

LANCASTER UNIVERSITY
ANNUAL REPORT AND ACCOUNTS

2012





CONTENTS

Vice-Chancellor's review	2
Pro-Chancellor's review	3
High notes of the year	5
Awards and distinctions	13
Advancing knowledge through research	21
Key facts and figures	27
Financial Statements	31
Operating and Financial Review for the year ended 31 July 2012	32
Strategic Plan Performance Indicators	35
Statement of Corporate Governance	40
Independent Auditors' Report to the Council of Lancaster University	45
Statement of Accounting Policies	46
Consolidated Income and Expenditure Account	48
Statement of Consolidated Historical Cost Surpluses and Deficits	49
Balance Sheets as at 31 July 2012	50
Consolidated Cash Flow Statement	51
Reconciliation of Net Cash Flow to movement in Net Debt	52
Consolidated Statement of Total Recognised Gains and Losses	53
Notes to the Financial Statements	54
Chancellor's Guild roll of honour	76
Chancellor's Guild corporate donors and legacy pledges	77
Trusts, foundations and charities	78
Chairs & Readerships	79



VICE-CHANCELLOR'S REVIEW

I am pleased to report on a positive year for Lancaster, my first as Vice-Chancellor and one that saw the University rise to the challenges brought to the sector by the changing financial and policy environment. The combination of our strong academic reputation, emphasis on employability and the student experience has resulted in higher entry grades. Lancaster now has over 60% of students with AAB grades or better, the highest ever for the University.



Reputation and Performance

Our competitive position in the league tables is largely due to an ambition to excel on all the measures used spanning teaching, research, facilities and student satisfaction. We have an aggressive strategy of continuous improvement and this will drive our mission to offer our students excellent value for money and to build upon our exceptional research reputation.

Overseas collaborations

Our overseas partnerships are an essential part of our international strategy. We aim to increase international student numbers, mainly through our international partnerships, while maintaining overall UK and EU numbers. 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, and all these partnerships are important to us. This year, we announced that Lancaster University and Guangdong University of Foreign

Studies intend to establish a new university campus in China which will offer undergraduate and postgraduate programmes, enhance the research of both universities and expand the brand impact of Lancaster University on the Chinese education market. Lancaster University would be one of the first universities in the world to have a partner campus in both India and China.

The Student Experience

Students at Lancaster University are amongst the most satisfied with their course of any in the UK, according to the National Student Survey 2012.

We have made considerable efforts to reach out and attract students from a wide range of backgrounds and raise their aspirations. We have a strong record in delivering successful outreach programmes and Lancaster's generous and flexible package of financial support aims to attract and retain the most able students no matter what their circumstances. It is to our credit that Lancaster recruits almost 90% of students from state schools, has relatively low dropout rates and does well for retention of students against national benchmarks. Our supportive and popular college system, emphasis on pastoral care and a friendly, safe campus all contribute to this success.

Looking forward

The University very much values its roots in the North West and we will continue to build our positive links to the City and the wider region. Lancaster's success depends on the talented, creative and committed people who work hard to make this University so special and distinctive. A snapshot of these successes, be it on an individual level or as part of an important collaboration, are covered in this report. We are also grateful for the immensely valuable contributions made to Lancaster by our alumni and many other friends and supporters.

I am pleased to be able to welcome two new people to my senior management team who I am sure will help take the University forward. Professor Andrew Atherton joins us as Deputy Vice-Chancellor and also Nicola Owen becomes Chief Administrative Officer.

The continuing changes in the higher education (HE) environment in the UK and the rapid growth of international competition will result in a turbulent and challenging future for the UK HE sector. I am confident that Lancaster University will remain highly competitive as we engage with the Research Excellence Framework, extend our international ambitions, and strive to provide an even more outstanding campus and academic experience for our students. Our current University strategy is clear and ambitious, serving us extremely well to date. There have been huge changes over the last few years which means it is timely to refresh our strategy. Discussions over the option of a closer alliance with the University of Liverpool helped us to examine Lancaster's ambitions, our strengths, what we stand for and of course our vulnerabilities in the increasingly globalised and competitive HE world. During the coming year we will set out our new vision. I am sure we will develop an exciting and challenging new strategy, capitalising on our already strong position.

Some options might require some real choices about our future. Given Lancaster's advance over the last decade, and the quality throughout the institution I look forward to this debate.

A handwritten signature in black ink, reading "Mark E. Smith". The signature is written in a cursive, slightly slanted style.

Professor Mark E. Smith
Vice-Chancellor

PRO-CHANCELLOR'S REVIEW

Now approaching its 50th birthday, Lancaster's journey has been a remarkable one, with so many achievements to be proud of. The growth and diversity of the institution has done much to enhance the city of Lancaster and the region, and the University has established a global reputation as a centre for research, scholarship and teaching.



Our strong position in major UK and global league tables reflects a university which strives to be the best at everything it does.

All of this must be achieved whilst maintaining our financial discipline and focus on institutional sustainability. Against a backdrop of change and uncertainty this year the University grew by 2.1% and returned a 4.5% surplus. Lancaster University's credit rating has been upgraded to A+ with a 'positive outlook' by Standard and Poor's. Our financial discipline will assist Lancaster in facing the substantial financial pressures which are expected around payroll, pensions, infrastructure and energy costs.

The combined efforts of the University's staff and students have led to another outstanding year of achievements, accomplished under challenging circumstances. Our reputation across the UK and beyond is already very strong, but is still improving as we continue to attract world-leading researchers. By prioritising and enhancing the student experience within a research-led environment we have created high demand for Lancaster's undergraduate and graduate courses.

The University has continued to set challenging targets and has successfully managed a period of intense campus regeneration and improvement. In my period as Chair of Council Lancaster has invested over £450m into its campus to create high quality accommodation and superb teaching, research and leisure facilities for students and staff. Our commitment to lead by example has seen award winning buildings such as the Lancaster Institute for Contemporary Arts, Charles Carter and a range of environmental projects including biomass heating and a wind turbine that will shortly become operational. 2011/12 saw the first year of operation of our Sports Centre - a flagship building at the main entrance to the campus. Demand from students, staff and the community to use this facility has exceeded all projections and it has enhanced greatly our commitment to fitness and wellbeing.

Council has monitored the University's investments to ensure best value for money and delivery of our mission in line with our financial strategy. We will continue to exercise a careful control of expenditure and seek increased efficiency. Council has approved exciting new developments such as the re-creation of a Chemistry Department at Lancaster and expansion of engineering. This signals our confidence and ambition for the future.

I shall be retiring as Pro-Chancellor and Chair of Council in the summer of 2013 after ten exciting and challenging years. As this is my last report it is instructive to reflect on the changes over that period. We have focused on what is today called the 'student experience' recognising that students (and their parents and sponsors) give us the right to exist. We have refocused on our college system, one of Lancaster's distinctive features. We have also built on our research and teaching strengths and expanded internationally. More prosaically (but importantly), we have modernised our governance, updated our managements systems and increased the focus on personal development. All these changes have helped us move into the top ten of most league tables.

Towards the end of Paul Wellings' time as Vice-Chancellor we began to explore how Lancaster can survive and prosper in a world where quality is not enough. To compete with the best universities in the world we need both quality and scale, especially in our strong science, technology and environment subjects. We have shared ideas with other like-minded universities; our discussions with Liverpool taught us much about ourselves. The task of setting our strategic direction for the coming years has now passed to Professor Mark Smith and will pass to my successor. I wish them well and offer my heartfelt thanks to everyone who has contributed to the success of Lancaster University.

Bryan Gray

Bryan Gray
Pro-Chancellor



HIGH NOTES OF THE YEAR



Lancaster University's Chancellor Sir Chris Bonington has carried the Olympic torch to the top of Snowdon in North Wales.

He was one of eight thousand people chosen to carry the torch as it journeyed across the UK ahead of the start of the London 2012 Games.

Lancaster University student Sue Fearnley was nominated to carry the torch on the Preston leg due to her work at a homeless shelter in Lancaster.



The campus has been awarded a Green Flag which is a national award for high quality green spaces.

The 360 acre campus provides a pleasant environment for both students and staff as well as being accessible to the public.



Lancaster's newest department has appointed its first head. Professor Peter Fielden from Manchester University will take up the role this year as the University prepares to open its doors to chemistry students again in October 2013.

Professor Fielden – who has published over 180 research papers and patents, and successfully supervised more than 30 PhD students - chairs the Royal Society of Chemistry Electroanalytical Sensing Systems Group and is a scientific Advisor to the UK government.

NEW DEPARTMENT OF CHEMISTRY

AERIAL CONCERT AT SPORTS CENTRE



Lancaster University has announced the establishment of a new Department of Chemistry, which will see students admitted to a new undergraduate degree in chemistry in October 2013.

The new department will establish a challenging research-led MChem degree programme, which will build on Lancaster research and take advantage of industry relationships and placements. The programme will seek full accreditation by the Royal Society of Chemistry. Moving to a chemistry department and to a full chemistry degree will enable Lancaster to recruit additional strong science students, both from the UK and abroad, in a market where the numbers of applications to study chemistry in research-led universities are increasing.

Lancaster already has strong chemistry-led research activity in important areas targeting major societal issues. These include environmental chemistry, nuclear chemistry, physical chemistry for nanoscience, and biological chemistry within biophotonics, and the University is also currently developing a chemical engineering programme.

The new department will build on the strengths in analytical chemistry which exist in these areas and on strong computational work in partnership with Lancaster's top rated Physics Department.

The University has a strong tradition of working across disciplines and the new department will be linked closely to the Lancaster Environment Centre, Engineering, Physics, and to the Faculty of Health and Medicine, so that it can deepen the interdisciplinary work of scientists, engineers and social scientists.



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Lancaster University sports centre was the venue for an aerial concert by brass players from the Lancashire Sinfonietta.

Five of them donned a hard hat and harness to scale the climbing wall to play excerpts from the James Bond theme tune and Those Magnificent Men in Their Flying Machines.

The event began the Lancaster University Curate the Campus arts project in May which featured artists staging unusual projects in unusual locations.

Fiona Sinclair is the general manager of the Lancashire Sinfonietta, which is the orchestra in residence at Lancaster University. She said:

"We were inspired by the Olympics this year to do this because sports and music do not often go together. It's an amazing sense of achievement to have played two pieces so well while suspended up high."

CYBER SECURITY CENTRE OF EXCELLENCE STATUS



Professor Awais Rashid, head of the Academic Centre of Excellence in Cyber Security Research at Lancaster

Researchers who have been tackling online crime from hacking to child grooming on the net have been recognised by Government as one of an elite group of eight new academic centres of excellence in cyber security research in the UK.

The only one in the north of England and Scotland, the new Lancaster University Academic Centre of Excellence in Cyber Security Research brings together internationally-recognised researchers

from diverse disciplines to address key issues threatening our security online.

From threats to national security to internet hacking, cyber security affects almost every one of us. Lancaster University has been working in this field for nearly a decade, forging a global reputation for its research which combines traditional network security expertise and data analysis with new approaches to linguistic analysis and knowledge of human behaviour patterns informed by psychological research.

Funded by the Research Councils' Global Uncertainties Programme (RCUK), GCHQ and the Department for Business Innovation and Skills (BIS), the Academic Centre of Excellence in Cyber Security Research at Lancaster will develop research to tackle emerging cyber security threats while providing a platform for government and business to interact more effectively with leading-edge university cyber security research.

Spanning the School of Computing and Communications, the Department of Psychology and the University Centre for Computer Corpus Research on Language, Lancaster's cyber security researchers are undertaking work which includes:

- Developing sophisticated language analysis tools to detect the techniques used by paedophiles in internet chat rooms to groom children
- An analysis of a database of literature endorsing violent extremism in order to better understand the kinds of persuasive techniques recruiters use to influence vulnerable communities
- An influential study about emerging threats to the future internet
- Developing a network of wireless sensors to protect high security buildings from attack
- Developing mechanisms to protect the internet from cyber threats and tools which enable the network to repair itself and adapt to challenges

This year's Cyber Security Challenge UK, held at Lancaster University in September, gave talented amateurs a priceless opportunity to learn about cyber defence from seasoned professionals.

30 candidates spent an extended weekend at the University where they faced a series of security exercises developed by experts from organisations such as the Metropolitan Police Central e-crime Unit (PCeU), Raytheon, QinetiQ, HP and KPMG.

BIG INNOVATION CENTRE

The Big Innovation Centre, an initiative of Lancaster University's Work Foundation, was chosen as the launchpad for the Government's new Innovation and Research Strategy for Growth.

The £75m boost for high tech small and medium sized businesses is part of a package of measures launched by Business Secretary Vince Cable and Minister for Universities and Science David Willetts.

The N8 group of northern universities including Lancaster University was cited as an example of how economic growth

can be boosted through investment in research and innovation.

The Big Innovation Centre brings together some of the world's leading companies with key institutions from across the policy landscape, all united by a commitment to innovation. It will carry out business-oriented research, taking emerging ideas and backing them with evidence. With support from all political parties, the Big Innovation Centre will make recommendations on how the UK can become a global innovation hub and transform the UK economy.



David Willetts

ENGINEERING STUDENTS HAVE A HAND IN SUPERSONIC CAR DESIGN



Student engineers at Lancaster University have played a part in an ambitious project to build the ultimate racing car.

The BLOODHOUND Supersonic Car Project aims to create a 7.5 tonne jet and rocket powered car capable of travelling at over 1,000 mph – faster than the speed of sound. The British team behind BLOODHOUND hopes to make a new attempt on the land speed record in 2013 and 2014.

Students from Lancaster's Engineering Department have been working on the project since 2011.

The Product Development Unit, the knowledge exchange team for the Engineering Department, put small student project teams together to tackle two different aspects of the car's design.

Firstly, work was undertaken on the design of the steering wheel; the second piece of work concentrated on the air brake system, and aimed to calculate and model the forces acting upon the airbrake actuation system between 400 and 800mph. As part of the air brake system project the Lancaster students developed software and adjusted it to make it more accessible – this new tool is being used by the BLOODHOUND engineering team to inform their design process.

Lancaster student engineer Tom Goodman said: "Taking part in the BLOODHOUND Project was an invaluable, fascinating and mentally challenging experience. The group got to examine and reflect on real design schematics for the air brake system, communicating directly with the engineers who produced them."



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GRADUATING STUDENTS CELEBRATE LANCASTER DEGREE SUCCESS AT GD GOENKA WORLD INSTITUTE



The Chancellor presided over the inaugural graduation ceremony of the GD Goenka World Institute-Lancaster University on 8 February 2012.

The families and guests of the postgraduate students watched them collect their degrees at the Hyatt Regency Hotel in New Delhi.

A hundred and eleven students graduated with a Postgraduate Diploma in Business Management and another 20 graduated with an MSc Management and Law, MSc Management or MSc Management and Marketing.

Five hundred and fifty-six students are currently studying for a Lancaster degree at GDGWI in Gurgaon.

Ms Shilka Abraham, who graduated with a Postgraduate Diploma in Business Management (2009-11 cohort), was the first recipient of the Gopi Ram Goenka Medal, awarded in recognition of outstanding performance in curricular, co-curricular, and extra-curricular activities. Sri Gopi Ram Goenka was the guiding force behind the GD Goenka group.

As part of their plans, the GD Goenka Group intends to open the GD Goenka University.

