



2010

REPORT AND ACCOUNTS





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1: Lancaster University graduate and award-winning British television presenter and journalist James May received an honorary degree from Lancaster in July 2010.

2: Lancaster University's partner organisation FutureEverything has been awarded a prestigious Lever Prize 2010. FutureEverything is an art, technology and social innovation organisation that runs year-round innovation labs and an annual festival of art, music and ideas. Dr Drew Hemment, Associate Director of the ImaginationLancaster research centre in the Lancaster Institute for the Contemporary Arts (LICA), is the founder and artistic director of FutureEverything.

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The Queen presenting an award at Buckingham Palace for Lancaster University's world-class research into water saving techniques for agriculture. Her Majesty presented the Queen's Anniversary Prize for Higher and Further Education to the Vice-Chancellor (pictured right) and Distinguished Professor Bill Davies, who led a team of plant biologists at the Lancaster Environment Centre in the development of the research.

Vice-Chancellor's review

The University had an exceptional year in 2009-10. The National Student Survey showed a high level of satisfaction with teaching, we were awarded a Queen's Anniversary Prize for Further and Higher Education and we won a number of prizes, including the THE awards for "Best Research" and "Best Finance Team". The University was also shortlisted for the THE University of the Year Award.



Reputation and Ranking

2010 has seen an improvement in all major national league tables, coupled with the University's best performance to date in global tables, testament to the efforts of staff across the University. The current rankings reflect that student satisfaction with teaching is high, their employment prospects are good and the University's research has been acclaimed across all disciplines.

In international tables the University consistently ranks in the top 1% of institutions. This year global recognition of Lancaster's quality comes with a ranking of 124 in the THE World University Rankings. The Arts and Humanities ranked 31st which is a considerable achievement, and the University's overall high citation score demonstrates the significance and relevance of all our research. Our positions in league tables will fluctuate, but Lancaster's students can be confident that they will receive an excellent academic experience.

Campus investment

The University has invested further in exciting new projects to improve the student experience, boost research and maintain excellent teaching.

An impressive new building, the 'public face' for the Lancaster Institute for the Contemporary Arts (LICA) opened in October. LICA combines four academic groups; Art, Design, Music and Theatre Studies as well as three public arts facilities; the Peter Scott Gallery, the Nuffield Theatre and the International Concert Series. Built to the highest environmental standards, it is a place to promote the nationally and internationally recognised work produced in LICA.

Following a public consultation held in summer 2009 where staff, students and visitors contributed to architect's ideas, a rejuvenation project for the main Alexandra Square has started. This will modernise the 1960s heart of the University.

During the year the refurbishment of County South was delivered on time and substantial progress was made with a new building for the Management School and a major new Sports Centre. The ISS group completed the planned transfer of servers and systems to their new building. This complex project was achieved without any break in service.

Overseas collaborations

Amongst other international teaching and research partnerships sealed this year, students have started the first dual Lancaster University/Comsats institute of Information Technology (CIIT) degrees to be delivered in Lahore, Pakistan. A formal launch in London was held in February 2010 attended by the Pakistani Federal Minister of Science and Technology, and Chancellor of CIIT, Muhammad Azam Khan Swati and Lancaster's Chancellor Sir Christian Bonington.

In November it was my pleasure to visit the Goenka campus in India to celebrate the launch of the Lancaster/Goenka partnership and meet with Lancaster Alumni in India. Lancaster delivers higher educational qualifications at the GD Education City in India, a 60 acre site located near Delhi. The first cohort of students started in August 2009.

Our overseas partnerships are an important part of our international strategy. International students, from one hundred countries, form well over half of our graduate school, while international staff, from sixty countries, constitute almost one third of our academic staff. In the near future, it is our expectation that we will increase international student numbers, mainly through our international partnerships, while maintaining overall UK and EU numbers.

A new post of Pro Vice-Chancellor, International was created this year, and I am pleased to announce that Professor Steve Bradley has been appointed to help Lancaster drive forward its ambitious international strategy.

The Student Experience

The results of the 6th National Student Survey were published in August 2010. These show very high levels of overall satisfaction with the experience at Lancaster. However, there was a drop in satisfaction from 89% to 87% and we will be working hard to maintain our high standards.

The quality of academic and college facilities has improved markedly over the past few years and this has enhanced the working experience for many staff and students. Our on-campus college accommodation remains in very high demand. Lancaster won the 'Best University Halls' 2010 in the National Student Housing Survey. The awards recognise the achievements of organisations which are leading the way in improving accommodation standards for students. We still have an ambitious capital programme running to July 2014 and this is intended to further add to the quality of the campus.

Lancaster graduates are performing well in what is an increasingly competitive job market. The University was rated highly for graduate destinations. Through the work of our staff in the Centre for Employability Enterprise and Careers and new initiatives such as the Lancaster Award, which helps students communicate to future employers their skills and accomplishments such as voluntary work, we aim to enhance our students' future career prospects.

Financial sustainability

The credit ratings agency Standard and Poor's announced an upgrade to Lancaster University's credit rating to 'A+' from 'A' this year. This recognises Lancaster's research status among UK universities, its rising enrolments of overseas and postgraduate students and its track record of strong financial management and is a signal from the agency that they are confident that the University will be able to maintain its creditworthiness.

In 2009, Lancaster made the prudent move to redeem its longstanding debenture and to secure a new revolving credit facility to drive forward the Capital Programme and to help pursue the strategic plan. We were delighted that the staff who worked on this complex deal were recognised with the award of a THE prize for Best Finance Team.

Our financial sustainability is linked to our reputation. The accounts for the financial year 2009-10 show a surplus of 4.4% on a turnover of £177.9m. This represents an annual increase in income of 5.6%. In the current difficult economic environment, this is a great result and one that we should aim to keep by leveraging our improved global standing.

Looking forward

Lancaster's journey has already been a remarkable one, with so many achievements to be proud of in just 46 years. As we move towards the University's golden anniversary in 2014 we will seek to underpin the transformational work of our academic community and extend the opportunities that Higher Education brings to students from all backgrounds through the launch of a major Jubilee fundraising campaign.

On 21 October 2010, The University acquired the leading think-tank The Work Foundation, which brings exciting new opportunities to diversify research activity, income streams, impact and influence especially with policy makers. The Work Foundation will continue to operate as a distinctive entity within the Lancaster University Group, remaining at its Westminster based HQ under the ownership of the University.

We go into the 2010-11 academic year in a strong position. The University has done very well in recruiting all categories of student and the entry standard for undergraduates is at its highest level ever. The financial position through to July 2011 should be robust.

In anticipation of a harsher environment, it is encouraging that the national pay discussions for 2009-10 have moved towards a very modest pay increase. The outcome of the pay and pension discussions are an important factor in constraining the payroll within the limits set by our finance strategy.

In autumn 2010 Lord Browne's Independent Review "Higher Education Funding and Student Finance" made proposals to lift the current fee cap for home and European undergraduates, change the student financing and support mechanisms, and make adjustment to the sector's regulatory environment. Some of these important issues may be resolved during 2010-11.

We expect the next four years to be very tough. The newly elected coalition government has set out to reduce the budget deficit. Their plans include massive reductions to the public investment in university teaching, the scale of which is much greater than the early 1980s. In addition there are constraints on the government's expenditure on research and development. The combined effect of these issues is significant for the UK as we know that medium-term economic growth is linked to the creation of highly skilled graduates and innovation driven by novel research.

The rapidly changing financial and policy environment presents major challenges to the UK's higher education sector and prospective students evaluating the merits of going to university. Lancaster University should remain competitive in this new environment. However we will need to re-examine every aspect of our activities if we are to emerge in a sustainable and stronger position.



Paul Wellings
Vice-Chancellor

Pro-Chancellor's review

The University's staff continue to excel and this drives progress towards our strategic objectives, capitalising on Lancaster's distinctive qualities as a collegiate institution which is outstanding in both research and teaching.



The optimism and vibrancy of Lancaster University is again reflected in a year of national and international recognition, and a continued investment into the campus. Lancaster's reputation for a successful financial strategy is established and careful financial management has allowed us to reinvigorate and modernise the campus as part of the University's Master Plan.

The Capital Programme has continued in the current difficult financial climate and now it gives me great pleasure to see students and staff enjoying a transformed campus with first class facilities befitting a top teaching and research university. We continue to exercise a careful control of expenditure and seek increased efficiency. Council has continued to approve plans for new development and has monitored the University's investments to ensure best value for money and delivery of first class facilities in line with our financial strategy. This year our accounts show the full effects of the University's refinancing project which was foreshadowed in last year's report. The redemption of the 1995 debenture and establishment of a rolling loan facility has strengthened our position.

The University's Strategic Plan, signed off by Council in July 2009, places much greater focus on internationalisation in order to allow the University to contribute fully to opportunities outside the UK. I am delighted by the success of international partnerships which takes Lancaster's brand of teaching and research excellence overseas. These partnerships open up opportunities to international students to achieve a Lancaster degree delivered locally.

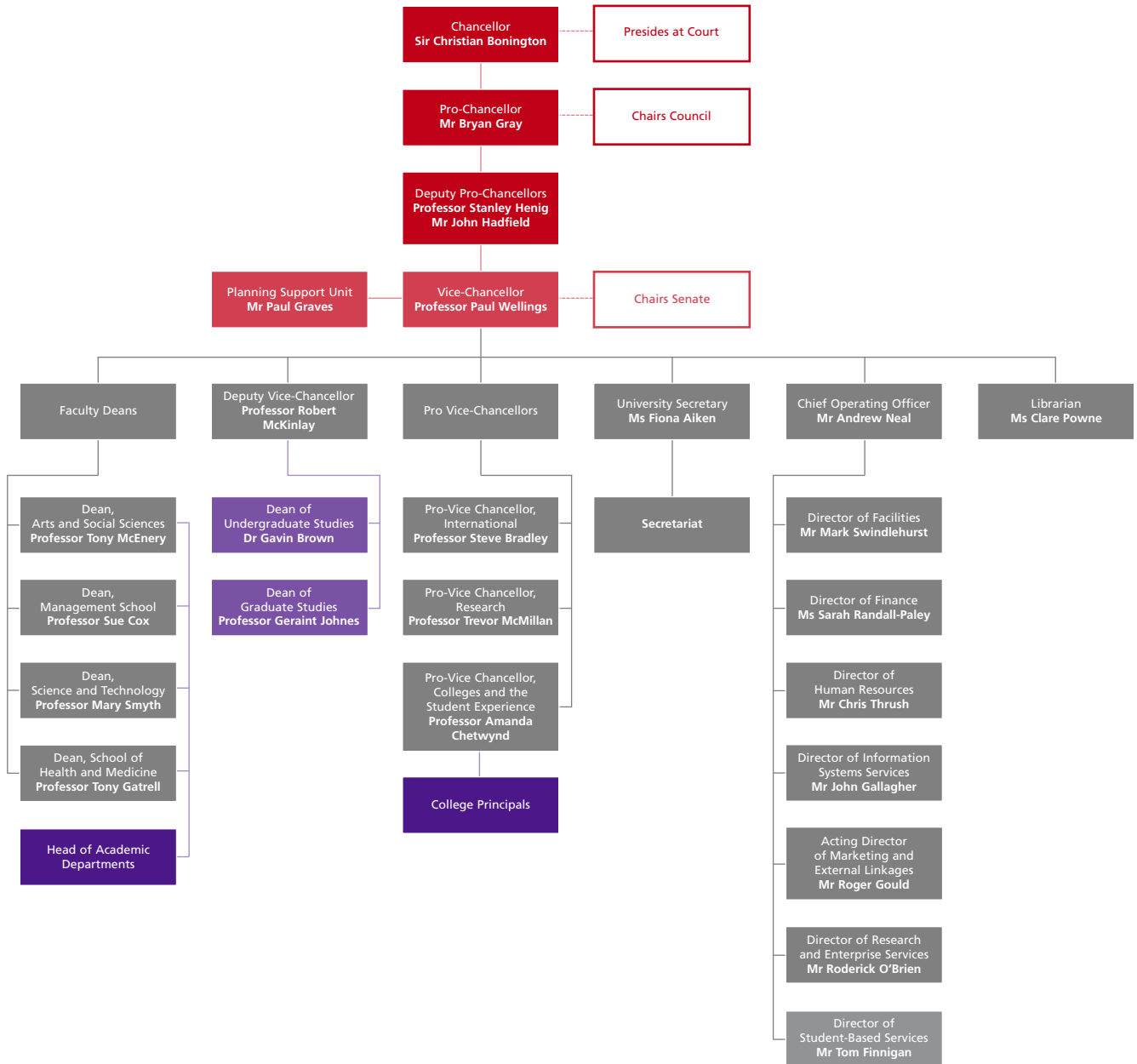
The reputation and ranking of Lancaster is now at its highest level and I pay tribute to the Vice-Chancellor and the University's staff and students whose combined efforts have led to another outstanding year of achievements, accomplished under difficult economic circumstances.

The full effect of the recession and the scale of reduction in public funding to universities will become clearer in 2010-2011. The sharp reduction in public spending recently announced by the new coalition government will result in a number of very difficult years for the UK Higher Education sector. Lancaster is well placed but we will need very careful leadership and continued strong financial management if we are to continue improving our position against international benchmarks.

Bryan Gray.

Bryan Gray
Pro-Chancellor

Lancaster University Senior Officers



Membership of Council (as of 19 Nov 2010)

- Mr Andy Baker • Dr Ruth Boumphrey • Dr Gavin Brown • Mr James Carr • Dr Keith Davidson • Mr James Davies
- Mr Francis Fitzherbert-Brockholes • Ms Gill Gardner • Mr Bryan Gray • Mr John Hadfield • Professor Stanley Henig
- Professor Geraint Johnes • Mr Laurence King • Councillor Geoff Marsland • Mr Gary Middlebrook • Mr Gary Parker
- Mr Robbie Pickles • Professor Emma Rose • Professor Harry Thomason • Professor Paul Wellings • Ms Lois Willis



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1: Emma Thompson has met researchers from Lancaster University who led a project about children's experience of the Hull floods in 2007. The Oscar-winning actress visited a children's writing event where she met Dr Marion Walker and Dr Becky Whittle from the Lancaster Environment Centre.

2: The new LICA building aims to become the UK's first higher education project to achieve the new "outstanding" rating under the Building Research Establishment Environmental Assessment Method (BREEAM) rating.



HIGH NOTES OF THE YEAR

This year, Lancaster has reached its highest positions in UK and Global league tables: 10th in the Times Good University Guide; 8th in the Independent Complete University Guide; 6th in the Guardian league table and 124th in the World Rankings.

League table **success**

Lancaster University has been ranked 124 in the world top 200 universities in the THE World Rankings – the highest level that Lancaster has ever achieved in global tables. The rankings recognise quality above scale and Lancaster’s achievements in research, teaching and the student experience demonstrate that institutional excellence is independent of its size.

Lancaster has combined this with unprecedented success in the UK league tables. This year Lancaster broke into the top ten in three UK league tables for the first time this year ranking 10th in the Times, 8th in the Independent’s Complete University Guide and 6th in the Guardian League table.

Earlier this year, Lancaster University was singled out in the Times Higher Education magazine for being the university to make the ‘most significant jump’ to break into the top 10 of all three national newspaper rankings for the first time.

The previous year, Lancaster University emerged in the top band of UK Universities with a high proportion of its research rated ‘world leading’ in the latest Research Assessment Exercise.

Overall, 92% of research at Lancaster is recognised as being of an international standard and all units of assessment included world leading research.

New face of the arts at Lancaster

The new £10m building for the Lancaster Institute for the Contemporary Arts LICA building was completed in September 2010.

The Lancaster Institute for the Contemporary Arts (LICA), which combines four academic groups; Art, Design, Music and Theatre Studies, Film and New Media and three public arts facilities; the Peter Scott Gallery, the Nuffield Theatre and the International Concert Series, was ranked in the UK’s top three for research quality in the most recent Research Assessment Exercise. The building also hosts the research group ImaginationLancaster.

The timber framed building is the public face of the LICA groups, with a stage for the nationally and internationally recognised work produced at Lancaster University.

To date the University has delivered seven BREEAM ‘excellent’ new builds and there are a further two BREEAM ‘excellent’ schemes currently onsite. A further six major refurbishment projects have achieved BREEAM ‘very good’ assessments.

LICA plays a major role in Lancaster’s new Digital Economy Innovation Centre to educate a new generation of PhD students. £5m of EPSRC funding will enable around 50 PhD students over five years to become the innovators of the future - trained to work at the cutting edge of the Digital Economy which will bring together Lancaster’s core strengths in Computing, Management and Design in innovative ways and is hosted in the experimental spaces in the new building.





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Investing in the Student experience



Lancaster's £2.5m Learning Zone was officially opened by Sir Alan Langlands FRSE, Chief Executive of HEFCE (pictured below) in January, 2010.

Sir Alan unveiled a plaque before 70 guests inside the Learning Zone, which provides an open plan space for students to study 24/7.



He said: "I see this as a University that is fizzing with innovative ideas and which is very conscious of its responsibilities towards students with this high quality Learning Zone. What is especially well done is the combination of access to online resources backed by highly motivated teaching staff and students and this is a spectacular example of this."

He also praised the sound financial management of the University, which has seen over £300m invested into the development of the campus.

The Learning Zone has been developed in partnership with students from the start and now provides a 24/7 flexible space right in the heart of the campus where students can study, socialise and relax.

Providing a **first class** environment

Lancaster University has received an award for the Best Corporate Workplace in the region. The new Information Systems Services Building (ISS) was praised by the British Council for Offices (BCO) for being a 'bold architectural statement' on campus.

The awards ceremony for the BCO Northern Regional Awards was attended by hundreds of leading architects and designers.

The judges felt that the building was 'a subtle and clever response to a work environment where the richness of workplace takes precedence. The open spaces, natural light and ability to mix and meet other staff, both formally and informally, make this building stand out from the rest'.

The judges added that Lancaster University should be commended for continuing to create pioneering workplaces for pioneering research.

The new ISS building houses around a hundred staff as well as providing a new Computer Centre and machine rooms to store equipment.



Employability

Lancaster University is rated highly in the most recent employment data for graduates published by the Higher Education Statistical Agency (HESA).

Lancaster graduates are performing well in what is an increasingly competitive job market.

Lancaster's success in the graduate employment market is being further improved by the Lancaster Award - a new initiative administered by the University's Centre for Enterprise, Employability and Careers (CEEC). The award, which was designed with and endorsed by employers such as HSBC, Pepsico International and the Nuclear Decommissioning Agency (NDA), prepares students for the job market by ensuring they develop the skills employers want, whether through work experience, volunteering or social activities.

To make this all happen, CEEC works with 4,000 graduate employers across all

sectors and with a range of professional bodies. The Placement Unit in CEEC works with students and employers to find work placements with local SMEs. The Students' Union (LUSU), offers over 500 local volunteering opportunities and the faculties provide hundreds of paid, consultancy-based placements with employers and schools.

Lancaster University Volunteering Unit, now called LUSU involve, is enabling students to develop work-related skills through community volunteering and encourages students to become entrepreneurs. LUSU involve was last year awarded the title of the National Council for Work Experience's 'Work Experience Provider of the Year'.

This academic year alone, LUSU involve has enabled 450 students to deliver initiatives that have made a real difference to the lives of 5,500 young people across Lancashire.

Employers serve as advisers to Lancaster's volunteering programmes, and accredit degrees such as the The Ernst & Young Degree, BSc (Hons) Accounting, Auditing and Finance.

The Lancaster Career Mentoring programme, organised by CEEC in collaboration with the Alumni and Development Office, has just completed its first year and has been a resounding success. Many of the mentors are Lancaster University alumni and the programme aims to help students link with industry, develop career management skills and prepare for the transition out of university and into the workplace. Mentees have had the chance to work shadow their mentors, gain valuable work experience, receive expert advice on developing their CV, undertake mock interviews, and explore and plan their career.



New **Sports Centre** for 'whole community'



The Sports Centre forms part of the University's ongoing investment programme in residential, academic and social facilities.

Lancaster University's Chancellor, Sir Christian Bonington has visited the new £20m sports centre to inspect the progress. The 6,000 sq metre centre, which is visible from the A6, will open in Summer 2011.

Distinguished mountaineer Sir Christian said that the new Sports Centre will offer 'something for everyone' and he particularly hoped that climbers, schools and young people will enjoy using the new indoor climbing wall and bouldering cave, which he helped to design .

"This is certainly going to be the best climbing wall in this particular area, so I'm quite sure that both schools and young people and climbers are going to get a great deal out of it as well.

"The University should be an integral part of the community," says Sir Christian, "and I think we're doing that very successfully."

When complete, the centre will be 30 percent bigger than the University's existing sports facility which was opened in 1967. The eight lane pool will include a 'floating floor' which can vary the depth.

The state-of-the-art centre will also offer health and fitness suites, sauna and steam room, badminton and squash courts amongst other facilities.

The Sports Centre forms part of the University's ongoing investment programme in residential, academic and social facilities. The design and development process took two years to ensure a

high-quality design which shows consideration to the surrounding area. It will be open to staff, students, schools, and the local community.

Sir Christian Bonington



Making a **positive contribution** to the economic and social well being of the region

Lancaster University has made a huge economic contribution to the North West economy, helping to create over 700 new jobs in the region according to latest figures.

The recent evaluation of projects delivered by the University between 2006-08 with funds from the European Regional Development Fund showed that the University also safeguarded a further 1,800 existing jobs.

The expert help was provided through a dozen projects which have also led to increased sales of over £46m at a total of 445 small to medium sized businesses.

One project alone - the Lancaster Business Creation Project run by the University's Research and Enterprise Services - created 57 jobs in start-up companies or ones which had traded for less than a year, leading to over £2.5m of new sales.

Other projects included

- the Creative Awareness Network for fledgling creative businesses
- Create Solutions aimed at helping businesses and social enterprises to enhance their ICT capacity whilst gaining students job winning skills
- the Business Support Initiative that helped companies to behave more innovatively, run by Lancaster University Management School

In addition, a further 14 projects funded by the Higher Education Innovation Fund until 2008 saw the University work with another 519 small to medium sized companies (SMEs), 21 large companies and 11 non-commercial organisations.

The Lancaster Environment Centre, for example, helped 42 SMEs and enabled 20 student placements, while the Management School helped 133 SMEs. InfoLab21 helped 93 SMEs and the Lancaster Product Development Unit 95.

Overall, a total of 373 students undertook work placements, including 209 through

the Lancaster University Volunteering Unit (LUSU involve) and 85 through InfoLab21.

A recent Universities UK report highlights the economic benefits of universities, showing that universities contributed about £59 billion to the economy in 2008 and employed, directly or indirectly, 2.6% of the entire UK workforce.

Lancaster University has successfully applied to continue its successful work through a suite of new projects part funded by the European Regional Development Fund through the North West Operational Programme 2007-13.

Support is now available from the University to help regional SMEs become more innovative in their business practices, to adopt transformational information and communications technologies solutions, to develop more environmentally sustainable products, processes and services and to access expert support in rapid manufacturing technologies. Also available is support for regional businesses through student consultancies and support for students to start their own businesses.

Expert help was provided through a dozen projects which have also led to increased sales of over £46m at a total of 445 small to medium sized businesses.



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1: Lancaster is the first and only University to deliver higher educational qualifications at the GD Education City in Goenka, India.

2: Lancaster's Deputy Vice-Chancellor Professor Bob McKinlay with the Pakistani Federal Minister for Science and Technology and the Rector of the COMSATS Institute of Information Technology (CIIT), Dr S. M. Junaid Zaidi. Students have started the first Lancaster/CIIT dual degrees delivered in Lahore, Pakistan.



A GLOBAL UNIVERSITY

International students, from more than a hundred countries, form well over half of Lancaster's graduate school, while international staff from sixty countries constitute almost one third of academic staff. However, Lancaster's community extends far beyond the campus with research, teaching and student exchange partnerships with leading universities and institutions around the world.

The network of overseas teaching partnerships is a key component of Lancaster's global outreach and commitment to internationalisation. Lancaster degree programmes are currently taught in collaboration with local institutions in countries including India, Pakistan, Malaysia and Jordan.



Lancaster launches new **campus in India**

Lancaster University has formally launched a new campus in India which admitted its first cohort of 300 students in August this year, providing people in India with a major new type of higher education opportunity. In January 2011, the first cohort will graduate with a Lancaster degree in India.

Lancaster is the first and only university to deliver higher educational qualifications at the GD Education City in India, a 60 acre site located near Delhi. The Education City is part of the new GD Goenka World Institute of Higher Education.

The GD Goenka World Institute has been established to cater to the rising demand for quality higher education in India, to provide avenues for higher education to its students in an environment that is conducive to learning and teaching, and to produce the business leaders of the future. Lancaster is committed to bringing high quality higher education to India with its international partnership with Goenka.

