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Lancaster University has been awarded the Carbon Trust Standard after taking action on climate change by reducing carbon emissions. The University has made an overall reduction of 245 tonnes of carbon or 0.9% averaged over the past three years.



LANCASTER UNIVERSITY ANNUAL REPORT AND ACCOUNTS 2011

Lancaster University Report and Accounts 2011



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VICE-CHANCELLOR'S REVIEW

The growing reputation of Lancaster was marked this year by top ten placings in each of the UK's major university league tables for the second year running, reports of high student satisfaction and high levels of graduate employment. The entry standard for undergraduates is now at its highest level ever, reflecting Lancaster's increasing profile. Globally, Lancaster is ranked 131 in the THE international table and 153 in the QS World University Rankings. These rankings place Lancaster in the top one per cent in the world.



Professor Sue Cox, Dean of Lancaster University Management School (LUMS) was awarded the OBE for services to social science in the 2011 New Year Honours. Sue Cox has been Dean of LUMS since 2001 and under her leadership, the School has been one of a select few to achieve the accreditation 'hat trick' of EQUIS, AACSB and AMBA.

In October 2010, Professor Cary Cooper CBE won the Lord Dearing Lifetime Achievement Award at the Times Higher Education awards ceremony. Professor Cooper, who is Distinguished Professor of Organisational Psychology and Health at LUMS, was commended for the range and depth of his achievement. His views are sought by governments around the world as well as United Nations agencies.

In July 2011 Lancaster was shortlisted for a prestigious THE research prize for research into diagnosing arthritis by a leading academic based in our newest Faculty of Health and Medicine. We already contribute significantly to advancing knowledge and understanding across a wide variety of disciplines. The quality of research in Health and Medicine will be critical for the university in the future as the Faculty develops.

All of this was achieved while maintaining our financial discipline and focus on institutional sustainability. In a very tough year the University grew by 1.5 per cent and returned a 4.8 per cent surplus. The 2011/12 year will be the third difficult year in succession, as a consequence of the backwash from the 2008 economic downturn. Our financial prospects should improve in the period 2012-15 as the new fees regime comes in and our international portfolio expands.

Campus investment

Since 2003 the University has invested over £400m to transform the campus for

students and boost research and teaching amenities.

The new £20m sports centre opened for business in August and a major project to update the main square of campus was completed this year. We were delighted that Lancaster's Founding Chancellor HRH Princess Alexandra visited campus in April to open the £10m Charles Carter building. The building, named after Lancaster's founding Vice-Chancellor, provides additional academic facilities for the Management School. Charles Carter's son Peter and his nephew Emeritus Professor Richard Carter also attended the event.

Lancaster University's new £10m contemporary arts institute was formally opened by Professor Geoffrey Crossick, Vice Chancellor, University of London in March 2011. The building is home to Art, Design, Film, Music and Theatre Studies as well as LIVE@LICA which combines three public arts facilities; the Peter Scott Gallery, the Nuffield Theatre and the International Concert Series. It also hosts a major research group Imagination Lancaster. By achieving the BREEAM 'outstanding' rating the building sets a new standard for environmental performance in the university sector.

Overseas collaborations

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 India, Jordan, Kazakhstan, Malaysia and Pakistan.

Lancaster University's longstanding links with the People's Republic of China have

been strengthened with a formal collaboration with the Chinese Academy of Sciences based on the environmental sciences. Links with China also include the Lancaster China Management Centre which aims to develop new programmes of research and teaching relevant to the needs of Chinese managers. The University is also establishing a major new hub for Chinese language and culture on campus, which will complement the extensive China research and teaching activities across the University. In March the Lancaster University Confucius Institute was awarded jointly to Lancaster and its partner the prestigious South China University of Technology in Guangzhou. This is the 14th Confucius Institute in the UK to be approved by the Office of Chinese Language Council International (Hanban).

A visit to GD Goenka World Institute of Higher Education by Lancaster's Chancellor Sir Christian Bonington in June 2011 marked the expansion of the partnership to include three engineering degrees. The first ever cohort of students to graduate with a Lancaster University degree in India were presented to Sir Chris at a public lecture and graduation dinner in Delhi.

Our overseas partnerships are an essential part of our international strategy. 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. This will underpin our capacity to grow income and engagement with important centres of population growth. At the same time our academic staff are drawn to Lancaster from all over the world. Currently about one third of our academics come from over 60 countries outside Europe.

The Student Experience

Students at Lancaster University are more satisfied with their course than the average UK student according to the National Student Survey 2011. Overall, 88 per cent of final year students at Lancaster say they were satisfied with their course. We must continue to listen carefully to what our students tell us and

respond to this feedback to make sure every department is outstanding. These results reflect the dedication of staff who work hard to ensure that every student who comes here will receive the very best education.

The University is singled out for its high levels of graduate employment in The Sunday Times University Guide 2012. The Sunday Times reports that an above-average proportion of students get graduate-level jobs (74 per cent) and Lancaster's unemployment rate is low. Lancaster graduates are performing well in what is an increasingly competitive job market. 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.

Looking forward


The coalition Government's decision to cut teaching grants by 80 per cent, and reduce capital by more than 50 per cent was offset by its proposal to allow home undergraduate fees to triple. As a result of these very large changes, the University will charge £9,000 fees for home/EU undergraduate courses from September 2012. This plan has been accepted by the Office for Fair Access (OFFA). This will allow Lancaster to build on its track record of success in attracting well qualified students from a variety of different backgrounds and to invest further in the student experience. Lancaster will spend £3.9m on measures to widen participation in 2012. This includes a £1.8m bursary and scholarship fund for new undergraduate students studying at Lancaster. Lancaster's generous and flexible package of financial support aims to attract and retain the most able students no matter what their circumstances. Students coming to Lancaster can be confident that they have chosen a top ten university where the student experience is outstanding and where making sure that our students leave with qualifications suited to a globally competitive environment is a priority.

The Government's White Paper "Students at the Heart of the System " proposes a radical change to student number controls in order to increase competition while constraining the overall costs of higher education. From September 2012 the University may lose some home/EU numbers as they will be priced below £7,500 and compete for other students with A'level equivalents at AAB or better. Over 60 per cent of the 2011 entry cohort met this standard which indicates that Lancaster has become increasingly selective in recent years.

Lancaster University has a world view and this is reflected in the scope of our Jubilee Campaign, plans for which are now well advanced. Campaign fundraising will be conducted thematically and aims to prioritise those areas where the University can make a significant contribution to tackling global challenges, such as food security and ageing. Philanthropic support will also help Lancaster maintain its outstanding track record for widening participation in higher education.

We are grateful to the many people who have already supported Lancaster and we value their contribution to the work of the University. Over the last three years this support has had the added benefit of helping us secure £1.8m in funding through the Government's Matched Funding Scheme.

The next few years will be turbulent for the sector. The rapidly changing financial and policy environment presents major challenges to the UK's higher education and research sectors. Lancaster University should remain competitive under these new policies as it offers a great campus experience for undergraduates and post-graduates with an outstanding academic environment. However the rapid growth of international competition means that we cannot become complacent.



Paul Wellings
Vice-Chancellor

PRO-CHANCELLOR'S REVIEW

We celebrate another year of considerable achievement which has seen Lancaster improve on many measures including its global reputation.



Lancaster has continued a period of intense campus regeneration and improvement. For the coming three years, Council has approved a strong capital expenditure programme. This is a major decision given the current difficult financial climate. We continue to exercise a careful control of expenditure and seek increased efficiency. Council has monitored the University's investments to ensure best value for money and delivery of first class facilities in line with our financial strategy. Over the next five years the University expects to invest a further £122m in the estate with health and medicine and other technology areas expected to benefit.

This year the University started a major piece of work to review a number of its core administrative processes to maximise efficiency and effectiveness. This university-wide project aims to eliminate unnecessary work and duplication, and to clarify administrative roles and responsibilities. The significant progress of the University over the past few years has been underpinned by a financial discipline which remains central to the delivery of our strategy. This discipline will assist Lancaster in facing the substantial financial pressures which are expected around payroll, pensions, infrastructure and energy costs.

The reputation and ranking of Lancaster is now at its highest level and I congratulate the University's staff and students whose combined efforts have led to another outstanding year of achievements, accomplished under difficult economic circumstances. The University has continued to set challenging targets. Our international ambitions continue to expand and Council has evaluated the potential to establish a new venture in China. At the same time the changing

patterns of national and international competition have generated discussions on creating a deeper collaborative partnership with the University of Liverpool. Both these projects should reach a conclusion in the 2011/12 academic year.

In April Professor Paul Wellings, who has been Vice-Chancellor for more than nine years, announced his resignation to take up the position of Vice-Chancellor at the University of Wollongong, NSW in January 2012. Under his leadership Lancaster has achieved many considerable successes. I pay tribute to his vision and energy which has helped transform the reputation and standing of the University. We wish Paul and Annette much success in their move back to Australia.

In May, Council and Senate established a joint committee to search for the University's 6th Vice-Chancellor. In August 2011 Council unanimously approved the appointment of Professor Mark Smith, with effect from 1 January 2012. I am confident that he will lead the University carefully through the rapidly changing financial and policy environments to achieve its future ambitions.

Bryan Gray.

Bryan Gray
Pro-Chancellor

LANCASTER APPOINTS PROFESSOR MARK SMITH AS NEW VICE-CHANCELLOR

Distinguished physicist Professor Mark Smith has been appointed Vice-Chancellor of Lancaster University and will take up the post from January 2012. Professor Smith currently holds the position of Deputy Vice-Chancellor at the University of Warwick.



Professor Smith studied Natural Sciences at Churchill College, Cambridge before completing a PhD at the University of Warwick. After time in industry in Germany and with CSIRO in Australia, he was appointed to the University of Kent in 1992 and returned to Warwick as Reader in 1998. He held roles within the Physics Department before being appointed Chair of the Faculty of Science in 2005, Pro-Vice-Chancellor for Research in 2007, and subsequently Deputy Vice-Chancellor. In his current role, he has lead responsibility for all academic resourcing issues with a budget of c£300m working with 30 Heads of Department.

His external appointments include member of the Board of the UK Research Reserve; member of Ampère Prize

Committee; member of the Board of the Joint Information Systems Committee (JISC) and a member of EPSRC College since inception, being panel member on numerous occasions.

He was also a member of the UK Government Treasury/Financial Skills Council (2006-08) working group looking at issues concerning the supply of people for the wholesale financial services sector and was a member of the Russell Group PVCs for Research Group,

His research interests centre on applying advanced magnetic resonance techniques to understand a range of problems from materials physics including structural problems from disordered condensed matter, for example glasses and nanocrystals.

VALEDICTION PROFESSOR PAUL WELLINGS

This is the tenth annual report since I was appointed Vice-Chancellor in 2002.

In that time the University has flourished as a result of our ability to capture external resources and of the depth of the academic, professional and student leadership in all parts of the institution. I have been blessed to have been supported by an outstanding top leadership team, a Senate with the capacity to adapt to change and a Council with an eye to strategy and quality governance. We all owe a debt of gratitude to people sitting on these committees who have thought deeply about the long-term position of Lancaster University.

Higher education policy over the past ten years has progressively shifted the cost of teaching from the state towards the individual. Lancaster has responded by

focussing on the quality of teaching and facilities, and placed renewed emphasis on employability and internationalisation. This has been achieved while maintaining the quality of research across the university. We have also responded by reorganising our departments and increasing the breadth of our academic portfolio. All this has helped secure our current national and international reputation.

It has been a great privilege to have been Lancaster's Vice-Chancellor. Thank you for all your support and advice. To Mark Smith, our 6th Vice-Chancellor, I wish great success. Lancaster is still a young university and we can be certain of one thing: The best is yet to come.



HIGH NOTES OF THE YEAR



A new laboratory equipped with almost £1m worth of test equipment donated by the US technology company Aeroflex has opened at the School of Computing and Communications.

This will enable Lancaster University to play a leading role in the development of the next generation of wireless broadband networks and user equipment, such as smartphones, tablet PCs and future mobile devices.



A Lancaster PhD student in Physics is celebrating winning a major early career award. Former journalist Cherry Canovan was named the Very Early Career Woman Physicist of the Year at a ceremony in London organised by the Institute of Physics and sponsored by Shell.

Picture courtesy of Philip Wade.



The actor Greg Wise has visited the Ruskin Library at Lancaster University in preparation for his role as the Victorian art critic and writer John Ruskin in the forthcoming film "Effie".

He looked through Ruskin's drawings and papers from the Whitehouse Collection, which is the largest single collection of material about one of the Victorian era's most influential thinkers.



NORTH WEST BECOMES LARGEST CENTRE FOR PHD TRAINING



The largest centre in England for social science postgraduate training has been established at the universities of Lancaster, Manchester and Liverpool.

The North West Doctoral Training Centre (NWDTC) is one of 21 in the UK created by the Economic and Social Research Council (ESRC), and will provide PhD students with access to quality research training in social science disciplines. Lancaster, Manchester and Liverpool are now guaranteed a total of 63 new postgraduate studentships per year to support ongoing research and training at doctoral level. This will amount to more than £15m of investment over the next five years.

Studentships will be available across the full range of social science disciplines, including areas such as geography, economics and psychology. The ESRC has also identified particular areas of study that would benefit from further development across the UK, including language-based area studies, economics, and management and business studies. A number of studentships will be set aside

for these particular areas to help ensure that social sciences continue to contribute to the development of society and the economy.

Students will have access to research expertise across the three universities, allowing them to take advantage of a variety of studies in social sciences, as well as in subjects where scientists are collaborating with colleagues from other disciplines, such as medicine and the arts.



A number of studentships will be set aside for particular areas to help ensure that social sciences continue to contribute to the development of society and the economy.



CHARLES CARTER BUILDING



The Founding Chancellor of Lancaster University, HRH Princess Alexandra, formally opened the £10m Charles Carter building on 12 April 2011.

HRH Princess Alexandra said: "I have vivid memories of Lancaster University going back many years and I'm immensely proud that I have this connection with the University. There's a wonderful spirit here which is almost tangible on my visits."

The 4,000 sq m building, named after the founding Vice-Chancellor, provides additional academic facilities for Lancaster University Management School.

The opening ceremony was also attended by the Chancellor, Sir Christian Bonington, the Vice-Chancellor, Professor Paul Wellings and the Dean of Lancaster University Management School, Professor Sue Cox, as well as Charles Carter's son Peter and his nephew Emeritus Professor Richard Carter.



ALUMNUS FUNDS NEW CHAIR IN MARKETING

Gian Fulgoni, Executive Chairman of ComScore, has made a personal donation to support the continuing success of the Marketing Department at Lancaster University Management School.

An alumnus of the department, Gian's generous donation of \$625k, spread over five years, was prompted by a recent return trip to Lancaster after 40 years away from the University. An internationally recognised leader in the field of market research and award-winning entrepreneur, responsible for many innovations in his profession, Gian achieved career success in the USA after studying an MA in Marketing at Lancaster.

Professor Margaret Hogg, the current Head of the Department of Marketing, will be the first Fulgoni Chair in Marketing. Her specialisation is consumer behaviour research with a specific focus on consumption and consumer culture theory. She has a particular interest in qualitative studies to understand consumer behaviour across different marketplaces, as well as public policy and social marketing links, drawing on psychology, sociology, anthropology and social psychology.

Gian made his gift by donating publicly tradeable shares of stock to Friends of Lancaster University in America Inc., a non-profit organisation which supports Lancaster University in the UK.



Professor Sue Cox, Professor Paul Wellings and Gian Fulgoni



TRAVEL PLAN SUCCESS

The success of the University's Travel Plan, which has seen a 71 per cent increase in bus use among staff since 2007, has been boosted with the launch of 12 new Lancaster University-branded Stagecoach buses, which will be named after colleges of the University.

382 staff have taken advantage of the subsidised University bus pass this year and a package of timetable improvements and other benefits will also be delivered later this year.

The latest Staff Travel Survey results show that:

- Car sharing has increased by 17 per cent
- Bus use has increased by 71 per cent
- Cycling to work has increased by eight per cent
- Women cycling to work has increased by 35 per cent
- Business use of train travel has increased by 17 per cent

NEW CONTEMPORARY ARTS INSTITUTE IS 'OUTSTANDING'



Professor Geoffrey Crossick, Vice-Chancellor of the University of London, formally opened Lancaster's £10m contemporary arts building.



Professor Geoffrey Crossick

Intelligently designed and the first UK higher education building to achieve the BREEAM 'outstanding' grade for sustainability and environmental performance, Lancaster Institute for the Contemporary Arts (LICA) is a new purpose-built facility for teaching, research and public performance.

One of the top three UK research facilities of its kind, the institute brings together researchers from different disciplines to address contemporary problems, from improving safety in our cities to testing the boundaries of digital communications.

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Intelligently designed and the first UK higher education building to achieve the BREEAM 'outstanding' grade for sustainability and environmental performance.

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Speaking at the launch on 29 March, Professor Crossick said that in a rapidly changing world it was important that the arts, humanities and social sciences did not allow themselves to be perceived as a 'luxury' set against science, technology, engineering and medicine (STEM).

He said: "We are in a period of rapid and unsettling change. It is essential that we speak from a single world of knowledge and education, one that does not impose false priorities.

"The new LICA building is surely an expression of that – of the importance of the core arts disciplines represented here; disciplines that speak to the heart of social, cultural and business imperatives. Disciplines that connect so insistently across the disciplinary range."

The innovative, timber-framed building is home to Art, Design, Film, Music and Theatre Studies, as well as LIVE@LICA, which combines three public arts facilities: the Peter Scott Gallery, the Nuffield Theatre and the International Concert Series.

It also hosts the research group ImaginationLancaster, where current work includes Urban Futures, an international study of urban regeneration and sustainability, and Design for Flexibility, which looks at how design can help health care commissioning.

In addition to the 'Outstanding' LICA building, to date the University has delivered nine BREEAM 'excellent' new build developments.

LANCASTER ACQUIRES LEADING THINK TANK



In October 2010, the University acquired the trade and brand of The Work Foundation, the UK's leading independent authority on work and its future.

While The Work Foundation will continue to operate as a distinctive entity and

remain at its Westminster-based HQ, the deal to bring it under the ownership of the University keeps intact its brand and work programmes and secures the employment of its staff.

Both organisations see substantial synergy in their activities, and anticipate having increased influence on the change agenda, devoting expertise to research and best practice in areas crucial to the UK's recovery and ability to thrive.

The first report from the Big Innovation Centre – a groundbreaking initiative from The Work Foundation and Lancaster

University – was launched on 8 September 2011 with a speech from the Rt Hon Vince Cable MP and the backing of leading businesses and universities.

The report argues that without major change the country faces stagnating living standards, mounting deprivation and a growing structural trade deficit. The government must work alongside business and finance to invest in the UK's ability to take advantage of the enormous opportunities provided by emerging technologies, chiefly the digital and low carbon economy, health science and healthcare, cyber-security and virtual reality.

A GREENER FUTURE

Lancaster City Council's planning committee has approved a project to build a wind turbine on campus, which will be operational in 2012.

The turbine will bring many local benefits, including lowering carbon emissions in the area and providing employment and contractor opportunities during its construction.

Energy savings from the project will help to ensure that available funds can be invested in providing high quality education and that the University remains competitively placed as one of the top universities in the UK.

The £5m wind turbine project is backed by a loan from the Higher Education Funding Council for England's Transformational Fund, which was made available specifically for higher education institutions across England to radically transform their approaches to energy consumption and reducing emissions. The University was one of only three out of the 37 applicants to gain such support.

