UNIVERSITY OF LIVERPOOL

THE ORIGINAL RED BRICK

REVIEW OF THE YEAR AND FINANCIAL STATEMENTS 2020–21

Contents

THE COUNCIL OF THE UNIVERSITY

The key committees of the Council are:

1. **Audit Committee**
2. **Finance & Resources Committee**
3. **Nominations Committee**
4. **Remuneration Committee**

Names	Membership of key committees
Ex Officio Members	
The Vice-Chancellor	
Professor Dame Janet Beer, BA, MA, PhD	2, 3
The Senior Professional Services Representative with Responsibility for People and Infrastructure*	2
Dr Carol Costello, MA, EdD, FCIPD	
Two of the Pro-Vice-Chancellors	
Professor Gavin Brown, BSc, PhD	2
Professor Anthony Hollander, BSc, PhD	2
The President of the Guild of Students	
Mr Adnan Hussain, BA (until 31 July 2021)	3
Mr Bertie Woodcock, BA (from 1 August 2021)	3
Twelve Lay Members (including the President and Vice-President) appointed by the Council	
Ms Cilla Ankrah-Lucas, CQSW	
Mrs Carmel Booth, BA, FCA (President)	2, 3, 4
Ms Fiona Cullen, BA (from 9 November 2020)	
Mr Ed Fishwick, BA	2 (from 24 November 2020)
Dr Kashmir Gill, PEng, PhD (from 9 November 2020)	
Ms Vanessa Griffiths, MA (from 9 November 2020)	1 (from 24 November 2020)
Dr Paul Johnson, BSc, PhD (Vice-President)	2, 3, 4
Mrs Helen Miller, BA, CIPD	2, 3 (from 24 November 2020), 4
Mr Norman Molyneux, MA, FCMA	2, 3
Dr Roger Platt, BSc, PhD, MA, PhD	1, 4 (from 24 November 2020)
Mr Hans van Mourik Broekman, MA	
Dr Diana Walford, CBE, MA, MD, BSc, MSc, FRCP, FRCPath, FFPH	1
Three members of the Senate, two appointed by the Council on the recommendation of the Nominations Committee and one elected from and by Senate's elected membership	
Professor Julia Balogun, BSc, PhD, MBA	3
Professor Hazel Scott, MBChB, MD, FRCP, PFHEA	
Professor Thomas Teubner, Dr. rer. nat. (from 18 September 2020)	
One member of the Professional Services staff appointed by the Council on the recommendation of the Nominations Committee	
Mr Kieran O'Sullivan, BA	
Clerk to Council	
Mr Kevan Ryan, BA, CPE, LPC	

Council members are the University's Charitable Trustees.
**This amendment to Council's constitution is subject to Privy Council approval.*

HIGHLIGHTS OF THE YEAR


Our Department of Music launched an MA in The Beatles: Music Industry and Heritage - the only qualification of its kind in the world.


A new spin out company - Robotiz3d Ltd – was formed to take forward new technology that has the potential to radically transform road maintenance by taking the pain out of potholes.


We joined the COP26 Universities Network, to strengthen access to research, evidence and academic expertise ahead of the UN COP26 Climate Summit in November 2021.

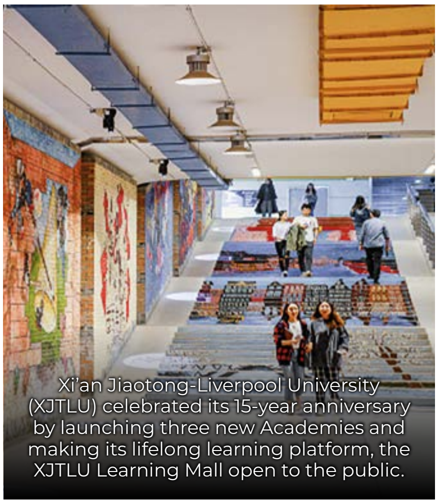

Our researchers continued to be at the forefront of tackling the COVID-19 pandemic, from assessing vaccine safety, to evaluating Liverpool's mass testing pilot and informing how live, large-scale events could resume safely.

The Pandemic Institute, committed to helping the world prevent, prepare, and respond more effectively to pandemics, was launched by the University and partners from the city region.

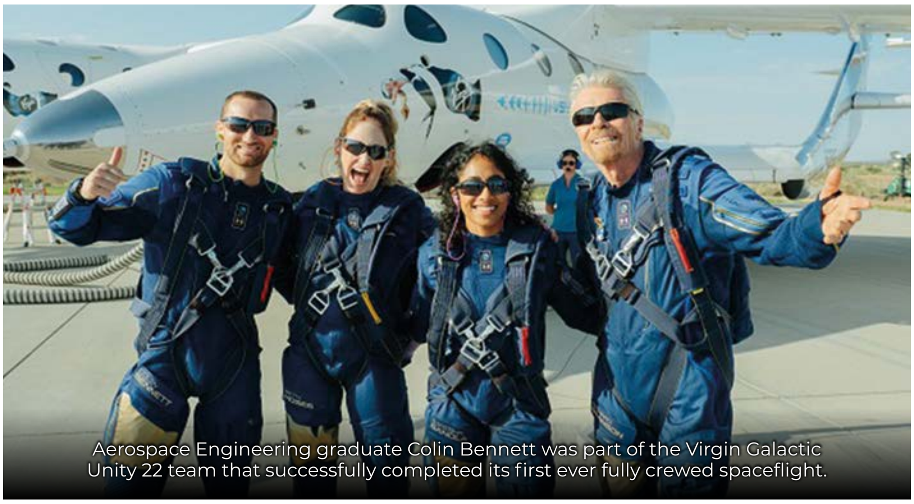

More than 500 students from our School of Medicine volunteered to support the national COVID-19 vaccine roll out across the city region.

Our fourth Liverpool Literary Festival went online for 2020, live-streaming an exciting collection of established writers and emerging talents.

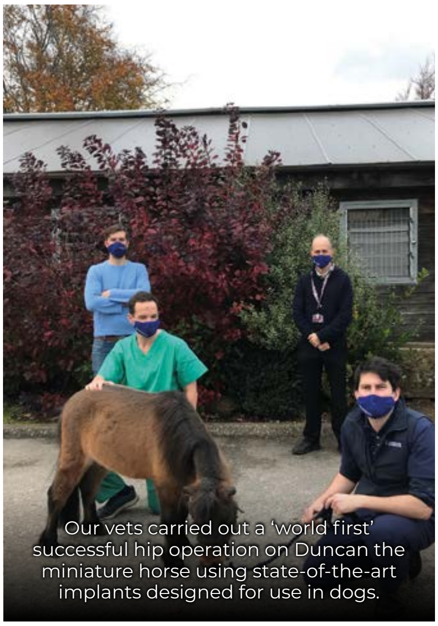
Liverpool Football Club striker Divock Origi launched a new scholarship benefiting two local undergraduate students studying at the University from September 2021.



Xi'an Jiaotong-Liverpool University (XJTLU) celebrated its 15-year anniversary by launching three new Academies and making its lifelong learning platform, the XJTLU Learning Mall open to the public.



Aerospace Engineering graduate Colin Bennett was part of the Virgin Galactic Unity 22 team that successfully completed its first ever fully crewed spaceflight.



Our vets carried out a 'world first' successful hip operation on Duncan the miniature horse using state-of-the-art implants designed for use in dogs.

We attained top 20% positioning for Working with Business, Research Partnerships and Public and Community Engagement as part of the first Knowledge Exchange Framework (KEF).

Four Liverpool researchers were awarded Queen's Honours for services to their respective fields. Professor Tom Solomon was honoured with a CBE, Professors Calum Semple and William Hope were awarded OBEs and Professor Laurence Alison received an MBE.

FOREWORD

When I introduced this annual report last year, I wrote that 2019-20 had been an academic year like no other. It has become clear, since, just how little any of us knew then about the sustained social, economic and wider impact of the COVID-19 pandemic, locally, nationally and internationally. Responding to the pandemic and continuing to ensure that our students receive an outstanding educational experience - despite the obstacles the pandemic has placed in our path - remains our primary focus and the mission which unites us. While it would be a glaring omission not to mention both the devastation and the divisive impact of COVID-19, our collective response to the pandemic continues to show us the best of human spirit, too. I am incredibly proud of the many ways in which our University community has continued to respond in 2020-21 - from healthcare students and clinical researchers volunteering to help treat patients and as part of the vaccination efforts, to researchers working tirelessly to find drugs, sequence genomes, analyse data, and much more, in order to help control the virus and inform public policy.

We continued to build on our civic partnership response to COVID-19, as Liverpool pioneered innovative approaches including a whole city community testing pilot which cut transmission rates by a fifth. The city also hosted large-scale pilot events on behalf of the government that provided evidence of how to safely reopen important sectors of the economy – developing Liverpool's reputation as a leader in pandemic management and resilience. All the more reason for Liverpool to become home to the new Pandemic Institute, an initiative committed to helping the world prevent, prepare, and respond more effectively to future pandemics. Launched in September 2021 with the University's Professor Matthew Baylis as its Director, the Pandemic Institute is a medical, academic and civic partnership between the University, Liverpool John Moores University, Liverpool School of Tropical Medicine, Liverpool University Teaching Hospital NHS Foundation Trust, Liverpool City Council, Liverpool City Region Combined Authority and Knowledge Quarter Liverpool. This impressive list of partners, collectively, has an unrivalled breadth of world-leading clinical, academic, public health and data-driven expertise, all co-located on one campus. The Institute will have significant global reach with collaborations and hubs located across the world.

It wasn't only in the area of health that we found new ways of working in partnership this year, as the University's Pro-Vice-Chancellor for Cultural Engagement, Professor Dinah Birch, has been leading work with the City Council on building a resource of apps, activities, resources and virtual events to extend and make more inclusive our cultural offer and, hopefully, permanently transform the reach of our work, helping people to stay connected through challenging times when arts and culture seem out of reach but are more vital than ever as a presence in our lives. We have seen the coming to fruition of the new Yoko Ono Lennon Centre, a home for Ensemble 10/10, the Royal Liverpool Philharmonic Orchestra's contemporary music group, as well as our Music students, following stellar fund-raising efforts by our colleagues in the Development and Alumni Relations team. On matters Lennon, we celebrated 30 years of the John Lennon Memorial Scholarship, a fund which has enabled hundreds of Merseyside students to pursue postgraduate study. We were also extremely proud to welcome a new donor in Liverpool Football Club's Divock Origi, whose generosity will enable Liverpool students to study at the University on full scholarships.

Over the last twelve months we have seen, despite the constraints on our working lives, many steps forward on the most pressing and urgent issues of our age. We have continued to make progress in tackling racial harassment and building a more inclusive campus for all students and staff. As part of this ongoing work we announced a new partnership with the Anthony Walker Foundation. We launched a new strategy for a sustainable University with three broad aims - to achieve net zero carbon by 2035, reduce our waste by 50% by 2025 and for every student to undertake a sustainability-related module, extra-curricular activity, or learning as part of their programme. We committed, in partnership with the Guild of Students, to work toward the UN Sustainable Development Goals (SDGs) and reconfirmed our commitment to equipping our students to make a real difference in the world in launching the Student Success Framework to support their academic, personal and future success.

