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We transform our students by helping them
to develop not only educationally, but also
personally and professionally

CHANCELLOR, BOARD OF GOVERNORS AND COMMITTEES, EXECUTIVE BOARD AND PROFESSIONAL ADVISERS

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The Baroness Lawrence of Clarendon OBE

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Mr Mike Mayes BSc (Hons) (DSU Vice-President, Media & Communication)

Ms Mollie Footitt BSc (Hons) (DSU Deputy President Education)

EX OFFICIO GOVERNOR CHIEF EXECUTIVE AND VICE CHANCELLOR

Professor Dominic Shellard MA, DECUTIVE AN-(T421 (CUTIVE)4L)5 (OFFI)-21 (K)-21 scn/Td(E)T1 Tf(BA I)4.9T(G)-4 (0.01 Tc -0.005 (O)20 (VE)-41.9 (R)-42 (N)-21 (OR)-42 (S)JJO.237 0.236 0.232 scnSam 1 Tf0es, DJJ/T1_2 1 Tff4 Td(Dr Ste-41.d)JJ/T1_0 1 Tf(M

CHAIRMAN'S INTRODUCTION TO THE ANNUAL ACCOUNTS 2017/18

I am pleased to introduce the Annual Accounts for the financial year 2017/18. This past year has seen

OPERATING AND FINANCIAL REVIEW 2017/18

De Montfort University (DMU) Leicester's Strategic Plan 2018-23 builds upon our previous framework, which we developed through discussion and engagement across the university. This Strategic Framework underpinned a wide range of activities and improvements, and our new plan – approved by our Board of Governors and launched in the summer of 2018 – continues this drive, setting out the direction required to achieve our ambitions in a vibrant sector.

Our mission:

We are a scholarly community, committed to the public good and driven by an unrivalled ability to challenge convention and create impact.

Our vision:

By 2023, our unsurpassed commitment to the public good and transformational scholarship will position us as the definition of a 21st century global university.

To help us achieve this vision, we're focusing our efforts on the five themes detailed in the Strategic Plan.

1. Delivering a transformational educational experience that works for all
2. Creating and applying knowledge
3. Promoting our city
4. Strengthening our global influence
5. Enhancing our effectiveness through our diverse and vibrant scholarly community

We transform our students by helping them to develop not only educationally, but also personally and professionally. We hold a 'Gold' award in the nationally recognised Teaching Excellence and Student Outcomes Framework (TEF) and our students are encouraged to engage fully with life at DMU, contribute to creating their own unique learning experience and make the most of every opportunity that comes their way.

We have successfully launched innovative programmes such as #DMUglobal and the Universal Design for Learning. We show cityuniversity.

THE UNIVERSITY'S STATEMENT OF PUBLIC BENEFIT

DMU is an exempt charity by virtue of Schedule 3 of the Charities Act 2011 and, as such, is regulated by the Office for Students.

The university's objectives, as defined in the Education Reform Act 1988, are to 'provide higher education', to 'provide further education' and to 'carry out research and to publish the results of that research' for the public benefit. Members of the university's Board of Governors serve as trustees and are responsible for determining the educational character and mission of the university, overseeing and scrutinising its activities.

When establishing the strategic direction of the university, the Board of Governors and DMU's Executive Board also gave careful consideration to the Charity Commission's guidance on public benefit, and advice issued by the Higher Education Funding Council for England (HEFCE).

We consider the beneficiaries of our charitable status to be all students, both undergraduate and postgraduate, as well as members of the public in the UK and overseas. We believe universities are a public good and that DMU transforms lives by providing inspiring environments for its students and staff, while sharing their discoveries to benefit the world.

Ours is a community in which everyone learns, develops and contributes for the good of all. Research is central to this, enhancing our teaching and serving society's needs. That is why we are investing in research staff and infrastructure, to build on our Research Excellence Framework (REF) results, which judged that almost 60 per cent of DMU's research activities were world-leading or internationally excellent.

It is also an international community, where those from diverse backgrounds and cultures learn from and enrich each other's experiences. We always seek to treat, with dignity, respect and integrity, all those with whom we come into contact.

This ethos led the United Nations (UN) to ask DMU to take the lead in engaging universities across the globe in the #JoinTogether campaign, to help support refugees worldwide. As part of this work, in 2018, DMU twice visited the UN headquarters in New York, to create a global network of universities committed to finding successful ways to

integrate refugees into communities, while spreading messages of tolerance and understanding.

Our new Strategic Plan 2018-23 – which sets out DMU's mission, values and strategic aims for the next five years – has been crafted in line with the UN's 17 Sustainable Development Goals (SDGs). Maher Nasser, a senior member of the UN, spoke at one of our summer graduation ceremonies to praise our strong support in addressing global challenges such as hunger, health, education and climate change.

Mr Nasser also announced that DMU has been selected by the UN Academic Impact Group as a 'designated hub' for SDG number 16 – to promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels – the first university to be chosen for such a role.

Everyone at DMU contributes to a high quality and distinctive academic experience, harnessing the best new approaches to learning and research. We equip our students with the skills and knowledge to support both their employability and broader lives. We deliver quality and add value in all that we do, understanding and responding to the needs of business and the professions.

This was recognised when DMU was ranked 'Gold' in the 2017 TEF, the only government-endorsed measure of teaching quality in higher education. The TEF panel judged that DMU delivers "consistently outstanding teaching, learning and outcomes for its students. It is of the highest quality found in the UK".

Recent figures support this judgement. Some 97.3 per cent of DMU graduates from summer 2017 are in work or further study after graduating, according to the Destinations of Leavers from Higher Education (DLHE) 2016/17 report, above the sector average of 94.6 per cent.