The wind turbine is just one project among many that the University is implementing or planning to implement to cut carbon emissions. Other projects include replacing the University's main boilers, installing a Combined Heat and Power (CHP) Unit and plans to install a biomass boiler.

The University is also expanding its carbon saving competitions for students, is currently targeting staff in order to enable them to improve energy efficiency in their work areas and is implementing dozens of small-scale energy and water saving projects to get everyone thinking about the way in which they use energy and how they can contribute to carbon reduction.

Completion of all these projects over the next three years would reduce carbon emissions by over 30 per cent, well on the way to the challenging higher education sector target of cutting carbon emissions by 43 per cent by 2020.



A GLOBAL UNIVERSITY



Students from Lancaster University on an international volunteering trip abroad have met the Prime Minister of Malaysia. The visit to Malaysia was organised by the Lancaster University Students' Union (LUSU) involve – the UK's biggest and most successful university volunteering unit.



Nigerian writer Bode Asiyinbi has won the 2011 BBC African Performance playwriting competition. Bode is studying on the Lancaster University Distance Learning MA in Creative Writing and he is a recipient of an International Scholarship for 2010-12.



The Division of Health Research, in the Faculty of Health and Medicine, welcomed over 65 PhD students from 15 countries to the start of their course at a week-long Research Summer Academy. They are undertaking either the new Doctorates in Public Health and Organisational Health and Well-Being or the second cohort of the PhD in Palliative Care.



CHANCELLOR VISITS GD GOENKA WORLD INSTITUTE TO CELEBRATE GRADUATES' SUCCESS



Lancaster University's Chancellor, Sir Christian Bonington CBE, visited GD Goenka World Institute of Higher Education (GDGWI) for the first time on Friday 3 June 2011. His visit marked the expansion of the partnership between Lancaster University and GDGWI to include three engineering degrees.

The new MEng degrees being offered in autumn 2011 will be in Mechanical Engineering, Electronic and Electrical Engineering and Computer Systems Engineering. Mechanical Engineering at Lancaster University is rated fifth in the UK Guardian league tables.

The first ever cohort of students to graduate with a Lancaster University degree in India were presented to Sir Christian at a public lecture and graduation dinner in Delhi that evening, where he gave a public lecture to key industry figures and Indian Lancaster graduates.

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 GDGWI, which has been established to cater for the rising demand for quality higher education in India, provide avenues to higher education for students in an environment conducive to learning and teaching, and to produce the business leaders of the future.

Lancaster University's Management School (LUMS) currently delivers undergraduate and postgraduate programmes at GD Goenka, including undergraduate economics and business economics, BBA business studies and a postgraduate diploma in business management. The MSc programmes are taught mainly by staff from Lancaster University, while the undergraduate and other courses are taught by staff from GD Goenka. The programmes are validated

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The new MEng degrees being offered at Goenka will be in Mechanical Engineering, Electronic and Electrical Engineering and Computer Systems Engineering. Mechanical Engineering at Lancaster University is rated fifth in the UK Guardian league tables.
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by Lancaster and students receive a Lancaster University degree.

Industrial placements will be arranged in the fourth year of study at GD Goenka, which places great emphasis on employability. Its Corporate Resource Centre networks with companies and organises personal development programmes, workshops and campus interviews for students in association with some of the leading HR professionals in India.

Lancaster University also provides extensive staff training to GD Goenka staff, and works closely with them to provide the curriculum and adapt it to the needs of students at GD Goenka. In addition, there are opportunities for students to visit Lancaster University through Summer School programmes and exchanges, while some students transfer to Lancaster to study the remaining part of their degrees.

MALAYSIAN STUDENTS EXPERIENCE VOLUNTEERING AND ENTREPRENEURSHIP AT LANCASTER UNIVERSITY

High fliers from one of Lancaster University's academic partners – Sunway College, Malaysia – have visited the Lancaster campus. There are now over 1,000 students studying on the Lancaster/Sunway dual programmes where students study in Malaysia and are awarded a degree from both Sunway and Lancaster.

The students visited to gain a glimpse of campus life and learn about the culture of volunteering and entrepreneurship at Lancaster from LUSU involve, Lancaster University's Student Union's award-winning volunteering and enterprise wing. The group, which included two Chancellors' Scholars, visited departments relevant to their studies, worked with local schoolchildren on community projects and met UK students who have volunteered abroad.

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 visit to Lancaster University during the final year of studies. 2011 Scholarship students were Lee Ker Ching, who is studying Accounting and Finance, and Vanessa Ong, who is studying Psychology. Students Kisheenjeet Dhillon, Sonia Lim, Aruna Puspalingam and Nicholas Goh also visited the University.

Lancaster University has the largest participation levels of active student volunteering of any UK university. Last year, 1,200 of the University's students took part in volunteering projects to help communities across the region.



Nicholas Goh in the University organic garden



Jonny Sasey and Candy Lee Ker Ching



Aruna Puspalingam and Anna Lewis

MAJOR NEW HUB FOR CHINESE LANGUAGE AND CULTURE

Lancaster University is to establish a major new centre for Chinese language and culture on campus, which will complement the extensive China research and teaching activities across the University.

The focus of the new Lancaster University Confucius Institute will be the development of credit-bearing Chinese language and culture programmes for students in all faculties and for staff. It will also offer programmes for the local

community, schools and businesses.

Aimed at people in the the north west, it will be distinctive through its commitment to developing programmes which are adapted to support innovation, management and sustainable development – areas of expertise in which both partners excel. The Institute is awarded jointly to Lancaster and its partner, the prestigious South China University of Technology (SCUT) in Guangzhou, and will be the 14th

Confucius Institute in the UK to be approved by the Office of Chinese Language Council International (Hanban).

On 23 March, a signing ceremony for the Confucius Institute was held in China. President Li Yuanyuan (SCUT) and Professor Paul Wellings, Vice-Chancellor of Lancaster, signed the agreement over the Confucius Institute on behalf of the two universities.

LANCASTER IS 'SHOWING THE WAY' WITH ITS PAKISTAN PARTNERSHIP, SAYS PM



Students and staff at Lancaster University watched a major foreign policy speech given by Prime Minister David Cameron during his one-day visit to Islamabad, via a live link-up from Lancaster's partner university, COMSATS Institute of Information Technology (CIIT) in Pakistan.

Speaking from the Islamabad campus on Tuesday 05 April, in the first speech ever given by a British Prime Minister at a Pakistani university, Mr Cameron used the opportunity to call for the existing bond

between the countries to strengthen, especially in business, culture, family and education.

Mr Cameron said that Lancaster and CIIT were 'showing the way' in higher education with their partnership.

In August 2010, 213 Pakistani undergraduate students started the first dual Lancaster University/Comsats institute of Information Technology (CIIT) degrees delivered in Pakistan.

These first ever UK university/public sector Pakistani university dual degrees give

students in Pakistan the opportunity to study for a highly regarded international degree for a fraction of the cost of studying in the UK. Students study at the Lahore campus and are awarded a degree from both institutions.

Lancaster's relationship with CIIT started in 2007, with Masters and PhD students coming to Lancaster, and now the first joint degrees in Electronic Communication Systems, Business Studies and Computing are being delivered in Pakistan, by local academics.

Lancaster aims to offer joint degrees exclusively with CIIT from all its four faculties, including the Faculty of Arts and Social Sciences and the School of Health and Medicine. Lancaster has responsibility to approve the curriculum and the content of the degree programmes and the quality assurance of the delivery.

CIIT started awarding degrees in 2000 and has grown so that it now has 14,000 students across six campuses in Pakistan, with expansion plans to include seven further campuses. Based on research citations, CIIT has been ranked at number six in Pakistan by the Higher Education Commission (HEFCE equivalent) and has alumni working in some of the top global companies.

CHINESE ACADEMY OF SCIENCES COLLABORATION TACKLES CRUCIAL ISSUES



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Lancaster University has a strong network of teaching and research partnerships with leading universities across China in a number of fields, including science partnerships with China Agricultural University, Nanjing University, North West Agricultural and Forestry University and the Chinese Academy of Sciences.

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Lancaster University is working in partnership with the prestigious Chinese Academy of Sciences (CAS) on crucial global issues, from food security to pollution. A memorandum of understanding, signed in 2010, pledged to bring Lancaster University's work in environmental science into closer partnership with parallel work taking place in China.

CAS has over 100 institutes, as well as a university and graduate school, and Lancaster enjoys a special partnership with CAS in Environmental Science and Technology.

The partnership was designed to create opportunities for collaboration between Lancaster and China, including postgraduate and staff training, summer schools, exchange programmes, business and enterprise, and joint research tackling global issues ranging from sustainable agriculture and land use to energy, waste and pollution.

Already, a new two-year International Masters Programme in Environmental Science and Technology has been set up, enabling students to split their study time between Lancaster University and CAS.

The collaboration has also attracted interest from Unilever, who are sponsoring three PhDs to be offered to Chinese students registered at Lancaster studying environmental science.

CAS and Lancaster have also set up a regular programme of joint research workshops both in China and the UK, addressing issues such as chemicals management, water treatment and environmental health.

The partnership is about to employ its first shared staff member who will help develop links between Lancaster and CAS, source further joint research income and support student recruitment. Future developments could see the partnership rolled out further to include other research groups and opportunities for university-affiliated businesses.

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 with Lancaster, 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 and help tackle environmental issues such as global food security and water quality. Professor Bill Davies of the Lancaster Environment Centre is leading the three-year research programme, which will tackle some of these problems.

Lancaster University has a strong network of teaching and research partnerships with leading universities across China in a number of fields, including science partnerships with 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 2008, the University launched a three-week Summer School 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.

AWARDS AND DISTINCTIONS



Professor Cary Cooper CBE has won the Lord Dearing Lifetime Achievement Award at the Times Higher Education awards ceremony in London.

Professor Cooper, who is Distinguished Professor of Organisational Psychology and Health at LUMS, was commended for the range and depth of his achievement.



Professor Sylvia Walby, UNESCO Chair in Gender Research and Distinguished Professor of Sociology has been appointed to the Board of The UK National Commission (UKNC) for UNESCO.

Professor Walby who was awarded an OBE for services to equal opportunities and diversity, is an Academician of the Academy of Social Sciences and a Fellow of the Royal Society of Arts. She has advised UNESCO, UNDP, UNDAW and UNECE on gender equality issues, especially gender-based violence against women.



A Lancaster University environmental scientist has been appointed on to Defra's Science Advisory Council (SAC).

Professor Louise Heathwaite is Co-Director of the Centre for Sustainable Water Management in the Lancaster Environment Centre. She was one of eight new appointments, including professors Christopher Gilligan, Ian Bateman, Peter Liss, Quintin McKellar, Judith Petts, Peter Smith and Lynda Warren. The appointments will run from 1 August 2011 to 31 July 2014.



HONORARY GRADUATES



Chris Smith – Doctor of Letters

Lord Smith of Finsbury is the current Chairman of the Environment Agency. He was an MP until 2005, serving as the first Secretary of State for Culture, Media and Sport in 1997. In 2000, he reintroduced free admission to many museums after securing a tax rebate. He was created a life peer in 2005 as Baron Smith of Finsbury and sits as an independent peer. A former President of the Ramblers' Association, he has been the Chairman of the Advertising Standards Authority since 2007 and he is also Chairman of the Wordsworth Trust in Cumbria.



Jimmy Armfield – Doctor of Laws

Jimmy Armfield, who was born in Lancashire, played the whole of his career at Blackpool, where he was voted Young Player of the Year in 1959 and spent a decade as club captain. He won 43 caps for England between 1959 and 1966 and captained his country 15 times. He played in the 1962 World Cup in Chile, where he was acclaimed as the "best right back in the world". He was included in the 1966 World Cup squad, which England won, but missed out on the tournament due to injury. Following an FA campaign to persuade FIFA to award medals to all the squad members, he was presented with his medal by the then-Prime Minister Gordon Brown at Downing Street in 2009. He was awarded the CBE for services to football in the New Year's Honours List.



Sue Ion – Doctor of Science

A prominent figure in the UK nuclear industry, Sue Ion chairs the UK's Fusion Advisory Board. Formerly a Group Director of Technology for BNFL, Dr Ion received an OBE in 2002 and was made a Dame in the 2010 New Year's Honours List. Originally from Cumbria, she attended Penwortham High School for Girls near Preston and now lives in Leyland. A Fellow of the Royal Society of Engineering, she is a keen advocate of the nuclear sector in the north west and was prominent in both the Sizewell projects and the THORP project at Sellafield. Her business career with BNFL, firstly at Springfields near Preston, then at Sellafield and Risley, has greatly benefited the region in terms of its academic research base, employment and international experts.



Terry Hill – Doctor of Laws

Civil engineer and economist Terry Hill FREng has established an international reputation, particularly for his work in the railway industry. As Technical Director of Union Railways Ltd, he carried much of the responsibility for the design and construction of the £4bn High Speed Rail Link between the Channel Tunnel and London. He is currently chair of Arup's global transport business after being Chair of the Group Management Board from 2004 to 2009, leading a firm of more than 10,000 people with clients across the world. He was recently appointed by the UK Government to chair the Infrastructure UK steering group, which will oversee an investigation into ways of reducing the cost of major civil engineering projects.



Sally Davies – Doctor of Science

Professor Dame Sally Davies DBE is the Chief Medical Officer for England and advises the Government, especially with regard to public health. She is also the head of the Medical Civil Service. As Director General of Research and Development at the NHS, she established the National Institute for Health Research with a budget of £1bn. Other new NHS initiatives under her leadership include experimental medicine and cancer research facilities and the Biomedical Research Centres. She has advised the World Health Organisation, as well as health organisations from the Caribbean to Australia and Singapore.



Lonnie Thompson – Doctor of Science

Lonnie Thompson, Distinguished Professor in the School of Earth Sciences at Ohio State University, has provided valuable evidence about long-term changes in the Earth's climate. He was the first scientist to retrieve ice samples from a tropical ice cap and analyse them for information about the prehistoric climate. His observations of major glacial retreat over the past three decades confirm that glaciers around the world are melting and he was a key advisor to Al Gore for his film on climate change called An Inconvenient Truth.

CHANCELLOR'S MEDALLISTS

The Chancellor's Medal, marking the long service of the former Chancellor, HRH Princess Alexandra, is presented annually to the most meritorious students who this year are:

UNDERGRADUATE



Benjamin Pickering
BSc Mathematics



Sarah Jane Meehan
BA Social Work



Angela Loxham
BA History



Nga Kit Chan
BSc Management Science



Andrew Woods
MPhys Physics



Zhifang Zhang
BA Accounting and Finance



Kate Ami De-Vere Smith
BSc Biological Sciences

POSTGRADUATE



Alfonso Gugino
MSc Human Computer Interaction



Paul Andrew Webb
MSc Ecology and the Environment



Kelly Heys
MSc Biomedicine



Naomi Kruger
MA Creative Writing (Distance Learning)

Frederik Bauknecht
MSc Management (not pictured)

NATIONAL TEACHING FELLOWSHIP



An economics lecturer from Lancaster University has been awarded a National Teaching Fellowship worth £10,000 by the Higher Education Academy.

Dr Jill Johnes from Lancaster University Management School is the tenth member of staff from the University to have received the award, which is a mark of excellence in higher education teaching and support for learning.

This year's 55 award winners were chosen from over 200 nominations from higher education institutions across England, Northern Ireland and Wales. Each will receive an award of £10,000, which may be used for Fellows' professional development in teaching and learning or aspects of pedagogy.

Dr Johnes' early research into the determinants of student achievement and non-completion sparked an interest in

experimenting with teaching methods and assessments to stimulate student motivation.

This inspired her pioneering use of electronic teaching resources, such as virtual learning environments (VLEs) and online assessment, about which she has had work published. Throughout her career she has shown innovation in devising assessments that motivate the students, demonstrate subject relevance and lead to the achievement of desired learning outcomes. Her early work in this area earned her a Sir Alastair Pilkington University of Lancaster Teaching Award.

CHAIRS & READERSHIPS

PERSONAL CHAIRS

Jonathan Culpepper
English Language and Literature

Timothy Dant
Sociology

Francis Martin
Biological Chemistry

Graham Mort
Creative Writing and Transcultural Literature

Peter Sawyer
Software Systems Engineering

Elena Semino
Linguistics and Verbal Art

Kenneth Wilson
Evolutionary Ecology

READERSHIPS

Plamen Angelov
Computational Intelligence

Paul Baker
Corpus-Based Discourse Studies

Vadim Cheianov
Theoretical Physics

Konstantinos Dimopoulos
Particle Cosmology

Anne-Marie Fortier
Social and Cultural Studies

Crispin Halsall
Environmental Organic Chemistry

Carolyn Jackson
Social Justice Education

Anupam Mazumdar
Astro-Particle Physics and Cosmology

Edward McCann
Theoretical Condensed Matter Physics

Lyudmila Mihaylova
Advanced Signal Processing

Alison Stone
European Philosophy

James Wild
Space Plasma Physics

FIRST DOCTORS GRADUATE FROM LANCASTER MEDICAL SCHOOL

Hospitals in the Morecambe Bay area have managed to fill their places for newly qualified doctors thanks in part to the first medical students graduating this year from Lancaster University.

Previous years have seen posts left unfilled as hospitals struggled to find enough doctors just out of medical school and ready to embark upon two years of training.

The graduation of the first group of students from Lancaster Medical School marks a significant success in the new era of medical education in the Morecambe Bay area that benefits students, doctors and ultimately patients. A total of 31 students graduated as doctors, with several opting to train locally.

The inaugural graduation was marked with a ceremony attended by senior figures from regional health authorities and GP commissioners. The guest of honour, the Chief Medical Officer for England Professor Dame Sally Davies, was presented with an honorary degree at the ceremony.

Professor Anne Garden, Dean of Lancaster Medical School, said: "This is a fantastic milestone not just for these students and their families but for Lancaster University and the local health service. We look forward to further developments in medicine at Lancaster which will be of benefit to the health of the communities of Cumbria and North Lancashire."

The graduation of the first group of students from Lancaster Medical School marks a significant success in the new era of medical education in the Morecambe Bay area that benefits students, doctors and ultimately patients.



Newly qualified doctor Frances Hunt (pictured left) is returning to her home town of Barrow in Cumbria for her hospital training and Naomi Fleming (pictured right) from Clitheroe is to train for two years at the Royal Lancaster Infirmary.

STUDENTS SAY LANCASTER IS BEST FOR ACCOMMODATION

Lancaster University has won a clutch of awards for its accommodation, in the National Student Housing Survey 2011.

Over 15,000 students from more than 120 universities and colleges across the UK took part in the survey, which measures satisfaction levels in all types of accommodation.

Lancaster retained the title of 'Best University Halls' for the second year running, an award given to the institution demonstrating the highest levels of student satisfaction among residents.

This year Lancaster has also been awarded 'Best Learning Environment' for the Grizedale Townhouses, 'Best Individual Accommodation', again for the Grizedale Townhouses, and 'Best Booking Experience'.

The University is one of only five institutions to have been given an International Accommodation Quality Mark for achieving over 90 per cent satisfaction rates among international students.



ENHANCING EMPLOYABILITY



Lauren Dalton-Jarvis and Jenni Day

Two hundred students received the Lancaster Award this year which prepares students for the job market by ensuring they develop the skills employers want, whether through work experience, volunteering or social activities.

