



UNIVERSITY OF  
LEICESTER

2019-2020

# FINANCIAL STATEMENTS



# We are Citizens of Change



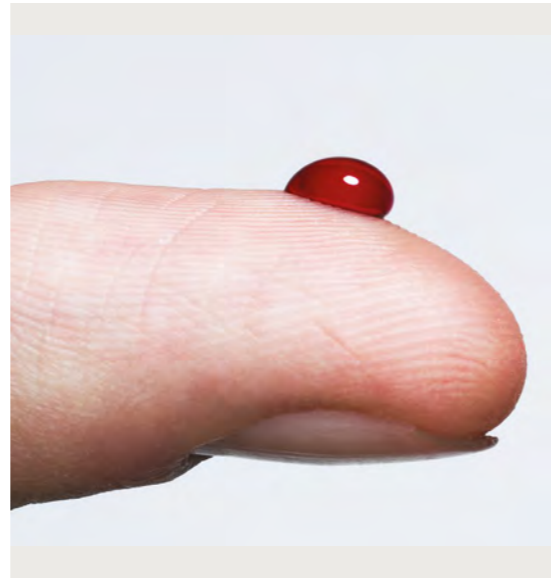
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# Year in pictures



SPACE PARK LEICESTER



DIABETES RESEARCH



COVID SUPPORT



WELCOME WEEK




VIRTUAL GRADUATION



PROFESSOR MIKE BARER'S PIONEERING RESEARCH IS CURRENTLY BEING TRIALLED FOR USE IN COVID-19 PANDEMIC

# Year in numbers

**£326 million**  
total income



**£57 million**  
research income



**£172 million**  
tuition fees




**£2 million**  
donations and endowments



**£189 million**  
staff costs



UoL named in  
**top 3%**  
for sustainability by  
Times Education.





PROFESSOR NISHAN CANAGARAJAH

I am honoured to be part of a community that inspires and empowers people to become Citizens of Change.

PROFESSOR NISHAN CANAGARAJAH, PRESIDENT AND VICE-CHANCELLOR

# Vice-Chancellor and Chair's Foreword



GARY DIXON

# Vice-Chancellor



## Vice-Chancellor statement

It is a privilege for me to introduce the Financial Statements for the University of Leicester. Before joining this great institution, I had been well-aware of its reputation for delivering outstanding research-inspired education and world-changing research. I am honoured to be part of a community that inspires and empowers people to become Citizens of Change.

It has been a challenging year for the world. The global pandemic, caused by COVID-19, has changed the way we live, interact and learn. It has forced every organisation to review and adapt its operations – and universities have not been exempt from this. It would not be hyperbolic to state that we have been living through an unprecedented twelve months. Compounding the difficulties everyone faced in responding to the initial lockdown, I am reminded of the additional difficulties we faced when Leicester became the first city in the UK to face a local lockdown in June 2020.

It was a baptism of fire for my first full year as President and Vice-Chancellor but throughout that time I have been supported, and indeed inspired, by amazing colleagues at this University. I have no doubt that the challenges we faced may have been insurmountable had it not been for the spirit of unity, determination and perseverance that for me characterises Leicester. We are greater than the sum of our parts, and we have emerged through this pandemic as an organisation that is stronger and caring for its community.

I am impressed how our University responded to the challenges with which it had been presented with speed and agility, assigning the highest priority to the safety and wellbeing of our staff and students. Our community has come together to support each other against adversity, to deliver high quality flexible teaching, excellent student support and outstanding research. We are grateful to our students and staff who have embraced this change. They have exemplified our ethos of being Citizens of Change.

In creating Ignite, we have delivered a blended approach to teaching that combines on-campus study with digital learning and were able to continue delivering an inspiring

education to our students. Despite the majority of our staff not being able to physically work on campus for parts of this year, we have continued to offer our students an innovative learning environment and high quality teaching.

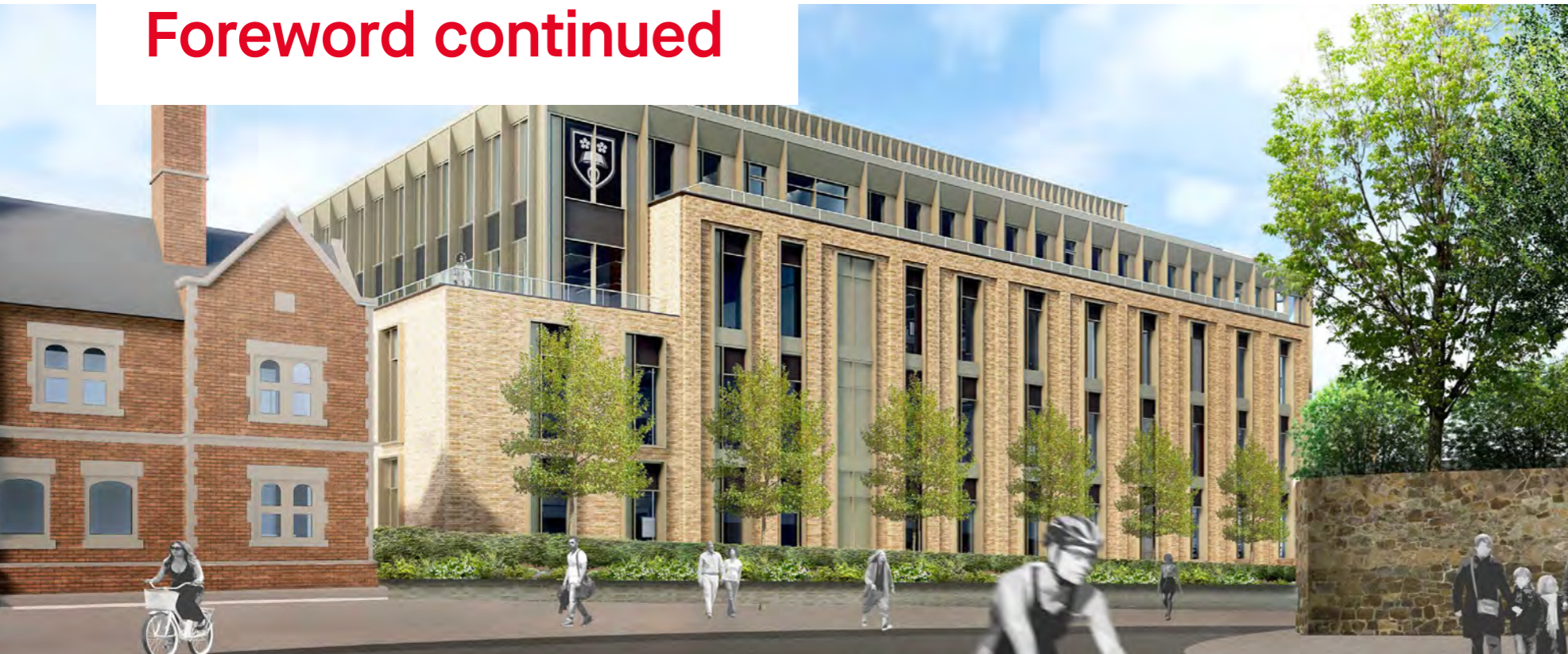
It is a source of immense pride that our University makes such a significant civic contribution. The launch of our economic and social impact report in June revealed that the University generates £360m for the local economy and supports 1 in 23 jobs in the city. Not only this, we have trained 4,000 teachers and 3,000 doctors, reach 26,000 children each year with our outreach activities, and save lives through pioneering new health treatments. The findings of our impact report were compiled before COVID-19 ever entered our lives. Since the pandemic began our civic contribution has been more vital than ever.

Our University worked in partnership with the local authorities, NHS and public health officials on the UK's largest test and trace drive at the time, which targeted all households in COVID-affected areas. More than 200 of our students and staff signed up to volunteer in this endeavour. We have supported our keyworkers every step the way, supplying thousands of items of PPE, loaning our medical equipment and facilities, and graduating our medical students early to enable them to support in hospitals.

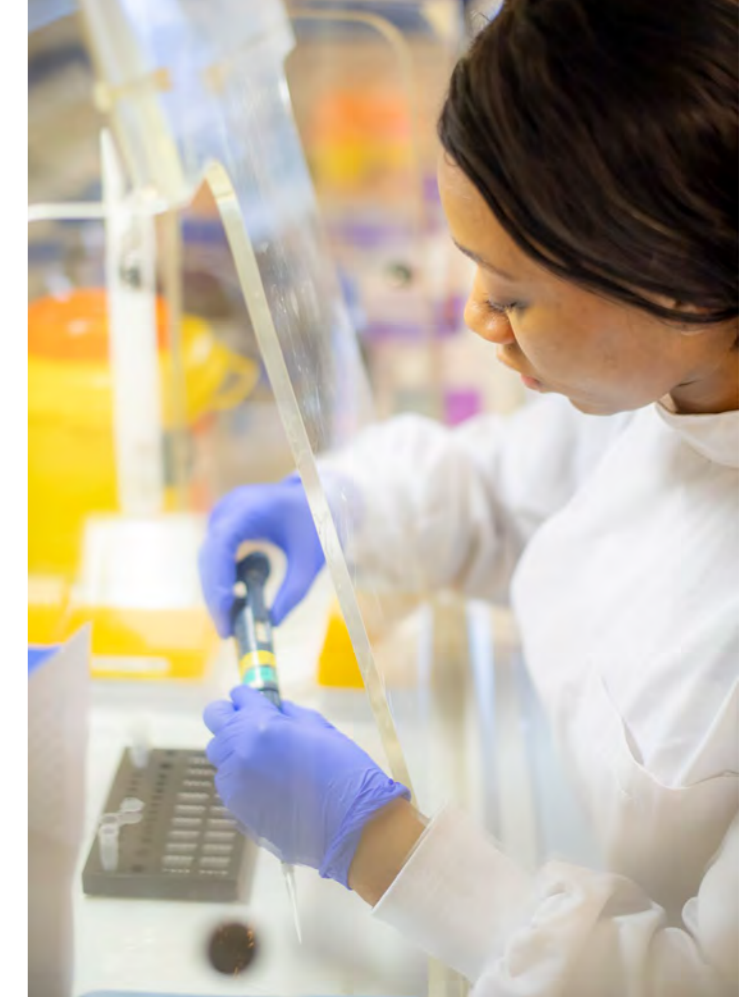


LEICESTER CITY

# Foreword continued



ARTIST IMPRESSION: FREEMENS COMMON



Ours was one of the first universities in the UK to have introduced a COVID-19 screening programme, through which students and staff at the University have been screened for COVID-19 repeatedly as part of our plans to keep our campus and wider community safe.

Our position as a leading research institution is reflected in our ranking as a top ten university in the UK for COVID-19 research\*. We are leading major clinical trials to understand treatment of this contagious disease. Professor Chris Brightling was awarded £8.5 million by UK Research and Innovation (UKRI) and the National Institute for Health Research (NIHR) to lead one of the world's largest COVID-19 studies into the long-term health impacts of coronavirus on hospitalised patients. Our University was the first institution to raise concerns about the disproportionate number of deaths of people from black and minority ethnic (BAME) communities to COVID-19, through the research led by Professor Kamlesh Khunti and Dr Manish Pareek.

It has been a tremendous year for research in other areas of our University too; Dr Corinne Fowler has led the Colonial Countryside project, which explores the African, Caribbean and Indian connections of National Trust properties. Dr Prashant Kidambi's book Cricket Country: The Untold History of the First All India Team was named Book of the Year by the Financial Times and Wisden India.

\*Analysis of UKRI data on new COVID research awards in February 2021  
<https://www.ukri.org/find-covid-19-research-and-innovation-supported-by-ukri/>

I am delighted to see our Space Park Leicester project, which will generate £700 million for the local economy and support 2,500 jobs, progressing well. We held the ground-breaking event for Space Park Leicester in January 2020 and are exploring actively how this initiative will support the economic recovery and 'levelling-up' of our region. Space Park Leicester will open in 2021 and will be a world-leading partnership between academia and industry that will be home to some of the UK's leading space businesses and tackle the challenges of tomorrow.

It is my strategic aim to position our University as a leader in inclusivity. This year, we introduced postgraduate scholarships for BAME individuals enabling them to progress into academia. Having identified early that BAME colleagues are underrepresented in the social sciences, we created a bespoke, fully-funded scholarships scheme for the start of the 2020-21 academic year.

This year has been very challenging for applicants given the disruption to their studies and exams. Prospective students have faced uncertainty on how their grades would be calculated. We have been very clear throughout this year's confirmation and clearing process in putting students first. Every decision we made was focused on ensuring we provided clarity and certainty during a very unsettling and stressful time.

Our carefully managed finances over many years enabled us to set aside money to respond to COVID-19 and we

have increased our financial resilience which is reflected in our financial performance. With our new University Strategy in 2021 our ambition and success will continue to grow as we all work to change the world for the better.

I feel proud to lead such an amazing institution filled with passionate individuals that want to create and share knowledge and make a positive change in the world. I would like to extend my gratitude to our University community for giving me a warm welcome and pay particular tribute to Professor Edmund Burke, who did an excellent job in leading the University as Acting Vice-Chancellor. Our University's mission and resolve has been tested during this pandemic and I could not be more humbled by the commitment, support and dedication our students, staff and stakeholders have shown. As we emerge from this crisis, I can assure our community that this University, which was founded upon the promise of hope after the First World War, will remain firmly rooted in our local community and take a leading role in its economic and social recovery.

PROFESSOR NISHAN CANAGARAJAH,  
PRESIDENT AND VICE-CHANCELLOR

## Chair statement

This University was built after the Great War as an institute of hope. Today is another great challenge, and as we enter our Centenary in 2021, the University will once again be a shining beacon of hope for future generations.

It is clear that our role is as more than educators. We are a University of Sanctuary. We support 1 in every 23 jobs in Leicester. We continue to invest in economic growth, through schemes such as Space Park Leicester. Our entrepreneurial spirit will lead to further investment in the region and the University in the coming years. Our history is rich, but our future is richer.

As always, but especially this year, we owe our success to the resilience, dedication and passion of our staff, students and partners. We may have spent much of the year apart but we have always been together in our commitment.

GARY DIXON,  
CHAIR OF COUNCIL



## Research-inspired education

Citizens of change aren't born in the lecture theatre. We believe in creating graduates who have gained their understanding through research, real-world experience and hands-on teaching from those leading in their fields. And while real-world experience is difficult for students to come by during intermittent lockdowns, we've worked extremely hard to ensure their passion for learning and research, and for our University and its community, is kept alive.

## Research-inspired

### Keeping the spark burning

2020 saw the launch of ignite, our new system of education. Blending online learning with face-to-face teaching, ignite allows students to pursue their passions from the safety of their homes through both live and pre-recorded teaching sessions, and heading onto campus when it's safe to do so. And with all courses and modules having undergone thorough reviews, been refreshed and adapted to suit this new-normal way of learning, students get the best of both worlds – first-class teaching at their fingertips, with the reassurance that they're in a safer environment.

However, we would not be protecting students from the affects of COVID-19 if we didn't also consider the impact it could have on their studies. In 2019/20, we introduced measures to ensure students were not unfairly disadvantaged, including a temporary safety net policy that calculated a benchmark credit weighted average for the year from modules unaffected by COVID-19, which was then used for students' progression and award decisions.

### Getting students heard

This year has been a turbulent journey for our students, so we've worked closely with the Students' Union to make sure that student voices resonate through every level of the governance structure. One notable result of this was the collaborative review of personal support for students on taught programmes, commissioned by the Student Partnership Sub-Committee, which resulted in the creation of a new role – Dean of Personal Tutoring.

It's also been more important than ever to gather students' feedback on modules. The Leicester University Module Evaluation System (LUMES) is a single consistent



process for feedback, which, in combination with other internal and external mechanisms such as the National Student Survey (NSS), has and will help us to enhance the student experience going forward.

### Remaining focused on vital issues

Although adapting our teaching and safeguarding our students has been a priority this year, we have not forgotten about the challenges we've committed to resolving. In particular, tackling differential degree outcomes for different groups of students, including eliminating the BAME awarding and satisfaction gaps.

According to NSS 2020, the satisfaction gap between BAME and White responders closed marginally from 9.7% in 2019, to 7.6% in 2020. This year, we launched several projects to determine the issues driving these gaps and will also form the foundations of the new Leicester Institute for Inclusivity in HE. One of these was a joint project with the Students' Union on "The role of belonging in tackling ethnicity-related disparities in retention, attainment and outcomes". We also carried out projects on 'Decolonising assessment in higher education' and 'Inclusivity in the curriculum', the latter of which used student curriculum consultants to undertake a student-driven review of selected Schools. We also took part in AdvanceHE's project "Towards embedding equality, diversity and inclusion in the curriculum" where our focus was on decolonising the curriculum.

# Student support



# Student support



# Student support

**Looking after student welfare during the pandemic has been a key priority for the University, with an increased focus on providing digital and in person activities for students to socialise in a safe way, as well as providing welfare services through a virtual platform.**

In order to support student wellbeing, a number of new initiatives were launched this academic year to support students, including the launch of the MyWellbeing App, which provides students with a 360 overview of their mental and physical health and wellbeing by highlighting areas where they may require further support.

Regular virtual and socially distanced in person events for students have been running throughout the entire term, which have proved immensely popular. Some of the most popular activities have included Sunday morning Breakfast on the Go events, Let's Get Cooking and Bake and Decorate classes, as well as the regular Big Instagram Quiz, which attracted around 3000 students in total.

The University has also supported students facing financial difficulty, including those without access to laptops or internet, and provided more than £530,000 this year through the hardship fund.

To support students taking their next steps after University, the Career Development Service has been running all of its services online, providing 300 appointments each week to ensure there is greater access to provision. The Service has been popular, seeing around 200 students a week and is seeing consistently high numbers engaging with online content.

The University of Leicester has sought to offer Sport and Active Life activities for students to ensure they can maintain a healthy lifestyle, despite gym closures and restrictions on teams sports being imposed. Whilst national lockdown restrictions and the City of Leicester being in Tier 4 have had an impact on group sports, a virtual programme called Let's Do Leicester offering classes including yoga and Zumba have enjoyed excellent participation. Club and committee engagement online with participation higher than previous years.