LANCASTER UNIVERSITY TO OPEN CAMPUS IN CHINA

The first China-UK university in Guangdong settles in Nansha, Guangzhou.

Lancaster University and Guangdong University of Foreign Studies (GDUFS) have announced the intention to establish a new university campus in China. The two institutions will jointly set up Guangwai Lancaster University, which will be the first China-UK university in Guangdong Province.

The University will be based in Nansha, Guanzhou. It will recruit students independently for the first year and award Lancaster University degrees to students.

After getting approval from the Ministry of Education, it will recruit students across China and award students independent Guangwai-Lancaster University degrees.

The Guangwai-Lancaster University will offer undergraduate and postgraduate programmes, enhance the research of both universities and expand the brand impact of Lancaster University on the Chinese education market.

Guangwai-Lancaster will enrol students in English and linguistics; accounting and finance; international business; business administration; economics; marketing; computer science and IT. Starting from the second year, other degrees will be added in the areas of environmental science, bioscience and mechanical engineering. This will be followed by the introduction of other subjects in the humanities and social sciences, creating a comprehensive university.

The curriculum and teaching approach will follow that of Lancaster University to ensure the portfolio is distinctive in the Chinese market and to allow Guangwai-Lancaster University students the opportunity to study for part of their degree at the campus in Lancaster. Some second year students will be able to transfer to Lancaster University for their final two years of study.

The size of student enrolment is initially set at about 1,000 per year, with the very first year at 600. It is expected that the size of the student body will ultimately reach 8,000 to 10,000.

Lancaster University would be the first University in the world to have a campus in both India and China. Lancaster opened a campus with GD Goenka World Institute of Higher Education (GDGWI) in New Delhi in 2009.



Lancaster University would be the first University in the world to have a campus in both India and China.



LANCASTER SCIENTISTS LAUNCH NEW RESEARCH AND INNOVATION CENTRE IN CHINA



Scientists from Lancaster and China have launched a new international research and innovation centre for the environment.

Researchers from the Lancaster Environment Centre (LEC) went to Guangzhou to launch the centre in partnership with the Chinese Academy of Sciences Guangzhou Institute of Geochemistry (GIG) and Xiamen Institute of Urban Environment (IUE).

The initiative follows an earlier signing of a memorandum of understanding between Lancaster University and the Chinese Academy of Sciences and has been endorsed and supported by the UK Foreign and Commonwealth Office (FCO).

The new UK-China Centre will develop both research and business partnerships with a focus on solutions for environmental and human health protection.

The platform will act as a focus for innovation and will create opportunities for UK business growth specifically in relation to environmental technologies across soil, air and water resources protection.



The new UK-China Centre will develop both research and business partnerships with a focus on solutions for environment and human health protection.



SATISFACTION RATE RISES



Students at Lancaster University are more satisfied than ever before according to the annual National Student Survey 2012.

Satisfaction rates among undergraduates rose from 88 per cent last year to joint 91 per cent.

91 per cent of Lancaster students say that they are satisfied with their course, above a sector average of 85 per cent. Some subjects such as physics, operational research, finance and linguistics are ranked first in the UK for student satisfaction. Geography, law and media studies at Lancaster are ranked second in the UK.

Around 287,000 final-year students from across the UK responded to the survey this year, a response rate of 67 per cent, the highest rate in the eight years the NSS has been running.

The results of the survey provide valuable information for prospective students, and help universities and colleges to further improve the education they provide.

FACULTY OF HEALTH AND MEDICINE IN PARTNERSHIP WITH BLACKPOOL TEACHING HOSPITALS



Prime Minister David Cameron with staff at Blackpool Hospital

Blackpool Teaching Hospitals NHS Foundation Trust welcomed Prime Minister David Cameron on the day he announced a package of measures to improve standards of care in hospitals.

One of the measures announced was about leadership on wards. Blackpool Teaching Hospitals NHS Foundation Trust has over the last year been investing in the role of the Ward Manager in partnership with the Centre for Training and Development (CETAD) at Lancaster University.

All forty ward managers in the Trust completed a Postgraduate Certificate in Organisational Change (Health Care) which gives them a critical understanding of the concepts associated with work based change, leadership and management.

CETAD is a specialist work based learning centre which is part of the Faculty of Health and Medicine.

It offers programmes that deliver relevant knowledge and skills that can be applied directly to the workplace with immediate impact.

Mr Cameron said he was extremely impressed with the innovative work taking place at Blackpool and that it was important best practice such as this was shared across the NHS.

“
CETAD offers innovative programmes that deliver relevant knowledge and skills that can be applied directly to the workplace with immediate impact.
 ”

PAKISTAN PARTNERSHIP DISCUSSES NEXT STEPS

One of Pakistan's most senior politicians met with representatives from Lancaster University and COMSATS Institute of Information Technology, Pakistan to celebrate the growth of a pioneering partnership between the two institutions and discuss the next stage of development.

In 2010 COMSATS Institute of Information Technology (CIIT) and Lancaster University launched the first ever dual degree programme between a UK and Pakistani university.

Demand for the programmes is high and today more than 1,300 Pakistani undergraduate students have the opportunity to study for dual Lancaster University/CIIT degrees delivered in Pakistan in subjects including: Business Administration; Computer Science; Electrical Engineering (telecommunications) Computer Engineering, Software Engineering, Chemical Engineering and Electrical Engineering (electronics).

The delegation from Pakistan, met with Lancaster University Pro Vice Chancellor Professor Steve Bradley to talk about future developments for the partnership which included the possibility of setting up a joint-research fund between the two institutions. Other proposals on the table include extending Lancaster University's Chancellors' Fellowship awards to COMSATS faculty staff who perform significantly in teaching or research.



Professor Steve Bradley and Federal Minister for Science and Technology and COMSATS chancellor, Mr Changez Khan Jamali.



AWARDS AND DISTINCTIONS



Lancaster University has launched a major new hub for Chinese language and culture with the opening of the Confucius Institute.

The focus of the new Institute will be the development of credit bearing Chinese language and culture programmes for students in all faculties. Other Chinese programmes on language and culture will be open to students, staff, regional businesses and the North West community including schools.



Lancaster University graduate Dave Clarke took centre stage as captain of Britain's Football five-a-side team at the Paralympic Games London 2012.

The 42-year-old Senior Partner at Clydesdale Bank PLC completed an MA in Diplomacy at what is now Lancaster University's Department of Politics, Philosophy and Religion in 1993.

As captain of Britain's Football five-a-side team, Dave was the most experienced member of the squad, having represented ParalympicsGB at the 2008 Beijing Paralympic Games.



The Austrian Government has presented one of its highest awards to Distinguished Professor Ruth Wodak at a ceremony in Vienna.

The Minister of Science and Education Professor Karl Heinz Töchterle presented her with the "Grand Decoration of Honour in Silver for Services to the Republic of Austria" on behalf of the President of Austria, Dr Heinz Fischer.

The award citation emphasises the social relevance and impact of her outstanding research on the discursive construction of national and transnational identities and patterns of racism, xenophobia and anti-Semitism.

HONORARY GRADUATES

The following distinguished people have been awarded honorary degrees by Lancaster University at the graduation ceremonies in July 2012.



Mark Price – Doctor of Laws

Mark Price gained a degree in Archaeology at Lancaster before joining the John Lewis Partnership. His success in management, marketing and development led to his appointment as Managing Director of Waitrose, the Partnership’s supermarket chain. He leads an organisation that supports those who supply its products across the world. It recognises its responsibility to British agriculture, partly by underwriting Lancaster University’s Centre for Sustainable Agriculture. Mark’s personal involvement is emphasised by his Chairmanship of both Business in the Community, Britain’s most prominent corporate social responsibility coalition, and the Prince’s Countryside Fund.



Roger Wilson CBE – Doctor of Laws

Roger Wilson is the founder and Honorary Life President of Sarcoma UK, a leading cancer charity. He has been a pioneer in developing patient and public involvement in cancer care research. He has strong links to Lancaster University through the Cancer Experiences Collaborative, a six-year programme of research in supportive and palliative care research. He has helped to shape both a research agenda and improved service provision, emphasising the priorities of patients and their families.



Aaqil Ahmed – Doctor of Letters

Aaqil Ahmed is Commissioning Editor for Religion and Head of Religion and Ethics at the BBC. Born in Wigan, he took on responsibility for religious broadcasting, first at Channel 4 and then at the BBC. In these posts, he has compiled a distinguished portfolio of original and imaginative commissions. He has succeeded in raising the profile of religious broadcasting through programmes that have educated and informed the public.



Dr Syed Zaidi – Doctor of Science

Over his career Dr Zaidi has pursued the ambitious goals of providing technical education and expertise to many people who would not otherwise have had the chance. He founded the COMSATS Institute of Information Technology (CIIT), one of Pakistan’s leading universities which has a close relationship with Lancaster University through its campus in Lahore. In recognition of his distinguished national and international contributions the President of Pakistan conferred on Dr Zaidi the Star of Distinction.



Gillian Reynolds MBE – Doctor of Letters

Gillian Reynolds has been for many years one of the most distinguished journalists in the country. After working for six years as radio critic for The Guardian, in 1975 she moved to The Daily Telegraph, for which she has served continuously as radio critic, writing perceptive reviews. As Chair of the Charles Parker Archive, she has played a key role in preserving great radio works of the past. She has received a Media Society Award for her distinguished contribution to radio, and was appointed MBE in 1999.



Professor Philip Brown – Doctor of Science

Philip Brown’s work motivates the role of accounting information in stock prices; his key 1968 paper (with Ray Ball) remains as relevant today as then. He has served accounting and finance journals, Universities of Western Australia, New South Wales and education more widely through national policy on research and doctoral funding as well as ministerial committees on corporate law and regulation of financial markets. He has continued leading research while visiting Lancaster’s Accounting and Finance Department since 2002. In 2012 he became a Member of the Order of Australia.

CHANCELLOR'S MEDALLISTS

The Chancellor's Medal, which marks the long service of the former Chancellor HRH Princess Alexandra, is presented annually to the most meritorious students.

UNDERGRADUATE



Benjamin Philpott
BSc Finance and
Economics



Jonathan Manson
BSc Accounting,
Auditing and Finance



Lauren Eaves
BA English Literature



Eugene Budkevich
LLB Law
(International)



Sophie Warlow
BSc Biological
Sciences

Laurence Bardwell
BSc Mathematics
(not pictured)

Kirsty Dunnett
MPhys Theoretical Physics
(not pictured)

POSTGRADUATE



**Tsun Man
Clement Lee**
MRes Statistics



**Lesley Jane
Crichton**
MA Developing
Professional Practice
in Management



Jacob Silkstone
MA Creative Writing



**Elisavet
Charalambous**
MSc Digital Signal
Processing and
Intelligent Systems

Jian Xun Li
MSc Quantitative
Finance
(not pictured)

FIVE STUDENT ACCOMMODATION AWARDS



Lancaster University has won five awards in the National Student Housing Survey's Accommodation Awards 2012.

Almost 19,000 students from more than 120 universities and colleges across the UK took part in the survey, which measures satisfaction levels with all types of accommodation.

Lancaster has retained its title of Best University Halls for the third year running, a title given to the institution demonstrating the highest levels of student satisfaction amongst residents.

The University also won the Best Moving In Experience for the first time and retained the title of Best Booking Experience.

The awards for Best Learning Environment and Best Individual Accommodation were also retained for the second year running.

Lancaster University has also held onto the International Student Accommodation Quality Mark, which recognises organisations which achieve at least a 90 per cent satisfaction rate among international students. Lancaster is one of only five holders of this Quality Mark, including private sector operators.

More than 14,000 undergraduates took part in the latest survey. Like Oxford and Cambridge, Lancaster University provides most of its accommodation through colleges.

Lancaster University is a pioneer of the Eco-Residences, which make up about 12 per cent of its stock and have won several awards.

The buildings incorporate more energy-efficient technologies and encourage students to live more sustainably, for example by using real-time energy monitors.

LANCASTER STUDENT WINS MBA STUDENT OF THE YEAR AWARD

Husameldin Elnasri from Lancaster University Management School has won the MBA Student of the Year award, announced by The Association of MBAs (AMBA) at their Gala Dinner in London. He chose to study for a full-time MBA to further his management career having moved from the not-for-profit sector to the corporate sector.

Husam said winning the award meant a lot to him. "I consider it as a reward and recognition for all the hard work I have done in my life. It is also a reward for my family, friends and Lancaster University Management School for putting their faith and support in me to be able to finish my MBA."

The first Sudanese student to join the Lancaster University MBA, he has also added to the MBA programme by teaching part of the course on Global Society and Responsible Management, discussing the difficulties of doing business in a conflict zone.

He brought his experiences of developing an NGO in South Sudan, and of implementing a corporate social responsibility strategy for a North Sudanese oil company to the MBA class room.



LANCASTER IN NINTH PLACE AMONG WORLD'S BEST YOUNG UNIVERSITIES

Lancaster University is ranked ninth in the Times Higher Education 100 under 50 inaugural league table of the world's best young universities.

Phil Baty, the editor of Times Higher Education Rankings, said: "The innovative Times Higher Education 100 Under 50 is not about the old institutions that dominate the traditional rankings: it is about a new breed of global universities – those that have managed to join the world's top table in just decades rather than centuries, and others showing great promise for the future."

Other rankings include:

- Lancaster is ranked ninth out of UK universities in the Complete University Guide 2013
- The Guardian ranks Lancaster joint seventh out of 120 UK universities in its University Guide 2013
- The Times ranks Lancaster thirteenth in its Good University Guide 2012
- Lancaster is joint ninth in the annual Times Higher Education 'Table of Tables'



NEW YEARS HONOURS

A Lancaster University professor and two former members of staff have received New Year's Honours which recognise outstanding achievement.

Professor Rachel Cooper, who is Chair of the Lancaster Institute of Contemporary Arts, has been awarded the OBE for services to education while technician Ian Miller received the MBE for services to ultralow temperature physics and secretary June Coulson received the MBE for services to Higher Education.



Professor Rachel Cooper



Ian Miller



June Coulson

PSYCHOLOGIST AWARDED NATIONAL TEACHING FELLOWSHIP

STAFF PRIZES



Dr. Coral Dando receiving her Teaching Fellowship

A psychology lecturer from Lancaster University has been awarded a National Teaching Fellowship by the Higher Education Academy.

Dr Coral Dando from the Department of Psychology is one of 55 award winners chosen from over 180 nominations submitted by higher education institutions across England, Northern Ireland and Wales.

She said she was delighted to receive this award so early in her academic career.

"It is clearly important for academics to produce high quality research, but the significance of teaching and the teacher-student relationship should never be underestimated. Students are important, they question, they listen, they encourage me to think differently, and they give me ideas.

"The Higher Education Academy recognises this, and has long supported teachers, such as myself, to provide high quality learning experiences for students."

Dr Dando is a cognitive psychologist, with a special interest in theoretical approaches to improving eyewitness memory in goal-directed face-to-face interview settings.

She left school at 17 to serve as a London police officer, but returned to education to complete a BSc in Psychology, immediately followed by a PhD in Cognitive Forensic Psychology in 2008.

She teaches cognitive and forensic psychology worldwide, to students as well as professionals in criminal justice systems worldwide including the US Department of Homeland Security.

The Staff Prize winners received their awards on July 18 and 19 during the degree ceremonies.

