expenditure is incurred in accordance with the restrictions. Donations with no restrictions are recognised in income when the University is entitled to the funds.

Endowment income is recognised on entitlement to the income. The income is retained within an endowment reserve until such time as expenditure is incurred in accordance with the restrictions of the endowment. Endowments are classified as either a permanent endowment, when the donor specifies that the capital is to be retained for the benefit of the institution, or as an expendable endowment where no such requirement exists.

Investment income received on endowments and restricted funds is recorded as income in the year in which it arises, and is held in the restricted or endowment reserve to the extent it has not been spent in line with restrictions of the donation or endowment. Investment gains and losses on endowment funds invested for the longer term are recognised in surplus or deficit and are credited/debited to the capital portion of the endowment reserve.

5. Pension schemes

The University participates in the Universities Superannuation Scheme (USS), the Local Government Pension Scheme (LGPS) and the Teachers' Pensions Scheme (TPS).

USS and TPS are multi-employer defined benefit schemes for which it is not possible to identify the assets and liabilities attributable to University members and therefore these schemes are accounted for as a defined contribution retirement benefit scheme. Contributions made to USS and

TPS are recognised as an expense in surplus or deficit in the periods during which services are rendered by employees.

USS is valued every three years by professionally qualified independent actuaries, and a liability is recorded within provisions for any contractual commitment to fund past deficits within the USS scheme. TPS is valued every five years by the Government Actuary. It is an unfunded scheme and contributions are made at the rate set by the Government Actuary.

The LGPS is a defined benefit scheme which is externally funded. The University is able to identify its share of the assets and liabilities of this scheme and the difference between the fair value of the Universities share of the scheme's assets and liabilities measured on an actuarial basis using the projected unit method is recognised in the University's balance sheet as a pension scheme asset or liability as appropriate. The carrying value of any resulting pension scheme asset is restricted to the extent that the University is able to recover the surplus through reduced contributions in the future or through refunds from the scheme.

6. 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.

7. Finance leases

Leases in which the University assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Leased assets acquired by way of finance lease and the corresponding lease liabilities are initially recognised at an amount equal to the lower of their fair value and the present value of the minimum lease payments at the inception of the lease.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability.

The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

8. Service concession arrangements

Fixed assets held under service concession arrangements are recognised on the Balance sheet at the present value of the minimum lease payments when the assets are brought into use with a corresponding financial liability. The assets are depreciated over the life of the arrangement.

Payments under the service concession arrangements are allocated between service costs, finance charges and financial liability repayments to reduce the financial liability to nil over the life of the arrangement.

9. 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 term of the lease.

10. Land and buildings

Land held at 31 July 2014 is stated at deemed cost which is equivalent to the market value on this date. Land additions since 31 July 2014 are stated at cost. Land which is held freehold is not depreciated as it is considered to have an indefinite useful life.

Buildings are stated at cost or, in the case of buildings acquired as a result of the merger with Loughborough College of Art & Design, at valuation: the basis of valuation is depreciated replacement cost and the valuation on 31 July 1998 was performed by GVA Grimley, International Property Advisors.

Freehold buildings are depreciated over their estimated useful lives, which range between ten and sixty years depending on the method of construction used. Leasehold land and buildings are amortised over the life of the lease up to a maximum of sixty years. Improvements to buildings and long-term maintenance projects are capitalised, where they are seen to increase the value or effective life of a building or building related plant and the value of the improvements is in excess of £50,000. Depreciation is charged from the year of completion and is calculated based on the remaining life of the improved building or building related plant. Where parts of a building have different useful lives, they are accounted for as separate items of fixed assets.

Finance costs, which are directly attributable to the construction of land and buildings, are recognised as expenditure in the period in which they are incurred.

11. Fixtures, fittings, plant and equipment

All such items, where the cost is less than £20,000 per individual item or group of related items, are recognised as an expense in the year of acquisition. All other items are capitalised.

Items are stated at cost and depreciated over their expected useful life, as follows:

- Main computer systems and computer equipment over £100k – between 4 and 7 years
- Equipment acquired for specific research projects – project life (generally 3 years)
- Motor vehicles and other equipment – 4 years
- Plant, furniture and fixtures – between 5 and 25 years

12. Heritage assets

Works of art and other valuable artefacts valued at over

£10,000 have been capitalised and recognised at the cost or value of the acquisition, where such a cost or valuation is reasonably obtainable. Heritage assets are not depreciated since their long economic life and high residual value mean that any depreciation would not be material.

13. Investment properties

Investment property is land and buildings held for rental income or capital appreciation rather than for use in delivering services. Investment properties are measured initially at cost and subsequently at fair value with movements recognised in surplus or deficit. Investment properties are not depreciated but are revalued annually to market value as at 31 July each year.

14. Stocks

Stocks of goods are stated at the lower of cost and net realisable value.

15. Cash and cash equivalents

Cash includes cash in hand and deposits repayable on demand. Deposits are repayable on demand if they are in practice available within 24 hours without penalty. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value.

Deposits are considered highly liquid if they have a penalty free notice period of 3 months or less.

16. Foreign currency transactions

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 at year-end rates.

The resulting exchange differences are recorded in surplus or deficit for the financial year.

17. Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial liabilities are classified according to the substance of the contractual arrangements entered into.

(i) Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through surplus or deficit, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction.

If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the Group intends either to settle on a net basis, or to realise the

asset and settle the liability simultaneously.

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

- a) The contractual return to the holder is (i) a fixed amount; (ii) a positive fixed rate or a positive variable rate; or (iii) a combination of a positive or a negative fixed rate and a positive variable rate.
- b) The contract may provide for repayments of the principal or the return to the holder (but not both) to be linked to a single relevant observable index of general price inflation of the currency in which the debt instrument is denominated, provided such links are not leveraged.
- c) The contract may provide for a determinable variation of the return to the holder during the life of the instrument, provided that
 - i. the new rate satisfies condition (a) and the variation is not contingent on future events other than (1) a change of a contractual variable rate; (2) to protect the holder against credit deterioration of the issuer; (3) changes in levies applied by a central bank or arising from changes in relevant taxation or law; or
 - ii. the new rate is a market rate of interest and satisfies condition (a).
- d) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.
- e) Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in levies applied by a central bank or arising from changes in relevant taxation or law.
- f) Contractual provisions may permit the extension of the term of the debt instrument, provided that the return to the holder and any other contractual provisions applicable during the extended term satisfy the conditions of paragraphs (a) to (c).

Debt instruments that are classified as payable or receivable within one year on initial recognition and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

Other debt instruments not meeting these conditions are measured at fair value through surplus or deficit.

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

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

(ii) Investments

Investments in non-convertible preference shares and nonputtable ordinary or preference shares (where shares are publicly traded or their fair value is reliably measurable) are measured at fair value through surplus or deficit. Where fair value cannot be measured reliably, investments are measured at cost less impairment.

In the University balance sheet, investments in subsidiaries and associates are measured at cost less impairment.

(iii) Derivative financial instruments

The Group uses derivative financial instruments to reduce exposure to interest rate movements. The Group does not hold or issue derivative financial instruments for speculative purposes.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in surplus or deficit.

(iv) Fair value measurement

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

18. Provisions, contingent liabilities and contingent assets

Provisions are recognised in the financial statements when:

- The University has a present obligation (legal or constructive) as a result of a past event;
- It is probable that an outflow of economic benefits will be required to settle the obligation; and
- A reliable estimate can be made of the amount of the obligation.