Administered by the Centre for Enterprise, Employability and Careers, the Award requires students to complete a skills audit and job application before appearing before a mock job interview panel of an employer and careers adviser.

HONORARY PROFESSORIAL FELLOWSHIP FOR INFLUENTIAL ALUMNA



The first woman to head a Saudi investment bank and one of the most influential women in the world has been awarded an Honorary Professorial Fellowship by Lancaster University.

Distinguished Lancaster alumna, Dr Nahed Taher, Founder and CEO of Gulf One Investment Bank, was ranked 24th in the Financial Times' Women at the Top Report in November 2010.

She was one of just four Arab women to be recognised by Forbes in its list of the 100 most influential women in the world in 2006.

Dr Nahed, who has a PhD in Economics from Lancaster University Management School, was awarded an Honorary Professorial Fellowship by the Vice-Chancellor, Professor Paul Wellings, to mark the outstanding national and global contribution she has made to the world of banking and finance.

AURORA EXPLORERS

Scientists from Lancaster University were selected to showcase their research before more than ten thousand visitors at the flagship Royal Society Summer Science Exhibition in London in July 2011. The exhibition showcases the best in UK research before the public and VIP guests, including senior policymakers.

Dr Jim Wild, Dr Andrew Kavanagh, Dr Emma Woodfield and PhD student Nathan Case, all from the Department of Physics,

joined colleagues from University College London, Imperial College, the University of Leicester and the Rutherford Appleton Laboratory to staff their exhibit.

The exhibit, called Aurora Explorer, is one of only 22 chosen from almost 100 applications. It is based on the scientists' research into the Northern Lights, or Aurora Borealis, a dazzling display of coloured lights produced at high latitudes where electrically charged particles from space meet the atmosphere.



AWARDS FOR OUTSTANDING STAFF PERFORMANCE



For the first time, students have been asked to nominate an inspirational teacher for the new Lancaster Teaching Award. The new award, along with the annual staff prizes for outstanding performance, were presented by the Pro-Chancellor Bryan Gray at a summer staff party held at LICA.

Dr Willem Hollmann from the Department of Linguistics and English Language was presented with the Lancaster Teaching Award, which is organised by the University and LUSU. He makes use of a novel way of teaching, involving podcasts, and is so successful that exam marks are up across the board.

Students commented that his enthusiasm encourages them to study more about grammatical theory. One said: "He teaches in a way that makes a topic understandable, fun and inspiring."

Several staff received the 2011 staff prizes, including Laura McGowan and Kathryn Lambert from the UK Student Recruitment and Outreach Office for their hard work on a project to raise student applications from the islands of Jersey, Guernsey and the Isle of Man.

Graham Smith (PPS) received a prize for his work in creating a new Department of

Politics, Philosophy and Religion where, as Undergraduate Director, he was commended for his "exceptional organisational and diplomatic skills".

A prize also went to the University Pre-School Centre, which is rated Outstanding and is a regional centre of excellence.

Lee Horsley (English and Creative Writing) was awarded a prize for her work in IT and web-related activities over the past decade, which have completely overhauled the departmental website and helped to set up e-learning initiatives.

Judith Menzel (DELC) received a prize for making language learning more interesting for her students, including organising a writer-in-residence programme, a German film club and departmental litfest.

Claire Waterton, Judith Tsouvalis, Lisa Norton, Stephen Maberly, Ian Winfield, Nigel Watson and Ken Bell were all awarded prizes for the Understanding and Acting in Loweswater project, where the team encouraged local people to become involved in addressing environmental problems.

David Brown (LUMS) was awarded his prize for his personal contribution and leadership in connection with the University's links with China.

Steve Quayle (Engineering) received a prize for increasing student recruitment in his role as Admissions tutor and Part One Director of Studies.

Louise Briggs (LUMS) was awarded her prize for delivering outstanding careers support for over 3,000 students based in LUMS, working with over 100 graduate employers.

Saskia Vermeylen (LEC) received a prize for her work as an international legal scholar, investigating the land rights of peoples in Africa and leading projects directed towards improving their livelihood.



Dr Willem Hollmann from the Department of Linguistics and English Language was presented with the Lancaster Teaching Award. He makes use of a novel way of teaching, involving podcasts, and is so successful that exam marks are up across the board.



TECHNIQUE TO DIAGNOSE OSTEOARTHRITIS SHORTLISTED FOR RESEARCH AWARD

Research to develop a new device for GPs that detects osteoarthritis and monitors its progression by listening to the noises emitted by patients' knees was shortlisted for The Times Higher Research Project of the Year 2011.

A team from Lancaster University and UCLan, led by Professor John Goodacre in Lancaster's Faculty of Health and Medicine 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.



Professor John Goodacre



MAJOR AWARD RECOGNISES NANOSCIENCE RESEARCH

Professor Vladimir Falko, Head of Theoretical Physics at Lancaster University, has received a Royal Society Wolfson Research Merit Award worth £127,000 in recognition of his achievements in nanoscience.

Professor Falko was chosen for his work on exploring the theory of the electronic properties of nanostructures and low-dimensional materials, such as graphene, which has the thickness of only one or two atoms.

Jointly funded by the Wolfson Foundation and the Department for Business,

Innovation and Skills, the scheme aims to attract and retain respected scientists of outstanding achievement and potential to this country.

Ever since the emergence of graphene in 2004, Professor Falko has been a major player in the field; he and his research team have discovered the unique electronic properties of bilayer crystals, predicted unusual transport characteristics of graphene p-n junctions and laid the foundations for the understanding of the transport and optical properties of this new material.

HONORARY FELLOWSHIPS 2011

Lancaster University has awarded five Honorary Fellowships to people who have given distinguished service to the University or region. The Chancellor, Sir Christian Bonington, presented the fellowships at a dinner attended by HRH Princess Alexandra, Founding Chancellor from 1964 to 2004.

The five recipients for 2011 were Gordon Johnson DL, the former head of Lancashire County Council; Pamela Barker DL, former head of Lancaster Girls' Grammar School; Michael Forster, the University's first Deputy Secretary and Academic Registrar; Jacqueline Whiteside, who was University Librarian from 1994 to 2009; and Lady Joan Smith, who has supported the University through the establishment of the Professor Sir Roland Smith Chair in Strategic Management and the Chief Executive Lecture Series.

Image, from left: Vice-Chancellor Paul Wellings, Gordon Johnson, Chancellor Sir Christian Bonington, Michael Forster, Pro-Chancellor Bryan Gray, Public Orator Emeritus Oliver Westall, Pamela Barker, Jacqueline Whiteside, HRH Princess Alexandra and Lady Smith.



EDGE HILL SHORT STORY PRIZE



Professor Graham Mort from the Department of English and Creative Writing has won the Edge Hill Short Story Prize 2011 for his short story collection Touch.

The shortlist included authors such as Michele Roberts, Polly Samson, Helen Simpson and Tom Vowler.

Professor Mort is acknowledged as one of contemporary verse's most accomplished practitioners. A specialist in distance learning, he led the Lancaster University/British Council African writers mentoring scheme, Crossing Borders (2001-2006), followed by the Radiophonics project in Uganda and Nigeria, and has led workshops across Africa.

Writing mainly poetry, he has also written short fiction and radio drama for BBC Radio and won the 2007 Bridport Prize for his short story The Prince.



SPORT AT LANCASTER IS FIT FOR THE FUTURE



The new £20m Sports Centre opened its doors to staff, students, schools and the local community, on 1 August 2011.

Elite performers will have excellent facilities in which to train and develop while recreational users, both from the University and the local community, will have increased opportunity and choice, which will help support the wellbeing of all and promote sports development.

Innovative facilities include computerised touch pad timing and a 'floating floor' to vary the depth in the 25-metre eight-lane pool.

ADVANCING KNOWLEDGE THROUGH RESEARCH



The largest ever survey of social care users and personal budgets has been carried out by Professor Christopher Hatton from the Centre for Disability Research at Lancaster University and the social care charity In Control.

The findings will help councils to re-shape their approach to social care, as informed by local people.



Road and rail users will be able to share information about their journey and update each other about delays thanks to a £1.6m research project at Lancaster University.

Our Travel will be available as an app for mobile devices like iPhones, providing up-to-the-minute information so people can decide how and when they will travel.



Lancaster University's Spectrum Centre for Mental Health Research has been given a significant charitable donation to help improve the lives of people with bipolar disorder and their relatives.

The award - made by the Violet and Milo Cripps Charitable Trust in memory of Lord Milo Douglas who had bipolar disorder - has funded the appointment of post doctoral researcher Gerasimos Chatzidamianos (pictured).





LANCASTER TO LEAD £4M CONSORTIUM FOR THE CREATIVE ECONOMY

Lancaster University, in partnership with Newcastle University and the Royal College of Art, has been awarded £4m to lead a regional consortium aimed at boosting the UK economy through the growth of the digital and creative industries.

Lancaster is one of four universities in the UK chosen by the Arts and Humanities Research Council (AHRC) to lead a Knowledge Exchange Hub for the Creative Economy for the next four years. Each will lead consortia that will include other universities, creative businesses, arts and culture organisations, and other agencies.

This Lancaster-led hub called The Creative Exchange, will include collaboration with the BBC, Microsoft, MediaCityUK, FutureEverything, Tate Liverpool, Opera North, Storey Creative Industries Centre, The Sharp Project, Lancaster City Council, NESTA, National Media Museum, Manchester Digital, Arts Council England and over 30 small and medium sized companies working in the sector, such as Stardotstar and Mudlark.

Leader of The Creative Exchange and the Chair of the Hub Council is Professor Rachel Cooper, Chair of the Lancaster

Institute for the Contemporary Arts. She said: "This Hub is a unique opportunity to bring three of the UK's top design research labs and academics from across the arts and humanities together with organisations and business to address the changing digital landscape. This will result in the development of new products and services centred around citizen-led content, driving regional and national economies."

The UK's creative economy, which includes everything from design and gaming to digital media, broadcasting, theatres and libraries, is relative to GDP, probably the largest creative sector in the world.

The Hub will respond to the ability of everyone to access the digital space and create their own content online by linking up businesses, organisations and researchers with members of the public in order to test out new ideas and develop new services and products.

“
This Hub is a unique opportunity to bring three of the UK's top design research labs and academics from across the arts and humanities together with organisations and business to address the changing digital landscape.
”

PSYCHOLOGISTS INVESTIGATE POLICE INTERVIEW TECHNIQUES

Lancaster psychologists have discovered that police techniques used to encourage witnesses of a crime to remember the event can lead to more mistakes. The research highlights a major issue for the criminal justice system, since inventions in witness memory are the biggest problem facing police interviewers.

Witnesses are usually asked to remember an event in reverse order, in order to prevent them from making up details to make the story run more smoothly. But this technique, used by police in the UK, Australia, New Zealand, Norway, Spain and Sweden, can in fact lead to more inaccuracies.

This is the finding of psychologists Dr Coral Dando and Professor Tom Ormerod, from SCORPIO (Centre for Social and Cognitive Research in the Public Interest). Together with colleagues from South Bank University and the University of Portsmouth, they found that instead of improving recall, being asked to tell the story backwards leads to more mistakes.

They showed 54 volunteers a short film of a staged mobile phone robbery. The participants were then split into three groups and, two days later, interviewed about what they remembered from the film and asked to describe it twice, but in different ways.

The first group were asked to remember the robbery freely, and then in reverse order; the second group were told to remember the robbery in reverse order and then freely; while the control group were told to remember the robbery freely on both occasions.

All the interviews were examined for three memory features: inaccuracies, such as saying a dog was brown when it was black; correct details; and total inventions that bore no resemblance to the film.

The researchers found that reverse order recall had a significant effect on the average number of correct items that were remembered and the number of inventions.

The control group, with no reverse order recall, remembered the most accurately, with an average of 48.7 correct observations about the incident; the second group managed only 42.2; while the first group, which began with free recall but were then asked to remember in reverse order, performed worst, with only 38.7 correct observations on average.

The majority of invented detail arose during the part of the interview involving reverse order recall in all three groups. Not only that, but the second group – asked to remember the robbery in reverse order and then freely – invented six times as many items as the other two groups.

“
The research highlights a major issue for the criminal justice system, since inventions in witness memory are the biggest problem facing police interviewers.
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FLAVOUR CHANGING GHOST PARTICLES COULD GIVE CLUE TO THE ORIGIN OF MATTER

Lancaster University is one of the UK partners on the T2K neutrino experiment in Japan, which is looking closely at neutrinos for answers to the question: Where did all the matter in the universe come from?

Image courtesy of University of Tokyo

A six ton particle detector built by Lancaster Physicists is playing an important role in an international experiment designed to probe one of the biggest mysteries in fundamental physics. Lancaster University is one of the UK partners on the T2K neutrino experiment in Japan which is looking closely at neutrinos for answers to the question - where did all the matter in the universe come from?

Neutrinos are among the fundamental building blocks of matter. Known as ghost particles because they are so difficult to observe and interact so weakly with other matter, they are nevertheless all around us and passing through our body all the time.

Lancaster's detector was the first of 13 electromagnetic calorimeter modules all of which were built in the UK and which now form part of the near detector at T2K.

The module, which consists of layers of plastic scintillator bars interspersed with layers of lead alloy enclosed in a carbon-fibre skin, was built and partially calibrated at Lancaster by a large team of staff,

technicians, PhD students and researchers managed by Dr Laura Kormos. Its main purpose is to identify and measure the energy of electrons and gamma rays produced by neutrino interactions in target material upstream of the module.

Shortly before the Japanese earthquake struck in 2011 and brought research to a temporary halt, researchers announced they had seen the first piece of evidence that it is possible for neutrinos to change into any one of three different states, or 'flavours'.

Two types of oscillations have already been observed but in its first full period of operation, the T2K experiment has already seen evidence for a new type of oscillation: the appearance of electron neutrinos in a muon neutrino beam.

The intriguing results indicate a new property of the enigmatic particle. If confirmed, they represent a significant leap forward in understanding

Physicists believe these flavour changes could possibly account for the

mysterious dominance of matter over anti-matter in the universe.

In related work, a Lancaster researcher, Dr Nick Grant, has evaluated the number of events that would be expected in Super Kamiokande in the absence of this type of neutrino flavour-change, which contributes to this result. Meanwhile, another Lancaster researcher, Dr Alex Finch, has provided the T2K software which produces a graphical image of neutrino events in the near detector.

Established in 2004 by Professor Peter Ratoff, the group's work is managed and co-ordinated by Dr Laura Kormos.

T2K, which is led by Japan and partly funded by the UK's Science and Technology Facilities Council, is probing the enigmatic neutrino 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 Super Kamiokande, situated in the Kamioka mountains near Japan's west coast.

NEW STUDY REVEALS MEPHEDRONE AS UK DRUG OF CHOICE

Mephedrone has leapfrogged over every other drug to become the number one drug choice among gay club-goers, often considered to be 'early adopters' of drug trends, according to new research.

The study, led by researchers at Lancaster University and Guy's and St Thomas' NHS Foundation Trust, showed that, despite being banned by the UK government, the popularity of mephedrone has surpassed other drugs, both legal and illegal.

The results, published in the Journal of Substance Use, were taken from three surveys of 308 customers of two gay-friendly clubs in South London, in July 2010. It is the first survey of its kind investigating 'legal highs' in clubs in the capital to be carried out in the field.

In most surveys, the ranking of most popular drug choices are cannabis followed by cocaine and ecstasy,

regardless of whether the sample group is a low drug-using group or a high drug-using group.

However, in this new piece of research, which was part-funded by the British Academy, mephedrone has emerged from near obscurity to become the most popular illegal drug; 41 per cent of those surveyed had taken it in the past month and 27 per cent had either already taken it on the night of the survey or were planning to take it later.

Second generation 'legal highs' were far less popular with clubbers despite the fact they are still legal in the UK; 11 per cent of the sample had taken NRG-1 in the past month and three per cent had taken and/or planned to take it on the night of the studies.

The findings are particularly significant given that gay clubbers are renowned 'early adopters' of drug trends, as it means the results are likely to have implications for the wider population in the future.

Dr Fiona Measham of Lancaster University's Department of Applied Social Science said: "In summer 2010 mephedrone had overtaken all other illegal drugs to become the number one drug on the South London gay clubbing scene, higher even than ecstasy. Despite being banned, mephedrone's popularity continued and there was no shortage of supplies and no interest in or evidence of displacement to the second generation of legal highs.

"This study highlights the complex relationship between drug policy and drug user behaviour. People do not simply stop using drugs when they become illegal, but it does affect the market in terms of price, purity and availability."

Dr Karenza Moore added "Early adopters of drug trends appear to be undeterred by the legal classification of emergent psychoactive substances. Given the global nature of the trade in 'legal highs', this study also has implications for other countries where mephedrone use is emerging."

A previous paper by Dr Fiona Measham and Dr Karenza Moore on their mephedrone research has won the European Monitoring Centre for Drugs and Drug Addiction 2011 Scientific Paper award.



Dr Karenza Moore and Dr Fiona Measham

In this new piece of research mephedrone has emerged from near obscurity to become the most popular illegal drug.

WORLD WAR TWO BOMBING RAIDS OFFER NEW CLIMATE INSIGHTS

Climate researchers have turned to the Allied bombing raids of the Second World War for a unique opportunity to study the effect thousands of aircraft had on the English climate at a time when civilian aviation remained rare.

The study, published in the International Journal of Climatology, reveals how civilian and military records can help assess the impact of modern aviation on the climate today.

The research, led by Professor Rob MacKenzie from the Lancaster Environment Centre and Professor Roger Timmis of the Environment Agency, used historical data to investigate the levels of Aircraft Induced Cloudiness (AIC) caused by the contrails of Allied bombers flying from England to targets in Europe. The team focused their research on 1943 to 1945 after the United States Army Air force (USAAF) joined the air campaign.

"Witnesses to the huge bombing formations recall that the sky was turned white by aircraft contrails," said Professor MacKenzie. "It was apparent to us that the Allied bombing of WW2 represented an inadvertent environmental experiment on the ability of aircraft contrails to affect the energy coming into and out of the Earth at that location."

Aircraft can affect cloudiness by creating contrails, formed when the hot, aerosol-laden air from their engines mixes with the cold air of the upper troposphere.

While some contrails disappear swiftly, others form widespread cirrus clouds, which intercept both the energy coming into the planet as sunshine and that leaving the planet as infrared heat.

When the USAAF joined the Allied air campaign in 1943 it led to a huge increase in the number of planes based in parts of the UK and provided a strong contrast between areas with busy skies and areas with little or no flight activity.

Today, despite a growth in air travel, quantifiable data on the impact of AIC remains rare. In September 2001 United States airspace was closed to commercial aircraft following terrorist attacks, presenting scientists with a unique moment to study the effect of aircraft contrails in normally busy sky. Professor MacKenzie and his colleagues have found an opportunity to study the opposite impact of contrails on the usually empty skies of the 1940s and have found that it is indeed possible to see the effects of AIC in surface weather observations, but that the signal is weak.

To distinguish the effect of aviation more clearly, the team focused on larger raids from the many flown between 1943 and

1945. They selected raids that involved over 1,000 aircraft and which were followed by raid-free days with similar weather that might be used for comparison. The resulting top 20 raids revealed 11 May 1944 as the best case study.

The team found that on the morning of the 11th, 1,444 aircraft took off from airfields across south-east England into a clear sky with few clouds. However, the contrails from these aircraft significantly suppressed the morning temperature increase across those areas that had heavy flight traffic.