The Pilkington Teaching awards went to Dr Peter Lenney from LUMS and Dr Judit Kormas from FASS.

The Outstanding Contribution Awards recognise staff for going over and beyond what is normally expected of them in their role. A total of 36 nominations were received this year and after much deliberation, six outstanding winners were chosen by the staff awards panel. They include: Dr Jos Barlow from LEC; Stephen Holt, Senior Electronics Technician in Physics; Frank Wareing, the Principal of Fylde College; Professor Tom Ormerod and Dr Coral Dando from the Psychology Department; Assistant Librarian Jean Blanquet; and the four members of the iLancaster project team in ISS - John Davey, Ruth Paterson, Brian Green, and Andy Taylor.

Other staff highly commended by the awards panel included Dr Caroline Elliott, Dr Agata Fijalkowski, Dr Charlie Gere, Professor Aristotle Kallis and Professor Tony McEneaney.

The Lancaster Teaching Award, nominated by the students, was awarded to Dr Christine Shirras from FHM and Dr Catherine Fritz from the Department of Educational Research.



It is clearly important for academics to produce high quality research, but the significance of teaching and the teacher-student relationship should never be underestimated.



ARTS BUILDING WINS HIGHER EDUCATION AWARD FOR SUSTAINABILITY



Lancaster Institute for the Contemporary Arts has won the Higher Education award at the BREEAM Awards 2012 in London.

The awards honour the most successful sustainable buildings in the industry and are made annually to the buildings that achieve the highest scores under BREEAM – the world's foremost environmental assessment method and rating system for buildings.

The £10m LICA building at Lancaster University has already achieved the distinction of being the UK's first higher education building project to be rated 'outstanding' for both design stage and post construction review.

In 2005 Lancaster set out a strategy which had strict criteria to ensure that any new buildings on campus met the BREEAM Excellent standard and that any major refurbishments met BREEAM criteria of Very Good - all buildings completed to date have met those targets.

OUTSTANDING STUDENT ADMISSION TEAM AWARD

Lancaster University has won the Outstanding Student Admissions Team award at the annual Times Higher Education Leadership and Management Awards 2012.

The award was presented to Lancaster's faculty and central postgraduate admissions team by Julian Clary during a ceremony at the Grosvenor House Hotel in London, which was attended by over eight hundred guests.

One of the judges, Ken Sloan, registrar at Warwick, said: "The submission focused on developments and changes the team made in its approach to postgraduate admissions, all made during a time of institutional change. This showed them to be exceptional."

Postgraduate students make up a third of the student population at Lancaster.



Heather Willes and Diane Montgomery from the student admissions team with Julian Clary



ADVANCING KNOWLEDGE THROUGH RESEARCH



The Royal Society has appointed Kenneth Wilson, Professor of Evolutionary Ecology at the Lancaster Environment Centre, as one of only seven new Senior Research Fellowship holders funded by the Leverhulme Trust.

During the Fellowship, Professor Wilson will focus on developing strategies for the biological control of two important crop pests - the African Armyworm, a devastating caterpillar pest of cereal crops such as maize, wheat and rice in sub-Saharan Africa, and the Australian Plague Locust, the most important grasshopper pests of food crops in Australia.



An alumnus from Lancaster University has won the 2011 Costa Book of the Year Award for his novel, *Pure*.

Andrew Miller, who gained a PhD in 1995 from the Department of English and Creative Writing, was presented with the overall prize and a cheque for £30,000 at a ceremony in London.

Andrew Miller's first novel, *Ingenious Pain*, won the Impac Dublin prize and the James Tait Black award. In 2001, his novel *Oxygen* was shortlisted for the Booker and Whitbread (forerunner of the Costa) novel prize.



Women outlive men by about five to six years but why? By age 85 there are roughly six women to every four men and by age 100 the ratio is more than two to one.

Published in *Current Biology*, research led by Monash University in Australia, together with Dr David Clancy from the Faculty of Health and Medicine at Lancaster University, shows that a set of DNA inherited only from the mother can be harmful to males and speed up male ageing.

CENTRE TO BOOST ENTREPRENEURSHIP IN ARTS AND SOCIAL SCIENCES

Wordsworth's Dove Cottage in the Lake District might seem an unlikely place to find a group of entrepreneurs but Lancaster University has been using poetry to inspire creative thinking in business.

Professor Simon Bainbridge of the Department of English and Creative Writing uses Wordsworth's poetry to help business people from the UK and overseas to think creatively about problem solving in their own working lives. Groups of managers and entrepreneurs from businesses as diverse as airlines and IT businesses have been drawing inspiration from the Lakeland poet and his work as part of a series of leadership development days.

This work is an example of just one kind of cross over between academia and business that the University is expanding with the launch of a new enterprise centre dedicated to social science and the arts.

The University already has thriving enterprise centres in Science and Technology as well as Management but with a significant proportion of arts and social sciences graduates setting up their own business, the University has invested in a similar resource for students and

academics from the Faculty of Arts and Social Science (FASS).

This new enterprise centre is dedicated to bringing the worlds of the arts and the social sciences together with business and social enterprise to find mutual benefits.

It provides a range of practical and financial support including industry placements for academics, financial help for students undertaking unpaid internships, intensive coaching for students with business start-up ideas, networking opportunities and master classes.



Professor Christopher May, FASS Associate Dean for Enterprise, heads the new enterprise centre

ENTREPRENEURS IN RESIDENCE

Lancaster University Management School (LUMS) has appointed 20 new Entrepreneurs in Residence – all owner-managers who work at the sharp end of business or industry.

They will now be offering their expertise to other developing businesses, mentoring undergraduate and postgraduate students, assisting with research and acting as ambassadors for the Institute for Entrepreneurship and Enterprise Development (IEED), the hub of entrepreneurial activity at LUMS.

Most of the new Entrepreneurs in Residence have participated in the Lancaster LEAD® (Leading Enterprise and

Development) programme, the institute's flagship programme where 90 per cent of participants have reported an increase in sales turnover, employment, productivity and profits. On average Lancaster LEAD® participants increase their turnover by £200,000. The programme is franchised by Lancaster to be delivered in Wales and the South West and will be delivered in London for the first time this Autumn.

Independent evaluation in 2012 shows LEAD alumni record remarkable increases in profit (70 per cent), turnover (55 per cent), employment (49 per cent) and productivity (65 per cent).

SCIENTISTS LEAD £9.8M ECO-INNOVATION CENTRE

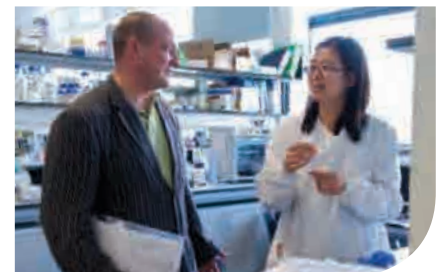
Scientists and knowledge exchange experts at Lancaster University and the University of Liverpool are leading a new global eco-innovation centre which will bolster the region's economy in key export markets and drive forward improvements in green technology and services.

The £9.8m Centre for Global Eco-Innovation (CGE), led by Lancaster University in partnership with the University of Liverpool, received £4.9m of funds from the European Regional Development Fund's North West operational programme to provide research and development expertise to hundreds of the region's companies which are working to find solutions to environmental problems.

The virtual centre, which was also developed in partnership with Inventya Ltd at the Daresbury Science and Innovation campus, will provide more than 285 regional companies with expert help to develop new, greener products and services resulting in significant savings in terms of greenhouse gas emissions, water, waste and energy.

Working with businesses across a range of sectors including chemicals, environmental technologies, digital and high value manufacturing, the centre aims to deliver a significant number of new jobs to the region making a measurable contribution to the region's economic recovery.

Businesses have been matched with 50 of the UK's brightest graduates who will complete three-year research and development projects in partnership with the business to develop new products, processes and services for the global marketplace that have positive environmental benefits. The graduates will use these collaborations as the basis of a PhD programme of study.



'FINGERPRINTING' BREAKTHROUGH OFFERS IMPROVED BRAIN TUMOUR DIAGNOSIS

UK scientists have made a breakthrough in a new method of brain tumour diagnosis, offering hope to tens of thousands of people.

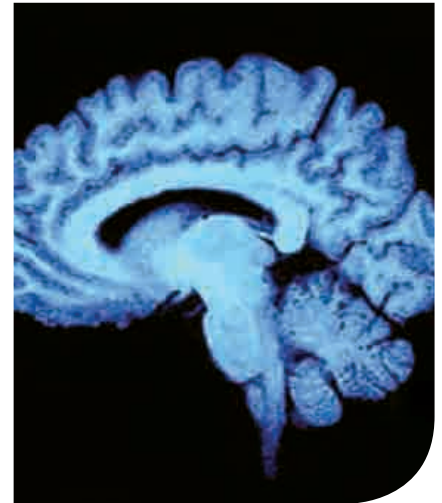
Researchers, led by Professor Francis Martin from the Lancaster Environment Centre, have shown that infrared and Raman spectroscopy – coupled with statistical analysis – can be used to tell the difference between normal brain tissue and the different tumour types that may arise in this tissue, based on its individual biochemical-cell 'fingerprint'.

Spectroscopy is a technique that allows us to analyse light interactions with samples such as tissue by generating a spectrum, which is a reflection of the interrogated sample.

Currently, when surgeons are operating to remove a brain tumour it can be difficult to spot where the tumour ends and normal tissue begins.

But new research published in *Analytical Methods* has shown it is possible to spot the difference between diseased and normal tissue using Raman spectroscopy – a type of spectroscopy which works effectively on living tissue, giving accurate results in seconds.

This is a key development which means it is now theoretically possible to test living tissue during surgery, helping doctors to remove the complete tumour whilst preserving intact adjacent healthy tissue.



FARM PONDS CUT AGRICULTURAL WATER POLLUTION



The reintroduction of farm ponds could significantly reduce agricultural pollution in our streams and rivers, according to new research led by Lancaster University.

At one time, every farm would have had a pond, but agricultural intensification has meant that many of them have been lost to make way for more farmland.

Working with farmers in Leicestershire and Cumbria, environmental scientists have created ten new field wetlands in areas of unproductive farmland such as field corners and buffer strips. The field wetlands - single or paired ponds of varying designs and sizes - are being monitored to measure how much runoff, sediment and nutrients they can trap.

Each year, over two million tonnes of topsoil are washed from farmers' fields as sediment, and nutrients such as nitrates and phosphates are also lost from agricultural land, polluting clean water and damaging wildlife habitats.

Researchers have found evidence that field wetlands offer a simple, cost-effective strategy for environmental protection.

Results show:

- Up to 40 tonnes of sediment (the equivalent of about four London buses) was trapped in one year at the project's Whinton Hill site in Cumbria
- The farm ponds act as traps to store carbon
- Nitrogen and phosphorous concentrations in runoff waters were also reduced

The project called MOPS2, is a collaborative research project, funded by Defra. Project partners are the Allerton Project (Game & Wildlife Conservation Trust), University of Reading, and the agricultural consultancy ADAS.

'DIY' TECHIE INNOVATORS WORKING WITH HOMELESS ON PROTOTYPE HEALTHCARE TOOL



DIY Bio innovation is a fast growing, exciting movement which puts technology in the hands of everyone. This project is about working with people to find out what they need and building it from the ground up as cheaply as possible.



Lancaster University is bringing a new wave of citizen scientists together with the homeless in the North West to dream up new technology which could change their lives.

The eight-month research project called Patchworks and led by Dr Rod Dillon (Faculty of Health and Medicine), will put homeless people in Lancaster and Morecambe in touch with a group of DIYBio innovators. These are people outside official centres of academia who share and experiment with cheap, open source technology from free software to gadgets and games to meet citizens' needs in novel and sophisticated ways.

Signposts, a charity supporting homeless groups in Lancashire and Cumbria, and MadLab, a local community of DIYBio innovators, artists and designers, will work with Lancaster University researchers to design and develop a prototype tool using open source technology that can help to monitor and communicate their health and wellbeing.

The project is part of an ambitious £1.9m Engineering and Physical Sciences Research Council project called Catalyst which is led by Professor Jon Whittle of the Faculty of Science and Technology's School of Computing and Communications. Catalyst will be made up of series of short research 'sprints' designed to test the boundaries of existing communications technology and empower groups to change the world for the better.



FAITH DEBATES

The Westminster Faith Debates, organised by academics from Lancaster's Department of Politics, Philosophy and Religion, concluded in July with a debate between former Prime Minister Tony Blair, the Archbishop of Canterbury Rowan Williams, and the former Daily Telegraph editor Charles Moore.

The series has succeeded in putting religion back onto the agenda of public discussion in the UK, and has attracted extensive media coverage.

The final event marked the end of the series of public debates in London which have been organised by Professor Linda Woodhead and Dr Rebecca Catto from Lancaster University together with former Home Office minister the Rt Hon Charles Clarke, who is a Visiting Professor in Politics and Faith.

The debates were funded by the AHRC/ESRC Religion and Society Programme, and organised with the help of the think tank Theos.

Featuring influential thinkers such as Richard Dawkins the series of debates explored the role of religion in society and ask why it is easier to talk about sex than religion in Britain today.

The debates showcased research from the largest ever research initiative on religion in the UK, the 'Religion and Society Programme', directed by Professor Linda Woodhead, which involved 240 academics from 38 UK universities carrying out new research between 2007-12.

Andrew Brown of The Guardian said: "The Westminster Faith Debates have been the most interesting and successful attempt I can remember to talk about what all people believe and why this really matters.

Essential for anyone who wants to understand Britain today, and tomorrow."

The Rt Hon Dominic Grieve QC MP, Attorney General, said: "This series has been extremely successful in raising the level of public debate about religion, on topics of great importance for our national life."



Professor Linda Woodhead

ARE THE EYES THE KEY TO A NEW TEST FOR ALZHEIMER'S DISEASE?



A simple eye tracking test could hold the key to earlier Alzheimer's diagnosis, according to new research published in the Journal of the American Aging Association.

Work, led by Lancaster University in partnership with Royal Preston Hospital, Lancashire Teaching Hospitals NHS Foundation Trust, has shown that people with Alzheimer's disease have difficulty with one particular type of eye tracking test.

As part of the study, patients with Alzheimer's disease, patients with Parkinson's disease, healthy young people and healthy older people were asked to follow the movements of light on a computer monitor, but in some instances they were asked to look the opposite way, away from the light.

Detailed eye-tracking measurements, taken from the group showed stark contrasts in results.

Patients with Alzheimer's made errors on the task where they were asked to look away from the light and were unable correct those errors, despite the fact that they were able to respond perfectly normally when they were asked to look towards the light.

These uncorrected errors were 10 times more frequent in the Alzheimer's patients compared to the control groups.

Researchers also measured memory function among those Alzheimer's patients who found the test difficult and were able to show a clear correlation with lower memory function.

Dr Trevor Crawford from the department of Psychology and the Centre for Ageing Research said that these new results were potentially very exciting as they demonstrated, for the first time, a connection with the memory impairment that is so often the first noticeable symptom in Alzheimer's disease.

LANCASTER PHYSICISTS IN THE HUNT FOR NEW PARTICLE

Lancaster physicists joined scientists from around the globe in Melbourne and Geneva in July to hear the long-awaited news that it seems the hunt for the elusive Higgs boson is over.