Lancaster University's Vice-Chancellor Professor Paul Wellings visited the campus in November to celebrate the launch of the partnership with the GD Goenka Chairman.

Undergraduate and postgraduate programmes are offered in Business Management, Marketing and Economics. The programmes are validated by Lancaster and taught by Goenka staff. Following graduation, students will receive a Lancaster University degree.

The partnership is expected to expand into other areas such as undergraduate degrees in engineering and technology, and a new two year global MBA which will be mostly taught by Lancaster staff.

Students from Lancaster University are helping children and slum dwellers in the Commonwealth Games host city Delhi as part of a ground-breaking LUSU Involve project.

The India project is empowering students and educating employers by highlighting how volunteering can bring about positive change in India, where the jobs market is almost entirely focused around academic results.

It is hoped that this learning can be rolled out across Lancaster's other campuses around the globe and in doing so create an international summit, so that students from around the world can exchange ideas and promote the power of volunteering.

The LUSU involve India project is an international partnership allowing students to create positive change with students at the Goenka World Institute in Delhi.

A group of six students from Lancaster took part in the scheme's inaugural trip to India in September, where they helped teach young primary school children in the village of Khaika, just outside Delhi, where the school only has one teacher, 126 pupils and no electricity.

The students worked with 15 Indian students as part of the project – but the scheme aims to grow so that hundreds of students are taking part, travelling to each other's countries to exchange ideas.



The LUSU involve India project is an international partnership allowing students to create positive change with students at the Goenka World Institute in Delhi.

New teaching partnership with Kazakhstan



Lancaster and Kazakhstan-British Technical University (KBTU) have agreed to a new teaching partnership. The first collaborative programme will be an MSc in Networked and Mobile Systems and it is intended that the range of programmes will expand.

The programme will be delivered at the KBTU campus in Almaty, Kazakhstan and taught jointly between experts from Lancaster University and KBTU.

KBTU's Vice Rector for Academic Affairs, Professor Zoya Tuiebakhova, travelled to Lancaster in March to sign an international collaboration agreement with Lancaster's Vice-Chancellor Professor Paul Wellings.

Malaysian Students Visit Lancaster

There are now over 1,000 students studying on the Lancaster/Sunway dual programmes. Students study in Malaysia and are awarded a degree from both Sunway and Lancaster.

The students came to get a glimpse of campus life and learn about British culture and heritage. The group, which included three Chancellors' Scholars, visited departments relevant to their studies and experienced how lectures are conducted at Lancaster.

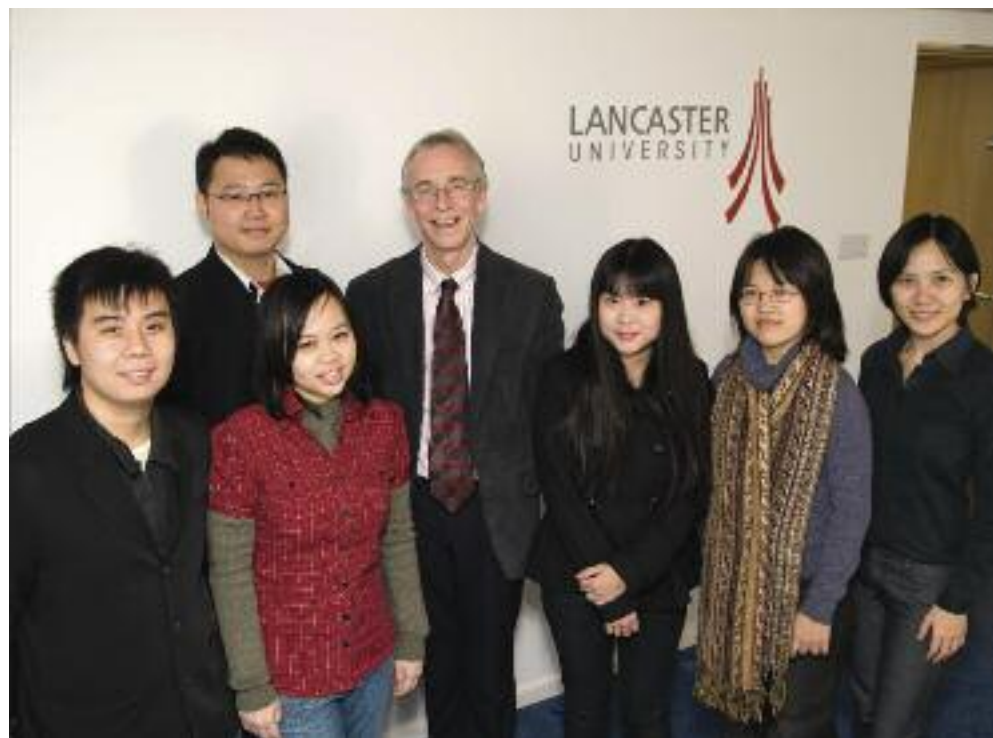
The Chancellors' Scholarships are offered in the names of Tan Sri Dato' Seri Dr Jeffrey Cheah, Foundation Chancellor of Sunway University College and Sir Christian Bonington, Chancellor of Lancaster University to commemorate the affiliation between Sunway University College and Lancaster University.

The Scholarships include a funded two week study visit to Lancaster University during the final year of studies.

2010 Scholarship students were: Chan Yung Mun, studying Accounting and Finance; Joyce Oo Pui Yee, also studying Accounting and Finance and Chang Mei Yan, studying Psychology.

Sunway University College Kuala Lumpur, Malaysia and Lancaster University established an academic partnership in 2006. Students at the Sunway campus are able to study for undergraduate degrees in Accounting and Finance, Business and Management, IT, and Psychology.

Masters programmes began in August 2009 and an executive programme for the Sunway Group leading to a Certificate of Achievement began in November 2009.



Sunway students with Deputy Vice-Chancellor Professor Bob McKinlay

Chinese Academy of Sciences to collaborate with Lancaster

Opportunities for collaboration include postgraduate and staff training, summer schools, exchange programmes, business and enterprise and research.



L-R Professor Kevin Jones, Associate Director of LEC, Professor Gan Zhang, Deputy Director, CAS State Key Laboratory, Guangzhou, CAS, Vice Chancellor Professor Paul Wellings, Professor Yonglong Lu, Director-General, Bureau of International Co-operation, CAS, Professor Mary Smyth, Dean of the Faculty of Science and Technology, Professor Graham Harris, Co-Director of LEC and Professor Yong-guan Zhu, Director, Institute for Urban Environment, Xiamen, CAS

Lancaster University's long standing and broad links with China have been strengthened with a formal collaboration with the Chinese Academy of Sciences (CAS) based on the environmental sciences.

A delegation from CAS visited Lancaster in January to sign a Memorandum of Understanding outlining areas of joint interest and agreeing a timeframe for developing priority areas.

Opportunities for collaboration include postgraduate and staff training, summer schools, exchange programmes, business and enterprise, and research.

The five visitors were welcomed at the Lancaster Environment Centre (LEC), where they viewed presentations by senior staff on the University's environmental portfolio before the signing of the Memorandum. They also met colleagues from the University's China Bridge project as well as Chinese visitors and researchers.

LEC Professor Kevin Jones, who helped set up the link with CAS, said: "We are very pleased to be working closely with CAS on global problems and topical environmental issues ranging from sustainable agriculture and land use to energy, waste and pollution.

"The partnership will also enable us offer a new two year Masters Programme to students who will split their study time between Lancaster University and CAS."

CAS has over 100 institutes as well as a university and graduate school. The CAS Institute for Geochemistry in Guangzhou, Guangdong province, and the CAS Institute for the Urban Environment in Xiamen, Fujian province, have been chosen as initial institutes for collaboration, since they already take the lead role for CAS in Lancaster's UK-China Bridge Project.

The China Bridge project is funded by Research Councils UK to improve UK innovation links with China to help tackle environmental issues such as global food security and water quality. Professor Bill

Davies from LEC is leading the three year research programme which will tackle some of these problems.

LEC's partners in China include leading scientists at China Agricultural University, Nanjing University, North West Agricultural and Forestry University and the Chinese Academy of Sciences.

The University's links with China also include the Lancaster China Management Centre at LUMS which aims to develop new programmes of research and teaching relevant to the needs of Chinese managers.

In June 2010, 15 Lancaster undergraduate students attended the third Summer School, funded by Lancaster at Beijing Foreign Studies University - Lancaster's longest standing partner in China and one of China's leading universities in teaching foreign languages and cultures.

First ever **dual degree** launched with Pakistan University



In September 2010, Pakistani undergraduate students started the first dual Lancaster University /Comsats Institute of Information Technology (CIIT) degrees.

Pakistani students at the CIIT Lahore campus will be given the opportunity to earn a highly regarded international degree from Lancaster, in addition to their degree from CIIT for a fraction of the cost of study in the UK. The first joint degrees, validated by Lancaster, in Electronic Communication Systems, Business Studies and Computing will be delivered this year in Pakistan by CIIT staff at the Lahore campus.

The dual degree programme was formally launched in London in February at an event attended by the Pakistani Federal Minister of Science and Technology, who is also chancellor of CIIT, Muhammad Azam Khan Swati.

Sir Christian Bonington CBE, Chancellor of Lancaster University and CIIT funded masters and PhD students who are studying at Lancaster University's ICT centre of excellence, InfoLab21, also attended.

At the launch, the Federal Minister said: "We are pleased to be partnering with Lancaster University and believe that this dual degree programme, supported by two leading institutions, will benefit Pakistani students greatly".

Lancaster staff are working closely with CIIT on the quality assurance, curriculum and teaching methods of the degree programmes. Students will be awarded a degree from both CIIT and Lancaster University upon graduation.

Academic staff from CIIT visited Lancaster in February for training and more staff will follow.

Lancaster aims to extend this programme to offer joint degrees with CIIT from all its four faculties including the Faculty of Arts and Social Sciences and the School of Health and Medicine.

Pakistani students at the CIIT Lahore campus will be given the opportunity to earn a highly regarded international degree from Lancaster, in addition to their degree from CIIT, for a fraction of the cost of study in the UK.

University of Lancaster

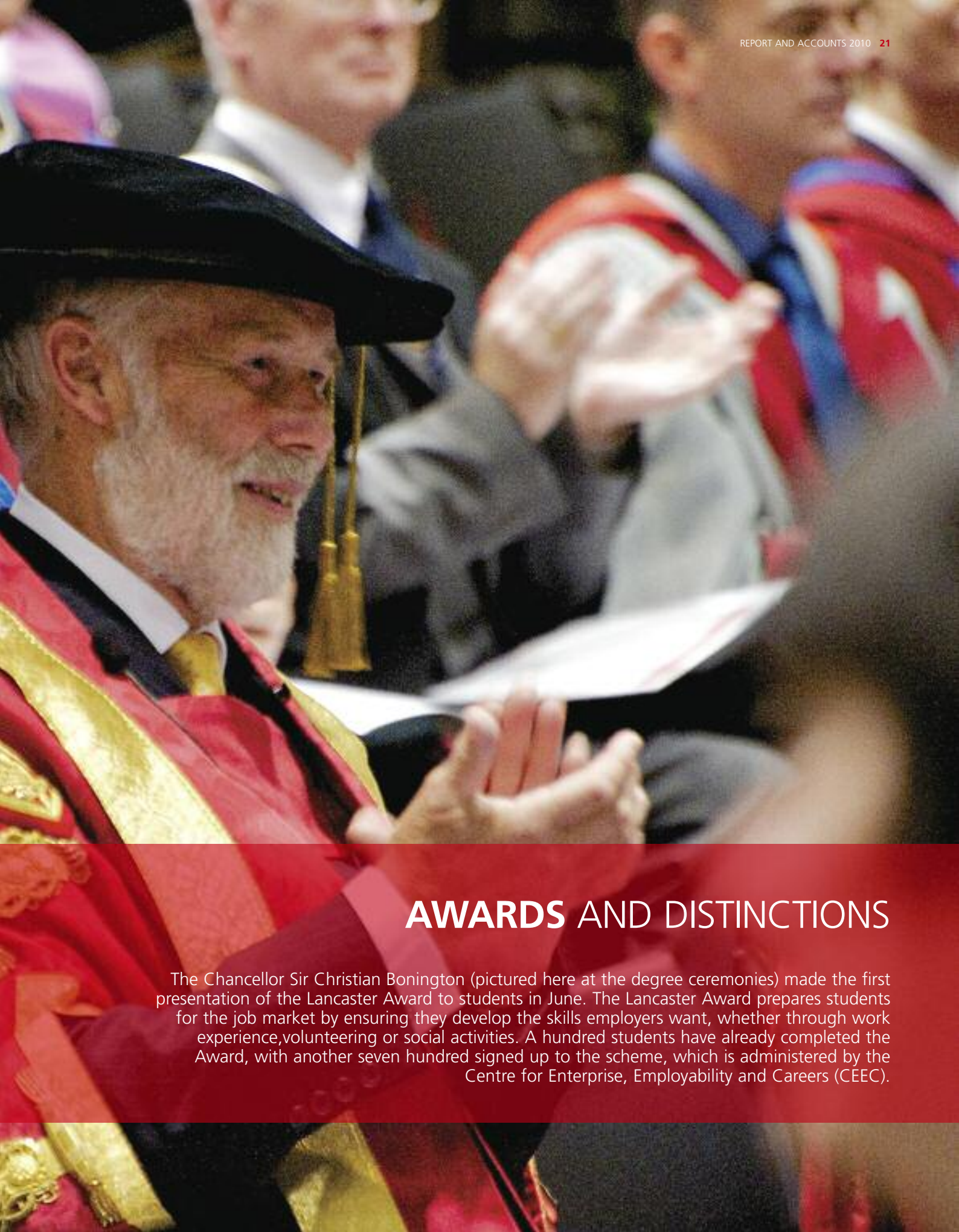


Cary Cooper



Paul Sparrow

Lancaster University Management School professors Cary Cooper and Paul Sparrow have been named among the 'Top 30 Thinkers' in the world by Human Resources (HR) magazine. And the magazine's list of the most influential HR practitioners is headed by David Fairhurst of McDonald's and Clare Chapman of the NHS - both are graduates of Lancaster University.



AWARDS AND DISTINCTIONS

The Chancellor Sir Christian Bonington (pictured here at the degree ceremonies) made the first presentation of the Lancaster Award to students in June. The Lancaster Award prepares students for the job market by ensuring they develop the skills employers want, whether through work experience, volunteering or social activities. A hundred students have already completed the Award, with another seven hundred signed up to the scheme, which is administered by the Centre for Enterprise, Employability and Careers (CEEC).

Honorary Graduates



Professor Dame Jocelyn Bell Burnell DSc

As a PhD student at Cambridge, Professor Bell Burnell was involved in the discovery of pulsars - highly magnetised dead stars that emit radio waves along their magnetic poles. This discovery opened up a new branch of astrophysics and was later recognised by the award of a Nobel Prize to her supervisor. She has been President of the Royal Astronomical Society and in 2008 became the first female President of the Institute of Physics.



Edwin Booth LLD

Edwin Booth is the Executive Chairman of the North West supermarket chain E. H. Booth and Co Ltd, founded in 1847. In 2006 Booths achieved second place in the list of the World's Greatest Food Retailers by a panel of experts in the national trade publication The Grocer. In 2005, Edwin Booth was awarded the Business in the Community (BITC) Prince of Wales Ambassador Award for the North West.



Dame Joan Bakewell D Litt

Joan Bakewell is one of Britain's leading journalists and commentators. She presented the pioneering BBC2 arts programme Late Night Line-Up, was BBC Newsnight's arts correspondent and is also a newspaper columnist. She was appointed CBE in 1999 and DBE in the Queen's Birthday Honours 2008. She was Chairman of the British Film Institute from 2000 to 2002 and in 2008 was appointed a voice for older people by the government.



James May D Litt

Alumnus James May is an award-winning television presenter and journalist, best known for the BBC programme Top Gear as well as James May on the Moon, James May's 20th Century and James May's Big Ideas. He has written articles for several publications including a weekly column in The Daily Telegraph. In 2000 he won the Guild of Motoring Writers Journalist of the Year award.



Professor W. Brian Arthur DSc

Professor Arthur is a distinguished economist and a pioneer in the science of complexity. He has written extensively about technology and how it evolves. An alumnus of Lancaster University, he is currently a professor at the Santa Fe Institute in New Mexico. In 1990 his work won the Schumpeter Prize in economics and in 2008 he won the Lagrange Prize in complexity science.



Professor Kang Shaozhong DSc

Professor Kang Shaozhong is a leading researcher into global food security and is on the government committee currently writing China's five year plan for agriculture. He is the Director of the Centre for Agricultural Water Research in China, and is a Distinguished Professor at the China Agricultural University. His research focuses on finding ways to use water more effectively in agriculture.



Professor Averil Mansfield DSc

Professor Averil Mansfield is President of the British Medical Association and the first female Professor of Surgery in the UK. She is a Fellow of the Royal College of Physicians and of the Royal College of Surgeons, where she established a new initiative aimed at encouraging more women into surgery.

Chancellor's Medallists

In December 2004 HRH Princess Alexandra retired as Chancellor of the University after holding the office for 40 years. To mark her long service, a Chancellor's Medal is presented annually to the most meritorious students of Lancaster University. This year the Princess Alexandra Medal is awarded to:

UNDERGRADUATE



Angus James Holford
BSc Economics



Laoura Ntziourou
BA Accounting and Finance



Jennifer Humpheson
BA Music



Thomas Lionel Herbert Mortlock
LLB Law



Maria Alexandrou
BSc Mathematics



Jon Emery
MPhys Physics,
Astrophysics and
Cosmology



Jake Owen Chandler
BSc Biological Sciences

POSTGRADUATE



Eleanor Fitton
MA Gender, Genre
and Cultural Theory



Jane Elizabeth Judson Demmen
MA English Language
(by Research)



Lucy Elizabeth Bradshaw
MSc Statistics



Jadwiga Nazimek
MSc Biomedicine

Bogdan Catalin Pasol
MSc Management
(Not pictured)

Chairs & Readerships

PERSONAL CHAIRS

Mike Chiasson – Information Systems

Steve Constantine – Modern and Contemporary History

Deborah Mawer - Music

Paolo Palladino – History and Theory

Nigel Paul – Plant Science

Henning Schomerus – Theoretical Condensed Matter Physics

Kirk Semple – Environmental Microbiology

Aneta Stefanovska – Biomedical Physics

READERSHIPS

Sally Bushell – British Romanticism

Bulent Diken – Social and Cultural Theory

Richard Haley – Low Temperature Physics

Stefanos Mouzas – Marketing and Strategy

Enterprising graduates



A Lancaster University graduate whose company is worth £20m has been crowned Enterprising Young Brit.

Antony Chesworth holds a degree in Computing from the University. In 2002, shortly after graduating, he went £25,000 in debt to set up his shopping business ekmpowershop.com.

Antony, whose company is based in Darwen, scooped the highly acclaimed award from Peter Mandelson at the Institute of Directors, which was attended by some of the UK's top business people.

The competition is open to entrepreneurs who have made their idea happen in a new, innovative or inspiring way.

The award was presented by Lord Mandelson, Labour Peer and former Secretary of State for Business, Innovation and Skills in May.

Antony ran up huge credit card debts to get his business going against all odds. His company which enables people to build their own online shop is now worth in excess of £20m.

ekmPowershop.com is now the market leader in UK ecommerce, powering one in every five online shops in the UK.

Commenting on his achievement, Antony said: "The whole essence of ekmPowershop.com is to enable people to set up their own online business. Winning the Enterprising Young Brit award is an honour and it shows that with drive, ambition and a bit of perseverance anyone can succeed."

Lord Mandelson said: "Despite the toughest economic conditions we have known for the past decades, this year's competition has received a record number of entries. That says something about enterprise and about the young people who are committed to enterprise in this country."

Antony will now become an Enterprise UK Ambassador.

Water-saving techniques for agriculture win **Queen's Anniversary Prize**

The Queen has presented an award at Buckingham Palace for Lancaster University's world-class research into water-saving techniques for agriculture. Her Majesty presented the Queen's Anniversary Prize for Higher and Further Education to Distinguished Professor Bill Davies, who led a team of plant biologists at the Lancaster Environment Centre in the development of the research.

It is the third time the University has received one of these prestigious awards.

The world-class research will help farmers in some of the driest regions of the world and help meet the challenge of feeding seven billion people against a background of climate change.

Researchers showed how the signals that roots in drying soil send to the shoots can help plants cope more successfully with drought and produce better yield. This new understanding of how plants react to stress has now been exploited with the agriculture industry by the group working in collaboration with researchers around the world. Water saving approaches to irrigation and to the management of crop production have resulted in significant

water saving and better crop production in regions of the world which suffer water scarcity.

Lancaster science has been used to develop new systems to grow cereals in North China, grape vines and top fruit in Australia and in viticulture and vegetable production around the Mediterranean and in the USA. New water saving techniques have also been developed with the UK horticultural and agricultural industries. The Lancaster team has trained a large number of research biologists who work around the world on projects aimed at contributing to food security. The prize also recognises the team's work with industry in passing on new knowledge through training programmes and partnerships run through the University's specialist environmental business centre, the first of its kind in the UK.

Lancaster University's Vice Chancellor Professor Paul Wellings said: "The Lancaster Environment Centre is working at the forefront of science and is helping to provide real solutions to the challenges of climate change. We are absolutely delighted that this exceptional contribution has received such prestigious recognition."

This research also won the coveted Times Higher Research Project of the Year 2009.

Distinguished Professor Bill Davies with Dr Jiang Fan of Beijing Normal University



Royal Society Award for "Unsung Hero" of Science



A senior technician at Lancaster University has received a Hauksbee Award from the Royal Society in recognition of his valuable role in supporting scientific research.

The award was presented to Ian Miller by Prince Edward, the Duke of Kent, at the Society's London headquarters.

The ten new Hauksbee Awards – named after Isaac Newton's assistant Francis Hauksbee – were created to recognise the "unsung heroes" of science labs, research institutions and schools who work behind the scenes to support the UK science base.

Ian Miller is one of the world's leading low temperature technicians, working in the Microkelvin Group in the Department of Physics at Lancaster University with Professor George Pickett FRS. Ian has a world-wide reputation for microkelvin technology. He has been unstinting in assisting other low temperature groups around the world by providing Lancaster experience and technology which can now be found productively operating across Europe, North America and the Middle East.

Recognising the **achievements** of staff

The outstanding work carried out by staff has been recognised with the award of the 2010 Staff Prizes. Nineteen members of staff were presented with prizes by the Chancellor Sir Christian Bonington at an award ceremony in June.

Amanda Harrison, History's Departmental Officer, won a prize in recognition of her contribution to the largest overhaul of processes and programs since the Department was established in the 1960s.

Drs Marion Walker and Rebecca Whittle from LEC were awarded a prize for their research on children and flooding, impressing the judging panel with their engagement with young people and ability to communicate their work to a wider audience.

The Facilities' Grounds Team – Gary Atkinson, Phil Noble, Euan Richmond, Damian Glenn, Paul Capper, Graham Singleton, Mitchell Dyson and Bill Carradus - all received awards for their

dedication and commitment to keeping the University's transport network open during the worst winter for 30 years.

The IDEAS team from LICA and the IEED – Al Mather, Helen Fogg, Dr Leon Cruickshank and Dr Danny Soetanto – won a joint prize for their collaboration with different areas of the University and other institutions. IDEAS (Innovation Design Entrepreneurship and Science) is a collaboration of the business and management schools of Lancaster, Manchester and Liverpool universities along with ImaginationLancaster. The aim is to enhance the performance of firms at Daresbury Science and Innovation Campus through research and knowledge transfer activities.

Jane O'Brien, the Director of CETAD, has been awarded a prize in recognition of her achievement over several years, especially for the energy and commitment she has brought to the School of Health and Medicine since CETAD joined the School last year. Among other achievements, she has jointly developed a PG programme in Medical Leadership and

has led CETAD to a successful periodic quality review last year in which the Centre was highly commended.

Professor Steve Bradley from LUMS won a prize for driving forwards its international strategy, leading to several significant partnerships including GD Goenka in Delhi, Sunway University College in Malaysia and COMSATS in Pakistan.

A prize also went to Dr Jackie Pates from LEC who, as overall UG Director of Studies for Environmental Science, Environmental Chemistry and Earth Science, has been a key driving force in the process of integrating undergraduate teaching within LEC, including heading important new initiatives.

Dr David Simm of LUMS won a prize for being an outstanding teacher, combining management experience with enthusiasm for students' learning, supporting international students and helping to improve the employability of LUMS students through his work on the LUMS Undergraduate Advisory Board which includes major employers.



Recognition for outstanding financial management



Lancaster University's Finance Division has won an award for the Outstanding Finance Team at the annual Times Higher Education Leadership and Management Awards, at an awards ceremony on 17th June 2010, witnessed by more than 1,000 people.