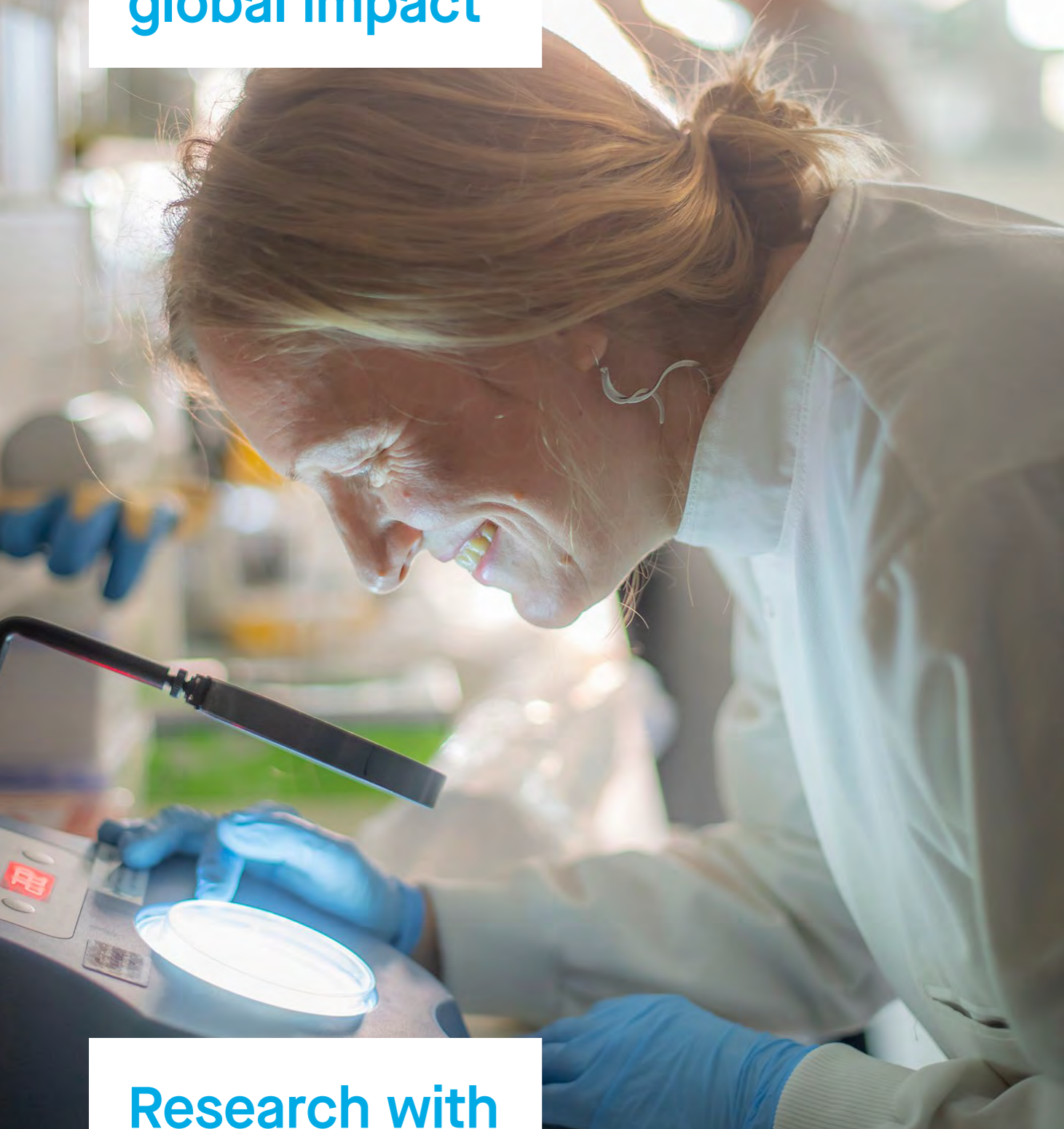
This year's student participation in the Panathlon Clubs University Games was one of the highest on record, and the University was delighted that two students from Leicester won 1st and 2nd place in the basketball competition.

Over the Christmas period, the University launched an Advent Calendar of events for students remaining on campus, with activities including Netflix parties, quizzes, cooking demos and the ever popular Santa Run completed virtually.

In addition, students had the opportunity to tune into livestream LetsDisco music sets on MixCloud, take part in fun curry night, pamper night and other fun themed events, which again were enjoyed by students.

The University has tried to ensure that students can enjoy a broad range of activities to engage in, and these will continue throughout 2021.





MARTHA CLOKIE, GENETICS AND GENOME BIOLOGY

## Research with global impact

The purpose of research at the University of Leicester is to further knowledge that can save, improve and enrich lives. We're currently tackling some of the most critical issues of our time. The impact of our world-leading work can be felt here in our local communities, and all across the globe.

Research with

## Creating a new understanding of the world

Exceptional times need exceptional research, and we believe that our experts – many of whom are world leaders in their field – can provide it.

In recent years we've conducted the world's largest study into the nature of hate crime, uncovering new insights into the impact on victims and wider communities.

Our historians are looking at our relationship with our past and the lessons we must learn to foster progressive social change. And our medical research has revolutionised treatments for common health problems such as diabetes, cancer and heart disease.

The University is also leading the way in space and earth observation. We discovered the first known black hole in our galaxy, and our pioneering experts have built instruments for several live space missions, including a Mars landing. Data gathered from space has also been critical for our teams analysing the impact of man-made pollutants on our health.

## COVID-19 research

We are playing a major role in the fight against Covid-19 with our academics leading on a number of significant projects and ranking in the top ten universities in receipt of COVID research funding, with more than £10m of research funding looking at a range of issues associated with COVID:

- we were the first to highlight the impact of COVID on minority ethnic groups
- we led major clinical trials that resulted in the first known treatment
- and now we are now leading an £8.4 million national study into the long-term health impacts of COVID-19

We are delighted that our University, working with the UHL Trust has played such a significant national and international role at the same time as supporting our communities and partners to respond and overcome local challenges.



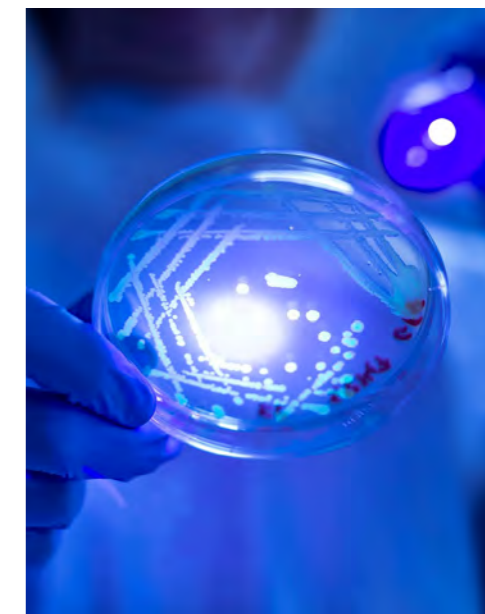
PHAGE RESEARCH

## Achievements

- Annually we secure £40million of competitively won funding on health-related research
- Our Leicester Diabetes Centre is globally recognised as a 'International Centre of Excellence'
- First in the world for our contribution to the UN Sustainable Development Goal "life on land" \*\*
- Our Centre for Hate Studies leads on a range of projects to support victims and tackle hate crime
- From fighting tuberculosis in South Africa to using forensic DNA to bring justice for sexual abuse victims in Kenya, we research to improve the quality of life in developing countries through our Global Challenges Research Funding (GCRF)
- Our space pioneers have built over 90 instruments launched into space, including six live space missions
  - more than any other UK university

\* International Diabetes Federation

\*\* (2020 Times Higher Global Impact Rankings)







## Entrepreneurial spirit

**We know as well as anyone that the world around us does not stand still. New challenges arise. New crises occur.**

We make sure that our University and our students are prepared for change by embedding entrepreneurship in our approach to teaching and to learning. Here are some examples of how our entrepreneurial spirit has been brought to life.

### The Leicester Innovation Hub

A £5.1m programme with investment from the University of Leicester and the European Regional Development Fund, the Innovation Hub supports the next generation of enterprising graduates by offering a dedicated incubation and innovation space that provides a 'front door' for launching great ideas.

### Leadership for Covid-hit businesses

The University of Leicester's School of Business has been accredited to run the Small Business Leadership Programme, a ten-week Government funded programme to help support local small to medium-sized businesses recover from the impact of coronavirus.

### Ignite online and on-campus learning

In response to the Covid-19 crisis, we developed Ignite, a new blended approach to learning that combines on-campus study with digital learning, offering the flexibility to switch between the two whenever the situation dictates.



## Inclusive community

**Leicester is one of the most ethnically and culturally diverse cities in the UK.**

A fact that's reflected across our University. We welcome students from over 100 countries, and we celebrate the strength that diversity brings. However we also believe in coming together as one to help all of our communities grow and prosper.

### Charity work

**Our citizens across the University support a range of good causes.**

Our medical students volunteer with Project Light to care for the health of local homeless people, treating minor illnesses and offering advice on eating and mental health. Our University of Sanctuary programme provides English language classes to more than 100 refugees and asylum seekers. And through Heartwize, we've helped train schoolchildren across the city to use defibrillators and deliver CPR.

### Economic benefit

**The University of Leicester is worth £600m a year to the UK economy and supports 10,000 jobs nationally.**

Our local impact is just as impressive. Every year, almost 20,000 of our students spend around £100 million with local businesses, including the city's shops, bars and restaurants. Even after university many continue to contribute to the lifeblood of the region, with 23% of our graduates choosing to make Leicester their home.

### Social impact

**Our University is at the forefront of addressing the most pressing issues facing society.**

We were one of the first universities to sign up to the UN's Sustainable Development Goals Accord, and we're working closely with Leicester City Council on its climate change strategy. We also understand that education is the key to improving the prospects of young people across our region. Our widening participation activities engage with 26,000 school children each year, and we've delivered 11,000 books through the Letterbox Club.



FIELDING JOHNSON BUILDING IN WW1



## A heritage of kindness

The University of Leicester was built in changing times, funded by local citizens as a living memorial to those who made sacrifices during the First World War. Our motto – Ut vitam habeant (So that they may have life) – represent an unfaltering commitment to generosity, social conscience and inclusivity. It defines what we have stood for, these hundred years gone by – and how we will continue our work in the future.



## Shaping our 2nd century

We have long been proud of our association with the Attenborough family: Richard, David and their brother John grew up on the campus of what was then University College Leicester, of which their father was the Principal.

Through their commitment to science and the arts, Sir David Attenborough and Lord Attenborough have always embodied the University of Leicester's fundamental principles, as true Citizens of Change.

Sir David and Michael Attenborough CBE (Lord Attenborough's son) are patrons of our three-year Centenary celebrations. In November 2018, exactly one hundred years after the first funds were donated for the establishment of the University College, they officially

opened Centenary Square in the heart of campus, next to the family's 1930s home College House.

Our Centenary plans have been adapted and scaled down because of the global pandemic. But in this time of crisis, University of Leicester researchers have reacted magnificently, working tirelessly under difficult conditions to solve the challenge of COVID-19. Staff across the institution have gone above and beyond for the sake of students and colleagues – ut vitam habeant.

Plans are well advanced for celebrating from 2021 into 2022, with all the provisos and caveats that are 'the new normal'. One hundred years on from the admission of our first undergraduates, we stand proudly in the shadow of College House and the family who inspired us. We are Citizens of Change.



# Financial review:

## Our results for the year

We have achieved a consolidated surplus of £0.5 million (2018-19: £2.9 million) before movement on USS pension provision; a good result given the financial challenges that COVID-19 has brought. Income has reduced by 2% year on year largely driven by the COVID-19 pandemic and the interruption in trading for our subsidiary companies Leicester Services Partnership Limited and College Court Conference Centre Limited.

Executive Board took decisive action including a series of expenditure controls to improve financial resilience and ensure only essential expenditure continued.

This involved a review of all discretionary expenditure, scaling back staff recruitment to essential only, reducing external contractor use and utilising the job retention scheme as well as a natural decrease in expenditure related to physical travel and event attendance.

With large capital commitments which led to a reduction in cash levels, the University paid close attention to robust working capital management, deferring payments where possible to increase our cash reserves and improve our financial resilience.

Supported by our principal banking relationship with Barclays we also quickly agreed a large overdraft, which, although not used, also reflected the speed with which we were able to enhance the financial resilience of the University. In order to secure medium term headroom in our liquidity forecasts we have since arranged a revolving credit facility with Barclays although it is not forecast to be required until March 2022 at the earliest. All of these steps ensured we have not triggered the regulator reportable event threshold for falling below the equivalent of 30 days liquidity.

The response has been strong across the University. There has been recognition of the need to implement measures to ensure that costs are tightly controlled whilst also moving to a different working model with many staff based from home yet prioritising student experience and continuing research where it has contributed to the national effort in tackling the virus.

This led to a year on year reduction in staff costs of £1 million and other operating expenses £8 million largely delivered in the final four months of the year. These actions meant 2019/20 financial performance was managed effectively and all commitments were met.

	2019-20	2018-19
	£m	£m
Income	325.7	330.9
Expenditure before USS pension movement	(325.3)	(332.8)
Surplus/(loss) before other gains and USS pension movement	0.4	(1.9)
Other gains	0.1	4.7
<b>Surplus for the year before USS pension movement</b>	<b>0.5</b>	<b>2.8</b>
USS pension movement	32.3	(46.4)
<b>Surplus/(loss) for the year</b>	<b>32.8</b>	<b>(43.6)</b>
Non-current assets	475.2	402.9
Current assets	69.7	106.5
Current liabilities	(102.4)	(98.2)
Non-current liabilities	(246.6)	(213.4)
Provisions	(117.9)	(137.3)
<b>Total net assets</b>	<b>78.0</b>	<b>60.5</b>
Operating cash flows	26.3	12.7
Investing cash flows	(46.8)	(30.7)
Financing cash flows	(9.0)	49.2
<b>Net cash flows</b>	<b>(29.5)</b>	<b>31.2</b>
<b>Cash and cash equivalents</b>	<b>32.0</b>	<b>61.5</b>

## Capital investment

We have invested £93 million (2018-19: £44 million) in our estate and infrastructure. Two major campus projects progressed with the £20 million renovation of our Brookfield campus for our School of Business and a £24 million investment in the Percy Gee building, home to our Students' Union.

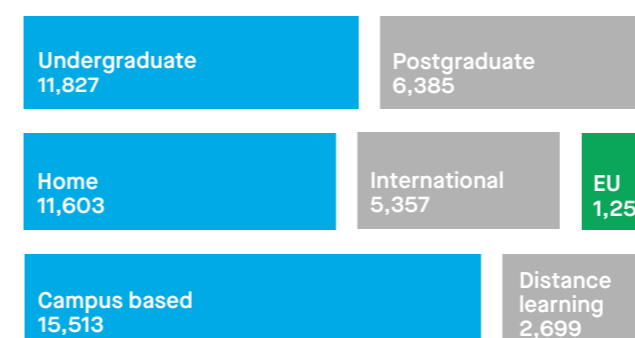
The £150 million development of 1,164 student bedrooms, a multi-storey car park, café, academic building and two public squares on our Freemans Common site commenced during the year and is due to complete in 2022. Having secured a total of £26 million of government funding, work is underway on Space Park Leicester - a national hub for space research, learning, public engagement and innovation.

## Pension schemes

We hold two pension provisions on our balance sheet in relation to the University of Leicester Pension and Assurance Scheme (PAS) and the Universities Superannuation Scheme (USS). At 31 July 2020 the PAS provision was £74 million, an increase of £13 million on the prior year. The USS provision was £43 million and although reflects a decrease in liability of £33 million on the prior year, uncertainty regarding the funding of the USS pension scheme as a sector continues to be one of our key risks. More information can be found in notes 18 and 29.

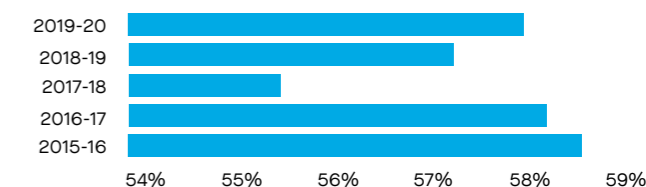
## Our student numbers

In 2019-20 we had 18,212 students studying with us, a slight decrease of 126 students (0.7%) from the prior year driven by our home undergraduate cohort. The distribution of our students in 2019-20 was:



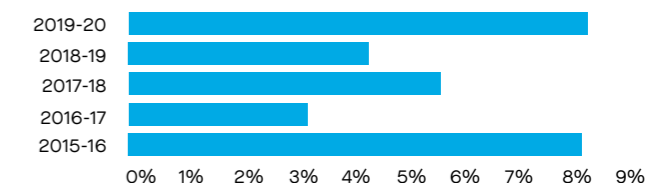
## Our key performance indicators

### Staff cost as a percentage of income



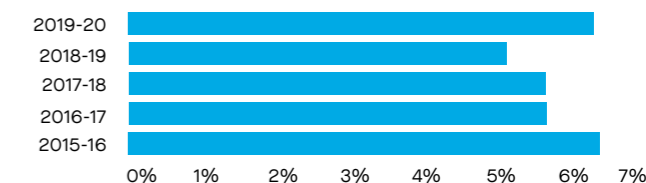
Staff costs decreased by £1 million (1.0%) from the prior year to £189 million reflecting a reduction in temporary staff and overtime working following the onset of COVID-19. Staff costs as a % of income increased from the prior year to 58.0% due to the impact of COVID-19 on our income levels. Our target is to move towards the sector average of 55%.

### Operating cash flow as a percentage of income



There was a net cash inflow of £26 million from operating activities during the year compared to £13 million in the previous year, an increase of £13 million. This was largely due to working capital movements. Operating cash flow as a % of income was 8.1% and our target is for this to increase to 10.0% by 2024.

### EBITDA\* as a percentage of income



\*EBITDA is a measure of surplus: earnings before interest, tax, depreciation and amortisation. EBITDA increased by £3 million from the prior year to £20 million. EBITDA as a % of income has remained stable over the past 5 years, increasing slightly in 2019-20 to 6.1%.

# Our future outlook

## COVID-19

Whilst the pandemic has been challenging on every level it has also proven the University is agile and adaptable, placing staff and students at the heart of decision-making and showing our staff and students as citizens of change. During the pandemic we launched Ignite which combines face to face, on-campus study with flexible digital learning. This was paired with an innovative flexible accommodation offer to students and support packages for them once registered at the University.

We implemented our own COVID screening programme, harnessing our clinical expertise and research for the benefit of our staff and students. We have been transparent with students and staff on what COVID meant for them and the combined impact has helped maintain COVID-19 infection rates lower than many universities whilst being very well received by our students.

This agile and human centred approach has contributed to forecast growth in undergraduate student numbers in 2020/21. The number of international students able to join us for postgraduate study has been an area of particular challenge as a result of the pandemic though, so too has the impact on our commercial revenue streams in terms of accommodation, conferences and catering.

The expenditure control actions described in the financial review have remained in place into 2020/21 as the impact of COVID-19 continues to interrupt our international and commercial revenue streams. However, the specific circumstances for the financial challenges faced in 2020/21 have meant we needed to work collaboratively with our banks and investors to ensure the demands of our financial commitments are managed appropriately. We are midway through or close to finishing, a series of strategic capital investment projects that could not be stopped or delayed to protect cash without incurring major abortive costs and we also anticipated a material reduction in international student fee income in the short term and wholly because of the pandemic.

As a result we have agreed changes to our covenants to allow sufficient headroom to cover off downside forecasts driven by the one-off nature of financial risks we face in these unique circumstances. We have also secured access to additional liquidity from the Covid Corporate Financing Facility (CCFF) issued by the

Bank of England and we anticipate using CCFF funding from January 2021 to March 2022. This facility is open to organisations rated as investment grade, whilst the University is not publicly rated, we were able to confirm our investment grade status with an external agency and therefore prove our eligibility for this facility.

Whilst additional liquidity has been arranged to manage cash flow variation throughout the year, with headroom to cover the full extent of financial risks through to March 2022, it is not forecast to be required long term. However, liquidity access risk remains after CCFF funding is due to be repaid or before the facility is closed on 23 March 2021. The main risk is more than 12 months from the date of these financial statements in February 2021. Consequently, we have arranged an alternative facility to ensure we retain sufficient headroom in our liquidity forecasts after the CCFF is repaid in March 2022. This enables the University to confidently cover plausible, but severe, downside risks.

The University's new strategy has three strategic aims: Research-Inspired Education, World-Changing Research and Our Citizens. To compete with the best in research, we need to invest in people (staff, early career researchers, PGRs) and infrastructure (equipment, pump-priming funds, matched funding for bids). We also need to invest in our education and student life to enhance the experience we offer to our students. To improve educational outcomes we need to invest in our teaching staff, manage staff workload and invest in our educational infrastructure (learning platforms, student wellbeing support, employability outcomes). In order to make these investments we need to stop activity in some areas of the University. Our Shaping for Excellence programme underpins our future strategy by re-shaping the University to ensure we focus our efforts where we can demonstrate excellence.