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

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

19. Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

Non-financial assets

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

Financial assets

For financial assets carried at amortised cost, the amount of impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

20. Taxation status

The University is an exempt charity within the meaning of Schedule 3 of the Charities Act 2011 and as such is a charity within the meaning of Schedule 6 Finance Act 2010. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by sections 478-488 of the Corporation Tax Act 2010 or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

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

The University's subsidiaries are liable to Corporation Tax in the same way as any other commercial organisation.

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

21. Reserves

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

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

22. Critical accounting judgements and key sources of estimation uncertainty

In the application of the University's accounting policies, which are described in points 1 to 21 above, it is necessary to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the University's accounting policies

The following are the judgements, apart from those involving estimations (which are dealt with separately below), that have been taken in the process of applying the University's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Revenue recognition

In the operating of performance model for government grants and non-exchange transactions, agreements with funders are evaluated for performance conditions, and revenue is recognised when these conditions are judged to have been met.

Investment property

The University has reviewed all rental generating properties in line with the accounting policy for investment properties. As part of this process management has evaluated whether an asset is held for the furtherance of the University's Enterprise objectives (which form part of the University's core operations), or whether it is held primarily for the generation of rental income (and so represents an investment property).

Service concession arrangements

In determining which operations involving third party operators should be accounted for as service concession arrangements, the agreements with the third party operators are reviewed to identify those that meet the relevant conditions outlined in section 34 of FRS102.

Key sources of estimation uncertainty

The following are the key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Pensions – USS

FRS102 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 the 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 surplus or deficit. The University is 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 estimated contractual deficit recovery contributions under the funding plan in existence at the date of approving the financial statements. This required estimates in respect of future headcount, salary changes and the discount rate, which may not prove to be accurate. As a result, the valuation of the provision is subject to a degree of uncertainty. The carrying value of the provision for the obligation to fund the USS deficit at 31 July 2017 is £30.993 million (2016: £31.683 million).

Pensions – LGPS

The LGPS deficit is sensitive to the actuarial assumptions used. The assumptions are set following advice received from a qualified actuary. The following table highlights the sensitivities regarding the principal assumptions used to measure the scheme liabilities. The carrying value of the net defined benefit obligation in respect of the scheme at 31 July 2017 is £67.751 million (2016: £72.670 million).

Change in assumptions at 31 July 2017	Approximate increase in scheme liabilities	
	%	£'000
0.5% decrease in Real Discount Rate	10%	20,422
0.5% increase in Salary Increase Rate	1%	2,878
0.5% increase in Pension Increase Rate	9%	17,525
0.1% increase in Retail Prices Index	2%	4,000

Market value of investment properties

In determining the market value of the University's investment properties, valuations have been performed by professionally qualified valuers using assumptions determined using market standard methodology. However should any of these assumptions be incorrect this could have a significant impact on the valuation of these properties.

Useful lives of tangible fixed assets.

Tangible fixed assets represent a significant proportion of the University's total assets (31 July 2017: 77%, 2016: 76%). Therefore the estimates of the useful lives over which these assets are depreciated could have a significant impact on the University's financial performance. The useful lives and residual values of the University's assets are determined at the time the asset is acquired or construction is completed, and these are based on historical experience with similar assets as well as anticipation of future events which may impact their life such as expiry of leases. Historically, disposal of assets at the end of their lives has not resulted in material loss on disposal charges.

Consolidated and University Statement of Comprehensive Income and Expenditure

Year Ended 31 July 2017

	Notes	Year ended 31 July 2017		Year ended 31 July 2016	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
Income					
Tuition fees and education contracts	1	147,358	147,358	142,188	142,188
Funding body grants	2	42,319	42,319	37,123	37,123
Research grants and contracts	3	43,302	43,302	40,119	40,119
Other income	4	66,460	57,449	70,355	61,138
Investment income	5	411	384	521	494
Total income before donations and endowments		299,850	290,812	290,306	281,062
Donations and endowments	6	964	2,889	1,051	2,885
Total income		300,814	293,701	291,357	283,947
Expenditure					
Staff costs	7	151,005	146,196	145,642	140,708
Other operating expenses		102,083	99,758	101,779	99,388
Depreciation	11	22,815	21,721	21,455	20,312
Interest and other finance costs	8	4,383	4,383	6,091	6,091
Total expenditure	9	280,286	272,058	274,967	266,499
Surplus before other gains and losses		20,528	21,643	16,390	17,448
(Loss) on disposal of fixed assets		(713)	(532)	(15)	(15)
Gain/(loss) on investments	14	116	86	(40)	36
Surplus before tax		19,931	21,197	16,335	17,469
Taxation	10	(90)	(129)	(246)	(401)
Surplus for the year		19,841	21,068	16,089	17,068
Actuarial gain in respect of pension schemes	23	9,550	9,550	4,175	4,175
Transfer of endowment from subsidiary	21	-	255		
Total comprehensive income for the year		29,391	30,873	20,264	21,243
Represented by:					
Endowment comprehensive income for the year		63	301	75	58
Restricted comprehensive (expenditure)/income for the year		(4,392)	(4,072)	1,729	1,468
Unrestricted comprehensive income for the year		33,720	34,644	18,460	19,717
		29,391	30,873	20,264	21,243

All items of income and expenditure relate to continuing activities.

Consolidated and University Balance Sheet as at 31 July 2017

	Notes	As at 31 July 2017		As at 31 July 2016	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
Non-current assets					
Fixed assets	11	408,639	396,343	391,021	377,794
Heritage assets	12	1,165	1,165	1,165	1,165
Investments	14	21,711	41,001	21,671	41,005
		<u>431,515</u>	<u>438,509</u>	<u>413,857</u>	<u>419,964</u>
Current assets					
Stock		517	478	589	551
Trade and other receivables	15	26,026	26,926	21,083	22,081
Investments	16	20,000	20,000	15,000	15,000
Cash and cash equivalents		56,110	50,582	67,104	60,342
		<u>102,653</u>	<u>97,986</u>	<u>103,776</u>	<u>97,974</u>
Less:					
Creditors: amounts falling due within one year	17	(72,613)	(69,942)	(77,028)	(73,864)
		<u>30,040</u>	<u>28,044</u>	<u>26,748</u>	<u>24,110</u>
Net current assets					
		<u>30,040</u>	<u>28,044</u>	<u>26,748</u>	<u>24,110</u>
Total assets less current liabilities		<u>461,555</u>	<u>466,553</u>	<u>440,605</u>	<u>444,074</u>
Creditors: amounts falling due after more than one year	18	(71,666)	(71,642)	(74,344)	(74,312)
Provisions					
Pension provisions	19	(101,129)	(101,129)	(106,853)	(106,853)
Other provisions	19	(9)	-	(48)	-
		<u>288,751</u>	<u>293,782</u>	<u>259,360</u>	<u>262,909</u>
Total net assets		<u>288,751</u>	<u>293,782</u>	<u>259,360</u>	<u>262,909</u>
Restricted Reserves					
Income and expenditure reserve - endowment reserve	21	1,706	1,706	1,643	1,405
Income and expenditure reserve - restricted reserve	22	47,664	46,165	52,056	50,237
Unrestricted Reserves					
Income and expenditure reserve - unrestricted		239,381	245,911	205,661	211,267
Total Reserves		<u>288,751</u>	<u>293,782</u>	<u>259,360</u>	<u>262,909</u>