Our vision is promoted by engagement locally, nationally and internationally. We are strongly committed to widening access to higher education and to supporting students from diverse backgrounds.

This is why we developed our #DMUaspire project with local schools and colleges, to inspire a new generation of undergraduates from hard-to-reach groups, which has boosted exam results in areas of deprivation and created a raft of new university applications.

We seek to communicate clearly and openly within the university, and beyond, and to listen carefully to what people say to us. We encourage an innovative and entrepreneurial attitude to learning, research and partnerships, which enriches us and those with whom we work.

The pioneering #DMUlocal programme is one of our key public-benefit activities. It offers unparalleled opportunities for our wider community to draw upon the university's academic expertise to improve health, education and job prospects across Leicester and beyond.

Many of these projects are embedded into degree coursework, ensuring hundreds of participating students gain skills to make them stand out in an increasingly competitive jobs market, as well as demonstrating how the work of a university can sustainably support and develop communities.

DMU Square Mile India has added an overseas dimension to the project by involving our award-winning international experience programme, #DMUglobal, to transform the lives of some of the poorest communities in Gujarat.

Students and staff regularly travel to Ahmedabad to work on initiatives such as delivering English classes, running free hearing screenings, teaching dance or drama, or finding ways in which technology could improve lives. They are also designing and building new homes in a community that includes former leprosy sufferers, people who are forced to leave their homes each year due to monsoon flooding.

This innovative work earned DMU Square Mile India a prestigious national award, when it was named 'International Strategy of the Year' in the 2018 THELMAs.

Closer to home, the public can enjoy the state-of-the-art facilities at Queen Elizabeth II Diamond Jubilee Leisure Centre, while our award-winning Vijay Patel Building – the

centrepiece of our campus transformation project – has had a positive impact on the community by creating a gateway connecting the city's West End to the centre. Visitors can also enjoy its Riverside Café, with its focus on vegetarian and vegan food, and watch key events on its big screen.

In addition, the building hosts The Gallery, the largest space of its kind in Leicester, which is also open to the public. It has displayed student and staff pieces, plus work by exciting creatives from across the world, including internationally-respected artists and twins Simon and Tom Bloor, influential contemporary artist Jonathan Monk – who studied at DMU – in his first exhibition in his home city, and Turner Prize winner and social commentator Grayson Perry.

These exhibitions helped draw more than 17,000 visitors in its first year, while more than 2,000 people new to The Gallery, many of whom were also new to the campus, came to key events. A children's workshop encouraging cultural practice as open-ended play had more than 200 participants across its three days. It led to the development of a regular programme of monthly workshops for youngsters aged up to 11, with more than 100 participants at each.

On the edge of campus, we have restored the Great Hall of Leicester Castle – which dates back to the 12th century and has played a key role in British history – to bring it back to life as our Leicester Castle Business School. After lying empty for more than two decades, members of the public can now explore the building with guided tours on special open days.

DMU Music offers a programme of extra-curricular opportunities and experiences, which fundamentally reflect core university values. Central to this is our ground-breaking five-year partnership with the Philharmonia Orchestra – one of the world's greatest symphony orchestras which has been resident in Leicester for more than 20 years – and the creation of a DMU Orchestra, which brings together a unique mix of musicians that mirrors the university, the city and our partnerships. As well as performing concerts, they have received coaching from Philharmonia musicians, worked with internationally renowned soloists and presented the first-ever classical performance at HM Prison Leicester.