Our student recruitment in 2020/21 has demonstrated strong demand to study at the University. We have delivered a 10% increase in undergraduate student intake from 2019/20 while the fall in postgraduate students is just under 10%; a direct result of the short-term impact of the virus and whilst significant, it is not as material as originally anticipated. Postgraduate student registrations in January 2021 have been particularly strong, despite the national lockdown in the UK in that period. As we

reshape, investment in the University will be focused on delivering growth in areas of strength, taking advantage of the demographic upturn in the number of 18 year olds in the UK.

## Brexit

Now that the UK has left the European Union, the University is carefully monitoring matters related to procurement, tax, EU staffing, research funding and EU student recruitment and associated fees.

Around 10% of our research grant and contract income has come from the EU in recent years. The UK will remain a full member of Horizon 2020 until the programme ends which will mitigate the most immediate of risks. Beyond this the UK government has committed to fund international research collaboration in place of Horizon Europe participation. However, how this will operate and timings are still to be confirmed.

The University's exposure to EU student demand is minimal, around 5% of students at the University join us from the EU but while 2019/20 EU student numbers remained stable trend, they are forecast to fall by 10% in 2020/21. This is being monitored, we have committed to maintaining UK equivalent fees in 2021/22 with lead indicators suggesting this may increase our market share. Plans for EU student fees remain under close review.

## Other risks and opportunities

There are a number of factors impacting on the University's strategic position as noted in our risk register. Our key financial risks and opportunities, aside from those associated with COVID-19 are:

### RISKS

- Pension costs will increase due to additional costs of funding the PAS or USS schemes. Uncertainty regarding the USS provision is one of our key risks – see note 18 for further details.
- Ensuring sufficient financial capability and capacity to deliver necessary capital investment.
- The trading environment we are experiencing in our commercial subsidiaries.

### OPPORTUNITIES

- A number of international and local projects are opportunities for financial growth, particularly through the partnerships developed in China, Space Park Leicester and the Freeman's Common student accommodation development.
- Our upcoming centenary celebrations provide an opportunity for community engagement and fundraising.

The 2020/21 financial year income forecast is £307m with a forecast surplus of 1 to 1.5%. In the medium term, funding and tuition fees are set to increase significantly, while record research grant awards prior to the virus are forecast to push research income up subject to changes in funders positions.

The Council has carefully reviewed these forecasts, particularly in the short term, with thorough downside risk assessments and stress testing in order to confirm that it has reasonable expectations that the University has adequate resources to continue in operation for the foreseeable future. For this reason, it continues to adopt the going concern basis for preparing the accounts.

The Council obtains assurance in this area through its regular reviews of the University's performance using a number of key performance indicators in areas that are relevant to institutional sustainability.

CURVE THEATRE, LEICESTER



## Public benefit statement



CITY CENTRE, LEICESTER

Our University has charitable status as one of the exempt charities listed in Schedule 3 to the Charities Act 2011. It is therefore exempt from certain requirements of the Act, including the need to register with the Charity Commission. The 'Principal Regulator' for the purposes of charity law is the Office for Students.

## Public benefit

### Our mission

Our Charter sets the overall objectives of our University to provide, "a University within our city and county of Leicester for the advancement of knowledge, the diffusion and extension of arts, sciences and learning, the provision of liberal, professional and technological education".

Through our strategy we bring a presence and positive impact to the local community, regionally, nationally and internationally. The members of Council serve as trustees, and in setting our mission and strategy, have due regard to the Charity Commission's public benefit guidance.

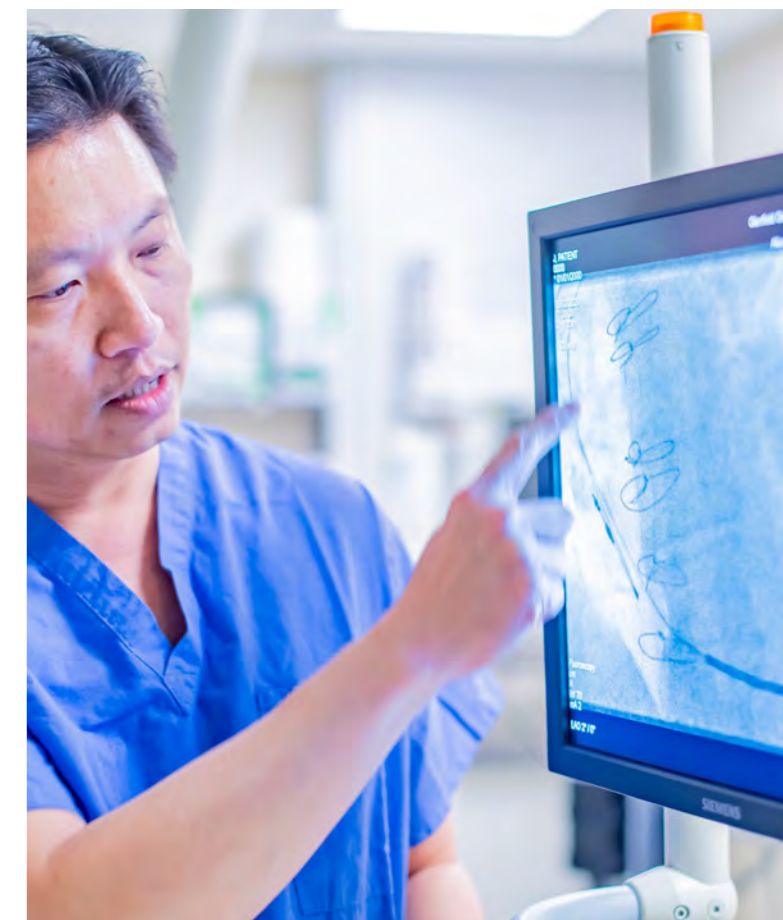
The most significant direct beneficiaries of our charitable objects are the undergraduate and postgraduate students, who come to our University to enhance their academic qualifications, life skills, and employability. The regional economy also directly benefits from the activities of our University both through direct consumption by the student body, but also by provision of jobs and the integration of our activities into local communities and collaborative activities with businesses, large and small.

### Local benefit

We have a strong record of working with the local councils and other organisations, with recent examples being our support of the County and City Council-led 'It is Down to Us' campaign to encourage responsible behaviour in the local area in order to prevent the spread of COVID-19.

In addition we have worked with local organisations to launch a programme to recognise LGBT+ inclusivity activity by businesses and other organisations. We are looking to expand this awards scheme through the region in the coming year.

We have also worked with Leicester City Council and De Montfort University to set up an internship scheme that will support small businesses to offer workplace opportunities to students. This £1.6 million scheme is aimed at encouraging graduates to remain in Leicester to boost the local and regional economy.



### National impact

During this unprecedented year, our research has addressed societal inequality, such as the work (covered on page 15) on COVID-19 and the disproportionate effects of the virus and lockdown measures on certain ethnic communities, which has resulted in the University being awarded two out of the six possible Government grants on the links between the pandemic and ethnicity.

### Global impact

Together with industry, local government, central Government, and both private and public investor funding, we have invested more than £100m into our new space park. Space Park Leicester will not only bring employment to the city, it will also create an unparalleled student experience by providing the opportunity to work on cutting-edge space applications with some of the biggest companies on the planet and to use the data from such applications to solve real-world problems, such as climate and health, here on planet Earth.

# Corporate governance

For the year ended 31 July 2020

The University endeavours to conduct its affairs in accordance with the Higher Education Code of Governance and the Higher Education Senior Staff Remuneration Code, both published by the Committee of University Chairs (CUC), and with the seven Principles of Public Life enunciated by the Nolan Committee in 1995.

## Summary of the University's Structure of Corporate Governance

### THE COUNCIL

The Council is the supreme governing body of our University. It has 21 members, comprised of a mixture of ex-officio, appointed and elected persons - the majority of whom are independent lay members appointed by Council itself - and student representation. The lay members must be in a majority at all formal meetings of Council. The role of the Chair of Council is separated from that of our Chief Executive and Accountable Officer, the President and Vice-Chancellor. Council's powers are set out in our Statutes and Ordinances and in Council's Statement of Primary Responsibilities, and are consistent with our accountability obligations to the Office for Students (OfS).

Council is responsible for agreeing the ongoing strategic objectives of our University, and for monitoring our progress against these. It receives regular reports from its committees on the operation and performance of our University and its subsidiary companies, and reviews its own effectiveness every four years. Unreserved minutes from Council meetings are available on our website:

[le.ac.uk/about/governance-and-management/governance/council/minutes](https://le.ac.uk/about/governance-and-management/governance/council/minutes)

In the financial year 2019-20, the standing Committees of Council were as shown in the structure diagram on page 28 and included its four key compliance committees covering Audit, Finance, Nominations and Remuneration matters.

All committees are formally constituted with published terms of reference, and all include some members drawn from the lay membership of Council. In addition to the standing committees, the Council also receives

reports as required from the Executive Board, which is the University's senior management team.

### AUDIT COMMITTEE

On behalf of Council, the Audit Committee provides oversight of, and advises Council in respect of, the University's entire assurance and control environment, including risk management, control and governance arrangements, and the arrangements to provide economy, efficiency and effectiveness. It also advises Council on the University's internal and external audit arrangements, and audit aspects of the financial statements. It conducts its affairs in accordance with the Higher Education Audit Committees Code of Practice published by the CUC.

The Audit Committee is made up solely of lay members of Council and other external lay members, who are co-opted for their expertise. University officers may attend meetings of the Audit Committee, where required, but they are not allowed to be members of the Committee. No member of the Audit Committee may also be a member of the Finance Committee. Arrangements are being made to conduct an independent effectiveness review of the Audit Committee in 2021. At the end of each of its scheduled meetings, the Audit Committee continues in private session with the internal and external auditors, for independent discussions, as necessary.

### FINANCE COMMITTEE

The Finance Committee is responsible for endorsing to Council the University's annual financial statements, financial forecasts and annual budgets and subsequent budget monitoring in year. The Committee also monitors the University's overall financial health, advises on overall financial strategy, and provides oversight of key campus and capital projects and programmes.

### NOMINATIONS COMMITTEE

On behalf of Council and Court, the Nominations Committee provides oversight and advice on matters relating to the lay membership of Council, the Standing Committees of Council and Senate, and Court, as specified in our University's Statutes and Ordinances. The Committee is also responsible for considering and

making recommendations on any general matters of governance and procedure referred to it by the Council.

The Nominations Committee reflects regularly on the balance of relevant knowledge, experience and skills amongst the membership of Council, and also on matters in relation to ethnicity and gender balance.

### REMUNERATION COMMITTEE

The Remuneration Committee is responsible for considering and reporting annually to the Council on the remuneration (including severance payments, where applicable) of the President and Vice-Chancellor, the Deputy Vice-Chancellor, the Registrar and Secretary, the Chief Operating Officer, the Pro-Vice-Chancellors and Heads of Colleges, and other members of the University's Executive Board.

The membership of the Remuneration Committee is comprised solely of independent lay members, including the Chair of Council and the Treasurer. Senior officers are not and have never been permitted to be present at the Committee for any discussions affecting their own personal position. The Committee is chaired by the Chair of Council, except when it is considering the remuneration of the President and Vice-Chancellor, in which case the Treasurer will take the chair.

In compliance with the requirements of the CUC Higher Education Senior Staff Remuneration Code an Annual Remuneration Committee Report is presented to Council and published on the University's website.

In addition to the Remuneration Committee there is a completely separate Senior Staff Pay Committee, chaired by the President and Vice-Chancellor. This Committee is responsible for considering and reporting annually to the Council on the remuneration of Grade 10 professional services staff, professorial staff and Heads of Department.

### INTERNAL CONTROL

Council is responsible for maintaining our University's ongoing system of internal control and for reviewing its effectiveness. This is a risk-based system designed to identify and manage - rather than eliminate totally - the risk of failure to achieve financial, business,

operational and compliance objectives, and provides reasonable but not absolute assurance against material misstatement or loss.

Council has approved a comprehensive risk management policy and reporting procedure for our University, which is reviewed regularly and updated as required in response to changes in the risk environment. It is underpinned by supporting policies and procedures, contained within our Financial Regulations and Whistleblowing Policy, on the prevention of bribery and corruption, responses to fraud, anti-money laundering, and the acceptance of gifts and hospitality.

The University's Executive Board receives regular reports setting out key performance and risk indicators and considers possible control issues brought to its attention by senior managers in the operational units. The Executive Board and the Audit Committee also receive regular reports from the internal auditors (PricewaterhouseCoopers), which include any necessary recommendations for improvement.

The Covid-19 pandemic has led to a changes in how the University operates and measures have been taken to maintain a robust control environment during the disruption, including additional meetings of key committees. Governance has remained strong throughout the pandemic with many areas now subject to increased scrutiny and enhanced controls. Steps were taken to ensure the internal audit programme was completed in full and the opinion for the year was 'generally satisfactory with some improvements required'.

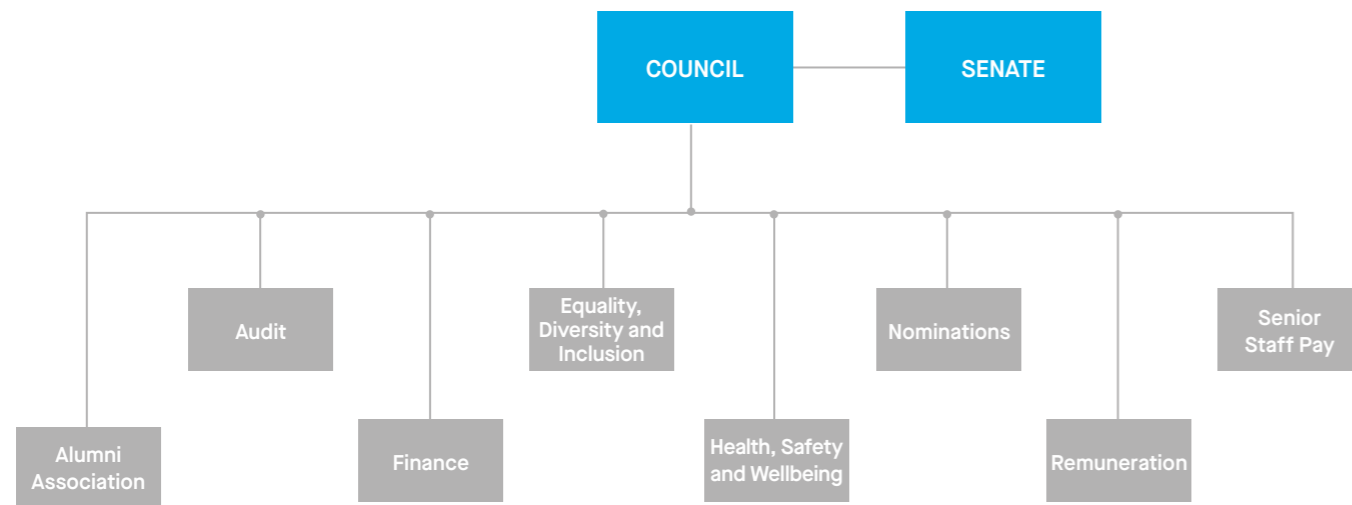
### ATTENDANCE MONITORING

As part of Council's ongoing commitment to the efficiency and transparency of its activities the attendance record of its members at meetings of Council and the Audit, Finance, Nominations and Remuneration committees is published within the University's financial statements. The attendance record for meetings held in 2019-20 is shown in the table on page 29.

## Corporate governance

Continued

### STANDING COMMITTEES OF COUNCIL 2019-20



## Corporate governance

### Attendance at key university compliance committees of which they were members during 2019-2020

	Council		Audit Committee		Finance Committee		Nominations Committee		Remuneration Committee	
	Eligible to Attend	Actually Attended	Eligible to Attend	Actually Attended	Eligible to Attend	Actually Attended	Eligible to Attend	Actually Attended	Eligible to Attend	Actually Attended
Janet Arthur (Lay)	7	6					1	1		
Craig Brown (Lay) from Oct 2019	6	4								
Edmund Burke (Staff)	7	7			7	7	1	1		
Nishan Canagarajah (Staff) from Nov 2019	6	6			6	6	1	1		
Martin Cullen (Lay)	7	7					1	1		
Sophie Dale-Black (Lay) from Oct 2019	6	6								
Sarah Davies (Staff)	7	7								
Sandra Dudley (Staff)	7	7								
Gary Dixon (Lay)	7	7			7	7	1	1	4	4
Mehmooda Duke (Lay)	7	5								
Cathy Ellis (Lay)	7	6			7	7				
Alison Goodall (Staff)	7	6								
Martin Hindle (Lay)	7	5	6	5					4	2
Ian Johnson (Lay)	7	6			7	7	1	0	4	3
Azam Mamujee (Lay)	7	6			7	6				
Andrew Morgan (Lay)	7	6			5	4				
Mia Nembhard (Students' Union) from July 2020	1	1								
Oge Obioha (Students' Union) to June 2020	6	6			7	4				
Vijay Sharma (Lay)	7	6							4	3
Richard Tapp (Lay)	7	6	6	6						
Carole Thorogood (Lay)	7	4					1	0	4	4

**Council:** 1 October 2019, 19 November 2019, 18 March 2020, 23 April 2020, 13 May 2020, 9 June 2020, 8 July 2020

**Audit:** 10 September 2019, 24 October, 2019, 25 February 2020, 28 April 2020, 20 May 2020, 15 June 2020

**Nominations:** 4 September 2019

**Finance:** 3 September 2019, 7 November 2019, 29 January 2020, 11 March 2020, 7 April 2020, 6 May 2020, 24 June 2020

**Remuneration:** 1 October 2019, 19 November 2019, 17 February 2020 (Extraordinary), 8 July 2020

# Responsibilities of the Council of the University of Leicester

## For the year ended 31 July 2020

The Council of the University of Leicester is responsible for the administration and management of the affairs of the Institution in accordance with its Statutes and Ordinances.

During 2019-20 the primary responsibilities of the Council were as follows:

- To approve the mission and strategic vision of the Institution, long-term academic and business plans and key performance indicators, and to ensure that these meet the interests of stakeholders.
- To delegate authority to the President and Vice-Chancellor, as chief executive, for the academic, corporate, financial, estate and personnel management of the institution, and to establish and keep under regular review the policies, procedures and limits within such management functions as shall be undertaken by and under the authority of the President and Vice-Chancellor.
- To ensure the establishment and monitoring of systems of control and accountability, including financial and operational controls and risk assessment, safeguards against fraud, and procedures for handling internal grievances and for managing conflicts of interest.
- To ensure processes are in place to monitor and evaluate the performance and effectiveness of the Institution against the plans and approved key performance indicators, which should be, where possible and appropriate, benchmarked against other comparable institutions.
- To establish processes to monitor and evaluate the performance and effectiveness of Council itself.
- To conduct its business in accordance with the CUC Higher Education Code of Governance, the CUC Higher Education Senior Staff Remuneration Code, and with the principles of public life drawn up by the Committee on Standards in Public Life.
- To safeguard the good name and values of the Institution.

- To appoint the President and Vice-Chancellor, on the recommendation of a Joint Committee of Council and Senate, and to put in place suitable arrangements for monitoring his/her performance.
- To appoint the Registrar and Secretary, on the recommendation of a Joint Committee of Council and Senate, who will be Secretary to the Council.

The Council will ensure that appropriate arrangements are in place to maintain a separation of the Registrar and Secretary's functions for professional services, with direct accountability to the President and Vice-Chancellor, and as Secretary to the Council, with direct accountability to the Chair of Council and Council members.