These Financial Statements were approved by Council and were signed on its behalf by:

Professor Robert Allison, Vice-Chancellor and Accountable officer
Alan Hughes, Pro Chancellor and Honorary Treasurer

23 November 2017

Consolidated and University Statement of Changes in Reserves

Year ended 31 July 2017

Consolidated	Income and expenditure reserve			Total £'000
	Endowment £'000	Restricted £'000	Unrestricted £'000	
Balance at 1 August 2015	1,568	50,327	187,201	239,096
Surplus from the income and expenditure statement	75	3,369	12,645	16,089
Other comprehensive income	-	-	4,175	4,175
Release of capital grants with expired asset use restrictions	-	(1,640)	1,640	-
Total Comprehensive Income for the year	75	1,729	18,460	20,264
Balance at 31 July 2016	1,643	52,056	205,661	259,360
Surplus from the income and expenditure statement	63	32	19,746	19,841
Other comprehensive income	-	-	9,550	9,550
Release of capital grants with expired asset use restrictions	-	(4,424)	4,424	-
Total Comprehensive Income/(deficit) for the year	63	(4,392)	33,720	29,391
Balance at 31 July 2017	1,706	47,664	239,381	288,751

University	Income and expenditure reserve			Total £'000
	Endowment £'000	Restricted £'000	Unrestricted £'000	
Balance at 1 August 2015	1,347	48,769	191,550	241,666
Surplus from the income and expenditure statement	58	3,108	13,902	17,068
Other comprehensive income	-	-	4,175	4,175
Release of capital grants with expired asset use restrictions	-	(1,640)	1,640	-
Total Comprehensive Income for the year	58	1,468	19,717	21,243
Balance at 31 July 2016	1,405	50,237	211,267	262,909
Surplus from the income and expenditure statement	46	352	20,670	21,068
Other comprehensive income	255	-	9,550	9,805
Release of capital grants with expired asset use restrictions	-	(4,424)	4,424	-
Total Comprehensive Income/(deficit) for the year	301	(4,072)	34,644	30,873
Balance at 31 July 2017	1,706	46,165	245,911	293,782

Consolidated Statement of Cash Flows

Year ended 31 July 2017

	Notes	Year ended 31 July 2017 £'000	Year ended 31 July 2016 £'000
Cash flow from operating activities			
Surplus for the year		19,841	16,089
Adjustment for non-cash items			
Taxation	10	90	246
Depreciation	11	22,815	21,455
(Gain)/loss on investments	14	(116)	40
Decrease/(increase) in stock		72	(28)
(Increase) in debtors		(5,264)	(1,369)
(Decrease) in creditors		(4,838)	(3,962)
LGPS service costs less contributions paid	23	2,855	2,045
USS deficit provision expense less contributions paid		(1,254)	(251)
(Decrease)/increase in other provisions	19	(154)	302
Research & Development Expenditure Credits		134	(1,253)
Service concession agreement nominal rent	13	(619)	(603)
Adjustment for investing or financing activities			
Investment income	5	(411)	(521)
Interest payable	8	4,383	6,091
Endowment income	6	1	8
Loss on the sale of fixed assets		713	15
Capital grant income		(13,200)	(8,904)
Net cash inflow from operating activities		25,048	29,400
Cash flows from investing activities			
Capital grants receipts		10,177	9,812
Investment income received		412	476
Proceeds from sales of fixed assets		562	-
Payments made to acquire fixed assets		(37,717)	(40,003)
New non-current asset investments	14	-	(30)
Repayment of long term loans receivable	14	33	39
New deposits	16	(5,000)	(15,000)
		(31,533)	(44,706)
Cash flows from financing activities			
Interest paid		(2,212)	(2,327)
New endowments received	6	1	8
Repayments of amounts borrowed	18	(2,298)	(2,206)
		(4,509)	(4,525)
Increase/(decrease) in cash and cash equivalents in the year		(10,994)	(19,831)
Cash and cash equivalents at the beginning of the year		67,104	86,935
Cash and cash equivalents at the end of the year		56,110	67,104

Notes to the Financial Statements for the year ended 31 July 2017

	2016/17		2015/16	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
1 Tuition Fees and Education Contracts				
Full-time home and EU students	99,378	99,378	93,233	93,233
Full-time international students	41,765	41,765	42,380	42,380
Part-time students	6,215	6,215	6,575	6,575
	<u>147,358</u>	<u>147,358</u>	<u>142,188</u>	<u>142,188</u>

	2016/17		2015/16	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
2 Funding Body Grants				
Recurrent grant				
Higher Education Funding Council	27,808	27,808	27,009	27,009
Skills Funding Agency	846	846	917	917
Capital grant	3,594	3,594	2,995	2,995
Specific grants				
Higher Education Innovation Fund	3,098	3,098	2,454	2,454
Other	1,973	1,973	1,548	1,548
Capital grants	5,000	5,000	2,200	2,200
	<u>42,319</u>	<u>42,319</u>	<u>37,123</u>	<u>37,123</u>

	2016/17		2015/16	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
3 Research Grants and Contracts				
Research councils	20,840	20,840	17,445	17,445
Research charities	4,903	4,903	3,050	3,050
Government (UK and overseas)	11,270	11,270	13,200	13,200
Industry and commerce	5,704	5,704	4,601	4,601
	<u>42,717</u>	<u>42,717</u>	<u>38,296</u>	<u>38,296</u>
Research and Development Expenditure Credits	585	585	1,823	1,823
	<u>43,302</u>	<u>43,302</u>	<u>40,119</u>	<u>40,119</u>

Research grants and contracts income contains £4,328,000 (2016: £601,000), in respect of capital grants on equipment. The Research and Development Expenditure Credits ("RDEC") income of £585,000 in 2016/17 and £1,823,000 in 2015/16 relates to claims in respect of the period from 1 April 2013 to 31 July 2015. Due to a change in the regulations the University is not eligible to make further RDEC claims for periods after 1 August 2015.

	2016/17		2015/16	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
4 Other Income				
Residences, catering and conferences	44,740	35,769	43,037	33,915
Other revenue grants	3,817	3,817	1,626	1,626
Other capital grants with restrictions	278	278	3,108	3,108
Other income	17,625	17,585	22,584	22,489
	<u>66,460</u>	<u>57,449</u>	<u>70,355</u>	<u>61,138</u>

	2016/17		2015/16	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
5 Investment Income				
Investment income on endowments	45	40	48	40
Investment income on restricted funds	10	-	10	-
Other investment income	356	344	463	454
	<u>411</u>	<u>384</u>	<u>521</u>	<u>494</u>

Notes to the Financial Statements (continued)

for the year ended 31 July 2017

6 Donations and Endowments	2016/17		2015/16	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
New endowments	1	-	8	-
Donations with restrictions	840	1,253	905	688
Gift aid donations from subsidiary companies	-	1,636	-	2,197
Unrestricted donations	123	-	138	-
	<u>964</u>	<u>2,889</u>	<u>1,051</u>	<u>2,885</u>

7 Staff Costs	2016/17		2015/16	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Salaries	118,576	114,316	115,918	111,459
Social security costs	11,008	10,712	9,389	9,184
Movement on USS provision	520	520	791	791
Other pension costs	20,901	20,648	19,544	19,274
	<u>151,005</u>	<u>146,196</u>	<u>145,642</u>	<u>140,708</u>

	2016/17	2015/16
	£	£
Emoluments of the Vice-Chancellor:		
Salary	240,000	220,667
Pension contributions to USS	43,200	39,113
	<u>283,200</u>	<u>259,780</u>

The following number of staff received remuneration of £100,000 or more (excluding employer's pension contributions):

	2016/17	2015/16
£100,000 to £109,999	17	15
£110,000 to £119,999	10	8
£120,000 to £129,999	1	4
£130,000 to £139,999	3	2
£140,000 to £149,999	2	1
£150,000 to £159,999	-	-
£160,000 to £169,999	1	2
£170,000 to £179,999	1	-
	<u>35</u>	<u>32</u>

Staff numbers by major category :

	2016/17	2015/16
Academic	768	729
Teaching and Scholarship	88	82
Research	295	329
Management & specialist	553	544
Technical	204	213
Other	1,133	1,198
	<u>3,041</u>	<u>3,095</u>

The staff numbers by major category disclosed above, are expressed as full-time equivalents and are disclosed as at 1 April each year.