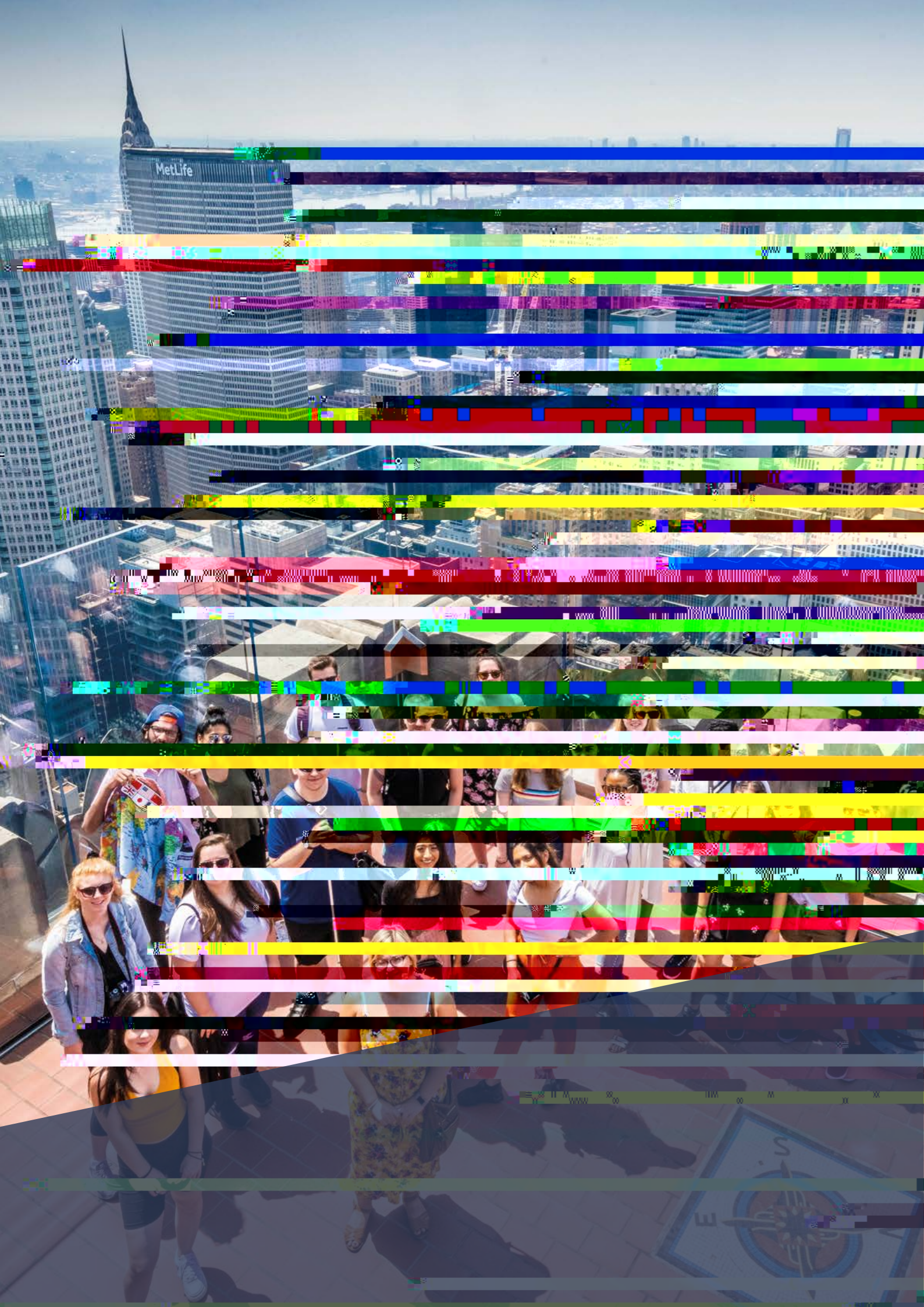
PROVIDING A TRANSFORMATIVE AND CO-CREATED EDUCATION AND STUDENT EXPERIENCE

Central to this theme is a continuing focus on partnership-led teaching excellence at DMU. Over the course of more than a year, our staff and students discussed best practice in teaching, learning and assessment, and co-created the University Learning, Teaching and Assessment Strategy (ULTAS) 2018-23. Through a series of workshops and focus groups, the university community decided what it means to support and enable the best possible education: that which transforms, takes account of difference and individuality, and arises from common aspirations to succeed.

The university's TEF gold award acknowledges the



The university's TEF gold award acknowledges the extraordinary impact a DMU education has on our students



DMU collaborates with DSU to continue to strengthen student representation across the institution, with the recruitment of more than 40 school representative coordinators in 2017/18. Students apply and go through



Our careers and employability team delivers more than 9,000 one-to-one student advice appointments every year

CREATE AND APPLY KNOWLEDGE THAT FURTHERS GLOBAL SOCIETAL AND ECONOMIC DEVELOPMENT

DMU has been engaged in a number of outstanding projects over the year, supported by external research grants and contracts. Highlights include:

Professor Tim Fulford is being supported by the British Academy and the Leverhulme Trust to study and collate the correspondence of Sir Humphry Davy, the 18/19th century chemist and inventor. Famed for inventing a safety lamp that prevented explosions in mines, Davy was the first to isolate a number of elements (including sodium and calcium) and he mentored Michael Faraday, who built on the foundations laid by Davy. Davy was a prolific letter-writer and Professor Fulford is creating four volumes, giving new insights into the intellectual networks of scientists at the start of the great age of discovery. These will be published by Oxford University Press in 2019.

Lecturer Elizabeth Lambourn's acclaimed book, *Abraham's Luggage: A Social Life in the Medieval Indian Ocean World*, has been published by Cambridge University Press.

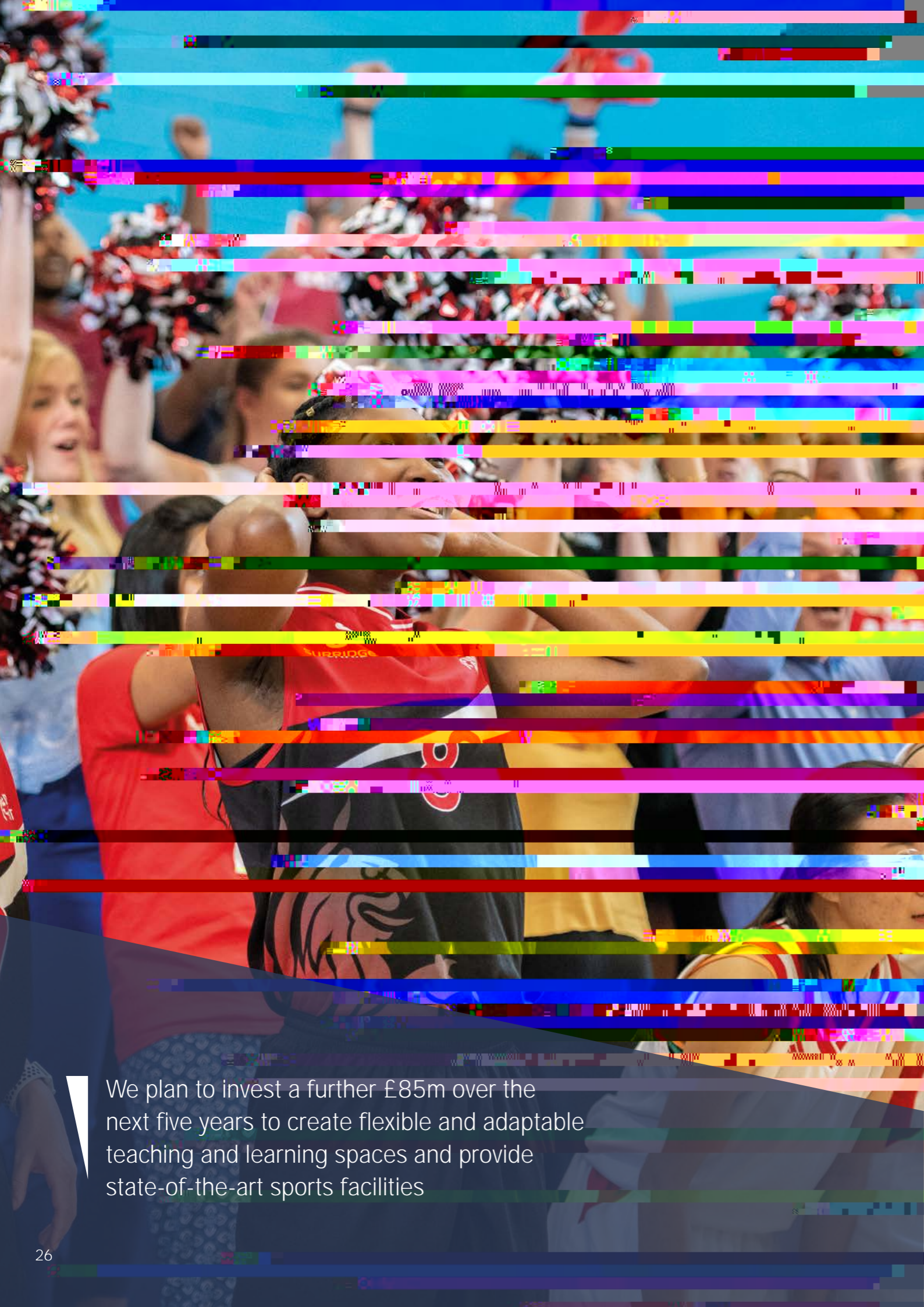
Michael Laffan, of Princeton University, New Jersey, USA, said: "Transforming a 12th century list into a history of the stuff of life, Lambourn brilliantly demonstrates how Southern India was linked to the Middle East. From the production of food to the maintenance of purity, and even staying watered and well on the journey itself, this is exemplary Indian Ocean history."