"This is tantalising evidence that Second World War bombing raids can be used to help us understand processes affecting contemporary climate," concluded Professor MacKenzie. "By looking back at a time when aviation took place almost entirely in concentrated batches for military purposes, it is easier to separate the aircraft-induced factors from all the other things that affect climate."

IMPROVING OPEN ACCESS TO RESEARCH OUTPUTS

Lancaster has taken steps to increase its research impact and maximise access to its research to society across the globe by making the intellectual output of the University freely available over the Web.

EPrints is an Open Access repository which captures and preserves working papers, conference papers, journal articles, and any other digital form of research output. In July 2011, 23,700 Lancaster outputs were listed with 4,600 as full text.

Lancaster's is the 4th biggest university repository in the UK and 46th in the world according to the Registry of Open Access Repositories. In the last year Lancaster research outputs were accessed over 117,000 times.



RESEARCH TO MAKE CLIMATE CHANGE FORECASTS MORE ACCURATE



Professor Robert Fildes

A new study by Robert Fildes and Nikolaos Kourentzes at the Lancaster Centre for Forecasting in LUMS applies the latest thinking on forecasting to the work of climate change scientists.

The forthcoming Intergovernmental Panel on Climate Change report will focus more on ten and 20 year ahead climate predictions which have direct and important consequences for policies and planning in the public and private sector.

There is a need for more accurate forecasts which, Fildes and Kourentzes argue, is best achieved by combining the established methods of climate modellers with the statistical methods of forecasters.

THREE-YEAR CYCLING AND WALKING STUDY FINDS IMAGE IS AN OBSTACLE



Our desire to fit in could be hampering Britain's chances of shifting to more sustainable forms of travel.

A three-year Engineering and Physical Sciences Research Council-funded study has found that, as well as the usual concerns of squeezing walking or cycling into complex household routines, negotiating traffic and the British weather, a significant proportion of people are put off from ditching the car because it is not seen as 'normal'.

The research by the universities of Lancaster, Leeds and Oxford Brookes also concluded that if we are serious about tempting more people out of their cars, then we need to listen to the majority who don't already choose greener modes of transport rather than the minority who do.

The study, based on 1,417 questionnaires, 80 semi-structured interviews and 20 household ethnographies collected in Leeds, Leicester, Worcester and

Lancaster from a cross-section of society, found that while attitudes to walking and cycling are mostly positive or neutral, many people who would like to engage in more active travel fail to do so due to a combination of factors.

The three most common obstacles to walking and cycling over a short journey were:

- Safety when walking or cycling
- The difficulty of fitting walking and cycling into complex household routines (especially with young children)
- The perception that walking and cycling are in some ways abnormal things to do

A number of people interviewed as part of the study said they felt walking or cycling as a form of transport was seen as 'unusual' or even 'weird' and cited image problems such as arriving hot and sweaty for meetings, squashed cycle helmet hair and even 'feeling like a second class citizen' as reasons they preferred to drive.

Britain lags behind its European counterparts when it comes to hopping on the bike for short routine journeys. For instance, in Sweden and Finland, nine per cent of all trips are by bicycle; in Germany it is ten per cent; in Denmark 18 per cent; and in the Netherlands 26 per cent; while in the UK, cycling only accounts for 1.5 per cent of all journeys. Efforts to encourage more of us to get on our bikes, including investment of £150m in promoting cycling in British towns and cities since 2005, have so far had limited success.

Most of the investment in cycling has been focused on physical infrastructure and training schemes, but until now there has been little understanding of how people make decisions about everyday travel or why they respond poorly to initiatives that have been undertaken.

Lancaster University's Professor Colin Pooley, who led the study, said: "Our study set out to discover not only the reasons why people were persuaded to walk or cycle but, perhaps more importantly, the reasons why people do not do these things. Many people interviewed as part of our study expressed a desire to walk or cycle but were not doing so. Clearly something was stopping them from making that choice."

“

The research suggests that if we are serious about tempting more people out of their cars, then we need to listen to the majority who don't already choose greener modes of transport.

”

DEPRIVATION KEY TO LACK OF VACCINATIONS IN YOUNG CHILDREN

Research carried out by Lancaster University and NHS Central Lancashire has shown that deprivation is a critical factor in understanding why some children arrive at school without having completed all their routine vaccinations.

Health experts in central Lancashire are concerned that not enough children have received their pre-school booster vaccination and two doses of MMR by the time they reach their fifth birthday, leaving them at risk of complications from diseases like measles mumps and rubella, which can leave children blind, deaf and even lead to death.

The findings have now been published in the report Factors Determining the Uptake of Childhood Vaccinations: A Comparative Analysis of the Parents of Fully and Partially Immunised Children in Preston, by Professor Roger Penn of Lancaster University.

The research, involving a survey of 242 parents of young children in Preston, explored why some children failed to complete the childhood immunisation programme and what factors affected the likelihood of their completion of the full course of immunisations. Of those surveyed, 118 were parents of partially immunised children and 124 were parents of fully immunised children.



Professor Penn said: "Deprivation, not ethnicity or religious affiliation, is the main factor determining childhood vaccination uptake. The research illustrates the value of the strong partnership between NHS Central Lancashire and Lancaster University in understanding and evaluating important public health issues and the results offer clear guidance on how to solve the problem."

Key findings include:

- Those living in the poorest areas of Preston were significantly more likely to have partially immunised children
- Parents who had found making an appointment difficult and parents who

had received no information on childhood vaccines were significantly less likely to have fully immunised children

- Complaints that waiting areas in surgeries and clinics were not 'acceptable', with lack of toys and long waiting times
- Many respondents would have liked the choice of having their child immunised at home
- Very few respondents referred specifically to the MMR scare, but more than one-fifth expressed concerns about possible side effects of vaccines

Ethnicity, religion, language and country of origin were not significant factors.

HIGH END COMPUTING

High End Computing (HEC) is a hugely powerful technique which is already key to much of the high profile research at Lancaster University.

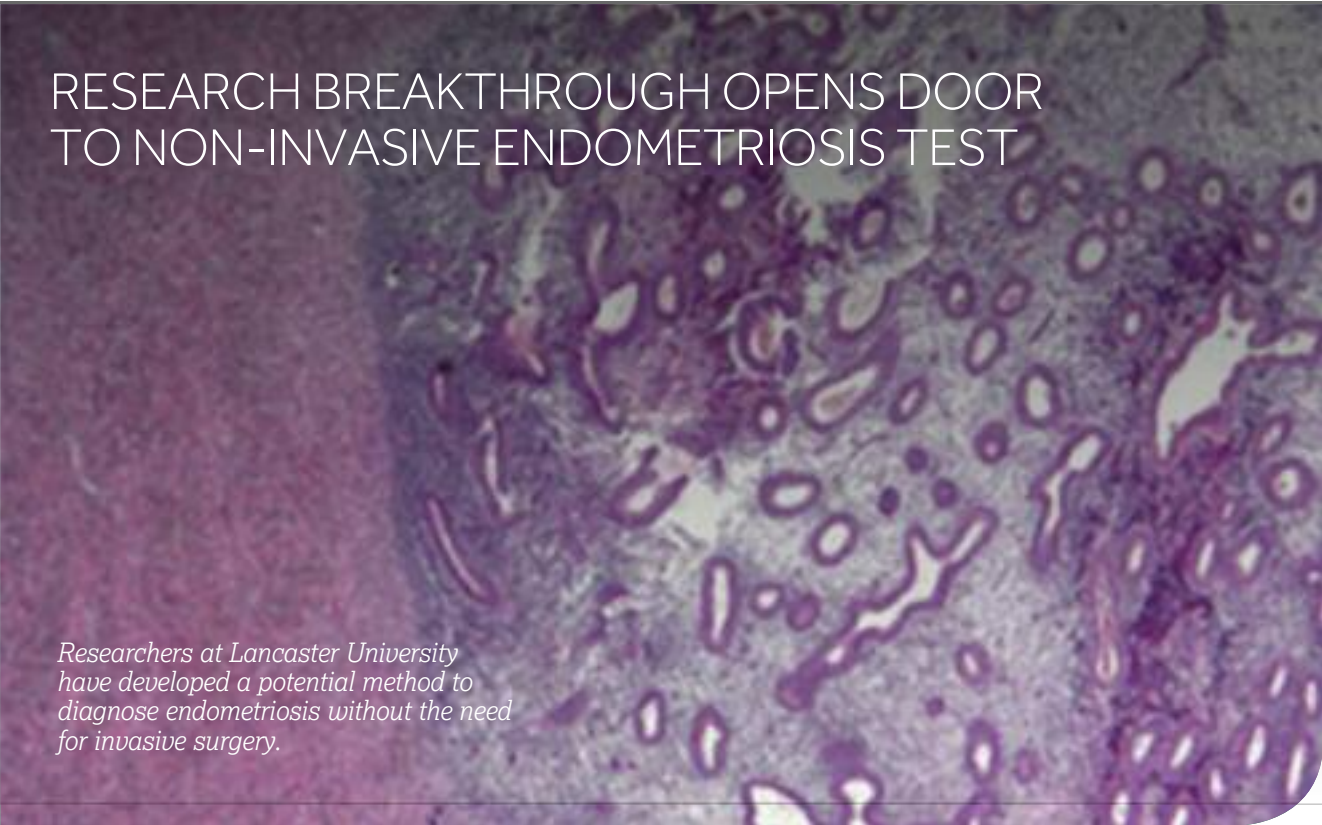
This technique uses leading-edge IT resources and tools to pursue research, including computer simulation and modelling, manipulating and storing large amounts of data, and many other methods to solve research problems that would otherwise be impossible.

Lancaster's High End Computing Cluster is unusual because the University is one of

only a few UK institutions to successfully run an integrated service capable of handling both high-throughput computing and high-performance computing. This creates a powerful facility which is one of the leading university sites in the LHC Computing Grid, a worldwide distribution network designed by CERN to handle the massive amounts of data produced by the Large Hadron Collider (LHC). The HEC is being used in many areas, for instance to investigate the properties of the new material graphene and for work on

biological and genetic diversity as part of a UN study.

The HEC Cluster includes programs which might run for weeks at a time, require up to 96 GB of memory, or access to datasets of hundreds of TB in size. The service combines the previously separately supported services of local high performance computing (HEC) users, the local Particle Physics research group (GridPP) and Lancaster's contribution to the National Grid Initiative and the European Grid Initiative.



Endometriosis – the growth of endometrial tissue outside the uterus – affects about ten per cent of young women and can be associated with severe abdominal pain, infertility and even cancer.

Diagnosis of endometriosis is difficult, with no effective screening test currently available. For women who are thought to have the condition, invasive laparoscopic surgery remains the only standard accurate diagnostic investigation.

Infrared (IR) spectroscopy has become recognised as a potential clinical diagnostic or screening tool for the disease, but researchers needed to find out if the tissue in women affected by endometriosis had a sufficiently distinctive biochemical cell ‘fingerprint’ from the derived IR spectra in order for the technology to work as a reliable test.

Professor Francis Martin from Lancaster University and colleagues used IR spectroscopy together with computational analysis to analyse the difference between uterine tissues affected by endometriosis compared to normal tissue in the uterus.

Professor Martin and his team – which included Professor Pierre L Martin-Hirsch, consultant gynaecologist at Lancashire Teaching Hospitals NHS Trust – analysed uterine samples from hysterectomy patients; seven women without endometriosis compared to eight who were diagnosed with the condition.

They compared endometrial tissue growing outside the uterus with the endometrial tissue within the uterus using IR spectroscopy to give a biochemical cell ‘fingerprint’ for each sample. They also compared the samples to tissue from endometriosis-free women.

The team found that endometriotic tissue possesses a unique spectral signature and, more importantly, that there was a marked difference between endometrial tissue from the uterus of patients with endometriosis and tissue taken from those without it.

The results of the study funded by the Rosemere Cancer Foundation have been published in The Royal Society of Chemistry journal, Analyst (2011).

Professor Martin said: “We found that the uterus of women with endometriosis

express a spectral signature distinct from that of the non-endometriotic uterus. This indicates that IR spectroscopy, coupled with objective computational analysis, may provide a non-invasive diagnostic tool for endometriosis.

“These spectral fingerprint signatures can then be processed using computational algorithms that allow one to quickly visualise the data to determine which spectra are similar or dissimilar to each other. Consequently, one can determine that the normal tissue IR spectra and those outside this range may be determined as atypical.”

Professor Martin hopes that the technique can be used on samples that can be obtained directly from patients in a non-invasive way. “Screening cytology from the cervix is already well established. It is also possible to obtain cytology in a similar fashion from the uterus, or even small biopsies,” he said.

He added that cases of endometrial cancer were on the rise and this approach could also be used as a cancer screening tool.

UNIVERSITY SOFTWARE GOES GLOBAL

Patented software developed by Lancaster University for use in industry has been licensed by the US multinational Ford. The software – called EST, or Evolving Systems Toolbox – is capable of self-learning and so requires minimal human intervention. It is being used to monitor the ‘health’ of vehicles and machines that produce vehicles, as well as to monitor reactions such as how drivers press pedals.

The technique is based on the latest academic research and has applications in everything from transport and logistics to defence and the internet. It was developed by a team of students and researchers led by Dr Plamen Angelov, Reader in Computational Intelligence at the School of Computing and Communications at InfoLab21, who is an expert on evolving intelligence systems.

Other applications based on the research include self-learning virtual or ‘smart’ sensors in industry, which are able to self-calibrate and so reduce maintenance costs. An oil refinery in Tenerife, owned by the Spanish industrial group CEPESA, is using these self-learning ‘smart’ sensors to estimate the yield and quality of different oil products in real time.

Dr Jose Juan Macias Hernandez, the Process Engineering Department Manager of CEPESA, said the application of this technology in just one area – such as atmospheric distillation – could mean savings of tens of thousands of Euros per year.

“It is of vital importance for the CEPESA refinery to know in advance the yield and quality of products that will be obtained from certain input streams. The application and development of this

technology opens a whole new exciting horizon in the petrochemical industry.”

Dr Angelov has also worked with one of the world’s largest chemical companies, the Dow Chemical Company in Texas, to develop self-learning ‘smart’ sensors, which are used to reduce shutdown and improve product quality.

Dr Arthur Kordon, Data Mining and Modelling Leader at the Advanced Analytics Group of the Dow Chemical Company, said that the total impact of ‘smart’ sensors had saved his company an estimated \$30m per year.

Further applications which are at the testing stage include helping medical doctors in dosing Warfarin drugs to patients with DVT (deep vein thrombosis) and classification of spectroscopy data for biomarker identification, jointly with Dr Frank Martin of the Lancaster Environment Centre and funded by Unilever. The Lancaster University spinout company Entelsensys Ltd is developing sensor systems based on applications of this technology in other industrial sectors.

In recognition of the growing importance of this research area, the IEEE – the world-leading organisation in this area – has established a Technical Committee on Evolving Intelligent Systems and organises annual conferences chaired by Dr Angelov, who is also editor-in-chief of the journal Evolving Systems published by Springer.



Dr Plamen Angelov

“Other applications based on the research include self-learning virtual or ‘smart’ sensors in industry, which are able to self-calibrate and so reduce maintenance costs.”

KEY FACTS AND FIGURES



Lancaster has retained its status as the third safest city for student-related crimes in a ranking published July 2011 by the authoritative and independent Complete University Guide.

Compiled from official police data, the ranking gives the clearest picture possible of the crime rates in the 25 towns and cities outside London with two or more universities.

Lancaster is just behind Canterbury and Bath as cities with the lowest cumulative crime rates in England and Wales.



Students at Lancaster University are more satisfied with their course than the average UK student according to the National Student Survey 2011.

Overall, 88 per cent of final year students at Lancaster say they were satisfied with their course compared with a UK average of 83 per cent.



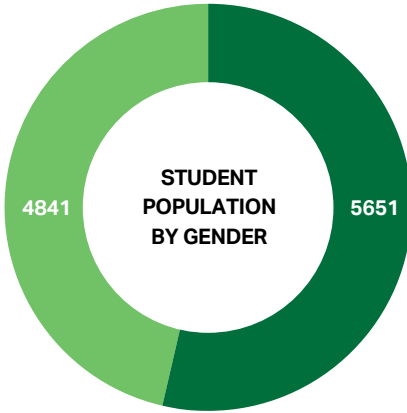
Global recognition of Lancaster University's quality comes with a ranking of 131 in The Times Higher Education World Rankings published in October 2011. In international tables, Lancaster consistently ranks in the top one per cent of universities. The THE World Rankings also place Lancaster 44th in the world for arts and humanities subjects and 45th in the world for its international outlook, which looks at the proportion of overseas students and staff as well as the proportion of research papers published with international co-authors.



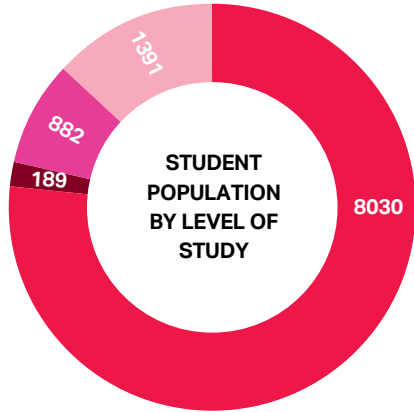
KEY FACTS AND FIGURES

Lancaster University now has just under 2,500 staff, with over 12,000 students (headcount) based at its UK campus and nearly 2,000 based overseas. We now have nearly 100,000 former students and we have ongoing relationships with over 65,000 of these individuals.

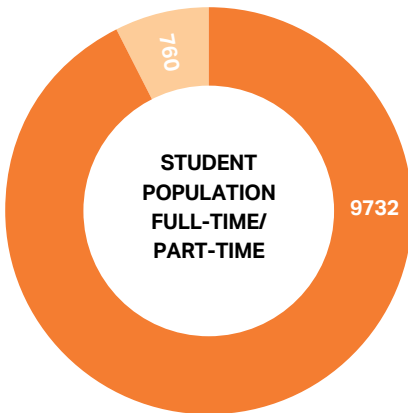
Lancaster is one of only six collegiate universities in the country. Since the University's inception the collegiate system has helped to forge a strong sense of identity and loyalty, and continues to be a distinctive feature of student life at Lancaster.