Research awards for 2020-21 were £146.0m, an increase of £12.9m or 10% compared with the previous year (itself an increase of c30% on the previous 3-year average). These results are very positive in the context of the wider pressures of COVID-19 on research activity, alongside the significant additional demands in 2020-21 for our REF submission.

In the very early days of this worldwide global emergency, the sense of common purpose and urgency drove us all forward toward shared goals of managing and mitigating the worst effects of the pandemic. The larger context in which we work as a University will change over time, as it always has, but I do not believe that any of us will ever be quite the same again, after this shared experience. This might mean that our attitudes to work and home life – so blurred during the lockdowns – undergo a real transformation. One of the obvious changes that has come out of the pandemic for many of us has been the very positive move to flexible and hybrid working.

And, finally, what will always endure for us, this year and beyond, is our over-arching sense of purpose to serve our communities – our students, our city and city region, our wide range of stakeholders, including those who benefit from our research – and this is the unique privilege of working in a University such as Liverpool.

Professor Dame Janet Beer
Vice-Chancellor

FINANCIAL HIGHLIGHTS

Overall turnover

£597.6m

Total income increased by £21.1m (3.7%) to £597.6m. Although income was impacted by the pandemic, this increase is due in the main to a £17.4m or 18.3% growth in research income.

Operating surplus

£25.8m

Operating surplus* of £25.8m is a 4.3% margin, a very positive result given the impact of the pandemic. Although income is up £21.1m, last year's results included a USS pension credit of £60.1m, which has resulted in the overall drop in reported operating surplus year on year.

Tuition fee income

£304.4m

Tuition fee income reduced by £12.9m (4.1%) to £304.4m. Overall student numbers are down 4.4% compared to last year. Strong demand from home students following changes to A level results (up 4.0%) was offset by a reduction in overseas students of 23.6% due to the pandemic.

Research grants and contracts

£112.5m

Research grants and contracts income increased by £17.4m (18.3%) to £112.5m. This is a very positive result and is linked to significant increases in awards over the last two years, along with additional research activity in relation to COVID-19. £5m government grant funding was received relating to the new Digital Innovation Facility, which was completed in May 2021.

Staff investment

£330.4m

Staff costs increased by £60.7m (22.5%) to £330.4m. This is impacted by the significant reduction in the USS pension provision (non-cash) last year, and includes £2.5m compensation payments (prior year: £6.4m). Excluding these amounts, staff costs are down c£2.4m year on year.

Cash generation

£97.1m

Operating cash inflow of £97.1m is strong at 16.2% of total income. The year on year increase of **£43.0m** is largely due to delays in capital spend due to the pandemic, and working capital movements in the year.

*Operating surplus is defined as surplus before other gains losses and share of operating surplus of joint ventures and associates.

STRATEGY 2026

A global strategy for advancement of learning and ennoblement of life.

By 2026, 145 years after its inception, the University of Liverpool will be a truly global institution – in its outlook, influence, impact, student body, networks and activity.

We will be at the forefront of research, scholarship and knowledge leadership and will be among the top 20 UK universities in the world rankings.

We will, by working in partnership locally and globally, address the UN Sustainable Development Goals, harnessing our strengths in research and education to tackle these serious challenges.

We will have built upon our strengths to become world leaders in research and impact activities, with more highly ranked research disciplines and leaders than ever before carrying out research that genuinely changes lives for the better.

We will continue to attract students from diverse backgrounds and will be highly employable global citizens. We will encourage all students to take up the exceptional opportunities for study and work-based and placement learning that Liverpool offers, and the University will rank in the top 20 in the UK for International Outlook.

In addition, Liverpool will be recognised as being an exceptionally well-run University and will sit within the upper quartile overall in the UK in terms of Research Performance, Student Satisfaction and Graduate Prospects.

Strategy 2026 is underpinned by three sub-strategies: research and impact; education; and professional services. These supporting strategies are built upon our core values and ethics and include the following priorities:

- **Global Knowledge Leadership:** increase the proportion of highly ranked research disciplines and leaders, and increase the proportion of research leading to tangible public benefit
- **Graduate Prospects:** support social mobility and make our graduates more employable and able to create and leverage social and economic capital
- **Educational Experience:** promote a transformative learning and teaching agenda and be the sector leader in the provision of professionally focused online programmes
- **Business Excellence:** lead the sector in our approach to managing the University and supporting its activities
- **Partnerships:** extend our global reach and performance, through national and international developments and collaborations
- **National and International Profile:** enhance the reputation and brand of our University and the City of Liverpool with key stakeholders through our international reach, increased profile and world leading activities.

For each of the supporting strategies the University has agreed a set of key performance indicators that are aligned to our strategic risks; these are monitored regularly by the senior management team and governance committees.

EDUCATION

The vision of our Education Strategy is to support our students as they become creative and culturally rich graduates, with the capacity to find employment that will enable them to be agents for change in a connected world.

Impact of COVID-19 on Education and the University of Liverpool Response

Throughout this academic year COVID-19 has continued to impact upon the whole University community. The majority of students have experienced significant periods of online study in order to comply with government restrictions and minimise risk to their health and safety. Academic colleagues have continued to respond to the challenge of providing online teaching and an engaging student experience to a group of geographically dispersed students.

Examples of the types of interventions we introduced to support our students include:

- Implementing a tiered approach to our meet and greet services for international students. Also providing an in person welfare check ensuring students were aware of the support offered by the University while they were quarantining
- Ensuring accessibility to library resources whilst the buildings were closed through the implementation of a click and collect service for those who lived locally. For those further away we introduced a Book and Copy Delivery Service free of charge for staff and students of the University. In addition, we committed to ordering new items or new copies of existing items in the collection in a digital format if available
- The Library's KnowHow team worked quickly to move their academic support sessions online to ensure that students could still access academic support
- Student Advocates have been working with the Liverpool Scholars, Realising Opportunities and other mentoring groups to support students academically in their subjects - many of whom have had their studies disrupted.

Key progress towards the Strategy this year

Teaching Excellence

Teaching excellence remains a key priority for the University for the benefit of all students. The Education Action Plan ensures that the focus remains on continuing improvement with a number of priority areas established to deliver the priorities of the Education Strategy.

NSS

The University has received a student satisfaction score of 79% in the 2021 National Student Survey, placing us 3% above the sector average and seventh in the Russell Group. The University is in the top quartile for the Overall Satisfaction.

Scores in ten subject areas were well above the sector average, including Mechanical Engineering, Nursing and Music. We are also 2% above the sector average for the Teaching on my Course.

Student Success

The Student Success Framework was approved which recognises the multitude of experiences which contribute to student success at this University and builds upon existing strategies including the Access and Participation Plan, Education Strategy, and broader University Strategy.

The Framework sets out our definition of success in relation to three key aspects:

Academic: that all students have the chance to have an educational experience which enables them to achieve their full potential

Personal: that all students experience a welcoming and supportive environment which prioritises well-being and belonging.

Future: that all students have the opportunity to build their intellectual, social and cultural capital for the future.

Each strand of the Framework has a Board which has four primary functions, namely to:

- Define key targets in relation to strand objectives
- Monitor progress through the evaluation of projects and performance against defined key targets
- Support University, Faculty, School, and Departmental activity in order to maximise the cumulative impact on key performance measures
- Coordinate activity taking place at School, Faculty, and Institution level where doing so is beneficial for students.

Supporting Student Mental Health and Wellbeing

Supporting the mental health and wellbeing of our students is a key priority in the University's Strategy 2026 and demand for mental health and wellbeing services has grown over the past decade.

The University committed significant and additional resources to services such as the Mental Health Advisory Services, Wellbeing Advisors, Disability Advice and Guidance and Counselling Services. For many of our students the pandemic has proved to be a challenging and difficult time. Teams across the University continued to adapt, pioneering new delivery models to ensure students could access support services, despite being under considerable pressure. Modified application processes for the Hardship Fund and for extenuating circumstances were implemented, and support for the provision of IT and equipment and connectivity was put in place.

Student Experience

The University implemented the 'First 100 days' project in recognition of how crucial the first 100 days are in defining a student's individual university experience. Through collecting data and insights from our students we were able to listen, learn and take action, implementing a range of initiatives such as:

- Putting together a timeline of activity that students should aim to engage with within their first 100 days
- More focus on activity that support students' mental health through peer to peer support initiatives such as Virtual Flatmates
- Pilot PAL programme started with Law, ULMS, Geography and Environmental Planning and Physics
- Peer Mentors supporting Student Welfare Advice and Guidance (SWAG), Library, Careers and Employability, via social media and bespoke sessions
- Introduction of Discover Week, taking place the week before Welcome Week offering a bespoke programme for commuter students, mature students and disabled students, helping them transition into University life. (Both virtual and physical activity).

The Welcome Week app has undergone a full redesign to act as a year-round support app for students, now linking to other resources.

The data and insights gathered from the 100 Days and Student Life surveys will also inform many future projects such as Welcome and beyond.

Supporting Staff to Deliver Excellent Teaching

This year our annual University of Liverpool Learning and Teaching Conference was held entirely online, hosted by The Centre for Innovation in Education (CIE) and The Academy. The theme for this year's conference was 'Reflect, Revise and Reimagine' and Virna Rossi facilitated the keynote looking at how inclusive Learning Design was important pre-COVID-19, but how it is now become imperative. Attendees considered how to embed wellbeing within curriculum design and collaborated with fellow attendees to design specific learning and teaching activities.

Employability and Opportunity

Employability is an important focus of the University's Education Strategy. Following the Employability Change Programme, the amount of curricular employability activity continues to rise steeply – over 500 curricular activities took place last year compared to 360 last year. This year has seen the launch of three major funded employability projects: LCR Grad Scheme – which aims to develop a graduate scheme for the Liverpool City Region creating over 120 new graduate-level jobs; LCR Founders – an enterprise programme which will create 40 new start-ups and the University's contribution to the national Kickstart programme which sees the creation of 60 six month internship opportunities for 16-24 year olds on campus. The student-led Career Studio goes from strength to strength with a new 'virtual studio' offer that runs alongside the physical drop in enabling even more students to access careers support from the Career Coaches.

Unlock Your Potential (UP) Programme

The mission of UP is to support students from target groups to achieve future success, recognising that some students can be at a disadvantage to others when it comes to accessing opportunities. UP aligns with APP priorities and is open to (UK/EU UG) BAME, disabled, mature, LGBTQ+, POLAR 4 Q1 and commuter students, those with disrupted education (including care experience, young carers, estranged, and asylum seekers/refugees), Liverpool Scholars and recipients of University of Liverpool bursaries. The programme helps students to develop key attributes such as confidence (the Career Confidence for Women programme) and digital skills (the Digital Accelerator Programme) to develop and expand their networks, and provides access to financial support through the £22k Employability Support Award, which can be used for a variety of things including interview expenses, accessing work experience and buying equipment. We also emphasise the importance of having a mentor and promote a range of mentoring programmes. Through Handshake, students can view UP-labelled vacancies and experiences that are ring-fenced to them (eg. Mindless Academy internships, Employer Connect). In 2021-22 we are focusing on disabled students as a key group (with Employ Autism, My Plus and Blind in Business amongst many other opportunities), and bringing in the student voice through work with the Afro-Caribbean and Mature Student Societies amongst others. Social equality is a major focus of UP and we are working with the 93% Club Liverpool to promote social mobility. Examples of high-impact activities at Faculty level include: NHS Skills for Life Sciences, BAME Enterprise for Life Sciences, Law UP, ULMS Digital Skills and embedded EDI modules in Science and Engineering. We work with external organisations such as UpReach and Disability Connect to enhance employability for specific cohorts. In 2020-21, 900 students registered for UP via Handshake, with many more eligible students accessing UP programmes. UP re-launched in October 2021 with a comms campaign, encouraging students to register and allowing us to continue to monitor data for all UP-registered students. The comms relaunch was followed by a launch event in November and a year-long skills-development programme.