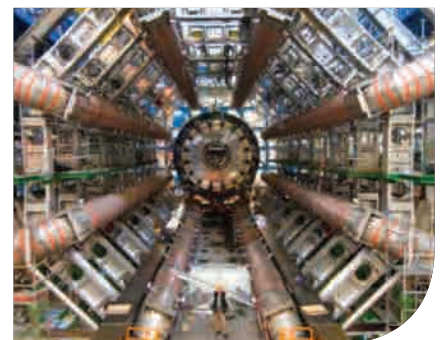
At a seminar held at CERN, the European Particle Physics Laboratory, the ATLAS and CMS experiments presented their latest results in the search for the Higgs particle. Both experiments see strong indications for the presence of a new particle in the mass region around 125 - 126 GeV giving scientists strong evidence that they have finally found the Higgs.

Physicists have been working for years to find clear evidence proving or disproving the existence of the particle which, according the Standard Model, must exist if we are to be able to explain how things have mass.

Lancaster physicists have played a significant part in the hunt for the Higgs - work which has spanned decades.

The latest findings from the world's largest scientific experiment - the Large Hadron Collider (LHC) - mark a significant breakthrough in our understanding of the fundamental laws that govern the Universe. The next step will be to determine the precise nature of the particle and its significance for our understanding of the universe.

Lancaster physicists Dr Harald Fox and Katy Grimm were at CERN for the announcement; meanwhile Professor Roger Jones was at the International Conference on High Energy Physics at Melbourne.



Copyright CERN



KEY FACTS AND FIGURES



Distinguished guests including HRH the Duke of York and the Chancellor Sir Christian Bonington CBE have attended Lancaster University's first Graduation Dinner on July 19.

Over a hundred people attended the dinner which was hosted by the Vice-Chancellor Professor Mark E. Smith.

Prince Andrew was an invited guest of Lord Shuttleworth KCVO, the Lord Lieutenant of Lancashire.



A Lancaster University professor has been giving evidence to the House of Lords as part of an investigation into how best to increase the proportion of women on company boards.

Distinguished Professor of Sociology Sylvia Walby OBE is the UNESCO Chair in Gender Research.

She was invited to be part of a panel of witnesses giving evidence to the House of Lords Select Committee on the EU Internal Market, Infrastructure and Employment, as part of its inquiry into the case for EU legislation to promote gender diversity on boards.



A Lancaster University volcanologist has featured in a ten-minute documentary for BBC2 about his work.

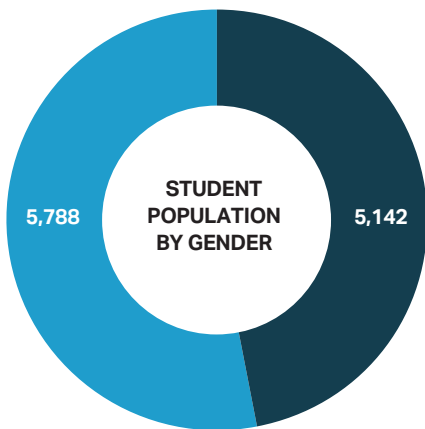
Dr Hugh Tuffen of the Lancaster Environment Centre was filmed on an expedition to Chile to observe an erupting volcano. The programme, Volcano Live, was screened on July 10.

KEY FACTS AND FIGURES

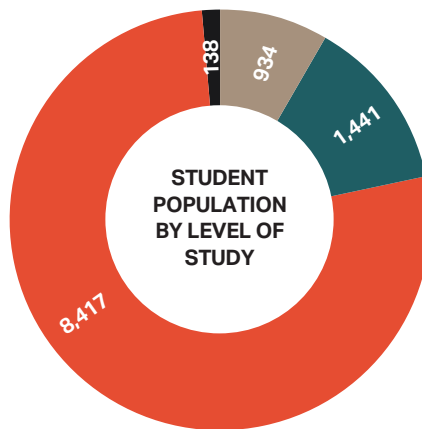
Lancaster University now has just under 2,500 staff, with over 12,000 students (headcount) based at its UK campus and nearly 3,000 based overseas.

We now have nearly 100,000 former students and we have ongoing relationships with over 65,000 of these individuals.

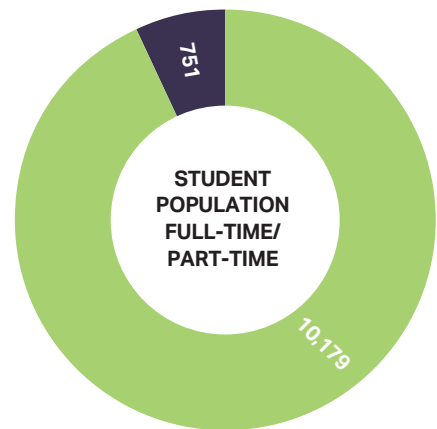
Lancaster is one of only six collegiate universities in the country. Since the University's inception the collegiate system has helped to forge a strong sense of identity and loyalty, and continues to be a distinctive feature of student life at Lancaster.



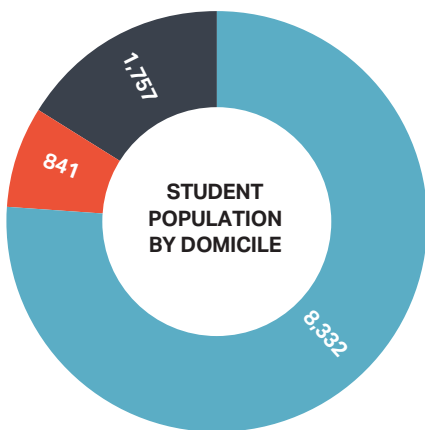
Female
Male



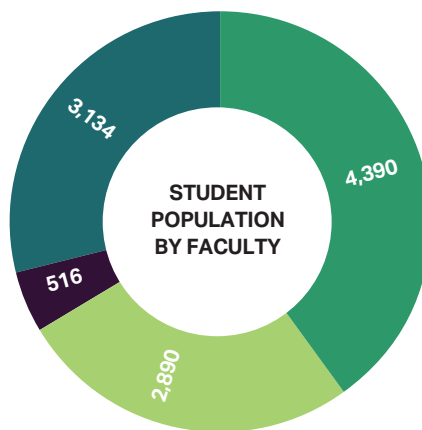
Postgraduate research students
Postgraduate taught students
First degree undergraduate
Other undergraduate



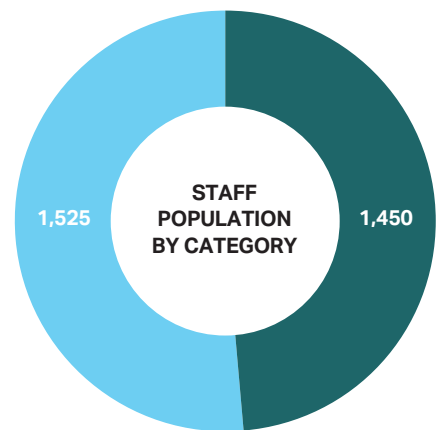
Total full-time students
Total part-time students



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

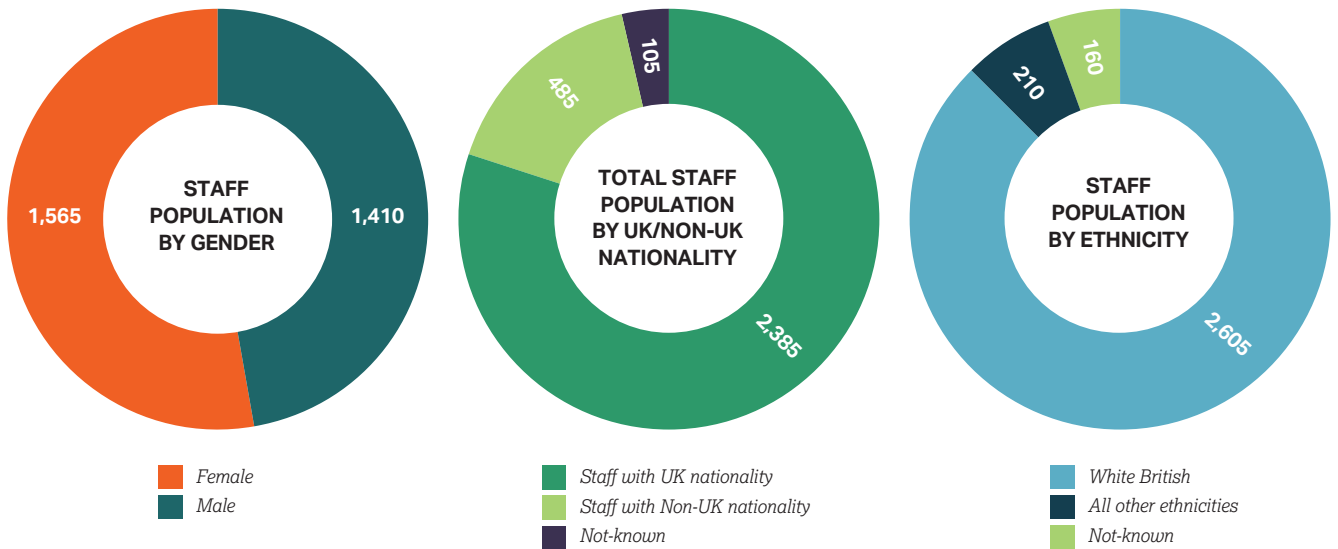


Faculty of Arts and Social Sciences
Faculty of Science and Technology
Management School
Faculty of Health and Medicine



Academic staff
Support staff

Data is taken from the University's 2010/11 return to the Higher Education Statistics Agency. Student numbers are expressed as full-time equivalents.



ENVIRONMENTAL PERFORMANCE 2011-2012

Lancaster University's carbon management plan will enable the University to meet the challenging future carbon emissions reduction targets.

This year has seen significant reduction in carbon emissions in energy surveys of all major buildings on campus. A number of major energy projects have also been completed or initiated.

The installation of the new combined heat and power engine has been completed and a new biomass boiler has also been installed.

Construction of the new 2.3MW wind turbine started in January 2012, with the turbine scheduled to start operations in late 2012. The new wind turbine is projected to generate between 11-17% of the University's annual electricity requirements and make a significant contribution to cutting carbon emissions.

ENERGY, UTILITY & CARBON MANAGEMENT

- Total annual electricity consumption 2.4% below budget (33,794MWh)
- The new Combined Heat and Power engine (CHP) generated 15.6% of the University's electricity in 2011-12 (5,268MWh)
- Carbon emissions from electricity and gas reduced by 5.8% to 26,054tCO₂e

WASTE AND RECYCLING

Lancaster University is committed to improving its reuse and recycling rates and reducing waste and this year has published a waste strategy, which sets out a long term plan for improving waste management and recycling.

- Waste segregated on campus for reuse or recycling increased to 24.5%
- Recycling bins put into all residence kitchens in summer 2012



FINANCIAL STATEMENTS



Lancaster University's credit rating has been upgraded to A+ with a 'positive outlook' by the credit rating agency Standard and Poor's.

This revised outlook reflects high demand for Lancaster's undergraduate and graduate courses, supported by its improving reputation for teaching and research. Lancaster is one of only a few UK universities to have a public credit rating.



Lancaster graduate Nick Kay has won the Best Physics Student of the Year SET (Science, Engineering and Technology) Award.

His project on the revolutionary new material graphene impressed the judges of the Awards, which recognise the achievements of some of the brightest undergraduates in Europe.

Nick is the second MPhys project student from Dr Oleg Kolosov's group nominated for such an award, with only three students from all UK Physics departments shortlisted annually.



A 100 metre wind turbine has been erected on the University's campus.

The University was granted planning permission in 2011 to construct the turbine which will lower carbon emission in the area and provide approximately 11%-17% of the University's energy requirements, dependent on long term average wind speed and site consumption.

OPERATING AND FINANCIAL REVIEW FOR THE YEAR ENDED 31 JULY 2012

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.

Results for the year

The underlying financial performance in 2011/12 reflects another strong year for the University and continued adherence to its long-term financial strategy. This is in the context of unprecedented uncertainty and volatility in the external environment, both for the Higher Education sector and the economy more broadly.

The reported historical cost surplus is £6.3M. However, this includes a charge of £1.3M in respect of the accounting treatment for FRS 17 and endowment income of £788k. 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 £8.3M (4.5% of turnover) (2011: £8.7M, 4.8% of turnover), above the target of 4% and moving towards our long-term goal of a surplus in the 5%-6% range.

Calculation of 2011/12 adjusted surplus consistent with Finance Strategy:

	2011/12 £000	2010/11 £000
Income	184,185	180,467
Expenditure	(180,720)	(174,353)
Surplus for the year after depreciation of assets at valuation and before taxation	3,465	6,114
Difference between historical cost depreciation charge and the revalued depreciation charge	666	666
Transferred from revaluation reserve, released on impairment	2,146	-
Historical cost surplus after taxation	6,277	6,780
Additional FRS 17 pension cost	1,284	1,536
Income from endowments	788	388
"Adjusted Surplus" consistent with financial strategy	8,349	8,704

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 £21.7M (£21M in 2010/11).
- The continued tight management of payroll costs so that payroll as a proportion of total expenditure fell back to 56%, comfortably within our upper 60% threshold and more closely in line with the sector average. Within this headline, we prioritised academic staff investment in areas of growth.
- Our debt to income ratio at 47.7% remains within our target range following a debt refinancing exercise carried out in 2009. 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 that 2011/12 will be the highest level 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.
- The accounts reflect an exceptional impairment of £2.2M relating to the write down of value for the former Sports Centre building which has been mothballed since the opening of the new facility in August 2011. The building is earmarked for demolition as part of the development of new academic facilities. A release from the revaluation reserve of £2.1M is also reflected, giving a net reduction to surplus of ca. £0.1M only.

Credit rating

Our credit rating from Standard and Poor's was subjected to annual review in March 2012. Against a continuing backdrop of uncertainty for government funding streams, the planned changes to the home undergraduate tuition fee regime and macro-economic concerns, we were pleased that the underlying strengths in Lancaster's academic and financial standing were recognised in the improvement to the outlook of our rating from 'stable', moving it to 'A+ with a positive outlook'. The accompanying report also reflected Lancaster's strong academic and research reputation, supported by sound financial performance and strong management.

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

	2011/12 £000	2010/11 £000
Charge to the income and expenditure account		
Staff costs	634	718
Interest payable and finance costs	650	818
Total charge	1,284	1,536
(Charge) / credit to the statement of total recognised gains and losses	(7,595)	3,609

Analysis of results for the year

As well as the highlights given above, another key measure monitored is the rate of income growth. In 2011/12, headline turnover growth moved up slightly to 2.1% 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 to the financial performance in 2011/12, 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.

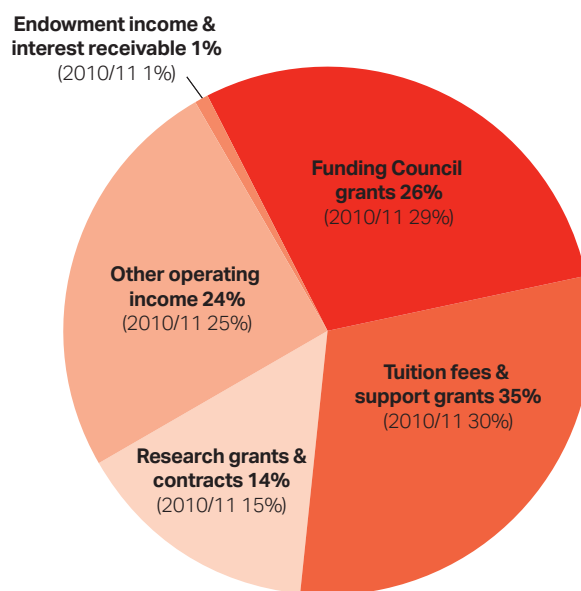
In aggregate, overseas fee income increased ca. 36%. With strong interest from high quality students for 2012 entry, these factors will provide resilience for Lancaster in the full transfer to the new system. It is clear though that the unprecedented pace of change for both students and institutions to respond to has led to different patterns of behaviour through this recruitment cycle and it will be some time before the new patterns emerge.