Finbarr Barry Flood, of the Institute of Fine Arts and founder-director of Silsila: Center for Material Histories at New York University, USA, said: "Abraham's Luggage opens a fascinating window onto a world of interconnected Indic, Islamic, and Jewish traditions in the medieval Indian Ocean. From cultures of dining, gifting, medicine, packing, and religious ritual to mercantile shopping habits and shipping, the book is awash with original insights. Its holistic approach offers a compelling and innovative model of interdisciplinary scholarship."

Roxani Eleni Margariti, of Emory University, Atlanta, USA, said: "Lambourn's deeply learned and intellectually enterprising reconstruction of the biology and materiality of travel along the maritime highways of the western Indian Ocean enriches our understanding of how humans have inhabited ships and the high seas in a crucial period of world history."

Mordechai Akiva Friedman, of Tel-Aviv University, Israel, said: "Elizabeth Lambourn brings to life the trip home to Egypt of a 12th century Jewish trader, transforming a Geniza fragment into a mirror of macrohistory and reconstructing the life of a Mediterranean household in India. A fascinating, path-breaking study for Geniza research and the history of material culture in the Indian Ocean."

Professor Kenneth Morrison has been appointed special adviser to the House of Lords International Relations Committee for the UK and the Western Balkans inquiry. In that role, he travelled with the committee to Bosnia and Herzegovina, Serbia, Macedonia and Kosovo. He met with representatives from the government and opposition in each country, as well as non-governmental organizations, journalists, think tanks and the Organization for Security and Co-operation in Europe, UN, EU, NATO and the 'Quint Plus' Group of Ambassadors (UK, Italy, Germany, United States, France, plus the EU). He is co-author of the Freedom House Nations in Transit report on Montenegro with the Montenegrin academic Bojan Bačić and is co-organiser of the international conference *Why Remember?*, which takes place in the Ference Trnd Herzegovajevo, erze



ENHANCE OUR EFFECTIVENESS THROUGH OUR DIVERSE AND VIBRANT SCHOLARLY COMMUNITY

The Enhance theme provides us with the key strategic drivers to achieve our ambitions: developing and empowering our leaders at all levels; outstanding financial performance to ensure sustainability and value for money from our resources; and a relentless focus on being a beacon for diversity, inclusion and equality within our community. Without these things, we cannot achieve the ambitions we have set ourselves in the other four pillars of our strategic plan.

We have made considerable progress with our Core Systems Modernisation (CSM) programme, which is the largest technology-enabled transformation that the university has ever embarked upon. Using the Systems Applications and Products (SAP) business management system as the foundation, we are improving the way we work – both in terms of freeing up resources to enhance the frontline academic and student experience, and also by offering a step change in the way we manage our organisational performance by providing modern, fit-for-purpose systems. In August 2016, we implemented finance and procurement, and during 2017 we launched payroll and human resource (HR) functionality. These are transforming the day-to-day operations of the university, providing enhanced functionality and self-service. The pace of change continued with the third phase, covering the student lifecycle, going live over the summer of 2018.

Crucial to our drive towards our 2023 strategic vision is the role of our DMUfreedom charter, which recognises and reaffirms our unwavering commitment to diversity and equality. This year we became the first university in the UK to apply successfully for a renewal of the prestigious Race Equality Charter Mark. Diversity will continue to enhance our outcomes through the adoption of a pioneering approach to equality analysis. During 2017/18 we have delivered improvements to the management and allocation of academic workloads, as well as implementing projects covering areas such as refreshing our academic staff development, and including training which leads to

accreditation by the Higher Education Authority (HEA). We have strengthened our approach to leadership and management, delivering the DMU:Leader programme that focuses upon creating a leadership community that meets the challenges and changes taking place in the sector. Combined with the newly created Managing at DMU programme, we will provide a whole system approach to leadership at all levels.