Amongst the achievements cited in Lancaster's winning entry was the successful delivery of a complex deal to refinance the University's 1995 Debenture Stock and replace the bond with a new facility agreement with the Royal Bank of Scotland, resulting in much better loan terms and flexibility for the University.

The Finance Division, led by Sarah Randall-Paley, also secured credit approved terms from RBS for a revolving credit facility to support the ongoing Capital programme

which is investing in new projects to improve the student experience, boost research and maintain excellent teaching. Other initiatives include further reviews of financial processes and the introduction of electronic workflow across the University. This year, the credit ratings agency Standard and Poor's, announced an upgrade to Lancaster University's credit rating to 'A+' from 'A' which recognises Lancaster's track record of strong financial management.

Lancaster Professor appointed Co-Chair of First College of Social Work

The first ever College of Social Work has appointed a Lancaster University academic as joint chair.



Professor of Applied Social Science Corinne May-Chahal and Maurice Bates, formerly interim director of children's services at North East Lincolnshire Council, took up their places in August. Both are qualified social workers.

Professor May-Chahal has substantial experience in child welfare policy and practice including work with the NSPCC on the first national prevalence study of child maltreatment and several European funded research collaborations. She was also a founding member of the Family Justice Council and a member of the RAE 2008 panel for social work and social policy.

J D Bernal Prize

The prestigious J D Bernal Prize has been awarded to Brian Wynne, Professor of Science Studies at the ESRC Centre for Economic and Social Aspects of Genomics (Cesagen) and the Centre for the Study of Environmental Change (CSEC) at

Lancaster University, for his distinguished contribution to the social studies of science.



The Bernal Prize is the highest honour given by the Society for Social Studies of Science.



1



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1: A new model created by space scientist Dr. Jim Wild is bringing the experience of the Northern Lights into the classroom. The "Aurora in a box" which recreates the physics involved in the creation of the Northern Lights or Aurora Borealis, will be used to demonstrate how electrically charged particles in the atmosphere create the spectacle seen at the Earth's poles.

2: Computer scientists at InfoLab21 are leading a £3m Europe-wide project investigating the role of creativity in science and technology. The project is led by Dr Corina Sas.





ADVANCING KNOWLEDGE THROUGH **RESEARCH**

Overall, 92% of research at Lancaster is recognised as being of an international standard. Key areas include: Physics ranked 1st in the country; Art and Design, which at Lancaster includes Music, Theatre, Film and New Media, ranked in the UK's top three; Bio-medicine, part of Lancaster's newly established School of Health and Medicine, is ranked in the top three in the UK (in the Allied Health Professions and Studies UoA). Three quarters of Lancaster University Management School's research activity is world leading or internationally excellent and 95% is of international standing.

Physicists find **clues in matter-antimatter** conundrum

Physicists at Lancaster are taking a leading role in a series of international experiments which set out to unravel some of the Universe's most perplexing problems, including 'what happened to the antimatter?'

The Physics Department – currently rated number one in the UK for research – has teams working on data from high energy particle collision experiments at the Large Hadron Collider at CERN in Geneva and the Tevatron at Fermilab in the USA. They also play an important role in the T2K neutrino experiment in Japan which hopes to unlock some of the deepest mysteries of the Universe by examining the mysterious 'neutrino' – amongst the most numerous yet least understood particles in the Universe.

During the evolution of the Universe after the 'big bang' matter and antimatter should have been created in equal measure, cancelling one another out, but somehow that perfect symmetry went askew, more matter was created than antimatter and the Universe was born. 'What happened to the antimatter?' is one of the central questions of 21st century particle physics.

Antimatter breakthrough

In May 2010 a Fermilab team jointly led by Lancaster University Physicist Dr Guennadi Borissov announced the discovery of the first evidence for significant violation of matter-antimatter symmetry, potentially offering a clue to the origins of the Universe.

Dr Borissov, who developed the tools and methods leading to this result, presented the findings to the scientific community. Word of the discovery spread quickly and made headlines round the world.

He said: "This beautiful result can provide important input to understanding the matter dominance in the Universe."



Dr Guennadi Borissov

Record-breaking collision

Meanwhile, in March 2010, Lancaster University researchers were at the LHC in CERN, Geneva as the Collider broke its own record for the highest energy particle collision – smashing particles together at an energy three and a half times higher than at Fermilab - the next most powerful facility.

Lancaster physicists on the largest of the CERN experiments, ATLAS, have now begun searching through the traces of the particles produced in the collisions for traces of new physics. They have already isolated all the key ingredients for these new studies, and presented first results at major international conferences.

Professor Roger Jones, from Lancaster University, is in charge of the computing for ATLAS in the UK. On the day of the record breaking he helped present live streaming of the first collisions and explained the early events at a media event in London.

He said: "We have built a huge world-wide system of computers to store and analyse the ATLAS data, and it is working incredibly well so far – but now the real work begins.

"This is a very exciting time for physics, lots of scientists will be combing the data in a friendly competition to see what discoveries can be made."

In search of 'ghost' particles

In summer 2010, years of work finally paid off for Lancaster physicists who built part of the particle detector now being used at the T2K neutrino experiment in Japan.

The T2K collaboration began data taking operations at the start of 2010 and the six ton particle detector built at Lancaster has been performing well.

Professor Peter Ratoff, Head of Lancaster University Particle Physics Research Group, said: "By this summer we had gathered enough data to know that the part of the detector system built in Lancaster was working perfectly – much to the relief and satisfaction of all concerned. We are now beginning to analyze the data in more detail and hope to be able to announce our first physics results early in 2011."

T2K is an international experiment which will probe the strange properties of the enigmatic neutrino – or ghost particle - to unprecedented precision, by firing the most intense neutrino beam ever designed from the east coast of Japan (Tokai), all the way under the country, to a detector near Japan's west coast (Kamioka).

The Physics Department – currently rated number one in the UK for research – has teams working on data from high energy particle collision experiments at the Large Hadron Collider at CERN in Geneva and the Tevatron at Fermilab in the USA.

How Groups Prevent Violence:

Analysing CCTV footage of night-time violence



Violence is most likely to be prevented if a number of group members intervene and each supports the other's intervention.

(Photo courtesy of John Powell / REX Features)

When it comes to thinking about violence and anti-social behaviour, groups of drinkers out at night tend to get a bad press. A combination of excess alcohol and the negative influence of the group is believed to lead to anti-social behaviour.



Dr Mark Levine

However, a new Economic and Social Research Council (ESRC) funded study by researchers at Lancaster University suggests that, in potentially violent situations, group members spend most of their time trying to stop

perpetrators from acting violently. Violence is most likely to be prevented if a number of group members intervene and each supports the other's intervention. This could inform practical strategies for tackling public violence.

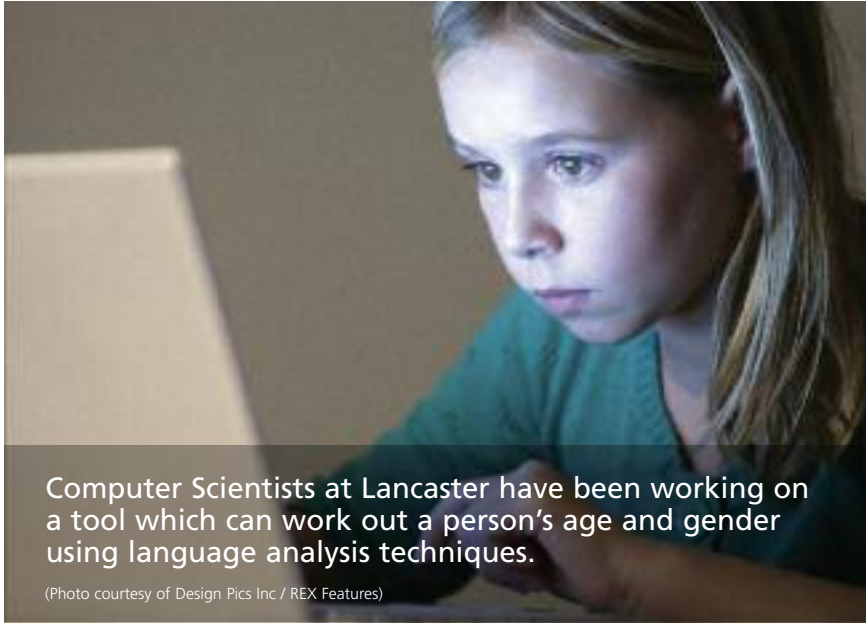
Psychologists Mark Levine, Paul Taylor and Rachel Best carried out an analysis of CCTV footage of drinkers in a city centre. In each of the 42 incidents they analysed the perpetrator, the victim and the bystanders were identified. They then recorded the behaviours of each person in turn, and whether they were trying to escalate or de-escalate the violence. Their results showed that, contrary to popular belief, group members are trying to bring aggressive behaviour under control rather than encourage violence.

Larger groups did not result in more aggressive (or anti-social) behaviour. In fact, as group size increased, the group members attempted significantly more de-escalating (or prosocial) behaviours than anti-social behaviours.

If only one person tries to intervene (even though other people are present) then incidents tend to end in violence. When multiple group members intervene in a mutually supportive way, then violence tends to be prevented.

Taken together, the evidence shows that groups are trying to bring aggressive behaviour under control; that increasing group size leads to a greater expression of this norm against the use of violence, and that successful violence prevention requires the co-ordinated action of the group rather than the action of a single powerful individual.

Software developers tackle child grooming on the net



Computer Scientists at Lancaster have been working on a tool which can work out a person's age and gender using language analysis techniques.

(Photo courtesy of Design Pics Inc / REX Features)

Four out of five children can't tell when they are talking to an adult posing as a child on the internet, according to researchers working on software to track paedophiles online.

Computer Scientists at Lancaster have been working on a tool which can work out a person's age and gender using language analysis techniques. They hope it will eventually be used to help police and law enforcement agencies spot when an adult in a chatroom is masquerading as a child as part of the victim "grooming" process.

Groups of children and teenagers from the Queen Elizabeth School, Kirkby Lonsdale, Cumbria, took part in experiments designed to provide the researchers with exactly the kind of informal web chat they need to help improve the accuracy of their software.

The 350 students also took part in an experiment to find out if they know when they are talking to adults posing as

children online. The results show that even pupils as old as 17 struggled to tell the difference. Overall only 18% of children taking part in the experiment guessed correctly and approximately four out of five thought they were chatting to a teenager when in fact it was an adult.

The computer software did significantly better, correctly working out whether web chat was written by a child or an adult in 47 out of 50 cases - even when the adult was pretending to be a child.

The work is part of the Economic and Social Research Council / Engineering and Physical Sciences Research Council funded project Isis.

Experts at Lancaster, Swansea and Middlesex Universities have joined forces with specialist UK law enforcement to develop a project to help address these risks by harnessing developments in technology and to ensure that such developments maintain ethical practices.

Eventually, researchers believe the software could be used not only to

identify adults posing as children but also to pick up on the 'stylistic foot prints' of paedophiles and trail them as they move around the internet.

Once fully developed, these techniques will be automated, potentially freeing up police time and adding to the expertise already deployed within investigations which identify and locate child sex offenders.

Lead researcher, Professor Awais Rashid of Lancaster University's Department of Computing, said: "Paedophiles often pose as children online and our research indicates that children don't find it easy to spot an adult pretending to be a child.

"In our analysis we found that four out of five children across the school got it wrong. Interestingly the strategies they use to detect who they are talking to are also the ones that lead them to make wrong decisions – they rely on the subject matter, use of slang and even something as simple as whether the individual said he or she was an adult or a child. This really highlights the need for a safety net of some sort.

"We hope to develop an automated system which can pick up on quirks of language particular to a certain age group. These language patterns can help us to expose adults that seek to groom children online, by posing as children in chat rooms for example."



Professor Awais Rashid

Research shows that **Cockney will disappear** from London's streets within a generation



(Photo courtesy of REX Features)

Data and research by Paul Kerswill, Professor of Sociolinguistics at Lancaster, suggests that the traditional Cockney dialect will disappear in its familiar form from London's streets within the next 30 years, moving to areas outside of the Capital and being replaced by Multicultural London English.

Over the past 30 years the world famous Cockney dialect has been transformed into a new hybrid dialect which Professor Kerswill and his co-workers have called 'Multicultural London English', with traditional Cockney facing extinction within its city of origin. This new, dynamic and rapidly evolving hybrid, known in slang terms as 'Jafaican', is a mixture of elements of Cockney, Bangladeshi and West Indian, but has a unique sound all of its own. The rap singer Dizzee Rascal is perhaps the most high-profile speaker of the variety.

Professor Kerswill says: "In much of the East End of London the Cockney dialect that we hear now spoken by older people

will have disappeared within another generation. People in their 40s will be the last generation to speak it and it will be gone within 30 years."

"Since the 1950s and the New Town movement, more affluent East Londoners moved out of the capital and into Essex and Hertfordshire, especially to places like Romford, Southend and Hemel Hempstead, and they took their accent with them. It has been 'transplanted' to these towns, so to speak.

"Cockney in the East End is now transforming itself into Multicultural London English, a new, melting-pot mixture of all those people living here who learnt English as a second language."

Professor Kerswill and Eivind Torgersen specialise in language change in English. With colleagues at Queen Mary, University of London they have been working on a three-year ESRC-funded project to find the origins of Multicultural London English and how it is acquired and spreading in inner city areas of London.

Employees benefit from **exercise**

Lancaster University study shows outstanding benefits of exercise to employees

A study by Lancaster University's Centre of Organisational Health and Wellbeing into the effects of exercise on Nestlé UK employees has shown that it results in outstanding physical and psychological benefits to the individual and to the employer.

1,800 Nestlé UK employees took part in the 2009 Global Corporate Challenge, Nestlé UK's largest ever corporate health initiative. Researchers studying a representative sample of 260 Nestlé employees found that participants reported an increase in energy levels, better sleep, increased concentration and productivity.

An evaluation of participants' psychological health, conducted by Professor Susan Cartwright, also assessed the impact of participation in the GCC on an employee's mental wellbeing alongside the physical health indicators. When asked a series of questions about their mental health, before and after participation, employees reported an overall improvement in concentration levels, ability to make better decisions in the work place and productivity.



Professor Susan Cartwright

No change in the link between deprivation and death since 1900s

The link between deprivation and premature death is as strong today as it was in the early 1900s according to research published in the British Medical Journal online in September.

The study, the first of its kind to directly compare modern deprivation and mortality with conditions a century ago in the whole of England and Wales, was undertaken by Ian Gregory, Senior Lecturer in Digital Humanities at Lancaster University.

Using the census mortality data from 634 districts in the 1900s, the research explores the links between deprivation and mortality in Edwardian England and Wales to premature death and poverty in 2001.

The twentieth century saw huge improvements in mortality rates in England and Wales. In the 1900s, 33% of deaths occurred in the under 5s and only 13% occurred over the age of 75 – one hundred years later deaths aged under five are less than 1% and 65% of deaths

now occur in those over 75. Life expectancy has also improved, rising from 46 for males to 77 and 50 for females to 81.

In the 1900s the main causes of death were respiratory, infectious and parasitic diseases but in 2001 this changed to cancers, heart diseases and strokes. The experience of poverty changed too; while in the 1900s it meant not having the bare necessities for existence, a century later relative poverty meant comparing an individual's income or deprivation with those experienced by society as a whole.

Despite the dramatic decline in mortality in the twentieth century the link between mortality and deprivation across England and Wales "remains as strong today as it was a century ago", says the author.

In the 1900s the main causes of death were respiratory, infectious and parasitic diseases but in 2001 this changed to cancers, heart diseases and strokes.

He argues that links between mortality and deprivation are deeply entrenched and that patterns from the Edwardian era are strong predictors of ill health today.



Launch of study to reduce agricultural river pollution



The involvement of farmers and landowners is an essential part of the study.

River Eden (Photo courtesy of Eden Rivers Trust)

Lancaster University is leading an environmental scheme to reduce water pollution from agriculture.

The five-year project is being funded by Defra with support from the Environment Agency. The River Eden in Cumbria has been selected as one of three test river catchments in the UK along with the Wensum in Norfolk and the Hampshire Avon.

Central to the project is the University of Cumbria's Newton Rigg Farm which will be the base site for the research consortium led by Professor Phil Haygarth from the Lancaster Environment Centre (LEC).

The experimental farm will be used to develop ways of preventing farm waste and chemicals from polluting the River Eden and will act as a demonstration farm to engage with local farmers and landowners.

The involvement of farmers and landowners is an essential part of the study, which aims to bring together researchers, farmers, water companies and policy makers to develop a common approach to tackling water pollution.

Wetlands, ponds and sediment traps are just some of the solutions being tested by the team of experts from the universities of Lancaster, Cumbria, Durham, Newcastle and Aberystwyth as well as colleagues

from the Eden Rivers Trust, the Centre for Ecology and Hydrology and the British Geological Survey.

The team is developing new ways of working across communities and disciplines, hoping to find new solutions to sustainable land and water management whilst still helping the region produce food.

Swapping gas guzzlers for green machines not enough to cut emissions says report

Two Lancaster academics contributed to a major report published by The Royal Academy of Engineering in May, which says that vehicles are only as 'green' as the electricity that charges their batteries.

The report - Electric Vehicles: charged with potential - identifies the serious challenge of ensuring that the electricity supply system could cope with charging tens of millions of vehicles and still reduce carbon emissions from power generation.

"Swapping gas guzzlers for electric vehicles will not solve our carbon emissions problem on its own," says Roger Kemp from Lancaster's department of Engineering and Chair of the Academy's Electric Vehicles working group.

"When most electricity in Britain is still generated by burning gas and coal, the difference between an electric car and a small, low-emission petrol or diesel car is

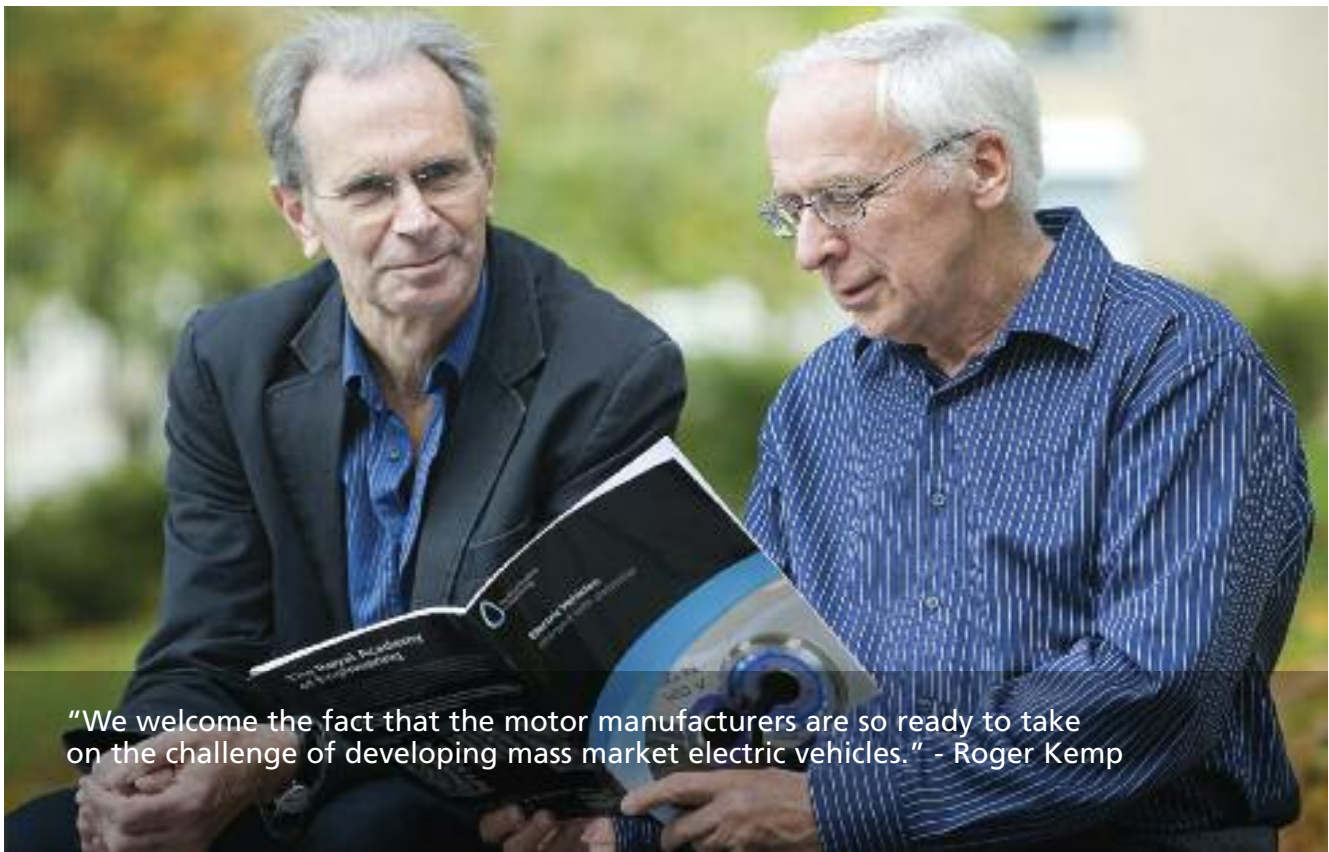
negligible. We welcome the fact that the motor manufacturers are so ready to take on the challenge of developing mass market electric vehicles. We also welcome the new government's commitment to mandating charging sockets for electric vehicles and plug-in hybrids, but establishing these as the technology of choice for personal transport is only one aspect of what is needed to reduce transport emissions."

In preparing its report, the Academy has identified four major technical issues - the availability of high energy-density batteries at a price and with a long enough cycle life for electric vehicles to be economically viable; the practicalities of charging vehicles - particularly for users without

off-street parking; the electrical distribution infrastructure to provide power to millions of charging points and the need for a national energy system and "smart grid" that can recharge millions of electric vehicles using low-carbon electricity without overwhelming local distribution circuits.

Professor John Urry, Director of Lancaster's Centre for Mobilities Research and a member of the Royal Academy of Engineering Working Group, contributed to the report by examining how a new electronic vehicles 'system' could develop. He argued that "The challenges of adopting a new system go beyond technological concerns. Success would depend on getting the business case right and fully understanding the sociological issues such as people's embedded routines and behaviours connected to and embedded with current car travel and use."

Professors John Urry and Roger Kemp



"We welcome the fact that the motor manufacturers are so ready to take on the challenge of developing mass market electric vehicles." - Roger Kemp

Showcasing **latest ideas** and research



Labour leader Ed Miliband was among the guests at the Lancaster University Ideas Festival 2010, pictured here with Professor Graham Harris, Co-Director of the Lancaster Environment Centre (LEC).

The festival held in April showcased some of the latest ideas and research which have earned Lancaster University an international reputation.

The festival took place at the Lancaster Leadership Centre in Lancaster University's Management School, where recently appointed Professors gave presentations across the disciplines of the arts, social sciences, science and technology, health, medicine, management and leadership.

Topics included "The internet paradox; overcoming success" by Professor Laurent

Mathy from the Department of Computing, "Why is river restoration so hard?" by Professor Graham Harris (LEC) and "Nanotechnology meets nuclear: small solutions for big problems" by Professor Colin Boxall, Lloyds Register Educational Trust Chair in Nuclear Engineering.

Ed Miliband - who visited the week before the General Election as Secretary of State for Energy and Climate Change - heard a presentation by Professor John Quinton from LEC. He was then given a tour around the Environment Centre and shown some of the labs before he visited two LEC associate companies - the Reach Centre Ltd and Peak Associates Environmental Consultants.

Mr Miliband said: "I'm very impressed with what I've seen here and the enthusiasm and innovation which are being applied to problems like climate

change. It's fascinating stuff, especially the way in which new technologies are being commercialised through the businesses on site here."

"I'm very impressed with what I've seen here and the enthusiasm and innovation which are being applied to problems like climate change." - Ed Miliband

Experts assess the spread of nuclear power at Lancaster's **new Nuclear Engineering Lab**

A new chemistry laboratory used to research novel science and technologies to assist nuclear decommissioning and the development of new nuclear power, was officially opened in July, marked by a special event which brought together leading Nuclear experts to discuss ways to prevent the spread of nuclear weapons.

The Lloyd's Register Educational Trust (The LRET) Nuclear Engineering Laboratory was opened by The LRET Trustee Mr Peter Christmas. Funded by The LRET, a partner and funder of nuclear research at Lancaster, the Lab will be used for research which aims to improve the UK's clean-up and recycling of nuclear fuel. The results of non-radioactive nuclear separation simulation experiments in the new lab will be the precursor to future active experiments off campus.

Michael Franklin, Director of The LRET, said: "The research sector is very important to The LRET. In the last three years we've committed £20m around the world to support fundamental engineering/science research. When we agreed to support The LRET chair in Nuclear Engineering and Decommissioning at Lancaster University it was the first time we had invested in research outside the marine and offshore industry and it established a very important trend for us. We are increasingly looking towards working with institutes around the world who are interested in collaborative research."