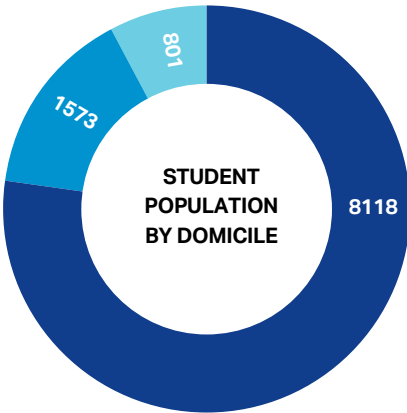
Female
Male



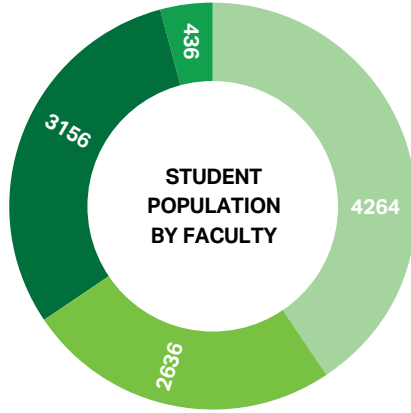
Postgraduate research students
Postgraduate taught students
First degree undergraduate
Other undergraduate



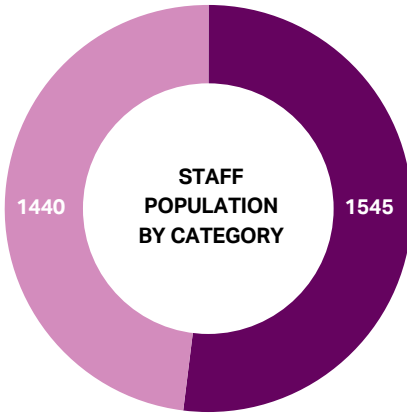
Total full-time students
Total part-time students



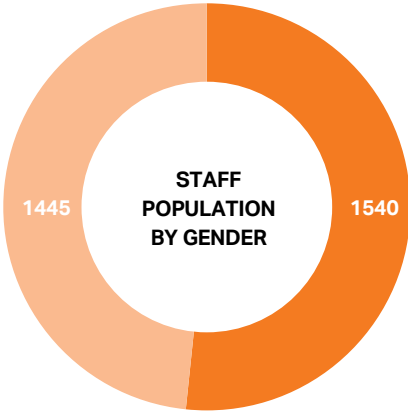
UK domicile students
EU (Non-UK) domicile students
Non-EU domicile students



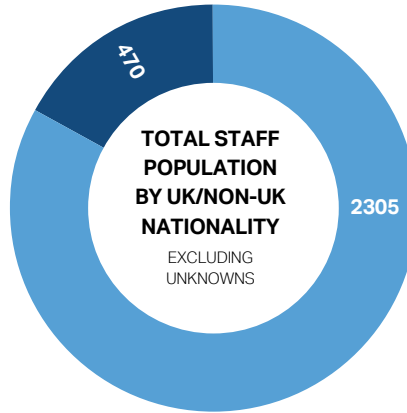
Faculty of Arts and Social Sciences
Faculty of Science and Technology
Management School
Faculty of Health and Medicine



Academic staff
Support staff



Female
Male



Staff with UK nationality
Staff with Non-UK nationality



White
Non-white

ENVIRONMENTAL PERFORMANCE 2010-2011

Lancaster University is fully committed to improving its environmental performance and sustainability. A wide range of strategies and projects are being implemented in order to achieve this.

ENERGY, UTILITY & CARBON MANAGEMENT

- Annual electricity consumption reduced by 2.1 per cent from 34,261MWh in 2009-10 to 33,538MWh in 2010-11.
- Annual gas and oil consumption reduced by 2.4 per cent from 50,530MWh to 49,319MWh.
- Carbon emissions from electricity, gas and oil reduced by 3.7 per cent from 28,765tCO₂e to 27,834tCO₂e.
- Water consumption reduced by 6.6 per cent in 2010-2011 compared to 2009-10.
- High efficiency central boilers and a combined heat and power engine installed in the new Energy Centre.
- Planning permission obtained for installation of a 2MW wind turbine.

WASTE & RECYCLING

- Annual waste to landfill reduced to 870 tonnes in 2010-11.
- Recycling and reuse rate increased to 53 per cent.

SUSTAINABLE TRAVEL

- Staff commuting in single occupancy vehicles reduced to 46 per cent by 2011.
- A significant decrease in staff commuting in single occupancy vehicles from 56 per cent in 2007 to 46 per cent in 2010.
- A 50 per cent increase in staff commuting by bus and significant increases in staff cycle commuting and car sharing.



Data is taken from the University's 2009/10 return to the Higher Education Statistics Agency. Student numbers are expressed as full-time equivalents.

FINANCIAL STATEMENTS



The Minister of State for Energy and Climate Change Charles Hendry has said that Lancaster University is leading the way internationally in energy research. He was speaking at the official launch of Lancaster University's New Centre for Energy Research, which brings together expertise in everything from nuclear and renewable energy to transport policy.



Lancaster University is singled out for its high levels of graduate employment in The Sunday Times University Guide 2012. The Guide ranks Lancaster the top university in the North West, saying that almost three quarters of students get graduate-level jobs.



The first report from the Big Innovation Centre – a groundbreaking initiative from The Work Foundation and Lancaster University – argues that without major change the country faces a decade of stagnation. The report says that the Government must act now to adopt a strategy of collaborative, entrepreneurial investment in those areas likely to bring the greatest dividends in growth and jobs.



OPERATING AND FINANCIAL REVIEW

FOR THE YEAR ENDED 31 JULY 2011

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 32. The results show another strong underlying performance for the University in the context of an increasingly volatile external environment.

Results for the year

The underlying financial performance in 2010/11 reflects another 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 surplus is £6.8m. However, this includes a charge of £1.5m in respect of the accounting treatment for FRS 17 and endowment income of £388k. 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 £8.7m (4.8% of turnover), (2010: £7.9m, 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 2010/11 adjusted surplus consistent with Finance Strategy:

	2010/11 £000	2009/10 £000
Income	180,467	177,886
Expenditure (before refinancing exceptional)	(174,353)	(173,343)
Surplus for the year before refinancing exceptional after depreciation of assets at valuation	6,114	4,543
Debenture refinancing costs	-	(15,876)
Difference between historical cost depreciation charge and the revalued depreciation charge	666	666
Historical cost surplus/(deficit)	6,780	(10,667)
Additional FRS 17 pension cost	1,536	2,452
Income from endowments	388	214
Debenture refinancing costs	-	15,876
"Adjusted Surplus" consistent with financial strategy	8,704	7,875

Other key highlights are as follows:

- The continued improvement in underlying earnings as measured by Earnings Before Interest, Taxation, Depreciation and Amortisation (EBITDA) rising to £21.0m (£18.6m in 2009/10).
- The tight management of payroll costs so that payroll as a proportion of total expenditure fell back to 57.2%, comfortably within our upper 60% threshold.
- Our debt to income ratio at 40% remains within our target range following the 2009 refinancing exercise described below. Prior to this our ratio 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 close to that position in 2011/12 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 below.

Credit rating

Our credit rating from Standard and Poor's was subjected to annual review in March 2011. Against a backdrop of considerable uncertainty for government funding streams, the planned changes to the home undergraduate tuition fee regime and general economic volatility, the maintenance of our rating at 'A+' with a stable outlook' was considered a good outcome. The accompanying report also reflected Lancaster's strong academic, strategic and financial performance together with progress made with international initiatives and estate developments.

FRS 17 adjustment

As set out in note 28, 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.

FRS 17 impact

	2010/11 £000	2009/10 £000
Charge to the income and expenditure account		
Staff costs	718	765
Interest payable and finance costs	818	1,687
Total charge	1,536	2,452
Credit to the statement of total recognised gains and losses	3,609	5,786

Prior year exceptional item - refinancing

As reported in detail last year, a major refinancing project was concluded in September 2009 which addressed Lancaster's legacy borrowings and secured credit for our investment plans. This project has brought the University a flexible and affordable debt portfolio, with no property security and future upside refinancing potential. This will be particularly beneficial at a time when credit availability is likely to remain under pressure.

The University had considered its combined objectives and sought to secure up to £80m of new borrowing facilities in order to redeem its existing bond (ca. £45m) and to support the Capital Programme (ca. £35m). A series of objectives and parameters were established by the University Council and £80m of facilities with the Royal Bank of Scotland were put in place 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 sought and granted in accordance with the HEFCE financial memorandum. The exceptional charge of £15.9m was fully in line with expectations reflecting the standard penalty payment to bondholders for early redemption (achieved at a negotiated discount) and the

consequential higher nominal value of the new Facility (£14.5m) and the break fee for terminating the monoline insurer wrap on the bond and other professional fees (£1.4m).

Analysis of results for the year

As well as the highlights given above another key measure monitored is the rate of income growth. In 2010/11, headline turnover growth slowed to 1.5% although this headline figure masks a number of significant changes.

One of the University's key strategic aims has been to develop strong relationships with selected strategic overseas institutions alongside open market recruitment. 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 the financial performance in 2010/11, 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. In aggregate, overseas fee income increased by ca. 20%. Alongside this, strong domestic demand also led to increases in home/eu undergraduate income of ca. 7%. With unprecedented demand for 2011 entry, these factors will provide resilience for Lancaster through the coming period.

In October 2010, the University acquired the trade and brand of The Work Foundation, a policy think-tank based in St James's Park in London. The synergies for Lancaster in many areas of research are significant across the institution; the organisation's high-quality reputation and proven impact on policy-making together with its location combined to create an interesting opportunity for the University. On acquisition the activities were transferred into a dormant company Landec Ltd whilst formal structures more appropriate to its ongoing charitable objects are put in place. The company made a loss in this transitional year in-line with the acquisition business case, including all integration and restructuring support, focussed on a three-year pay-back.

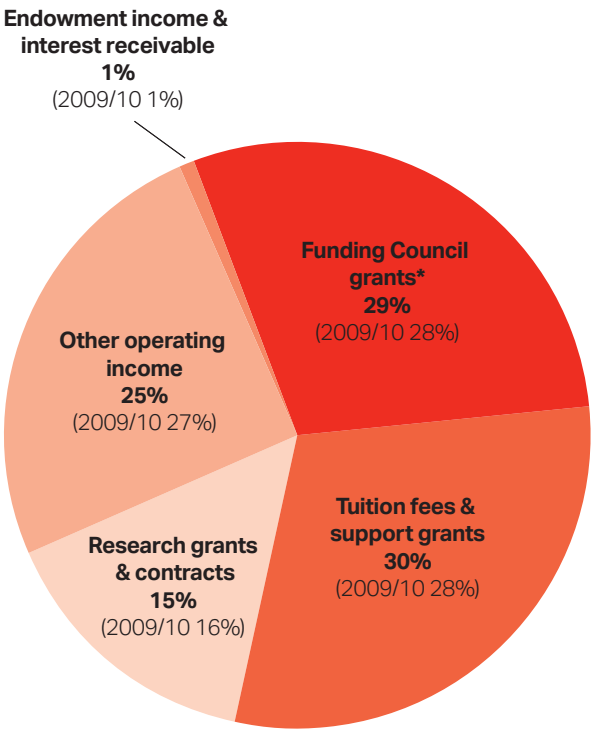
In February 2011, the most significant activity within Lancaster University Network Services Limited relating to the contract for Cumbria and Lancashire Education On-Line transferred to Lancashire County Council. A majority of staff transferred under TUPE and the company is being taken forward with a re-focussed portfolio. The consolidated accounts for 2010/11 reflect income at £3.1m (prior year £6.6m) and the company reported a loss of £355k (prior year profit £448k).

During 2010/11 the University continued to benefit from improved recovery levels on research grant activities. However the level of gross income declined ca. 5%, reflecting the increased tightening of budgets for the Research Councils and Government departments. The impact of the current funding

environment on opportunities and data on current application levels, success rates and award levels are being closely monitored.

A number of charts are shown below to provide analysis of the 2010/11 result and further comparison with the prior year.

Fig 1: Income sources 2010/11



Within Funding Council grants, the HEFCE grants for teaching and research were £25.4m (14% of total income) and £18.2m (10% of total income) respectively.

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

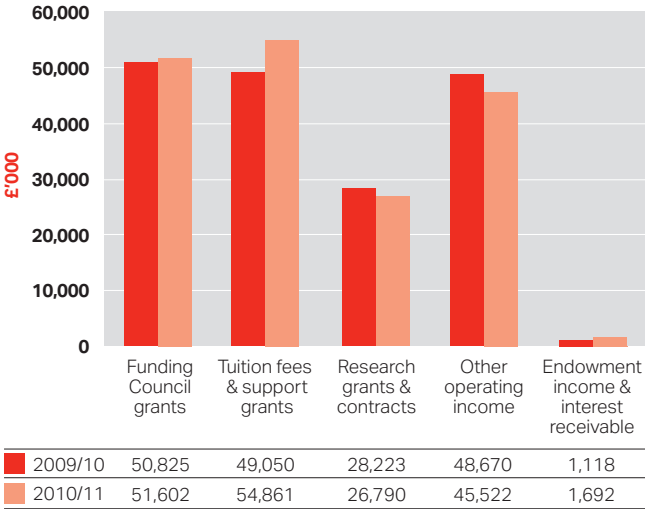


Fig 3: Year-on-year changes: Tuition Fees

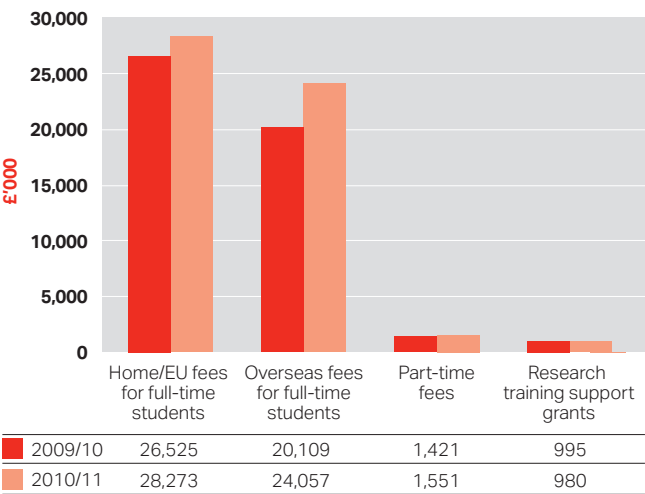


Fig 4: Year-on-year changes: Research Grants

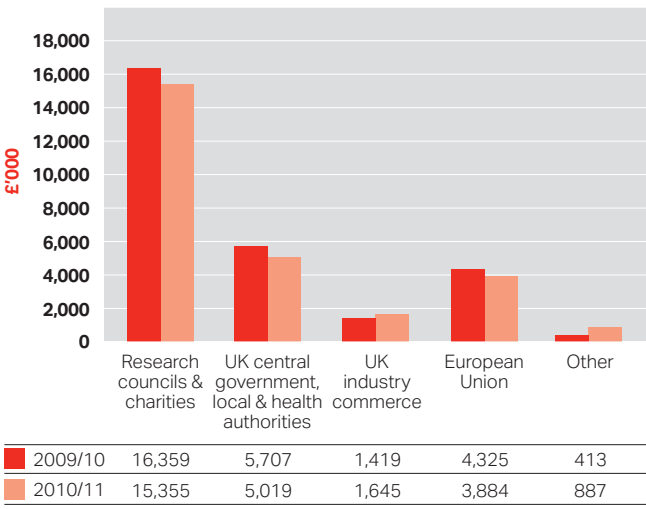
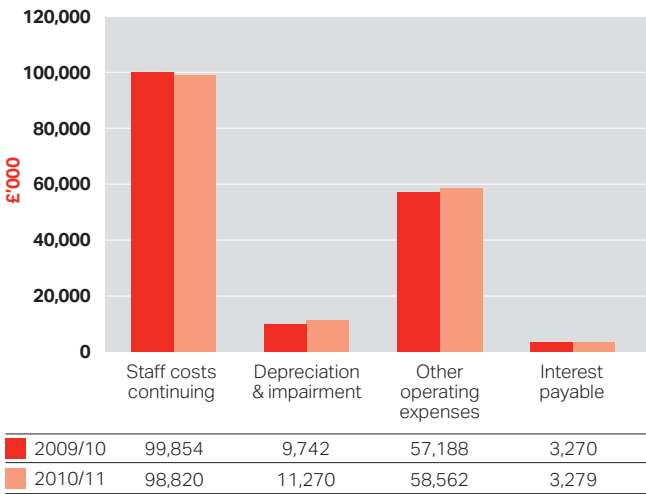


Fig 5: Overall expenditure

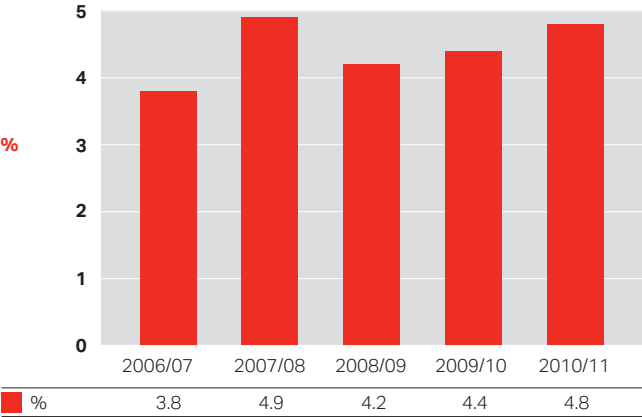


Overall expenditure increased slightly from £170.1m to £171.9m with the year-on-year change as above. Figures are presented excluding the FRS 17, restructuring costs and prior year debenture refinancing adjustment.

Strategic Plan Performance Indicators

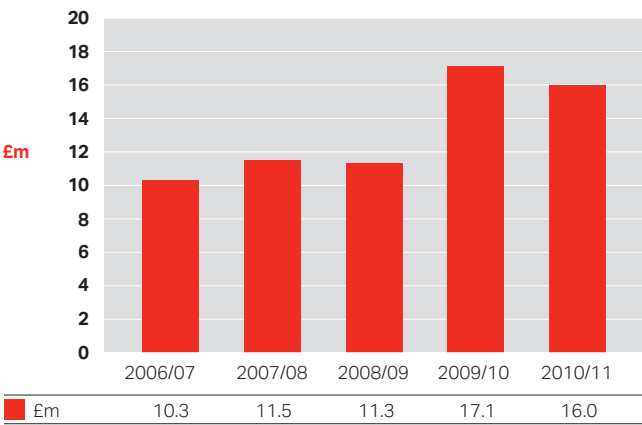
The following charts illustrate key performance indicators monitored by the University on a comparable basis over a five year period and reflect the measures identified in the University's Strategic Plan:

Fig 6: Underlying Surplus



The University has an excellent track record of meeting its financial surplus objectives of a minimum 4% and has done so in 14 of the past 15 years (the 2006/07 year shown above was exceptionally affected by the combination of a new national 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 and volatilities. This will remain a key challenge over the forecast period as we look to move our surplus up consistently to the 5% to 6% range.

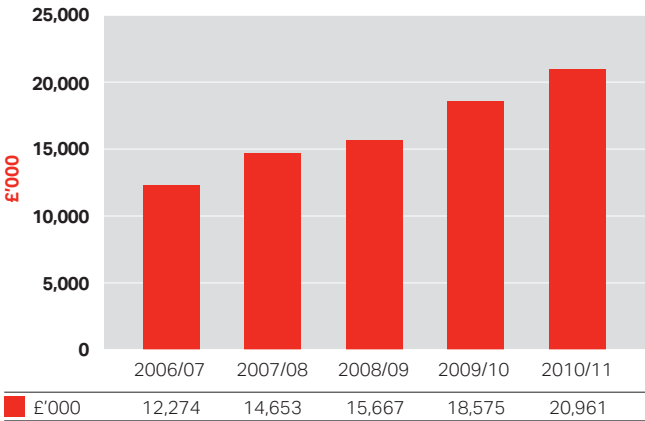
Fig 7: Cash Generation



STRATEGIC PLAN PERFORMANCE INDICATORS

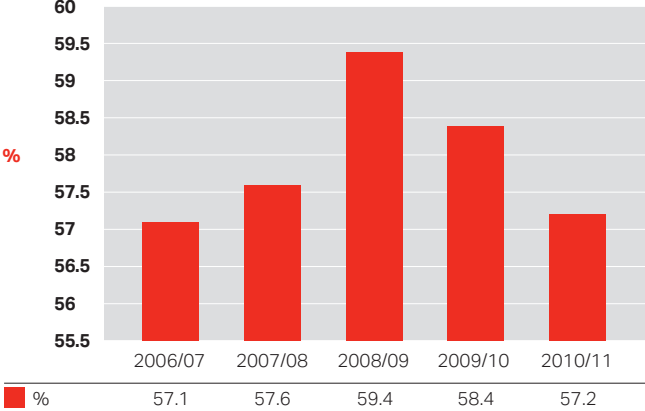
The Financial Strategy underpins the need for sustainable investment in the estate and infrastructure and whilst we have previously used operating cashflow as a proxy, it is affected by working capital movements. Cashflow from operating activities fell back slightly to £16.0m from £17.1m following a step-change improvement in the prior year. This decrease was primarily due to the change in the movement of provisions, where amounts provided in 2009/10 were largely paid during 2010/11.