During 2011/12 the University continued to benefit from improved recovery levels on research grant activities. However the level of gross income has remained static reflecting the increased tightening of budgets for the Research Councils and Government departments and changing patterns of awards. The impact of the current funding environment on opportunities for a research-led University of Lancaster's scale is being closely monitored and will be a key focus in the discussions of Lancaster's strategic plan update scheduled for the coming year.

In order to position Lancaster for the future, during 2011/12 the University Council approved the creation of a new Chemistry department from 2013. This is in addition to previously agreed investment in the department of Engineering. Both will provide resilience and opportunity for income growth in disciplines highly regarded across the world.

A number of charts are shown below and overleaf to provide analysis of the 2011/12 result and further comparison with the prior year.

Fig 1: Income sources 2011/12



Within Funding Council grants, the HEFCE grants for teaching and research were £24.5M (13% of total income) and £17.8M (10% of total income) respectively.

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

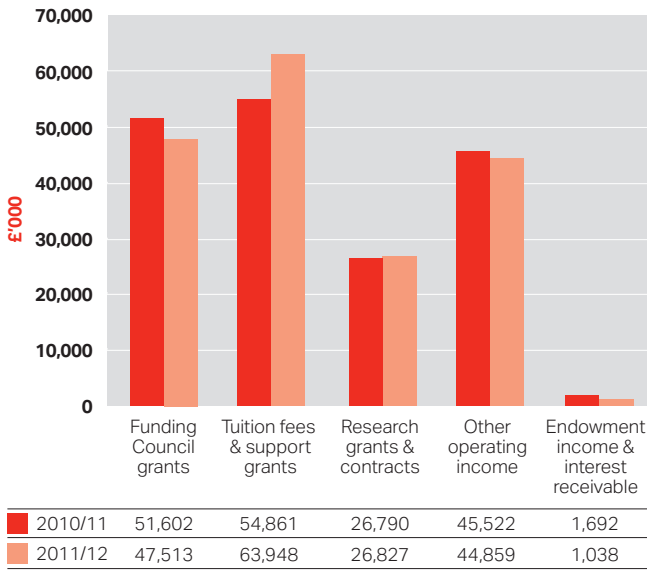


Fig 4: Year-on-year changes: Research Grants

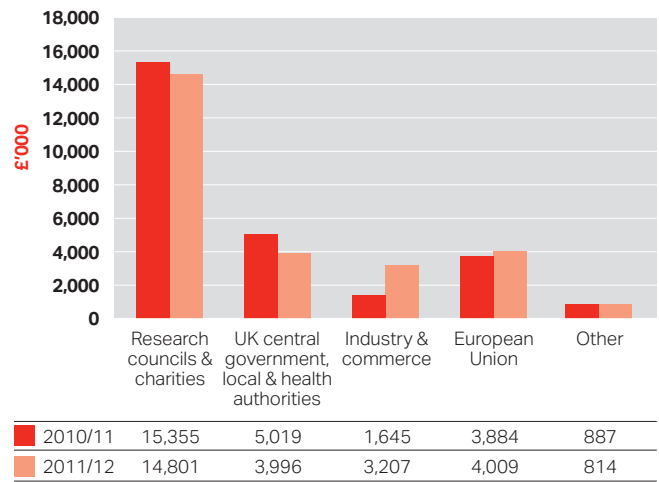


Fig 3: Year-on-year changes: Tuition Fees

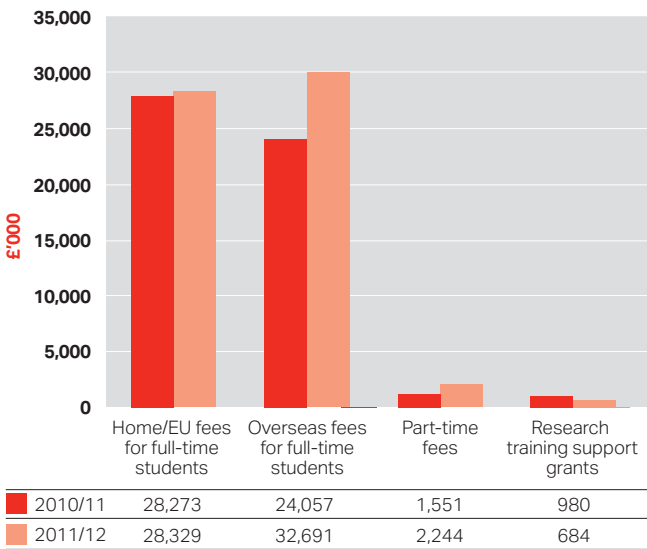
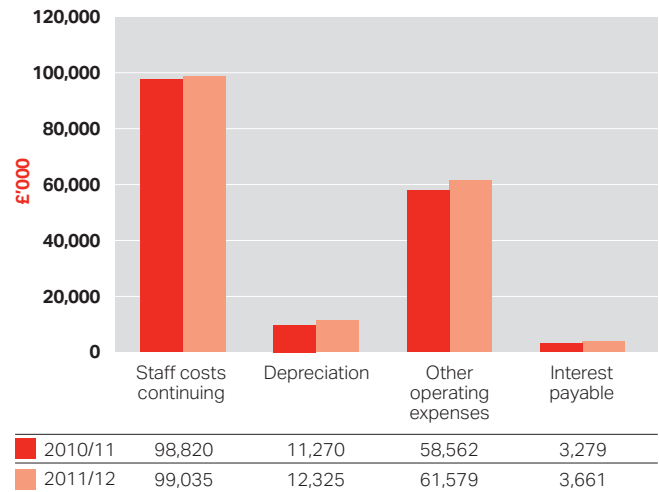


Fig 5: Overall expenditure

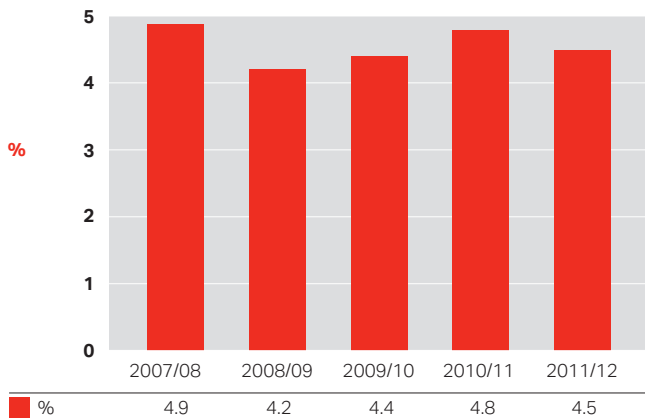


Overall expenditure increased from £171.9M to £176.6M with the year-on-year change as above. Figures are presented excluding the FRS 17 charge, restructuring costs and the exceptional impairment.

STRATEGIC PLAN PERFORMANCE INDICATORS

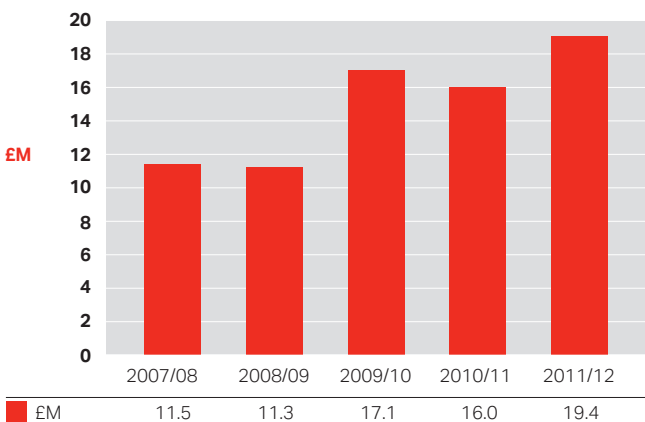
The following charts illustrate key performance indicators monitored by the University on a comparable basis over a five year period and reflect the measures identified in the University's Strategic Plan:

Fig 6: Underlying Surplus



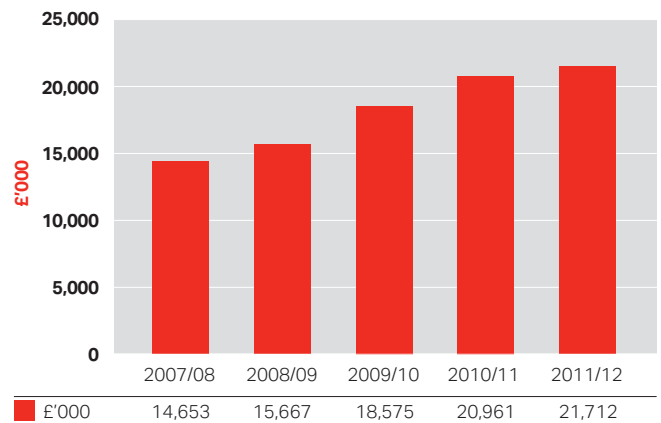
The University has an excellent track record of meeting its financial surplus objectives of a minimum 4% and has done so in 15 of the past 16 years. Our policy as part of the budget setting process is to provide more in-year flexibility and resilience to deal with unexpected fluctuations and volatilities. This is even more important in the current context of Higher Education and remains a key priority over the forecast period as we look to move our underlying surplus up consistently to the 5% to 6% range.

Fig 7: Cash Generation



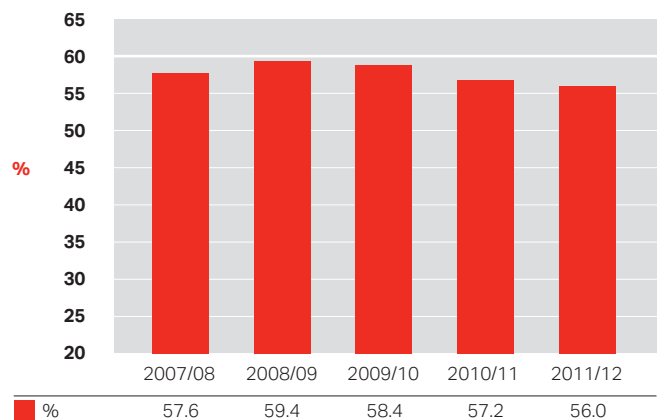
The Financial Strategy underpins the need for sustainable investment in the estate and infrastructure and whilst we have previously used operating cashflow as a proxy, it is affected by working capital movements. Cashflow from operating activities improved to £19.4M.

Fig 8: EBITDA



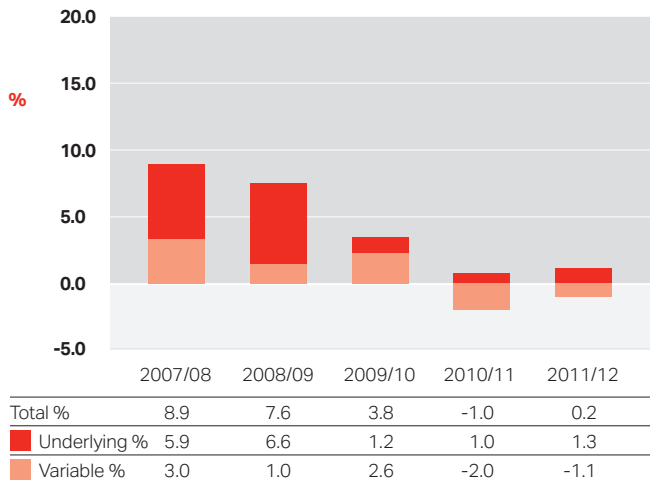
To separate underlying earnings from working capital movements, we also track EBITDA (Earnings before interest, taxation, depreciation and amortisation) as a key performance indicator. This continued to improve in line with our Finance Strategy, ensuring that we are increasingly able to generate funding 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)



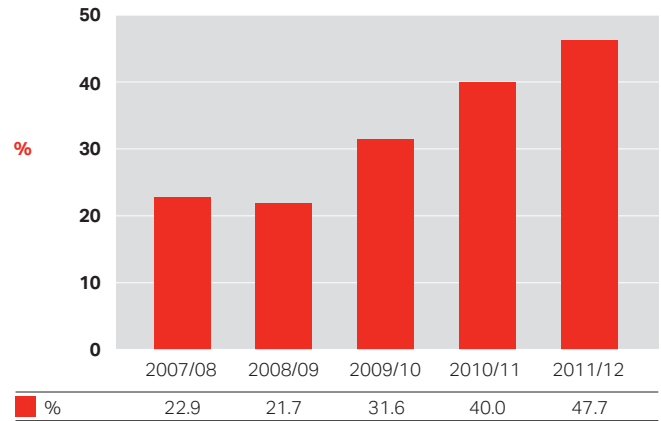
We closely monitor payroll as a proportion of total expenditure as one of our key indicators. In 2011/12, this fell further back from our upper 60% threshold reflecting ongoing recruitment restrictions for non-academic staff whilst investment in academic areas ran behind the phased profile. Significant investment in academic staffing was put in place during 2011 and 2012 to come into full effect during the current year although we would expect to remain below 60%, more closely in line with sector averages. Further analysis of staff cost increases is provided in the following chart:

Fig 10: Staff cost changes



Staff costs remained virtually static at £99M in the year (excluding the effect of the FRS 17 adjustment on pension costs). This compares to a 1% contraction last year. This chart reflects the recent changes and constraints on overall payroll growth for the University over the period. It shows the changing proportions between national and pay scale structural increases and those we can influence more locally. In 2011/12 the underlying increase in staff costs from pay award and incremental drift was ca. 1.3%. The decrease in the variable component reflects changes from 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 1%, effective from 1 August 2012, is not agreed at the time of writing.

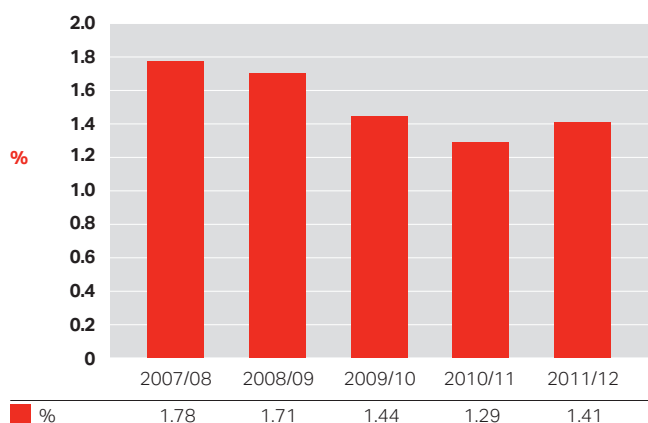
Fig 11: Gross Debt to Income



From 2009/10, gross debt to income started to move upwards from its previous low level, reflecting a debt refinancing project concluded in that year. 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 have moved close to this threshold in 2011/12 as £30.4M of drawdowns against our £35M Revolving Credit Facility were reached but are forecasting a reduction thereafter.