The University's network of energy specialists, Energy Lancaster, hosted the one day symposium - "The Nuclear Renaissance and its implications for Nuclear Non-Proliferation" - where speakers - including Dame Sue Ion (Royal Academy of Engineering) and Professor Richard Clegg (The National Nuclear Centre of Excellence) - assessed the risks of nuclear technology being diverted to create weapons, and how the

industry could prevent this in light of the spread of nuclear power as an energy source.

Professor Colin Boxall, The LRET Chair in Nuclear Engineering and Decommissioning, said:

"We aim to support the future research and training needs of the UK's nuclear industry, including the key area of risk associated with contamination and the high hazard legacies found at a wide range of nuclear licensed sites across the UK - some of which constitute the biggest sites of diverse risk management in the world."

The Lab will be used for research which aims to improve the UK's clean-up and recycling of nuclear fuel.



L – R Professor Malcolm Joyce, Head of Engineering, Michael Franklin, Director of The LRET, The LRET Trustee Mr Peter Christmas and Professor Colin Boxall, The LRET Chair in Nuclear Engineering and Decommissioning

Lancaster to train **mathematical researchers** of the future

Lancaster University has launched a centre to develop a new generation of researchers working in two key areas of the mathematical sciences, Statistics and Operational Research.

The Centre for Doctoral Training will focus on Statistics and Operational Research and will impact directly on the needs of industry.

This year the Engineering and Physical Sciences Research Council (EPSRC) announced a new investment of £13m to create three Centres for Doctoral Training at the universities of Lancaster, Cambridge and Warwick.

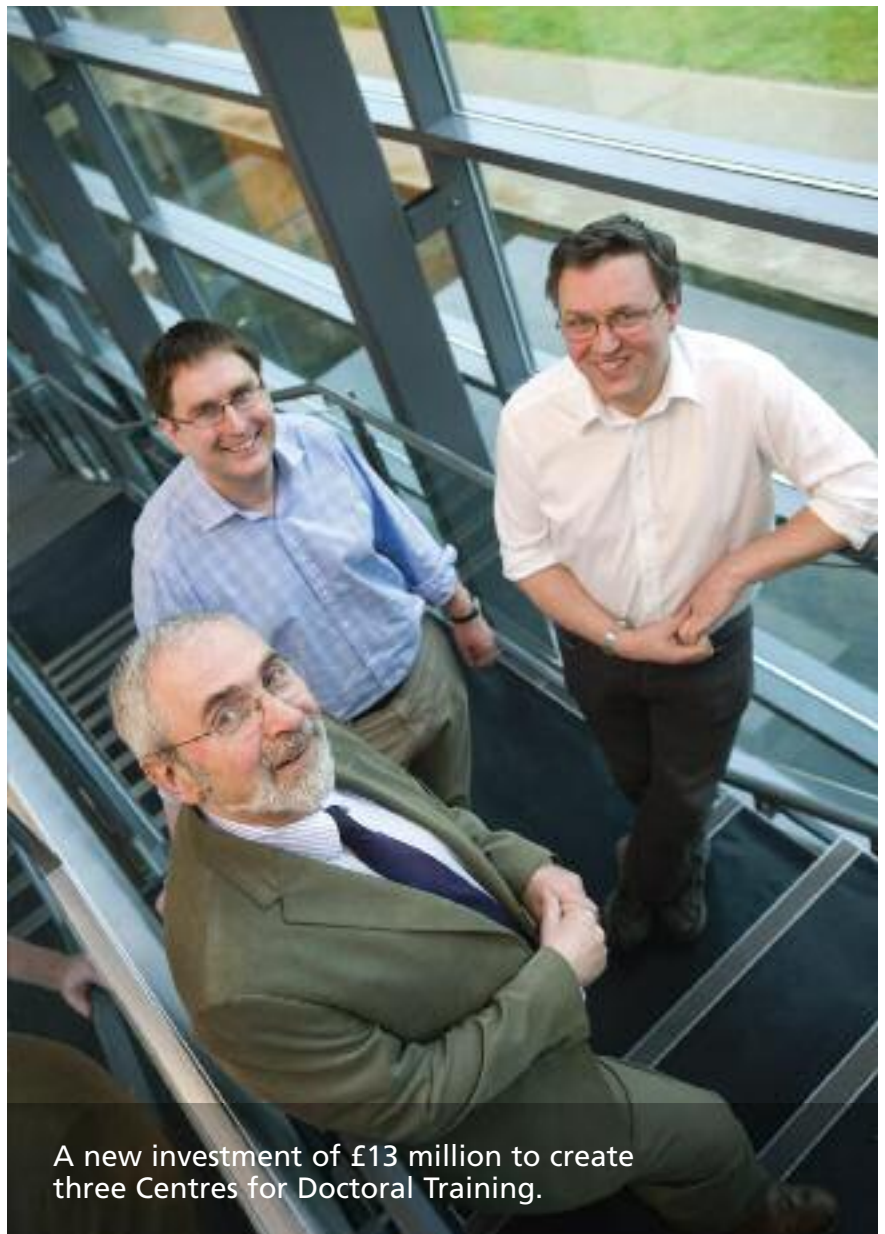
At Lancaster, this investment will be accompanied by substantial contributions from the University, business, industry and other organisations.

The combined £6.7m award, joint between the Departments of Mathematics and Statistics and Management Science, builds on Lancaster's long-standing commitment to Statistics and Operational Research and its leading reputation in these fields.

It is also testament to the success of recent initiatives such as the EPSRC Science and Innovation award in Operational Research (the LANCIS Initiative) and the HEFCE-funded Centre for Excellence in Teaching and Learning in Postgraduate Statistics.

The centre, led by Idris Eckley, Kevin Glazebrook and Jonathan Tawn, will train at least 40 students over seven years, and will admit the first of these in October 2010.

Industrial partners, including Unilever Research, Shell Research and a number of other organisations, will be involved at every stage in delivering the four-year PhDs, providing real-world projects and experience throughout the course. These links will help to produce a new generation of highly-employable researchers working in diverse fields, ranging from banking and manufacturing to aviation and energy.



A new investment of £13 million to create three Centres for Doctoral Training.

L – R Professor Kevin Glazebrook, Dr Idris Eckley and Professor Jonathan Tawn

Research shows **Multiculturalism is working** in the UK

Watching soaps, reading tabloids and turned off by politics – the children of International Migrants in Britain show a high degree of cultural assimilation compared to their European Neighbours, according to a new study by Lancaster University.

Children of International Migrants in Europe by sociologist Professor Roger Penn presents the results of an international project that examined the situation of the children of international migrants in Britain, France and Germany.

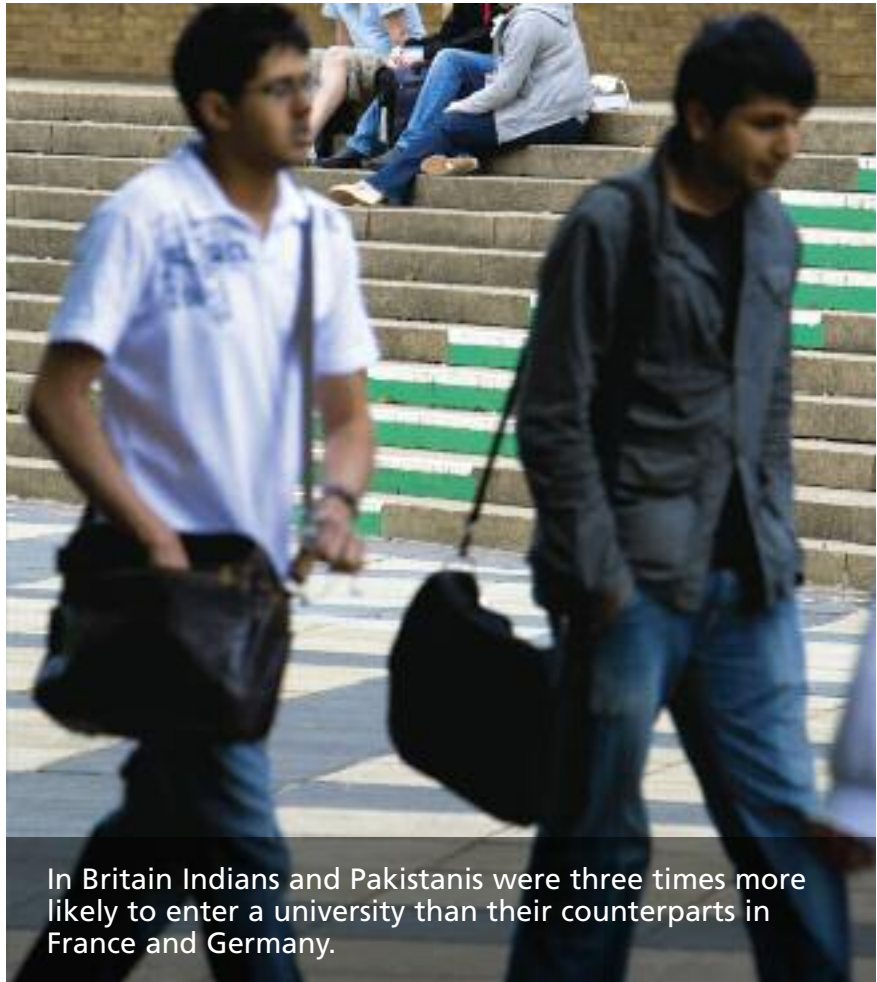
The findings are based upon a survey of over 2,500 young adults. These included Indians and Pakistanis in Britain, Maghrebians (North Africans) and Portuguese in France, and Turks and former-Yugoslavs in Germany.

The research not only provides new evidence but also challenges some of the popular assumptions made about children of international migrants living in Europe today.

A new book based on the research reveals powerful evidence of cultural assimilation. Young Pakistanis and Indians in Britain preferred TV shows like EastEnders and Coronation Street. Most read the Sun and the Mirror.

There was no evidence of political radicalism. Rather, there was a general indifference to politics amongst all groups. Children of international migrants in Britain expressed very little interest in the politics of their parents' country. 71% of Indians and 43% of Pakistanis expressed 'no interest'. This contrasted particularly with Turks in Germany and North Africans in France.

Arranged marriages remained common amongst young Indians and Pakistanis in Britain. Indeed they were generally well accepted by them.



In Britain Indians and Pakistanis were three times more likely to enter a university than their counterparts in France and Germany.

However, such marriages took place at a significantly older age than in the Indian subcontinent.

Ethnic disadvantages within education were pronounced in Germany but far less evident in Britain. Indians and Pakistanis in Britain experienced much better relative educational outcomes than children of international migrants in France and Germany. Turks in Germany and North Africans in France fared poorly in the German and French educational systems. In Britain Indians and Pakistanis were

three times more likely to enter a university than their counterparts in France and Germany.

Professor Penn said: "Perceptions of discrimination were lowest in Britain and highest in Germany, reflecting the failure of the German model of exclusive 'ethnic nationalism'.

"Britain's model of multiculturalism is proving far more effective for the incorporation of ethnic minority groups than French 'assimilationist' or German 'ethnic nationalist' ones."

New device to detect arthritis by listening to a patient's knees

Researchers have moved a step closer to producing a new device for GPs to detect osteoarthritis and monitor its progression by listening to the noises emitted by their knees.

A team at Lancaster University and UCLan, led by Professor John Goodacre and Professor Lik-Kwan Shark, have found that a technique called acoustic emission - routinely used in the engineering industry to detect unsafe buildings and bridges - can also be used to pinpoint joint degeneration.

A two-year study involving 50 people showed that the sound waves made by the knees of healthy people were different to those with osteoarthritis of the knee.

"We found that by measuring and analysing high frequency sounds released within knee joints during movement we could tell whether or not the person had osteoarthritis of the knee, and also their age group," explained Professor Goodacre, head of Postgraduate Medicine at Lancaster's School of Health and Medicine, and an honorary consultant rheumatologist at Blackpool, Fylde and Wyre NHS Foundation Trust.

Professor Goodacre added that the research, funded by Arthritis Research UK, provided an excellent basis for the development of a small, portable piece of

"We found that by measuring and analysing high frequency sounds released within knee joints during movement we could tell whether or not the person had osteoarthritis of the knee." - Professor John Goodacre



equipment which could be used easily by GPs, hospital doctors and nurses to assess patients with knee osteoarthritis regularly to see whether the knee is changing or responding to treatment.

However, there were still questions around the power of the testing method and whether it could detect more subtle changes.

In the study, microphones were attached to the knees of patients and healthy controls, and the noises emanating from their knees were measured as they stood up from a sitting position five times.

Professor Goodacre is now keen to develop the work further by testing and validating the equipment on larger numbers of people, and is currently designing the next phase of the work which he hopes will involve GP surgeries and orthopaedic and rheumatology departments around the country.



Professor John Goodacre



1

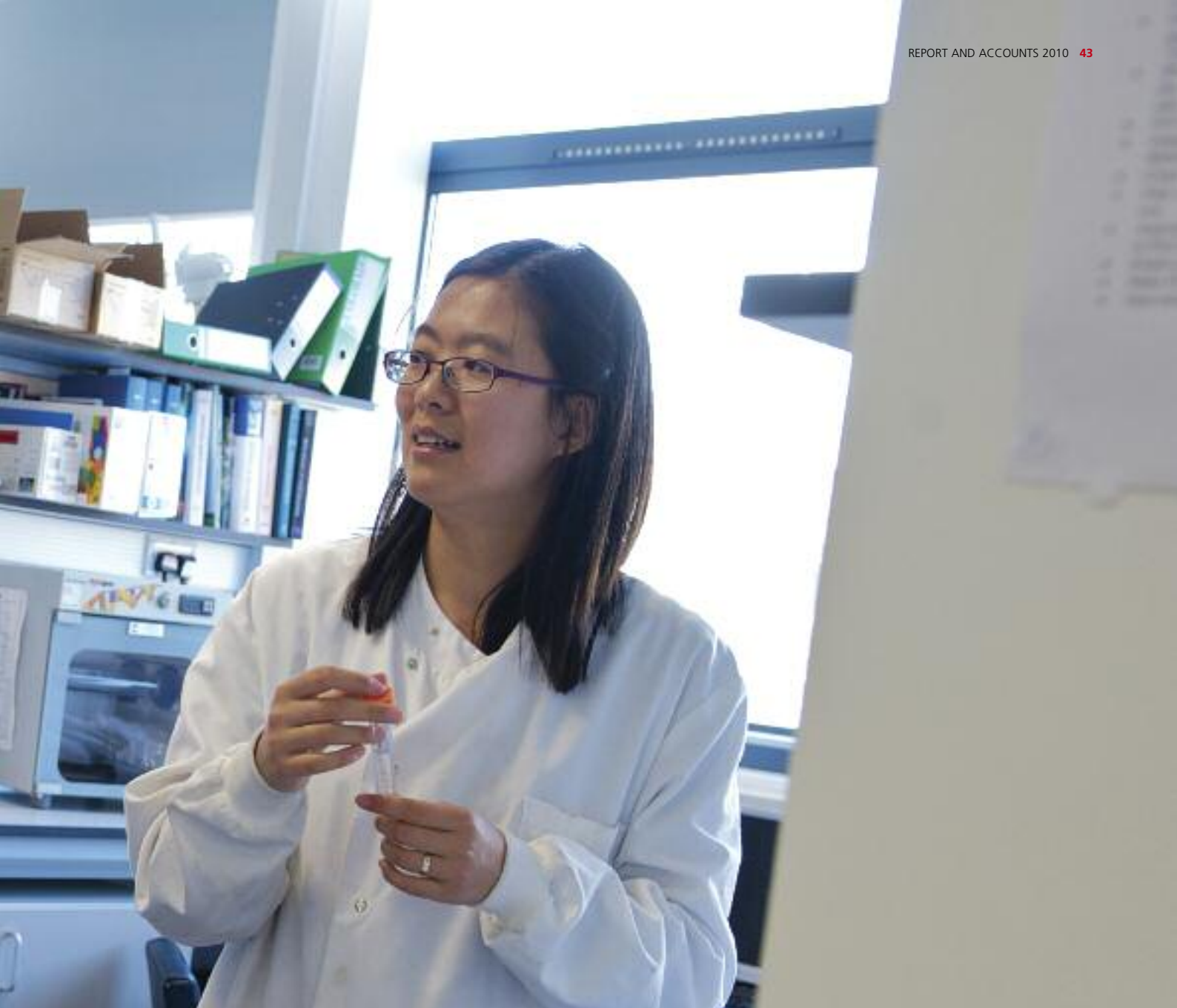


2



1: National surveys of students' assessment of all aspects of teaching and learning repeatedly show that Lancaster is an elite teaching institution.

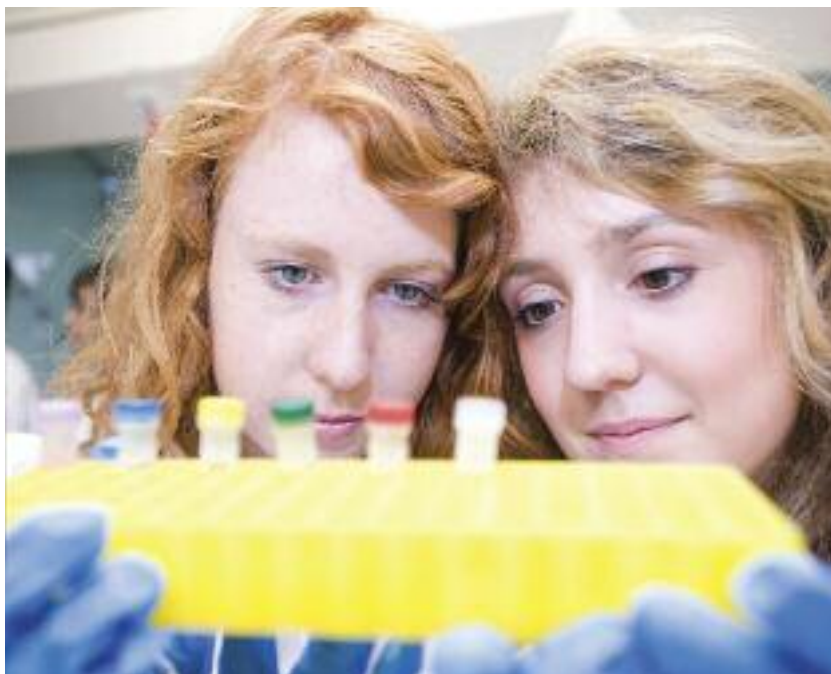
2: Lancaster has installed electricity, gas, heat and water meters in every building on campus to learn more about its energy consumption. Lancaster University has set a target to reduce its energy consumption by 10% by August 2011.



KEY FACTS AND FIGURES

More than £300m has been invested into the estate since 2002, transforming the campus. Key developments include new academic centres of excellence, student social facilities, and improved teaching spaces and the largest student residences project in the UK. Lancaster's eco friendly residences have won a number of environmental awards.

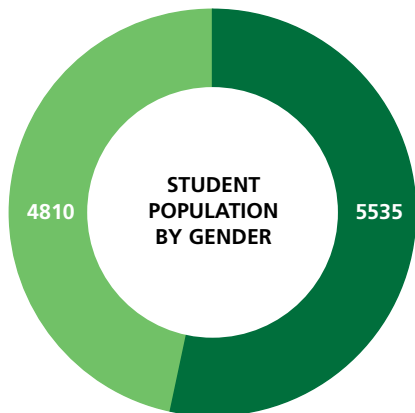
Key facts and figures



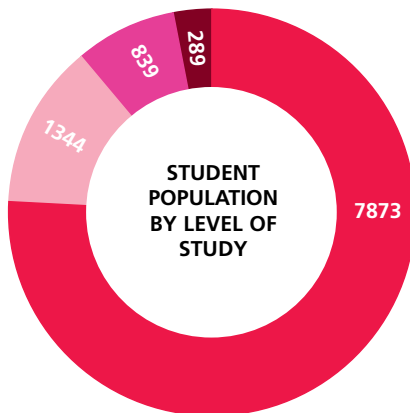
More than 180 students from schools across the region visited Lancaster University in July for a Science and Technology taster day. One of the most popular events was a DNA 'who done it' event in Biology.

This year Lancaster, through its UK Student Recruitment and Outreach Office, has worked with 140 schools and colleges to encourage students to progress to Higher Education. 25,000 prospective students and their parents visited the University and 50 schools and colleges were welcomed onto campus for visits aimed at gaining insight into the Lancaster experience. Academic master classes, taster sessions and residential visits for Island students on the Isle of Man, Jersey and Guernsey were also provided.

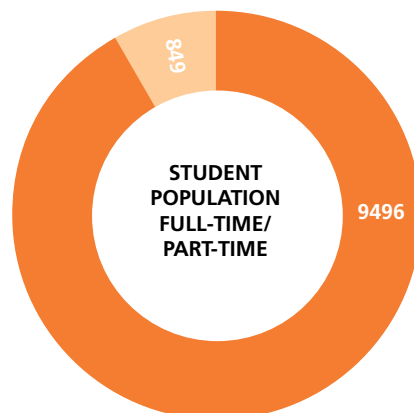
In addition, staff from the Faculty of Science and Technology promoted Science, Technology, Engineering and Maths (STEM) by engaging with 1,000 pupils last year. During National Science and Engineering Week in March, the Faculty gave 275 local students aged 14-16 the chance to take part in workshops, taster sessions and hands-on activities promoting STEM and in July the annual Faculty Taster Day was attended by around 160 year 12 students keen to experience Higher Education research and teaching in action. Three departments took part in the Big Bang Festival held in Manchester which was attended by more than 15,000 visitors.



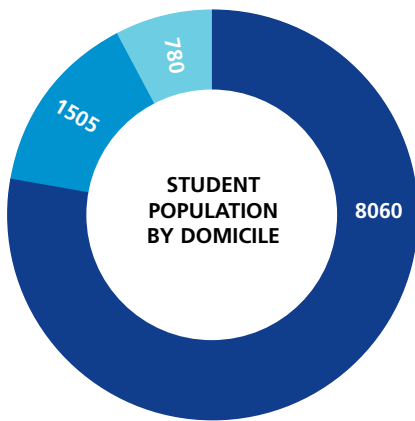
Female
Male



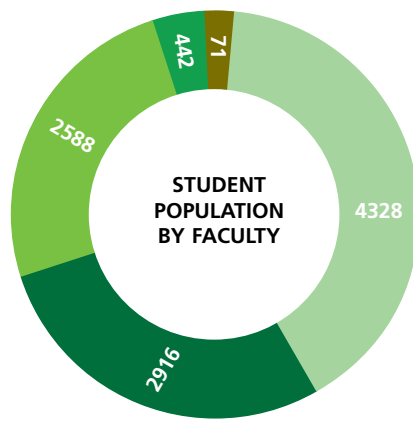
Postgraduate research students
Postgraduate taught students
First degree undergraduate
Other undergraduate



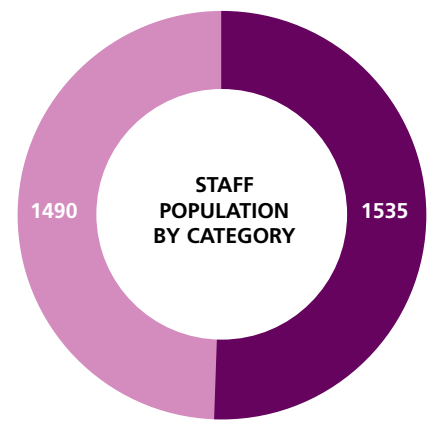
Total full-time students
Total part-time students



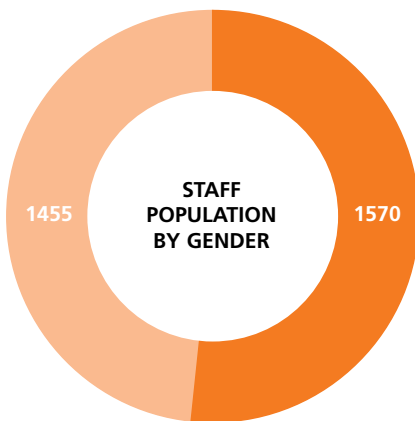
- UK domicile students
- EU (Non-UK) domicile students
- Non-EU domicile students



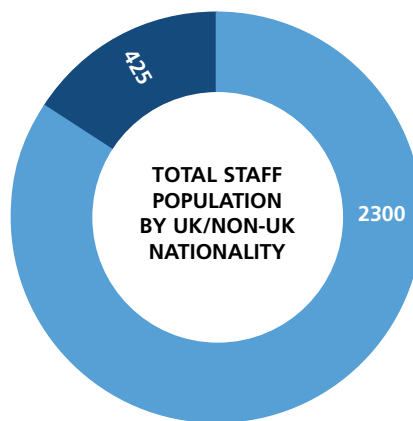
- Faculty of Arts and Social Sciences
- Faculty of Science and Technology
- Management School
- School of Health and Medicine
- Other



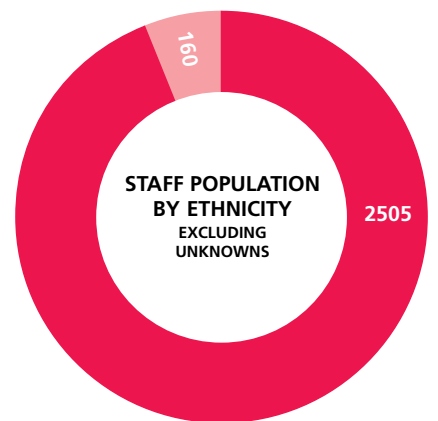
- Academic staff
- Support staff



- Female
- Male



- Staff with UK nationality
- Staff with Non-UK nationality



- White British
- All ethnicities excluding White British



The credit ratings agency Standard and Poor's, has announced an upgrade to Lancaster University's credit rating to 'A+' from 'A'.