No compensation for loss of office was paid during the year, or the prior year, to any staff member receiving remuneration of £100,000 or more.

Key management personnel

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

The University considers its key management personnel to be the following six members of staff: the Vice-Chancellor; Provost and Deputy Vice-Chancellor; Pro Vice-Chancellor (Teaching); Pro Vice-Chancellor (Research); Chief Operating Officer; Director of Finance.

Key management personnel compensation consists of salary and benefits excluding any employer's pension contribution, and excludes amounts paid to the Vice-Chancellor whose remuneration is disclosed above.

	2016/17 £'000	2015/16 £'000
Key management personnel compensation	<u>717</u>	<u>707</u>

Notes to the Financial Statements (continued)

for the year ended 31 July 2017

	2016/17		2015/16	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
8 Interest and Other Finance Costs				
Loan interest	2,197	2,197	2,316	2,316
Finance lease interest (including service concession finance charge)	362	362	367	367
Finance charge on USS pension provision	564	564	918	918
Movement in fair value of derivatives (note 20)	(516)	(516)	(144)	(144)
Net charge on LGPS pension scheme (note 23)	1,776	1,776	2,634	2,634
	<u>4,383</u>	<u>4,383</u>	<u>6,091</u>	<u>6,091</u>

	2016/17		2015/16	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
9 Analysis of Total Expenditure by Activity				
Academic and related expenditure	110,077	110,679	99,297	99,854
Academic services	23,587	22,960	23,988	23,548
Administration and central services	41,425	40,265	48,790	47,623
Premises (including service concession costs)	36,027	35,561	35,455	34,953
Residences, catering and conferences	31,944	25,360	31,368	24,404
Research grants and contracts	29,217	29,217	29,295	29,295
Other expenses	8,009	8,016	6,774	6,822
	<u>280,286</u>	<u>272,058</u>	<u>274,967</u>	<u>266,499</u>

Other operating expenses include:

External auditor's remuneration in respect of audit services	98	118
External auditor's remuneration in respect of non-audit services	19	2
Operating lease rentals:		
Land and Buildings	1,605	1,266
Plant and Machinery	819	596
Other	1,263	88

	2016/17		2015/16	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
10 Taxation				
Recognised in the Statement of Comprehensive Income and Expenditure				
Current tax				
Current tax expense	-	-	-	-
Taxation expense on RDEC Income	129	129	401	401
Adjustment in respect of previous years	-	-	(148)	-
Current tax expense	<u>129</u>	<u>129</u>	<u>253</u>	<u>401</u>
Deferred tax				
Origination and reversal of timing differences	(39)	-	(7)	-
Deferred tax income	<u>(39)</u>	<u>-</u>	<u>(7)</u>	<u>-</u>
Total tax expense	<u>90</u>	<u>129</u>	<u>246</u>	<u>401</u>

Taxation relating to RDEC income has been provided for at a rate of 20% on the income claimed.

Notes to the Financial Statements (continued)

for the year ended 31 July 2017

11 Fixed Assets

Consolidated	Freehold Land and Buildings £'000	Leasehold Improvements £'000	Service concession Land and Buildings (note 13) £'000	Fixtures, Fittings, Plant and Machinery £'000	Assets in the Course of Construction £'000	Total £'000
Cost						
At 1 August 2016	405,574	6,951	10,691	143,181	15,873	582,270
Additions	8,741	437	-	20,387	11,862	41,427
Transfers	6,914	-	-	7,042	(13,956)	-
Disposals	(1,736)	-	-	(3,028)	(71)	(4,835)
At 31 July 2017	419,493	7,388	10,691	167,582	13,708	618,862
Depreciation						
At 1 August 2016	110,761	210	1,036	79,242	-	191,249
Charge for the year	9,877	285	518	12,135	-	22,815
Disposals	(936)	-	-	(2,905)	-	(3,841)
At 31 July 2017	119,702	495	1,554	88,472	-	210,223
Net book value						
At 31 July 2017	299,791	6,893	9,137	79,110	13,708	408,639
At 31 July 2016	294,813	6,741	9,655	63,939	15,873	391,021

University	Freehold Land and Buildings £'000	Leasehold Improvements £'000	Service concession Land and Buildings (note 13) £'000	Fixtures, Fittings, Plant and Machinery £'000	Assets in the Course of Construction £'000	Total £'000
Cost						
At 1 August 2016	390,200	6,951	10,691	136,866	15,873	560,581
Additions	8,741	437	-	20,024	11,862	41,064
Transfers	6,914	-	-	7,042	(13,956)	-
Disposals	(1,555)	-	-	(2,698)	(71)	(4,324)
At 31 July 2017	404,300	7,388	10,691	161,234	13,708	597,321
Depreciation						
At 1 August 2016	106,598	210	1,036	74,943	-	182,787
Charge for the year	9,458	285	518	11,460	-	21,721
Disposals	(883)	-	-	(2,647)	-	(3,530)
At 31 July 2017	115,173	495	1,554	83,756	-	200,978
Net book value						
At 31 July 2017	289,127	6,893	9,137	77,478	13,708	396,343
At 31 July 2016	283,602	6,741	9,655	61,923	15,873	377,794

At 31 July 2017, freehold land and buildings included £68,600,000 (2016: £68,600,000) in respect of freehold land which is not depreciated.

In accordance with the memorandum of assurance and accountability with HEFCE, HEFCE has the right but not the obligation to demand repayment of Exchequer interest in the event of the University ceasing to be designated to be eligible for HEFCE funding or becoming insolvent.

The Exchequer interest at 31 July 2017 was £39,554,000 (31 July 2016: £44,800,000).

12 Heritage assets

The University's Heritage Assets, which were all acquired more than 4 years ago, consist of 7 works of art such as paintings, vases, trophies, medals and sculptures.

	Consolidated £'000	University £'000
Cost and net book value		
At 1 August 2016	1,165	1,165
At 31 July 2017	1,165	1,165

Notes to the Financial Statements (continued)

for the year ended 31 July 2017

13 Service Concession Arrangements

The University has two arrangements where service delivery has commenced which have been recognised on the Balance Sheet.

Movement in Service Concession Arrangement Assets

The total asset values included in the Balance Sheet as at 31 July 2017 were £9,137,000 (31 July 2016: £9,655,000). The reduction of £518,000 was as a result of depreciation.

Movement in Service Concession Arrangement Liabilities

The total liabilities relating to the service concessions included in the Balance Sheet as at 31 July 2017 were £9,977,000. (31 July 2016: £10,238,000). The reduction of £261,000 was the result of the £619,000 treated as repaid during the year being offset by a finance charge of £358,000.