The gross debt position does not reflect substantial cash balances held at the year end. Including these, the net debt position increased to £37.5M (2011: £24.4M). This is further described in the Treasury, borrowings and investments section that follows.

Fig 12: Current Asset Ratio



The current asset ratio remained in line with expectations at 1.41, 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 funds declined by £13.1M during the year as a consequence of the planned expenditure on the capital programme. The movement in funds is summarised below:

	31 July 2012 £000	31 July 2011 £000	Change £000
Current asset investments	800	800	-
Cash-in-hand	45,266	42,305	2,961
Endowment assets	4,214	4,668	(454)
Loans	(87,803)	(72,185)	(15,618)
Net Debt	(37,523)	(24,412)	(13,111)

The net cash inflow from operating activities for the year was £19.4M (2011:£16.0M). Interest paid totalled £3.7M (2011:£3.3M) and interest received was £0.5M (2011:£0.4M). 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 assets decreased to £5.5M. Of these investments, the market value of the funds managed by Cazenove Capital Management decreased by £43k to £1.2M at 31 July 2012.

During 2011/12, £31.9M was spent on capital investment in our estate and infrastructure. This investment was offset by receipt of £2.1M in capital grants. Allowing for other financial movements, this resulted in an increase in cash and short-term deposits of £2.5M. 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:

- Completion of comprehensive refurbished facilities for the School of Health and Medicine (now Faculty of Health and Medicine) for occupation from October 2012.
- Other major refurbishments continued with the completion of Bowland Main, ongoing residences refurbishment programme and improved facilities for CEEC (Centre for Employability, Enterprise and Careers) and The Base – a 'one-stop' student advice hub.
- The 2011/12 year saw the first year of operation of our Sports Centre – a flagship building at the main entrance to the campus. Demand from students, staff and the community has exceeded all projections and the facility has enhanced greatly our commitment to fitness and wellbeing.
- Our commitment to sustainability continued with further work on the utilities infrastructure including the installation of a new Combined Heat and Power Plant and progress towards the running of a Wind Turbine and Biomass Boiler from early 2012/13.

Strategic Plan

We remain within the Strategic Plan approved by University Council for the period to 2015 although a process of review and consideration of strategic options for Lancaster has been initiated in the new context for UK Higher Education within a global marketplace. We have continued to see rapid and unprecedented changes to some of the fundamental planks of student number planning. Although we have seen the first effects of these changes in the 2012 recruitment cycle, the new models are still being adjusted, potential students are considering their options more carefully under the new framework meaning that a stable situation is not expected for some years.

At Lancaster we have secured approval from the Office for Fair Access (OFFA) for our Access Agreement effective from 2013/14. We remain favourably positioned for the full transition to the new fees regime and the opportunities provided by increased liberalisation of student numbers but we will not be complacent about our position. We will need to communicate the benefits of a Lancaster education in a crowded and changing marketplace.

The global economic downturn continues and now looks set to dominate in the medium term. The effect of government cuts, rapidly changing policies and planning in response to the difficult climate will be difficult to predict. We continue to tailor 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 and Ghana. At the same time the University will continue to be sensitive to the needs of home students and the business community in the region, the changing environment for research funding, 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 constantly monitored to ensure that it remains fit for purpose in this increasingly uncertain context. One key plank of the strategy is the need to generate sufficient cashflow to support sustainable capital investment and reinvestment (primarily in the estate but also covering IT and equipment needs). Recognising that external sources of investment are increasingly scarce, the strategy set out that EBITDA should move up towards £23M by 2013, with underlying surpluses moving to the 5-6% range. It is pleasing that this EBITDA improvement has continued in the 2011/12 year. The level of surplus, cash generation and capital expenditure area are all bound tightly together over the forecast period.

Efficiency

During 2011/12 the University initiated greater co-ordination of its Finance and Procurement activities together with a fundamental review of its admissions processes. We remain mindful of the need to demonstrate Value for Money in all our activities and the national focus on securing the benefits outlined in the Diamond Review. Our focus is not all on back-office activities. For example, the recent launch of the new Student Virtual Learning Environment is planned to provide streamlined processes to further improve the student experience.

A new administrative structure will be established with the appointment of a Chief Administrative Officer during 2012/13. This will allow for further opportunities to better focus and co-ordinate all areas of the administration to underpin the academic endeavour of the University.

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 pace of change and our abilities to respond to it. We continue to see 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 future demand though remain confident that Lancaster remains relatively well-positioned for this change.

Against this backdrop, in October 2012, 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.
 - Increased focus on management of home applications and admissions process in a rapidly changing external context.
 - Achieved 2013/14 access agreement approval from OFFA.
 - Increased diversification of income including strategic international links with a select number of institutions and proposed developments in China and Ghana.
 - Capital investments to support areas of strategic growth underpinned by business plans (specifically Engineering and Chemistry).
 - Increased research collaborations (Doctoral Training Centres, N8 research partnership).
 - Continued 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

- Maximisation of benefit of Lancaster's standing with emphasis on marketing and brand issues.
- Continued emphasis on research quality and preparations for the Research Excellence Framework.
- Continued focus on entry standard improvement, maintenance of position in graduate employment and National Student Survey.
- Improved credit rating outlook from Standard & Poor's achieved despite the uncertain external economic and Higher Education environment.

c) Inefficient or ineffective use of resources

- Initial changes to structures following Vice-Chancellor appointment. Further likely restructuring associated with appointment of a new Chief Administrative Officer from January 2013.
- Proposals in train for revised internal budget setting and prioritisation process to be effective for 2013/14 budgeting to allow increased oversight and challenge.
- Continued emphasis on prioritising business process improvements and prioritised investment in strategic IT projects under new oversight of Corporate Information Systems (CIS) Implementation Steering Group.

d) Failure to maintain an attractive working and learning environment

- Ongoing Capital Programme with delivery of key projects in 2012/13.
- Library building project established alongside consideration of digital developments and open access issues.
- Monitoring of National Student Survey (NSS) results and flow through to policy updates.

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

This 2011/12 year of transition to the new Home/EU undergraduate market has been strong for Lancaster – in academic, reputational and financial terms. The growing reputation of the University is reflected in high rankings year on year in each of the UK's major league tables and our ranking in the top 1% in the world. Of particular interest this year was the publication of the inaugural Times Higher Education 100 Under 50 league table of the best young universities in which Lancaster was ranked 9th and the recent NSS results in which Lancaster came 5th for overall satisfaction. 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 year of transition between funding systems, our finances have remained solid. The 2012 entry cohort is broadly in line with expectations, although the exact composition of our student body will reflect both short term and more systemic issues for the sector. It is clear that the market for undergraduates will continue to be volatile and we will not be complacent about promoting the quality of Lancaster's offering.

The Coalition Government's determination to generate more competition in the market for teaching undergraduates looks set to be an enduring feature of the UK Higher Education landscape. Mindful of our global positioning and international competition, the University is actively considering these changes and remains alert for new opportunities with synergies for our existing strengths over the medium term.

In summary, we remain well-positioned and ready to address these challenges. With a supporting Finance Strategy, Lancaster's Strategic Plan will be refreshed to ensure that our distinctive and global approach will continue to drive further impact, deliver innovative solutions to global challenges and consolidate Lancaster's position as a top world-class institution.

Professor M. E. Smith
Vice-Chancellor

Mrs S. J. Randall-Paley
Director of Finance

23 November 2012

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. This statement covers the period 1 August 2011 to 31 July 2012 and up to the date of approval of the audited financial statements.

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 Schedule 3 of the Charities Act 2011 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. One member of Council and one person connected to a member of Council received 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. In 2011, the City Council nominated an elected member who was a student of the University. This led to a series of discussions with the City Council, which accepted that the University had a right to determine what criteria it wished to apply to members of its Council. Until this has been formalised, the University Council agreed to accept the City Council's nomination.

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

Professor M. E. Smith, the Vice-Chancellor, chairs the Vision Board for Lancaster and Morecambe. He is also a member of the 1994 Group of Universities.

During 2011/12, the University saw the departure of one Vice-Chancellor, Professor P. W. Wellings, who returned to Australia to take up the role of Vice-Chancellor of the University of Wollongong, and the arrival of the seventh Vice-Chancellor, Professor M. E. Smith, on 1 January 2012. Throughout the year, Council has had a major focus on partnerships. As it considered the future of higher education, both in the UK and globally, it gave careful thought to the benefits of a potentially innovative partnership with the University of Liverpool, driven by academic considerations. The two University Councils met informally on two occasions. After extensive discussions between both institutions, through which areas of positive benefit have been identified, it was agreed that the universities should not proceed with the federal model since it was not felt that it would be possible to secure the transformational benefits at this time. However, the two universities have agreed to continue to explore the benefits of joint international collaborations and the potential for a joint Graduate School, given the significant common ground identified during the discussions. This is in addition to ongoing research collaborations involving Lancaster and Liverpool. Following this decision, the Council held an unprecedented meeting with the Senate to commence a period of consultation about Strategic Options for Lancaster, which will run into the Autumn Term 2012. Also in relation to partnerships, the Council monitored progress with the partnership in China with Guangdong University of Foreign Studies, and gave approval for a teaching partnership with TransNational Education which would lead to the establishment of a campus in Ghana.

- **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:

- the strategic development of the academic activities of the University; and
 - 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 and the Knowledge Exchange and Commercial Affairs Committee. During 2011/12, the Council decided to lay down its HR Committee, a sub-group of which acted as the Remuneration Committee, and to establish formally a separate Remuneration Committee with revised terms of reference. 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 2011/12

Name	Council	
	Eligible to attend	Actually attended
* Gray, Mr B. Pro-Chancellor	7	7
Smith, Prof. M.E. Vice-Chancellor	5	5
Wellings, Prof. P.W. Vice-Chancellor	2	2
Aitchison, Councillor P.	4	3
Baker, Mr A.	7	7
* Boumphrey, Dr. R.	7	7
Brown, Dr. G.	7	6
* Carr, Mr J.	7	7
Davidson, Dr. K.	7	5
* Fitzherbert-Brockholes, Mr F.	7	4
Gardiner, Mr G.	6	6
* Gardner, Mrs G.	7	6
Gaskell, Ms J.	2	2
* Hadfield, Mr J.	7	7
Johnes, Prof. G.	7	6
* King, Mr L.	7	7
McGuire, Mr D.	4	4
* Middlebrook, Mr G.	7	5
* Parker, Mr G.	7	7
Ram-Prasad, Prof. C.	7	4
Rose, Prof. E.	7	7
Smith, Mr S.	1	1
* Thomason, Prof. H.	7	7
* Turner, Mr R.	7	5
Walker, Mr M.	1	1
* Willis, Ms L.	7	5

* 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 the Higher Education Funding Council for England.

- 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 are 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 the Higher Education Funding Council for England and the Council of the University, the Council, through its accountable officer, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the University and of the surplus or deficit and cash flows for that year. The Council is responsible for the maintenance and integrity of the University and group's financial statements on the website www.lancs.ac.uk. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

10. 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.

11. 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 Schedule 3 of the Charities Act 2011.

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'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. This statement has been prepared taking into account the Charity Commission's latest draft guidance on public benefit. The University's beneficiaries are not only our students, who benefit from the education they receive, but wider society, which benefits from having an educated workforce and access to innovative research.

Expenditure on research grants, for example, was £22.8M in 2011/12. 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. In addition to making information publicly available, University staff engage in activities to ensure that ideas are adopted. The University has a knowledge exchange strategy, the aim of which is simple: the maximisation of its beneficial impact on the economy and wider society at a local, national and international level. We engage with SMEs, large companies, non-commercial bodies and the community as appropriate in order to achieve this. An example of putting research into practice is the projects undertaken by the Literacy Research Centre, which have focussed on literacy in contexts involving e.g. young people in prison, disaffected people in education, job seekers and people in health care settings. The research frequently has immediate impact, raising awareness of user issues and making recommendations regarding changes to public service practices/guidelines or improved educational attainment among disadvantaged groups.

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 2011/12, 12,547 students were registered with the University in the UK and 2,389 through our international partners to undertake higher education, mainly in the form of undergraduate and postgraduate degrees. Almost 4,750 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 English 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 2011/12 the University disbursed £3,697,895 (2011: £3,466,425) in Lancaster Bursaries and Scholarships to all cohorts. Around 53% of new UK students qualified for such support, with 810 bursaries to new students from lower income families and 603 academic scholarships to those who achieved excellent academic results.

The University is keen to ensure that its graduates are able to benefit from their time at the University, and ensures that they have opportunities for employment for volunteering, and to gain the Lancaster Award. In 2011 (the most recent figures available) 94.4% of the University's recent graduates were in employment or further study.

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 2012 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 Debt, 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 2012 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 2012. 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 has two principal pension schemes, the Universities Superannuation Scheme for academic and related staff and the Lancashire County Pension Fund for non-academic staff.

Universities Superannuation Scheme

The institution participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. The institution is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 "Retirement Benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

Lancashire County Pension Fund

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

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

5 Foreign Currencies

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

6 Fixed Assets

i) Land and Buildings

Expenditure on land and buildings is capitalised and interest on new loans to fund capital projects is capitalised until the date of completion. Freehold and long leasehold buildings are depreciated over their estimated useful lives as per the table opposite. 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 below.

iii) Equipment

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

	Expected useful life years
Buildings	50
Minor works, plant and machinery and refurbishments	10 or 20
Fixtures, fittings and 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 assets 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 3 of the Charities Act 2011 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 2012

Income	Note	2011/12 £000	2010/11 £000
Funding Council grants	1	47,513	51,602
Tuition fees and support grants	2	63,948	54,861
Research grants and contracts	3	26,827	26,790
Other operating income	4	44,859	45,522
Endowment and investment income	5	1,038	1,692
Total Income		184,185	180,467
Expenditure			
Staff costs - continuing	6	99,669	99,538
- restructuring costs	7	554	886
Depreciation		12,325	11,270
Exceptional impairment of fixed assets		2,282	-
Total depreciation and impairment	10	14,607	11,270
Other operating expenses		61,579	58,562
Interest and other finance costs	9	4,311	4,097
Total Expenditure		180,720	174,353
Surplus on continuing operations after depreciation of assets at valuation and before taxation		3,465	6,114
Taxation		-	-
Surplus on continuing operations after depreciation of assets at valuation and after taxation		3,465	6,114
Transfer from endowments		788	388
Surplus for the year retained within general reserves	20	4,253	6,502

All items of income and expenditure arise from continuing operations.