Fig 8: EBITDA



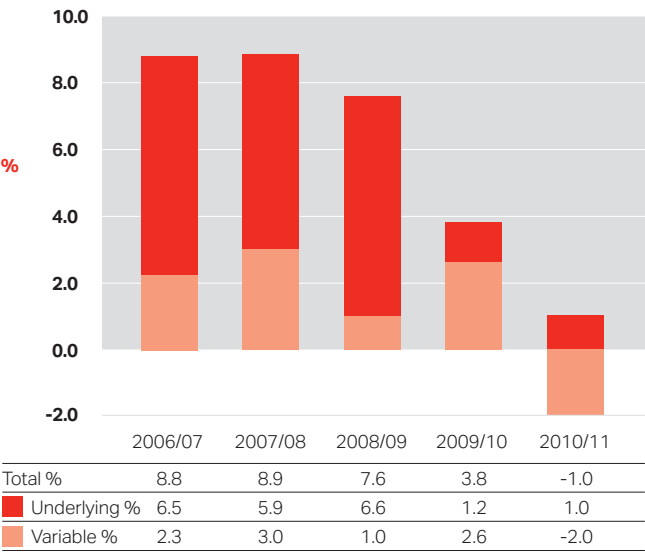
To separate underlying earnings from working capital movements, we also track EBITDA (Earnings before interest payable, taxation, depreciation and amortisation) as a key performance indicator. This continued to improve in line with our Finance Strategy, ensuring that we are increasingly able to generate funding for sustainable capital investment under the new funding regime where government capital grants are increasingly scarce.

Fig 9: Payroll costs as percentage of total expenditure (Payroll costs exclude FRS 17 and restructuring costs)



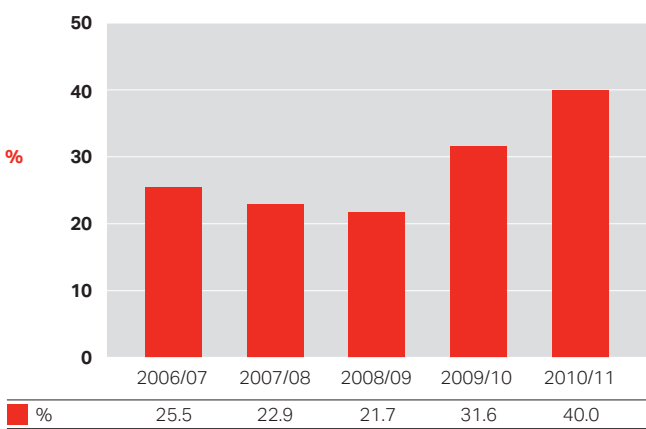
We closely monitor payroll as a proportion of total expenditure as one of our key indicators. In 2010/11, this fell further back from our upper 60% threshold reflecting internal actions taken on local restructurings and recruitment restrictions for non-academic staff. However this has continued to mean 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 10: Staff cost changes



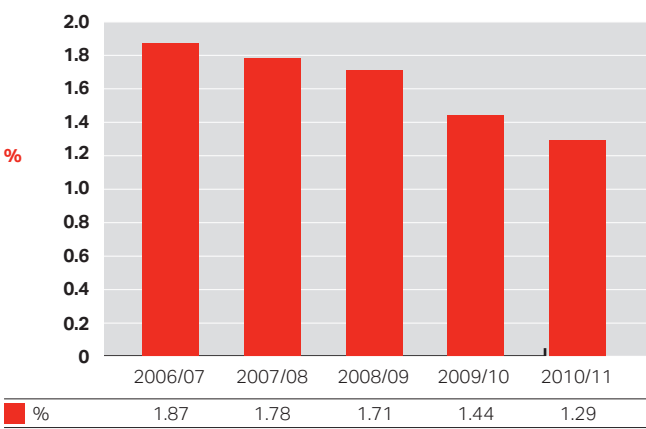
Staff costs declined by 1% or £1.1m in the year (excluding the effect of the FRS 17 adjustment on pension costs). This compares to 3.8% growth last year. Of this change, the underlying increase in staff costs from pay award and incremental drift was ca. 1.0%. The variable decrease reflects changes from local restructurings to improve efficiency, central recruitment restrictions, temporary delays imposed locally in response to the uncertain environment and the reduction of gross activity levels for research. We would expect a smaller volume of unfilled posts during the coming year. Our expectation is that the underlying increase will continue at a lower level in the short-term despite inflationary pressures, although the national employers' offer of £150 for all spinal points, effective from 1 August 2011, is not agreed at the time of writing.

Fig 11: Gross Debt to Income



In 2009/10, gross debt to income started to move 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. Certain financial parameters were agreed including an upper target threshold for gross debt to income of 50%. We will move close to this threshold in 2011/12 as the final drawdowns against the Revolving Credit Facility are made.

Fig 12: Current Asset Ratio



The current asset ratio reduced in line with expectations from 1.44 to 1.29, reflecting the level of planned capital investment. This provides a risk margin above our minimum working level of 1.2.

Treasury, borrowings and investments

Net debt increased by £19.3m during the year as a consequence of the planned expenditure on the capital programme. The movement in funds is summarised below:

	31 July 2011 £000	31 July 2010 £000	Change £000
Current asset investments	800	785	15
Cash-in-hand	42,305	46,489	(4,184)
Endowment asset investments	4,668	3,871	797
Bank loans	(72,185)	(56,226)	(15,959)
Net Debt	(24,412)	(5,081)	(19,331)

The net cash inflow from operating activities for the year was £16.0m (2010:£17.1m before exceptional debenture refinancing costs). Interest paid totalled £3.3m (2010:£2.7m) and interest received was £0.4m (2010:£1.5m). Throughout 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. The limit for investments with counter-parties rated at A with Standard and Poor's is £5m and at AA is £10m. The £10m limit is also applied to those institutions with either a government guarantee or a shareholding of at least 25%.

Endowment asset investments increased to £6.0m. Of these investments, the market value of the funds managed by Cazenove Capital Management increased by £116k to £1.3m at 31 July 2011.

During 2010/11, £34.9m was spent on capital investment in our estate and infrastructure. This investment was offset by receipt of £1.2m in capital grants. Allowing for other financial movements, this resulted in a decrease in cash and short-term deposits of £3.4m. The main developments in the capital programme are summarised below.

Capital programme

The last 12 months have seen further important progress in our capital programme, continuing our approach of combining

strategic investments alongside routine refurbishment projects. The academic strategic projects support those areas with propensity for growth. During the year we saw:

- The completion and occupation of the innovative Lancaster Institute for Contemporary Arts building.
- The completion of the Charles Carter building for the Management School with occupation from 2011. This provides the School with capacity to support its recent growth. The building won an award in the Northwest category of the Royal Institute of British Architects (RIBA) awards.
- Approval and commencement of comprehensive refurbished facilities for the School of Health and Medicine (now Faculty of Health and Medicine) with completion of the works scheduled for September 2012.

Other major academic refurbishments continued with County South, occupied in October 2010 and Bowland Main, occupied September 2011.

The amenities and quality of experience on campus for students and staff have also been greatly enhanced by the completion of the new Sports Centre which opened in July 2011 as a flagship building at the main entrance to the campus.

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

Strategic Plan

We remain within the Strategic Plan approved by University Council for the period to 2015. However for many reasons the 2010/11 year has been a period of external volatility and extraordinary policy churn. As we foreshadowed last year, there have been very significant changes to the funding environment, the undergraduate fees regime and new expectations on the role of universities in the areas of outreach and widening participation. The full scale of these changes will begin to take effect in the autumn of 2012 and will sit alongside further changes likely to be part of the Government’s thinking on innovation and growth.

At Lancaster we have decided on our approach to home/EU undergraduate fees from 2012 and have had confirmation from the Office for Fair Access (OFFA) that our framework for bursaries and outreach meets the required standard. With unprecedented interest and application levels for Lancaster over the past year, we are favourably positioned for the transition to the new fees regime and the opportunities provided by increased liberalisation of student numbers.

The global economic turbulence which began in 2008 continues to resonate and may do so for much of our planning period. We have tailored our strategy to these circumstances and the lower growth environment. In order to maintain income growth,

Lancaster University has recognised the need to be responsive to the changing landscape and capitalise on the opportunities for expansion in international engagement. We will continue to grow the numbers of overseas students studying at the Lancaster campus whilst developing our existing strategic partnerships and looking to new opportunities in China. 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. This will increasingly require a collaborative approach.

Financial strategy

Our financial strategy has been extensively reviewed over the past three years to ensure that it remains fit for purpose in this increasingly volatile environment. During 2010/11 our strategy was re-confirmed by Finance Committee, with its emphasis on generating sufficient cashflow to support sustainable capital investment and reinvestment (primarily in the estate but also covering IT and equipment needs). It sets out that EBITDA should move up towards £23m by 2013, with underlying surpluses moving to the 5-6% range. The level of surplus, cash generation and capital expenditure area all bound tightly together over the forecast period.

Efficiency

The University secured funding of £1.2m from HEFCE from the University Modernisation Fund for 2010/11 specifically targeted at the identification of improvements and efficiencies to bring cost savings in future years. We used this for expenditure on a major restructure of operations and new technologies in the Library, energy-saving infrastructure projects and other staff restructuring within Central Services.

Also during 2010/11, the University initiated a fundamental review of cross-institutional administrative processes under a Business Process Review exercise, overseen by a cross-University Steering Group. Its recommendations will be considered in the autumn for implementation during the 2011/12 year.

Risks for the coming period

Anticipation and active management of risk is central to our strategy and our future sustainability. The University Council remains 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 main risks for the coming period continue to relate to the increased marketisation of UK Higher Education together with Government funding pressures and political imperatives

impacting core income streams. At sector level, pay and pensions issues continue to be closely monitored. At the time of writing we have uncertainty over the impact of the new undergraduate fees regime on national demand though remain confident that Lancaster is well-positioned for this change

Against this backdrop, in October 2011, 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;
- Management of buoyant applications and admissions picture for 2011 entry;
- 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 and potential developments in China;
- Increased research collaboration;
- Use of the revolving credit facility to provide flexibility of funding.

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

- Process for new Vice Chancellor appointment complete, effective January 2012;
- Maximisation of benefit of league table improvement (emphasis on marketing and brand);
- Continued focus on entry standard and graduate employment improvements;
- Maintained credit rating from Standard & Poor’s.

c) Inefficient or ineffective use of resources

- Business Process Review work on cross-organisational administrative efficiency;
- Updated Tuition Fees framework approved by Finance Committee under delegation;
- Central Services focus on effective, efficient service provision and customer service excellence;
- Wellbeing survey identifying enablers and barriers in the workplace and issues affecting individual and organisational productivity;
- Infrastructure Masterplan & energy cost and carbon management.

d) Failure to maintain an attractive working and learning environment

- Ongoing Capital Programme with delivery of key strategic projects in 2010/11;

- Modernisation of employment policies;
- Monitoring of National Student 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 future dependency on Funding Council grants and our track record of flexibility as an organisation.

Conclusion

The 2010/11 year has consolidated Lancaster’s position in the leading group of institutions. The University was again ranked in the top 10 in all three major national league tables and in the top 1% in the world. In November 2010, the University was shortlisted as the Times Higher Education ‘University of the Year. These accolades are a reflection of our academic and research standing, the high level of student satisfaction and the job destinations of our graduates. In a tough environment, our finances have remained stable. Applications and acceptances for 2011 entry are very strong. However, the market for undergraduates will be volatile in the following year and we will need to work hard to sustain our current intake.

The Coalition Government’s decision to generate more competition between universities and a market for teaching undergraduates is going to be a feature of UK Higher Education in the coming years. The University is aware of the potential effects of these changes and alert for new opportunities. We go into this period knowing that the University is in a strong position.

The longer term outlook remains very uncertain. Given the perturbations in national policy and the rapid changes in global competition it is prudent for leading research-led universities to think about the nature of higher education over the next 10-15 years. This will be an active debate for Lancaster colleagues during 2011/12 and one that will be taken forward by the sixth Vice Chancellor, Professor Mark Smith, on his appointment in January 2012.

In summary, we remain well-positioned for the challenges ahead but not complacent. With the support of a clear Strategic Plan and supporting Finance Strategy, Lancaster’s distinctive and global approach will drive further impact, deliver innovative solutions to global challenges and consolidate Lancaster in the top echelons of world-class institutions.

Professor P W Wellings Mrs S J Randall-Paley
Vice-Chancellor Director of Finance

18 November 2011

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 1993 and, as such, is subject to regulation by the Higher Education Funding Council for England. 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 from a senior manager 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 who are neither staff nor students of the University (described as lay or independent 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. 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 eligible to serve as a lay member 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 (HEFCE) 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 2010/11, Professor Wellings announced his resignation to take up the post of Vice-Chancellor at Wollongong University in Australia with effect from 7 December 2011. An important item of business for the Council during the latter part of the year was the appointment of a successor to Professor Wellings as Vice-Chancellor. Professor Mark Smith will take up the post on 1 January 2012. Many of the Council discussions during the year focussed on the impact of the Comprehensive Spending Review, which foreshadowed the loss of grant for teaching from HEFCE, and the consequent decision to increase tuition fees for undergraduate UK and EU students. This was followed by consideration of the White Paper for Higher Education: Students at the Heart of the System, and its implications for the University. The Council approved the acquisition of the trade, trade name and property lease of The Work Foundation, an organisation that had substantial synergies with the University’s research and impact agendas. It also approved strategies and plans relating to Knowledge Exchange, Information and Communications Technology and Carbon Management. Throughout the year, Council was updated on work to progress a partnership with Guangdong University of Foreign Studies to create a new, joint University in China.

- **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.

Senior Officers and Executive Management

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).

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 of the University and in that capacity can be summoned to appear before the Public Accounts Committee of the House of Commons.

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 Deputy Vice-Chancellor, the Pro-Vice-Chancellors, the Faculty Deans 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 may also be obtained from the University Secretary.

Table 1
Attendance at meetings during 2010/11

Name	Council	
	Eligible to attend	Actually attended
* Gray, Mr B. Pro-Chancellor	7	7
Vice-Chancellor	7	7
Baker, Mr A.	7	7
* Bingley, Mr W.	4	4
* Bournemouth, Dr. R.	5	5
Brown, Dr. G.	7	6
* Carr, Mr J.	7	6
Davidson, Dr. K.	7	7
Davies, Mr J.	2	2
Diggle, Prof. P. J.	1	1
* Fitzherbert-Brockholes, Mr F.	7	7
Gardiner, Mr G.	1	1
* Gardner, Mrs G.	7	4
Gaskell, Ms J.	1	0
* Hadfield, Mr. J	7	7
* Henig, Prof .S.	2	2
Johnes, Prof. G.	7	6
* King, Mr L.	7	7
Lord, Mr M.	4	3
* Marsland, Mr. G.	6	4
* Middlebrook, Mr G.	7	6
* Parker, Mr G.	7	6
Pickles, Mr R.	6	6
Ram-Prasad, Prof. C.	5	3
Rose, Prof. E.	6	5
* Thomason, Prof. H.	7	7
* Willis, Ms. L.	7	7

* lay member

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 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.
- Detailed review and monitoring of the system of internal control is carried out on behalf of the Council by the Audit Committee, from which it receives periodic reports 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 has reminded Council that any system of internal financial control can, however, only provide reasonable, but not absolute, assurance against material misstatement or loss.
- 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.
- In addition, an organisation-wide risk register is maintained from which a summary of the top risks is reported to each meeting of Council. The Council approved a new format for the summary in June 2010.
- 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.
- The review of the effectiveness of the system of internal control is also supported by the work of the University Management Advisory Group, who has 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.

Statement on Financial Control

- 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 HEFCE 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.
- The key elements of the University's system of internal financial control, which is designed to enable Council 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, as set out in a Schedule of Delegations and the Financial Regulations.
 - 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.
 - 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.
- Public Benefit Statement**
- Lancaster University is an exempt charity under the terms of the Charities Act 1993 and Council has had regard to the Charity Commission's guidance on public benefit.
- 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.
- 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.
- Expenditure on research grants, for example, was £22.2m in 2010/11. Unless there are contractual restrictions on the publication of the research outcomes, completed research from our staff is placed in the public domain through articles and monographs, in books and other publications. Our E-prints online repository is one of the biggest and most frequently accessed in England.
- 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. In 2010/11, 12022 students were registered with the University in the UK and 2117 through our international partners to undertake higher education, mainly in the form of undergraduate and postgraduate degrees. Almost 4800 graduated during the year.

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.

Like all other universities, Lancaster charges tuition fees to students. 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 UK students, giving them substantial extra funding on top of their Government support. In 2010/11 the University disbursed £3,466,425 in Lancaster Bursaries and Scholarships to all cohorts. Around 47% of new students qualify for such support, with 820 bursaries to new students from lower income families and 383 academic scholarships to those who achieved excellent academic results.

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

INDEPENDENT AUDITORS' REPORT TO THE COUNCIL OF LANCASTER UNIVERSITY

We have audited the group and parent institution financial statements (the "financial statement") of Lancaster University for the year ended 31 July 2011 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. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of the Council and auditors

As explained more fully in the Responsibilities of the University Council statement, the Council is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Council of Lancaster University, as a body in accordance with part 7 of the Statutes of the institution and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and parent institution's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Council; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and parent institution's affairs as at 31 July 2011 and of the group's income and expenditure, recognised gains and losses and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education.

Opinion on other matters prescribed in the HEFCE Audit Code of Practice issued under the Further and Higher Education Act 1992

In our opinion, in all material respects:

- funds from whatever source administered by the institution for specific purposes have been properly applied to those purposes and, if relevant, managed in accordance with relevant legislation; and
- funds provided by HEFCE have been applied in accordance with the Financial Memorandum and any other terms and conditions attached to them.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matter where the HEFCE Audit Code of Practice issued under the Further and Higher Education Act 1992 requires us to report to you if, in our opinion:

- the statement of internal control included as part of the Statement of Corporate Governance is inconsistent with our knowledge of the institution and group.

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 2011. 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 March, 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 contacts, 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 above. 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 deemed 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 opposite.