Future Commitments

The following table analyses the University's future commitments in relation to service concession arrangements.

	Payable in <1 year £'000	Payable in 2-5 years £'000	Payable in >5 years £'000	Total £'000
Liability repayments	635	2,702	10,919	14,256
Less: future finance charges	(349)	(1,287)	(2,643)	(4,279)
Present value of service concession agreement obligations	286	1,415	8,276	9,977

The notes below give more information on the University's current service concession arrangements:

a) On Balance Sheet Service Concession Arrangements

In March 2002 the University entered into a 35 year contract with a third party provider for the provision and maintenance of student accommodation. The assets and liabilities relating to this scheme are recognised on the University's Balance Sheet. Service commenced on 1 August 2002 and the contract will finish on 31 July 2037. The University has the right to renew the nominations agreement for the life of the 99 year head lease. The University has an annual occupancy guarantee amounting to committed annual payments for the year ended 31 July 2017 of £519,000 (31 July 2016: £506,000) recorded within other operating expenses.

In August 2003 the University entered into a 20 year contract with a third party provider for the provision and maintenance of student accommodation. The assets and liabilities relating to this scheme are recognised on the University's Balance Sheet. Service commenced on 1 August 2003 and the contract will finish on 31 July 2023. The University has the right to renew the nominations agreement for the life of the 99 year head lease. The University has an annual occupancy guarantee amounting to annual payments for the year ended 31 July 2017 of £100,000 (31 July 2016: £97,000) recorded within other operating expenses.

b) Other Service Concession Arrangements not recognised on the Balance Sheet.

In June 2007 the University entered into an agreement with a third party for the provision and maintenance of student accommodation. The agreement expires in 2044 and includes an option to receive the reversionary interest at nil consideration at the expiry date. The University has no minimum guaranteed payment and therefore no asset and liability to recognise on the Balance Sheet.

14 Non-Current Investments

Consolidated	Investment in subsidiary companies £'000	Subsidiary investment in spinouts £'000	Investment Properties £'000	Long term loans receivable £'000	Other non- current asset investments £'000	Total £'000
At 1 August 2016	-	84	19,384	129	2,074	21,671
Disposals	-	(43)	-	(33)	-	(76)
Movement in fair value	-	-	-	-	116	116
At 31 July 2017	-	41	19,384	96	2,190	21,711
University	Investment in subsidiary companies £'000	Subsidiary investment in spinouts £'000	Investment Properties £'000	Long term loans receivable £'000	Other non- current asset investments £'000	Total £'000
At 1 August 2016	8,231	-	30,784	360	1,630	41,005
Disposals	-	-	-	(33)	-	(33)
Transfers	-	-	-	(200)	143	(57)
Movement in fair value	-	-	-	-	86	86
At 31 July 2017	8,231	-	30,784	127	1,859	41,001

Investment properties, which are all freehold land and buildings, were revalued to fair value at 31 July 2017, based on a valuation undertaken by RJ Hartley (FRICS) of Innes England, an independent valuer with recent experience in the location and class of the investment property being valued. The method of determining fair value was comparables, investment or depreciated replacement cost depending on the nature of the asset and the manner of its occupation. Depreciated replacement cost based valuations are stated to be subject to the continuing profitability of the University. If the operations of the University were to cease these valuations may be materially lower. Investment valuations assume the continuing benefit of subsisting tenancies. There are no restrictions on the realisability of investment property. If freehold land and buildings had not been revalued they would have been included with a carrying value of:

	2016/17		2015/16	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Carrying value of freehold land and buildings	17,119	22,944	17,713	23,875

Notes to the Financial Statements (continued)

for the year ended 31 July 2017

	2016/17		2015/16	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
15 Trade and Other Receivables				
Amounts Falling Due Within One Year:				
Research grants receivables	4,613	4,613	3,747	3,747
Other trade receivables	17,270	15,652	14,293	13,060
Prepayments and accrued income	4,143	4,005	3,043	2,918
Amounts due from subsidiary companies	-	2,656	-	2,356
	<u>26,026</u>	<u>26,926</u>	<u>21,083</u>	<u>22,081</u>

Amounts due from subsidiary companies are non-interest bearing and are repayable on demand.

	2016/17		2015/16	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
16 Current Investments				
Short term deposits	20,000	20,000	15,000	15,000
	<u>20,000</u>	<u>20,000</u>	<u>15,000</u>	<u>15,000</u>

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

At 31 July 2017 the weighted average interest rate of these fixed rate deposits was 0.72% per annum (31 July 2016: 0.96%) and the remaining weighted average period for which the interest rate is fixed on these deposits was 168 days. The fair value of these deposits was not materially different from the book value

	2016/17		2015/16	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
17 Creditors : Amounts Falling Due Within One Year				
Unsecured loans	2,405	2,405	2,304	2,304
Service concession arrangements (Note 13)	286	286	261	261
Trade payables	12,182	10,465	14,562	12,767
Social security and other taxation payable	3,951	3,515	3,628	3,149
Accruals and deferred income	53,013	51,901	54,981	53,296
Amounts due to subsidiary companies	-	594	-	795
Derivatives	776	776	1,292	1,292
	<u>72,613</u>	<u>69,942</u>	<u>77,028</u>	<u>73,864</u>

Amounts due to subsidiary companies are non-interest bearing and are repayable on demand.

Deferred Income

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

	2016/17		2015/16	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Donations	-	-	109	109
Research grants received on account	21,776	21,776	22,930	22,930
Grant income	7,066	7,066	5,984	5,984
Other income	7,201	6,591	14,085	13,568
	<u>36,043</u>	<u>35,433</u>	<u>43,108</u>	<u>42,591</u>

Derivatives

The derivatives balance shown above relates to a "receive floating, pay fixed" interest rate swap measured at fair value through income and expenditure. The floating rate on the interest rate swap is three months' LIBOR, with the fixed rate being 4.9725%. The Group settles the swap quarterly, with the difference between the fixed and floating interest rates settled on a net basis.

At 31 July 2017, the fair value of the swap was a liability of £776,000 (31 July 2016: £1,292,000), and the notional principal value was £10,389,000 (31 July 2016: £11,060,000)

Notes to the Financial Statements (continued)

for the year ended 31 July 2017

18 Creditors : Amounts Falling Due After More Than One Year	2016/17		2015/16	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Deferred income	24	-	32	-
Service concession liabilities due after one year (Note 13)	9,691	9,691	9,977	9,977
Unsecured loans	61,936	61,936	64,335	64,335
Other creditors	15	15	-	-
	<u>71,666</u>	<u>71,642</u>	<u>74,344</u>	<u>74,312</u>
Analysis of unsecured loans:				
Due between one and two years	2,517	2,517	2,405	2,405
Due between two and five years	6,765	6,765	7,086	7,086
Due in five years or more	52,654	52,654	54,844	54,844
Due after more than one year	61,936	61,936	64,335	64,335
Due within one year or on demand (Note 17)	2,405	2,405	2,304	2,304
Total unsecured loans	64,341	64,341	66,639	66,639
Unsecured loan repayable by 2035	27,314	27,314	28,167	28,167
Unsecured fixed rate (4%) loan repayable by 2039	8,410	8,410	8,636	8,636
Unsecured fixed rate (5%) loan repayable by 2020	1,614	1,614	2,152	2,152
Unsecured fixed rate (3%) loan repayable by 2041	8,798	8,798	9,033	9,033
Unsecured fixed rate (3%) loan repayable by 2043	18,205	18,205	18,651	18,651
Total unsecured loans	64,341	64,341	66,639	66,639

All unsecured loans are repayable to Lloyds Bank plc.