- To be the employing authority for all staff in the Institution and to be responsible for establishing a human resources strategy.
- To be the principal financial and business authority of the Institution, to ensure that proper books of account are kept, to approve the annual budget and financial statements, and to have overall responsibility for the Institution's assets, property and estate.
- To be the Institution's legal authority and, as such, to ensure that systems are in place for meeting all the Institution's legal obligations, including those arising from contracts and other legal commitments made in the institution's name.
- To make such provision as it thinks fit for the general welfare of students, in consultation with Senate.
- To act as trustee for any property, legacy, endowment, bequest or gift in support of the work and welfare of the Institution.
- To ensure that the Institution's Charter, Statutes and Ordinances are followed at all times and that appropriate advice is available to enable this to happen.

The Council is required to present audited financial statements for each financial year and is responsible for keeping proper accounting records, which disclose with

reasonable accuracy at any time the financial position of the Institution and enable it to ensure that the financial statements are prepared as set out in the Statement of Compliance on page 36 and give a true and fair view of the state of affairs of the Institution.

The Council must ensure that:

- Suitable accounting policies are selected and applied consistently;
- Judgements and estimates are made that are reasonable and prudent;
- Applicable UK law and accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and;
- Financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Institution will continue in operation. The Council has reviewed the Institution's financial forecasts for the period to 31 July 2025, prepared under the direction of the OfS and based on assumptions made as to the continuance of government grants to be given by the OfS. On that basis, Council has a reasonable expectation that the Institution has adequate resources for the next 12 months to continue its operations for the foreseeable future. For this reason, the financial statements continue to be prepared on the going concern basis.

The Council has taken reasonable steps to:

- Have a robust and comprehensive system of risk management, control and corporate governance. This includes arrangements for the prevention and detection of corruption, fraud, bribery and irregularities;
- Plan and manage its activities to remain sustainable and financially viable;
- Inform the OfS of any material change in its circumstances, including any significant developments that could impact on the mutual interests of the Institution and the OfS;
- Use public funds for proper purposes and seeks to achieve value for money from public funds;

- Secure the economical, efficient and effective management of the Institution's resources and expenditure; and
- Comply with the mandatory requirements relating to audit and financial reporting, set out in the OfS Audit Code of Practice and in the OfS annual accounts direction (see statement of compliance on page 36).

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

- A medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets;
- Regular reviews of financial results including variance analysis and forecast updates;
- Clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to appraisal and review according to approved levels set by the Council;
- Comprehensive Financial Regulations, detailing financial controls and procedures and the responsibilities of budget holders, approved by the Finance Committee; and
- A professional internal audit team whose annual programme is approved by the Audit Committee and is endorsed by the Council. The internal audit manager provides the Council with an annual report on internal audit activity within the Institution and an opinion on the adequacy and effectiveness of the Institution's system of internal control, including internal financial control.



**SIGNED FOR ON BEHALF OF THE COUNCIL**  
**GARY DIXON, CHAIR OF COUNCIL**  
**25 FEBRUARY 2021**



## Members of Council

The Members of Council who served in the 2019-20 financial year, and up to the date of the signing of this report, were as follows:

- Janet Arthur
- Craig Brown (from 1 October 2019)
- Edmund Burke
- Nishan Canagarajah (from 4 November 2019)
- Martin Cullen
- Sophie Dale-Black (from 21 October 2019)
- Sarah Davies (until 30 September 2020)
- Gary Dixon
- Sandra Dudley
- Mehmooda Duke
- Cathy Ellis
- Alison Goodall
- Martin Hindle
- Ian Johnson
- Azam Mamujee
- Andrew Morgan
- Mia Nembhard (from 1 July 2020)
- Oge Obioha (until 30 June 2020)
- Richard Tapp
- Vijay Sharma
- Carole Thorogood

### New appointments from 1 August 2020:

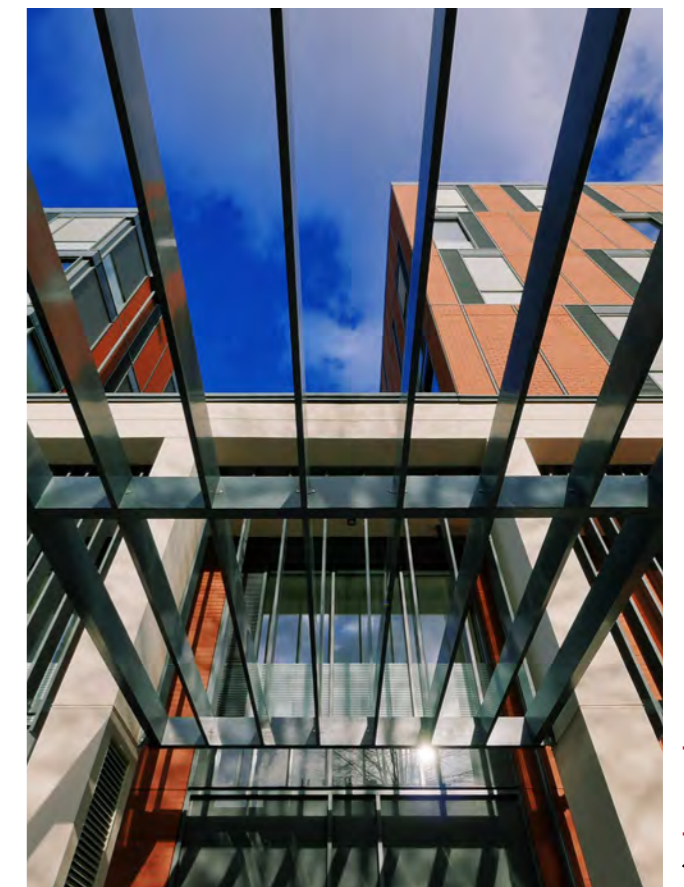
- Huw Barton

### New appointments from 11 November 2020:

- Stephen Garrett

### Registered Office

The University of Leicester  
University Road  
Leicester  
LE1 7RH



# Independent Auditor's Report

## To the members of the Council of the University of Leicester

### OPINION

We have audited the financial statements of the University of Leicester ('the parent institution') and its subsidiaries (the 'group') for the year ended 31 July 2020 which comprise the Consolidated and Institution Statement of Comprehensive Income, Consolidated and Institution Statement of Changes in Reserves, Consolidated and Institution Statement of Financial Position, Consolidated Statement of Cash Flows and the related notes 1 to 29, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the group's and of the parent institution's state of affairs as at 31 July 2020, and of the Group's and parent institution's income and expenditure, gains and losses and changes in reserves and of the Group's cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education, and relevant legislation.

### BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the group and parent institution in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### EMPHASIS OF MATTER – EFFECT OF COVID-19

We draw attention to the Basis of preparation, within the Statement of Principal Accounting Policies on page 36 of the financial statements, and note 28 events after the reporting date on page 73, which describes the financial and operational consequences the University is facing as a result of Covid-19 which is impacting the financial and operational position and performance during 2020/21 and beyond.

Our opinion is not modified in respect of this matter.

### CONCLUSIONS RELATING TO GOING CONCERN

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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

### OTHER INFORMATION

The other information comprises the information included in the annual report set out on pages 4 to 29, other than the financial statements and our auditor's report thereon. The Council is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements,

we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

### OPINION ON OTHER MATTERS PRESCRIBED BY THE OFFICE FOR STUDENTS TERMS AND CONDITIONS OF FUNDING FOR HIGHER EDUCATION INSTITUTIONS

In our opinion, based on the work undertaken in the course of the audit, in all material respects:

- funds from whatever source administered by the University of Leicester have been properly applied to those purposes and managed in accordance with relevant legislation;
- funds provided by the Office for Students and Research England have been applied in accordance with the applicable Terms and conditions attached to them; and
- the requirements of the Office for Students accounts direction for the relevant year's financial statements have been met.

### RESPONSIBILITIES OF THE COUNCIL

As explained more fully in the Statement of the Council's Responsibilities set out on pages 30 and 31 the Council is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Council determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

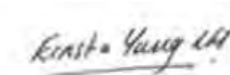
### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

### USE OF OUR REPORT

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



Ernst & Young LLP  
City: Edinburgh  
Date: 26 February 2021

# Statement of principal accounting policies

For the year ended 31 July 2020

## 1. GENERAL INFORMATION

The Institution of The University of Leicester is registered with the Office for Students in England.

The address of the registered office is: University Road, Leicester, LE1 7RH, United Kingdom.

## 2. STATEMENT OF COMPLIANCE

The Consolidated and Institution financial statements have been prepared in accordance with United Kingdom Accounting Standards, including Financial Reporting Standard 102 (FRS 102) and the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education (2019 edition). 2019-20 was the first financial year in which the triennial FRS 102 updates, and related revised SORP referenced above, were applicable to the Institution. Management has reviewed all changes against the Institution's accounting policies and disclosures to establish if amendments, including prior year restatements, are required. No accounting policies required amendment, the only change to disclosures being the addition of a reconciliation of net debt note, included in the financial statements at note 23.

They have also been prepared in accordance with the 'carried forward' powers and duties of previous legislation (Further and Higher Education Act 1992 and the Higher Education Act 2004) and the new powers of the Higher Education and Research Act 2017 during the transition period to 31 July 2019, the Royal Charter, the Accounts Direction issued by the Office for Students (OfS), the terms and conditions of funding for higher education institutions issued by the Office for Students and the terms and conditions of Research England Grant.

The Institution is a public benefit entity and therefore has applied the relevant public benefit requirement of the applicable UK laws and accounting standards.

## 3. BASIS OF PREPARATION INCLUDING GOING CONCERN ASSESSMENT

The Consolidated and Institution financial statements have been prepared under the historical cost convention (modified by the revaluation of certain financial assets and liabilities at fair value). The financial statements are prepared in sterling which is the functional currency of the group and rounded to the nearest thousand.

The Institution's activities, together with the factors likely to affect its future development, performance and position, are set out in the operational and financial review which forms part of the Strategic Report. The Strategic Report also describes the financial position of the Institution, its cash flows, liquidity position and borrowing facilities.

The financial statements are prepared on a going concern basis. The Institution considers the most appropriate going concern period to be to 31/07/22, which is beyond 12 months from the approval of these financial statements and extends to the end of the next financial year.

### FINANCIAL PERFORMANCE AND 31 JULY 2020 YEAR END POSITION

In the financial year to 31 July 2020, the Institution made a surplus of £0.5 million before exceptional pension items for the year. At the balance sheet date of 31 July 2020 the Institution held net debt of £96.5 million (2019: net debt of £69.4 million), including gross cash of £32 million (2019: gross cash of £61.5 million), while net current liabilities were £32.7 million. Subsequent to the year-end, at 31 January 2021 the Institution held £67.8 million of net debt, including £82.9 million of gross cash.

### FORECASTING THROUGH GOING CONCERN PERIOD, INCLUDING PLAUSIBLE WORST-CASE SCENARIO AND REVERSE STRESS TESTING

The Institution has continually reassessed its latest forecast in light of the changing conditions, such as changing government restrictions due to the pandemic. The latest base case, prepared in January 2021, takes into account actual performance to the end of December 2020. The Institution has also run a severe but plausible downside scenario. The key variables that are subject to most judgement are UK and international student tuition fees, student accommodation income and commercial revenue streams. The scenarios model the period to July 2022, being the going concern period for the financial statements which is beyond the customary 12 months. The base case, and plausible downside scenario, has been considered by the Council.

The base case scenario uses the December 2020 actual results as its starting point. For 2020/21 it

includes the impact of the current lockdown on student accommodation income, January Postgraduate student registrations, prudent attrition rates in certain areas within student recruitment forecasts, likely commercial income, continued expenditure controls and capital expenditure continuing at planned levels. The base case assumes a return to some normality in 2021/22 but with adjustments to forecast student numbers based on student recruitment data. The base case, before full usage of the RCF, shows a low point of cash at July 2022.

It is a reportable event to the OfS if an institution does not have access to a minimum liquidity level equivalent to 30 days operating expenditure, which includes an RCF. This equates to a minimum cash balance for the Institution of at least £30m. Based on the Institution forecast it is not at risk of breaching this requirement.

The severe but plausible downside scenario assumed further reductions in tuition fees, student accommodation income, commercial revenue and property sales. This forecast before any mitigating actions shows a cash low point in July 2022 of £29.3m. Post mitigation the low point of cash is similarly in April 2022 of £42.9m and would still meet the requirements of the OfS.

The Institution has considered a scenario to reverse stress test the model under which it expends all available liquidity before the end of the going concern assessment period. This allowed the Executive Board to assess their current financial resources and the likelihood that such a 'business-breaking' scenario would occur. The Institution has applied reverse stress testing to establish at which point the Institution comes close to having no cash. In this extreme scenario key assumptions are equivalent to an unmitigated 30% reduction in student population. The Executive Board is satisfied that it remains sufficiently remote that such assumptions would occur to consider this scenario plausible in assessing the Institution's position as a going concern.

### FINANCING ARRANGEMENTS THROUGH GOING CONCERN ASSESSMENT PERIOD

The Institution had external financing arrangements totalling a balance of £121.8 million at 31 July 2020. This comprised of debt with European Investment Bank (EIB), private placement noteholders (Lincoln National Life and

Pacific Life) and Barclays. Between 1 August and the approval of these financial statements, £1.5 million had been repaid and a further £3.5 million of borrowings will be repayable during the going concern period.

Since the financial year-end, the Institution has also borrowed £25m in January 2021 from the CCFF, and has cancelled the unused £20m overdraft facility with Barclays in February 2021. The Institution plans to increase CCFF borrowings to £60m in March 2021 to create significant headroom to withstand adverse outcomes beyond the forecast downside risks. This borrowing will be due to be repaid in March 2022. This repayment represents a significant refinancing requirement for the Institution and would impact the Institution's minimum cash forecast covenant compliance at the end of February 2022. To address the repayment requirement the Institution has secured a revolving credit facility (RCF) with Barclays, providing additional access to liquidity of £40m through to February 2023. Based on current forecasts £30m of the RCF funding will be utilised to retain operational and covenant headroom through monthly cash flow fluctuations after the CCFF is repaid March 2023.

The following loan agreements are subject to covenant terms; EIB, private placement and Barclays. Following the impact of Covid-19 the Institution sought to amend covenants with its lenders, and agreed amendments to three of five covenants. The Institution was fully compliant with the original covenant terms during the year to 31 July 2020. The Institution has forecast its position against all existing covenants through its going concern assessment period, in particular at the year end measurement date of 31 July 2021, 31 July 2022 and a minimum monthly cash requirement. Based on its forecast scenarios outlined above the Institution calculates minimum headroom against its most stringent covenant of £5.7m in 2020/21 and £5.9m in 2021/22.

### FURTHER MITIGATING ACTIONS

The Institution will continue to maintain tight control over its expenditure and monitoring of its activities in relation to teaching and research to identify potential slippage in forecast income. Work is being undertaken to consider further savings and efficiencies that could be made should it be required to further reduce costs should the Institution's forecast position deteriorate.

## Statement of principal accounting policies

### Continued

In the event of downside risks materialising there are additional mitigations within its control that the Institution can implement including further reductions in discretionary expenditure through the going concern period, in particular planned capital expenditure currently forecast at £40.6m in 2021/22. The Institution now also has access to the £40 million RCF referenced above, of which £30m is planned to repay the CCFF as required, providing £10m additional liquidity through to February 2023, allowing time to plan and action these mitigations and others that it identifies.

#### CONCLUSION

The Institution has carefully considered the financial forecasting outlined above, available financing and the assessment of the reverse stress tests and forecast covenant compliance. The Council has concluded that there is reasonable expectation that the Institution and Group has adequate resources to continue in operational existence for the going concern period. Therefore, the Council continue to adopt the going concern basis of accounting in preparing the financial statements.

#### 4. EXEMPTIONS UNDER FRS 102

The Institution has taken the exemption under section 3.3 of the SORP (1.12(b) of FRS 102) to not produce a cash flow statement for the Institution in its separate financial statements.

#### 5. BASIC OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Institution and all its subsidiaries together with the share of the results of joint ventures and associates for the financial year to 31 July 2020.

The consolidated financial statements do not include the Students' Union as the Institution does not exert control or dominant influence over policy decisions.

Associated companies and joint ventures are accounted for using the equity method where they are deemed to be material.

#### 6. INCOME RECOGNITION

Income from the sale of goods or services is credited to the Consolidated Statement of Comprehensive

Income when the goods or services are supplied to the external customers or the terms of the contract, including any staged payments due at contract milestones, have been satisfied.

Tuition fee income is stated gross of any expenditure which is not a discount and credited to the Consolidated Statement of Comprehensive Income over the period in which students are studying. Where the amount of the tuition fee is reduced by a discount, income receivable is shown net of the discount.

Bursaries and scholarships are accounted for gross, with amounts recognised as expenditure and not deducted from income. Education contracts are recognised when the Institution is entitled to the income, which is period in which students are studying, or where relevant, when performance conditions have been met. Investment income is credited to the statement of income and expenditure on a receivable basis. Funds the Institution receives and disburses as paying agent on behalf of a funding body are excluded from the income and expenditure of the Institution where the Institution is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

#### GRANT FUNDING

Government revenue grants including funding council block grant and research grants are recognised in income over the periods in which the Institution recognises the related costs for which the grant is intended to compensate. Where part of a government grant is deferred it is recognised as deferred income within creditors and allocated between creditors due within one year and due after more than one year as appropriate.

Grants (including research grants) from non government sources are recognised in income when the Institution is entitled to the income and performance related conditions have been met.

Income received in advance of performance related conditions being met is recognised as deferred income within creditors in the Statement of Financial Position and released to income as the conditions are met.

#### DONATIONS AND ENDOWMENTS

Donations and endowments are non-exchange transactions without performance related conditions.

Donations and endowments with donor imposed restrictions are recognised in income when the Institution is entitled to the funds.

Income is retained within the restricted reserve until such time that it is utilised in line with such restrictions at which point the income is released to general reserves through a reserve transfer. Donations with no restrictions are recognised in income when the Institution is entitled to the funds.

Investment income and gains on restricted expendable endowments are recognised in the year in which they arise. Investment income and gains on permanent endowments are accounted for on a total returns basis.

There are four main types of donations and endowments identified within reserves:

1. Restricted donations - the donor has specified that the donation must be used for a particular objective.
2. Unrestricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of the Institution.
3. Restricted expendable endowments - the donor has specified a particular objective other than the purchase or construction of tangible assets, and the Institution has the power to use the capital.
4. Restricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective. Donations of tangible assets are included within income. The income recognised is valued using a reasonable estimate of their gross value or the amount actually realised.

Donated tangible assets are valued and accounted for as tangible assets under the appropriate asset category when the Institution is entitled to receive the asset.

#### CAPITAL GRANTS

Government capital grants are recognised in income over the expected useful life of the asset to which the grant relates. Other capital grants are recognised in income when the Institution is entitled to the funds subject to any performance related conditions being met.

#### 7. ACCOUNTING FOR RETIREMENT BENEFITS

The two principal pension schemes for the Institution's staff are the Universities Superannuation Scheme (USS) and the University of Leicester Stakeholder Scheme. A small number of staff are members of other pension schemes.

The USS is a multi-employer defined benefit scheme for which it is not possible to identify the assets and liabilities to Institution at members due to the mutual nature of the scheme and therefore this scheme is accounted for as a defined contribution retirement benefit scheme.

A liability is recorded within provisions for any contractual commitment to fund past deficits within the USS scheme.