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 and central stationery stocks 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) (formerly 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 2011

	Note	2010/11 £000	2009/10 Before exceptional item £000	2009/10 Refinancing exceptional item £000	2009/10 Total £000
Income					
Funding Council grants	1	51,602	50,825	-	50,825
Tuition fees and support grants	2	54,861	49,050	-	49,050
Research grants and contracts	3	26,790	28,223	-	28,223
Other operating income	4	45,522	48,670	-	48,670
Endowment and investment income	5	1,692	1,118	-	1,118
Total Income		180,467	177,886	-	177,886
Expenditure					
Staff costs - continuing	6	99,538	100,619	-	100,619
- restructuring costs	7	886	837	-	837
Depreciation, impairment and loss on disposal of fixed assets	10	11,270	9,742	-	9,742
Other operating expenses		58,562	57,188	-	57,188
Interest and other finance costs	9	4,097	4,957	15,876	20,833
Total Expenditure		174,353	173,343	15,876	189,219
Surplus / (deficit) on continuing operations after depreciation of assets at valuation and before taxation		6,114	4,543	(15,876)	(11,333)
Taxation		-			-
Surplus / (deficit) on continuing operations after depreciation of assets at valuation and after taxation		6,114			(11,333)
Transfer from endowments		388			214
Surplus / (deficit) for the year retained within general reserves	20	6,502			(11,119)

All items of income and expenditure arise from continuing operations

STATEMENT OF CONSOLIDATED
HISTORICAL COST SURPLUSES AND DEFICITS

For the year ended 31 July 2011

	Note	2010/11 £000	2009/10 £000
Surplus on continuing operations before exceptional items		6,114	4,543
Exceptional debenture refinancing item	9	-	(15,876)
Surplus / (deficit) on continuing operations after depreciation of assets at valuation, exceptional items and before taxation		6,114	(11,333)
Difference between historical cost depreciation and the actual depreciation charge for the year calculated on the revalued amount	21	666	666
Historical cost surplus / (deficit) before taxation		6,780	(10,667)
Historical cost surplus before exceptional debenture refinancing costs and taxation		6,780	5,209
Historical cost surplus / (deficit) after taxation		6,780	(10,667)

BALANCE SHEETS AS AT 31 JULY 2011

	Note	Group		University	
		2011 £000	2010 £000	2011 £000	2010 £000
Fixed assets					
Tangible assets	10	249,310	223,604	249,310	223,604
Investments	11	922	37	10,282	9,397
		250,232	223,641	259,592	233,001
Endowment asset investments	12	5,950	5,049	5,950	5,049
Current assets					
Stocks		229	295	229	295
Debtors	13	18,132	19,084	19,550	19,887
Investments	14	800	785	800	785
Cash at bank and in hand		42,305	46,489	42,199	46,458
		61,466	66,653	62,778	67,425
Creditors: Amounts falling due within one year	15	(47,772)	(46,298)	(57,134)	(56,567)
Net current assets		13,694	20,355	5,644	10,858
Total assets less current liabilities		269,876	249,045	271,186	248,908
Creditors: Amounts falling due after more than one year	16	(76,279)	(60,433)	(76,279)	(60,433)
Provisions for liabilities and charges	17	(2,428)	(2,963)	(2,428)	(2,963)
Net assets excluding pension liability		191,169	185,649	192,479	185,512
Net pensions liability	28	(22,300)	(24,374)	(22,300)	(24,374)
Net assets including pension liability		168,869	161,275	170,179	161,138
Deferred capital grants	18	85,191	88,609	85,191	88,609
Endowment funds					
Expendable	19	4,281	3,848	4,281	3,848
Permanent	19	1,669	1,201	1,669	1,201
		5,950	5,049	5,950	5,049
Reserves					
Income and expenditure account	20	52,027	41,250	55,341	43,117
Revaluation reserve	21	25,701	26,367	23,697	24,363
Total reserves		77,728	67,617	79,038	67,480
Total funds		168,869	161,275	170,179	161,138

The financial statements were approved by the Council on 18 November 2011 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 2011

	Note	2010/11 £000	2009/10 £000
Net cash inflow from operating activities before exceptional debenture refinancing costs	22	15,950	17,072
Exceptional debenture refinancing costs	9	-	(15,876)
Net cash inflow from operating activities	22	15,950	1,196
Returns on investment and servicing of finance	23	(2,755)	(1,145)
Capital expenditure and financial investment	24	(32,475)	(24,233)
Management of liquid resources	25	(4,197)	15,581
Financing	26	15,893	19,707
(Decrease) / increase in cash		(7,584)	11,106

Note to Consolidated Cash Flow Statement

The decrease in cash of £7.6m referred to above excludes movements in short-term bank deposits in accordance with the requirements of FRS 1. During the year, short-term deposits increased by £4.2m giving an overall decrease in cash at bank and in hand of £3.4m.

	Note	2010/11 £000	2009/10 £000
(Decrease) / increase in cash		(7,584)	11,106
Increase / (decrease) in short-term deposits	25	4,197	(15,581)
Decrease in cash and short-term deposits		(3,387)	(4,475)

RECONCILIATION OF NET CASH FLOW
TO MOVEMENT IN NET DEBT

For the year ended 31 July 2011

	Note	2010/11 £000	2009/10 £000
(Decrease) / increase in cash		(7,584)	11,106
Financing	26	(15,893)	(19,707)
Increase / (decrease) in short-term deposits	25	4,197	(15,581)
Appreciation of current asset investments	14	15	91
Amortisation of debenture costs		(66)	(41)
Movement in the year		(19,331)	(24,132)
Net (debt) / funds as at 1 August	27	(5,081)	19,051
Net debt as at 31 July	27	(24,412)	(5,081)

CONSOLIDATED STATEMENT
OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 31 July 2011

	Note	2010/11 £000	2009/10 £000
Surplus / (deficit) on continuing operations after depreciation of assets at valuation and after taxation		6,114	(11,333)
Appreciation of endowment asset investments	19	98	116
Actuarial gain in respect of pension scheme	28	3,609	5,786
New endowments	19	1,191	132
Total recognised gains / (losses) relating to the year		11,012	(5,299)

Reconciliation	£000
Opening reserves and endowments as at 1 August 2010	72,666
Total recognised loss relating to the year	11,012
Closing reserves and endowments as at 31 July 2011	83,678

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NOTES TO THE FINANCIAL STATEMENTS

	Note	Group	
		2010/11 £000	2009/10 £000
1 Funding Council grants			
Basic recurrent grant		43,679	45,252
Specific grants:			
University modernisation fund		1,800	-
Higher Education innovation fund		1,900	1,534
HEFCE matched funding		888	505
Released from deferred capital grants	18	3,335	3,534
		51,602	50,825
2 Tuition fees and support grants		£000	£000
Home/EU fees for full-time students		28,273	26,525
Overseas fees for full-time students		24,057	20,109
Part-time fees		1,551	1,421
Research training support grants		980	995
		54,861	49,050
3 Research grants and contracts		£000	£000
Research councils and charities		15,355	16,359
UK central government, local and health authorities		5,019	5,707
UK industry and commerce		1,645	1,419
European Union		3,884	4,325
Other		887	413
		26,790	28,223
4 Other operating income		£000	£000
Colleges and residences		8,292	8,874
Other services rendered		19,338	18,846
Other income		16,583	19,710
Released from deferred capital grants	18	1,309	1,240
		45,522	48,670
5 Endowment income and interest receivable		£000	£000
Income from endowments	19 & 23	83	81
Income from donations		1,089	370
Other interest receivable		520	667
		1,692	1,118

NOTES TO THE FINANCIAL STATEMENTS -
(CONTINUED)

	Group	
	2010/11 £000	2009/10 £000
6 Staff costs		
Staff Costs:		
Wages and salaries	81,883	82,771
Social security costs	6,015	6,049
Other pension costs	11,640	11,799
	99,538	100,619
Emoluments of the Vice-Chancellor	£000	£000
Professor P W Wellings		
Emoluments excluding employer's pension contributions	214	215
Pension contributions to the Universities Superannuation Scheme	31	31
Total emoluments	245	246
Remuneration of higher paid staff (excluding superannuation contributions and excluding the Vice-Chancellor)	Number	Number
£100,001 - £110,000	9	5
£110,001 - £120,000	7	5
£120,001 - £130,000	1	-
£130,001 - £140,000	2	2
£140,001 - £150,000	1	-
£150,001 - £160,000	-	1
£160,001 - £170,000	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	1,357	1,392
Clerical and secretarial	560	573
Manual	226	231
Technical	64	66
Sessional	114	154
	2,321	2,416

NOTES TO THE FINANCIAL STATEMENTS -
(CONTINUED)

		Group	
	Note	2010/11 £000	2009/10 £000
7 Staff costs - restructuring costs			
Voluntary severance, early retirement costs and restructuring		886	837
8 Analysis of total expenditure by activity			
		£000	£000
Academic departments		97,078	95,440
Vice and Pro-Vice-Chancellors portfolios		3,467	4,410
Facilities		14,831	15,083
Interest payable		3,279	3,270
Depreciation and impairment		11,270	9,742
Administration and central services		30,631	30,687
Library		4,695	4,633
Other		1,737	1,417
University companies		5,829	6,209
Additional FRS 17 pension costs in excess of contributions paid		1,536	2,452
Expenditure before exceptional debenture refinancing item		174,353	173,343
Exceptional debenture refinancing item	9	-	15,876
Total expenditure		174,353	189,219
Included above is expenditure in relation to:			
External auditors remuneration in respect of audit services		62	56
External auditors remuneration in respect of non-audit services		3	-
Bursaries and scholarships		6,243	5,878
Trustees			
No trustee has received any remuneration / waived payments from the group during the year (2010: £nil). The total expenses paid to, or on behalf of nine trustees was £5,430 (2010: seven trustees totalling £3,392). 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		3,279	3,270
Net charge on pension scheme	28	818	1,687
		4,097	4,957
Exceptional debenture refinancing costs		-	15,876
		4,097	20,833

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.

NOTES TO THE FINANCIAL STATEMENTS -
(CONTINUED)

10 Tangible assets						
	Land and Buildings	Plant and Machinery	Fixtures, Fittings and Equipment	Assets in the Course of Construction	Heritage Assets	Total
Group	£000	£000	£000	£000	£000	£000
Valuation / Cost						
At 1 August 2010						
Valuation	124,421	5,886	-	-	700	131,007
Cost	65,763	2,987	84,434	19,468	-	172,652
	190,184	8,873	84,434	19,468	700	303,659
Additions at cost	18,603	3	6,325	12,045	-	36,976
Transfers	18,965	117	-	(19,082)	-	-
Disposals	-	-	(1,017)	-	-	(1,017)
At 31 July 2011	227,752	8,993	89,742	12,431	700	339,618
Depreciation						
At 1 August 2010	33,562	1,623	44,870	-	-	80,055
Charge for year	4,055	223	6,469	-	-	10,747
Disposals	-	-	(494)	-	-	(494)
At 31 July 2011	37,617	1,846	50,845	-	-	90,308
Net Book Value at 31 July 2011	190,135	7,147	38,897	12,431	700	249,310
Net Book Value at 1 August 2010	156,622	7,250	39,564	19,468	700	223,604

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)

10 Tangible assets (continued)

	Land and Buildings	Plant and Machinery	Fixtures, Fittings and Equipment	Assets in the Course of Construction	Heritage Assets	Total
University	£000	£000	£000	£000	£000	£000
Valuation / Cost						
At 1 August 2010						
Valuation	114,731	5,495	-	-	700	120,926
Cost	75,453	3,378	84,007	19,468	-	182,306
	190,184	8,873	84,007	19,468	700	303,232
Additions at cost	18,603	3	6,249	12,045	-	36,900
Transfers	18,965	117	-	(19,082)	-	-
Disposals	-	-	(1,017)	-	-	(1,017)
At 31 July 2011	227,752	8,993	89,239	12,431	700	339,115
Depreciation						
At 1 August 2010	33,562	1,623	44,443	-	-	79,628
Charge for year	4,055	223	6,393	-	-	10,671
Disposals	-	-	(494)	-	-	(494)
At 31 July 2011	37,617	1,846	50,342	-	-	89,805
Net Book Value at 31 July 2011	190,135	7,147	38,897	12,431	700	249,310
Net Book Value at 1 August 2010	156,622	7,250	39,564	19,468	700	223,604

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	
	2011 £000	2010 £000
Cost	171,401	152,795
Aggregate depreciation based on cost	33,832	30,924

The above costs include irrecoverable VAT, 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 £56.1 million 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 HEFCE.

NOTES TO THE FINANCIAL STATEMENTS -
(CONTINUED)

	Group		University	
	2011 £000	2010 £000	2011 £000	2010 £000
11 Fixed asset investments				
Investments	922	37	922	37
Shares in group companies	-	-	9,360	9,360
At cost 31 July	922	37	10,282	9,397

During the year, the University received a donation of UK equities with a market value at 31st July 2011 of £885k. The balance of the investments of £37k relate to the University's equity investment in CVCP Properties PLC.

Shares in group companies include investments in four trading subsidiary companies, the results of which are incorporated within these consolidated financial statements. The results for the year ended 31 July 2011 of the four companies are as follows: Lancaster University Business Enterprises Ltd. (loss: £10k), Lancaster University Consultancy Services Ltd. (loss £7k), Landec Ltd, trading as The Work Foundation (loss £1,122k) and Lancaster University Network Services Ltd. (loss £355k).

	Group		University	
	2011 £000	2010 £000	2011 £000	2010 £000
12 Endowment asset investments				
At 1 August	5,049	5,015	5,049	5,015
Increase in market value of investments	98	115	98	115
Increase / (decrease) in cash balances held for endowment funds	803	(81)	803	(81)
At 31 July	5,950	5,049	5,950	5,049
Represented by;				
Equities	1,024	915	1,024	915
UK gilts and other fixed interest stocks	223	228	223	228
Property	35	35	35	35
Endowment cash balances	4,668	3,871	4,668	3,871
Total endowment asset investments	5,950	5,049	5,950	5,049
Endowment asset investments at cost	5,855	5,011	5,855	5,011

NOTES TO THE FINANCIAL STATEMENTS -
(CONTINUED)

	Group		University	
	2011 £000	2010 £000	2011 £000	2010 £000
13 Debtors				
Amounts falling due within one year				
Trade debtors	14,424	16,432	13,498	16,082
Prepayments and accrued income	3,708	2,652	3,344	2,638
Group debtors	-	-	2,708	1,167
	18,132	19,084	19,550	19,887

	Group		University	
	2011 £000	2010 £000	2011 £000	2010 £000
14 Investments				
Listed investments	800	785	800	785
	800	785	800	785

The listed investments represent a share portfolio managed by Investec (formerly known as 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 2011 was £870k (2010: £785k).

	Group		University	
	2011 £000	2010 £000	2011 £000	2010 £000
15 Creditors				
Amounts falling due within one year				
Payments received on account	11,334	11,671	11,334	11,671
Trade creditors	16,995	20,211	16,782	20,189
Social security and other taxation payable	3,983	3,400	3,920	3,327
Accruals and deferred income	15,137	10,693	14,105	9,670
Unsecured loan	323	323	323	323
Group creditors	-	-	10,670	11,387
	47,772	46,298	57,134	56,567

NOTES TO THE FINANCIAL STATEMENTS -
(CONTINUED)

	Group		University	
	2011 £000	2010 £000	2011 £000	2010 £000
16 Creditors				
Amounts falling due after more than one year				
Unsecured bank loans	71,862	55,903	71,862	55,903
Deferred income	4,417	4,530	4,417	4,530
	76,279	60,433	76,279	60,433

	Group		University	
	2011 £000	2010 £000	2011 £000	2010 £000
The maturity profile of the loans was as follows:				
Between 1 and 2 years	-	-	-	-
Between 2 and 5 years	544	-	544	-
Over 5 years	71,318	55,903	71,318	55,903
	71,862	55,903	71,862	55,903

In accordance with FRS 4, Capital Instruments, arrangement costs of £921k (2010: £815k) have been offset against the outstanding borrowings and are being amortised over the lives of the facilities.

Bank loan arrangements as at 31 July 2011:		Lender	Amount £000	Interest rate %	
Bullet loan repayable August 2039	Royal Bank of Scotland	44,676	5.84	Fixed	
Revolving credit facility September 2019	Royal Bank of Scotland	16,000	2.09	Variable	
Amortising loan repayable September 2030	Lloyds TSB	12,000	5.24	Fixed	
Arrangement costs		(814)			
			71,862		

NOTES TO THE FINANCIAL STATEMENTS -
(CONTINUED)

	Voluntary severance, early retirement and restructuring £000	Overseas partner development £000	Total £000
17 Provisions for liabilities and charges (Group and University)			
At 1 August 2010	2,578	385	2,963
Utilised in year	(733)	(52)	(785)
Transfer from income and expenditure account	159	91	250
At 31 July 2011	2,004	424	2,428

The payment profile of the voluntary severance, early retirement and restructuring provision was as follows:	2011 £000	2010 £000
Less than 1 year	467	790
Between 1 and 2 years	126	126
Between 2 and 5 years	374	378
Over 5 years	1,037	1,284
	2,004	2,578

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
18 Deferred capital grants (Group and University)			
At 1 August 2010	59,410	29,199	88,609
New grants received	936	290	1,226
Released to income and expenditure account	(3,335)	(1,309)	(4,644)
At 31 July 2011	57,011	28,180	85,191

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	2011 Total £000	2010 Total £000
19 Endowments (Group and University)				
Balances at 1 August 2010				
Capital	2,907	818	3,725	3,580
Accumulated income	941	383	1,324	1,435
	3,848	1,201	5,049	5,015
New endowments	837	354	1,191	132
Investment income	48	35	83	81
Expenditure	(452)	(19)	(471)	(295)
	(404)	16	(388)	(214)
Increase in market value of investments	-	98	98	116
At 31 July 2011	4,281	1,669	5,950	5,049
Represented by:				
Capital	3,292	1,251	4,543	3,828
Accumulated income	989	418	1,407	1,221
	4,281	1,669	5,950	5,049

	Group		University	
	2011 £000	2010 £000	2011 £000	2010 £000
20 Income and expenditure account				
At 1 August	41,250	45,917	43,117	39,748
Surplus / (deficit) after depreciation of assets at valuation and after taxation	6,502	(11,119)	7,949	(3,083)
Release from revaluation reserve	666	666	666	666
Actuarial gain in respect of pension scheme	3,609	5,786	3,609	5,786
At 31 July	52,027	41,250	55,341	43,117

NOTES TO THE FINANCIAL STATEMENTS -
(CONTINUED)

	Group		University	
	2011 £000	2010 £000	2011 £000	2010 £000
21 Revaluation Reserve				
As at 1 August	26,367	27,033	24,363	25,029
Transfer from revaluation reserve to general reserve in respect of depreciation on revalued assets	(666)	(666)	(666)	(666)
At 31 July	25,701	26,367	23,697	24,363

	Note	Group	
22 Reconciliation of consolidated operating surplus / (deficit) to net cash inflow from operating activities		2010/11 £000	2009/10 £000
Surplus / (deficit) for the year		6,114	(11,333)
Depreciation, impairment and loss on disposal	10	11,270	9,742
Deferred capital grants released to income	18	(4,644)	(4,774)
Investment income	5	(603)	(748)
Non-cash donation		(885)	-
Amortisation of finance costs		66	41
Release of lease premium		(113)	(113)
Interest payable	9	3,279	3,270
Revaluation of investments	14	(15)	(91)
Pension cost less contributions payable		1,537	2,452
Decrease in stocks		66	50
Decrease in debtors		459	799
(Decrease) / increase in creditors		(46)	1,100
(Decrease) / increase in provisions		(535)	801
Net cash inflow from operating activities		15,950	1,196
Exceptional debenture refinancing costs		-	15,876
Net cash inflow from operating activities before exceptional debenture refinancing costs		15,950	17,072

NOTES TO THE FINANCIAL STATEMENTS -
(CONTINUED)

	Note	Group	
23 Returns on investment and servicing of finance		2010/11 £000	2009/10 £000
Income from endowments	5	83	81
Other interest received		442	1,511
Interest paid		(3,280)	(2,737)
		(2,755)	(1,145)

24 Capital expenditure and financial investment		£000	£000
Payment to acquire tangible fixed assets		(34,886)	(34,278)
Deferred capital grant received	18	1,226	9,913
New endowments received	19	1,191	132
Endowment asset cash invested in equities		(6)	-
		(32,475)	(24,233)

25 Management of liquid resources	£000	£000
Movement in short-term deposits	(4,197)	15,581

26 Financing	£000	£000
Repayment of debenture	-	(29,978)
New loans acquired	15,893	49,685
	15,893	19,707

	Note	At 1 August 2010 £000	Cash flows £000	Non-cash changes £000	At 31 July 2011 £000
27 Analysis of changes in net debt					
Cash in hand		46,489	(4,184)	-	42,305
Endowment asset investments	12	3,871	797	-	4,668
Debt due within 1 year	15	(323)	-	-	(323)
Debt due after 1 year	16	(55,903)	(15,893)	(66)	(71,862)
		(5,866)	(19,280)	(66)	(25,212)
Current asset investments	14	785	-	15	800
		(5,081)	(19,280)	(51)	(24,412)

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

28 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 trustee 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 regular reviews of the funding levels. In particular, he carries out a review of the funding level each year between triennial valuations and details of his estimate of the funding level at 31 March 2011 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 (ie 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)

28 University pension schemes (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 (ie 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 a 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. 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 as at 31 March 2011 the market's assessment of inflation has increased slightly. The government has also announced a change to the inflation measure used in determining the "Official Pensions Index" from the Retail Prices Index to the Consumer Prices Index. The actuary has taken this all into account in his funding level estimates at 31 March 2011 by reducing the assumption for pension increase from 3.3% pa to 2.9% pa. The actuary has estimated that the funding level as at 31 March 2011 under the scheme specific funding regime had fallen from 103% to 98% (a deficit of circa £700 million). Over the past twelve months, the funding level has improved from 91% as at 31 March 2010 to 98%. This estimate is based on the funding level at 31 March 2008, adjusted to reflect the fund's actual investment performance over the three 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). The next formal valuation is as at 31 March 2011 and this will incorporate updated assumptions agreed by the trustee company.