Note on loan repayable by 2035: £10.9m reducing is fixed at a rate of 5.1725% until March 2019 and is subject to an interest rate swap (notes 17, 20). £7.3m has been fixed at a lower rate of 3.48% (3.28% cost of funds plus 0.20% margin) and the remaining £10.0m of the loan is charged at 0.20% above base rate. This loan is repayable by instalments over the period to 10 December 2035.

19 Provisions for Liabilities

Consolidated	Obligation to fund deficit on USS Pension	Pension enhancements on retirement	Defined Benefit Obligations (Note 23)	Total Pension Provisions	Deferred tax	Total Other Provisions
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 August 2016	31,683	2,500	72,670	106,853	48	48
Utilised	(1,774)	(139)	5,182	3,269	(39)	(39)
Additions and remeasurements	1,084	24	(10,101)	(8,993)	-	-
At 31 July 2017	30,993	2,385	67,751	101,129	9	9
University	Obligation to fund deficit on USS Pension	Pension enhancements on retirement	Defined Benefit Obligations (Note 23)	Total Pension Provisions	Deferred tax	Total Other Provisions
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 August 2016	31,683	2,500	72,670	106,853	-	-
Utilised	(1,774)	(139)	5,182	3,269	-	-
Additions and remeasurements	1,084	24	(10,101)	(8,993)	-	-
At 31 July 2017	30,993	2,385	67,751	101,129	-	-

USS deficit

The obligation to fund the past deficit on the Universities Superannuation Scheme (USS) arises from the contractual obligation with the pension scheme for future payments relating to benefits arising from past performance. The provision is calculated based on the University's best estimate of the future cash flows required to settle the obligation, taking account of estimated changes in salary rates and employee numbers during the deficit reduction period. The provision is discounted using a discount rate based on the yield on high quality corporate bonds of a currency and duration consistent with the currency and estimated period of the future payments. After obtaining advice from an actuary, the discount rate applied at 31 July 2017 was 1.91% (2016: 1.78%).

Pension enhancement on retirement

The University has an obligation to make payments to a small number of pensioners in relation to a legacy pension enhancement agreement. The provision is calculated based on the University's best estimate of the future cash flows required to settle the obligation. The provision is not discounted as the time value of money is not material to the valuation. The assumptions in respect of life expectancy for calculating this provision are the same as those shown in Note 23, however given the shorter duration of the expected cash flows inflation has been estimated at 2.44% (2016: 2.01%).

Notes to the Financial Statements (continued)

for the year ended 31 July 2017

20 Financial instruments

The carrying values of the Group and University's financial assets and liabilities are summarised by category below:

Financial assets	Note	2016/17		2015/16	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
Measured at fair value through income and expenditure					
Investments in listed ordinary shares		424	416	431	421
Investments in common investment funds		1,401	1,401	1,611	1,167
Debt instruments measured at amortised cost					
Long-term loans receivable	14	96	127	129	360
Measured at undiscounted amount receivable					
Trade and other receivables	15	21,883	22,921	18,040	16,807
Equity instruments measured at cost less impairment					
Non-current asset investments in unlisted equity instruments		75	42	116	42
		<u>23,879</u>	<u>24,907</u>	<u>20,327</u>	<u>18,797</u>

Financial liabilities		2016/17		2015/16	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
Measured at fair value through income and expenditure					
Derivative financial liabilities	17	776	776	1,292	1,292
Measured at amortised cost					
Loans payable	18	64,341	64,341	66,639	66,639
Obligations under Service concession agreements	13	9,977	9,977	10,238	10,238
Measured at undiscounted amount payable					
Trade and other creditors	17	16,133	14,574	18,190	16,711
		<u>91,227</u>	<u>89,668</u>	<u>96,359</u>	<u>94,880</u>

The Group's income, expense, gains and losses in respect of financial instruments are summarised below:

Interest income and (expense)		2016/17		2015/16	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
Total interest income for financial assets at amortised cost	5	411	384	521	494
Total interest expense for financial liabilities at amortised cost	8	(2,559)	(2,559)	(2,683)	(2,683)
		<u>(2,148)</u>	<u>(2,175)</u>	<u>(2,162)</u>	<u>(2,189)</u>

Fair value gains and (losses)		2016/17		2015/16	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
On financial assets measured at fair value through income and expenditure	14	116	86	(40)	36
On derivative financial liabilities	8	(516)	(516)	(144)	(144)
		<u>(400)</u>	<u>(430)</u>	<u>(184)</u>	<u>(108)</u>

Notes to the Financial Statements (continued)

for the year ended 31 July 2017

21 Endowment Reserves

Restricted net assets relating to endowments are as follows:

	Restricted permanent endowments £'000	Restricted expendable endowments £'000	2016/17 Total £'000	2015/16 Total £'000
Consolidated				
At 1 August 2016				
Capital	856	445	1,301	1,288
Accumulated income	241	101	342	280
	<u>1,097</u>	<u>546</u>	<u>1,643</u>	<u>1,568</u>
New endowments	1	-	1	8
Investment income	30	15	45	48
Expenditure	(86)	-	(86)	(10)
Increase in market value of investments	68	35	103	29
Total endowment comprehensive income for the year	<u>13</u>	<u>50</u>	<u>63</u>	<u>75</u>
At 31 July 2017	<u>1,110</u>	<u>596</u>	<u>1,706</u>	<u>1,643</u>
Represented by:				
Capital	921	480	1,401	1,301
Accumulated income	189	116	305	342
	<u>1,110</u>	<u>596</u>	<u>1,706</u>	<u>1,643</u>
University				
At 1 August 2016				
Capital	722	445	1,167	1,140
Accumulated income	137	101	238	207
	<u>859</u>	<u>546</u>	<u>1,405</u>	<u>1,347</u>
Investment income	25	15	40	40
Expenditure	(86)	-	(86)	(9)
Transfer of endowment from Subsidiary	255	-	255	-
Increase in market value of investments	57	35	92	27
Total endowment comprehensive income for the year	<u>251</u>	<u>50</u>	<u>301</u>	<u>58</u>
At 31 July 2017	<u>1,110</u>	<u>596</u>	<u>1,706</u>	<u>1,405</u>
Represented by:				
Capital	921	480	1,401	1,167
Accumulated income	189	116	305	238
	<u>1,110</u>	<u>596</u>	<u>1,706</u>	<u>1,405</u>
Analysis of consolidated funds by type of purpose:				
Prize Funds	424	244	668	615
Hardship Funds	98	116	214	196
Travel Awards & Other	105	-	105	96
Lectures	-	236	236	217
Post & Departmental Support	483	-	483	519
	<u>1,110</u>	<u>596</u>	<u>1,706</u>	<u>1,643</u>
Analysis of consolidated funds by asset:				
			2016/17 £'000	2015/16 £'000
Current and non-current asset investments			1,401	1,301
Cash & cash equivalents			305	342
			<u>1,706</u>	<u>1,643</u>

Deficit balances

The Wallace Music Scholarship permanent endowment currently has a capital balance of £7,673 with an income deficit of £116. Income to cover the deficit is expected to be received by 31 July 2018.