The University of Leicester Stakeholder Scheme is a defined contribution pension scheme.

#### DEFINED CONTRIBUTION PLANS

A defined contribution plan is a post-employment benefit plan under which the Institution pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

#### MULTI-EMPLOYER SCHEMES

Where the Institution is unable to identify its share of the underlying assets and liabilities in a multi-employer scheme on a reasonable and consistent basis, it accounts as if the scheme were a defined contribution scheme.

Where the Institution has entered into an agreement with such a multi-employer scheme that determines how the Institution will contribute to a deficit recovery plan, the Institution recognises a liability for the contributions payable that arise from the agreement, to the extent that they relate to the deficit, and the resulting expense is recognised in expenditure.

#### DEFINED BENEFIT PLANS

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan.

## Statement of principal accounting policies

### Continued

Under defined benefit plans the Institution's obligation is to provide the agreed benefits to current and former employees, any actuarial risk (that benefits will cost more or less than expected) and investment risk (that returns on assets set aside to fund the benefits will differ from expectations) are borne in substance by the Institution.

The net liability is recognised in the balance sheet in respect of each scheme and is the present value of the defined benefit obligation at the reporting date less the fair value of the plan assets at the reporting date.

The Institution should recognise a liability for its obligations under defined benefit plans net of plan assets. This net defined benefit liability is measured as the estimated amount of benefit that employees have earned in return for their service in the current and prior periods, discounted to determine its present value, less the fair value (at bid price) of plan assets. The calculation is performed by a qualified actuary using the projected unit credit method. Where the calculation results in a net asset, recognition of the asset is limited to the extent to which the Institution is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

Annually the Institution engages independent actuaries to calculate the obligation for each scheme. The present value is determined by discounting the estimated future payments at a discount rate based on market yields on high quality corporate bonds denominated in sterling with terms approximating to the estimated period of the future payments.

The fair value of a scheme's assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the Institution's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as actuarial gains and losses.

The cost of the defined benefit plan, recognised in expenditure as staff costs, except where included in the cost of an asset, comprises the increase in pension

benefit liability arising from employee service during the period and the cost of plan introductions, benefit changes, curtailments, and settlements. The net interest cost is calculated by applying the discount rate to the net liability. This cost is recognised in expenditure as a finance cost.

Further detail is provided on the specific pension schemes in note 29 to the accounts.

#### 8. EMPLOYMENT BENEFITS

Short term employment benefits including salaries and compensated absences, such as holiday pay, are recognised as an expense in the year in which the employees render service to the Institution. Any unused benefits are accrued and measured as the additional amount the Institution expects to pay as a result of the unused entitlement.

#### 9. OPERATING LEASES

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Any lease premiums or incentives are spread over the lease term.

#### 10. FOREIGN CURRENCY

Transactions in foreign currencies are translated to the respective functional currencies of group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised as surplus or deficit.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

#### 11. PROPERTY, PLANT AND EQUIPMENT

##### LAND AND BUILDINGS

Land and buildings are capitalised at cost on initial recognition.

After initial recognition land and buildings are subsequently measured at cost less accumulated depreciation and accumulated impairment losses. Certain items of land and buildings that had been revalued to fair value on or prior to the date of transition to the 2015 FE HE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Costs incurred in relation to land and buildings after initial purchase or construction, are capitalised to the extent that they increase the expected future benefits to the Institution.

Freehold land is not depreciated as it is considered to have an indefinite useful life. Freehold buildings are depreciated on a straight line basis over their expected useful lives as follows:

New build	50 years
Refurbishments	15 years
Fixtures and fittings	5-10 years

Where an item of land and buildings comprise two or more major components with substantially different useful economic lives (UELs), each component is accounted for separately and depreciated over its individual UEL. Expenditure relating to subsequent replacement of components is capitalised as incurred.

Leasehold land is depreciated over the life of the lease up to a maximum of 50 years.

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

It is the Institution's policy to depreciate a full year in the year of acquisition or completion and nothing in the year of disposal.

Depreciation methods, useful lives and residual values are reviewed at the date of preparation of each Statement of Financial Position.

##### EQUIPMENT

Equipment is capitalised at cost on initial recognition and then subsequently at cost less accumulated depreciation and accumulated impairment losses.

Equipment costing less than £25,000 per individual item (or group of related items) is recognised as expenditure. All other equipment is capitalised.

Capitalised equipment is stated at cost and depreciated over its expected useful life as follows:

Computer equipment	4 years
Equipment acquired for specific research projects	3 years
Motor vehicles	4 years
Other equipment	4 years

It is the Institution's policy to depreciate a full year in the year of acquisition and nothing in the year of disposal.

Depreciation methods, useful lives and residual values are reviewed at the date of preparation of each Statement of Financial Position.

##### IMPAIRMENT

A review for impairment of property, plant and equipment is carried out if events or changes in circumstances indicate that the carrying amount of the property, plant and equipment may not be recoverable.

##### BORROWING COSTS

Borrowing costs which are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised.

#### 12. HERITAGE ASSETS

Heritage assets are individual objects, collections, specimens or structures of historic, scientific or artistic value that are held and maintained principally for their contribution to knowledge and culture.

The Institution holds a number of collections, exhibits and artefacts, most of which have been donated to the Institution. These assets have not been capitalised, since reliable estimates of cost or value are not available at a cost that is commensurate with the benefits to the users of the financial statements.

#### 13. INTANGIBLE ASSETS

Intangible assets purchased separately are initially recognised at cost.

## Statement of principal accounting policies

### Continued

Intangible assets, excluding development costs, created within the business are not capitalised and charged to expenditure in the year incurred. Website development costs are expensed as incurred.

Subsequent to initial recognition, intangible assets are stated at cost less accumulated amortisation and accumulated impairment. Intangible assets are amortised on a straight line basis over their estimated useful lives. The useful economic lives of intangible assets are as follows:

If there are indicators that the residual value or useful life of an intangible asset has changed since the most recent annual reporting period previous estimates shall be reviewed and, if current expectations differ the residual value, amortisation method or useful life shall be amended. Changes in the expected useful life or the expected changes in fair value recognised immediately in the Surplus or Deficit for the year.

#### 14. INVESTMENTS

Investments in securities are held at fair value with movements recognised in surplus or deficit.

Investments in subsidiaries are carried at cost less impairment in the Institution's separate financial statements.

Investments in joint ventures and associates are accounted for using the equity method where deemed to be material.

Initial investments in spinout companies are written off.

#### 15. STOCK

Stock is held at the lower of cost and net realisable value, and is measured using weighted average methodology.

#### 16. CASH AND CASH EQUIVALENTS

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.

Cash equivalents are short term (maturity being less than three months from the placement date), highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value.

#### 17. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions are recognised in the financial statements when:

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

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

A contingent liability arises from a past event that gives the Institution a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Institution. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

A contingent asset arises where an event has taken place that gives the Institution a probable asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Institution.

Contingent assets and liabilities are not recognised in the Statement of Financial Position but are disclosed in the notes.

#### 18. TAXATION

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is provided in full on timing differences that exist at the reporting date and that result in an obligation to pay more tax, or a right to pay less tax in the future. The deferred tax is measured at the rate expected to apply in periods in which the timing differences are expected to reverse, based on the tax rates and laws that are enacted or substantively enacted at the reporting date.

Unrelieved tax losses and other deferred tax assets shall be recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax assets and liabilities are not discounted.

The Institution is an exempt charity within the meaning of Part 3 of the Charities Act 2011. It is therefore a charity within the meaning of Para 1 of schedule 6 to the Finance Act 2010 and accordingly, the Institution is potentially exempt from UK Corporation Tax in respect of income or capital gains received within categories covered by section 478-488 of the Corporation Tax Act 2010 (CTA 2010) or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

The Institution receives no similar exemption in respect of Value Added Tax (VAT). Irrecoverable VAT on expenditure (revenue and capital) is included in the costs of such expenditure. Any irrecoverable VAT allocated to fixed assets is included in their cost.

The Institution's subsidiary companies are subject to Corporation Tax and VAT in the same way as any commercial organisation.

#### 19. FINANCIAL INSTRUMENTS

The Institution has elected to adopt Sections 11 and 12 of FRS 102 in respect of the recognition, measurement, and disclosure of financial instruments.

Financial assets and liabilities are recognised when the Institution becomes party to the contractual provision of the instrument and they are classified according to the substance of the contractual arrangements entered into.

A financial asset and a financial liability are offset only when there is a legally enforceable right to set off the recognised amounts and an intention either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

#### FINANCIAL ASSETS

Basic financial assets include trade and other receivables, cash and cash equivalents, and investments in commercial paper (i.e. deposits and bonds). These assets are initially recognised at transaction price unless the arrangement constitutes

a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest rate method. Financial assets are assessed for indicators of impairment at each reporting date. If there is objective evidence of impairment, an impairment loss is recognised in the statement of comprehensive income.

For financial assets carried at amortised cost the impairment loss is the difference between the carrying amount of the asset and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Other financial assets, including investments in equity instruments which are not subsidiaries, associates, or joint ventures are initially measured at fair value, which is typically the transaction price.

These assets are subsequently carried at fair value and changes in fair value at the reporting date are recognised in the statement of comprehensive income. Where the investment in equity instruments are not publicly traded and where the fair value cannot be reliably measured the assets are measured at cost less impairment.

Financial assets are de-recognised when the contractual rights to the cash flows from the asset expire or are settled or substantially all of the risks and rewards of the ownership of the asset are transferred to another party.

#### FINANCIAL LIABILITIES

Basic financial liabilities include trade and other payables, bank loans, and intra-group loans. These liabilities are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Debt instruments are subsequently carried at amortised cost using the effective interest rate method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down.

## Statement of principal accounting policies

### Continued

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest rate method.

Derivatives, including forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date the derivative contract is entered into and are subsequently re-measured at their fair value at the reporting date. Changes in the fair value of derivatives are recognised in the statement of comprehensive income in finance costs or finance income as appropriate, unless they are included in a hedging arrangement.

To the extent that the Institution enters into forward foreign exchange contracts which remain unsettled at the reporting date the fair value of the contracts is reviewed at that date. The initial fair value is measured as the transaction price on the date of inception of the contracts.

Subsequent valuations are considered on the basis of the forward rates for those unsettled contracts at the reporting date. The Institution does not apply hedge accounting in respect of forward foreign exchange contracts held to manage cash flow exposures of forecast transactions denominated in foreign currencies.

Financial liabilities are de-recognised when the liability is discharged, cancelled, or expires.

#### 20. RESERVES

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

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

#### 21. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Institution's financial statements requires management to make judgements, estimates, and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income, and expenses. These judgements, estimates, and associated assumptions are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results.

##### CRITICAL ACCOUNTING ESTIMATES

###### Recoverability of debtors

The provision for doubtful debts is based on our estimate of the expected recoverability of those debts. Assumptions are made based on the level of debtors which have defaulted historically, coupled with current economic knowledge. The provision is based on the current situation of the customer, the age profile of the debt and the nature of the amount due. Carrying values are disclosed in note 14.

###### Retirement benefit obligations

The cost of defined benefit pension plans are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. Further details are given in note 29.

##### USEFUL LIVES OF PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment represent a significant proportion of the Institution's total assets. Therefore, the estimated useful lives can have a significant impact on the depreciation charged and the Institution's reported performance.

Useful lives are determined at the time the asset is acquired and reviewed regularly for appropriateness. The lives are based on historical experience with similar assets as well as anticipation of future events. Details of the carrying values of property, plant and equipment are shown in note 12.

##### FAIR VALUE MEASUREMENT

The Institution recognises the following items at fair value:

- derivative financial instruments (note 17)
- endowment investments (notes 13 and 15)
- investments in listed shares (note 13)

The fair value measurement of these assets and liabilities utilises market observable inputs and data as far as possible.

In the process of applying the Institution's accounting policies, management have made the following critical judgements:

##### INCOME RECOGNITION

Judgement is applied in determining the value and timing of certain income items to be recognised in the financial statements. This includes determining when performance related conditions have been met, and determining the revenues associated with partially delivered courses and training where the activities have not been fully completed at the reporting date.

New endowments and donations are recognised on an entitlement basis. Where income has been pledged in the year but cash will be received over a number of years, an analysis of the performance conditions attached to the income is undertaken. If there are no performance conditions attached to the pledged gift, and the University is in receipt of a signed gift agreement, then the total amount is recognised in the year of the pledge, along with a corresponding debtor. Details of the amounts recognised in respect of pledged endowments are included in note 20.

##### UNIVERSITIES SUPERANNUATION SCHEME (USS)

Judgement is applied in determining the value and FRS 102 makes the distinction between a group plan and a multi-employer scheme.

Management are satisfied that Universities Superannuation Scheme meets the definition of a multi-employer scheme and has therefore recognised the discounted fair value of the contractual contributions under the funding plan in existence at the date of approving the financial statements.

As the Institution is contractually bound to make deficit recovery payments to USS, this is recognised as a liability on the balance sheet. The provision is currently based on the USS deficit recovery plan agreed after the 2017 actuarial valuation, which defines the deficit payment required as a percentage of future salaries until 2028. These contributions will be reassessed within each triennial valuation of the scheme.

The provision is based on management's estimate of expected future salary inflations, changes in staff numbers and the prevailing rate of discount. Further details are set out in note 18 and note 29.

## Consolidated and Institution Statement of Comprehensive Income

Year ended 31 July 2020

Income	Notes	Year ended 31 July 2020		Year ended 31 July 2019	
		Consolidated £'000	Institution £'000	Consolidated £'000	Institution £'000
Tuition fees and education contracts	1	171,998	171,998	168,218	168,218
Funding body grants	2	47,480	47,480	43,970	43,970
Research grants and contracts	4	57,018	57,018	58,085	58,085
Other income	5	46,732	43,927	58,467	55,648
Investment income	6	340	535	208	355
Donations and endowments	7	2,145	2,145	1,977	1,977
<b>Total income</b>		<b>325,713</b>	<b>323,103</b>	<b>330,925</b>	<b>328,253</b>
<b>Expenditure</b>					
Staff costs	8	188,972	185,499	190,143	186,301
Staff costs - movement on USS pension provision	8	(32,307)	(32,307)	46,478	46,478
Other operating expenses		107,680	107,860	115,235	115,573
Depreciation	12	22,756	22,458	21,686	21,396
Amortisation	11	338	338	214	214
Interest and other finance costs	9	5,564	5,564	5,514	5,514
<b>Total expenditure</b>	10a	<b>293,003</b>	<b>289,412</b>	<b>379,270</b>	<b>375,476</b>
<b>Surplus before other gains / (losses)</b>		<b>32,710</b>	<b>33,691</b>	<b>(48,345)</b>	<b>(47,223)</b>
Gain on disposal of fixed assets		-	-	3,455	3,455
Gain on investments		146	146	1,293	1,293
<b>Surplus/(deficit) before tax</b>		<b>32,856</b>	<b>33,837</b>	<b>(43,597)</b>	<b>(42,475)</b>
Taxation		-	-	-	-
<b>Surplus/(deficit) for the year</b>		<b>32,856</b>	<b>33,837</b>	<b>(43,597)</b>	<b>(42,475)</b>
<b>Other comprehensive income</b>					
Actuarial loss in respect of pension schemes	29	(15,519)	(15,519)	(12,205)	(12,205)
<b>Total comprehensive income for the year</b>		<b>17,337</b>	<b>18,318</b>	<b>(55,802)</b>	<b>(54,680)</b>
Represented by:					
Endowment comprehensive income for the year		(1,047)	(1,047)	383	383
Restricted comprehensive income for the year		68	68	(523)	(523)
Unrestricted comprehensive income for the year		18,316	19,297	(55,662)	(54,540)
		<b>17,337</b>	<b>18,318</b>	<b>(55,802)</b>	<b>(54,680)</b>
Attributable to:					
Non-controlling interest		(152)	-	(519)	-
Institution		17,489	18,318	(55,283)	(54,680)
		<b>17,337</b>	<b>18,318</b>	<b>(55,802)</b>	<b>(54,680)</b>
<b>Surplus/(deficit) for the year attributable to:</b>					
Non-controlling interest		(152)	-	(519)	-
Institution		33,008	33,837	(43,078)	(42,475)
		<b>32,856</b>	<b>33,837</b>	<b>(43,597)</b>	<b>(42,475)</b>

All items of income and expenditure relate to continuing activities. The notes on pages 50-80 form part of these financial statements.

## Consolidated and Institution Statement of Changes in Reserves

Year ended 31 July 2020

Consolidated	Income and Expenditure Account				
	Endowment £'000	Restricted £'000	Unrestricted £'000	Non Controlling Interest £'000	Total £'000
<b>Balance at 1 August 2018</b>	<b>20,625</b>	<b>2,959</b>	<b>93,179</b>	<b>(367)</b>	<b>116,396</b>
Surplus/(deficit) for the year	2,317	715	(46,110)	(519)	(43,597)
Other comprehensive income / (expenditure)	-	-	(12,205)	-	(12,205)
Release of endowment and restricted funds spent in year	(1,934)	(1,238)	3,172	-	-
<b>Total comprehensive income for the year</b>	<b>383</b>	<b>(523)</b>	<b>(55,143)</b>	<b>(519)</b>	<b>(55,802)</b>
<b>Balance at 1 August 2019</b>	<b>21,008</b>	<b>2,436</b>	<b>38,036</b>	<b>(886)</b>	<b>60,594</b>
Surplus/(deficit) for the year	1,172	908	30,928	(152)	32,856
Other comprehensive income / (expenditure)	-	-	(15,519)	-	(15,519)
Release of endowment and restricted funds spent in year	(2,219)	(840)	3,059	-	-
<b>Total comprehensive income for the year</b>	<b>(1,047)</b>	<b>68</b>	<b>18,468</b>	<b>(152)</b>	<b>17,337</b>
<b>Balance at 31 July 2020</b>	<b>19,961</b>	<b>2,504</b>	<b>56,504</b>	<b>(1,038)</b>	<b>77,931</b>
<b>Institution</b>					
	Endowment £'000	Restricted £'000	Unrestricted £'000	Non Controlling Interest £'000	Total £'000
<b>Balance at 1 August 2018</b>	<b>20,625</b>	<b>2,959</b>	<b>96,640</b>	<b>-</b>	<b>120,224</b>
Surplus/(deficit) for the year	2,317	715	(45,507)	-	(42,475)
Other comprehensive income / (expenditure)	-	-	(12,205)	-	(12,205)
Release of endowment and restricted funds spent in year	(1,934)	(1,238)	3,172	-	-
<b>Total comprehensive income for the year</b>	<b>383</b>	<b>(523)</b>	<b>(54,540)</b>	<b>-</b>	<b>(54,680)</b>
<b>Balance at 1 August 2019</b>	<b>21,008</b>	<b>2,436</b>	<b>42,100</b>	<b>-</b>	<b>65,554</b>
Surplus/(deficit) for the year	1,172	908	31,757	-	33,837
Other comprehensive income / (expenditure)	-	-	(15,519)	-	(15,519)
Release of endowment and restricted funds spent in year	(2,219)	(840)	3,059	-	-
<b>Total comprehensive income for the year</b>	<b>(1,047)</b>	<b>68</b>	<b>19,297</b>	<b>-</b>	<b>18,318</b>
<b>Balance at 31 July 2020</b>	<b>19,961</b>	<b>2,504</b>	<b>61,397</b>	<b>-</b>	<b>83,862</b>

The notes on pages 50-80 form part of these financial statements.