The upgrade reflects Lancaster's increased research status among UK universities, its rising enrolments of overseas and postgraduate students and its track record of strong financial management. Lancaster is one of only a few UK universities to have a public credit rating.



FINANCIAL STATEMENTS

Lancaster's financial security places the institution in the top group of UK universities. Over the past seven years the University's compound annual growth rate has averaged 8.2%, research income has increased by 68% and dependence on HEFCE funds has fallen to 28% as income streams have diversified.



Operating and financial review for the year ended 31 July 2010

Scope of the financial statements

The financial statements, presented to the University Council, have been prepared on a consolidated basis and include the results of Lancaster University and its subsidiary companies. Details of the group are listed within note 34. Alongside another strong underlying performance for the University, the results for the year are dominated by the exceptional item arising from a major refinancing project concluded in September 2009. This was flagged in the 2008/09 accounts and full details are given during the course of this commentary.

Results for the year

The underlying financial performance in 2009/10 reflects another very strong year for the University. Against the background of increasing turbulence in the world economy, Lancaster continued to deliver against its financial strategy.

The reported historical cost deficit is £10.7m. However, this includes the exceptional item in relation to the debenture of £15.9m, a charge of £2.5m in respect of the accounting treatment for FRS 17 and also endowment income of £214k. In order to calculate the underlying surplus in a way that is consistent with our financial strategy, each year we adjust for these changes as shown in the table below. The underlying surplus for the year was 4.4% of turnover, above the target of 4% and moving towards our long-term goal of a surplus in the 5%-6% range.

Calculation of 2009/10 adjusted surplus consistent with Finance Strategy:

	2009/10 £000	2008/09 £000
Income	177,886	168,423
Expenditure (before refinancing exceptional)	(173,343)	(164,364)
Surplus for the year before refinancing exceptional after depreciation of assets at valuation and before taxation	4,543	4,059
Debenture refinancing costs	(15,876)	-
Loss on the deemed disposal of quasi-subsiary	-	(1,367)
Taxation	-	(13)
Difference between historical cost depreciation charge and the revalued depreciation charge	666	877
Historical cost (deficit) / surplus after taxation	(10,667)	3,556
Additional FRS 17 pension cost	2,452	2,501
Income from / (to) endowments	214	(269)
Debenture refinancing costs	15,876	-
Loss on the deemed disposal of quasi-subsiary	-	1,367
"Adjusted Surplus" consistent with financial strategy	7,875	7,155

Other key highlights are as follows:

- The most pleasing of the figures this year was operating cash generation. This improved substantially to £17m from the prior year of £11m in line with our financial strategy.
- A current asset ratio of 1.44: 1, comfortably within our target range of 1.3-1.5. The reduction from the previous year (1.71) was in line with expectations and follows the planned progress of our capital programme funded by prior year internally generated cashflows.
- Payroll as a proportion of total expenditure before refinancing exceptional remained within our target 60% threshold. This remains an important target for us.
- Following our refinancing, our debt to income ratio increased in 2009/10 to 31.6% in line with forecast. Our prior year position (21.7%) showed us at a ratio that was considerably below many of our 1994 Group peers, indicating that we were not adequately leveraging our high standing. Our internal target long term threshold is 50% and our forecasts show us moving very slightly ahead of that position in 2010/11 before edging down in future years. This will clearly be dependent on the level of income growth achievable across the forecast period. More discussion of this is given on the following page.

FRS 17 adjustment

As set out in note 31, the Lancashire County Pension fund is a defined benefit scheme and assets and liabilities are re-measured each year by its actuaries. The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus or deficit is split between operating charges and finance items which are both recognised in the income and expenditure account and actuarial gains and losses which are recorded in the statement of total recognised gains and losses.

This year there has been much debate in the sector and within the accounting profession about the additional volatility of the actuarial figures that has arisen from the government's announcement that the future pension benefits will increase at the rate of CPI rather than the previously forecast RPI. This has resulted in a large credit reported within the statement of total recognised gains and losses and the full impact of FRS 17 for the year is shown in the table below:

FRS 17 impact

	2009/10 £000	2008/09 £000
Charge to the income and expenditure account		
Staff costs	765	1,407
Interest payable and finance costs	1,687	1,094
Total charge	2,452	2,501
Credit / (charge) to the statement of total recognised gains and losses	5,786	(1,385)

Exceptional item

A major refinancing project was concluded in September 2009 which addressed Lancaster's legacy borrowings and secured credit for our investment plans. The conclusion of this refinancing project means that the University now has a flexible and affordable debt portfolio, with no property security. This will be particularly beneficial during the next period when credit availability is likely to remain under pressure. We also retain upside refinancing potential.

Further background is as follows. A project was initiated by the University Council to review how the University could use its credit strength to provide affordable investment funding within the context of a difficult economic environment. At the same time, existing onerous borrowing arrangements were considered for refinancing. Due to the timing of the transaction, the full effects are shown in these 2009/10 accounts. The impact is sizeable and needs to be separated to reveal the strong underlying financial performance of the Group for the year.

During 2008/09 the University commissioned a review to consider potential opportunities to restructure or redeem its 2025 £35m 9.75% First Mortgage Debenture Stock (Bond). The bond had been restructured in 1999 and AMBAC was brought in to provide a monoline wrap, producing an effective credit rating of AAA. Although this had removed some of the more onerous covenants and improved the amortisation profile, it also led to a small increase in the interest rate and created the need for AMBAC consent for future projects. Onerous ongoing property security obligations also remained in place. With the substantial improvement in the University's financial position over the previous decade and with interest rates at a low historic level, a review of these arrangements was timely.

The University took the opportunity to consider its combined objectives and whether it was possible to secure up to £80m of new borrowing facilities in order to replace the bond (ca. £45m) and to support the Capital Programme (ca. £35m). A series of objectives and parameters were established by University Council. These objectives were achieved in August/September 2009 with the agreement of £80m of facilities with the Royal Bank of Scotland to support both the redemption of the bond on a fixed rate basis and to provide a variable rate revolving credit facility for capital investment. HEFCE consent for the transaction was also sought and granted in accordance with the HEFCE financial memorandum.

The 2009/10 accounts reflect the effects of the debenture re-financing transaction in a separate column on the face of the income and expenditure account. These comprise:

- the standard penalty payment to bondholders for early redemption of the Bond and the consequential higher nominal value of the new facility (£14.5m). This was achieved at a negotiated discount;

- the break fee for terminating the AMBAC arrangements and other professional fees charged in the year (£1.4m).

In aggregate, the exceptional charge reported in 2009/10 is £15.9m. This is fully in line with expectations and 2009 financial forecasts as reported to the Higher Education Funding Council for England.

The benefits of the new arrangements come from the improved interest rate and the structure of the replacement facility for the bond which provides cashflow benefits and less onerous obligations for the institution.

As a final part of our financing review we took the opportunity in August 2009 to draw down the remainder of our existing revolving credit facility with Lloyds TSB and to convert to a £12m unsecured fixed rate loan over a twenty year term.

Credit rating

The ongoing benefits of the refinancing transaction contributed to the improvement in our credit rating from Standard and Poor's which moved upwards from 'A with a stable outlook' to 'A+ with a stable outlook' in February 2010. The improvement also reflected our strong academic and financial performance and progress made with our residences project and wider estates developments.

Analysis of results for the year

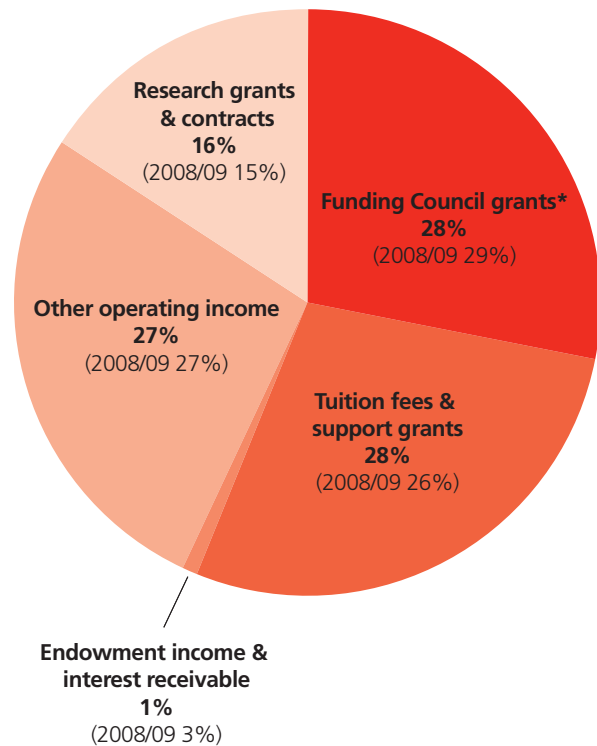
Another key measure monitored is the rate of income growth. In 2009/10, headline turnover growth improved to 5.6% from the low level of 3.6% in 2008/09 which in turn had followed a decade of much higher average growth levels. We know that maintaining income growth will be a key challenge in the coming period and this is discussed more in the sections below.

The key reason for the improvement in 2009/10 was increased tuition fee income as overseas fee income increased by 18% and overall fees by 13%. This reflects one of the University's key strategic aims to develop strong relationships with selected strategic overseas institutions. One benefit of this strategy has been to ensure that the University's income sources are well-diversified and unconstrained by domestic funding and student number issues. These relationships contributed substantially to financial performance in 2009/10, with the most significant of these being Sunway University College in Malaysia, GD Goenka World Institute in India and COMSATS in Pakistan. Domestically, continued success of the Lancaster University International Study Centre based on the Lancaster campus run by Study Group International has provided a stream of students converting to undergraduate courses at Lancaster on completion of their foundation year.

During 2009/10 the University continued to benefit from improved recovery levels on research grant activities as the move to the full economic costing methodology worked through new grants. This benefit has been most significant in the areas of Science & Technology and is now fully embedded. Clearly the impact of announcements by the Research Councils in the light of government funding pressures will be closely monitored over the coming year. Additionally ca. £2m replacement ERDF funded activities came fully on stream after a gap while contracts were put in place.

Offsetting these increases, as expected we saw a continued decline in investment income as the effect of the substantial reduction in base rates to 0.5% from March 2009 fed through to our term and overnight deposit rates. A number of charts are shown below to provide analysis of the 2009/10 result and further comparison with the prior year.

Fig 1: Income sources 2009/10



* Within Funding Council grants, the HEFCE grants for teaching and research were £26.6m and £18.6m respectively.

Fig 2: Year-on-year changes: All income sources

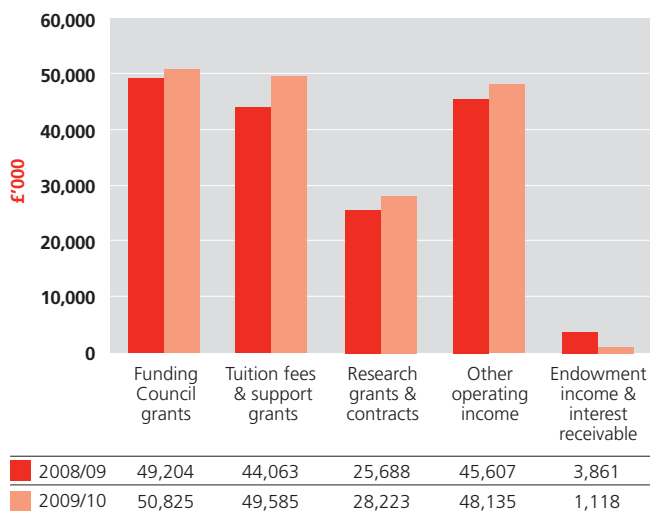


Fig 4: Year-on-year changes: Research Grants

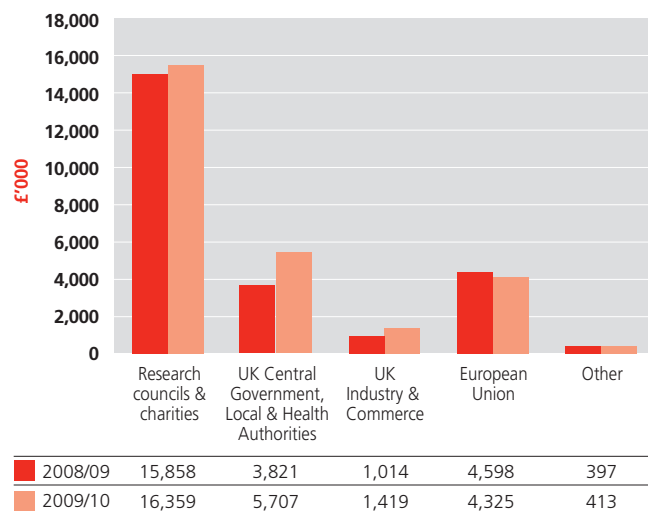


Fig 3: Year-on-year changes: Tuition Fees

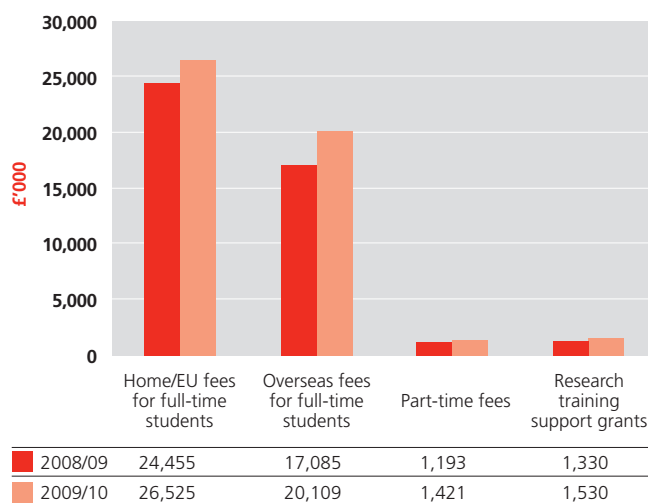
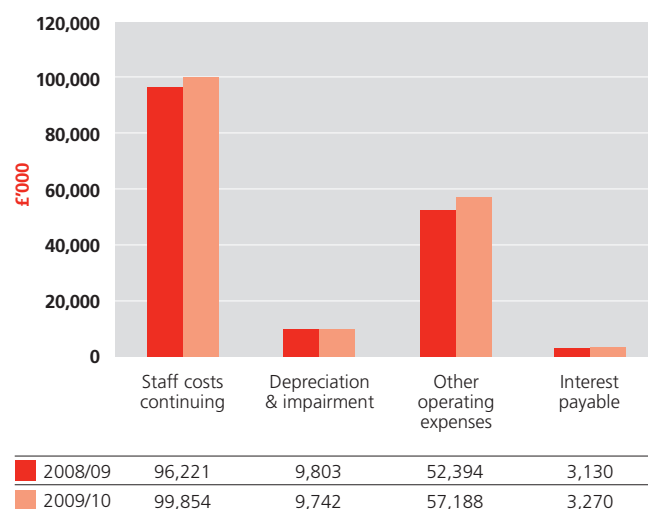


Fig 5: Overall expenditure

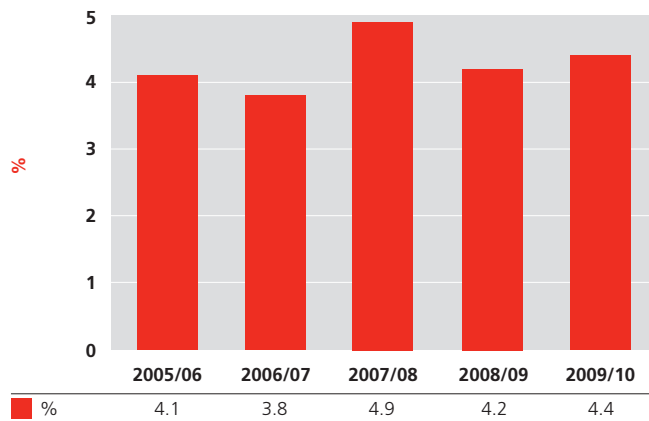


Overall expenditure increased from £162m to £170m. Figures are presented excluding the FRS 17, restructuring costs and debenture refinancing adjustments.

Strategic Plan Performance Indicators

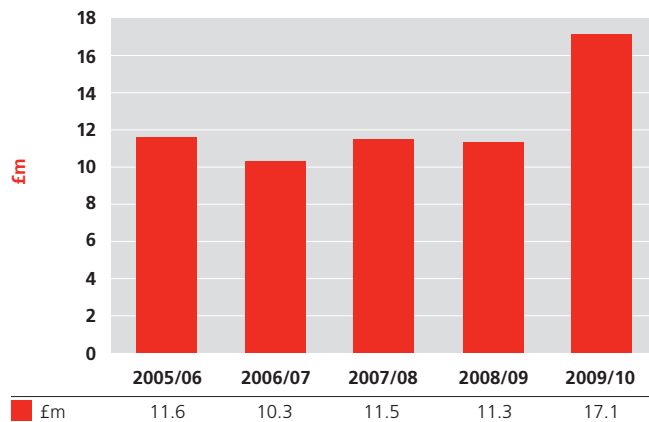
The following charts illustrate key performance indicators monitored by the University on a comparable basis over a five year period and reflect the measures identified in the University's Strategic Plan:

Fig 6: Underlying Surplus



The University has an excellent track record of meeting its financial surplus objectives of 4% or higher. The only exception since 1996/97 has been the 2006/07 year which was affected by the combination of the new pay framework and high utility prices. Our policy as part of the budget setting process is to provide more in-year flexibility and resilience to deal with unexpected fluctuations. This will remain a key challenge over the coming period.

Fig 7: Cash Generation

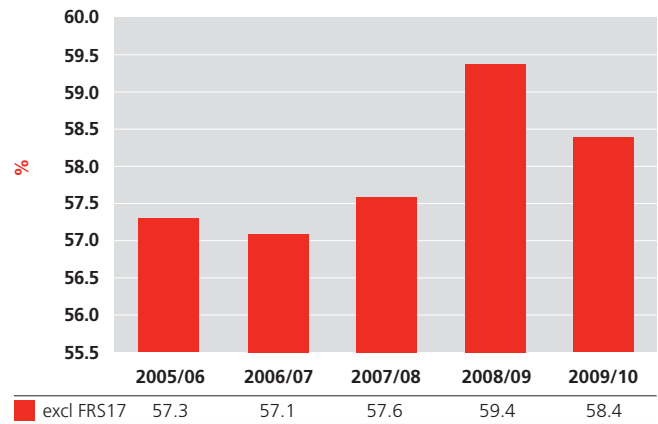


Last year we reported that cashflow from operating activities was the one indicator we would have preferred to have improved in 2008/09. It is pleasing to report a substantial improvement to this indicator in 2009/10 to £17m from £11m due to a combination of improved operating surplus (ca. £500k), improved working capital and movement on provisions (ca. £2.7m) and less reliance on investment income (ca. £2.6m).

The Financial Strategy underpins the need for sustainable investment in the estate and infrastructure and operating cashflow in the range £15m - £20m is necessary for this.

Fig 8: Payroll costs as percentage of total expenditure

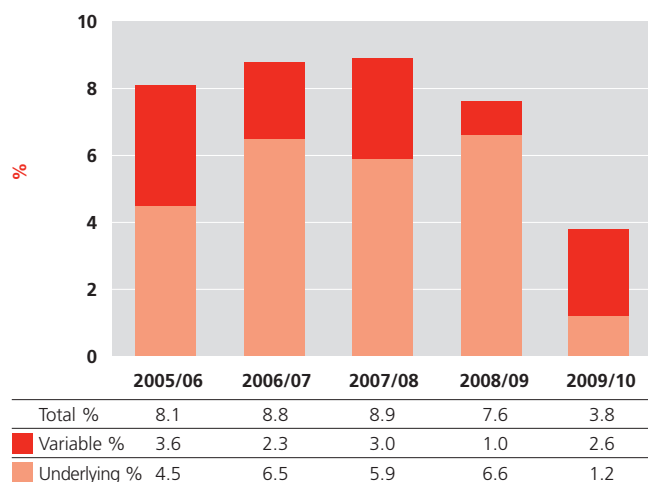
(Payroll costs exclude FRS 17 and restructuring costs)



We closely monitor payroll as a proportion of total expenditure as one of our key indicators. In 2009/10 this was contained within our target 60% threshold reflecting internal actions taken to mitigate pay pressures. However this has continued to mean that we have had to scale our plans for additional investment accordingly, with some lost opportunity for driving our growth plans forward at the rate we would like.

Further analysis of staff cost increases is provided in the following chart:

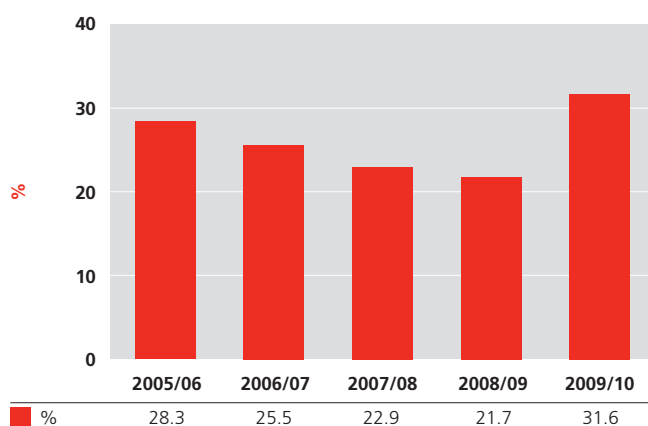
Fig 9: Staff cost increases



Staff costs grew by 3.8% or £3.7m in the year (excluding the effect of the FRS 17 adjustment on pension costs). This compares to 7.6% last year. Of this increase, £1.6m is due to increased pension contributions to both the LGO and USS pension schemes and £0.9m arises from new approved posts, leaving the underlying increase in staff costs at ca. 1.2%, compared to 6.6% in 2008/09.

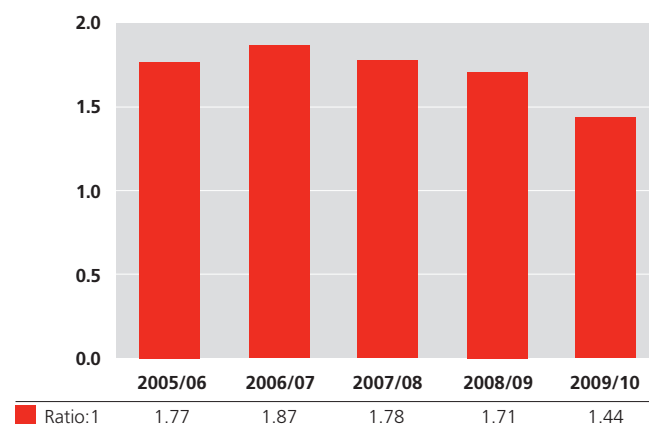
Our expectation is that the underlying increase will continue at a lower level in the forecast period, however, the national employers' offer of a 0.4% pay award, effective from 1 August 2010, is not agreed at the time of writing.

Fig 10: Gross Debt to Income



In 2009/10, gross debt to income moved upwards from its previous low level, reflecting the refinancing project explained above. The Council in approving the Finance Strategy had confirmed the University's need to make best use of the strength of our credit rating to support the reputation and resource base of the University.

Fig 11: Current Asset Ratio



The current asset ratio reduced in line with expectations from 1.71 to 1.44, reflecting the level of planned capital investment. This provides a risk margin compared to our covenant level of 1.2 and is comfortably within our target range of between 1.3 and 1.5.

£34.3m was spent on capital investment in our estate. The main developments in the capital programme are summarised below. This investment was offset by receipt of £9.9m in capital grants. Allowing for other financial movements, this resulted in a decrease in cash and short-term deposits of £4.5m.