Notes to the Financial Statements (continued)

for the year ended 31 July 2017

22 Restricted Reserves

Reserves with restrictions are as follows:

Consolidated	Capital grants for restricted use assets	Other capital grants with restrictions	Restricted donations	Revenue grants with restrictions	2016/17 Total	2015/16 Total
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 August 2016	50,237	-	1,819	-	52,056	50,327
Grant income	-	9,475	-	38,271	47,746	40,078
Donation income	-	-	840	-	840	905
Investment income	-	-	11	-	11	10
Capital grants with expired use restrictions	(4,424)	-	-	-	(4,424)	(1,640)
Expenditure	-	(9,475)	(839)	(38,271)	(48,585)	(37,632)
Increase in market value of investments	-	-	20	-	20	8
Total restricted comprehensive income for the year	(4,424)	-	32	-	(4,392)	1,729
At 31 July 2017	45,813	-	1,851	-	47,664	52,056

Analysis of consolidated donations with restrictions by type of purpose:	2016/17 Total	2015/16 Total
	£'000	£'000
Post and departmental support	1,414	1,414
Prize funds	23	17
Other	414	388
	1,851	1,819

University	Capital grants for restricted use assets	Other capital grants with restrictions	Restricted donations	Revenue grants with restrictions	2016/17 Total	2015/16 Total
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 August 2016	50,237	-	-	-	50,237	48,769
Grant income	-	9,475	-	38,271	47,746	40,078
Donation income	-	-	1,253	-	1,253	688
Capital grants with expired use restrictions	(4,424)	-	-	-	(4,424)	(1,640)
Expenditure	-	(9,475)	(901)	(38,271)	(48,647)	(37,658)
Total restricted comprehensive income for the year	(4,424)	-	352	-	(4,072)	1,468
At 31 July 2017	45,813	-	352	-	46,165	50,237

Notes to the Financial Statements (continued)

for the year ended 31 July 2017

23 Pension Schemes

Different categories of staff were eligible to join one of three different schemes:

- Universities Superannuation Scheme (USS)
- The Local Government Pension Scheme (LGPS) which is administered by Leicestershire County Council
- The Teachers' Pension Scheme (TPS)

The total charge to the consolidated income and expenditure account (excluding finance expense) is noted below.

	2016/17 £'000	2015/16 £'000
Contributions paid to USS (excluding amounts paid under the USS deficit recovery plan)	12,964	12,317
Movement on USS provision	<u>520</u>	<u>791</u>
	13,484	13,108
LGPS	7,732	6,454
Other pension schemes	<u>205</u>	<u>773</u>
	<u>21,421</u>	<u>20,335</u>

(i) The Universities Superannuation Scheme

The Universities Superannuation Scheme (USS) is the main scheme covering most academic and academic-related staff. The assets of the scheme are held in a separate fund administered by the trustee, Universities Superannuation Limited.

With effect from 1 October 2016, the scheme changed from a defined benefit only pension scheme to a hybrid pension scheme, providing defined benefits (for all members), as well as defined contribution benefits. Because of the mutual nature of the scheme, the assets are not attributed to individual institutions and a scheme-wide contribution rate is set. The University is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. As required by Section 28 of FRS 102 "Employee benefits", the institution therefore accounts for the scheme as if it were a wholly defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme. Since the institution has entered into an agreement (the Recovery Plan) that determines how each employer within the scheme will fund the overall deficit, the institution recognises a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) with any changes in the liability on remeasurement recognised in the income and expenditure account.

The latest available full actuarial valuation of the scheme was at 31 March 2014 (the valuation date), which was carried out using the projected unit method. The valuation as at 31 March 2017 is underway. Although the valuation is not yet finalised, information currently available indicates an increased funding deficit.

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:

	2016/17	2015/16
Discount Rate	2.6%	3.6%
Pensionable Salary Growth	n/a	n/a
Pension increases (CPI)	2.4%	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 actual USS experience. To allow for further improvements on mortality rates the CMI 2014 projections with a 1.5% pa long term rate were also adopted. The current life expectancies on retirement at age 65 are:

	2016/17	2015/16
Males currently aged 65 (years)	24.4	24.3
Females currently aged 65 (years)	26.6	26.5
Males currently aged 45 (years)	26.5	26.4
Females currently aged 45 (years)	29.0	28.8

	2016/17	2015/16
Scheme assets	£60.0bn	£49.8bn
Total scheme liabilities	£77.5bn	£58.3bn
FRS102 total scheme deficit	£17.5bn	£8.5bn
FRS102 total funding level	77%	85%

Notes to the Financial Statements (continued)

for the year ended 31 July 2017

23 Pension Schemes (continued)

(ii) Local Government Pension Scheme (LGPS)

LGPS is valued every three years by professionally qualified independent actuaries using the projected unit method, the rates of contribution payable being determined by the trustee on the advice of the actuaries. In the intervening years, the LGPS actuary reviews the progress of the LGPS scheme.

For LGPS, the actuary has indicated in the 2016 valuation that the resources of the scheme are likely, in the normal course of events, to meet the liabilities as they fall due at the level specified by the LGPS Regulations. The employer's contribution rate was increased to 21.0% from April 2017.

Under the definitions set out in FRS17, the LGPS is a multi-employer defined benefit pension scheme. In the case of the LGPS, the actuary of the scheme has identified the University's share of its assets and liabilities as at 31 July 2017.

The pension scheme assets are held in a separate Trustee-administered fund to meet long-term pension liabilities to past and present employees. The trustees of the fund are required to act in the best interests of the fund's beneficiaries. The appointment of trustees to the fund is determined by the scheme's trust documentation. The trustees are responsible for setting the investment strategy for the scheme after consultation with professional advisers.

Assumptions

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

	2016/17 %pa	2015/16 %pa
Pension Increase Rate (CPI)	2.5	1.9
Salary Increase Rate (RPI)	3.5	2.9
Discount rate	2.7	2.4

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
Current pensioners	22.1 years	24.3 years
Future pensioners	23.8 years	26.2 years

Scheme assets and expected rate of return for LGPS

The assets in the scheme, measured at fair value, were:

	31 July 2017 £'000	31 July 2016 £'000
Equities	89,659	90,311
Bonds	26,764	21,031
Property	10,706	11,134
Cash	6,691	1,237
Total	<u>133,820</u>	<u>123,713</u>

	2016/17 £'000	2015/16 £'000
Analysis of the amount shown in the balance sheet		
Scheme assets	133,820	123,713
Scheme liabilities	<u>(201,571)</u>	<u>(196,383)</u>
Deficit in the scheme – net pension liability	<u>(67,751)</u>	<u>(72,670)</u>

Analysis of the amount charged to staff costs within operating surplus

Current service cost	7,532	6,399
Past service costs (including curtailments)	200	55
Total operating charge:	<u>7,732</u>	<u>6,454</u>

Analysis of the amount charged to interest payable

Interest cost on defined benefit obligation	4,757	6,510
Interest income on plan assets	<u>(2,981)</u>	<u>(3,876)</u>
Net charge to interest and other finance costs	<u>1,776</u>	<u>2,634</u>

Analysis of other comprehensive income for LGPS

Return on assets excluding amounts included in net interest	5,992	11,683
Changes in financial assumptions	<u>(11,454)</u>	<u>(9,528)</u>
Changes in demographic assumptions	2,276	-
Other experience	<u>12,736</u>	<u>2,020</u>
Total other comprehensive income before deduction for tax	<u>9,550</u>	<u>4,175</u>