The University of Liverpool Maths School

Engagement and Partnerships

The University has committed to developing and deepening those principles and practices even further in future by creating a Civic University Agreement with key city regional organisations.

University of Liverpool Maths School

The University of Liverpool Maths School had a very successful first year in spite of the difficult winter lockdown period. 30 students made up our first Year 12 in September 2020 and a further 36 joined in September 2021. Students are highly engaged and motivated, enjoying a curriculum which includes academic input and careers advice from visiting lecturers from several departments in the University of Liverpool as well as other universities and employers in addition to A-Levels in Mathematics, Further Mathematics, Physics and Computer Science. The Sir Alastair Pilkington Building is proving to be excellent temporary accommodation, with sufficient room for students to have their own personal study spaces as well as plenty of teaching space. Students in Year 13 are all planning to apply for STEM degree courses, primarily in Russell Group universities.

The school has received three significant donations from philanthropists keen to support the school's social mobility aims, and has continued its outreach work through weekly online courses and an online summer school. Face to face activities are planned for the coming academic year. Just under one third of the school's students are female and several come to us from local schools that struggle to recruit science and mathematics teachers and from families with no prior history of higher education.

Xi'an Jiaotong-Liverpool University (XJTLU)

XJTLU continues to grow, now with nearly 20,000 students, with an increase in postgraduate programmes, including 350 on University of Liverpool PhD programmes. New Academies have been established in Future Education and Pharmacology, and a new campus at Taicang is under construction. Travel restrictions and risks have led to an increase in applications from students who would otherwise have studied abroad.

The numbers choosing the Liverpool 2+2 option were lower than usual, inevitable given the impact of the pandemic on travel, and the higher numbers of COVID-19 cases in the UK at the time of application. Compared to previous intakes just under 60% or 900 new students registered, with around half arriving on charter flights in the autumn of 2020, while others studied online throughout the year. Outcomes remain impressive with around 80% progressing to a world top-100 University for master's level study. Continuing challenges of the pandemic include a lack of student and staff mobility continuing into the 2021/22 year.

Liverpool Online

With our new partner, Kaplan Open Learning, we have committed to launch an exciting new portfolio of more than 20 online master's programmes by October 2022. We offer a genuinely global classroom experience that encourages high levels of engagement between students and with our international faculty. Our programmes are delivered on a part-time, flexible basis and allow students to study 24/7 from anywhere in the world.

In the year ahead we will continue to raise our profile as a world leader in online education, combining the University's innovative pedagogy with Kaplan's sector leading digital capabilities. We are also seeking to enrich the educational experience and global outlook of our students through strengthening links between our online and on campus learning environments.

Sustainability

The University of Liverpool is committed to addressing the global challenges facing society and the environment today, by improving health and education, reducing inequality, ensuring economic sustainability, protecting our shared environment and its biodiversity and tackling climate change. Central to this commitment is the education of our students; to equip graduates with the knowledge, skills, values and attitudes required to address these interconnected global challenges.

The Education for Sustainable Development (ESD) Working Group is built around the interests, needs and ambitions of our students. The group aims to initiate, coordinate and support activities to educate and enable our graduates to make their own contribution to a sustainable future. The group supports the development learning experiences targeting the required graduate knowledge, understanding, skills and attitudes. One such development was the co-creation with students during the pandemic of the Sustainability in Action online module, which won the 2021 Association of Graduate Careers Advisors Sustainability Impact Award. The Working Group also provides opportunities for students to initiate their own sustainable development projects and initiatives; or to join existing activities internally, locally, nationally, and internationally.

RESEARCH AND IMPACT

Our Research and Impact vision is to be world-leading in specific research areas and globally recognised in all our research and impact activities.

The University focused on the following key priorities for research and impact activity during 2020-21:

- Complete successful REF submission
- Contributing local and global solutions to the pandemic through world leading research
- Developing researcher staff through our 'Cradle to Chair' approach
- Large grant successes.

Highlights

REF 2021

The University's Research Excellence Framework (REF) 2021 return was submitted to Research England in March 2021. The REF is a periodic peer review of research and impact carried out at UK Higher Education Institutions with expert panels at national level appointed to review research in three distinct categories: Outputs, Impact and Environment.

Our REF 2021 submission had been in development in earnest since 2017 and the final submission encompassed:

- 1,281 research staff returned across 23 Units (100% of eligible staff)
- Early career researchers accounted for 20% of staff returned
- The research of 57 former staff members were also returned across 17 Units
- 2,811 outputs, incorporating a reduction of 255 outputs as a result of equality related declared individual circumstances in 14 Units
- 103 Impact Case Studies
- 23 environment statements and an institutional environment statement.

The submission is the result of the huge efforts of colleagues across the institution and the effectiveness of the process and working practices in optimising our return to this major national exercise. The results of the assessment will be published in May 2022.

Knowledge Exchange

The results of the first Knowledge Exchange Framework (KEF) have been announced, with the University of Liverpool attaining top 20% positioning for Working with Business, Research Partnerships and Public and Community Engagement.

The University was placed in Cluster V with other very large and high research intensive and broad discipline HEIs undertaking significant amounts of excellent research. In the remaining perspectives, the University was rated in the top 30% for working with the Public and Third Sector, top 40% for Local Growth and Regeneration, and top 50% for IP and Commercialisation. Our performance in Skills, Enterprise and Entrepreneurship was in line with the cluster average, and we are making further investments in Graduate Enterprise to enable all our students to contribute to the creation, survival or growth of a business.

The University has developed an exciting and ambitious Knowledge Exchange (KE) plan that sets strategic direction and objectives over the next few years.

This takes a dual approach:

- 'KE for all': inclusive KE by creating a broad base of opportunities to enable students and colleagues at all career stages to develop skills and become involved in KE
- Intensive KE through the Institutional Research Themes 'KE hotspots' by focusing activity where our distinctive research strengths attract greater clusters of talent, resources and priority partners.

The University jumped 34 places (to 31st place) in the Entrepreneurial Impact ranking that measures universities' success at turning their academic achievements into thriving companies. In the academic year 2020-21 the IP Commercialisation team secured a total of £3m of funding to support projects within its pipeline. We have plans for a further four new spinout companies in the pipeline for this academic year 2021-2022.

Responding to local and global challenges as a result of COVID-19

Since the outbreak of COVID-19, our researchers working at the forefront of innovation and discovery, are playing critical roles in local and global efforts to combat the virus and continue to strive to find solutions to the adverse effects the pandemic has had on public health, our economy and society.

- A team of experts at the University, led by Professor Iain Buchan, evaluated the national pilot of voluntary, open-access community rapid antigen testing to improve COVID-19 resilience and recovery. More than half the population took up asymptomatic testing which led to an estimated 18% increase in case detection and a 21% reduction of cases up to mid-December 2020 and showed that lateral flow tests worked as expected
- Led by Dr Raechelle D'Sa from the School of Engineering, researchers have been awarded £615k from UKRI to develop new antiviral coating for Personal Protection Equipment (PPE) to protect healthcare workers from COVID-19
- The COVID-19 CARE study, led by Professor Josie Billington from the Department of English and Dr Katia Balabanova from the Department of Communications and Media will assess the impact on mental health of restricted access to arts and culture in the Liverpool City region and track, enable and enhance the value of innovation in arts provision in mitigating associated harms
- University of Liverpool researchers are assisting with one of the 15 UK-based studies backed by £19.6 million in government funding through the National Institute for Health Research (NIHR) to better understand long COVID, improve diagnosis and find new treatments for the condition.

RISE
Research in an Inclusive and Sustainable Environment

Developing People

The Research in an Inclusive and Sustainable Environment (RISE) project is one of the responses being undertaken to address new challenges in the research environment presented by COVID-19, whilst turning a spotlight on the issues which already exist. More than 835 colleagues shared their views in the initial 'Listen' phase and several issues raised were pertinent to work already being undertaken at the University. There are also several short-term actions identified by RISE that will be implemented over the coming months, including ongoing work around flexible working and wellbeing support. Amongst the ideas to be considered for long term changes were more team-based approaches to research, new approaches to increasing BAME PGR recruitment and better use of workload model(s) to ensure equity of role distributions, plus the need to support colleagues in addressing gender imbalances in grant applications.

With £4.3m funding by the first ever Research England Development Award, Prosper is a new approach to career development that unlocks postdocs' potential to thrive in multiple career pathways. Following a competitive application process, 57 postdocs from across the three Faculties have been invited to join Prosper's first career development pilot. Participating postdocs will undertake development activities designed to enable them to explore multiple career pathways. They will gain direct access to Prosper's 40+ employer partners, as well as dedicated career coaches, to explore their skills and aspirations and how these align with the range of roles and sectors open to them.

The University continues to build on fellowship successes across all Faculties including:

- Mark Warren from the School of Health Sciences has been awarded a prestigious NIHR Doctoral Research Fellowship aiming to reduce harmful side effects of radiotherapy for lung cancer patients
- Igor Potapov, a Professor in the Department of Computer Sciences, has been awarded a prestigious Royal Society Leverhulme Trust Senior Research Fellowship.

The Fellowship, one of just seven awarded by the Royal Society in the UK, will allow Professor Potapov to devote himself to the study of reachability questions, that appear in analysis of computational devices, mathematical abstractions and evolving natural processes

- Dr Benedict Michael from the Institute of Infection, Veterinary and Ecological Sciences has been granted a prestigious Medical Research Council Clinician Scientist Fellowship to help develop his research on brain infections and inflammation.

Large research grants

This year has seen the institution engage in a number of outstanding projects and continue its strong track record for successful research grant awards. Our research award value for 2020-21 is £146m, this is a significant achievement and represents an increase of 10% on the previous year and over 30% on the previous 4-year average.