Our latest staff survey, undertaken by Capita, demonstrated an engaged and satisfied staff community, especially when compared to other organisations subscribing to the Capita survey. We exceeded the sector benchmark scores in 10 out of 19 core questions in the survey with 87 per cent of our staff rated the university as being a 'good place to work', compared to 81 per cent for all Capita's clients.


We continue to invest in our welcoming and inclusive city centre campus in order to provide the first-class environment that creates an atmosphere of innovation, inspiration and community. So far, the award-winning campus transformation has included the impressive new base for the Faculty of Arts, Design and Humanities, which houses sector-leading teaching facilities that will help us continue to be one of the foremost providers of creative higher education in the UK. Through the centre of our campus, we have created vibrant, green open spaces, enhancing the environment for our local community as well as staff and students. We plan to invest a further £85m over the next five years to create flexible and adaptable teaching and learning spaces and provide state-of-the-art sports facilities.

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CONCLUSION: LOOKING AHEAD OPPORTUNITIES AND RISKS

DMU is well positioned to take advantage of opportunities and to manage the risks of the current higher education environment, and those that may arise in future years.

The university proactively reviews the content of the strategic risk register, which is aligned to the five strategic themes outlined in our Strategic Plan, and their associated key performance targets. The annual planning exercise enables monitoring of the strategic risk registers at faculty and directorate level. This integral and important component provides an assurance framework and robust review of the



DMU is well positioned to take advantage of any opportunities and to manage the risks of the current higher education environment

Corporate governance

This statement outlines for readers of the financial statements the corporate governance procedures adopted by the Board of Governors, covering the period from 1 August 2017 to 31 July 2018, and the subsequent period up until the date of approval of the financial statements.

The Board of Governors recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times, and to ensure that it discharges its duties with due regard for the proper conduct of a business that receives public funds. In carrying out its responsibilities, the Board of Governors is committed to demonstrating best practice in all aspects of Corporate Governance and complies with the Committee of University Chairs (CUC) Higher Education Code published in December 2014 and with the requirements of the Charities Act 2006 (as amended) and the Charities Act 2011.

Summary of the university's structure of corporate governance

The university's objectives, powers and framework of governance are set out in its Instrument and Articles of Government. Under the Articles of Government, the Board of Governors has a range of powers and duties, including the ongoing responsibility for the strategic direction of the university, approval of major developments, approval of annual estimates of income and expenditure, ensuring solvency of the institution and safeguarding its assets.

It is a requirement of the Instrument of Government of the Corporation that there should be a majority of board members who are non-executive and independent, and that the board should comprise no fewer than 12 and no more than 24 members (including the Vice-Chancellor ex-officio). Currently, the board has a total of 15 members (including the Vice-Chancellor ex-officio), 12 of whom are independent governors as defined by the Instrument and Articles. The remaining two members of the Board of Governors include representatives of the academic staff and the student body. Membership is actively considered at the Nominations Committee each year.

The principal officer is the Vice-Chancellor, who has responsibility to the Board of Governors for the organisation, direction and management of the university. He is also the designated Accountable Officer for the purposes of the Memorandum of Assurance and Accountability with the Higher Education Funding Council for England (which is superseded by the Terms and Conditions of funding for higher education institutions from 1 April 2018 and which applies during the Office for Students (OfS) transition period to 31 July 2019).

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the Executive Board) of the affairs of the university and is required to present audited financial statements for each financial year. The Board of Governors is responsible for keeping proper accounting records which disclose, with reasonable accuracy at that time, the financial position of the university and enable it to ensure that the 'financial statements' are prepared in accordance with the university's Articles of Government, the Statement of Recommended Practice on Accounting in Higher Education Institutions and other relevant accounting standards. As a Higher Education Corporation, the board, through its designated Accountable Officer, produces financial statements for each financial year, which give a true and fair view of the state of affairs of the university and of the surplus or deficit and cash flows for that year. These statements are also submitted to OfS, under the terms and conditions of the memorandum of assurance and accountability agreed between it and the university.

In overseeing the preparation of financial statements, the Board of Governors has ensured that:

- Suitable accounting policies are selected and applied consistently
- Judgements and estimates are made that are reasonable and prudent
- Applicable accounting standards have been followed and any material departures disclosed and explained in the financial statements
- Financial statements are prepared on a 'going concern' basis

The Board of Governors has also taken reasonable steps to:

- Ensure that funds from the OfS are used only for the purposes for which they have been given and in accordance with the memorandum of assurance and accountability with the funding council and/or any other conditions which the funding council may from time to time prescribe

- Ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources
- Safeguard the assets of the university and prevent and detect fraud
- Secure the economical, efficient and effective management of the university's resources and expenditure

Internal control

The key elements of the university's system of internal control, which is designed to discharge the financial responsibilities of the Board of Governors, include:

- Clear definitions of the responsibilities of, and the authority delegated to, senior officers of the university
- A comprehensive short- and medium-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets
- Regular reviews of academic performance and of financial results involving variance reporting and updates of forecast out-turns
- Clearly defined and formalised requirements for approval and control of expenditure
- Procedures for the management of investment and risk
- Comprehensive financial regulations, detailing financial controls and procedures
- A professional internal audit service, whose annual programme is approved by the Audit Committee on behalf of the Board of Governors
- On behalf of the Board of Governors, the Audit Committee reviews the effectiveness of the university's system of internal control

Risk management

The Board of Governors recognises that effective risk management is an essential element in the framework of good governance and has continued to develop its risk management systems, taking full account of the OfS Accounts Direction and good practice guidance.