Treasury, borrowings and investments

Net funds declined by £24.1m during the year chiefly as a consequence of both the refinancing exercise and the planned expenditure on the capital programme. The movement in funds is summarised below:

	31 July 2010 £000	31 July 2009 £000	Change £000
Current asset investments	785	6,358	(5,573)
Cash-in-hand	46,489	45,219	1,270
Endowment asset investments	3,871	3,952	(81)
Bank loans and debenture	(56,226)	(36,478)	(19,748)
Net (Debt) / Funds	(5,081)	19,051	(24,132)

The net cash inflow from operating activities for the year was £17.1m. Interest paid totalled £2.7m (2009/£3.2m) and interest received was £1.5m (2009/£2.2m). Throughout all of the year the University operated with a cash surplus and the overdraft facility was only utilised to match small overnight liquidity requirements.

All treasury decisions are taken within the framework of the University's Treasury Policy. The underlying principle is that the University operates a low-risk approach in managing its investments and liquidity. All funds are placed with counter-parties agreed with the University and monitored against minimum credit rating criteria. During the year the University reconfirmed the limit for investments with counter-parties rated at A with Standard and Poor's at £5m and maintained the limit with counter-parties at AA to £10m. In addition the £10m limit applied to those institutions with either a government guarantee or a shareholding of at least 25%.

Endowment asset investments remained constant at £5.0m. Of these investments, the market value of the funds managed by Cazenove Capital Management increased by £115k to £1.2m at 31 July 2010. Further analysis of all the financial instruments held by the University is shown at note 29.

Capital programme

The last 12 months have seen further important progress in our capital programme:

- The occupation of a new data centre and accommodation for Information Systems Services, bringing additional resilience for our core systems. The phased transfer of associated IT servers and equipment to the new building was successfully achieved.
- The refurbishment of County South, with occupation from October 2010.
- The Lancaster Institute for Contemporary Arts building, with occupation scheduled from September 2010.
- The substantial completion of the Charles Carter building for the Management School with occupation scheduled from early 2011.
- Substantial progress on the new Sports Centre, due for completion in Spring 2011.
- Planning for refurbished facilities for the School of Health and Medicine.

In addition, we continue to focus additional investment in areas with ongoing income generating or cost saving capacity with emphasis on retained residences refurbishment and utilities infrastructure.

Strategic Plan

As reported last year, during 2008/09 the University Council discussed and approved an updated Strategic Plan for the period to 2015. There have been no further revisions this year but for completeness the strategic context is given again below. In considering the updated plan the Council had been mindful that since the previous revision of the plan much had been achieved and much in the external environment had changed. Higher Education had become a global activity driven by demands for education from growing numbers of students, by businesses' need for skilled people and novel research and by changes to the complexity of knowledge ownership and transmission.

The global economic turbulence, which began in 2008, is expected to resonate across higher education for much of the period of this plan. Lancaster University has tailored its strategy to these new circumstances. We expect income growth to slow from the sustained high levels of the past decade and to return towards the long-term trend line. In order to maintain growth Lancaster University will need to be responsive to the changing landscape and capitalise on the opportunities for expansion in international engagement. We will need to focus on overseas students studying at the Lancaster campus and develop sophisticated partnerships in the Middle East, South Asia and

South East Asia. At the same time the University will need to be sensitive to the needs of home students and the business community in the region, the changing environment for research support, and the important role played by regional Further Education colleges in helping widen access to higher education.

Our mission is to pursue research at the highest international level, creating new knowledge and expertly transmitting the benefits of this to our students, partners and users of our research.

We have identified seven areas of strategic development as set out below:

- **International**
For 2009–2015 our priority is to be seen as a world player in terms of the research we do, the students we teach, and the global problems to which we contribute ideas and solutions.
- **Research and impact**
Lancaster University will continue to demonstrate that it performs research that is highly respected by peers and has a significant impact on society through benefits to business and influence on public policy. We will maintain a thriving research community that recognises the importance of developing new researchers and provides the support to allow our staff to achieve their maximum research potential.
- **Teaching**
For 2009–15 our main priority, while maintaining stimulating programmes delivered to the highest standards, is to improve the employability of our students in national and international job markets.
- **People**
For 2009–15 our priority is to place increasing emphasis on the employability of our students and on the professional development of our staff. We will foster a culture of continuous improvement and respect for all, rewarding initiative, performance and creativity. We will continue to provide an ethical, healthy place to study and work and encourage lifelong links with staff and students.
- **The Lancaster Experience**
For 2009–15, our priority is to develop further an open and sustainable campus with contemporary design that meets the highest environmental standards. We will provide highly appealing and sociable places for living and working and promote a strong sense of community, taking full advantage of our distinctive collegiate structure.

- **Income Generation, Productivity and Financial Sustainability**

Our aim is to continue and build on our successful financial management and meet the challenges posed by a more difficult economic environment through integrated financial and academic planning and by achieving gains in productivity.

- **Responsive Services and Integrated Processes**

As a result of the growth of the University, the current economic environment and the ever-increasing expectations of staff and students we need to redouble our efforts to deliver fully integrated administrative processes that are recognised for quality, innovations, responsiveness and efficiency.

A range of key performance indicators have been identified to monitor our progress against these aims.

Financial strategy

Our financial strategy has been extensively reviewed over the past three years to ensure that it remains fit for purpose in the current funding environment. During 2009/10 the Vice Chancellor established two internal working groups including one on 'Financial Sustainability' to consider the University's response to the anticipated pressures of the coming period. (The second group has focused on 'Academic Regeneration' and both reports were received by the Council in October 2010.) The financial sustainability review determined that the existing Finance Strategy remained resilient and appropriate. Its major foci are:

- The generation of resources for our strategy of selective investment in prospective growth areas. These include the development of the Management School, the new School of Health and Medicine and the Lancaster Institute of Contemporary Arts. A new Sports Centre is also planned as part of our commitment to improving student and staff facilities on campus. Three of the four projects are due for completion in 2010/11, with the other in planning stages for 2011/12.
- Key performance indicators covering the Income and Expenditure Account, Cash Flow and Balance Sheet.
- The establishment of efficiency targets so that we can make the best of available resources.
- Ensuring that we make best use of the strength of our credit rating to support the reputation and resource base of the University. This is largely satisfied by the completion of the refinancing project explained above.

Efficiency

In the next period, steps that the University has already taken in this area will provide an important base for further rapid progress in a changing external environment. In 2009/10 the University's new central administrative structures were fully in place and opportunities for internal shared services and alternative service delivery models have been established.

The Chief Operating Officer has overarching responsibility for the whole of Central Services, supported by seven Divisional Directors. The Divisions are Facilities, Finance, Human Resources, Information Systems Services, Marketing and External Linkages, Research and Enterprise Services and Student Based Services. Separate from Central Services, the University Secretary oversees the Secretariat with responsibility for governance, academic standards and quality and compliance issues. The Vice Chancellor's Office also remains a separate grouping as before.

The benefits of the new structure include:

- More effective and efficient service provision across the University;
- Greater clarity of responsibility;
- Greater focus on strategic plan themes (e.g. internationalisation);
- Closer working relationships between Central Services and the Faculties;
- A structure that allows us to continue to grow and is fit for purpose for the challenges of the future period.

We will further review our existing processes and practices in detail during 2010/11 to ensure that we are as fit and flexible as possible for the future.

Risks for the coming period

Anticipation and active management of risk is central to our strategy and our future sustainability. The University Council has been keen to ensure that the University does not become too risk averse in the current environment, but instead takes opportunities to spread risk and also to focus on those areas where it is well placed to manage the risks concerned.

The recent contraction in the construction industry has led to a highly competitive pricing environment and the University has been keen to push ahead with existing plans to capture best value. The ongoing level of capital expenditure will settle at a lower level from 2011/12 onwards in line with our long-term planning.

The main risks for the coming period continue to relate to the changing economic environment and pressure on government finances impacting the core HEFCE grant assumptions or more indirectly via Research Councils and other funded bodies. At sector level pay and pensions issues will continue to be closely monitored. At the time of writing we have uncertainty over the impact of the Comprehensive Spending Review on the sector, let alone how this will filter down to each institution with its unique profile of teaching and research quality and quantity. The outcome and potential adoption of the Browne review recommendations released in mid-October are complicated by the political landscape within a coalition government. Other threats come from changes to immigration rules and bureaucracy which affects a significant and growing proportion of our income streams.

Against this backdrop, in October 2010, the Council reviewed its risk policy and 'risk appetite' and considered that the measures it had taken against four key headings had adequately addressed its risk position at this time:

a) Inability to generate the resources to implement the strategic plan

- Maintaining a consistent and robust financial strategy
- Capital investments to support areas of strategic growth underpinned by business plans
- Increased diversification of income including strategic international links with a select number of institutions
- Re-financing of the debenture and the flexibility of the new revolving credit facility

b) The reputation of the University suffers, with the knock-on effect on our ability to execute our plans

- Emphasis on marketing and brand issues (building on league table success)
- Continued emphasis on research quality
- Continued focus on entry standard and graduate employment improvements
- Improved credit rating from Standard & Poor's
- Academic Regeneration Working Group recommendations

c) Inefficient or ineffective use of resources

- Financial Sustainability Working Group recommendations
- Updated schedules of Delegations of Authority and updated policies on Student Debt Management, Tuition Fees and Residences Refunds and Treasury Management
- Central Services focus on effective and efficient service provision
- Infrastructure Masterplan & energy cost and carbon management
- Emphasis on prioritising business process improvements and continued investment in strategic IT projects

d) Failure to maintain an attractive working and learning environment

- Development of Estates Masterplan
- Ongoing Capital Programme (with additional flexibility from revolving credit facility for investment in new facilities)
- Modernisation of employment policies
- Monitoring of NSS survey results and flow through to policy updates
- Focus on organisational wellbeing

It should be noted that many of these are sector issues rather than specific risks for Lancaster. We are well equipped to deal with them as a result of our robust financial position, our strong academic reputation, our reducing dependency on Funding Council grants and our track record of flexibility as an organisation.

Conclusion

It is clear that from 2010/11 the HE sector faces greater uncertainties, from which it has remained somewhat sheltered so far. Significant pressures on government expenditure, the approach taken by the new coalition government and an uncertain outlook for the world economy will result in real volatility in some sector funding streams together with reduced government revenue and capital funding.

Over the past decade the University has established a reputation for a highly successful and sustainable financial strategy and we aim to retain this hard-won position over the coming period. Our major re-financing transaction completed this year has been built on this strength of reputation and gives us additional resilience for future years.

Our recent domestic and international league table successes have highlighted the underpinning qualities of the organisation and will be of great value in maintaining and improving our market position. Achieving an improved credit rating in the current environment was also a very positive external validation of our strategies to date. The University's successful shortlisting for the Times Higher Education 'University of the Year award' confirms an outstanding year for Lancaster on many fronts.

In conclusion, our strategic plan, underpinned by a clear finance strategy, sets out an approach that will develop our impact further, deliver innovative solutions to global challenges and enable Lancaster to further enhance its position as a world-class centre of higher education.

Professor P W Wellings
Vice-Chancellor

Mrs S J Randall-Paley
Director of Finance

19 November 2010

Responsibilities of the University Council

In accordance with the University's Charter and Statutes, the Council is responsible for the administration and management of the affairs of the University and is required to present audited financial statements for each financial year.

The Council is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the University and enable it to ensure that the financial statements are prepared in accordance with the University's Charter and Statutes, the Statement of Recommended Practice on Accounting for Further and Higher Education Institutions and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between the Higher Education Funding Council for England and the Council of the University, the Council, 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 of the surplus or deficit and cash flows for that year. The Council is responsible for the maintenance and integrity of the University and group's financial statements on the website www.lancs.ac.uk. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In causing the financial statements to be prepared, the Council has ensured that:

- Suitable accounting policies are selected and then applied consistently
- Judgements and estimates are made that are reasonable and prudent
- Applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- Financial statements are prepared on the going concern basis unless it is inappropriate to presume that the University will continue in operation. The Council is satisfied that the University has adequate resources to continue in operation for the foreseeable future; for this reason, the going concern basis continues to be adopted for the preparation of the financial statements.

The Council has taken reasonable steps to:

- Ensure that funds from the Higher Education Funding Council for England are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the Funding Council and 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.

The Audit Committee, on behalf of Council, has reviewed and made recommendations on the effectiveness of the University's system of internal control, the key elements of which include the preparation of detailed monthly management accounts, comprehensive financial regulations approved by Council and a professional internal audit team. The Audit Committee has reminded Council that any system of internal financial control can, however, only provide reasonable, but not absolute, assurance against material misstatement or loss.

Internal Financial Controls

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

- Clear definitions of the responsibilities of, and the authority delegated to, heads of academic and administrative departments
- A comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets
- Monthly reviews of income and expenditure involving variance reporting and updates of forecast outturns
- Clearly defined and formalised requirements for approval and control of expenditure
- A formalised treasury management policy
- Comprehensive financial regulations detailing financial controls and procedures
- A professional internal audit team whose annual programme is approved by the Audit Committee.

Statement of Corporate Governance

The following statement is provided to enable readers of the Financial Statements of the University to obtain a better understanding of the governance and legal structure of the University.

The University endeavours to conduct its business in accordance with the seven Principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership) and with the guidance to universities which has been provided by the Committee of University Chairmen in its Guide for Members of Higher Education Governing Bodies in the UK (published in November 2004 and updated in March 2009).

The University is an independent corporation, whose legal status derives from a Royal Charter originally granted in 1964. It is an exempt charity under the terms of the Charities Act 2006. Its objectives, powers and framework of governance are set out in the Charter and its supporting Statutes, approved by the Privy Council.

The Charter and Statutes require the University to have three separate bodies, each with clearly defined functions and responsibilities, to oversee and manage its activities, as follows:

- **The Council** – is the governing body, responsible for the finance, property investments and general business of the University, and for setting the general strategic direction of the institution. The Council has adopted the following Statement of Primary Responsibilities in accordance with the principles contained within the CUC Governance Code of Practice:

The Council is the primary governing body of the University and is responsible for:

- (i) approving the mission of the University and ensuring that it meets the interests of groups who can affect or who are affected by the achievement of the mission;
- (ii) stimulating, challenging, evaluating and endorsing strategies to deliver the University's objectives on an ongoing and financially viable basis;
- (iii) ensuring that there are in place appropriate arrangements for the management of the University, particularly through the appointment of the Vice-Chancellor and the members of the senior management team;
- (iv) ensuring that there are appropriate systems of audit control and accountability;
- (v) approving the principal policies of the University (particularly in the areas of finance, estates and human resources) on the recommendations of its sub-committees, and ensuring that there is an ethical policy framework consistent with the University's Charter and Statutes and mission;
- (vi) making such provision as it thinks fit for the general welfare of students, in consultation with the Senate;

(vii) ensuring that there is full and appropriate consultation on major issues with internal and external groups with an interest in the University – especially the students, staff, alumni, employers, local, regional and national bodies – and active communication and consultation with Court and Senate;

(viii) monitoring the University's performance and effectiveness against its objectives through the use of key performance indicators (KPIs) and benchmarking. The Council also regularly reviews its own effectiveness in facilitating the institutional performance.

The Council meets on a regular basis, usually six times a year. At each meeting it generally receives a briefing about issues of key importance to the University. The Council has reserved certain types of decision to itself and these are defined in Ordinance No. 4 (Matters reserved to Council for decision). They include approval of the University's strategic plans, financial targets, determination of key issues such as whether there should be redundancies, and the appointment of the Vice-Chancellor. The Council has delegated other decisions to the Vice-Chancellor or the Finance Committee as defined in the Delegation of Authorities. The Council monitors management and institutional performance through the use of key performance indicators, using a balanced scorecard approach.

It has a majority of members from outside the University (described as lay members), one of whom is the Pro-Chancellor. The Pro-Chancellor chairs meetings of the Council. Also included in its members are representatives of the staff of the University and the student body. None of the lay members receive any payment, apart from the reimbursement of expenses, for the work which they do for the University. No member of Council or person connected to a member of Council received any benefit from scholarships or bursaries awarded to our students with the exception of one student member. The lay members are indicated in Table 1.

Members of Council serve on a number of committees and become involved in other activities and issues across the University, depending on interests and availability.

Appointments of lay members are made following advertisement and on the basis of recommendations from the Nominations Committee. The only exception to this, made in recognition of the important relationship the University has with Lancaster City Council, is that the City Council may nominate one of its elected members to serve on the University Council.

Mr B. M. Gray, the Pro-Chancellor holds several Directorships and is chairman of a number of companies.

Professor P. W. Wellings, the Vice-Chancellor, is also a member of the Higher Education Funding Council for England Board and the UK Board of Universities UK. He chairs the Vision Board for Lancaster and Morecambe. He is also the Chair of the 1994 Group of Universities.

During 2009/10, the Council reviewed the impact of the Charities Act 2006 on its procedures. It also received reports on the amendments to the Financial Memorandum and, for the avoidance of doubt, confirmed the appointment of the Vice-Chancellor as the “accountable officer” at its meeting on 8 October 2010.

- **The Senate** – is the academic authority of the University and draws its membership from the academic and academic-related staff and the students of the institution. Its role is defined as follows:

The Senate has primary responsibility for the academic work of the University, both in teaching and in research, and for the regulation and superintendence of the education and discipline of the students of the University. It may also discuss any matters relating to the University and may convey its opinions on them to the Council. Its key responsibilities are for:

- (i) the strategic development of the academic activities of the University; and
 - (ii) the approval of policies to promote and ensure the quality of the academic work of the University, including teaching and research.
- **The Court** – offers a means whereby the wider interests served by the University can be associated with the institution, and provides a public forum where members of Court can raise any matters about the University. The Court has an annual meeting at which it receives reports on the working of the University, discusses any matters relating to the University, and conveys its opinion thereon to the Council or the Senate of the University.

A majority of the members of the Court will be from outside the University, representing the local community and other designated bodies with an interest in the work of the University, but the membership also includes representatives of the staff of the University (both academic and non-academic) and the student body.

The principal academic and administrative officer of the University is the Vice-Chancellor who has a general responsibility to the Council for maintaining and promoting the efficiency and good order of the University. Under the terms of the formal Financial Memorandum between the University and the Higher Education Funding Council for England, the Vice-Chancellor is the accountable officer (prior to 8 October 2010 the “designated officer”) of the University and in that capacity can be summoned to appear before the Public Accounts Committee of the House of Commons.

Although the Council usually meets six times each academic year, much of its detailed work is initially handled by committees; in particular, the Finance Committee, the Audit Committee, the Estates Committee, the Nominations Committee, the Human Resources Committee, a sub-set of which also acts as the Remuneration Committee, and the Knowledge Exchange and Commercial Affairs Committee. The Council also has a Redundancy Committee. The decisions and recommendations of these committees are formally reported to the Council.

These Committees, and in some cases others, are formally constituted as committees of the Council with written terms of reference and specified membership, including a significant proportion of lay members (from whom the person in the chair is usually selected).

As chief executive of the University, the Vice-Chancellor exercises considerable influence upon the development of institutional strategy, the identification and planning of new developments and the shaping of the institutional ethos. The Pro-Vice-Chancellors and the senior administrative officers all contribute in various ways to this aspect of the work, but the ultimate responsibility for what is done rests with the Council.

The University maintains a Register of Interests of the following categories of members of the University: the Council, the Audit Committee, Faculty Deans, College Principals, Heads of Departments, principal investigators and Senior Officers, which may be consulted by arrangement with the University Secretary.

The Statutes of the University specify that the University Secretary is named as Secretary of the Council. Any enquiries about the constitution and governance of the University should be addressed to the University Secretary. Copies of the reports on key performance indicators and the Effectiveness Reviews of Council, Senate and Court may also be obtained from the University Secretary.

Table 1
Attendance at meetings during 2009/10

Name	Council	Audit Committee	HR [△] Committee	Nominations Committee
* Gray, Mr B. Pro-Chancellor	6/6		1/1	2/2
Vice-Chancellor	6/6		1/1	1/2
Baker, Mr A.	5/6			
Banton, Dr. L. J.	5/6			
Brown, Dr. G.	5/6			
* Child, Ms. H	3/6			0/2
Davidson, Dr. K.	5/6			
Diggle, Prof. P. J.	6/6			
* Fitzherbert-Brockholes, Mr F.	3/3			
* Gardner, Mrs G.	4/6	4/4		
* Hadfield, Mr. J	6/6	4/4		
* Henig, Prof .S.	6/6			1/1
Johnes, Prof. G	6/6			
* Johnson, Mr G.	3/3			1/1
* King, Mr L.	5/6			
* Marsland, Mr. G	5/6			
* Middlebrook, Mr G	5/6			
* Parker, Mr G	6/6		0/1	

* lay member

+ other (non-Council) members

△ Human Resources Committee (including Remuneration Committee)

Statement on Internal Control

- As the governing body of Lancaster University, Council has responsibility for maintaining a sound system of internal control that supports the achievement of policies, aims and objectives, while safeguarding the public and other funds and assets for which it is responsible, in accordance with the responsibilities assigned to the governing body in the charter and statutes and the Financial Memorandum with the 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 process designed to identify the principal inherent risks to the achievement of policies, aims and objectives and to evaluate the nature and extent of those risks. Furthermore, the process identifies both preventative and corrective controls in

Name	Council	Audit Committee	HR [△] Committee	Nominations Committee
Payne, Mr M.	6/6			1/2
Pickles, Mr R.	5/6			
* Thomason, Prof H.	5/6	4/4		
* Turner, Mr R.	5/6		1/1	
* Willis, Ms. L.	6/6		1/1	
+ Cutts, Mr A.		2/2		
+ Kenworthy, Mr R.		0/2		
+ McKoen, Mr. P.		4/4		
+ Cox, Prof. S.				2/2
+ Hart, Mr M.				0/1
+ Macfarlane, Mr N.				1/1
+ Hensman, Mrs C.				1/2
+ McClintock, Mrs. M. E.				2/2
+ Shennan, Prof. J. H				1/1
+ Smith, Prof. D.				2/2
+ Aiken, Miss F. M.			1/1	
+ Neal, Mr A.			1/1	

NB: attendance figures: first figure: number of meetings actually attended; second figure: number of meetings eligible to attend

evaluating the residual risk factor. This process has been in place for the year ended 31 July 2010 and up to the date of approval of the financial statements and accords with the HEFCE guidance.

- As the governing body, Council has responsibility for reviewing the effectiveness of the system of internal control. The following processes have been established:
 - Council usually meets six times a year;
 - It receives periodic reports from the chairman of the Audit Committee concerning internal control, and it requires regular reports from managers on the steps they are taking to manage risks in their areas of responsibility, including progress reports on key projects;
 - The Audit Committee receives regular reports from the internal auditors, which include the internal auditors' independent opinion on the adequacy and effectiveness of

the institution's system of internal control, together with recommendations for improvement. It also receives presentations from managers of areas associated with the top risks on how they manage risk;

- (d) In October 2010 the Council approved an updated Risk Policy.
 - (e) A robust risk prioritisation methodology based on risk ranking has been established;
 - (f) An organisation-wide risk register is maintained from which a summary of the top risks are reported to each meeting of Council. The Council approved a new format for the summary in June 2010.
5. The review of the effectiveness of the system of internal control is supported by the internal audit which is provided by KPMG, which operates to standards defined in the HEFCE Audit Code of Practice. The internal auditors submit regular reports which include the internal auditors' independent opinion on the adequacy and effectiveness of the institution's system of internal control, with recommendations for improvement.
6. The review of the effectiveness of the system of internal control is also supported by the work of the University Management Advisory Group, who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors in their management letter and other reports.

Public Benefit Statement

Lancaster University is an exempt charity under the terms of the Charities Act 2006.

The objects of the University are set out in the Royal Charter granted by HM Queen Elizabeth II on 14 September 1964 as:

"to advance knowledge, wisdom and understanding by teaching and research and by the example and influence of its corporate life".

The University is described in the Charter as "both a teaching and an examining body". The powers set out in the Charter make specific provisions for the advancement of knowledge, most notably:-

- "To provide instruction in such branches of learning as the University may think fit, whether for members of the University or for others, and to make a provision for research and for the preservation, advancement and dissemination of knowledge in such manner as the University may determine.
- To grant, under conditions laid down in its Statutes or Ordinances, Degrees, Diplomas, Certificates and other academic distinctions to persons who shall have pursued a course of study approved by the University and shall have passed the examinations or other tests prescribed by the University".

The University's Strategic Plan 2009-2015 builds on this, setting out its vision, mission, beliefs and values and seven areas of strategic development. The vision is to be a sustainable and academically excellent institution recognised as one of the leading universities in the world. The University will measure its success by

- the quality of its teaching, research, third mission activities and external engagement
- its reputation and impact at all scales, whether these be international, national or regional
- the global identity and esteem of its multi-cultural staff, students and alumni.

The Annual Report provides further information on progress and achievements against the Strategic Plan and the overarching objects.

In implementing its aims and objectives, the University is guided by the values set out in the Strategic Plan and Council is mindful of its responsibility to ensure that the University acts for the benefit of the public. The Council has given consideration to the guidance provided by the Charity Commission and the Higher Education Funding Council for England on public benefit and the advancement of education, and on fee-charging.