Particular highlights include:

- With £13m funding from the Natural Environment Research Council (NERC), Liverpool now co-host the NERC Environment Omics Facility, providing environmental researchers across the UK with access to innovative omics supporting technologies enabling world-leading research.
- A new collaboration between the University of Liverpool, Unilever and the University of Oxford is seeking to transform the global chemical supply chain and help the UK achieve Net Zero by 2050. The £8.8m Engineering and Physical Sciences Research Council (EPSRC) Prosperity Partnership aims to reduce the carbon footprint of consumer products such as shampoo and laundry detergent through improved chemical production. The project will develop new scientific platforms that will provide sustainable routes to the chemicals used in consumer products from waste such as carbon dioxide and other renewable feedstocks.
- Researchers from the University of Liverpool are leading a £965k project that aims to make the plastic packaging used in products such as shampoo bottles more sustainable and environmentally friendly. The aim of the project, led by Dr Tom McDonald in the Department of Chemistry, is to provide the necessary technological advancements to take forward the use of post-consumer recycled (PCR) resin, which will allow PCR to be more widely adopted in the manufacture of plastic products.
- The award of a £2m European Research Council grant has been awarded to Professor Alessandro Triosi from the University's Department of Chemistry and the Materials Innovation Factory to develop a theory of bioelectronics materials.
- With £1.5m from the National Institute for Health Research (NIHR), the University and Alder Hey Children's Hospital are set to lead a trial to improve the lives of people with cystic fibrosis. The CF STORM trial aims to address how the treatment burden for people with cystic fibrosis could be safely reduced, which has been identified as a top research priority by patients and healthcare teams
- The University is part of leading a new £7.1m consortium project funded by the UK Prevention Research Partnership (UKPRP) to investigate the impact that nature can have in helping to prevent and reduce health inequalities in urban areas. The Consortium, 'GroundsWell: Community-engaged and Data-informed Systems Transformation of Urban Green and Blue Space for Population Health' and represented by Professor Sarah Rodgers from the Department of Public Health, Policy and Systems, will explore how transforming cities with nature can reduce health inequalities, primarily around chronic and non-infectious diseases such as heart disease, diabetes, cancer and mental health.

From left to right: Hermione Webster, Mark Whitehead and Hannah Trivett, members of the COVID-19 sequencing team, based at Liverpool

Sustainable packaging research

PROFESSIONAL SERVICES

The Professional Services vision is to advance our University, and its staff and students, in support of the delivery of Strategy 2026.

Ways of working

The University of Liverpool's response to COVID-19 has presented many challenges, but has also provided an opportunity to transform the size, shape and ways in which Professional Services staff work. This has changed the accepted office-based operating model, behaviours and culture of the organisation and is being viewed as an opportunity to develop a completely new operating model, linked to the aims of Strategy 2026, supporting hybrid ways of working.

The University's Hart Building, previously the location of the Human Resources department, has undergone an extensive refurbishment in order to provide a new hybrid working space. The new layout will provide spaces for individuals as well as teams to work. The occupancy levels of the spaces and feedback from staff will help the University gain an insight into the activities that staff still value being conducted face to face.

An online Hybrid Working hub has been developed to support staff through this transition including all the important information and guidance they will need to transition to this new way of working. The University has established seven key principles of hybrid working:

- Quality service provision
- Physical environment
- Technology
- Inclusion and wellbeing
- Outcomes focused
- Building on progress
- Flexibility.

IT, cyber-security and data

The rapid shift of staff from working on site to working remotely during the COVID-19 pandemic increased the vulnerability of many organisations, including ours, to successful cyber-attack and exploitation. Aligned to this is the risk of industrial espionage and exploitation where universities are involved in state-of-the-art research and development work. From virtual teaching and critical research, to the individual personal data of all our staff and students, the security of our IT service is a critical foundation stone upon which our digital University is built. It is key to providing a robust and resilient infrastructure to support all our IT and digital services now and in the future. IT Services has, in response, invested in significant enhancements to our Cyber Security Approach, Tooling and Infrastructure as well as step changes in our approach to communications and awareness campaigns.

The speed of organisational change required through the pandemic has also shown the value of specific, timely data, information infrastructure and interoperability that enables evidence-based decision making. A Data Insights strategy and action plan have been developed to co-ordinate the seamless delivery of data and insight to the University's decision makers.

Estates

The implementation of lockdowns, online learning and hybrid working has provided an opportunity to re-evaluate the future of our estate. Whilst our campuses and facilities remain a vital enabler for Strategy 2026, a Campus Optimisation programme has established the emerging priorities for our estate. Wider engagement will be sought to refine this programme including assessing any gaps and emerging issues for the longer term.

Current works continued through 2020-21, though inevitably there were challenges for those continuing to work on site during lockdown. The Digital Innovation Facility, a £12.7m investment co-funded by the Liverpool City Region Combined Authority's Local Growth Fund and commissioned in May 2021, houses state of the art lab spaces, providing new opportunities to assist our industry partners in developing meaningful research partnerships across multiple academic disciplines including robotics, AI and data analytics. The Yoko Ono Lennon Centre will have a phased opening commencing

Semester 1 for two new lecture theatres together with additional seminar spaces including the 600-seat Paul Brett Lecture Theatre, offering students a world-class teaching experience. Phase 2 will see the 400-seat Tung Auditorium with space for a 70-piece orchestra opening early 2022. In addition to these two key major projects the estates team are continuing the planning and delivery of repurposing space works across Faculties delivering additional laboratory and teaching space together with key condition works around infrastructure, building fabric and improvements in line with the wellbeing agenda across the public realm.

Sustainability

As well as educating our students about the global challenge of environmental sustainability, the University is a signatory to the UN Sustainable Development Goals (SDGs) having signed the global higher education sector's SDG Accord in partnership with the Liverpool Guild of Students. By signing the accord the University has pledged to put the SDGs at the heart of all of its activities. In line with the principles of the University's Strategy 2026, the Sustainability Strategy states three broad aims for the institution - to achieve net zero carbon by 2035, reduce our waste by 50% by 2025 and for every student to undertake a sustainability-related module, extra-curricular activity, or learning as part of their programme.

In 2021, the University placed 72nd out of 1,115 institutions in its first entry into the Times Higher Education Impact Rankings that assess universities against the SDGs. With a score of 87.8 out of a possible maximum score of 100, the University is within the top 7% globally and is ranked 17th of 50 included in the UK.

Strategic change

The Strategic Change department operates as a 'business partner', providing high quality professional portfolio, programme, project and change management services to ensure the delivery of a portfolio of change initiatives commissioned and led by the Senior Leadership Team. The team contribute to the priority projects designed to improve the quality of service, increase efficiency and enhance effectiveness across the University. The pandemic has required a much more agile approach to change. In order to ensure that the right priorities are being supported the portfolio is reviewed on a quarterly basis, and the team are very adaptable at transferring portfolio resources from one initiative to another as necessary.

During 2020-21 Strategic Change completed a number of projects:

- COVID-19 Recovery project
- Maths School project
- Employability Change project
- Examination Security project.

Professional Services Futures

The Strategic Change team is overseeing the PS Futures programme, which is scoping key interventions to improve efficiency across a range of professional service functions. Professional Services staff require an effective and responsive environment which enables everyone to complete routine tasks quickly and easily, allowing more time and resources to be focused on developing the services and support which will make a real difference to our students, staff and wider University community.

Through Professional Services Futures, we will:

- Identify opportunities where we can improve our processes, practices and working culture to achieve this new way of working
- Make the most of the expertise and capabilities of our Professional Services staff, offering colleagues greater clarity around roles and career opportunities within the University
- Break down siloes and enable Professional Services staff to align their work more closely to the needs of the students, staff and communities they support
- Deliver services in the most effective and consistent way possible.

A number of different concepts and models are being considered to help the University achieve this new vision for our Professional Services.

Brand and reputation

Our vision for the future is to be a connected, global University at the forefront of knowledge leadership, and Strategy 2026 outlines how to make this vision a reality. External Relations enhance the reputation of the University through building a brand narrative, supported by digital marketing and social media strategies and the implementation of coherent campaigns. During 2020-21 30 new subject areas were developed allowing prospective students to easily discover courses for every level of education offered, whilst the Staff Social Media Network has moved online and provides an opportunity for staff across the University who work on social media as part of their job role, to network and exchange best practice.

At the heart of our work is our commitment to continue to provide our students with an excellent experience and to protect the safety and wellbeing of our staff and students.

REGIONAL IMPACT

We are proud to be a civic university. We are the original red brick institution founded by the collective endeavours of our City to provide the education, skills and opportunities which continue to change lives today. We are driving the City's knowledge economy through close collaboration with fellow universities, industry and the NHS, helping the Liverpool City Region compete in the global business world. We're making our region healthier and providing skills for our future workforce. We are playing a part in our region's economic recovery from the COVID-19 pandemic and look forward to the publication of our Civic University Agreement which will codify our commitments to the City, Region and our partners. We will continue shaping our regional Research and Development Strategy and we will seek to lead the sector in being good civic partners. Our work to support the COVID-19 relief efforts and recovery from the pandemic continues apace.

Education and Skills

We are committed to ensuring that anyone with the talent to benefit from higher education has the opportunity to do so and our widening participation (WP) work has continued in earnest this year (more detail on WP can be found in the Public Benefit section). We continue to be a provider of high-quality skills development for staff across the region. We currently host 84 apprentices at the University who are learning and working, gaining valuable skills while they are with us. We have also been active participants in the Liverpool City Region (LCR)'s work to build back better from the COVID-19 pandemic.

Our Careers and Employability team, in collaboration with Agent Academy CIC, is delivering a two-year Digital Graduate Accelerator project, funded by the Office for Students, which aims to improve graduate employment outcomes for commuter students (those who live and study at home) in the Liverpool City Region.

The University of Liverpool Maths School (ULMaS) was officially opened by Dr Steve Garnett, the Liverpool-born software entrepreneur and investor. Offering a world-leading maths education for talented young mathematicians from all backgrounds in the Merseyside region, ULMaS welcomed its second cohort of students this autumn who are currently studying an innovative and challenging A Level curriculum in Maths, Further Maths, Physics and Computer Science specifically devised to give them a deep and flexible understanding of mathematical sciences.

The Vice-Chancellor is leading a Liverpool City Council taskforce looking at how we can all play a greater role in supporting educational attainment.

Health

Since the outbreak of COVID-19, our community of staff, students, alumni and partners have delivered a collective response to meet the challenge of coronavirus.

Our researchers, working at the forefront of innovation and discovery, are playing critical roles in local, national and global efforts to combat the virus, and continue to strive to find solutions to the adverse effects the pandemic has had on public health, our economy and society. We remain committed to supporting our students, supporting the Liverpool City Region, supporting the COVID-19 research programme and supporting the NHS.

The Liverpool COVID-SMART pilot evaluation saw a team of experts, led by the University, evaluate the city's pilot of voluntary, open-access community rapid antigen testing to improve COVID-19 resilience and recovery.

Our scientists also helped Liverpool play an important role in the government's Events Research Programme, a partnership between national and local scientists, Liverpool City Council, event organisers, and the people of Liverpool City Region. Our researchers worked to capture and analyse the data which will inform a safety net around events that involves testing.

We are a lead partner in Liverpool's newly launched Pandemic Institute, which will offer world-leading clinical and research expertise across all stages of the pandemic lifecycle. It will have global reach, working across the world to deliver new science and build preparedness for future pandemics.

The outputs of its work will be rapidly translated into tangible policy, solutions and activity, ensuring real world impact for governments, businesses and individuals across the globe.

Initially funded by a £10m gift from Innova Medical Group, a global health innovator and the world's largest provider of rapid antigen tests, the Pandemic Institute is headquartered in The Spine, at Paddington Village. The Spine is soon to be designated one of the world's healthiest buildings and the newest addition to KQ Liverpool's impressive Health and Life Science campus.