Notes to the Financial Statements (continued)

for the year ended 31 July 2017

23 Pension Schemes (continued)

	2016/17 £'000	2015/16 £'000
Analysis of movement in the present value of scheme liabilities		
Present value at the start of the year	196,383	179,356
Current service cost	7,532	6,399
Past service cost including curtailment	200	55
Interest cost	4,757	6,510
Actual member contributions	1,439	1,411
Actuarial loss	(3,558)	7,508
Actual benefit payments	(5,182)	(4,856)
Present value at the end of the year	201,571	196,383
Analysis of movement in the fair value of scheme assets		
Fair value of assets at the start of the year	123,713	107,190
Interest income on plan assets	2,981	3,876
Actuarial gain on assets	5,992	11,683
Actual contributions paid by University	4,877	4,409
Actual member contributions (including notional contributions)	1,439	1,411
Actual benefit payments	(5,182)	(4,856)
Fair value of scheme assets at the end of the year	133,820	123,713
Actual gain on scheme assets in the year	8,973	15,559

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

The estimated employer's contribution payable to LGPS in the Financial Year 2017/18 is £5,174,000.

iii) Teachers' Pension Scheme

This scheme is valued every 5 years by the Government Actuary. Contributions are paid by the University at the rate specified. The scheme is unfunded and contributions are made to the Exchequer. The payments from the scheme are made from funds voted by Parliament. The contribution rate payable by the employers was 16.48% of pensionable salaries.

Under the definitions set out in Section 28 of FRS 102, this scheme is a multi-employer defined benefit pension scheme as the University is unable to identify its share of the underlying assets and liabilities.

24 Subsidiary Undertakings

The University wholly owns or effectively controls the following subsidiary companies (all of which are registered in England and Wales with their registered office at Finance Office, Loughborough University, Loughborough, LE11 3TU):

Company name	Shareholding	Principal Activity
CASCAID Limited	100%	Production and sale of computer-aided careers guidance software
Imago @ Loughborough Limited	100%	Management of conference and related commercial facilities
Loughborough Sport Limited	100%	Management of sports facilities
Loughborough University Development Trust	Limited by guarantee	Promotion of the charitable purposes of the University
Loughborough University Enterprises Limited	100%	Marketing of the expertise and facilities of the University in applicable specialist areas.
Loughborough University Services Limited	100%	Supply of utilities and other services

25 Associated Undertakings

The Group has the following interests in associated undertakings:

Company (registered office)	Shareholding	Principal Activity
Antrum Limited (Loughborough University, Loughborough, Leicestershire, LE11 3TU)	50%	Development and production of specialist antennae base stations for the mobile phone industry.
Charnwood Molecular Limited (Court Prince William Road, Loughborough, Leicestershire, LE11 5GA)	22%	Contract research for the Chemistry industry.

The Group's share of the profit or loss for the year and the net assets of the associated undertakings are not material to these financial statements in either the current or prior year and have therefore been excluded from the consolidation.

Notes to the Financial Statements (continued)

for the year ended 31 July 2017

26 Connected Charitable Institutions

One charitable institution (Loughborough University Development Trust) is administered by or on behalf of the University and has been established for its general or special purposes. As a result, under paragraph 28 of Schedule 3 to the Charities Act 2011, this connected institution is exempt from registration with the Charity Commission. This charity is included as a subsidiary undertaking in these consolidated financial statements and the movements in the year on the total funds of the connected institution, as reported in its own accounts, were as follows:

	Loughborough University Development Trust £'000
At 1 August 2016	2,480
Income	695
Expenditure	(1,265)
Gains on market value of investments	30
At 31 July 2017	1,940

27 Related Party Transactions

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. All balances outstanding at the year-end are held on normal credit terms and do not carry any interest

	Income £'000	Expenditure £'000	Balance due to/(from) the University at 31 July 2017 £'000
Members of Council			
EPSRC	18,353	(14,451)	(8,885)
Loughborough Student's Union	279	(1,484)	54
University of Nottingham	847	(1,020)	140
Senior Members of the University			
British Universities Finance Directors Group	57	-	3
English Institute of Sport	254	(1)	10
Labour Party	50	-	-
Lawn Tennis Association	84	-	1
Leicestershire & Rutland Sport	70	-	1
Loughborough College	510	(81)	402
Manufacturing Technology Centre	51	-	209
University of Birmingham	258	(75)	78
University of Manchester	65	(21)	1
University of Nottingham	847	(1,020)	140
Youth Sport Trust	338	-	39

The total expenses paid to or on behalf of 10 council members were £10,933 (2016: £8,042 to 9 council members). This represents travel and subsistence expenses incurred in attending Council, Committee meetings and any other events in their official capacity. The University Officers and Members of Council have also had access to the catering, sporting and other facilities of the University on terms which are available to all members of University staff.

The University has taken advantage of the exemption allowed by FRS102 not to disclose transactions between wholly owned group companies. No information has been listed above for organisations where income or expenditure is less than £50,000 in the current year.

Notes to the Financial Statements (continued)

for the year ended 31 July 2017

28 Financial commitments	2016/17		2015/16	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Commitments contracted	72,265	72,058	20,733	20,526

Total future minimum lease payments under non-cancellable operating leases are as follows

Consolidated	2016/17			Total £'000	2015/16 Total £'000
	Land and Buildings £'000	Plant and Machinery £'000	Other leases £'000		
Payable during the year	1,605	819	1,263	3,687	1,950
Future minimum lease payments due:					
Not later than 1 year	101	348	116	565	558
Later than 1 year and not later than 5 years	929	294	61	1,284	2,350
Later than 5 years	5,573	-	-	5,573	2,459
Total lease payments due	6,603	642	177	7,422	5,367

University	2016/17			Total £'000	2015/16 Total £'000
	Land and Buildings £'000	Plant and Machinery £'000	Other leases £'000		
Payable during the year	1,605	692	1,263	3,560	1,820
Future minimum lease payments due:					
Not later than 1 year	101	318	116	535	470
Later than 1 year and not later than 5 years	929	257	61	1,247	2,344
Later than 5 years	5,573	-	-	5,573	2,459
Total lease payments due	6,603	575	177	7,355	5,273

Significant leases include the lease of the London campus (included in land and buildings), sports equipment (plant and machinery) and software licences (other).

29 Leases receivable

At the balance sheet date, the following future minimum lease payments were receivable from tenants under operating leases for land and buildings:

Future minimum lease payments receivable:	2016/17		2015/16	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Not later than 1 year	1,733	2,515	2,727	3,509
Later than 1 year and not later than 5 years	3,833	6,875	4,897	7,977
Later than 5 years	2,340	22,152	2,859	23,415
Total lease payments receivable	7,906	31,542	10,483	34,901

Significant leases include the lease of hotel and conferencing facilities to a subsidiary company and leases to tenants of the University's Science and Engineering Park

30 Events after the reporting period

The following two non-adjusting events occurred between the reporting date and the approval of these financial statements.

Disposal of subsidiary

On 31 August 2017 the University disposed of its entire shareholding in CASCAID Limited. The impact of this transaction is not material to the financial statements.

Additional loan term financing

On 29 September 2017 the University borrowed £60.0m from Scottish Widows Ltd with Lloyds Bank PLC acting as agents. The unsecured loan is repayable on an amortising basis over 20 years until 2037 and is subject to an interest rate swap. This results in a net effective interest rate fixed at 2.466% for the life of the loan.

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