Student Admissions

The University aims to attract and retain students who have the potential to succeed in their chosen programme and to benefit from the experience. It also aims to ensure there is equality of opportunity for all applicants, whatever their background.

The University has a long and successful record of support for local and regional initiatives in the UK to widen access to higher education. Aspiration and awareness-raising activities have involved targeted work with young people, their families, unemployed adults, work-based learners and community groups. Our Disabilities Service provides detailed information for applicants on support available and works closely with applicants with significant support needs to ensure they are well prepared for HE study.

In order to ensure that students are not deterred by tuition fees from studying at Lancaster, the University has put together an innovative financial award package for selected full-time students. This enables students from lower income families and those who achieve excellent academic results to receive substantial extra funding from the University. In 2009/10, the University disbursed £5.9m in financial support in the form of Lancaster Bursaries and Scholarships. The source of this support is varied, and includes the University's own resources, donations and special funds from other institutions, such as the Duchy of Lancaster.

Independent Auditors' Report to the Council of Lancaster University

We have audited the group financial statements' of Lancaster University for the year ended 31 July 2010 which comprise the Consolidated Income and Expenditure Account, the Balance Sheets, the Consolidated Cash Flow Statement, the Statement of Consolidated Historical Cost Surpluses and Deficits, the Reconciliation of Net Cash Flow to movement in Net Funds, the Consolidated Statement of Total Recognised Gains and Losses, the Statement of Accounting Policies and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of the Council and auditors

The Council's responsibilities for preparing the financial statements in accordance with the Accounts Direction issued by the Higher Education Funding Council for England, the Statement of Recommended Practice – Accounting for Further and Higher Education, applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Responsibilities of the University Council statement.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Council of the institution in accordance with the Charters and Statutes of the institution and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Statement of Recommended Practice - Accounting for Further and Higher Education, the Accounts Direction issued by the Higher Education Funding Council for England and United Kingdom Generally Accepted Accounting Practice.

We report to you whether in our opinion, funds from funding bodies, grants and income for specific purposes and from other restricted funds administered by the institution, have been properly applied in all material respects for the purposes for which they were received, and whether income has been applied in all material respects in accordance with the institution's statutes and where appropriate with the financial memorandum with the Higher Education Funding Council for England (HEFCE).

We also report to you if, in our opinion, the information given in the Operating and Financial Review is not consistent with those financial statements, the institution has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Report and Accounts and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. This other information comprises Vice-Chancellor's review, Pro-Chancellor's review, Lancaster University Senior Officers, High Notes of the Year, A Global University, Awards and Distinctions, Advancing Knowledge Through Research, Key Facts and Figures, Responsibilities of the University Council and Statement of Corporate Governance.

We also review the statement of internal control included as part of the Statement of Corporate Governance and comment if the statement is inconsistent with our knowledge of the institution. We are not required to consider whether the statement of internal control covers all risks and controls, or to form an opinion on the effectiveness of the institution's corporate governance procedures or its risk and control procedures. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Our responsibilities do not extend to any other information.

The maintenance and integrity of the Lancaster University website is the responsibility of the Council; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and with the HEFCE Accountability and Audit Code of Practice contained in the Financial Memorandum 2008/19. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Council in the preparation of the financial statements, and of whether the accounting policies are appropriate to the institution's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion:

- i. the financial statements give a true and fair view of the state of the group's and the institution's affairs at 31 July 2010, and of the group's income and expenditure, recognised gains and losses, and statement of cash flows for the year then ended;
- ii. the financial statements have been properly prepared in accordance with the Statement of Recommended Practice - Accounting for Further and Higher Education, the Accounts Direction issued by the Higher Education Funding Council for England, and United Kingdom Generally Accepted Accounting Practice;
- iii. in all material respects, funds from the Higher Education Funding Council for England, grants and income for specific purposes and from other restricted funds administered by the institution have been properly applied only for the purposes for which they were received; and
- iv. in all material respects, income has been applied in accordance with the institution's statutes, and funds provided by HEFCE have been applied in accordance with the financial memorandum (2008/19) with the Higher Education Funding Council for England and any other terms and conditions attached to them.

Statement of Accounting Policies

1 Accounting Convention

The financial statements have been prepared under the historical cost convention modified by the revaluation of certain fixed assets and in accordance with the Statement of Recommended Practice, Accounting for Further and Higher Education Institutions (SORP) and applicable Accounting Standards. The principal accounting policies, which have been applied consistently, are set out below.

2 Basis of Consolidation

The consolidated financial statements include the financial statements of the University and all subsidiary undertakings for the financial year to 31 July 2010. The consolidated financial statements do not include those of the University of Lancaster Students' Union or the College Junior Common Rooms as the University has no financial interest and no control or significant influence over their commercial and financial policy decisions.

Entities are included within the consolidation from the point of the group achieving control and are excluded from the consolidation when control is lost.

3 Recognition of Income

Income from tuition fees is recognised in the period to which it relates and includes all fees chargeable to students or their sponsors. The costs of any fees waived by the University are included as expenditure in note 8.

Income from grants, contracts and other services rendered is included to the extent of the completion of the contract or service concerned.

All income from short-term deposits and endowments is credited to the income and expenditure account in the period in which it is earned. Income from specific endowments not expended in accordance with the restrictions of the endowment is transferred from the income and expenditure account to specific endowments.

Income receivable from the Funding Council is recognised in line with the latest estimates of grant receivable for an academic year. The final grant allocation is determined in the subsequent February, following an audit of the University's activity.

4 Pensions

The University is a member of two externally funded superannuation schemes, the Universities Superannuation Scheme for academic and related staff and the Lancashire County Pension Fund for non-academic staff.

Universities Superannuation Scheme

The institution participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the scheme's assets are not

hypothecated to individual institutions and a scheme-wide contribution rate is set. The institution is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 "Retirement Benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

Lancashire County Pension Fund

The Lancashire County Pension Fund is a defined benefit scheme which is externally funded and contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate trustee-administered fund. Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is split between operating charges, finance items and, in the statement of total recognised gains and losses, actuarial gains and losses.

5 Foreign Currencies

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

6 Fixed Assets

i) Land and Buildings

Expenditure on land and buildings is capitalised and interest on new loans to fund capital projects is capitalised until the date of completion. Freehold and long leasehold buildings are depreciated over their estimated useful lives as per the table below. Where buildings are acquired with the aid of specific grants they are capitalised and depreciated as below. The related grants are treated as deferred capital grants and released to income over the expected useful life of the buildings. The buildings were revalued on 31 July 1997. On an ongoing basis, this revaluation is to be regarded as cost under FRS 15, and no future revaluations are to be performed.

ii) Minor Works and Refurbishments

Expenditure on minor works and buildings refurbishments are capitalised at cost and depreciated over their expected useful lives as per the table below.

iii) Equipment

Equipment costing less than £10k per individual item or group of related items is written off in the year of acquisition. Office furniture is written off in the year of acquisition. All other items of equipment are capitalised and depreciated over their expected useful lives as per the table below.

	Expected useful life years
Land and buildings	50
Minor works and refurbishments	10 or 20
Equipment	5

7 Heritage Assets

Works of art and other valuable artefacts (heritage assets) and valued at over £25,000 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. However, the University does monitor such assets for impairment.

8 Leases

Operating lease rentals are charged to the income and expenditure account as incurred.

9 Investments

Fixed asset investments are shown in the balance sheet at cost less provision for any impairment, as there is no intention to dispose of the investments. Endowment asset investments are shown in the Balance Sheet at current market value and the movement in value is charged or credited to specific endowments. Current asset investments are shown at the lower of cost and net realisable value.

10 Stocks

Building maintenance, catering, bars, central stationery stocks and heating oil are brought into the accounts at cost price. So far as building maintenance stocks are concerned, each commodity is valued at an average cost price. Neither consumable materials held in academic departments nor library books are included in stock.

11 Taxation Status

The University is an exempt charity within the meaning of Schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of Para 1 of Schedule 6 to the 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 to 488 of the Corporation Tax Act 2010 (CTA 2010) (formally enacted in Section 505 of the

Income and Corporation Taxes Act 1988 (ICTA)) 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.

All subsidiary companies are liable to corporation tax and value added tax in the same way as any other commercial organisation.

The University's principal activities are exempt from value added tax, but certain ancillary supplies and services are liable to value added tax at various rates. Expenditure includes irrecoverable value added tax charged by suppliers to the University.

Deferred taxation is fully provided in respect of accelerated capital allowances and other timing differences arising in subsidiary companies.

12 Maintenance of Premises

Routine costs of general repairs and maintenance are charged to the income and expenditure account as incurred.

13 Cash Flows and Liquid Resources

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

14 Charitable donations

Charitable donations are recognised in the accounts when the charitable donation has been received or if, before receipt, there is sufficient evidence to provide the necessary certainty that the donation will be received and the value of the incoming resources can be measured with sufficient reliability.

Where charitable donations are restricted to a particular objective specified by the donor, these are accounted for as endowments. There are two main types:

- Restricted permanent endowments: the capital fund is maintained but the income can be used for the objective specified by the donor.
- Restricted expendable endowments: the capital may be used in addition to the income for the objective specified by the donor.

Donated assets, or donations received to be applied to the cost of an asset, are shown on the balance sheet as deferred capital grants. The deferred capital grant is released to income over the same expected useful life as that used to depreciate the asset.

Consolidated Income and Expenditure Account

For the year ended 31 July 2010

	Note	2009/10 Before exceptional item £000	2009/10 Refinancing exceptional item £000	2009/10 Total £000	2008/09 Total £000
Income					
Funding Council grants	1	50,825	-	50,825	49,204
Tuition fees and support grants	2	49,585	-	49,585	44,063
Research grants and contracts	3	28,223	-	28,223	25,688
Other operating income	4	48,135	-	48,135	45,607
Endowment income and interest receivable	5	1,118	-	1,118	3,861
Total Income		177,886	-	177,886	168,423
Expenditure					
Staff costs - continuing	6	100,619	-	100,619	97,628
- restructuring costs	7	837	-	837	315
Depreciation, impairment and loss on disposal of fixed assets	11	9,742	-	9,742	9,803
Other operating expenses		57,188	-	57,188	52,394
Interest payable and finance costs	9	4,957	15,876	20,833	4,224
Total Expenditure		173,343	15,876	189,219	164,364
(Deficit) / surplus on continuing operations after depreciation of assets at valuation and before taxation		4,543	(15,876)	(11,333)	4,059
Loss on the deemed disposal of quasi-subsiary	35			-	(1,367)
(Deficit) / surplus on continuing operations before taxation				(11,333)	2,692
Taxation	10			-	(13)
(Deficit) / surplus on continuing operations after depreciation of assets at valuation and after taxation				(11,333)	2,679
Transfer from / (to) endowments				214	(269)
(Deficit) / surplus for the year retained within general reserves	22			(11,119)	2,410

All items of income and expenditure arise from continuing operations

Statement of Consolidated Historical Cost Surpluses and Deficits

For the year ended 31 July 2010

	Note	2009/10 £000	2008/09 £000
Surplus on continuing operations before exceptional items		4,543	4,059
Exceptional debenture refinancing item	9	(15,876)	-
Exceptional loss on deemed disposal of quasi-subsiary		-	(1,367)
(Deficit) / surplus on continuing operations after depreciation of assets at valuation, exceptional items and before taxation		(11,333)	2,692
Difference between historical cost depreciation and the actual depreciation charge for the year calculated on the revalued amount	21	666	666
Transfer from revaluation reserve realised on disposal	21	-	211
Historical cost (deficit) / surplus before taxation		(10,667)	3,569
Historical cost surplus before exceptional debenture refinancing costs, exceptional deemed disposal loss and taxation		5,209	4,936
Historical cost (deficit) / surplus after taxation		(10,667)	3,556
Historical cost surplus after taxation but before exceptional debenture refinancing costs and exceptional deemed disposal loss		5,209	4,923

Balance Sheets as at 31 July 2010

	Note	Group		University	
		2010 £000	2009 £000	2010 £000	2009 £000
Fixed assets					
Tangible assets	11	223,604	196,621	223,604	196,237
Investments	12	37	37	9,397	9,397
		223,641	196,658	233,001	205,634
Endowment asset investments	13	5,049	5,015	5,049	5,015
Current assets					
Stocks		295	345	295	345
Debtors	14	19,084	20,157	19,887	20,461
Investments	15	785	6,358	785	6,358
Cash at bank and in hand		46,489	45,219	46,458	45,192
		66,653	72,079	67,425	72,356
Creditors: Amounts falling due within one year	16	(46,298)	(42,145)	(56,567)	(59,571)
Net current assets		20,355	29,934	10,858	12,785
Total assets less current liabilities		249,045	231,607	248,908	223,434
Creditors: Amounts falling due after more than one year	17	(60,433)	(40,301)	(60,433)	(40,301)
Provisions for liabilities and charges	18	(2,963)	(2,163)	(2,963)	(2,163)
Net assets excluding pension liability		185,649	189,143	185,512	180,970
Net pensions liability	31	(24,374)	(27,708)	(24,374)	(27,708)
Net assets including pension liability		161,275	161,435	161,138	153,262
Deferred capital grants	19	88,609	83,470	88,609	83,470
Endowment funds					
Expendable	20	3,848	3,979	3,848	3,979
Permanent	20	1,201	1,036	1,201	1,036
		5,049	5,015	5,049	5,015
Reserves					
Income and expenditure account	22	41,250	45,917	43,117	39,748
Revaluation reserve	21	26,367	27,033	24,363	25,029
Total reserves		67,617	72,950	67,480	64,777
Total funds		161,275	161,435	161,138	153,262

The financial statements on pages 67 to 94 were approved by the Council on 19 November 2010 and signed on its behalf by:

Mr B M Gray
Pro-Chancellor

Professor P W Wellings
Vice-Chancellor and
Accountable Officer

Mrs S J Randall-Paley
Director of Finance

Consolidated Cash Flow Statement

For the year ended 31 July 2010

	Note	2009/10 £000	2008/09 £000
Net cash inflow from operating activities before exceptional debenture refinancing costs	23	17,072	11,296
Exceptional debenture refinancing costs	9	(15,876)	-
Net cash inflow from operating activities	23	1,196	11,296
Returns on investment and servicing of finance	24	(1,145)	(618)
Taxation	10	-	(13)
Capital expenditure and financial investment	25	(24,233)	(14,839)
Management of liquid resources	26	15,581	(3,731)
Transfer on deemed disposal of quasi-subsiary	35	-	(1,056)
Financing	27	19,707	(861)
Increase / (decrease) in cash		11,106	(9,822)

Note to Consolidated Cash Flow Statement

The increase in cash of £11.1m referred to above excludes movements in short-term bank deposits in accordance with the requirements of FRS 1. During the year, short-term deposits decreased by £15.6m giving an overall decrease in cash at bank and in hand of £4.5m.

	Note	2009/10 £000	2008/09 £000
Increase / (decrease) in cash		11,106	(9,822)
(Decrease) / increase in short-term deposits	26	(15,581)	3,731
Decrease in cash and short-term deposits		(4,475)	(6,091)

Reconciliation of Net Cash Flow to movement in Net (Debt)/Funds

For the year ended 31 July 2010

	Note	2009/10 £000	2008/09 £000
Increase / (decrease) in cash		11,106	(9,822)
Financing	27	(19,707)	861
(Decrease) / increase in short-term deposits	26	(15,581)	3,731
Appreciation / (depreciation) of current asset investments	15	91	(96)
Amortisation of debenture costs		(41)	(144)
Movement in the year		(24,132)	(5,470)
Net funds as at 1 August	28	19,051	24,521
Net (debt) / funds as at 31 July	28	(5,081)	19,051

Consolidated Statement of Total Recognised Gains and Losses

For the year ended 31 July 2010

	Note	2009/10 £000	2008/09 £000
(Deficit) / surplus on continuing operations after depreciation of assets at valuation and after taxation		(11,333)	2,679
Appreciation / (depreciation) of endowment asset investments	20	116	(170)
Actuarial gain / (loss) in respect of pension scheme	31	5,786	(1,385)
New endowments	20	132	567
Total recognised (losses) / gains relating to the year		(5,299)	1,691
Reconciliation		£000	
Opening reserves and endowments as at 1 August 2009		77,965	
Total recognised loss relating to the year		(5,299)	
Closing reserves and endowments as at 31 July 2010		72,666	

Notes to the Financial Statements

	Note	Group	
		2009/10 £000	2008/09 £000
1 Funding Council grants			
Basic recurrent grant		45,252	44,159
Specific grants:			
Higher Education Innovation Fund		1,534	1,278
HEFCE matched funding		505	413
Released from deferred capital grants	19	3,534	3,354
		50,825	49,204
2 Tuition fees and support grants			
		£000	£000
Home/EU fees for full-time students		26,525	24,455
Overseas fees for full-time students		20,109	17,085
Part-time fees		1,421	1,193
Research training support grants		1,530	1,330
		49,585	44,063
3 Research grants and contracts			
		£000	£000
Research councils and charities		16,359	15,858
UK central government, local and health authorities		5,707	3,821
UK industry and commerce		1,419	1,014
European Union		4,325	4,598
Other		413	397
		28,223	25,688
4 Other operating income			
		£000	£000
Colleges and residences		8,874	8,680
Other services rendered		18,311	19,802
Other income		19,710	16,000
Released from deferred capital grants	19	1,240	1,125
		48,135	45,607
5 Endowment income and interest receivable			
		£000	£000
Income from endowments	24	81	942
Income from donations		370	500
Other interest receivable		667	2,419
		1,118	3,861

Notes to the Financial Statements - (continued)

	Group	
6 Staff costs	2009/10 £000	2008/09 £000
Staff Costs:		
Wages and salaries	82,771	80,571
Social security costs	6,049	5,944
Other pension costs	11,799	11,113
	100,619	97,628
Emoluments of the Vice-Chancellor	£000	£000
Professor P W Wellings		
Emoluments excluding employer's pension contributions	215	214
Pension contributions	31	27
Total emoluments	246	241
Remuneration of higher paid staff (excluding superannuation contributions and excluding the Vice-Chancellor)	Number	Number
£100,001 - £110,000	5	7
£110,001 - £120,000	5	4
£120,001 - £130,000	-	2
£130,001 - £140,000	2	-
£140,001 - £150,000	-	-
£150,001 - £160,000	1	1
The average monthly number of persons (including senior post-holders) employed by the University during the year, expressed as full-time equivalents, was:	Number	Number
Academic and related	1,392	1,400
Clerical and secretarial	573	565
Manual	231	230
Technical	66	68
Sessional	154	165
	2,416	2,428

Notes to the Financial Statements - (continued)

	Note	Group	
		2009/10 £000	2008/09 £000
7 Staff costs - restructuring costs			
Voluntary severance, early retirement costs and restructuring		837	315
8 Analysis of total expenditure by activity			
		£000	£000
Academic departments		95,440	88,863
Vice and Pro-Vice-Chancellors portfolios		4,410	5,455
Facilities		15,083	13,195
Interest payable		3,270	3,130
Depreciation and impairment		9,742	9,803
Administration and central services		30,687	28,960
Library		4,633	4,580
Other		1,417	1,902
University companies		6,209	5,975
Additional FRS 17 pension costs in excess of contributions paid		2,452	2,501
Expenditure before exceptional debenture refinancing item		173,343	164,364
Exceptional debenture refinancing item	9	15,876	-
Total expenditure		189,219	164,364
Included above is expenditure in relation to:			
External auditors remuneration in respect of audit services		56	60
External auditors remuneration in respect of non-audit services		-	21
Bursaries and scholarships		5,878	5,167
Trustees			
No trustee has received any remuneration / waived payments from the group during the year (2009: £nil). The total expenses paid to, or on behalf of seven trustees was £3,392 (2009: eight trustees totalling £4,111). This represents travel and subsistence expenses incurred in their official capacity in attending Council and other committee meetings.			
9 Interest payable and finance costs			
		£000	£000
On loans repayable wholly or partly in more than 5 years		3,270	3,130
Net charge on pension scheme	31	1,687	1,094
		4,957	4,224
Exceptional debenture refinancing costs		15,876	-
		20,833	4,224
The debenture refinancing costs arose from the redemption of the 9.75% First Mortgage Debenture Stock 2025, the details of which are reported within the Operating and Financial Review.			
10 Taxation			
		£000	£000
United Kingdom corporation tax		-	13

Notes to the Financial Statements - (continued)

11 Tangible assets

Group	Land and Buildings £000	Plant and Machinery £000	Fixtures, Fittings and Equipment £000	Assets in the Course of Construction £000	Heritage Assets £000	Total £000
Valuation / Cost						
At 1 August 2009						
Valuation	124,421	5,886	-	-	700	131,007
Cost	42,044	2,148	73,499	18,336	-	136,027
	<u>166,465</u>	<u>8,034</u>	<u>73,499</u>	<u>18,336</u>	<u>700</u>	<u>267,034</u>
Additions at cost	6,224	1,108	9,574	19,819	-	36,725
Transfers	17,543	(269)	1,377	(18,651)	-	-
Disposals	(48)	-	(16)	(36)	-	(100)
At 31 July 2010	<u>190,184</u>	<u>8,873</u>	<u>84,434</u>	<u>19,468</u>	<u>700</u>	<u>303,659</u>
Depreciation						
At 1 August 2009	30,193	1,232	38,988	-	-	70,413
Charge for year	3,370	391	5,898	-	-	9,659
Disposals	(1)	-	(16)	-	-	(17)
At 31 July 2010	<u>33,562</u>	<u>1,623</u>	<u>44,870</u>	<u>-</u>	<u>-</u>	<u>80,055</u>
Net Book Value At 31 July 2010	<u>156,622</u>	<u>7,250</u>	<u>39,564</u>	<u>19,468</u>	<u>700</u>	<u>223,604</u>
Net Book Value At 1 August 2009	<u>136,272</u>	<u>6,802</u>	<u>34,511</u>	<u>18,336</u>	<u>700</u>	<u>196,621</u>

On adoption of FRS 15, Tangible Fixed Assets, the University followed the transitional provision to retain the book value of land and buildings, which were revalued on 31 July 1997 by Gerald Eve, Chartered Surveyors, but not to adopt a policy of revaluations of these properties in the future. These valuations are retained subject to the requirement to test assets for impairment in accordance with FRS 11, Impairment of Fixed Assets and Goodwill.

Notes to the Financial Statements - (continued)

11 Tangible assets (continued)

University	Land and Buildings £000	Plant and Machinery £000	Fixtures, Fittings and Equipment £000	Assets in the Course of Construction £000	Heritage Assets £000	Total £000
Valuation / Cost						
At 1 August 2009						
Valuation	114,731	5,495	-	-	700	120,926
Cost	51,746	2,539	73,056	18,336	-	145,677
	166,477	8,034	73,056	18,336	700	266,603
Additions at cost	6,224	1,108	9,574	19,819	-	36,725
Transfers	17,543	(269)	1,377	(18,651)	-	-
Disposals	(48)	-	-	(36)	-	(84)
At 31 July 2010	190,196	8,873	84,007	19,468	700	303,244
Depreciation						
At 1 August 2009	30,205	1,232	38,929	-	-	70,366
Charge for year	3,370	391	5,516	-	-	9,277
Disposals	(1)	-	(2)	-	-	(3)
At 31 July 2010	33,574	1,623	44,443	-	-	79,640
Net Book Value At 31 July 2010	156,622	7,250	39,564	19,468	700	223,604
Net Book Value At 1 August 2009	136,272	6,802	34,127	18,336	700	196,237

If the land and buildings and plant and machinery had not been revalued they would have been included at the following amounts:

	Group and University	
	2010 £000	2009 £000
Cost	152,795	145,424
Aggregate depreciation based on cost	30,924	27,904

The above costs include freehold land of £5,275k which is not depreciated and elements of assets in the course of construction. The Exchequer interest within freehold land and buildings is £60,358k and should buildings funded from Treasury sources be sold, the University would either have to surrender the proceeds to the Treasury or use them in accordance with the terms of the Financial Memorandum with the HEFCE.

Notes to the Financial Statements - (continued)

	Group		University	
	2010 £000	2009 £000	2010 £000	2009 £000
12 Fixed asset investments				
Investments	37	37	37	37
Shares in group companies	-	-	9,360	9,360
At cost 31 July	37	37	9,397	9,397

Shares in group companies include investments in three trading subsidiary companies, the results of which are incorporated within these consolidated financial statements. The results for the year ended 31 July 2010 of the three companies are as follows: Lancaster University Business Enterprises Ltd. (loss: £23k), Lancaster University Consultancy Services Ltd. (loss £5k) and Lancaster University Network Services Ltd. (profit £439k, paid by Gift Aid to Lancaster University).