STATEMENT OF CONSOLIDATED HISTORICAL COST SURPLUSES AND DEFICITS

For the year ended 31 July 2012

	Note	2011/12 £000	2010/11 £000
Surplus on continuing operations after depreciation of assets at valuation and before taxation		3,465	6,114
Difference between historical cost depreciation and the actual depreciation charge for the year calculated on the revalued amount	21	666	666
Transferred from revaluation reserve released on impairment		2,146	-
Historical cost surplus before taxation		6,277	6,780
Historical cost surplus after taxation		6,277	6,780

BALANCE SHEETS AS AT 31 JULY 2012

	Note	Group		University	
		2012 £000	2011 £000	2012 £000	2011 £000
Fixed assets					
Tangible assets	10	264,306	249,310	263,794	249,310
Investments	11	382	922	9,742	10,282
		264,688	250,232	273,536	259,592
Endowment assets	12	5,453	5,950	5,453	5,950
Current assets					
Stocks		312	229	299	229
Debtors	13	16,908	18,132	18,700	19,550
Investments	14	800	800	800	800
Cash at bank and in hand		45,266	42,305	45,179	42,199
		63,286	61,466	64,978	62,778
Creditors: Amounts falling due within one year	15	(44,946)	(47,772)	(53,961)	(57,134)
Net current assets		18,340	13,694	11,017	5,644
Total assets less current liabilities		288,481	269,876	290,006	271,186
Creditors: Amounts falling due after more than one year	16	(92,134)	(76,279)	(91,890)	(76,279)
Provisions for liabilities and charges	17	(2,368)	(2,428)	(2,368)	(2,428)
Net assets excluding pension liability		193,979	191,169	195,748	192,479
Net pension liability	28	(31,179)	(22,300)	(31,179)	(22,300)
Net assets including pension liability		162,800	168,869	164,569	170,179
Deferred capital grants	18	82,961	85,191	82,961	85,191
Endowment funds					
Expendable	19	3,794	4,281	3,794	4,281
Permanent	19	1,659	1,669	1,659	1,669
		5,453	5,950	5,453	5,950
Reserves					
Income and expenditure account	20	51,497	52,027	55,270	55,341
Revaluation reserve	21	22,889	25,701	20,885	23,697
Total reserves		74,386	77,728	76,155	79,038
Total funds		162,800	168,869	164,569	170,179

The financial statements were approved by the Council on 23 November 2012 and were signed on its behalf by;

Mr B. M. Gray
Pro-Chancellor

Professor M. E. Smith
Vice-Chancellor and
Accountable Officer

Mrs S. J. Randall-Paley
Director of Finance

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 July 2012

	Note	2011/12 £000	2010/11 £000
Net cash inflow from operating activities	22	19,413	15,950
Returns on investment and servicing of finance	23	(3,045)	(2,755)
Capital expenditure and financial investment	24	(29,438)	(32,475)
Management of liquid resources	25	(18,455)	(4,197)
Financing	26	15,577	15,893
Decrease in cash		(15,948)	(7,584)

Note to Consolidated Cash Flow Statement

The decrease in cash of £15.9M 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 £18.5M giving an overall increase in cash at bank and in hand of £2.5M.

	Note	2011/12 £000	2010/11 £000
Decrease in cash		(15,948)	(7,584)
Increase in short-term deposits	25	18,455	4,197
Increase / (decrease) in cash and short-term deposits		2,507	(3,387)

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

For the year ended 31 July 2012

	Note	2011/12 £000	2010/11 £000
Decrease in cash		(15,948)	(7,584)
Financing	26	(15,577)	(15,893)
Increase in short-term deposits	25	18,455	4,197
Appreciation of current asset investments	14	-	15
Amortisation of finance costs		(41)	(66)
Movement in the year		(13,111)	(19,331)
Net debt as at 1 August	27	(24,412)	(5,081)
Net debt as at 31 July	27	(37,523)	(24,412)

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 31 July 2012

	Note	2011/12 £000	2010/11 £000
Surplus on continuing operations after depreciation of assets at valuation and after taxation		3,465	6,114
(Depreciation) / appreciation of endowment assets	19	(43)	98
Actuarial (loss) / gain in respect of pension scheme	28	(7,595)	3,609
New endowments	19	334	1,191
Total recognised (losses) / gains relating to the year		(3,839)	11,012

Reconciliation

	£000
Opening reserves and endowments as at 1 August 2011	83,678
Total recognised loss relating to the year	(3,839)
Closing reserves and endowments as at 31 July 2012	79,839

NOTES TO THE FINANCIAL STATEMENTS

		Group	
	Note	2011/12 £000	2010/11 £000
1 Funding Council grants			
Basic recurrent grant		42,273	43,679
Specific grants:			
University modernisation fund		-	1,800
Higher Education innovation fund		1,973	1,900
HEFCE matched funding		-	888
Released from deferred capital grants	18	3,267	3,335
		47,513	51,602
2 Tuition fees and support grants			
		£000	£000
Home/EU fees for full-time students		28,329	28,273
Overseas fees for full-time students		32,691	24,057
Part-time fees		2,244	1,551
Research training support grants		684	980
		63,948	54,861
3 Research grants and contracts			
		£000	£000
Research councils and charities		14,801	15,355
UK central government, local and health authorities		3,996	5,019
Industry and commerce		3,207	1,645
European Union		4,009	3,884
Other		814	887
		26,827	26,790
4 Other operating income			
		£000	£000
Colleges and residences		9,593	8,292
Other services rendered		19,971	19,338
Other income		14,228	16,583
Released from deferred capital grants	18	1,067	1,309
		44,859	45,522
5 Endowment income and interest receivable			
		£000	£000
Income from endowments	19 & 23	114	83
Income from donations		253	1,089
Other interest receivable		671	520
		1,038	1,692

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	Group	
	2011/12 £000	2010/11 £000
6 Staff costs		
Staff Costs:		
Wages and salaries	81,917	81,883
Social security costs	6,114	6,015
Other pension costs	11,638	11,640
	99,669	99,538
Emoluments of the Vice-Chancellor	£000	£000
Professor M. E. Smith		
Emoluments January to July 2012	134	-
Pension contributions to the Universities Superannuation Scheme	20	-
Total emoluments	154	-
Professor P. W. Wellings		
Emoluments August to December 2011	76	214
Pension contributions to the Universities Superannuation Scheme	12	31
Total emoluments	88	245
Remuneration of higher paid staff (excluding superannuation contributions and excluding the Vice-Chancellor)	Number	Number
£100,001 - £110,000	9	9
£110,001 - £120,000	6	7
£120,001 - £130,000	1	1
£130,001 - £140,000	2	2
£140,001 - £150,000	1	1
£150,001 - £160,000	-	-
£160,001 - £170,000	1	1
Compensation for loss of office payable to a senior post-holder:	£000	£000
Compensation paid	124	-
The severance payment was approved by the University's remuneration committee		
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	1,331	1,357
Clerical and secretarial	572	560
Manual	217	226
Technical	65	64
Sessional	124	114
	2,309	2,321

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	Note	Group	
		2011/12 £000	2010/11 £000
7 Staff costs - restructuring costs			
Voluntary severance, early retirement costs and restructuring		554	886
8 Analysis of total expenditure by activity			
		£000	£000
Academic departments		98,775	97,078
Vice and Pro-Vice-Chancellors portfolios		3,594	3,467
Facilities		15,476	14,831
Interest payable		3,661	3,279
Depreciation		12,325	11,270
Exceptional impairment of fixed assets		2,282	-
Total depreciation and impairment		14,607	11,270
Administration and central services		31,505	30,631
Library		4,827	4,695
Other		2,937	1,737
University companies		4,054	5,829
Additional FRS 17 pension costs in excess of contributions paid		1,284	1,536
Total expenditure		180,720	174,353
Included above is expenditure in relation to:			
External auditors remuneration in respect of audit services		66	62
External auditors remuneration in respect of non-audit services		-	3
Bursaries and scholarships		5,975	6,243
Trustees			
No trustee has received any remuneration / waived payments from the group during the year (2011: £nil). The total expenses paid to, or on behalf of, ten trustees was £7,657 (2011: nine trustees totalling £5,430). 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		3,661	3,279
Net charge on pension scheme	28	650	818
		4,311	4,097

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 Tangible assets

Group	Land and Buildings £000	Plant and Machinery £000	Fixtures, Fittings and Equipment £000	Assets in the Course of Construction £000	Heritage Assets £000	Total £000
Valuation / Cost						
At 1 August 2011						
Valuation	124,421	5,886	-	-	700	131,007
Cost	103,331	3,107	89,742	12,431	-	208,611
	<u>227,752</u>	<u>8,993</u>	<u>89,742</u>	<u>12,431</u>	<u>700</u>	<u>339,618</u>
Additions at cost	5,316	1,281	7,195	15,811	-	29,603
Transfers	10,662	4,613	1,160	(16,435)	-	-
Exceptional impairment	(3,261)	-	-	-	-	(3,261)
At 31 July 2012	<u>240,469</u>	<u>14,887</u>	<u>98,097</u>	<u>11,807</u>	<u>700</u>	<u>365,960</u>
Depreciation						
At 1 August 2011	37,617	1,846	50,845	-	-	90,308
Charge for year	4,848	360	7,117	-	-	12,325
Exceptional impairment	(979)	-	-	-	-	(979)
At 31 July 2012	<u>41,486</u>	<u>2,206</u>	<u>57,962</u>	<u>-</u>	<u>-</u>	<u>101,654</u>
Net Book Value at 31 July 2012	<u>198,983</u>	<u>12,681</u>	<u>40,135</u>	<u>11,807</u>	<u>700</u>	<u>264,306</u>
Net Book Value at 1 August 2011	190,135	7,147	38,897	12,431	700	249,310

On adoption of FRS 15, Tangible Fixed Assets, the University followed the transitional provision to retain the book value of land and buildings and plant and machinery, 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 2011						
Valuation	114,731	5,495	-	-	700	120,926
Cost	113,021	3,498	89,239	12,431	-	218,189
	<u>227,752</u>	<u>8,993</u>	<u>89,239</u>	<u>12,431</u>	<u>700</u>	<u>339,115</u>
Additions at cost	5,316	831	7,121	15,811	-	29,079
Transfers	10,662	4,613	1,160	(16,435)	-	-
Exceptional impairment	(3,261)	-	-	-	-	(3,261)
At 31 July 2012	<u>240,469</u>	<u>14,437</u>	<u>97,520</u>	<u>11,807</u>	<u>700</u>	<u>364,933</u>
Depreciation						
At 1 August 2011	37,617	1,846	50,342	-	-	89,805
Charge for year	4,848	360	7,105	-	-	12,313
Exceptional impairment	(979)	-	-	-	-	(979)
At 31 July 2012	<u>41,486</u>	<u>2,206</u>	<u>57,447</u>	<u>-</u>	<u>-</u>	<u>101,139</u>
Net Book Value at 31 July 2012	<u>198,983</u>	<u>12,231</u>	<u>40,073</u>	<u>11,807</u>	<u>700</u>	<u>263,794</u>
Net Book Value at 1 August 2011	190,135	7,147	38,897	12,431	700	249,310

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	
	2012 £000	2011 £000
Cost	177,320	171,401
Aggregate depreciation based on cost	<u>38,082</u>	<u>33,832</u>

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 £52.4M (2011 £56.1M) 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	
	2012 £000	2011 £000	2012 £000	2011 £000
11 Fixed asset investments				
Investments	382	922	382	922
Shares in group companies*	-	-	9,360	9,360
At cost 31 July	382	922	9,742	10,282

Investments comprise of a donation of UK equities with a market value at 31st July 2012 of £345k (July 2011: £885k) and an equity investment of £37k 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 2012 of the four companies are as follows: Lancaster University Business Enterprises Ltd. (surplus: £nil), Lancaster University Consultancy Services Ltd. (loss: £6k), Landec Ltd, trading as The Work Foundation (loss: £223k) and Lancaster University Network Services Ltd. (loss: £375k).

*See also note 32 for further details on interests in subsidiary companies.

	Group		University	
	2012 £000	2011 £000	2012 £000	2011 £000
12 Endowment assets				
At 1 August	5,950	5,049	5,950	5,049
(Decrease) / increase in market value of investments	(43)	98	(43)	98
(Decrease) / increase in cash balances held for endowment funds	(454)	803	(454)	803
At 31 July	5,453	5,950	5,453	5,950
Represented by:				
Equities	956	1,024	956	1,024
UK gilts and other fixed interest stocks	250	223	250	223
Property	33	35	33	35
Endowment cash balances	4,214	4,668	4,214	4,668
Total endowment asset investments	5,453	5,950	5,453	5,950
Endowment asset investments at cost	5,401	5,855	5,401	5,855

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	Group		University	
	2012 £000	2011 £000	2012 £000	2011 £000
13 Debtors				
Amounts falling due within one year				
Trade debtors	14,774	14,424	13,889	13,498
Prepayments and accrued income	2,134	3,708	1,902	3,344
Amounts due from subsidiary companies	-	-	2,909	2,708
	16,908	18,132	18,700	19,550

	Group		University	
	2012 £000	2011 £000	2012 £000	2011 £000
14 Investments				
Listed investments	800	800	800	800
	800	800	800	800

The listed investments represent a share portfolio managed by Investec. 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 2012 was £847k (2011: £870k).

	Group		University	
	2012 £000	2011 £000	2012 £000	2011 £000
15 Creditors				
Amounts falling due within one year				
Payments received on account	11,763	11,334	11,763	11,334
Trade creditors	16,151	16,995	16,032	16,782
Social security and other taxation payable	4,114	3,983	4,049	3,920
Accruals and deferred income	12,700	15,137	11,679	14,105
Unsecured loan	218	323	218	323
Amounts owed to subsidiary companies	-	-	10,220	10,670
	44,946	47,772	53,961	57,134

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	Group		University	
	2012 £000	2011 £000	2012 £000	2011 £000
16 Creditors				
Amounts falling due after more than one year				
Unsecured bank loans	86,303	71,862	86,303	71,862
Unsecured loan from HEFCE	1,282	-	1,282	-
Total loans	87,585	71,862	87,585	71,862
Deferred income	4,549	4,417	4,305	4,417
	92,134	76,279	91,890	76,279

	Group		University	
	2012 £000	2011 £000	2012 £000	2011 £000
The maturity profile of the loans was as follows:				
Between 1 and 2 years	436	-	436	-
Between 2 and 5 years	1,962	544	1,962	544
Over 5 years	85,187	71,318	85,187	71,318
	87,585	71,862	87,585	71,862

In accordance with FRS 4, Capital Instruments, arrangement costs of £773k (2011: £814k) have been offset against the outstanding borrowings and are being amortised over the lives of the facilities.