The university's risk management approach complies with the OfS Accounts Direction and also reflects guidance provided by the Financial Reporting Council.

The system of internal control adopted by the Board of Governors is designed to manage, rather than eliminate, the risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable, not absolute, assurance of effectiveness. It is based on an ongoing process designed to identify the principal risks to the achievement of policies, aims and objectives and the development of policy and strategy; to evaluate the nature and extent of those risks; and to manage them efficiently, effectively and economically.

The university has in place a risk assurance framework, focused around its key strategic and operational risks, which will continue to evolve under the university's strategic framework. The risk assurance framework is based on the following principles:

1. The risks in the strategic risk register should flow from the strategic plan and related key performance indicators (KPIs) and should be considered as an integrated part of the institutional performance management process
2. The risks should be high level, few and manageable in number to enable the Executive Board to focus on the major risks that require its attention
3. The risks should be embedded in and useful to the Executive Board's normal business rather than their management being seen as a separate exercise

4. Clear Executive Board-level accountability for each individual risk should be assigned
5. Scoring risk should be a matter of judgment and incorporate the full range of information available to risk owners, rather than a quantitative exercise
6. The risk register should be seen as an evolving document and not 'set in stone'. As such it should be reviewed on an annual basis by the Executive Board

The framework is owned by the Audit Committee on behalf of the Board of Governors, with reports flowing from the Executive Board to the Audit Committee on a biannual basis in November and June. The Executive Board receives quarterly updates to the risk register, the contents of which are owned by relevant Executive Board members. The Director of Strategic Planning is the university's lead officer for risk management. The board reviews an annual risk report at its July meeting and ensures that the register reflects the key strategic risks faced by the university. See t-2.8

INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF GOVERNORS OF DE MONTFORT UNIVERSITY

Opinion

In our opinion:

- De Montfort University's group financial statements and parent institution's financial statements (the 'financial

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determines our audit scope for each entity within the group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the group and effectiveness of group wide controls, changes in the business environment and other factors such as recent internal audit results when assessing the level of work to be performed at each entity.

In assessing the risk of material misstatement to the group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the two reporting components of the group, we selected 1 components (the university), which represent the principal business units within the group. We performed an audit of the complete financial information of the university ('full scope component') based on its size or risk characteristics.

Except as explaine

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

The following accounting policies have been applied consistently throughout the period to items which are considered material in relation to the accounts. These accounting policies have been reviewed by the Board of Governors and are considered to be appropriate to the university's activities.

1. ACCOUNTING CONVENTION

The accounts are prepared under the historical cost convention in accordance with FRS 102 as interpreted by the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2015. The university is a Public Benefit Entity and has adopted the Public Benefit Entity requirements of FRS 102.

2. ACCOUNTING JUDGEMENTS AND ESTIMATES

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

i) Impairment of tangible assets

To determine whether there are indicators of impairment of the group's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and, where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

ii) Tangible fixed assets

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

iii) Local Government Pension Scheme

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note (25d) in the Annual Accounts, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 July 2018. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

iv) Bad and doubtful debts

A provision for bad and doubtful debts is calculated using a formula based on the age of the overdue debt. The formula is applied consistently from year to year but necessarily requires a degree of estimation. Specific provision is made for individual debts where recovery is deemed to be uncertain and this requires an element of judgement.

v) Retirement benefit obligations

The university also operates within two schemes which are accounted for as defined contribution schemes, the Universities Superannuation Scheme ('USS') and the Teachers' Pension Scheme ('TPS'). These are accounted for as defined contribution schemes as insufficient information is available to identify the university's share of the underlying assets and liabilities.

As the university is contractually bound to make deficit recovery payments to USS, this is recognized as a liability on the balance sheet. The USS deficit recovery plan defines the deficit payment required as a percentage of future salaries until 2031. These contributions will be reassessed within each triennial valuation of the scheme. The provision is based on management's estimate of expected future salary inflations, changes in staff numbers and the prevailing rate of discount. See note 25c.

3. TANGIBLE FIXED ASSETS

i) Measurement at initial recognition

Tangible assets are capitalised if they are capable of being used for a period that exceeds one year and:

- Individually have a cost equal to or greater than £10,000
- or
- Collectively have a cost equal to or greater than £10,000 where the assets are functionally interdependent or are purchased together and intended to be used as group under common management control
- or
- Irrespective of their individual cost, form part of the initial equipping of a new building

ii) Measurement after initial recognition

Land and buildings inherited from Leicestershire County Council on 1 April 1989, and prime teaching buildings, that had been revalued to fair value on 30 May 2012, are measured at deemed cost, being the revalued amount at the date of that revaluation, less depreciation since that date.

All other tangible fixed assets are stated at cost.

Assets held for resale are stated at the lower of cost or net realisable value.

A review for impairment of buildings is carried out annually. If events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable, an impairment charge is made to the Consolidated Statement of Comprehensive Income.

Componentisation is built into the asset lives of the buildings. When significant components are replaced, they have their asset lives individually assessed.

iii) Depreciation

Land is not depreciated. Freehold property is depreciated over expected useful life on a straight line basis. For existing properties, new construction and major renovations, the expected useful life is based on an external appraisal and reflects all of the buildings' major components. Refurbishment projects are depreciated over twenty years.

Leasehold property including improvements to leasehold property, and other leased assets are depreciated over the life of the lease. Other tangible assets are depreciated on a straight line basis over their useful life as follows:

Equipment	Lifespan
Computer equipment	Three years
Other equipment and furniture	Five years
Equipment acquired for specific projects	Over the life of the project (generally three years)
Expenditure which extends useful life	Over additional useful life

Buildings	Lifespan
University-owned buildings	Over expected useful life (20 to 50-plus years)
Leasehold property	Over life of lease

New buildings and major refurbishments to buildings are depreciated from the month in which they are put into service. All other assets are depreciated from the month after they are put into service.