The 2021-22 academic year sees the launch of the Children Growing Up in Liverpool cohort study. This flagship birth cohort nested within a civic data linkage programme will trace the lives of over 10,000 Liverpudlians to understand more about what influences the health and wellbeing of children and their families living in the region.

Shaping Post COVID-19 Economy

We have never worked more closely with our civic partners. This year, we have continued to work with the Region on a range of R&D strategies and projects. This is built on a belief that our research assets are key to the economic fortunes of Liverpool City Region, which is exemplified across our work.

Our Virtual Engineering Centre (VEC) is leading two programmes designed to boost productivity in the North West through the digitalisation of industrial processes.

Both are part-funded by the European Regional Development Fund and aim to ensure SMEs in the Liverpool City Region, Cheshire and Warrington can capitalise on new digital technologies and local university R&D capabilities.

The £5.1m LCR4.0 HOLISTIC programme provides support to a wide range of organisations "beyond manufacturing" and will help companies to harness the benefits and agility of increased digitalisation and the £5.6m C&W 4.0 will see the VEC expand the proven LCR4.0 model into Cheshire and Warrington, linking businesses in the automotive and pharmaceutical industries with the University's expertise.

Our Consumer Data Researcher Centre produced a series of reports demonstrating the local impacts of COVID-19 that are available to all local authorities in England. The reports – which are free to access – have made use of de-identified, local-level public sector data and are a highly valuable resource for informing local pandemic responses in both the short and long terms.

Thought Leadership

In collaboration with Liverpool City Region, our Heseltine Institute has, between April 2020 and August 2021, published more than 40 policy briefs to help shape the future of our City Region. In addition, we have deployed our expertise to shape or implement the Local Industrial Strategy; the City Plan; and the submission to the Comprehensive Spending Review, Recovery Submission to Government. Through our membership of the Local Economic Partnership, various resilience fora, Liverpool Knowledge Quarter Board, Liverpool Science Park and a plethora of other local bodies, we have brought our expertise where it has been needed most.

Our Institute of Digital Engineering & Autonomous Systems (IDEAS) that incorporates the Virtual Engineering Centre, the Digital Innovation Facility, and the Materials Innovation Factory commissioned the white paper *A blueprint for digitally driven recovery from COVID-19.* Its findings went on to influence and be incorporated into Liverpool City Region's first ever Digital Strategy and Action Plan, published in early 2021.

Culture

We are proud to contribute to Liverpool's cultural success. The tourist economy continues to be integral to the fortunes of our region while our cultural artefacts enrich the life of everybody who visits here. We work closely with cultural partners across the City, such as Tate Liverpool, National Museums Liverpool, Liverpool Philharmonic and more. In addition, our Victoria Gallery & Museum continues to play an important cultural role in the City and to take part in city-wide initiatives.

The finishing touches are being added to our new Yoko Ono Lennon Centre, which is set to open in spring 2022. The Centre will be home to the state-of-the-art 400-seat concert hall, The Tung Auditorium, and the impressive 600-seat Paul Brett Lecture Theatre, the largest purpose-built lecture theatre on campus.

The outstanding facilities will provide a world-class teaching environment and enable students to gain real-world experience in all aspects of the arts business. In a city synonymous with music, the centre will be a welcome addition to both the University campus and city of Liverpool, bringing people of all ages and backgrounds together to celebrate the joys that music and the arts bring.


UNIVERSITY OF LIVERPOOL
YOKO ONO LENNON CENTRE
HOME OF THE TUNG AUDITORIUM

INTERNATIONAL OUTLOOK

At the University of Liverpool we have ambitions to be a distinctive, global university at the forefront of knowledge leadership. Against a backdrop of uncertainty over the impact of Brexit, we continue to extend our global reach and international reputation, building on an established international brand for excellent research and teaching. The University continues to rank highly in international league tables, although with a slight drop in the most recent *Times Higher Education World University Rankings*, now being placed 178th in the world and 25th in the UK.

International partnerships

Xi'an Jiaotong-Liverpool University

Xi'an Jiaotong-Liverpool University (XJTLU), the University's joint venture institution in Suzhou, China has just celebrated its 15th anniversary. It remains a unique collaboration with an innovative approach that enhances the University of Liverpool's international reputation and provides unrivalled opportunities for student mobility. XJTLU continues to flourish in the QS rankings for mainland China since its inclusion for the first time in 2020 and has ambitious plans for PGR growth. XJTLU continues to develop with a new state-of-the-art building for the School of Film and TV Arts, a Sports Centre and the Entrepreneur College. A second site in Taicang is under construction. Taicang will build upon XJTLU's existing provision, offering a high calibre, international higher education experience with links to industry. A key focus at Taicang will be to develop graduates in science and technology with expertise in Artificial Intelligence and robotics who will go on to lead new industries.

Internationalising our research

Over the past five years, the University of Liverpool has been highly successful in securing Global Challenge Research Fund (GCRF) and Newton funding: two of the main research schemes for distribution of the UK's Overseas Development Assistance (ODA).

Since 2016, the University of Liverpool has led 164 awards and contributed to a further 39, totalling £65.2m in research income. Projects have been delivered across 59 countries and contributed to 12 of the University's 103 2021 REF Impact Case Studies.

New awards in 2020-21 included a new COVID-Neuro programme with partners in Brazil, India and Malawi, to understand how and why COVID-19 affects the brain; investment in the development of low-cost ventilators to help COVID-19 patients; and a new project to understand health inequalities and ageing in Colombia.

A highly successful scheme to pump-prime ODA research has run within the University since 2016. 177 projects have been funded enabling 231 of our researchers to work across 80 countries with 383 partner institutions and organisations.

Research projects funded through ODA have had transformative benefits for some of the most disadvantaged communities in the world. Whilst the UK government's decision to reduce Official Development Assistance will impact future funding, the University remains committed to working with partners in low and middle-income countries on a wide range of global challenges from climate change through to health inequalities.

Wider global engagement and partnerships

We have continued to engage virtually with partners around the world. In 2020-21, over 600 colleagues participated in online symposia with two of our most established partners: Xi'an Jiaotong University, China (XJTU) and University of Georgia Athens, USA (UGA). Both events provided an opportunity to explore new collaborative opportunities for research and education.

In 2020-21, the Wellcome Trust invested an additional £1.2m in the University's UGA partnership for Bio-informatics Research. For the University/XJTU partnership, China Scholarships Council awarded funding to support PhD mobility through the prestigious Innovative Talent Training Programme.

New Virtual Fellowships Programme launched

The Fellowships provide an opportunity for researchers in low and middle-income countries to gain collaborative research experience, mentoring and career development.
For the ODA-funded pilot, seven Fellows were selected, from partner institutions in Ghana, India, Iraq, Kazakhstan, Lebanon and Syria. Fellows worked on a range of heritage-related projects including utilising virtual reality technologies to revive the world heritage site of Palmyra. Highlights of the Fellowships can be accessed here: **www.liverpool.ac.uk/humanities-and-social-sciences/research/blog/2021-posts/virtual-fellows/**

International recruitment

Online learning

The University of Liverpool is recognised as a European leader in 100% online postgraduate education. We were one of the first UK universities to offer degrees online. Today we have over 19,000 graduates in 170+ countries worldwide (following July graduations).

With our new partner, Kaplan Open Learning, we have committed to launch an exciting new portfolio of more than 20 online master's programmes by October 2022. We offer a genuinely global classroom experience that encourages high levels of engagement between students and with our international Faculty. Our programmes are delivered on a part-time, flexible basis and allow students to study 24/7 from anywhere in the world.

Alongside our core activity we have deployed our expertise to support the global shift to digital education through COVID-19, including contributions to sector working-groups and a collaboration with the British Council in Peru to support public universities in digital curriculum design and delivery.

XJTLU

In the year ahead we will continue to raise our profile as a world leader in online education, combining the University's innovative pedagogy with Kaplan's sector leading digital capabilities. We are also seeking to enrich the educational experience and global outlook of our students through strengthening links between our online and on campus learning environments.

International student recruitment

In 2021 we welcomed over 6,703 international students from over 130 countries to our campus which made up 24% of our student population with 30% of the international cohort studying for postgraduate degrees. This compares with 8,251 international students in the previous year, or 30% of the student population, the year-on-year drop being due to the impact of COVID-19 on travel and subsequent overseas student demand.

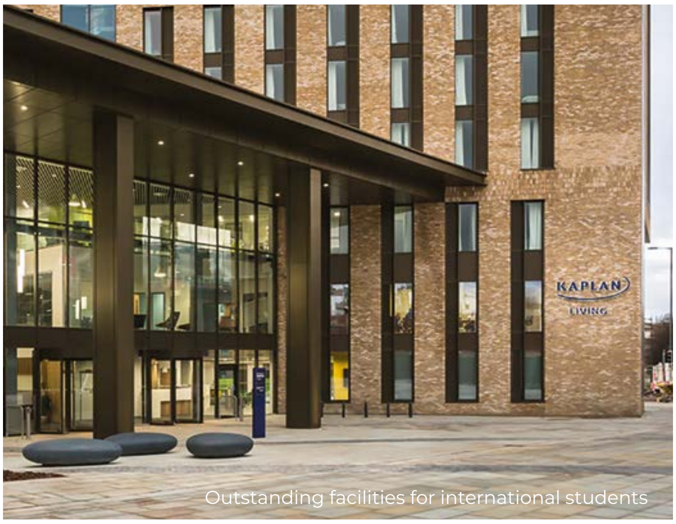
Direct recruitment

In terms of direct recruitment (defined as open market, non-partnership), the International Recruitment team continues to increase the number, breadth and intensity of recruitment activities from its five recruitment hubs in Liverpool, China, India, Singapore and Nigeria. India is the newest addition to the recruitment hub network, opening in Delhi earlier this year. The office has helped to support a record number of Indian applications (up 69%), with Entry 2021 masters (PGT) registrations projected to equal, or surpass, the PGT registrations from mainland China for the very first time.

Outreach activity from the central and overseas recruitment hubs centre on 30 target markets. Outside of mainland China (where COVID-19 continues to impact student mobility perhaps more so than any other market), Entry 2021 has witnessed unprecedented application and offer growth and not just from India. The re-introduction of the Graduate Immigration Route Visa (allowing post study work) has helped to catalyse applications from more price-sensitive parts of the world, most notably: India, Pakistan, Nigeria, Thailand, and Indonesia all of which have posted double-digit offer growth this year.

Following the COVID-19 outbreak, the International Recruitment team moved to a digital-first strategy and accelerated work with EdTech companies to ensure outreach and brand awareness raising activities continued unabated. Recent partnerships with IDP Connect, ApplyBoard, Bridge-U, Leverage Edu and most recently Studyportals, have helped to facilitate this pivot.

In addition, the International Recruitment team continue to work closely with counterparts in Home recruitment and Marketing to produce domicile agnostic digital content, events and campaigns that resonate with all audiences.



Outstanding facilities for international students

2021 saw the launch of a new summer online international module for offer holders 'Get Ready to Study in the UK' which precedes the main Liverpool Welcome. This has helped to build cohesive international student communities and develop preparedness ahead of arrival in Liverpool.