## Consolidated and Institution Statement of Financial Position

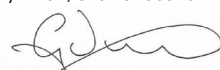
Year ended 31 July 2020

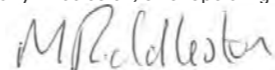
	Notes	As at 31 July 2020		As at 31 July 2019	
		Consolidated £'000	Institution £'000	Consolidated £'000	Institution £'000
<b>Non-current assets</b>					
Intangible asset	11	1,113	1,113	703	703
Tangible assets	12	465,992	465,639	395,876	395,283
Investments	13	8,089	6,884	6,322	6,622
		<b>475,194</b>	<b>473,636</b>	<b>402,901</b>	<b>402,608</b>
<b>Current assets</b>					
Stock		458	446	421	405
Trade and other receivables	14	27,411	34,153	34,414	39,226
Investments	15	9,753	9,753	10,172	10,172
Cash and cash equivalents	22	32,047	32,021	61,526	61,494
		<b>69,669</b>	<b>76,373</b>	106,533	111,297
Less creditors: amounts falling due within one year	16	(102,434)	(101,729)	(98,167)	(97,784)
<b>Net current (liabilities) / assets</b>		<b>(32,765)</b>	<b>(25,356)</b>	8,366	13,513
<b>Total assets less current liabilities</b>		<b>442,429</b>	<b>448,280</b>	411,267	416,121
Creditors: amounts falling due after more than one year	17	(246,567)	(246,487)	(213,400)	(213,304)
<b>Provisions</b>					
Pension provisions	18	(116,676)	(116,676)	(136,588)	(136,588)
Other provisions	18	(1,255)	(1,255)	(685)	(685)
<b>Total net assets</b>		<b>77,931</b>	<b>83,862</b>	60,594	65,544
<b>Restricted reserves</b>					
Income and expenditure reserve - endowment reserve	20	19,961	19,961	21,008	21,008
Income and expenditure reserve - restricted reserve	21	2,504	2,504	2,436	2,436
<b>Unrestricted reserves</b>					
Income and expenditure reserve - unrestricted		56,504	61,397	38,036	42,100
		<b>78,969</b>	<b>83,862</b>	61,480	65,544
Non-controlling interest		(1,038)	-	(886)	-
<b>Total reserves</b>		<b>77,931</b>	<b>83,862</b>	60,594	65,544

The notes on pages 50-80 form part of these financial statements.

The financial statements were approved by Council on 25 February 2021 and were signed on its behalf on that date by:

Gary Dixon, Chair of Council | Professor Nishan Cananarajah, President and Vice-Chancellor | Martyn Riddleston, Chief Operating Officer





## Consolidated Statement of Cash Flows

Year ended 31 July 2020

	Notes	July 2020 £'000	July 2019 £'000
<b>Cash flow from operating activities</b>			
Surplus/(deficit) for the year		32,856	(43,597)
<b>Adjustment for non-cash items:</b>			
Depreciation	12	22,756	21,686
Amortisation	11	338	214
Gain on investments		(146)	(1,293)
(Increase) / decrease in stock		(37)	14
Decrease / (increase) in debtors	14	9,122	(3,068)
Increase in creditors	16	3,846	4,458
(Decrease) / increase in pension provision	18	(37,864)	43,866
Increase / (decrease) in other provisions	18	570	(701)
<b>Adjustment for investing or financing activities:</b>			
Investment income	6	(340)	(208)
Interest payable	9	5,564	5,514
Endowment income	20	(1,122)	(1,269)
Gain on the sale of fixed assets		-	(3,455)
Capital grant income		(9,270)	(9,432)
<b>Net cash inflow from operating activities</b>		<b>26,273</b>	<b>12,729</b>
<b>Cash flows from investing activities</b>			
Proceeds from sales of fixed assets		1,600	6,789
Capital grant receipts		16,518	7,252
Investment income		342	206
Payments made to acquire fixed assets		(63,334)	(44,018)
Payments made to acquire intangible assets		(748)	(917)
New investments		(1,192)	-
		<b>(46,814)</b>	<b>(30,688)</b>
<b>Cash flows from financing activities</b>			
Interest paid		(4,485)	(2,812)
New endowments		601	1,869
Endowment payments		(2,219)	(1,934)
New unsecured loans		-	54,821
Repayments of amounts borrowed		(2,835)	(2,740)
		<b>(8,938)</b>	<b>49,204</b>
<b>(Decrease)/increase in cash and cash equivalents in the year</b>		<b>(29,479)</b>	<b>31,245</b>
Cash and cash equivalents at beginning of the year	22	61,526	30,281
Cash and cash equivalents at end of the year	22	32,047	61,526

The notes on pages 50-80 form part of these financial statements.

## Notes to the Accounts

Year ended 31 July 2020

1	Tuition fees and education contracts	Year ended 31 July 2020		Year ended 31 July 2019	
		Consolidated £'000	Institution £'000	Consolidated £'000	Institution £'000
	Full-time home and EU students	92,490	92,490	97,533	97,533
	Full-time international students	61,017	61,017	51,465	51,465
	Part-time students	14,523	14,523	15,231	15,231
	Research training support grant	3,968	3,968	3,989	3,989
		<b>171,998</b>	<b>171,998</b>	<b>168,218</b>	<b>168,218</b>
2	Funding body grants				
	<b>Recurrent grant</b>				
	Office for Students	13,333	13,333	13,867	13,867
	Research England	20,460	20,460	18,490	18,490
	<b>Specific grants</b>				
	Higher Education Innovation Fund	7,190	7,190	5,359	5,359
	Capital grant	5,165	5,165	4,666	4,666
	Other	1,332	1,332	1,588	1,588
		<b>47,480</b>	<b>47,480</b>	<b>43,970</b>	<b>43,970</b>

Capital grant comprises amounts received from the above bodies for the purposes of capital development and expenditure. Funds are held within creditors and released to income over the useful life of the asset. Of the amounts disclosed **£3.4m (2019: £3.7m)** relates to buildings and **£1.7m (2019: £1.0m)** relates to equipment.

### 3 Sources of grant and fee income

Grant income from OfS	14,370	14,370	15,134	15,134
Grant income from other bodies	33,110	33,110	28,836	28,836
Fee income for taught awards	157,404	157,404	152,689	152,689
Fee income for research awards	6,610	6,610	6,582	6,582
Fee income from non-qualifying courses	7,984	7,984	8,947	8,947
<b>Total grant and fee income (notes 1 and 2)</b>	<b>219,478</b>	<b>219,478</b>	<b>212,188</b>	<b>212,188</b>

## Notes to the Accounts

Year ended 31 July 2020

4	Research grants and contracts	Year ended 31 July 2020		Year ended 31 July 2019	
		Consolidated £'000	Institution £'000	Consolidated £'000	Institution £'000
	Research councils	17,251	17,251	16,846	16,846
	Research charities	8,786	8,786	10,070	10,070
	Government (UK and overseas)	17,067	17,067	18,626	18,626
	Industry and commerce	4,983	4,983	4,287	4,287
	Research capital grants	3,519	3,519	3,548	3,548
	Other	5,412	5,412	4,708	4,708
		<b>57,018</b>	<b>57,018</b>	<b>58,085</b>	<b>58,085</b>

Of the amounts disclosed as research capital grants **£2,327,981 (2019: £2,262,578)** is funded by research councils, **£370,572 (2019: £228,435)** is funded by research charities, **£754,759 (2019: £901,494)** is funded by other government sources and **£65,371 (2019: £155,371)** is funded by other sources.

### 5 Other income

Residences, catering and conferences	19,724	17,446	33,165	29,337
NHS funded posts	12,248	12,248	11,843	11,843
Other services rendered	3,849	3,849	4,928	4,928
Retail	75	68	143	134
Other capital grants	586	586	1,218	1,218
Job retention scheme income	3,918	3,266	-	-
Other income	6,332	6,464	7,170	8,188
	<b>46,732</b>	<b>43,927</b>	<b>58,467</b>	<b>55,648</b>

1,089 people (2018-19: not applicable) were furloughed by the Institution under the government's coronavirus job retention scheme during the period 1 March to 31 July 2020. The consolidated group number over the same period was 1,398 (2018-19: not applicable).

### 6 Investment income

Investment income on endowments	20	215	215	38	38
Other investment income		125	125	170	170
Interest receivable on intercompany loans		-	195	-	147
		<b>340</b>	<b>535</b>	<b>208</b>	<b>355</b>

### 7 Donations and endowments

New endowments	20	1,122	1,122	1,269	1,269
Donations with restrictions	21	879	879	629	629
Unrestricted donations		144	144	79	79
		<b>2,145</b>	<b>2,145</b>	<b>1,977</b>	<b>1,977</b>

## Notes to the Accounts

Year ended 31 July 2020

8 Staff costs	Year ended 31 July 2020		Year ended 31 July 2019	
	Consolidated £'000	Institution £'000	Consolidated £'000	Institution £'000
Salaries	150,633	147,539	152,392	148,754
Social security costs	14,922	14,719	15,071	14,867
Pension costs	22,484	22,333	22,680	22,680
Severance costs	933	908	-	-
	<b>188,972</b>	<b>185,499</b>	190,143	186,301
<b>Staff cost adjustment:</b>				
Movement on USS provision	(32,307)	(32,307)	46,478	46,478
<b>Total</b>	<b>156,665</b>	<b>153,192</b>	<b>236,621</b>	<b>232,779</b>

A further breakdown of pension costs is included in note 29.

### Total remuneration of the President & Vice-Chancellor

	Year ended 31 July 2020		Year ended 31 July 2019	
	Professor Edmund Burke 01.08.2019 to 03.11.2019 £'000	Professor Nishan Canagarajah 04.11.2019 to 31.07.2020 £'000	Professor Paul Boyle 01.08.2018 to 31.03.2019 £'000	Professor Edmund Burke 01.04.2019 to 31.07.2019 £'000
Basic salary	57	187	194	74
Performance related pay and other bonuses	10	-	-	-
Taxable benefits:				
Subsidised accommodation	-	3	3	-
Pension contributions to USS	1	39	4	2
	<b>68</b>	<b>229</b>	201	76
Non-taxable benefits:				
Living accommodation	-	-	2	-
	<b>68</b>	<b>229</b>	<b>203</b>	<b>76</b>

## Notes to the Accounts

Year ended 31 July 2020

### 8 Staff costs (continued)

#### PROFESSOR EDMUND BURKE

The Acting President & Vice-Chancellor's basic salary was 6.1 times (2018-19: 6.4 times) the median pay of staff, where the median pay is calculated on a full-time equivalent basis for the salaries paid by the Institution to its staff.

The Acting President & Vice-Chancellor's total remuneration was 6.2 times (2018-19: 5.6 times) the median total remuneration of staff, where the median total remuneration is calculated on a full-time equivalent basis for the total remuneration paid by the Institution of its staff.

#### PROFESSOR NISHAN CANAGARAJAH

The President & Vice-Chancellor's basic salary is 7.0 times (2018-19: not applicable) the median pay of staff, where the median pay is calculated on a full-time equivalent basis for the salaries paid by the Institution to its staff.

Remuneration Committee consider two key factors in order to determine any increase to salary, bonus payments or benefits. The first is the comparative position compared to a benchmark group of other similar sized research-intensive UK universities.

The President & Vice-Chancellor's total remuneration is 7.3 times (2018-19: not applicable) the median total remuneration of staff, where the median total remuneration is calculated on a full-time equivalent basis for the total remuneration paid by the Institution of its staff. The median salary and remuneration figures used in the above calculations include all staff that are included in real-time reporting to HMRC.

The second is the achievements and contributions made during the year which are assessed through the appraisal process. This process includes an assessment of the success and progress achieved against a set of agreed performance objectives. The Committee rewards strong performance and delivery of the Institution's strategic plan.

The emoluments of the President and Vice-Chancellor are determined by Council on the recommendation of the Remuneration Committee. The President and Vice-Chancellor is not in attendance for, or plays any part in the discussions over their own emoluments.

## Notes to the Accounts

Year ended 31 July 2020

### 8 Staff costs (continued)

#### OTHER HIGHER PAID STAFF

The number of staff with a basic salary of over **£100,000 per annum** has been included below. Where a proportion of the salary is reimbursed by another body, such as the NHS, only the portion paid by the Institution is disclosed. The President and Vice-Chancellor is not included.

Basic salary per annum	2019-20 No.	2018-19 No.
£100,000 - £104,999	18	7
£105,000 - £109,999	6	9
£110,000 - £114,999	11	12
£115,000 - £119,999	4	3
£120,000 - £124,999	4	4
£125,000 - £129,999	4	4
£130,000 - £134,999	4	3
£135,000 - £139,999	2	4
£140,000 - £144,999	3	3
£145,000 - £149,999	3	2
£150,000 - £154,999	3	1
£155,000 - £159,999	-	-
£160,000 - £164,999	-	-
£165,000 - £169,999	-	1
£170,000 - £174,999	-	-
£175,000 - £179,999	-	-
£180,000 - £184,999	-	-
£185,000 - £189,999	-	1
£190,000 - £194,999	1	-
£195,000 - £199,999	-	1
£200,000 - £204,999	1	-
	<b>64</b>	<b>55</b>

## Notes to the Accounts

Year ended 31 July 2020

### 8 Staff costs (continued)

#### Average staff numbers by major category

	2019-20		2018-19	
	Consolidated	Institution	Consolidated	Institution
Academic and clinical	913	913	917	917
Research	442	442	440	440
Administration, library, computer and other related	914	899	944	935
Technical	294	294	284	284
Clerical, manual and ancillary	1,086	988	1,204	1,098
	<b>3,649</b>	<b>3,536</b>	<b>3,789</b>	<b>3,674</b>

The total compensation for loss of office paid to **91 (2018-19: 127)** people during the year was **£907,873 (2018-19: £1,382,842)**.

All severance payments including compensation for loss of office in respect of higher paid staff are approved by the Institution's Remuneration Committee. Amounts for compensation for loss of office and redundancy for all other staff are approved by management in accordance with delegated authority.

#### KEY MANAGEMENT PERSONNEL

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Institution. Staff costs includes compensation paid to key management personnel. The Institution considers its key management personnel to be those individuals who serve the Executive Board. Current membership of the Executive Board is detailed on our website: [le.ac.uk/about/governance-and-management/vc-office/eb](http://le.ac.uk/about/governance-and-management/vc-office/eb)

Compensation consists of salary and benefits including any employer's pension contribution.

	Year ended 31 July 2020 £'000	Year ended 31 July 2019 £'000
Key management personnel compensation	<b>2,084</b>	1,859
FTEs for key management	<b>12</b>	10

## Notes to the Accounts

Year ended 31 July 2020

9 Interest and other finance costs	Notes	Year ended 31 July 2020		Year ended 31 July 2019	
		Consolidated £'000	Institution £'000	Consolidated £'000	Institution £'000
Loan interest		2,708	2,708	2,813	2,813
Exchange differences		12	12	(141)	(141)
Change in fair value of derivatives		411	411	924	924
Unwind of discount on USS pension provision	18	1,194	1,194	615	615
Net charge on PAS pension scheme	29	1,239	1,239	1,303	1,303
		<b>5,564</b>	<b>5,564</b>	<b>5,514</b>	<b>5,514</b>

### 10a Analysis of total expenditure by activity

Academic and related expenditure	155,511	155,659	159,920	160,228
Administration and central services	57,171	57,231	50,513	50,576
Premises	36,304	36,306	37,482	37,490
Residences, catering and conferences	26,027	22,167	30,431	26,128
Research grants and contracts	44,306	44,362	46,217	46,291
Other expenses including USS provision movement (note 8)	(26,316)	(26,313)	54,707	54,763
	<b>293,003</b>	<b>289,412</b>	<b>379,270</b>	<b>375,476</b>

Other operating expenses include:

External auditors remuneration in respect of audit services (exc. VAT)	194	111	74	56
External auditors remuneration in respect of non-audit services (exc. VAT)	17	17	28	28
Operating lease rentals:				
Land and buildings	538	538	510	510
Other	529	529	451	451

### 10b Access and participation

Access investment (i)	1,611	1,611		
Financial support	4,195	4,195		
Disability support (ii)	554	554		
	<b>6,360</b>	<b>6,360</b>		

(i) £1,300,000 and (ii) £501,000 of these costs are already included in the overall staff costs figures included in the financial statements, see note 8.

Our Access and Participation Plan is available on our website: [le.ac.uk/about/equality/wp](http://le.ac.uk/about/equality/wp) or the Office for Students website: [officeforstudents.org.uk/the-register](http://officeforstudents.org.uk/the-register)

## 11 Intangible assets

Consolidated and Institution	31 July 2020	31 July 2019
Software	£'000	£'000
Opening balance	703	0
Additions in the year	748	917
Amortisation charge for the year	(338)	(214)
<b>Closing balance</b>	<b>1,113</b>	<b>703</b>

Additions during the year relate to the purchase and development of software intangible assets. The amortisation period is between 3 and 6 years.

## Notes to the Accounts

Year ended 31 July 2020

12 Tangible assets		Freehold land and buildings £'000	Leasehold land and buildings £'000	Equipment £'000	Fixtures and fittings £'000	Assets in the course of construction £'000	Total £'000
<b>Consolidated</b>							
Cost	At 1 August 2019	421,668	28,437	70,531	11,908	40,890	573,434
	Additions	3,403	657	4,687	392	83,734	92,873
	Transfers	6,674	-	1,227	165	(8,066)	-
	Disposals	-	-	(46,314)	(3,151)	-	(49,465)
	<b>At 31 July 2020</b>	<b>431,745</b>	<b>29,094</b>	<b>30,131</b>	<b>9,314</b>	<b>116,558</b>	<b>616,842</b>
Depreciation	At 1 August 2019	103,114	7,835	59,469	7,141	-	177,559
	Charge for the year	11,929	807	8,501	1,519	-	22,756
	Disposals	-	-	(46,314)	(3,151)	-	(49,465)
	<b>At 31 July 2020</b>	<b>115,043</b>	<b>8,642</b>	<b>21,656</b>	<b>5,509</b>	<b>-</b>	<b>150,850</b>
Net book value	<b>At 31 July 2020</b>	<b>316,702</b>	<b>20,452</b>	<b>8,475</b>	<b>3,805</b>	<b>116,558</b>	<b>465,992</b>
	At 31 July 2019	318,554	20,602	11,062	4,767	40,890	395,875
<b>Institution</b>							
Cost	At 1 August 2019	421,668	28,437	70,531	9,193	40,890	570,719
	Additions	3,403	657	4,687	334	83,734	92,815
	Transfers	6,674	-	1,227	165	(8,066)	-
	Disposals	-	-	(46,314)	(3,151)	-	(49,465)
	<b>At 31 July 2020</b>	<b>431,745</b>	<b>29,094</b>	<b>30,131</b>	<b>6,541</b>	<b>116,558</b>	<b>614,069</b>
Depreciation	At 1 August 2019	103,114	7,835	59,469	5,019	-	175,437
	Charge for the year	11,929	807	8,501	1,221	-	22,458
	Disposals	-	-	(46,314)	(3,151)	-	(49,465)
	<b>At 31 July 2020</b>	<b>115,043</b>	<b>8,642</b>	<b>21,656</b>	<b>3,089</b>	<b>-</b>	<b>148,430</b>
Net book value	<b>At 31 July 2020</b>	<b>316,702</b>	<b>20,452</b>	<b>8,475</b>	<b>3,452</b>	<b>116,558</b>	<b>465,639</b>
	At 31 July 2019	318,554	20,602	11,062	4,174	40,890	395,282

At 31 July 2020, freehold land and buildings includes £75,388,818 (2018-19 : £74,388,818) in respect of freehold land which is not depreciated. Leasehold land and buildings includes £830,000 (2018-19 : £830,000) in respect of long leasehold land which is not depreciated where the long leasehold interest is deemed to be equivalent to a freehold interest.