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

Depreciation on disposals is provided up to the month before the asset is taken out of use.

iv) Funded tangible fixed assets

Where assets are acquired with the aid of specific grants or donations they are capitalised and depreciated as above.

All non-government grants are released to the Consolidated Statement of Comprehensive Income as donations, as performance criteria are met.

Government grants and donations are treated as deferred capital grants and released to income over the expected useful life of the asset (or the period of the grant in respect of specific projects).

ii) Donations and endowments with restrictions

Where charitable donations are to be retained for the benefit of the institution as specified by the donors, these are accounted for as restricted reserves with additional disclosure provided within the notes to the accounts.

There are four main types:

Unrestricted permanent endowments

The donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of the institution. Income is recognised on entitlement. Investment returns are recognised immediately and held within the endowment reserve, to the extent that it has not been spent.

Restricted expendable endowments

The donor has specified a particular object and the

**CONSOLIDATED AND CORPORATION STATEMENT
OF COMPREHENSIVE INCOME AND EXPENDITURE
FOR THE YEAR ENDED 31 JULY 2018**

	Notes	Group 2018 £'000	Group 2017 £'000	Corporation 2018 £'000	Corporation 2017 £'000
Income					
Tuition fees and education contracts	1a	193,084	172,224	192,515	171,837
Funding bodhEOrants	1b				

**CONSOLIDATED AND CORPORATION
STATEMENT OF CHANGES IN RESERVES
FOR THE YEAR ENDED 31 JULY 2018**

1. Analysis of income	Group 2017/18 £'000	Group 2016/17 £'000	Corporation 2017/18 £'000	Corporation 2016/17 £'000
a) Tuition fees and education contracts				
Home and EU students	147,456	131,187	146,925	130,835
Overseas students	34,050	26,792	34,050	26,792
Education contracts	9,408	12,207	9,379	12,207
Other contracts	2,170	2,038	2,161	2,003
Total	193,084	172,224	192,515	171,837
b) Funding body grants				
Recurrent grants				
Higher Education Funding Council for England	15,109	15,147	15,109	15,147
Learning and Skills Council	469	639	469	639
Specific grants				
Higher Education Innovation Fund	592	386	592	386
Collaborative outreach programme	-	78	-	78
Release of capital grants				
Buildings	822	833	822	833
Equipment	578	536	578	536
Total	17,570	17,619	17,570	17,619
c) Research grants and contracts				
Research councils	1,331	339	1,331	339
UK-based charities	97	598	97	548
European Commission	1,543	1,827	1,543	1,827
Other grants and contracts	1,147	1,261	1,037	1,168
Total	4,118	4,025	4,008	3,882
d) Other income				
Residences and catering	4,544	4,656	4,538	4,563
Other services rendered	2,091	2,076	1,702	1,542
Other income	2,368	3,225	3,308	3,943
Other capital grants	22	97	22	97
Total	9,025	10,054	9,570	10,145
e) Investment income				
Interest from short-term investments	515	429	510	424
Income from restricted expendable endowments				

5. Analysis of 2017/18 expenditure by activity – group and corporation

	Staff costs	Other operating expenses	Depreciation	Interest	2017/18 Total	2016/17 Total
	£'000	£'000	£'000	£'000	£'000	£'000
Academic departments	65,766	13,291	2,029	-	81,086	74,322
Academic services	14,557	11,997	2,557	-	29,111	24,807
Admin and central services	10,340	5,499	459	-	16,298	14,150
General education expenditure	3,594	20,460	-	-	24,054	19,046
Staff and student facilities	9,959	8,750	101	-	18,810	17,509
Premises	6,125	10,637	6,633	-	23,395	22,423
Residences and catering	480	1,052	102	-	1,634	1,607
Research grants and contracts	1,462	876	-	-	2,338	3,465
Other expenditure	91	111	-	4,990	5,192	6,157
Provision for restructuring	4,099	-	-	-	4,099	616
Pension scheme's adjustment	5,479	-	-	2,448	7,927	6,821
Total	121,952	72,673	11,881	7,438	213,944	190,923

Other operating expenses includes amortisation.

The depreciation charge has been funded by:

	£'000
Deferred capital grants released	1,422
General income	10,459
Total	11,881

7. Intangible fixed assets

	2017/18 £'000	2016/17 £'000
Group and corporation		
Cost or valuation		
At 1 August 2017	19,271	7,807
Transfer from tangible assets under construction	230	-
Additions at cost	11,651	11,464
As at 31 July 2018	31,152	19,271
Amortisation		
At 1 August 2017	646	123
Charge for the year	1,269	523
As at 31 July 2018	1,915	646
Net book value:		
At 31 July 2018	29,237	18,625

The intangible assets represent the core systems modernisation programme (CSM) that replaces a number of items of software that have reached the end of their useful lives, these costs are amortised over 10 years.