Loan arrangements as at 31 July 2012	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	30,400	2.24	Variable
Amortising loan repayable September 2030	Lloyds TSB	12,000	5.24	Fixed
HEFCE amortising loan repayable August 2020	HEFCE	1,282	0.00	N/A
Arrangement costs		(773)		
		87,585		

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 2011	2,004	424	2,428
Utilised in year	(394)	(69)	(463)
Transfer from income and expenditure account	175	228	403
At 31 July 2012	1,785	583	2,368

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

	2012 £000	2011 £000
Less than 1 year	267	467
Between 1 and 2 years	132	126
Between 2 and 5 years	392	374
Over 5 years	994	1,037
	1,785	2,004

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 2011	57,011	28,180	85,191
New grants received	1,916	188	2,104
Released to income and expenditure account	(3,267)	(1,067)	(4,334)
At 31 July 2012	55,660	27,301	82,961

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 associated with the grants are being met.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19 Endowments (Group and University)	Restricted Expendable £000	Restricted Permanent £000	2012 Total £000	2011 Total £000
Balances at 1 August 2011				
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
New endowments	334	-	334	1,191
Transfer to projects	(571)	-	(571)	-
Investment income	61	53	114	83
Expenditure	(311)	(20)	(331)	(471)
	(250)	33	(217)	(388)
(Decrease) / increase in market value of investments	-	(43)	(43)	98
At 31 July 2012	3,794	1,659	5,453	5,950
Represented by:				
Capital	3,055	1,208	4,263	5,117
Accumulated income	739	451	1,190	833
	3,794	1,659	5,453	5,950

	Group		University	
	2012 £000	2011 £000	2012 £000	2011 £000
20 Income and expenditure account				
At 1 August	52,027	41,250	55,341	43,117
Surplus retained for the year	4,253	6,502	4,712	7,949
Release from revaluation reserve	2,812	666	2,812	666
Actuarial (loss) / gain in respect of pension scheme	(7,595)	3,609	(7,595)	3,609
At 31 July	51,497	52,027	55,270	55,341

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	Group		University	
	2012 £000	2011 £000	2012 £000	2011 £000
21 Revaluation Reserve				
At 1 August	25,701	26,367	23,697	24,363
Transfer from revaluation reserve to general reserve in respect of:				
Depreciation on revalued assets	(666)	(666)	(666)	(666)
Transfer in respect of impairment	(2,146)	-	(2,146)	-
At 31 July	22,889	25,701	20,885	23,697

	Note	Group	
		2011/12 £000	2010/11 £000
22 Reconciliation of consolidated operating surplus to net cash inflow from operating activities			
Surplus for the year		3,465	6,114
Depreciation and exceptional impairment	10	14,607	11,270
Deferred capital grants released to income	18	(4,334)	(4,644)
Investment income	5	(785)	(603)
Non-cash donation		-	(885)
Amortisation of finance costs		41	66
Release of lease premium		(112)	(113)
Interest payable	9	3,661	3,279
Revaluation of investments		540	(15)
Pension cost less contributions payable		1,284	1,537
(Increase) / decrease in stocks		(83)	66
Decrease in debtors		1,800	459
Decrease in creditors		(611)	(46)
Decrease in provisions		(60)	(535)
Net cash inflow from operating activities		19,413	15,950

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

		Group	
	Note	2011/12 £000	2010/11 £000
23 Returns on investments and servicing of finance			
Income from endowments	5	114	83
Other interest received		505	442
Interest paid		(3,664)	(3,280)
		(3,045)	(2,755)
24 Capital expenditure and financial investment			
		£000	£000
Payments to acquire tangible fixed assets		(31,876)	(34,886)
Deferred capital grants received	18	2,104	1,226
New endowments received	19	334	1,191
Endowment asset cash invested in equities		-	(6)
		(29,438)	(32,475)
25 Management of liquid resources			
		£000	£000
Movement in short-term deposits		(18,455)	(4,197)
26 Financing			
		£000	£000
New loans acquired		15,577	15,893

	Note	At 1 August 2011 £000	Cash flows £000	Non-cash changes £000	At 31 July 2012 £000
27 Analysis of changes in net debt					
Cash in hand		42,305	2,961	-	45,266
Endowment assets	12	4,668	(454)	-	4,214
Debt due within 1 year	15	(323)	105	-	(218)
Debt due after 1 year	16	(71,862)	(15,682)	(41)	(87,585)
		(25,212)	(13,070)	(41)	(38,323)
Current asset investments	14	800	-	-	800
		(24,412)	(13,070)	(41)	(37,523)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28 University pension schemes

The University has two principal pension schemes, the Universities Superannuation Scheme (USS) and the Lancashire County Pension Fund. Total pension costs for the group were £11,638k.

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.

The latest triennial actuarial valuation of the scheme was at 31 March 2011. This was the second valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. 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 2012 are also included in this note.

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

To calculate the technical provisions, it was assumed that the valuation rate of interest would be 6.1% per annum, salary increases would be 4.4% per annum (with short-term general growth at 3.65% per annum and 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 3.4% per annum for 3 years following the valuation and 2.6% per annum thereafter.

Standard mortality tables were used as follows:

Male members' mortality	S1NA["light"] YoB tables - no age rating
Female members' mortality	S1NA["light"] YoB tables - rated down 1 year

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 and the CMI 2009 projections with a 1.25% per annum long-term rate were also adopted. The assumed life expectations on retirement at age 65 are:

Males (females) currently aged 65	23.7 (25.6) years
Males (females) currently aged 45	25.5 (27.6) 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 £32,433.5 million and the value of the scheme's technical provisions was £35,343.7 million indicating a shortfall of £2,910.2 million. The assets therefore were sufficient to cover 92% 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 68%. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004 the scheme was 93% funded; on a buy-out basis (i.e. assuming the scheme had discontinued on the valuation date) the assets would have been approximately 57% 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 5.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2011 was 82%.

As part of this valuation, the trustee has determined, after consultation with the employers, a recovery plan to pay off the shortfall by 31 March 2021. The next formal triennial actuarial valuation is at 31 March 2014. If experience up to that date is in line with the assumptions made for this current actuarial valuation and contributions are paid at the determined rates or amounts, the shortfall at 31 March 2014 is estimated to be £2.2 billion, equivalent to a funding level of 95%. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.

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 but 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.

As at the valuation date, the Scheme was still a fully Final Salary Scheme for future accruals and the prevailing employer contribution rate was 16% of salaries.

Following UK government legislation, from 2011 statutory pension increases or revaluations are based on the Consumer Prices Index measure of price inflation. Historically these increases had been based on the Retail Prices Index measure of price inflation.

Since the previous valuation as at 31 March 2008 there have been a number of changes to the benefits provided by the Scheme which became effective from October 2011. These include;

New entrants

The scheme benefits for new entrants, other than in specific limited circumstances, are now provided on a Career Revalued Benefits basis rather than a Final Salary basis. This change has created two sections of the scheme, the Final Salary section (generally for those who joined the scheme before 1 October 2011) and the Career Revalued Benefits section for new entrants after 1 October 2011.

Normal pension age

The normal pension age was increased for the future service of existing members and new entrants to age 65. This is likely to increase further in the future in line with increases in state pension age.

Flexible retirement

A flexible retirement option was introduced.

Member contributions

Member contributions increased to 7.5% of salary for Final Salary section members and were set at 6.5% for Career Revalued Benefits section members.

Cost sharing

Cost sharing was introduced so that, in the event that the total contribution level exceeds 23.5% of salary, changes to future benefits may be agreed by the Joint Negotiation Committee or, failing that, the employers will pay contributions to fund 65% of the additional cost and members would pay a 35% share.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28 University pension schemes (continued)

Pension increase cap

Increases to pensions in payment or in deferment have been capped for service after 30 September 2011. USS will match increases in 'official pensions' i.e. the pensions payable to members of the public service pension schemes, for the first 5%. If official pensions increase by more than 5%, then USS will pay half of the difference up to a maximum increase of 10%.

Since 31 March 2011 global investment markets have continued to fluctuate and following its peak in September 2011, inflation has declined rapidly towards the year end, although the market's assessment of inflation has remained reasonably constant. The actuary has estimated that the funding level as at 31 March 2012 under the scheme specific funding regime had fallen from 92% to 77%. This estimate is based on the results from the valuation at 31 March 2011 allowing primarily for investment returns and changes to market conditions. These are cited as the two most significant factors affecting the funding positions which have been taken into account for the 31 March 2012 estimation.

On the FRS 17 basis, using an AA bond discount rate of 4.9% per annum based on spot yields, the actuary calculated that the funding level at 31 March 2012 was 74%. An estimate of the funding level measured on a historic gilts basis at that date was approximately 56%.

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 Shortfall
Investment return	Decrease by 0.25%	Increase by £1.6 billion
The gap between RPI and CPI	Decrease by 0.25%	Increase by £1 billion
Rate of salary growth	Increase by 0.25%	Increase by £0.6 billion
Members live longer than assumed	1 year longer	Increase by £0.8 billion
Equity markets in isolation	Fall by 25%	Increase by £4.6 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28 University pension schemes (continued)

As at 31 March 2012, USS had over 145,000 active members and the institution had 1,193 active members participating in the scheme.

The total pension cost for the institution was £8,706k (2011: £8,777k). This includes £733k (2011: £727k) outstanding contributions at the balance sheet date. The contribution rate payable by the institution was 16% of pensionable salaries.

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 2012 was £2,266k (2011: £2,277k). The current employer contribution rate is 14.7%.

The pensions cost is assessed every three years in accordance with the advice of a professionally qualified independent actuary using the projected unit method. 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 2012 by a qualified independent actuary.

Financial assumptions

	31 July 2012	31 July 2011	31 July 2010
	%	%	%
Inflation CPI	2.10	2.90	2.70
Rate of increase in salaries	4.10	4.90	4.95
Rate of increase for pensions	2.10	2.90	2.70
Discount rate for liabilities	4.30	5.30	5.50

Post retirement mortality assumptions (members retiring in normal health)

Mortality tables used:

Males	103% S1PA CMI_2009_(1.25%)	(2011: 103% S1PA CMI_2009_(1%))
Females	96% S1PA CMI_2009_(1.25%)	(2011: 96% S1PA CMI_2009_(1%))

Life expectancy of future pensioners:

Males (females) currently aged 65	22 (24.7) years
Males (females) currently aged 45	23.8 (26.6) 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 1.82%) and the expected returns were:

	31 July 2012 £000	31 July 2011 £000	31 July 2010 £000		
Equities	2,753,920	2,692,660	2,220,000		
Government bonds	215,150	217,150	296,000		
Other bonds	761,631	608,020	555,000		
Property	387,270	390,870	296,000		
Cash	172,120	130,290	111,000		
Other	12,909	304,010	222,000		
Total market value of assets	4,303,000	4,343,000	3,700,000		
	Long term rate of return expected at 31 July 2012 %	Long term rate of return expected at 31 July 2011 %	Long term rate of return expected at 31 July 2010 %		
Equities	7.0	7.0	7.5		
Government bonds	2.5	3.9	4.2		
Other bonds	3.4	4.9	5.1		
Property	6.0	6.0	6.5		
Cash	0.5	0.5	0.5		
Other	7.0	7.5	7.5		
Analysis of the amount shown in the balance sheet	31 July 2012 £000	31 July 2011 £000	31 July 2010 £000	31 July 2009 £000	31 July 2008 £000
University's estimated asset share	76,529	74,072	64,775	55,333	58,903
Present value of scheme liabilities	(107,708)	(96,372)	(89,149)	(83,041)	(82,726)
Net pension liability	(31,179)	(22,300)	(24,374)	(27,708)	(23,823)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28 University pension schemes (continued)

	Group	
	2011/12 £000	2010/11 £000
Analysis of the amount charged to staff costs within operating surplus		
Current service cost	(3,162)	(3,215)
Past service cost	-	(8)
Settlements and curtailments	-	(83)
Total operating charge	(3,162)	(3,306)
Analysis of the amount charged to interest payable	£000	£000
Expected return on pension scheme assets	4,489	4,103
Interest on pension scheme liabilities	(5,139)	(4,921)
Net charge	(650)	(818)
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	(2,537)	4,824
Experience loss	(5,058)	(1,215)
Actuarial (loss) / gain recognised in the STRGL	(7,595)	3,609
Movement in deficit during the year	£000	£000
Deficit in scheme at beginning of the year	(22,300)	(24,374)
Movement in the year:		
Current service cost	(3,162)	(3,215)
Contributions	2,527	2,589
Settlements and curtailments	1	(83)
Past service costs	-	(8)
Net charge on pension scheme	(650)	(818)
Actuarial (loss) / gain	(7,595)	3,609
Deficit in scheme at end of the year	(31,179)	(22,300)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28 University pension schemes (continued)

Group

Analysis of the movement in the present value of scheme liabilities	2011/12 £000	2010/11 £000
At beginning of the year	(96,372)	(89,149)
Current service cost	(3,162)	(3,215)
Interest cost	(5,139)	(4,921)
Contributions by scheme participants	(1,116)	(1,150)
Past service cost	-	(8)
Settlements and curtailments	1	(83)
Actuarial loss	(5,058)	(1,215)
Benefits paid	3,138	3,369
At end of the year	(107,708)	(96,372)

Analysis of the movement in the fair value of scheme assets	£000	£000
At beginning of the year	74,072	64,775
Expected rate of return on scheme assets	4,489	4,103
Actuarial (loss) / gain	(2,537)	4,824
Contributions by the employer	2,527	2,589
Contributions by scheme participants	1,116	1,150
Benefits paid	(3,138)	(3,369)
At end of the year	76,529	74,072

History of experience gains and losses	31 July 2012	31 July 2011	31 July 2010	31 July 2009	31 July 2008
Difference between expected and actual return on assets:					
Amount £000	(2,537)	4,824	4,853	(9,367)	(6,760)
% of scheme assets	(3.3)	6.5	7.5	(16.9)	(11.5)
Changes in assumptions (£000)	-	-	6,006	-	(121)
Experience (losses) / gains on scheme liabilities:					
Amount £000	(5,058)	(1,215)	(5,073)	7,982	(6,472)
% of scheme liabilities	(4.7)	(1.3)	(5.7)	9.6	(7.8)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	Group and University	
	2012 £000	2011 £000
29 Capital and other commitments		
Provision has not been made for the following capital commitments at 31 July:		
Commitments contracted at 31 July	7,586	10,200
30 Access funds		
At 1 August	5	1
Funding Council grant	122	116
Interest earned	1	1
	128	118
Disbursed to students	(118)	(108)
Fund running costs	(4)	(5)
Balance unspent at 31 July	6	5

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

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	
	2012 £000	2011 £000
Block grant	575	575
Specific grants	400	308
	975	883

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

32 Interests 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
Lancaster University Energy Services Ltd	England	Provision of energy supplies	100 *
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 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 already disclosed.

THE CHANCELLOR'S GUILD ROLL OF HONOUR

SPECIAL RECOGNITION

Terry and Liz Bramall
Faculty of Health and Medicine –
Alzheimer's research

Gian M Fulgoni
MA Marketing, 1970, Cartmel
Lancaster University Management School –
The Fulgoni Chair in Marketing

David Lewis
BA Politics and International Relations,
1975, Lonsdale
Politics, Philosophy and Religion

Jon Moulton
BSc Chemistry, 1973, Furness
Faculty of Health and Medicine – International
Observatory on End of Life Care, Scholarships

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

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

Plus two anonymous donors

Every effort has been made to ensure the accuracy of this information (donor names are listed as requested where a preference has been expressed). Please notify alumni@lancaster.ac.uk of any errors or omissions.

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Simon and Jane Atkinson
Darren Bailey
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Dr Graham Bartram
Alistair Bates
Sarah Bedford
Derek Bell
John and Stella Birchall
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Thank you to all donors and those who have made provision for Lancaster University within their Will, including our numerous anonymous supporters who give to the Lancaster University Friends Programme. Your support is greatly appreciated.

Donations and legacies are increasingly vital in helping Lancaster to continue to fulfil its pioneering mission. Many alumni, parents of current students, staff and other friends have given to the University. The Chancellor's Guild is the group of people who have donated £1,000 or more, whereby both long-term support and large donations are recognised and acknowledged. Leading by example and inspiring other alumni to support Lancaster, Guild donors are brought together at events throughout the year.

If you are interested in finding out more or joining the Chancellor's Guild please contact:

Nick Fragel,
Director of Alumni and Development

E: n.fragel@lancaster.ac.uk
T: +44 (0) 1524 594522

You can give online at:
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We would like to thank all the organisations listed below for their generous support towards important projects and research continually being carried out by Lancaster University's academics and students.

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The Leverhulme Trust
North West Cancer Research Fund
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