Recruitment through partnerships

Our campus is home to the University of Liverpool International College, one of the largest embedded pathway colleges in the UK, which opened a new live-learn facility in 2020. Our partnership with Kaplan International Pathways sees more than 500 international students progress to study with us annually, following successful completion of a Foundation Certificate or pre-master's programme. The University of Liverpool is in the top three recruiters of new international undergraduate students in the sector (data source, HESA 2019-20), primarily as a result of the effectiveness of the XJTLU 2+2 model, which sees high numbers of high-quality Chinese students opt to spend the final two years of their course in Liverpool with a significant proportion progressing into further study. Also of note is the importance of the School of Law and Social Justice's relationships with Brickfields Asia College in Malaysia, where students complete a Law Transfer programme and join the Bachelor of Laws (LLB) through advanced entry. Typically, around 100 students per year transfer through this route.

Outward mobility

In 2019-20, over 400 Liverpool students participated in a study abroad opportunity, including our largest ever Year in China cohort of 136 students. Whilst travels were cut short due to COVID-19, alternative opportunities were created and 121 of the Year in China students opted to undertake a research-based project when they returned to the UK, further expanding their experience.


LIVERPOOL
WELCOMES
ORIGINALS

BUILDING LIFELONG RELATIONSHIPS

The University's single largest stakeholder group is its global community of more than 260,000 alumni and supporters. Engaging with this community and providing support throughout their lifetime allows the University to improve its global reputation, enhance employability outcomes for current students and graduates, and drive significant investment into education, research and world class facilities.

Our global alumni community give back in a variety of ways to support the University and its students. Alumni have contributed financially to the Alumni and Friends Fund supporting the Name a Seat campaign raising key funds for the Tung Auditorium within the Yoko Ono Lennon Centre, and giving unrestricted gifts which have enabled us to support a broad range of student and staff led activities that enhance the student experience.

Our alumni also donate their time, with close to 1,000 alumni volunteering their time in 2020-21. Celebrating the work of our volunteers is a key part of alumni volunteer engagement. As part of our 2020 Alumni Awards we recognised eight inspiring alumni volunteers; highlighting their contributions and recognising the impact they have made in many ways, such as leading alumni associations, mentoring or recruiting students.

Community

Supporting Student Employability and Experience

Alumni continued to work with academic departments to support student experience and employability related activity, such as ULMS Extra and Law Extra online speaker series, Welcome Week talks and online networking events. More than 215 alumni offered mentoring expertise to students as part of the MBA and Law Professional Mentoring programmes.

Since summer 2020, we have hosted 25 online career events as part of our Bringing the World to Liverpool series, involving 62 international alumni volunteers, to offer students insights from graduates into key international markets, sectors and employers, despite not being able to physically visit these cities.

Our exclusive online networking and mentoring platform, Liverpool Connect, continued to bring students together with thousands of University of Liverpool graduates from around the world to build networks, share experience and gain career insights.

"As a student I benefited greatly from alumni volunteers so once I graduated I always knew I wanted to keep my connection to the University and give back my time in the same way that those alumni had for me... I hope to continue giving back; providing opportunities and advice to students for years to come. I always say that coming back to the Law School feels like I'm coming home and it truly does feel like a family."

Danielle Rawlinson, LLB 2016, LLM 2017

Supporting our Global Community

We have more than 40 regional networks across the globe as well as professional interest and subject specific networks to enable alumni to connect with each other for social or professional benefits. Alumni can also access our exclusive Liverpool Connect platform, which has recently been upgraded to enhance user experience, to connect with or seek advice and support from fellow alumni. We have increased our online events offer, providing a wide variety of events to engage our alumni community. The online format has meant we have been able to attract high-profile speakers, most notably in 2021, Carlos Ancelotti, former Everton Football Club Manager.

The impact of fundraising

Divock Origi Scholarship

Liverpool Football Club striker Divock Origi launched his new scholarship in partnership with the University in July this year, which provided two undergraduate students from the City of Liverpool the opportunity to study at the University from September 2021.

The Yoko Ono Lennon Centre

The University's new Yoko Ono Lennon Centre, named in recognition of long-standing donor and honorary graduate Yoko Ono Lennon (Hon LLD 2001) opens to the public in March 2022. The fundraising campaign has now achieved its £3 million target.

Mobile Lung Diagnostic Unit for Liverpool

Following a £156,000 donation from the Charles Wolfson Charitable Trust, a ground-breaking project in collaboration with the Liverpool Heart and Chest Hospital will provide a Mobile Lung Diagnostic Unit for use in communities across the Merseyside Region.

In partnership with Santander

Following the signing of a new three-year partnership earlier this year, 2022 will mark the ten-year anniversary of the relationship between Santander Universities UK and the University of Liverpool. During this time Santander has given over £1m in funding to support student employability and career initiatives.

Researching the impact of COVID-19 on the care sector

Dr Clarissa Giebel from the Department of Primary Care and Mental Health at the University of Liverpool has been leading research to look at the impact of COVID-19 on people living with dementia and residents in care homes and their families. Funding for the project was made possible by donors to the University's COVID-19 Emergency Response Campaign.

30th anniversary of John Lennon Memorial Scholarships

Established in 1991 by Yoko Ono Lennon in memory of her late husband, the John Lennon Memorial Scholarship Fund has to date enabled more than 650 students from Merseyside in financial need the opportunity to study at the University, whilst raising awareness of environmental and global issues.

Facts & figures

248,892
alumni community members, in 187 countries, aged 21 to 101

2,826
members of Parent and Family programme

1,618
hours donated to support student employability

1,007
volunteers

Donations received:
£15,285,353

LIVERPOOL CONNECT

1,365 students
4,186 alumni
121 staff
1,911 active mentors

Yoko Ono with scholarship winners

PUBLIC BENEFIT

The University's Charter states: 'The objects of the University shall be to advance education, learning and research for the public benefit'.

The University is an exempt charity under the terms of the Charities Act 2011, regulated by the Office for Students. The members of Council are charitable trustees, subject to the obligations this imposes under charity law. In summary, trustees must:

- Ensure the charity is carrying out its purposes for the public benefit, and that its assets are applied solely for its charitable purposes
- Comply with the charity's governing document and the law
- Act in the charity's best interests, including by managing conflicts of interest
- Ensure the charity is accountable
- Manage the charity's resources responsibly, including by managing risks and protecting its assets and people
- Act with reasonable care and skill.

In exercising their powers and duties, members have complied with their duty to have due regard to the guidance on public benefit published by the Charity Commission.

Working for public benefit is core to the University's Strategy and to its founding mission – for advancement of learning and ennoblement of life. The University's core teaching and research activities benefit regional, national and international communities. In addition to this, the University undertakes many other activities directly for public benefit. These include:

- Increasing educational opportunities for those from backgrounds which are typically under-represented in higher education
- Advising civic partners on programmes related to economic growth, recovery from COVID-19, and the development of regional R&D assets
- Providing volunteering and work placement opportunities for students
- Organising series of free events for members of the public to attend
- Providing direct employment opportunities for thousands of people across the Liverpool City Region and thousands more indirect opportunities through procurement, partnerships, and purchasing power
- Targeting business support services such as Knowledge Transfer Partnerships with Liverpool businesses
- During COVID-19 turning over estates, research funding, and critical infrastructure, to the mission of finding relief from the virus
- Undertaking joint activities with key local partners such as Tate Liverpool and National Museums Liverpool.

Public Benefit and COVID

COVID-19 has brought the impact of universities into sharp relief. Universities have brought their resources and research together toward relief from the global pandemic. The University of Liverpool has played its part in this ecosystem.

Early in the pandemic the University made its car parks freely available for hospital staff, printed protecting equipment, and made bikes available for those working across the City's hospitals. The University estate supported the wellbeing of NHS frontline staff at the time they needed it most.

The University also diverted significant funding toward the relief of the pandemic. This included a fundraising campaign which raised over £450,000 to support staff and students. This comes amidst the University's own research including the evaluation of lateral flow tests and the Events Pilot Programme.

It has been an exceptional time but the University has continued to provide a more stable public benefit alongside this. The University remains one of the largest employers, buyers, and supporters of local business in the City Region. As a key anchor institution, it has continued to advise and support local businesses and stakeholders on helping Liverpool emerge into a brighter future.

IntoUniversity North Liverpool celebrates at Liverpool Football Club

Widening Participation and Outreach

Entry 2021

We are proud of our long-standing track record in improving the social mobility of our students and of our reputation as one of the most successful Russell Group universities for widening participation.

We have a range of successful programmes which seek to improve access to and participation in higher education and our success is rooted in creating opportunities for all our students.

There remain multiple challenges to social mobility within the Liverpool City Region (LCR) many of which impact on access to higher education and progression.

To ensure students can fully engage in our community of learning, whatever their background, the University delivers a comprehensive range of access and widening participation initiatives, focused on ensuring anyone who has the potential to study at the University has the opportunity to do so.

Entry 2021 was the pilot year for our first formal Contextual Admissions Process. This included alternative offers for students who have overcome predetermined educational barriers, as categorised by the Office for Students. Encouragingly, the University admitted a record number of students from neighbourhoods with historically low levels of participation in higher education.

The University has also confirmed places for 47 new care leaver/care experienced students, which is again our highest intake to date and reflects the well-established support offered via our Disrupted Education Programme.

Overall, our planned first year undergraduate home numbers have been met or exceeded in almost every individual subject area, and exceeded overall.

The University invests heavily in student support to ensure students can get in and get on with a world class education. COVID-19 has brought a new emphasis to this work and the University has grown its support offer. The University continues to work to a five-year Access and Participation Plan (2020-25), approved by the Office for Students. Over £11.5m has been invested in financial support to APP accountable student groups.

Scholarships and Outreach

This year saw the launch of a new scholarship funded by Liverpool Football Club player Divock Origi. The scholarship was awarded to two students for the 2021-22 academic year and covers full tuition fees for the duration of their programmes, as well as £3,000 per annum towards living costs. A third student will also be funded in the 2022-23 academic year, followed by a fourth student in 2023-24.

The multiple lockdowns experienced this year have built in educational disadvantages for students with less access to equipment, support, or catch up lessons. In recognition of the need for learning recovery, we were able to develop virtual mentoring sessions, engaging over 300 students across our projects and delivering over 2,000 hours of one to one support for students.

Building on the Success of our 'Pathways to Law' partnership with the Sutton Trust, additional funding from the Trust was secured to launch two new projects with pathways into higher education: 'Pathways to Business and Finance' and 'Pathways to Engineering'. This partnership between the University of Liverpool and the Sutton Trust will see 70 Liverpool City Region teenagers put on a fast-track to careers in finance and engineering.

The University continues to have an impact in the local community for those in younger years of education. Our partnership with charities IntoUniversity and Liverpool Football Club Foundation, sees the University continue to co-sponsor a long term community approach to supporting young people in Anfield to achieve their educational potential. The INTO University Centre North Liverpool has worked with almost 1,800 children since opening in 2017, with a number of positive outcomes, including improved school performance and progression to higher education.