Internal staff capitalised within intangible additions at 31 July 2018 was £871,000 (31 July 2017: £1,987,000)

8. Tangible fixed assets

	Land and buildings	Assets under construction	Furniture and equipment	Computer equipment	Total
	£'000	£'000	£'000	£'000	£'000
Group and corporation					
Cost or valuation					
At 1 August 2017	300,540	3,663	11,730	30,531	346,464
Additions at cost	4,875	4,616	1,680	3,540	14,711
Transfers from assets under construction	2,663	(3,310)	97	320	(230)
Disposals	(292)	(243)	(583)	(3,013)	(4,131)
At 31 July 2018	307,786	4,726	12,924	31,378	356,814
Depreciation					
At 1 August 2017	28,760	-	8,257	24,583	61,600
Charge for the year	6,610	-	1,180	4,091	11,881
Depreciation charge for the year	6,610	-	1,180	4,091	11,881
Disposals	(292)	-	(583)	(3,013)	(3,888)
At 31 July 2018	35,078	-	8,854	25,661	69,593
Net book value:					
At 31 July 2018	272,708	4,726	4,070	5,717	287,221
At 31 July 2017	271,780	3,663	3,473	5,948	284,864

The net book value of tangible fixed assets held under finance leases at 31 July 2018 was nil (31 July 2017: nil).

Internal staff capitalised within computer equipment additions at 31 July 2018 was nil (31 July 2017: nil)

Land and buildings includes £8.9m (2017: £8.9m) of university-owned land that is not depreciated.

	Group and corporation	
	2017/18 £'000	2016/17 £'000
The net book value of land and buildings is comprised as follows:		
Freehold	266,666	264,919
Long lease	6,042	6,861
Total	272,708	271,780

9. Heritage assets

	2017/18 £'000	2016/17 £'000
Group and corporation		
Cost or valuation		
At 1 August 2016	1,073	943
Additions at cost	-	130
At 31 July 2017	1,073	1,073

The university holds a number of pieces of artwork, these were re-valued in 2016 in accordance with the university's accounting policies.



20. Borrowings and lease obligations

2017/18
£'000

2016/17
£'000

a) Borrowings

Borrowings in respect of bond issue, bank loans, overdrafts and other loans are repayable as follows:

In five years or more	90,000	90,000
Total	90,000	90,000

b) Operating leases

At 31 July 2018, the university had annual commitment under operating leases as follows:

Land and buildings	2017/18 £'000	2016/17 £'000
Future minimum lease payments due:		
Not later than 1 year	379	473
Later than 1 year and not later than 5 years	1,516	1,208
Later than 5 years	759	631
Total lease payments due	2,654	2,312

Other

Future minimum lease payments due:

Not later than 1 year	75	91
Later than 1 year and not later than 5 years	96	59
Total lease payments due	171	150

21. Cash and cash equivalents

	At 1 August 2017 £'000	Cash flows £'000	At 31 July 2018 £'000
Consolidated			
Cash and cash equivalents	44,812	(13,269)	31,543
Total	44,812	(13,269)	31,543

22. Capital and other commitments

Intangible fixed assets
£'000

Tangible fixed assets
£'000

2017/18
Total
£'000

2016/17
Total
£'000

Provision has not been made for the following capital commitments at 31 July 2018.

Commitments contracted for	1,932			
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In accordance with the requirements of the SORP, the University currently recognises a provision for its obligation to fund past deficits arising within the Universities Superannuation Scheme (USS). The recovery plan in the 2014 actuarial valuation requires employers to contribute 2.1% of salaries towards repairing the deficit over a period of 17 years, of which 14 years remain. Details of this provision, which has been discounted at a rate of 2.8% as at 31 July 2018, are included in note 17 to the financial statements.

The 2017 actuarial valuation of USS has been undertaken, but this has not yet been formally completed. The 2017 valuation has set out the challenges currently facing the scheme and the likelihood of significant increases in contributions being required to address these challenges.

In the judgement of the University, as the 2017 valuation has not formally completed, and there remains various stages of consultation around the key factors – specifically relating to the funding of the past deficit, including the level of contributions required, the period of the recovery plan and the level of asset performance over the period – it remains appropriate to continue to account for the past deficit obligation in accordance with the plan agreed after the 2014 actuarial valuation.

However, there is a significant risk that the year-end provision as calculated will not reflect the position following the final outcome of negotiations, potentially by a very significant amount, depending upon what is finally agreed as regards future deficit contributions and their duration. The University expects to have greater clarity in this respect during the next financial year. Based on the inputs to the model, the following sensitivity analysis outlines the potential impact on the existing liability of £0.8 million (assuming the same discount rate of 2.8%):

	Approximate monetary amount £'000
The impact of a 1% increase in the discount rate	(50)
The impact of an increase to 6% i.e. an increase of 3.9% in the deficit contribution rate	1,500

d) Local Government Pension Scheme

The university participates in a defined benefit scheme in the UK, the Leicestershire County Council Pension Fund. A full actuarial valuation of the fund was carried out at 31 March 2013 by a qualified independent actuary. This was updated to 31 July 2018 for FRS 102 purposes by a qualified independent actuary. The major assumptions used by the actuary were as follows:

	2018	2017
Rate of increase in salaries	3.1%	3.2%
Rate of increase in pensions	2.0%	2.2%
Discount rate for liabilities	2.8%	2.7%
Inflation assumption	2.0%	2.2%

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement age 65 are:

	2018	2017
Retiring today		
Males	21.8 years	22.1 years
Females	24.0 years	24.3 years
Retiring in 20 years		
Males	23.2 years	23.8 years
Females	25.5 years	26.2 years

The major categories of plan assets as a percentage of total plan assets

	2018 %	2017 %
Equities	62%	67%
Bonds	27%	20%
Property	9%	8%
Cash	2%	5%

27. Post balance sheet events note

Guaranteed Minimum Payment (GMP) equalisation

As a result of a High Court decision on 26 October 2018, pension schemes which have members with Guaranteed Minimum Pensions (GMPs) must take action to address inequalities in those GMPs if they were contracted-out of the state scheme between 1978 and 1997. The university considers it is likely that this will ruling will impact all of the defined benefit schemes in which it is a participating employer and may result in the