With effect from 1 October 2011, new joiners to the scheme will join the new revalued benefits section rather than the existing final salary section. This change will have an impact, expected to be positive, on the future funding levels.

On the FRS 17 basis, using an AA bond discount rate of 5.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2011 was 86%. An estimate of the funding level measured on a buy-out basis at that date was approximately 54%.

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

28 University pension schemes (continued)

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 actuarial 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

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 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 as at 31 March 2011 and will incorporate allowance for scheme benefit changes and any changes the trustee makes to the underlying actuarial assumptions. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.

As at 31 March 2011, USS had over 142,000 active members and the institution had 1,187 active members participating in the scheme.

The total pension cost for the institution was £8,777k (2010: £8,756k). This includes £1,074k (2010: £1,091k) outstanding contributions at the balance sheet date. The contribution rate payable by the institution was 16% of pensionable salaries.

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

28 University pension schemes (continued)

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 2011 was £2,589k (2010: £2,502k). The current employer contribution rate is 14.4%.

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 2010
Actuarial method	Projected unit
Market value of assets at date of last valuation	£3,962m
Discount rate	6.75%
Pension increase per annum	3.0%
Salary scale increases per annum	5.0%
Proportion of members' accrued benefits covered by the actuarial value of the assets	80%
Inflation CPI	3.1%

NOTES TO THE FINANCIAL STATEMENTS -
(CONTINUED)

28 University pension schemes (continued)

FRS17

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

Financial assumptions

	31 July 2011 %	31 July 2010 %	31 July 2009 %
Inflation	2.90	2.70	3.70
Rate of increase in salaries	4.90	4.95	5.50
Rate of increase for pensions	2.90	2.70	3.70
Discount rate for liabilities	5.30	5.50	6.30

Post retirement mortality assumptions (members retiring in normal health)

Mortality tables used:

Males	103% S1PMA CMI_2009_M(1%)	(2010: PA92 mc YoB + 1 year)
Females	96% S1PMA CMI_2009_F(1%)	(2010: PA92 mc YoB + 1 year)

Life expectancy of future pensioners:

Males (females) currently aged 65	21.6 (24.2) years
Males (females) currently aged 45	23.0 (25.8) years

NOTES TO THE FINANCIAL STATEMENTS -
(CONTINUED)

28 University pension schemes (continued)

The assets in the scheme (of which the University's share is estimated at 1.71%) and the expected returns were:

	31 July 2011 £000	31 July 2010 £000	31 July 2009 £000
Equities	2,692,660	2,220,000	1,961,820
Government bonds	217,150	296,000	217,980
Other bonds	608,020	555,000	435,960
Property	390,870	296,000	186,840
Cash	130,290	111,000	124,560
Other	304,010	222,000	186,840
Total market value of assets	4,343,000	3,700,000	3,114,000

	Long term rate of return expected at 31 July 2011 %	Long term rate of return expected at 31 July 2010 %	Long term rate of return expected at 31 July 2009 %
Equities	7.0	7.5	7.5
Government bonds	3.9	4.2	4.5
Other bonds	4.9	5.1	5.8
Property	6.0	6.5	6.5
Cash	0.5	0.5	0.5
Other	7.5	7.5	7.5

Analysis of the amount shown in the balance sheet	31 July 2011 £000	31 July 2010 £000	31 July 2009 £000	31 July 2008 £000	31 July 2007 £000
University's estimated asset share	74,072	64,775	55,333	58,903	61,245
Present value of scheme liabilities	(96,372)	(89,149)	(83,041)	(82,726)	(70,328)
Net pension liability	(22,300)	(24,374)	(27,708)	(23,823)	(9,083)

NOTES TO THE FINANCIAL STATEMENTS -
(CONTINUED)

28 University pension schemes (continued)

	Group	
	2010/11 £000	2009/10 £000
Analysis of the amount charged to staff costs within operating surplus		
Current service cost	(3,215)	(3,248)
Past service cost	(8)	(19)
Settlements and curtailments	(83)	-
Total operating charge	(3,306)	(3,267)
Analysis of the amount charged to interest payable	£000	£000
Expected return on pension scheme assets	4,103	3,608
Interest on pension scheme liabilities	(4,921)	(5,295)
Net charge	(818)	(1,687)
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	4,824	4,853
Change in basis of valuation	-	6,006
Experience loss	(1,215)	(5,073)
Actuarial gain recognised in the STRGL	3,609	5,786
Movement in deficit during the year	£000	£000
Deficit in scheme at beginning of year	(24,374)	(27,708)
Movement in year:		
Current service cost	(3,215)	(3,248)
Contributions	2,589	2,502
Settlements and curtailments	(83)	-
Past service costs	(8)	(19)
Net charge on pension scheme	(818)	(1,687)
Actuarial gain	3,609	5,786
Deficit in scheme at end of the year	(22,300)	(24,374)

NOTES TO THE FINANCIAL STATEMENTS -
(CONTINUED)

28 University pension schemes (continued)

					Group	
					2010/11 £000	2009/10 £000
Analysis of the movement in the present value of scheme liabilities						
At beginning of the year					(89,149)	(83,041)
Current Service Cost					(3,215)	(3,248)
Interest Cost					(4,921)	(5,295)
Contributions by scheme participants					(1,150)	(1,190)
Past service (cost) / gain					(8)	5,987
Settlements and curtailments					(83)	-
Actuarial loss					(1,215)	(5,073)
Benefits paid					3,369	2,711
At end of the year					(96,372)	(89,149)
					£000	£000
Analysis of the movement in the fair value of scheme assets						
At beginning of the year					64,775	55,333
Expected rate of return on scheme assets					4,103	3,608
Actuarial gain					4,824	4,853
Contributions by the employer					2,589	2,502
Contributions by scheme participants					1,150	1,190
Benefits paid					(3,369)	(2,711)
At end of the year					74,072	64,775
History of experience gains and losses						
	31 July 2011	31 July 2010	31 July 2009	31 July 2008	31 July 2007	
Difference between expected and actual return on assets:						
Amount £000	4,824	4,853	(9,367)	(6,760)	1,431	
% of scheme assets	6.5	7.5	(16.9)	(11.5)	2.3	
Changes in assumptions (£000)						
	-	6,006	-	(121)	(111)	
Experience (losses) / gains on scheme liabilities:						
Amount £000	(1,215)	(5,073)	7,982	(6,472)	-	
% of scheme liabilities	(1.3)	(5.7)	9.6	(7.8)	-	

NOTES TO THE FINANCIAL STATEMENTS -
(CONTINUED)

	Group and University	
	2011 £000	2010 £000
29 Capital and other commitments		
Provision has not been made for the following capital commitments at 31 July:		
Commitments contracted at 31 July	10,200	33,391
	2011 £000	2010 £000
30 Access funds		
At 1 August	1	5
Funding Council grant	116	148
Interest earned	1	1
	118	154
Disbursed to students	(108)	(148)
Fund running costs	(5)	(5)
	118	154
Balance unspent at 31 July	5	1

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.

31 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.

The President of the Lancaster University Student Union (LUSU) is an ex-officio member of the University's Council. Grants payable to LUSU are detailed below:

	Group and University	
	2011 £000	2010 £000
Block grant	575	564
Specific grants	308	212
	883	776

NOTES TO THE FINANCIAL STATEMENTS -
(CONTINUED)

32 Interest in subsidiary companies

The following information relates 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 (Trading as The Work Foundation)	England	Independent authority on work and its future	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.

33 Post balance sheet events

No additional significant post balance sheet events have occurred that would require additional adjustment or disclosure in the financial statements, over and above those events already disclosed.

THE CHANCELLOR'S GUILD

ROLL OF HONOUR

Dr Margaret N Bainbridge

PGDip Local History, 1993, Fylde
Department of History - local history research projects

Dr Graham Bartram

Senior Lecturer, Department of European Languages and Cultures, Lancaster University
DELC - Austrian cultural research project

John and Stella Birchall

The Ruskin Library

Ian A Bolland

BA Accounting & Finance, 1976, Bowland
LUSU - Create

Nicholas C Bone

BA Accounting & Finance, 1976, Fylde
Technology in Developing Countries project

Bob Bosshard

BA Accounting & Finance, 1977, Lonsdale
Priority Fund & LUMS Hardship fund

Terry and Liz Bramall

Faculty of Health & Medicine - Alzheimer's research

John A Bush

MBA, 2001, Graduate
Priority Fund

Helen E Charlton

BA Sociology, 1972, Furness
Student Hardship Fund

William F Charnley

LLB Law, 1983, Fylde
Law - The William Charnley Award

Paul and Connie Clifff

LLB Law, 1985, Grizedale (Paul)
Junior Year Abroad, 1984-85 (Connie)
Law - Award Fund

Andrew P Coddington

LLB European Legal Studies, 1999, Fylde
Law and German - Award Funds

Lynda and Paul Cooper

BSc Computer Science, 1976, Bowland (Lynda)
BA Accounting & Finance, 1975, Lonsdale (Paul)
Feed the World Campaign

Joseph W Devlin

BA Economics & Mathematics, 1981, Fylde
Department of Mathematics & Statistics
Student Hardship Fund

Professor Peter Diggle

Group Leader for Combining Health Information, Computation and Statistics, Lancaster Medical School
Faculty of Health & Medicine

Professor George M Dillon

PhD Politics, 1976, Lonsdale
Paul Fletcher Memorial Fund

Mark A Everard

LLB Law, 1996, Cartmel
Law - Award Fund

David Finch

BA Economics, 1967, Bowland
Priority Fund

Dr Ian Finlay

PhD Educational Research, 2004, Graduate
Priority Fund

Gian M Fulgoni

MA Marketing, 1970, Cartmel
Lancaster University Management School - The Fulgoni Chair in Marketing

Professor Anne Garden

Head of Department and Director of the CME, Lancaster Medical School
Faculty of Health & Medicine - Medical Student Prizes

Jenny Greenhalgh

The Steinway Campaign

Sir Ronald Halstead

DSc (Honoris Causa), 1987
Feed the World Campaign

Carole and Stuart Hatwell

BSc Environmental Sciences, 1977, Furness (Carole)
BA History, 1976, Furness (Stuart)
Faculty of Health & Medicine - Cancer Research

Professor Audrey K Hennessey

PhD Systems, 1984, Lonsdale
Distance Education Support

Michael K Hulme

MPhil Critical Management, 1998, Graduate College
The Faculty of Arts & Social Sciences

Yick Hin Hung

BSc Mathematics, 1989, Pendle
Priority Fund

Lucy J James

BA French Studies, 1998, Furness
Priority Fund

John and Monica Langford

BSc Psychology, 1980, Grizedale (John)
BA English & Creative Writing, 1980, Grizedale (Monica)
Priority Fund
Teaching & Research Excellence Fund

Guy W Leach

BA Accounting & Finance, 1985, County
Priority Fund

William Lind

PhD Chemistry, 1971, Lonsdale
Priority Fund

Nicholas R Macfarlane

BA Politics, 1974, Lonsdale
Priority Fund

David F Marshall

BSc Management Science - Operational Research, 1999, County
Priority Fund

Stuart J McAdam

BA Politics, 1973, Fylde
Priority Fund

Marion McClintock

Honorary Fellow and Honorary Archivist, Lancaster University
The Steinway Campaign

Peter V E McClintock

Emeritus Professor, Physics Department, Lancaster University
The Steinway Campaign

Terence P McDonald

LLM International Business and Corporate Law, 2004, Graduate
Priority Fund

Professor Tony M McEnery

BA English & Linguistics, 1986, Pendle
PhD Linguistics, 1995, Graduate
Dean, Faculty of Arts and Social Sciences, Lancaster University
Professor of English Language & Linguistics, Lancaster University
Priority Fund

Thomas M G Mc Nerney

MSc Operational Research, 1986, County
The Boat Club
Operational Research

Samuel J Moody

BSc Economics, 1973, Lonsdale
Priority Fund

Jon Moulton

BSc Chemistry, 1973, Furness
Faculty of Health & Medicine - International Observatory on End of Life Care Scholarships

David J Newell

BSc Management Science - Marketing, 1988, Grizedale
Priority Fund

Mr J G Oldham

The Steinway Campaign

Geoffrey L Piller

BA Politics, 1979, Bowland
Law - Award Fund

Eddie Robinson

MA Operational Research, 1972, Furness
Lancaster University Management School - The Robinson Scholarship

Justin P Samuels

BA Religious Studies, 1995, Cartmel
The Ninian Smart Memorial Fund
The Paul Fletcher Memorial Fund

Mark Shepherd

BSc Applied Physics & Electronics, 1983, Pendle
Priority Fund

Lady Joan Smith

Lancaster University Management School - The Professor Sir Roland Smith Chair in Strategic Management

Paul Stenning

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Feed the World Campaign

Barry Stringer

BSc Computer Modelling for Science, 1979, County
Student Support Fund

Guy M Thomas

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Priority Fund

Roy Tuff

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John M R Tyler

BSc Physics, 1969, Cartmel
Student Support Fund

Alison Walters

Faculty of Health & Medicine - International Observatory on End of Life Care

George R Ward, in honour of Katherine Ward,

Isabel Ward, Daniel Ward, Emily Ward,

Janet & Rodney Ward

The Steinway Campaign

Frank and Lesley Wareing

BA Politics, 1976, Fylde and Alumni & Development Research Officer, Lancaster University (Frank)
BA English Literature, 1976, Fylde and Head of Registry, Lancaster University (Lesley)
Fylde College

Dr John P L Welch

Centre for North West Regional Studies and the Faculty of Health & Medicine - Centre for Ageing Research

Sir Martin and Lady Wood

Feed the World Campaign

David and Janet Wood

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BA History, 1975, Bowland (Janet)
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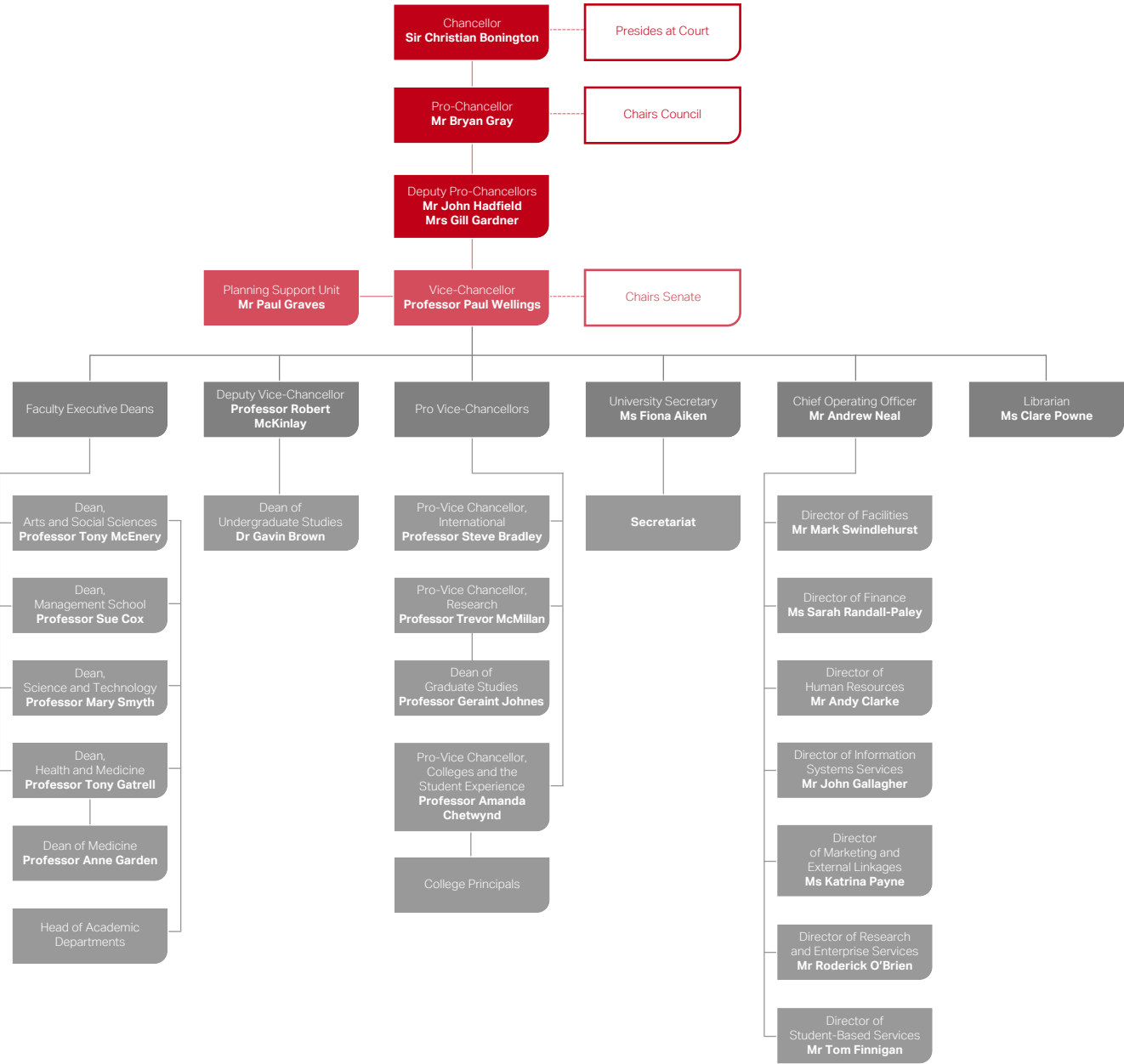
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