Leasehold land and buildings includes:

	Net book value £'000
Michael Atiyah building (125 year lease commencing 1996 from Wyggeston and Queen Elizabeth I College)	4,300
Main campus sports centre (99 year lease commencing 2000 from Wyggeston and Queen Elizabeth I College)	5,572
Various NHS sites	9,998
Other sites and leasehold improvements	582
<b>At 31 July 2020</b>	<b>20,452</b>
At 31 July 2019	20,602

## Notes to the Accounts

Year ended 31 July 2020

### 12 Tangible fixed assets (continued)

Included in assets under construction at 31 July 2020 is £54.9 million in relation to the Freeman's Common project. The Freeman's Common project is a £150 million scheme to provide modern en-suite accommodation for 1,164 students plus a multi-story car park, teaching and learning centre, social space including a café / meeting areas, an energy centre and accompanying landscaping.

The building work commenced in September 2019 and will take three years to complete. The project has two elements:

- The student accommodation which is being constructed under a 'Design, Build, Operate, Maintain' (DBMO) model whereby Freeman's Common Village LLP, of which the Group has a 10% share, will design, build, fund, manage and operate the new residences under a 50 year lease. At the end of the lease ownership of the property will revert to the Institution. Further information about the financing of the student accommodation element can be found in note 13.
- The non-student accommodation, which is formed of the multi-story car park, teaching and learning centre, social space, energy centre and landscaping and will remain under the ownership of the Institution.

The amount in assets under construction at 31 July 2020 relates to the non-student accommodation element and represents the Institution's contribution to the construction costs, of which £45.1 million is a payment on account. The total anticipated cost of the non-residential elements is £66m.

	Investment in subsidiaries £'000	Investment in associates £'000	Other investments £'000	Total £'000
<b>13 Non-current investments</b>				
<b>Consolidated</b>				
At 1 August 2019	-	-	6,322	6,322
Additions	-	1,505	8	1,513
Change in fair value	-	-	254	254
At 31 July 2020	-	1,505	6,584	8,089
<b>Institution</b>				
At 1 August 2019	300	-	6,322	6,622
Additions	-	-	8	8
Change in fair value	-	-	254	254
At 31 July 2020	300	-	6,584	6,884

The investment in subsidiary companies relates to the share capital of the subsidiary companies detailed in note 26.

#### Investment in associates

The Group has a 10% shareholding in Freeman's Common Village LLP. On 2 August 2019 the Group entered into a 50 year agreement with a consortium including Equitix (an investment company) and Engie (a constructor). The consortium will design, build, fund, manage and operate new residences built on the Freeman's Common site. Building work commenced in September 2019 and will take three years to complete. Freeman's Common Village LLP is funding the project via a mixture of debt and equity.

The investment is accounted for on an equity basis. During the construction phase of the project the Group impact is immaterial.

## Notes to the Accounts

Year ended 31 July 2020

### 13 Non-current investments (continued)

#### Other investments

Other investments consist of:

At fair value:

Permanent endowments invested in market securities  
Investment in listed shares

	Consolidated and Institution	
	31 July 2020	31 July 2019
	£'000	£'000
Permanent endowments invested in market securities	5,746	5,795
Investment in listed shares	838	527
	<b>6,584</b>	<b>6,322</b>

#### Investment in spinouts

The Institution holds the following shares in spinout companies:

Name	Shareholding at 31 July 2020	Principal Activity
Scionix Limited	50%	A joint venture company owned equally by the Institution and Whyte Chemicals Limited. Its principal activity is the development of solvents for industrial purposes.
Earthsense Systems Limited	33%	A joint venture company owned equally by the Institution, Bluesky International Limited and Professor Roland Leigh. Its principal activity is the development and commercialisation of products and services for monitoring of air quality.
OCB Media Limited	24%	Development and pursuit of electronically distributed high level e-learning material and multimedia products
MIP Diagnostics Limited	3%	Commercialisation of Molecular imprinted Polymers (MIPs)

These entities are not accounted for on an equity basis on the grounds of materiality. It is the Institution's policy to write off the initial investment in spinout companies.

## Notes to the Accounts

Year ended 31 July 2020

14 Trade and other receivables	Year ended 31 July 2020		Year ending 31 July 2019	
	Consolidated £'000	Institution £'000	Consolidated £'000	Institution £'000
<b>Amounts falling due within one year</b>				
Research grants receivables	14,282	14,282	14,651	14,651
Other trade receivables	6,173	6,163	11,511	11,366
Other receivables	101	96	103	100
Prepayments and accrued income	6,855	6,413	8,149	7,985
Amounts due from subsidiary companies	-	4,132	-	3,339
<b>Amounts falling due after more than one year</b>				
Amounts due from subsidiary companies	-	3,067	-	1,785
	<b>27,411</b>	<b>34,153</b>	<b>34,414</b>	<b>39,226</b>

Other trade receivables includes a bad debt provision of £2,259,113 (2018-19: £1,366,161).

15 Current investments	Other investments		Total
	£'000	£'000	
<b>Consolidation and Institution</b>			
<b>At 1 August 2019</b>		10,172	10,172
Withdrawals		(310)	(310)
Change in fair value		(109)	(109)
<b>At 31 July 2020</b>		<b>9,753</b>	<b>9,753</b>
<b>Other investments consist of:</b>		<b>31 July 2020</b>	<b>31 July 2019</b>
Expendable endowments invested in market securities		9,731	9,947
Investments in market securities		22	225
		<b>9,753</b>	<b>10,172</b>

## Notes to the Accounts

Year ended 31 July 2020

16 Creditors: Amounts falling due within one year	Year ended 31 July 2020		Year ended 31 July 2019	
	Consolidated £'000	Institution £'000	Consolidated £'000	Institution £'000
Unsecured loans	2,938	2,938	2,840	2,840
Trade payables	10,477	10,424	14,443	14,393
Social security and other taxation payable	12,368	12,246	4,073	4,025
Other payables	3,227	3,206	3,034	3,012
Accruals and deferred income	73,424	72,915	73,777	73,514
	<b>102,434</b>	<b>101,729</b>	<b>98,167</b>	<b>97,784</b>

### Deferred income

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

	Year ended 31 July 2020		Year ended 31 July 2019	
	Consolidated £'000	Institution £'000	Consolidated £'000	Institution £'000
Research grants received on account	36,788	36,788	34,677	34,677
Grant income	1,896	1,896	2,912	2,912
Capital grant income	6,184	6,184	7,775	7,775
Other income	9,757	9,647	9,529	9,434
	<b>54,625</b>	<b>54,515</b>	<b>54,893</b>	<b>54,798</b>

## Notes to the Accounts

Year ended 31 July 2020

17 Creditors: Amounts falling due after more than one year	Year ended 31 July 2020		Year ended 31 July 2019	
	Consolidated £'000	Institution £'000	Consolidated £'000	Institution £'000
Deferred income	120,961	120,881	85,278	85,182
Derivatives	6,105	6,105	5,694	5,694
Unsecured loans	119,501	119,501	122,428	122,428
	<b>246,567</b>	<b>246,487</b>	<b>213,400</b>	<b>213,304</b>
Analysis of unsecured loans:				
<b>Due within one year or on demand (note 16)</b>	<b>2,938</b>	<b>2,938</b>	2,840	2,840
Due between one and two years	3,046	3,046	2,948	2,948
Due between two and five years	9,824	9,824	9,509	9,509
Due in five years or more	106,631	106,631	109,971	109,971
<b>Due after more than one year</b>	<b>119,501</b>	<b>119,501</b>	122,428	122,428
<b>Total secured and unsecured loans</b>	<b>122,439</b>	<b>122,439</b>	<b>125,268</b>	<b>125,268</b>

Included in loans are the following:

Lender	£'000	Term	Secured Unsecured	Interest Rate %	Borrower
Salix	800	n/a	Unsecured	-	Institution
Barclays	7,028	2031	Unsecured	6.20	Institution
Barclays	11,335	2036	Unsecured	5.67	Institution
European Investment Bank	25,560	2038	Unsecured	3.47	Institution
European Investment Bank	22,890	2040	Unsecured	2.9	Institution
Private Placement - Lincoln National Life Insurance	20,000	2044	Unsecured	3.18	Institution
Private Placement - Lincoln National Life Insurance	10,000	2049	Unsecured	3.25	Institution
Private Placement - Pacific Life Insurance	25,000	2049	Unsecured	3.25	Institution
Private Placement - transaction costs	(174)				
<b>Total</b>	<b>122,439</b>				

### Deferred income

Deferred income due after more than one year represents balances on capital grants from government sources, from non-government sources where the grant stipulates performance conditions and contracted income received in advance.

Deferred income	Year ended 31 July 2020		Year ended 31 July 2019	
	Consolidated £'000	Institution £'000	Consolidated £'000	Institution £'000
Capital grant income	93,384	93,384	85,182	85,182
Other income	27,577	27,497	96	-
	<b>120,961</b>	<b>120,881</b>	<b>85,278</b>	<b>85,182</b>

## Notes to the Accounts

Year ended 31 July 2020

### Derivative financial instruments

Interest rate swaps and caps are valued at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

### Interest rate swap contacts

The following table details the notional principal amounts and remaining terms of interest rate swap contracts outstanding as at the reporting date:

	Average contract fixed interest rate		Notional principal value		Fair value	
	2020 %	2019 %	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Five years or more	5.86	5.86	18,363	19,289	6,105	5,694

The interest rate swaps settle on a quarterly basis. The floating rate on the interest rate swaps is three months' LIBOR. The Institution will settle the difference between the fixed and floating interest rate on a net basis.



## Notes to the Accounts

Year ended 31 July 2020

### 18 Provisions for liabilities

Consolidated and Institution	Obligation to fund deficit on USS pension	Defined benefit obligations (note 29)	Total pensions provisions			
	£'000	£'000	£'000			
At 1 August 2019	75,570	61,018	136,588			
Utilised in year	(1,760)	(4,098)	(5,858)			
Additions in the year	(31,113)	17,059	(14,054)			
<b>At 31 July 2020</b>	<b>42,697</b>	<b>73,979</b>	<b>116,676</b>			
Other provisions						
Consolidated and Institution	Decommissioning costs	Clawback of government grant	Reductions to future government funding	Severance costs	Tuition fee refunds	Total other provisions
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 August 2019	260	-	425	-	-	685
Utilised in year	-	-	(425)	-	-	(425)
Additions in the year	-	647	-	29	319	995
<b>At 31 July 2020</b>	<b>260</b>	<b>647</b>	<b>-</b>	<b>29</b>	<b>319</b>	<b>1,255</b>

#### USS deficit

The obligation to fund the past deficit on the Universities Superannuation Scheme (USS) arises from the contractual obligation with the USS to deficit payments in accordance with the deficit recovery plan. In calculating this provision, management have estimated future staff levels within the USS scheme for the duration of the contractual obligation and salary inflation. Key assumptions are set out below and further information is provided in note 29.

Additions in the year comprises the unwinding of the discount on the provision of £1,194,000 and changes in assumption relating to future staff membership, salary inflation and deficit contribution rates of £(32,307,000).

Following the completion of the 2018 actuarial valuation, a new deficit recovery plan has been agreed of which more detail is given in note 29. This new plan requires deficit payments of 2% of salaries from 1 October 2019 to 30 September 2021 and then payments of 6% of salaries from 1 October 2021 to 31 March 2028. As a consequence the deficit provision has decreased significantly from the prior year of which £32.3m is due to the change in the deficit contributions contractual commitment.

The major assumptions used in calculating the provision are:

	2020	2019
	%	%
Discount rate	0.73	1.58
Inflation	0.0 to 1.5	2.0 to 2.2

## Notes to the Accounts

Year ended 31 July 2020

### Sensitivity analysis

As set out in the accounting policies, there are some critical judgements made in estimating the obligation to fund the USS deficit. The sensitivity of the principal assumptions used to measure the USS deficit provision under the new deficit recovery plan are set out below:

Change in assumption at 31 July 2020	Approximate impact
0.5% pa decrease in discount rate	£1.02m
0.5% pa increase in salary inflation over duration	£1.01m
0.5% pa increase in salary inflation year 1 only	£0.21m
0.5% increase in staff changes over duration	£1.03m
0.5% increase in staff changes year 1 only	£0.22m
1% increase in deficit contributions	£6.73m

#### Defined benefit obligations

This provision relates to the University of Leicester Pension and Assurance Scheme (PAS) which arises from the contractual obligation with the pension scheme for a net defined benefit liability.

This is the present value of obligations under the defined benefit plans at the reporting date. Management have engaged Aon Hewitt to determine the value of this obligation. Further information is available in note 29.

#### Other provisions

##### Decommissioning costs

This provision relates to the expected costs of decommissioning certain scientific facilities within the Institution. Based upon knowledge at the date of signing the financial statements it is expected that the decommissioning will take place in 2027.

##### Clawback of government grant

This provision relates to government grant repayable to the Regional Growth Fund, under the terms and conditions of the grant, following the closure of the Institution's ASDEC facility in 2018.

##### Reductions to future government funding

This obligation is for the expected reduction in Office for Students teaching grant following the submission and audit of student number returns in the period. It is anticipated this will be fully utilised during 2019-20.

##### Severance costs

This provision relates to payments due to staff who have elected to take voluntary severance. A provision is recorded when the Institution has a constructive or contractual obligation to make the payment.

##### Tuition fee refunds

This provision relates to tuition fee refunds payable in respect of teaching hours lost due to trade union action and, in certain circumstances, Covid-19. A provision is recorded when the Institution has a constructive obligation to make the payment following the resolution of a complaint.

## Notes to the Accounts

Year ended 31 July 2020

### 19 Financial instruments

	31 July 2020		31 July 2019	
	Consolidated £'000	Institution £'000	Consolidated £'000	Institution £'000
The carrying values of the Institution's financial assets and liabilities are as follows:				
<b>Financial assets</b>				
<b>Measured at fair value through Statement of Comprehensive Income</b>				
Other investments	16,337	16,337	16,494	16,494
<b>Debt instruments measured at amortised cost</b>				
Loans receivable	-	3,290	-	2,008
Cash and cash equivalents	32,047	32,021	61,526	61,494
Trade and other receivables	20,556	24,450	26,265	29,233
<b>Equity instruments measured at cost less impairment</b>				
Investments in associates	1,505	-	-	-
Investments in subsidiaries	-	300	-	300
	<b>70,445</b>	<b>76,398</b>	<b>104,285</b>	<b>109,529</b>
<b>Financial liabilities</b>				
<b>Measured at fair value through Statement of Comprehensive Income</b>				
Derivative financial instruments	6,105	6,105	5,694	5,694
<b>Measured at amortised cost</b>				
Loans payable	122,439	122,439	125,268	125,268
Trade and other payables	26,072	25,876	21,550	21,430
	<b>154,616</b>	<b>154,420</b>	<b>152,512</b>	<b>152,392</b>

## Notes to the Accounts

Year ended 31 July 2020

### 20 Endowment reserves

#### Consolidated

#### Permanent endowments

##### Balances at 1 August 2019

	Restricted permanent endowment 2020 £'000	Unrestricted permanent endowment 2020 £'000	Total 2020 £'000	Total 2019 £'000
Capital	3,234	1,075	4,309	3,922
Unapplied return	1,681	489	2,170	2,101
<b>At 31 July 2020</b>	<b>4,915</b>	<b>1,564</b>	<b>6,479</b>	<b>6,023</b>
New endowments	23	-	23	155
Investment income	31	21	52	4
Expenditure	(105)	(21)	(126)	(83)
(Decrease)/increase in market value of investments	(25)	(17)	(42)	380
Total endowment comprehensive income for the year	(76)	(17)	(93)	456
<b>At 31 July 2020</b>	<b>4,839</b>	<b>1,547</b>	<b>6,386</b>	<b>6,479</b>

#### Represented by:

Capital	3,238	1,087	4,325	4,309
Unapplied return	1,601	460	2,061	2,170
	<b>4,839</b>	<b>1,547</b>	<b>6,386</b>	<b>6,479</b>

#### Analysis by type of purpose:

Lectureships	390	397
Scholarships and business	2,516	2,540
Research support	298	388
Prize funds	908	910
General	2,274	2,244
	<b>6,386</b>	<b>6,479</b>

#### Analysis by asset:

Non-current asset investments	5,746	5,795
Cash and cash equivalents	640	684
	<b>6,386</b>	<b>6,479</b>

## Notes to the Accounts

Year ended 31 July 2020

### 20 Endowment reserves (continued)

Total 2020 £'000	Total 2019 £000
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#### Restricted expendable endowments

##### Balance at 1 August

Capital	9,967	9,338
Accumulated income	4,562	5,264
	<b>14,529</b>	<b>14,602</b>

New endowments	1,099	1,114
Investment income	163	34
Expenditure	(2,093)	(1,851)
(Decrease)/increase in market value of investments	(123)	630
<b>Total endowment comprehensive income for the year</b>	<b>(954)</b>	<b>(73)</b>

##### At 31 July 2020

**13,575**      **14,529**

#### Represented by:

Capital	9,731	9,967
Accumulated income	3,844	4,562
	<b>13,575</b>	<b>14,529</b>

#### Analysis by type of purpose:

Lectureships	1,877	2,026
Scholarships and bursaries	1,802	1,594
Research support	8,662	9,354
Prize funds	49	50
General	1,185	1,505
	<b>13,575</b>	<b>14,528</b>

#### Analysis by asset:

Current asset investments	9,731	9,947
Cash and cash equivalents	2,823	4,082
Pledged endowments debtor	1,021	500
	<b>13,575</b>	<b>14,529</b>

#### Analysis of major endowments:

Capital £'000	Income £'000	Total £'000
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#### van Geest Foundation Heart and Cardiovascular Disease Research Fund

Balance at 1 August 2019	5,566	333	5,899
Expenditure	(62)	(333)	(395)
Increase in market value of investments	12	-	12
<b>Balance at 31 July 2020</b>	<b>5,516</b>	<b>-</b>	<b>5,516</b>

## Notes to the Accounts

Year ended 31 July 2020

### 21 Restricted reserves

Donations £'000	Other restricted funds £'000	Total 2020 £'000	Total 2019 £'000
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#### Consolidated and Institution

<b>Balances at 1 August</b>	<b>886</b>	<b>1,550</b>	<b>2,436</b>	2,959
New donations	879	-	879	629
New other restricted funds	-	29	29	86
Expenditure	(467)	(373)	(840)	(1,238)
	<b>412</b>	<b>(344)</b>	<b>68</b>	523
<b>At 31 July</b>	<b>1,298</b>	<b>1,206</b>	<b>2,504</b>	<b>2,436</b>

#### Analysis of restricted funds by type of purpose:

	Total 2020 £'000	Total 2019 £'000
Scholarships and bursaries	718	795
Research support	1,247	1,325
General	539	316
	<b>2,504</b>	<b>2,436</b>

## Notes to the Accounts

Year ended 31 July 2020

	At 1 August 2019 £'000	Cash flows £'000	At 31 July 2020 £'000
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### 22 Cash and cash equivalents

#### Consolidated

Endowed cash and cash equivalents	4,766	(1,303)	3,463
Cash and cash equivalents	40,250	(11,666)	28,584
Cash held in escrow	16,510	(16,510)	-
	<b>61,526</b>	<b>(29,479)</b>	<b>32,047</b>

#### Institution

	At 1 August 2019 £'000	Cash flows £'000	At 31 July 2020 £'000
Endowed cash and cash equivalents	4,766	(1,303)	3,463
Non-endowed cash and cash equivalents	40,218	(11,660)	28,558
Cash held in escrow	16,510	(16,510)	-
	<b>61,494</b>	<b>(29,473)</b>	<b>32,021</b>

At 1 August 2019 **£16.5m cash** was held in an escrow account in relation to the Freeman's Common transaction detailed in note 13. The funds were released on 2 August 2019.