	Group		University	
	2010 £000	2009 £000	2010 £000	2009 £000
13 Endowment asset investments				
At 1 August	5,015	4,916	5,015	4,916
Increase / (decrease) in market value of investments	115	(170)	115	(170)
(Decrease) / increase in cash balances held for endowment funds	(81)	269	(81)	269
At 31 July	5,049	5,015	5,049	5,015
Represented by:				
Equities	920	815	920	815
UK gilts and other fixed interest stocks	258	248	258	248
Endowment cash balances	3,871	3,952	3,871	3,952
Total endowment asset investments	5,049	5,015	5,049	5,015
Endowment asset investments at cost	5,011	5,070	5,011	5,070

	Group		University	
	2010 £000	2009 £000	2010 £000	2009 £000
14 Debtors				
Amounts falling due within one year				
Trade debtors	16,432	16,833	16,082	16,081
Prepayments and accrued income	2,652	3,324	2,638	3,189
Group debtors	-	-	1,167	1,191
	19,084	20,157	19,887	20,461

Notes to the Financial Statements - (continued)

	Group		University	
	2010 £000	2009 £000	2010 £000	2009 £000
15 Investments				
Debt service reserve	-	5,664	-	5,664
Listed investments	785	694	785	694
	785	6,358	785	6,358

The debt service reserve was equivalent to eighteen months principal and interest payments relating to the University's 9 3/4% First Mortgage Debenture which was redeemed in August 2009. Further details are provided within the Operating and Financial Review.

The listed investments represent a share portfolio managed by Rensburg Sheppards. The target rate of return for the portfolio is the FTSE all shares index plus 1%. The market value of the investments at 31st July 2010 was £785k (2009: £694k).

	Group		University	
	2010 £000	2009 £000	2010 £000	2009 £000
16 Creditors				
Amounts falling due within one year				
Debenture secured on residential and other property	-	820	-	820
Payments received on account	11,671	10,868	11,671	10,432
Trade creditors	20,211	19,618	20,189	19,558
Social security and other taxation payable	3,400	3,342	3,327	3,323
Accruals and deferred income	10,693	7,497	9,670	7,467
Unsecured loan	323	-	323	-
Group creditors	-	-	11,387	17,971
	46,298	42,145	56,567	59,571

Notes to the Financial Statements - (continued)

	Group		University	
	2010 £000	2009 £000	2010 £000	2009 £000
17 Creditors				
Amounts falling due after more than one year				
Unsecured bank loans	55,903	-	55,903	-
Deferred income	4,530	4,643	4,530	4,643
Debenture secured on residential and other property	-	29,158	-	29,158
Secured loans	-	6,500	-	6,500
	60,433	40,301	60,433	40,301

The debenture was redeemed in August 2009 and replaced with a fixed interest loan from the Royal Bank of Scotland and the secured loan with Lloyds TSB was increased and transferred to an unsecured basis.

	Group		University	
	2010 £000	2009 £000	2010 £000	2009 £000
The maturity profile of the loans was as follows:				
Between 1 and 2 years	-	986	-	986
Between 2 and 5 years	-	3,632	-	3,632
Over 5 years	55,903	31,040	55,903	31,040
	55,903	35,658	55,903	35,658

In accordance with FRS 4, Capital Instruments, arrangement costs of £815k (2009: £nil) have been offset against the outstanding borrowings and are being amortised over the lives of the facilities.

Notes to the Financial Statements - (continued)

	Voluntary severance, early retirement and restructuring £000	Overseas partner development £000	Total £000
18 Provisions for liabilities and charges (Group and University)			
At 1 August 2009	2,163	-	2,163
Utilised in year	(314)	(74)	(388)
Reclassified from creditors falling due within one year	-	226	226
Transfer from income and expenditure account	729	233	962
At 31 July 2010	2,578	385	2,963

The payment profile of the voluntary severance, early retirement and restructuring provision was as follows:

	2010 £000	2009 £000
Less than 1 year	790	315
Between 1 and 2 years	126	125
Between 2 and 5 years	378	378
Over 5 years	1,284	1,345
	2,578	2,163

The overseas partner development provision represents a contractual obligation to retain a proportion of associated fee income to fund certain staff development programmes for members of staff from our overseas partners. The timings of these programmes are driven by the needs of the overseas partners and it is therefore not possible to construct an accurate payment profile for this provision.

	Funding Council £000	Other grants £000	Total £000
19 Deferred capital grants (Group and University)			
At 1 August 2009	52,459	31,011	83,470
Reclassification	572	(572)	-
New grants received	9,913	-	9,913
Released to income and expenditure account	(3,534)	(1,240)	(4,774)
At 31 July 2010	59,410	29,199	88,609

Deferred capital grants include certain grants received with conditions attached in relation to output targets which may become repayable if these targets are not achieved. At the balance sheet date, conditions are being met.

Notes to the Financial Statements - (continued)

	Restricted Expendable £000	Restricted Permanent £000	2010 Total £000	2009 Total £000
20 Endowments (Group and University)				
Balances At 1 August 2009				
Capital	2,907	673	3,580	3,183
Accumulated income	1,072	363	1,435	1,733
	3,979	1,036	5,015	4,916
New endowments	132	-	132	567
Transfer from expendable to permanent	(29)	29	-	-
Investment income	41	40	81	375
Expenditure	(275)	(20)	(295)	(673)
	(234)	20	(214)	(298)
Increase / (decrease) in market value of investments	-	116	116	(170)
At 31 July 2010	3,848	1,201	5,049	5,015
Represented by:				
Capital	2,907	818	3,725	3,580
Accumulated income	941	383	1,324	1,435
	3,848	1,201	5,049	5,015

	Group		University	
	2010 £000	2009 £000	2010 £000	2009 £000
21 Revaluation Reserve				
As at 1 August	27,033	27,910	25,029	25,906
Transfer from revaluation reserve to general reserve in respect of:				
Depreciation on revalued assets	(666)	(666)	(666)	(666)
Transfer in respect of disposal	-	(211)	-	(211)
At 31 July	26,367	27,033	24,363	25,029

Notes to the Financial Statements - (continued)

	Group		University	
	2010 £000	2009 £000	2010 £000	2009 £000
22 Income and expenditure account				
At 1 August	45,917	44,015	39,748	36,464
(Deficit) / surplus after depreciation of assets at valuation and after taxation	(11,119)	2,410	(3,083)	3,792
Release from revaluation reserve	666	877	666	877
Actuarial gain / (loss) in respect of pension scheme	5,786	(1,385)	5,786	(1,385)
At 31 July	41,250	45,917	43,117	39,748

	Note	Group	
		2009/10 £000	2008/09 £000
23 Reconciliation of consolidated operating (deficit) / surplus to net cash inflow from operating activities			
(Deficit) / surplus for the year		(11,333)	4,059
Depreciation and loss on disposal	11	9,742	9,803
Deferred capital grants released to income	19	(4,774)	(4,479)
Investment income		(748)	(3,361)
Amortisation of finance costs		41	144
Release of lease premium		(113)	(112)
Interest payable	9	3,270	3,130
Revaluation of investments		(91)	96
Pension cost less contributions payable		2,452	2,501
Decrease / (increase) in stocks		50	(28)
Decrease in debtors		799	188
Increase / (decrease) in creditors		1,100	(318)
Deferred capital grants accrued		-	(398)
Increase in provisions		801	71
Net cash inflow from operating activities		1,196	11,296
Exceptional debenture refinancing costs		15,876	-
Net cash inflow from operating activities before exceptional debenture refinancing costs		17,072	11,296

Notes to the Financial Statements - (continued)

	Group	
	2009/10 £000	2008/09 £000
24 Returns on investment and servicing of finance		
Income from endowments	81	375
Other interest received	1,511	2,185
Interest paid	(2,737)	(3,178)
Net cash outflow from returns on investment and servicing of finance	(1,145)	(618)
25 Capital expenditure and financial investment	£000	£000
Payment to acquire tangible fixed assets	(34,278)	(24,288)
New endowments received	132	567
Deferred capital grant received	9,913	8,882
	(24,233)	(14,839)
26 Management of liquid resources	£000	£000
Movement in short-term deposits	15,581	(3,731)
27 Financing	£000	£000
Repayment of debenture	(29,978)	(861)
New loans acquired	49,685	-
	19,707	(861)

	Note	At 1 August 2009 £000	Cash flows £000	Non-cash changes £000	At 31 July 2010 £000
28 Analysis of net funds / (debt)					
Cash in hand		45,219	1,270	-	46,489
Endowment asset investments	13	3,952	(81)	-	3,871
Debt due within 1 year	16	(820)	497	-	(323)
Debt due after 1 year	17	(35,658)	(20,204)	(41)	(55,903)
		12,693	(18,518)	(41)	(5,866)
Current asset investments	15	6,358	(5,664)	91	785
		19,051	(24,182)	50	(5,081)

Notes to the Financial Statements - (continued)

	Amount	Currency	Weighted average interest rate %	Fixed/variable
29 Financial Instruments	£000			
Investments				
Equities	37	Sterling	-	-
Total per note 12	37			
Endowment asset investments				
Equities	920	Sterling	-	-
UK gilts and other fixed interest stocks	258	Sterling	5.88	Fixed
Cash	3,871	Sterling	-	Variable
Total per note 13	5,049			
Current asset investments				
Equities	785	Sterling	-	-
Total per note 15	785			
Cash at Bank				
Money market deposits	40,478	Sterling	1.01	-
Currency accounts	2,146	Euro & Dollar	-	-
Endowment cash balances	3,865	Sterling	-	-
Total per balance sheet	46,489			
Creditors due after one year				
Unsecured loan Royal Bank of Scotland	43,903	Sterling	5.84	Fixed
Unsecured loan Lloyds	12,000	Sterling	5.24	Variable
Total per note 17	55,903			

	Group and University	
	2010 £000	2009 £000
30 Capital and other commitments		
Provision has not been made for the following capital commitments at 31 July:		
Commitments contracted at 31 July	33,391	44,563

Notes to the Financial Statements - (continued)

31 University pension schemes

Universities Superannuation Scheme

The institution participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate fund administered by the trustee, Universities Superannuation Scheme Limited.

The appointment of directors to the board of the trustee is determined by the company's Articles of Association. Four of the directors are appointed by Universities UK; three are appointed by the University and College Union, of whom at least one must be a USS pensioner member; one is appointed by the Higher Education Funding Councils; and a minimum of two and a maximum of four are co-opted directors appointed by the board. Under the scheme trust deed and rules, the employer contribution rate is determined by the trustee, acting on actuarial advice.

Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. The institution is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 "Retirement benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

The latest triennial actuarial valuation of the scheme was at 31 March 2008. This was the first valuation for USS under the new 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. The actuary also carries out a review of the funding level each year between triennial valuations and details of this estimate of the funding level at 31 March 2010 are also included in this note.

The triennial valuation was carried out using the projected unit method. The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments (i.e. the valuation rate of interest), the rates of increase in salary and pensions and the assumed rates of mortality. The financial assumptions were derived from market yields prevailing at the valuation date. An 'inflation risk premium' adjustment was also included by deducting 0.3% from the market-implied inflation on account of the historically high level of inflation implied by government bonds (particularly when compared to the Bank of England's target of 2% for CPI which corresponds broadly to 2.75% for RPI per annum).

To calculate the technical provisions, it was assumed that the valuation rate of interest would be 6.4% per annum (which includes an additional assumed investment return over gilts of 2% per annum), salary increases would be 4.3% per annum (plus an additional allowance for increases in salaries due to age and promotion reflecting historic Scheme experience, with a further cautionary reserve on top for past service liabilities) and pensions would increase by 3.3% per annum.

Standard mortality tables were used as follows:

Male members' mortality	PA92 MC YoB tables - rated down 1 year
Female members' mortality	PA92 MC YoB tables - no age rating

Use of these mortality tables reasonably reflects the actual USS experience but also provides an element of conservatism to allow for further improvements in mortality rates. The assumed life expectations on retirement at age 65 are:

Males (females) currently aged 65	22.8 (24.8) years
Males (females) currently aged 45	24.0 (25.9) years

Notes to the Financial Statements - (continued)

At the valuation date, the value of the assets of the scheme was £28,842.6 million and the value of the scheme's technical provisions was £28,135.3 million indicating a surplus of £707.3 million. The assets therefore were sufficient to cover 103% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The actuary also valued the scheme on a number of other bases as at the valuation date. On the scheme's historic gilts basis, using a valuation rate of interest in respect of past service liabilities of 4.4% per annum (the expected return on gilts) the funding level was approximately 71%. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004 the scheme was 107% funded; on a buy-out basis (i.e. assuming the scheme had discontinued on the valuation date) the assets would have been approximately 79% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS 17 formula as if USS was a single employer scheme, using an AA bond discount rate of 6.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2008 was 104%.

The technical provisions relate essentially to the past service liabilities and funding levels, but it is also necessary to assess the ongoing cost of newly accruing benefits. The cost of future accrual was calculated using the same assumptions as those used to calculate the technical provisions except that the valuation rate of interest assumed asset outperformance over gilts of 1.7% per annum (compared to 2% per annum for the technical provisions) giving a discount rate of 6.1% per annum; also the allowance for promotional salary increases was not as high. There is currently uncertainty in the sector regarding pay growth. Analysis has shown very variable levels of growth over and above general pay increases in recent years, and the salary growth assumption built into the cost of future accrual is based on more stable, historic, salary experience. However, when calculating the past service liabilities of the scheme, a cautionary reserve has been included, in addition, on account of the variability mentioned above.

The scheme-wide contribution rate required for future service benefits alone at the date of the valuation was 16% of pensionable salaries and the trustee company, on the advice of the actuary, increased the institution contribution rate to 16% of pensionable salaries from 1 October 2009.

Since 31 March 2008 global investment markets have continued to fluctuate and at 31 March 2010 the actuary has estimated that the funding level under the new scheme specific funding regime had fallen from 103% to 91% (a deficit of £3,065 million). This estimate is based on the funding level at 31 March 2008, adjusted to reflect the fund's actual investment performance over the two years and changes in market conditions (market conditions affect both the valuation rate of interest and also the inflation assumption which in turn impacts on the salary and pension increase assumptions).

On the FRS 17 basis, using an AA bond discount rate of 5.6% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2010 was 80%. An estimate of the funding level measured on a buy-out basis at that date was approximately 57%.

Surpluses or deficits which arise at future valuations may impact on the institution's future contribution commitment. A deficit may require additional funding in the form of higher contribution requirements, where a surplus could, perhaps, be used to similarly reduce contribution requirements. The sensitivities regarding the principal assumptions used to measure the scheme liabilities on a technical provisions basis as at the date of the last triennial valuation are set out below:

Assumption	Change in Assumption	Impact on Scheme Liabilities
Valuation rate of Interest	Increase / decrease by 0.5%	Decrease / increase by £2.2 billion
Rate of Pension increases	Increase / decrease by 0.5%	Increase / decrease by £1.5 billion
Rate of salary growth	Increase / decrease by 0.5%	Increase / decrease by £0.7 billion
Rate of mortality	More prudent assumption (move to long cohort future improvements from the medium cohort adopted at the valuation)	Increase by £1.6 billion

Notes to the Financial Statements - (continued)

USS is a "last man standing" scheme so that in the event of the insolvency of any of the participating employers in USS, the amount of any pension funding shortfall (which cannot otherwise be recovered) in respect of that employer will be spread across the remaining participant employers and reflected in the next actuarial valuation of the scheme.

The trustee believes that over the long-term equity investment and investment in selected alternative asset classes will provide superior returns to other investment classes. The management structure and targets set are designed to give the fund a major exposure to equities through portfolios that are diversified both geographically and by sector. The trustee recognises that it would be theoretically possible to select investments producing income flows broadly similar to the estimated liability cash flows. However, in order to meet the long-term funding objective within a level of contributions that it considers the employers would be willing to make, the trustee needs to take on a degree of investment risk relative to the liabilities. This taking of investment risk seeks to target a greater return than the matching assets would provide whilst maintaining a prudent approach to meeting the fund's liabilities. Before deciding to what degree of investment risk to take relative to the liabilities, the trustee receives advice from its internal investment team, its investment consultant and the scheme actuary, and considers the views of the employers. The strong positive cash flow of the scheme means that it is not necessary to realise investments to meet liabilities. The trustee believes that this, together with the ongoing flow of new entrants into the scheme and the strength of covenant of the employers enables it to take a long-term view of its investments. Short-term volatility of returns can be tolerated and need not feed through directly to the contribution rate although the trustee is mindful of the desirability of keeping the funding level on the scheme's technical provisions close to or above 100% thereby minimising the risk of the introduction of deficit contributions. The actuary has confirmed that the scheme's cash flow is likely to remain positive for the next ten years or more.

The next formal triennial actuarial valuation is due as at 31 March 2011. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.

At 31 March 2010, USS had over 135,000 active members and the institution had 1,219 active members participating in the scheme.

The total pension cost for the institution was £8,756k (2009: £7,420k). The contribution rate payable by the institution increased from 14% to 16% of pensionable salaries in October 2009 and remained at that level until the year end.

Lancashire County Pension Fund

The Lancashire County Pension Fund is a funded defined benefit scheme, with assets held in separate trustee administered funds. The total University contribution for the year ended 31 July 2010 was £2,501k (2009: £2,286k). The current employer contribution rate is 14.1%.

The pensions cost is assessed every three years in accordance with the advice of a qualified independent actuary. The assumptions and other data that have the most significant effect on the determination of the contribution levels are as follows:

Latest actuarial valuation	31 March 2007
Actuarial method	Projected unit
Market value of assets at date of last valuation	£3,689m
Investment returns per annum	6.5%
Pension increase per annum	2.75%
Salary scale increases per annum	4.5%
Proportion of members' accrued benefits covered by the actuarial value of the assets	84%

Notes to the Financial Statements - (continued)

FRS17

The following information is based upon the full actuarial valuation of the Lancashire County Pension Fund at 31 March 2007 updated to 31 July 2010 by a qualified independent actuary.

Financial assumptions

	31 July 2010 %	31 July 2009 %	31 July 2008 %
Inflation	2.70	3.70	3.80
Rate of increase in salaries	4.95	5.50	5.60
Rate of increase for pensions	2.70	3.70	3.80
Discount rate for liabilities	5.50	6.30	5.90

Post retirement mortality assumptions (members retiring in normal health)

	31 July 2010	31 July 2009
Mortality tables used:	PA92 mc YoB + 1 year Years	PA92 mc YoB + 1 year Years
Life expectancy of a future pensioner aged 65 in 20 year's time		
Males	22.2	22.2
Females	25.0	25.0
Current pensioner aged 65		
Males	21.2	21.2
Females	24.1	24.0

Notes to the Financial Statements - (continued)

The assets in the scheme (of which the University's share is estimated at 1.75%) and the expected returns were:

	31 July 2010 £000	31 July 2009 £000	31 July 2008 £000		
Equities	2,220,000	1,961,820	2,255,752		
Government bonds	296,000	217,980	241,296		
Other bonds	555,000	435,960	552,056		
Property	296,000	186,840	219,360		
Cash	111,000	124,560	153,552		
Other	222,000	186,840	233,984		
Total market value of assets	3,700,000	3,114,000	3,656,000		
	Long term rate of return expected at 31 July 2010 %	Long term rate of return expected at 31 July 2009 %	Long term rate of return expected at 31 July 2008 %		
Equities	7.5	7.5	7.5		
Government bonds	4.2	4.5	4.8		
Other bonds	5.1	5.8	5.9		
Property	6.5	6.5	6.5		
Cash	0.5	0.5	5.0		
Other	7.5	7.5	7.5		
Analysis of the amount shown in the balance sheet	31 July 2010 £000	31 July 2009 £000	31 July 2008 £000	31 July 2007 £000	31 July 2006 £000
University's estimated asset share	64,775	55,333	58,903	61,245	55,535
Present value of scheme liabilities	(89,149)	(83,041)	(82,726)	(70,328)	(64,826)
Net pension liability	(24,374)	(27,708)	(23,823)	(9,083)	(9,291)

Notes to the Financial Statements - (continued)

	Group	
	2009/10 £000	2008/09 £000
Analysis of the amount charged to staff costs within operating surplus		
Current service cost	(3,248)	(3,690)
Past service cost	(19)	(2)
Total operating charge	(3,267)	(3,692)
Analysis of the amount charged to interest payable	£000	£000
Expected return on pension scheme assets	3,608	3,984
Interest on pension scheme liabilities	(5,295)	(5,078)
Net charge	(1,687)	(1,094)
Analysis of the amount recognised in the statement of total recognised gains and losses (STRGL)	£000	£000
Actual return less expected return on pension scheme assets	4,853	(9,367)
Change in basis of valuation	6,006	-
Experience (loss) / gain	(5,073)	7,982
Actuarial gain / (loss) recognised in the STRGL	5,786	(1,385)
Movement in deficit during the year	£000	£000
Deficit in scheme at beginning of year	(27,708)	(23,823)
Movement in year:		
Current service cost	(3,248)	(3,690)
Contributions	2,502	2,286
Past service costs	(19)	(2)
Net charge on pension scheme	(1,687)	(1,094)
Actuarial gain / (loss)	5,786	(1,385)
Deficit in scheme at end of the year	(24,374)	(27,708)

Notes to the Financial Statements - (continued)

	Group	
	2009/10 £000	2008/09 £000
Analysis of the movement in the present value of scheme liabilities		
At beginning of the year	(83,041)	(83,127)
Current Service Cost	(3,248)	(3,690)
Interest Cost	(5,295)	(5,078)
Contributions by scheme participants	(1,190)	(1,147)
Past service cost	5,987	(2)
Actuarial (loss) / gain	(5,073)	7,982
Benefits paid	2,711	2,021
At end of the year	(89,149)	(83,041)

	£000	£000
Analysis of the movement in the fair value of scheme assets		
At beginning of the year	55,333	59,304
Expected rate of return on scheme assets	3,608	3,984
Actuarial gain / (loss)	4,853	(9,367)
Contributions by the employer	2,502	2,286
Contributions by scheme participants	1,190	1,147
Benefits paid	(2,711)	(2,021)
At end of the year	64,775	55,333

History of experience gains and losses	31 July 2010	31 July 2009	31 July 2008	31 July 2007	31 July 2006
Difference between expected and actual return on assets:					
Amount £000	4,853	(9,367)	(6,760)	1,431	2,575
% of scheme assets	7.5	16.9	11.5	2.3	4.6
Experience gains on scheme liabilities:					
Amount £000	6,006	-	(121)	-	(1,572)
% of scheme liabilities	6.7	-	0.1	-	2.4

Notes to the Financial Statements - (continued)

32 Access funds	2010 £000	2009 £000
At 1 August	5	10
Funding Council grant	148	164
Interest earned	1	3
	154	177
Disbursed to students	(153)	(172)
Balance unspent at 31 July	1	5

Funding Council grants are available solely for students; the University acts only as paying agent. The grants and related disbursements are therefore excluded from the income and expenditure account.

33 Related party transactions

Due to the nature of the University's operations and the composition of the Council (including members drawn from the 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 and these are reported as required in each case via the Register of Interests that is annually updated.

All transactions involving organisations in which a member of the Council may have an interest are conducted at arm's length and in accordance with the University's financial regulations and normal procurement procedures.

Notes to the Financial Statements - (continued)

34 Interest in subsidiary companies

The following information related to the University's interests in the subsidiary companies consolidated in the financial statements. All companies have a financial year-end of 31 July.

Name of company	Country of registration	Nature of business	Percentage of voting rights held by University
Pinecrest Developments Ltd	England	Dormant	100
Lancaster University Consultancy Services Ltd	England	Provision of consultancy services	100 *
Lancaster University Business Enterprise Ltd	England	Exploitation of Intellectual Property	100 *
Landec Ltd	England	Dormant	100 *
Lancaster University Library Services Ltd	England	Dormant	100 *
Lancaster University Developments Ltd	England	Dormant	100
Lancaster University Enterprises Ltd	England	Holding company	100
Lancaster University Network Services Ltd	England	Provision of broadband internet connections	100

* The companies marked with an asterisk are wholly owned by Lancaster University Enterprises Limited.

35 Loss on the deemed disposal of quasi-subsiidiary

On 31st July 2009, the University transferred its interest in the Open College of the North West (OCNW) to a charitable company limited by guarantee and these financial statements include the income and expenditure of the OCNW for 2008/09. Both income and expenditure totalled £1.5m for 2008/09. However, as the transfer took place before year-end, the assets and liabilities were excluded from the Balance Sheet at July 2009.

On the date of the transfer, the cash balance of £1.1m held on behalf of the OCNW was transferred and is shown in the consolidated cash flow statement on page 70. Furthermore, as the assets and liabilities of the OCNW were transferred for nil consideration, the net assets of £1.4m were written-off through the income and expenditure account shown on page 67.

The Chancellor's Guild roll of honour

Farida Ahmed

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The Zohra Parveen Student Support Scholarship

Dr Margaret Bainbridge

PGDip Local History, 1993, Fylde
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