The University has also re-designed its digital outreach offer for primary school students. This involved and expanded the provision of academic-based mentoring to young people through digital technologies, leading to a net increase in mentoring hours per pupil on average.

Equally importantly, as part of our commitment to equality for local Black, Asian and Minority Ethnic (BAME) communities, we work to widen access to higher education with the local Somali and Yemeni heritage community, through our Fast Trackers initiative. This particular scheme has previously been cited as national best practice by both the Russell Group and the Office for Students as a result of its work in creating positive role models and embedding widening participation in underrepresented communities.

Culture and COVID-19

Following the outbreak of the pandemic, work was undertaken to ensure the University's cultural assets remained available during lockdown. A Culture at Home web hub was created which brought together virtual tours, apps, blogs, activities for children and much more in order to support families and individuals in feeling connected. Drawing together assets from the Victoria Gallery & Museum (VG&M), apps created by our researchers and musical and other virtual events, this resource proved popular and was well visited. A range of partnerships supported the development of this work, particularly with Liverpool City Council. We also work alongside the City Region's Combined Authority, and partnerships with National Museums Liverpool, Tate Liverpool, and other cultural organisations further enriched our work in this area.

A free University virtual events series was also developed in response to the pandemic. Liverpool Responds highlighted the role University of Liverpool researchers played in tackling the pandemic and also considered a wide range of social and economic impacts of lockdown, from the effects on the environment and the Liverpool City Region economy to the return of football.

Carlo Ancelotti speaking online at the Lucrezia Zaina Lecture


Comedian and author, Andi Osho, who launched the 2021 Liverpool Literary Festival

Regular live events pre-pandemic were also moved online, allowing the University to maintain its cultural offer in the region, as well as reaching a new international audience.

The Lucrezia Zaina Lecture, funded by a generous legacy bequest from Lucrezia Zaina who lectured in French and Italian at the University between 1964 and 1988, marked its tenth anniversary in 2020. New Everton Football Club manager, and former Italian international football player, Carlo Ancelotti was the keynote speaker. Mr Ancelotti, who has now returned to manage Real Madrid, spoke of his childhood, and his passion for Italy, football and food to a global audience of hundreds in the live online event.

The University's hugely popular, free, Lunchtime Concerts series also moved online, after regularly drawing a capacity audience of 250 in the VG&M's Leggate Theatre before the pandemic hit.

Continuing its usual Wednesday 1pm slot, loyal audiences in the region were joined by new viewers from across the world for the varied schedule of live music and performance from across the genres.

Events and cultural activities as lockdown lifts

The Liverpool Literary Festival also moved online in 2020 but returned 'in-person' for 2021. The festival, now in its fifth year and sponsored by Bruntwood and Student Roost, returned to its home at the VG&M between the weekend of 8-10 October for live talks by writers such as Andi Osho, Kate Summerscale and Clare Mackintosh, among others.

The University is delighted to be welcoming back live audiences, but kept one foot in the digital world by making the programme available online, simultaneously.

Live performance in the city, and the wider region, will receive a huge boost with the completion of the University's new Yoko Ono Lennon Centre, and contained Tung Auditorium.

The new teaching and performance space will open on the corner of Grove Street in March 2022, providing a brand new facility for the City and add a crucial component to the University's music education provision which stretches beyond performance to the business of music, and many of the backstage roles that are so vital to the industry.

Richard Hartwell has been appointed Artistic Director of the Tung Auditorium, the 400-seat performance space - with room for a 70-piece orchestra - located at the heart of the new building, and a call has already gone out for Merseyside community music organisations to apply for affiliate status.

It is hoped that students will be able to start making use of the building this autumn, ahead of a big gala opening event in spring 2022.

FINANCIAL REVIEW

Executive summary

Similar to the last financial year, again this year has been significantly impacted by the ongoing pandemic, affecting many areas of activity across the Institution. From a financial perspective, the impact has been felt most significantly in a drop in overseas student recruitment, which has resulted in a reduction in our overseas fee income. Commercial income is also down, as areas of the campus closed during the year, and some areas of cost increased as we supported our activity in new ways in order to deliver our teaching and research while navigating the pandemic.

Despite these issues, the overall results for the year are very positive, with a reported operating surplus of £25.8m, 4.3% (prior year: £54.7m, 9.5%) and a reported overall surplus of £46.9m (prior year: £67.2m) excluding actuarial pension gains, and £50.3m (prior year: £36.9m) after actuarial gains in relation to our ULPF pension asset. This is an excellent result, given the significant drop in international students. Income shortfalls have been offset by a significant £10m donation in relation to the setup of our Pandemic Institute, a collaboration with partners across the city. This donation will be largely spent in future years. Additional costs incurred as a result of COVID-19 have been more than offset by our strong cost controls in the year, with both pay and non-pay costs falling year on year compared with 2019-20.

Pay costs excluding non-cash pension adjustments and restructuring costs of £315.2m are down £2.4m compared with prior year adjusted pay costs of £317.6m. Non pay costs of £179.1m are down £11.2m compared with prior year non pay costs of £190.3m.

Our research income is up significantly year on year (c18% to £112.5m), and more importantly awards have seen a real step change since 2018-19 levels with increases over the last two years, which is a real achievement and hugely positive result which will also benefit future years.

Our longer-term strategy is to achieve an underlying operating surplus of 4% in order to enable continued investment in strategic priorities. The current year result of 4.3% is strong given the impact of the pandemic, however our underlying position excluding pension adjustments is 6.5% which is a great result and reflects the huge efforts made to control costs and maximise student recruitment where possible.

The prior year results were materially impacted by non-cash pension adjustments, so it is important to look at the year on year underlying position excluding pension adjustments, as calculated in the table opposite. The current year underlying operating surplus of £38.8m, 6.5% compares favourably with a prior year underlying operating surplus of £1.4m, 0.2%.

Our year end cash position at £140.2m (including deposits classed as current investments) is in excess of our treasury minimum policy of £60m, and places us in a good position as we move into 2021-22 which we expect to remain a challenging year given the ongoing impact of COVID-19, although we are seeing some recovery in overseas student demand, and commercial income will also begin to recover as the campus reopens.

Pension reporting

As in previous years, the financial performance of the University has been affected by the impact of pension valuations. Our University pension scheme, the University of Liverpool Pension Fund (ULPF) is in surplus and we recognise an element of the surplus in the University accounts as an asset in line with the technical accounting requirements of FRS 102. The asset recognised of £13.4m has fallen £9.7m year on year.

The USS pension adjustments, although significant in prior year, are relatively minor this year because there has been no change in valuation in these accounts, therefore our obligations in relation to future deficit contributions remain fairly stable year on year.

The year-end provision is based on the 2018 valuation which was in place at 31 July 2021. However the 2020 valuation and new statement of contributions has been signed off after the balance sheet date, on 30 September 2021, which will result in a significant increase to the provision in the next financial year. Further information is given in note 29 to the financial statements.

Financial key performance indicators (KPIs)

Our financial KPIs that we report internally in order to assess longer term financial sustainability include an operating surplus target of 4% alongside minimum cash holdings of £60m. Our underlying operating surplus is shown in the table below, adjusted for pension adjustments.

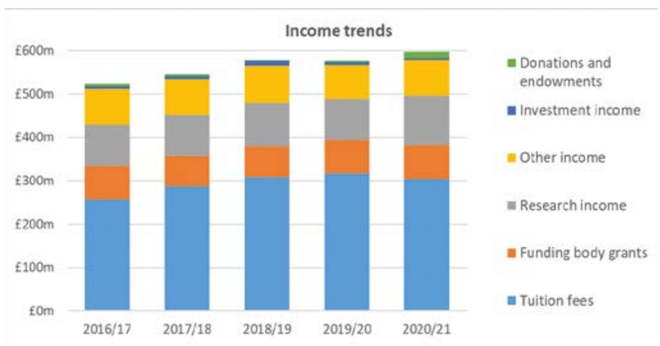
	2020/21	2019/20
Operating surplus	**25.8**	54.7
USS pension adjustments	**(0.1)**	(57.9)
ULPF pension adjustment	**13.1**	4.6
Underlying operating surplus	**38.8**	1.4
Operating margin %	**6.5%**	0.2%

The underlying operating surplus of 6.5% is a significant increase on prior year of 0.2%, and a real achievement given the financial impact of the pandemic.

Closing cash and current (liquid) investments of £140.2m are down from £163.5m in prior year, however this includes c£70m funds reclassified as fixed asset investments due to the nature of the holding and the expected timing for utilisation. The underlying year on year increase in University funds is c£46.7m, reflecting strong cash from operating activities and lower capital spend partly linked to COVID-19 related delays.

Income

Total income at £597.6m, whilst impacted by the pandemic, is up £21.1m (3.7%) year on year, due in the main to a £17.4m or 18.3% growth in research income. In addition, we received a significant donation of £10m in relation to the setting up of our new Pandemic Institute, a collaboration with other partners across the Liverpool City Region. The income growth has been partially offset by a fall in tuition fee income, largely due to a drop in overseas student numbers as expected, due to the impact of the pandemic on overseas demand.



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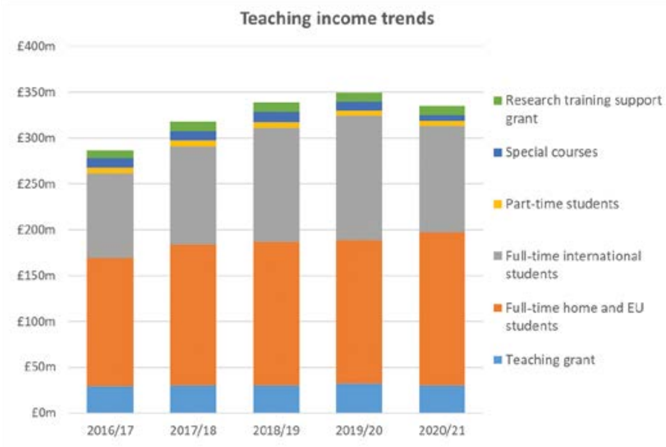
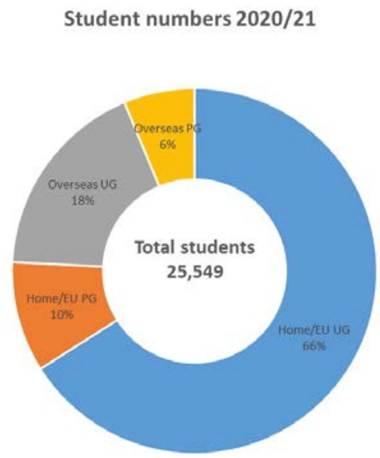
Tuition fee income of £304.4m is down £12.9m (4.1%) year on year.



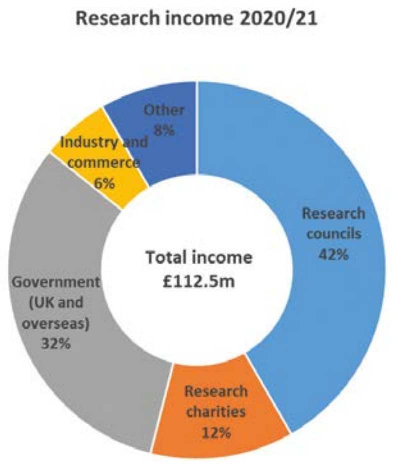
Overall, student numbers of 25,549 FTEs are 1,171 (4.4%) down on prior year. This relates to a decrease in overseas student FTEs of 1,912 (23.6%) offset by an increase in home FTEs of 741 (4.0%). The overall proportion of overseas students has decreased from 30.3% to 24.2%.