Non-endowed cash and cash equivalents includes **£295,381 (2018-19: £5,077,014)** of term deposits and notice accounts with a maturity of 3 months or less from the date of placement. At 31 July 2020 the weighted average interest rate of these fixed rate deposits was 0.97% per annum and the weighted average period for which the interest rate is fixed on these deposits was 87 days.

	At 1 August 2019 £'000	Cash flows £'000	Changes in market value and exchange rates £'000	Other non- cash changes £'000	At 31 July 2020 £'000
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### 23 Consolidated net debt reconciliation

<b>Cash and cash equivalents</b>	61,526	(29,479)	-	-	32,047
<b>Borrowings due within one year</b>					
Unsecured loans	(2,840)	2,835	-	(2,933)	(2,938)
<b>Borrowings due after more than one year</b>					
Unsecured loans	(122,428)	-	-	2,927	(119,501)
Derivatives	(5,694)	-	(411)	-	(6,105)
	<b>(128,122)</b>	<b>-</b>	<b>(411)</b>	<b>2,927</b>	<b>(125,606)</b>
	<b>(69,436)</b>	<b>(26,644)</b>	<b>(411)</b>	<b>(6)</b>	<b>(96,497)</b>

## Notes to the Accounts

Year ended 31 July 2020

	31 July 2020		31 July 2019	
	Consolidated £'000	Institution £'000	Consolidated £'000	Institution £'000

### 24 Capital commitments

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

Commitments contracted for	<b>32,370</b>	<b>32,370</b>	<b>37,305</b>	<b>37,305</b>
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### 25 Lease obligations

Total rentals payable under operating leases are as follows:

Consolidated and Institution	Land and buildings £'000	Other £'000	Total 2020 £'000	Total 2019 £'000
<b>Future minimum lease payments due:</b>				
Not later than one year	299	352	651	967
Later than one year and not later than five years	148	311	459	1,612
Later than five years	-	-	-	213
Total lease payments due	<b>447</b>	<b>663</b>	<b>1,110</b>	<b>2,792</b>

### 26 Subsidiary undertakings

The subsidiary companies (all of which are registered in England) wholly-owned or effectively controlled by the Institution are as follows:

Company	Principal activity	Status	Note
College Court Conference Centre Limited	Operation of a conferencing facility	100% owned	13
<a href="#">The Leicester Services Partnership Limited</a>	<a href="#">Operation of catering facilities</a>	<a href="#">50% owned</a>	<a href="#">13</a>
UOL Investments Limited	Investment holdings	100% owned	13
<a href="#">UOL FC Limited</a>	<a href="#">Investment holdings</a>	<a href="#">100% owned</a>	<a href="#">13</a>
Leicester Academic Library Services Limited	Not trading	100% owned	13

The Leicester Services Partnership Limited is a joint arrangement between the Institution and University of Leicester Students' Union. It is accounted for as a subsidiary of the Institution on the basis that the Institution can exercise a majority of voting rights.

UOL Investments Limited and UOL FC Limited were incorporated on 13 March 2018 and commenced trading on 2 August 2019.

## Notes to the Accounts

Year ended 31 July 2020

### 27 Related party transactions

During the year the Group entered into transactions, in the ordinary course of business, with other related parties. Transactions entered into, and balances outstanding at 31 July 2020, are as follows. The Institution has taken advantage of the exemption within FRS 102 and has not disclosed transactions with other group entities where it holds 100% of the voting rights.

	Income transaction £'000	Expenditure transactions £'000	Balance due from the related party £'000	Balance due to the related party £'000
Department for Environment, Food and Rural Affairs (DEFRA)	237	-	20	-
Engineering and Physical Sciences Research Council (EPSRC)	2,432	-	-	-
Leicester Services Partnership Limited	2,682	4,291	1,912	-
Leicestershire Partnership NHS Trust	660	3	177	-
Natural Environment Research Council (NERC)	7,229	88	-	-
Springer Nature Limited	-	38	-	-
University Hospitals of Leicester NHS Trust	11,085	5,177	1,784	-
University of Keele	-	172	-	-
University of Leicester Students' Union	37	1,745	12	-
University of Nottingham	251	806	14	-
	<b>24,613</b>	<b>12,320</b>	<b>3,919</b>	<b>-</b>

No information has been listed above for organisations where income and expenditure is less than £25,000 in the year.

#### Council members

The Institution's Council members are the trustees for charitable law purposes. Due to the nature of the Institution's operations and the composition of the Council, being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the Council may have an interest. All transactions involving organisations in which a member of Council may have an interest, including those identified above, are conducted at arms length and in accordance with the Institution's Financial Regulations and procurement procedures.

No Council member has received any remuneration or waived payments from the Institution during the year (2018-19: none).

The total expenses paid to or on behalf of 2 (2018-19: 5) Council members was **£357 (2018-19: £2,665)**. Not all members of Council have claimed expenses in the year or prior year. The amounts paid represent travel and subsistence costs incurred in attending Council, committee meetings and charity events in their official capacity. Where Council members are also employees of the Institution, expenses claimed in their capacity as an employee are not included.

## Notes to the Accounts

Year ended 31 July 2020

### 28 Events after the reporting period

In February 2021, the University finalised a revolving credit facility with Barclays Bank to provide additional liquidity available to the University up to £40 million through to February 2023, with the option of extending this facility through to February 2025. There are no changes to covenants as this agreement is consistent with existing loans.

In September 2020, the Trustee of the USS Pension Scheme (USS) launched a consultation with Universities UK on key aspects of the scheme's 2020 valuation. The scope of this exercise covers a wide range of potential outcomes - reflecting issues still to be resolved on employer support as well as uncertainties for the higher education sector and financial markets in general - but, based on the proposals put forward, the Trustees have indicated that the fund's deficit at 31 March 2020 could range from between £9.8bn and £17.9bn.

This would represent a significant deterioration from the £3.6bn deficit established under the 2018 valuation (and against which the current recovery plan is set) and a return to the levels of shortfall experienced under the previous 2017 valuation (£11.8bn).

At this stage, an outcome is far from agreed and the USS Trustee has until 30 June 2021 to conclude the valuation. As an early indication of the scale of impact though, it has been estimated that the cost of continuing to offer current benefits in this context could reach between 40.8% to 67.9% of payroll. However, this range is purely an illustration and is before any other measures are considered to reduce the deficit and is still being widely debated across the sector and by the Trustee of the scheme. For the 2019-20 financial year, this is considered a non-adjusting event.

As disclosed in note 13 non-current investments, the Group has entered into a 50 year agreement with a consortium including Equitix (an investment company) and Engie (a constructor). The consortium will design, build, fund, manage and operate new residences built on the Freeman's Common site. Building work commenced in September 2019 and will take three years to complete.

The residences will become available in two phases, being September 2021 and September 2022 and the University has committed to nominate all rooms reported as available by the consortium for two years from September 2021. The University will receive formal notification from the consortium of the number of rooms available to nominate on 31 July 2021, at which date the University will be in a position to reliably estimate its commitment over this period going forward. There are no nomination guarantees included in the agreement subsequent to the initial two years to September 2023.

## Notes to the Accounts

Year ended 31 July 2020

### 29 Pension schemes

Different categories of staff are eligible to join one of the following schemes:

- Universities Superannuation Scheme (USS)
- The University of Leicester Stakeholder Scheme
- The College Court Stakeholder Scheme
- The Leicester Services Partnership Stakeholder Scheme
- National Health Service Pension Scheme (NHS)

The USS has two sections which work alongside each other: the Retirement Income Builder which is a defined benefit section where benefits are based on length of service and salary up to a threshold; and the Investment Builder a defined contribution section for earnings above the salary threshold and any additional contributions members choose to make.

The three stakeholder schemes are defined contribution schemes.

The NHS scheme is a defined benefit scheme.

The Institution also continues to administer two previous pension schemes: the University of Leicester Pension and Assurance Scheme (PAS), a defined benefit scheme, and the Federated Superannuation System for Universities (FSSU), a defined contribution scheme. Both schemes are now closed to new entrants.

The amounts charged/(credited) to staff costs in respect of the schemes is as follows:

	Year ended Friday 31 July 2020 £'000	Year ended Wednesday 31 July 2019 £'000
Universities Superannuation Scheme	20,274	19,475
University of Leicester Stakeholder Scheme	1,454	1,462
University of Leicester Pension and Assurance Scheme (PAS)	(490)	400
NHS Pension Scheme	1,095	1,197
College Court Stakeholder Scheme	32	32
Leicester Services Partnership Stakeholder Scheme	119	114
	<b>22,484</b>	<b>22,680</b>

#### (i) The Universities Superannuation Scheme

As at 31 July 2020 there are **2,251 (2018-19: 2,310)** active members of USS. Deficit recovery contributions due within one year for the Institution are **£2,022,857 (2018-19: £1,759,627)**. The latest available complete actuarial valuation of the Retirement Income Builder is at 31 March 2018 (the valuation date), which was carried out using the projected unit method. A valuation as at 31 March 2020 is underway but not yet complete. Since the Institution cannot identify its share of USS Retirement Income Builder (defined benefit) assets and liabilities, the following disclosures reflect those relevant for those assets and liabilities as a whole.

The 2018 valuation was the fifth valuation for the scheme under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £63.7 billion and the value of the scheme's technical provisions was £67.3 billion indicating a shortfall of £3.6 billion and a funding ratio of 95%.

## Notes to the Accounts

Year ended 31 July 2020

### 29 Pension schemes (continued)

The key financial assumptions used in the 2018 valuation are described below. More detail is set out in the Statement of Funding Principles.

Discount rate (forward rates)	Years 1-10: CPI - 0.14% reducing linearly to CPI - 0.73% Years 11-20: CPI + 2.52% reducing linearly to CPI + 1.55% by year 21 Years 21 +: CPI + 1.55%
Pension increase	Term dependent rates in line with the difference between the Fixed Interest and Index Linked yield curves, less 1.3% p.a.

The main demographic assumption used relates to the mortality assumptions. These assumptions are based on analysis of the scheme's experience carried out as part of the 2018 actuarial valuation. The mortality assumptions used in these figures are as follows:

	<b>2018 valuation - Pre retirement</b>
Mortality base table	71% of AMCO0 (duration 0) for males and 112% of AFCOO (duration 0) for females.
	<b>Post retirement</b>
	97.6% of SAPS S1NMA "light" for males and 102.7% of RFV00 for females
Future improvements to mortality	CMI_2017 with a smoothing parameter of 8.5 and a long term improvement rate of 1.8% pa for males and 1.6% pa for females.

#### The current life expectancies on retirement at age 65 are:

	2018 valuation	2017 valuation
Males currently aged 65 (years)	24.4	24.6
Females currently aged 65 (years)	25.9	26.1
Males currently aged 45 (years)	26.3	26.6
Females currently aged 45 (years)	27.7	27.9

A new deficit recovery plan was put in place as part of the 2018 valuation, which requires payment of 2% of salaries over the period 1 October 2019 to 30 September 2021 at which point the rate will increase to 6%. The 2020 deficit recovery liability reflects this plan. The liability figures have been produced using the following assumptions:

	2020 %	2020 %
Discount rate	0.73	1.58
Pensionable salary growth	0.0 to 1.5	2.0 to 2.2

## Notes to the Accounts

Year ended 31 July 2020

### 29 Pension schemes (continued)

#### (ii) University of Leicester Pension and Assurance Scheme (PAS)

The PAS is a defined benefit scheme and a registered pension scheme for tax purposes (reference number 100222535).

The scheme closed to new members in July 2003 and then on 31 March 2016 to future benefit accrual. The scheme was contracted out of the State Second Pension Scheme until its closure. Active members of the scheme at the closure date were enrolled into The University of Leicester Stakeholder Plan or, if eligible, the Universities Superannuation Scheme (USS). As at 31 July 2020, there are 934 (2018-19: 987) deferred members of the scheme.

The Trustees of the scheme have the responsibility for its management. The scheme administrators are Aon who also act as consultant and actuary to the scheme. The last actuarial valuation was held on 31 July 2019 and this reported a past service deficit of £57.5 million, which represented a funding ratio of 73%. A recovery plan has been agreed with the Institution which provides for repayment of this deficit by 28 February 2030. The next actuarial valuation is due on 31 July 2022.

A one-off past service cost adjustment of £0.5m has been recognised in the year in respect of a pension increase exchange exercise within the scheme.

#### Assumptions

The financial assumptions used to calculate scheme liabilities under FRS 102 are:

	At 31 July 2020 %pa	At 31 July 2019 %pa
Discount rate for scheme liabilities	1.40	2.10
Price inflation (RPI)	2.90	3.20
Price inflation (CPI)	2.05	2.20
Rate of increase in salaries	0.00, 0.00 and then 1.5 thereafter	2.00, 2.00, 2.00, 2.00 and 2.20 thereafter
<b>Pension increases</b>	<b>%pa</b>	<b>%pa</b>
Pre 06.04.1988 GMP	0.00	0.00
Post 05.04.1988 GMP	1.90	2.00
Pre 06.04.1997 Non-GMPs	2.85	3.05
Post 05.04.1997	2.85	3.05
Post 01.08.2012	2.10	2.20

#### Demographic assumptions

The main demographic assumption used relates to mortality assumptions. Mortality in retirement is assumed to be in line with the Continuous Mortality Investigations (CMI) tables. The table below shows the life expectancy assumptions used in the accounting assessments based on the life expectancy of male and female members at age 65.

	Male (currently aged 65)	Male (currently aged 45)	Female (currently aged 65)	Female (currently aged 45)	Female (currently employed deferred member aged 45)
At 31 July 2019 (S2PXA)	20.7	22.1	23.2	24.4	23.7
At 31 July 2020 (S3PMA/S3PFA)	20.8	22.1	23.1	24.3	24.3

## Notes to the Accounts

Year ended 31 July 2020

### 29 Pension schemes (continued)

	31 July 2020 £'000	Fair value as at 31 July 2019 £'000
<b>Scheme assets</b>		
Equities	38,558	52,398
Bonds	83,978	49,047
Gifts	-	11,281
Property	9,360	5,523
Diversified growth funds	31,084	31,084
Cash	859	4,072
Other	-	4,879
<b>Total</b>	<b>163,839</b>	<b>158,284</b>

None of the Scheme assets are invested in the Institution's financial instruments or in property occupied by, or other assets used by, the Institution.

#### Analysis of the amount shown in the balance sheet for PAS:

	31 July 2020 £'000	31 July 2019 £'000
Scheme assets	163,839	158,284
Scheme liabilities	(237,818)	(219,302)
Deficit in the scheme – net pension liability recorded within pensions provision (note 18)	<b>(73,979)</b>	<b>(61,018)</b>

#### Analysis of the amount charged to expenditure for PAS:

	31 July 2020 £'000	31 July 2019 £'000
Current service cost	-	-
Past service cost	(490)	400
Admin expenses	791	799
<b>Total operating charge</b>	<b>301</b>	<b>1,199</b>

#### Analysis of the amount charged to interest payable for PAS:

Interest on net defined benefit liability	1,239	1,303
<b>Total operating charge</b>	<b>1,540</b>	<b>2,502</b>

#### Analysis of other comprehensive income for PAS:

Gain on assets	5,944	9,248
Experience loss on liabilities	(21,463)	(21,453)
<b>Total other comprehensive income</b>	<b>(15,519)</b>	<b>(12,205)</b>

## Notes to the Accounts

Year ended 31 July 2020

### 29 Pension schemes (continued)

	Year to 31 July 2020 £'000	Year to 31 July 2019 £'000
<b>Changes in value of defined benefit obligation</b>		
Present value of PAS liabilities at the start of the year	219,302	198,460
Past service cost	(490)	400
Interest expense on defined benefit obligation	4,532	5,274
Actuarial loss	21,463	21,453
Actual benefit payments	(6,989)	(6,285)
<b>Present value of PAS liabilities at the end of the year</b>	<b>237,818</b>	<b>219,302</b>
<b>Analysis of movement in the fair value of scheme assets</b>		
<b>Fair value of assets at the start of the year</b>	<b>158,284</b>	<b>148,338</b>
Interest income on assets	3,293	3,971
Gain on assets	5,944	9,248
Actual contributions paid by Institution	4,098	3,811
Actual benefit payments	(6,989)	(6,285)
Admin costs incurred	(791)	(799)
<b>Fair value of scheme assets at the end of the year</b>	<b>163,839</b>	<b>158,284</b>
<b>Actual return on scheme assets</b>		
Interest income on scheme assets	3,293	3,971
Gain on scheme assets	5,944	9,248
<b>Fair value of scheme assets at the end of the year</b>	<b>9,237</b>	<b>13,219</b>

## Notes to the Accounts

Year ended 31 July 2020

### 29 Pension Schemes (continued)

#### (iii) NHS Pension Scheme

The NHS Pension Scheme is a multi-employer defined benefit scheme that is treated as a defined contribution scheme as it is not possible to identify the Institution's share of the underlying assets and liabilities. As at 31 July 2020, the Institution has 105 (2018-19: 103) employees who are members of the Scheme.

The Institution allows continued membership of the Scheme for new employees who are already members of the Scheme. Employees contribute between 5% and 14.5% of pensionable earnings to the scheme, whilst the Institution contributes a standard 20.68% including an 0.08% scheme administration levy (2018-19: 20.68%) of the employees' pensionable earnings. The employee % rate is based on their earnings in a year.

#### (iv) The University of Leicester Stakeholder Scheme

##### The College Court Stakeholder Scheme

##### The Leicester Services Partnership Scheme

All three Schemes are defined contribution pension schemes offered through and administered by Aviva. They are open to the Institution's support staff in salary grade level 5 and below, all employees of the Institution's trading subsidiaries and are also available to casual workers.

As at 31 July 2020, each scheme had active members as follows:

	2020 No.	2019 No.
The University of Leicester Stakeholder Scheme	1,235	1,273
The College Court Stakeholder Scheme	30	31
The Leicester Services Partnership Scheme	87	99



## Notes to the Accounts

Year ended 31 July 2020

### 29 Pension Schemes (continued)

Each scheme employer contributes to the scheme in proportion to that of member contribution rate as a percentage of pensionable pay, according to the table below.

	Employee's contribution	Employer's contribution
Tier 1	3%	5%
Tier 2	4%	7%
Tier 3	5%	9%
Tier 4	6%	11%
	7% or more	11%

The scheme(s) operate a salary sacrifice arrangement for pension deductions.

As of 1 January 2016, all new scheme members are enrolled in the Aviva My Future Fund default investment fund, whilst prior to this date the default invest fund was the Baillie Gifford Managed Fund. The Aviva default investment fund incorporates a lifestyle strategy which changes the mix of default investments as the member nears their chosen retirement age from growth investments to lower risk funds.

The Aviva My Future Fund carries a management charge of 0.43% (2018-19: 0.43%) of fund value. The Baillie Gifford Managed Fund management charge is 0.66% (2018-19: 0.66%) of fund value.

The Institution maintains an Advisory Group, which has employee representation, and supports the governance of the scheme(s) and provides advice on the scheme(s) to the Institution's Finance Committee. The scheme(s) retains Isio, formerly KPMG LLP, as independent pensions' advisors.



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