Overseas student recruitment has been particularly impacted by the pandemic in 2020-21 and although the impact is reduced in 2021-22, we haven't yet seen a return in overseas demand to pre-pandemic levels. Home student demand has been strong following the changes to A level results, exceeding expectations for 2021-22 entry.

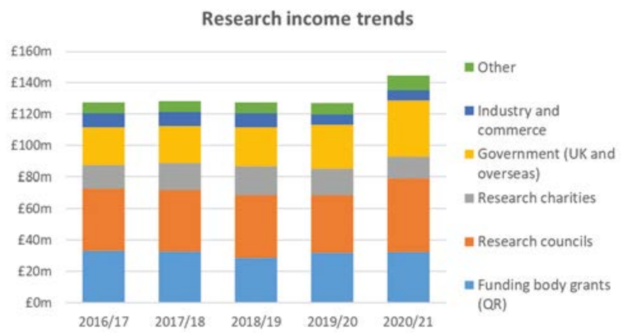


Funding body grants are up £2.5m to £78.7m, as a result of increased Capital Investment (£1.6m), additional Hardship Funding (£0.4m) and a contribution from the Department of Health & Social Care (£0.5m) to support Covid Testing.

Research income of £112.5m is up £17.4m (18.3%) year on year and is broadly in line with expectations. This largely relates to Research Councils and Government grants, up by 27.4% to £46.9m and 27.0% to £35.8m respectively. In the current year government grant funding includes £5m capital funding relating to the new Digital Innovation Facility, which was completed in May 2021. Research Council funding is the largest source of research funding at 41.7% (2019-20: 38.7%).



Research awards are up significantly in 2020-21 at c£146m, building on prior year awards of c£133m. This is a step change compared with the three year average to 2018-19 of c£101m (a 44% increase), demonstrating our strong ambition for growth in this area. Recent award successes are highlighted in the Research and Impact section on page 14.



Other income is up £4.0m (5.1%) to £81.7m, due on the whole to a c£7m increase in funding from Health Education England to support our medical education. This was offset by a significant reduction in commercial income due to the impact of COVID-19 which meant that various outlets were closed for a long period, along with the Sport and Fitness centre. We expect these elements of activity to begin to recover during 2021-22.

Investment income is down £2.0m year on year to £5.0m. This includes a £0.9m reduction in the net return relating to the University of Liverpool Pension Fund (ULPF), along with lower returns on our investment portfolio partly due to the impact of COVID-19, in addition to the implementation of our strategy to diversify the portfolio in order to improve the risk profile. The strategy change means that gains will come from a combination of capital and income rather than the previous greater focus on income generation.

Donations and Endowments are up £12.1m to £15.3m and included a significant £10m donation, which will be used to set up a new Pandemic Institute in the Faculty of Health and Life Sciences. Gifts are recognised when the University is entitled to the funds, so some year on year volatility is expected. Our fundraising and engagement activity during the period is detailed on page 29.

Expenditure

Staff costs of £330.4m are up £60.7m (22.5%) year on year, however this increase is largely due to the significant £60.1m pension credit in the prior year accounts. Pay costs also include £2.5m in respect of compensation payments (prior year: £6.4m). If we exclude both pension costs and compensation costs, the year on year underlying reduction in pay is £2.4m. This reflects a drop of 155 FTEs (c2.7%) offset by an increase due to increments awarded in the year (c1.4%). Staff costs (excluding pension adjustment and any compensation payments) as a % of income are 55.0%, a reduction compared with prior year at 56.1%, consistent with the year on year drop in staff numbers. The drop in numbers is expected following a VS scheme towards the end of 2019-20, along with strong cost controls during year with staff recruitment being closely monitored in order to support cost reduction given the impact of COVID-19 on our income streams.

Other operating expenses are down £11.2m (5.9%) to £179.1m. Income shortfalls have been mitigated in part by savings measures brought in as part of our response to COVID-19. Particular areas of saving include travel and subsistence costs, and catering costs.

Capital

Overall the value of tangible fixed assets is down £1.3m, 0.2%, to £779.8m. Capital expenditure of £49.9m included c£39.5m relating to improvements to the academic estate, £0.5m in relation to student residences (largely the Greenbank Student Village development), and c£10m in relation to equipment and IT investment. The investment in student residences is now largely complete, with the future focus of the Capital Masterplan being on the academic estate, and improving the public realm areas.

This expenditure is offset by depreciation in the year of £49.6m. The disposal of our London campus held in the accounts at a value of £1.6m completed at the start of the year, and this along with expenditure in the year offset by depreciation has resulted in the overall reduction in fixed assets of £1.3m.

Treasury

Our **fixed asset investments** include a portfolio of £301.4m which is managed by external fund managers. These investments achieved a total return of 14% in the year which reflects the strong market performance in relation to global equities.

Due to the increased level of uncertainty driven by the ongoing pandemic, cost savings have been made and some investment has been paused in order to conserve cash and increase cash reserves. During this period of higher cash holdings, we moved £40m funds from cash balances to investments in order to benefit from higher returns, resulting in a year on year increase in fixed asset investments. In addition, we reclassified c£30m from current to fixed asset investments in order to better reflect the anticipated usage of funds based on University longer term plans.

The level of equities in the portfolio was 42.1% (2020 41.2%). We continued the implementation of the University long-term investment strategy with the identification of alternative diversifying assets. Funds will be moved into these new assets in the coming year.

Cash and cash equivalents were £89.7m and **current asset investments** were £50.5m at year end, giving a total of £140.2m relatively liquid assets, in excess of the University treasury management policy minimum cash holding of £60m. In the current financial environment generation of significant returns is challenging, and our focus is on minimising risk in relation to these funds while generating returns greater than base rate through the use of money market funds. Prior year holdings were £163.5m, a reduction year on year of £23.3m, however this includes the c£70m reclassifications noted above. Excluding this the movement year on year is an increase in liquid funds of c£46.7m. This includes c£20m favourable working capital movements which will reverse, linked to income received in advance relating to research activity, and increased accruals due to timing of invoice processing over the year end period.

Pension asset and liability

The USS pension provision at £76.1m (prior year: £76.2m) is included in the accounts based on the 2018 USS valuation. This provision relates to the obligation to fund the University share of the past deficit on USS. The USS 2020 valuation has been finalised in September 2021, and is reported in note 29 as a post balance sheet event. This valuation will result in a significant increase in the USS provision in next year's financial statements.

A pension asset in respect of the University of Liverpool Pension Fund at £13.4m (prior year: £23.1m) is included in the accounts. This asset relates to recognition of a proportion of the surplus in the Fund at the year end as the University is currently utilising a small element of the surplus in order to retain existing contributions levels at 16% for both employees and employers.

Risk and financial sustainability

Although there has been a significant impact of COVID-19 on the 2020-21 financial results, in particular in relation to overseas student fee income and commercial income, the results for the year are relatively strong in terms of operating margin and cash generation, and closing cash is particularly strong which puts us in a good position moving into 2021-22.

However we expect 2021-22 to be a challenging year financially, due in part to the continued drop in demand in relation to overseas students, in particular relating to our joint venture in China, Xi'an Jiaotong-Liverpool University (XJTLU). Although we expect an increase in recruitment compared with 2020-21, demand has not reached pre-pandemic levels.

Home student recruitment has remained strong for 2021-22, however it remains a risk for future years.

Other significant risks which may have an impact on financial sustainability, many of which are outside University direct control, are as follows:

- Funding for the USS pension scheme continues to be a significant risk, and each 1% increase in employer contributions carries an annual cost of £1.7m. USS pension contributions have risen by 3.1% in recent years and increased by a further 0.3%, to 21.4% from October 2021, in line with the recent 2020 valuation. There may be future increases in contribution depending upon the outcome of consultations.
- The latest USS valuation, with a valuation date of March 2020, will result in a deficit of between £14.1bn and £18.4bn depending on the outcome of an ongoing consultation with Universities UK. This will be a significant deterioration compared with the 2018 valuation of a £3.6bn deficit. The impact on the financial statements for next year, assuming all other assumptions are unchanged, will be an increase in provision of between £157m and £238m from the current £76.1m. Even in the best case scenario this is a significant increase in provision and demonstrates the challenge in finding an affordable compromise solution in relation to the USS pension. There is a significant risk that this liability continues to increase depending on future valuations.
- Home student fees are a significant proportion of University income, and in recent years have seen no inflationary increase. This is a financial risk given that the cost base of the University carries inherent inflation, in particular pay costs through cost of living, incremental progression and increasing pension costs. In addition, non-pay costs have recently been subject to inflationary increases, and ongoing risk in this area again puts pressure on our ability to generate surpluses.
- The post-18 education funding review was published in 2018-19, however implementation or otherwise of the recommendations is still uncertain. Indications are that it is unlikely a significant reduction in home student fees would be implemented at least in the shorter term, however it remains a risk alongside other proposals in the review.

Going concern

The University's Council has determined that the University has adequate resources to continue in operational existence for the foreseeable future. In order to support the Council in making this assessment, a thorough review has been carried out including stress testing of assumptions and reverse stress testing in order to ensure appropriate headroom in the event of a plausible downside scenario. Based on this determination, these statements have been prepared on a 'going concern' basis. Further information is given in note 1 to the financial statements.

KEY PERFORMANCE INDICATORS

The University monitors progress towards the ambitions set out in Strategy 2026 through a suite of Key Performance Indicators that reflect our aims and ambitions. Staff across academic and professional services areas work collaboratively to deliver enhanced performance. Performance reports with metrics covering key priorities are considered on a quarterly basis by senior leadership and the governance committees. An overview of 2020-21 performance in key measures is provided below.

Research and Impact

At the time of submission of the University's REF 2021 return the assessment programme showed that of the 2,811 outputs submitted, 32% were world leading. This not only achieved the University's target for 2021 but almost achieved its target for 2026. This was also supported by the performance seen in highly cited papers in the top 10% of the world for their field. The number of these highly cited papers published between 2014 and 2018 grew by 8.7% compared to the previous five-year period. The field-weighted citation index also increased, improving the University's performance to 12th in the Russell Group.

Research income at £112.5m is £17.4m above the level achieved last year predominantly due to significant increases in awards over the last two years and a much-improved recovery rate as result of a new costing and pricing policy.

Education

For graduate employment the expected depressed labour market, as a result of the pandemic, has reduced this metric for all providers this year. Our decrease to 74.4% is smaller than our peers in the Russell Group where we have moved up in rank to 22nd. Our unemployment level has also understandably increased to 7.8% however, again by a lower rate than the sector or Russell Group moving us up to 35 and eight ranking places respectively.

Student satisfaction, as measured by the National Student Survey, was impacted by the pandemic across all institutions. Our overall satisfaction at 79% was lower than last year and below the level historically associated with the upper quartile, however, it was 3% above the national average and placed us both in the upper quartile and 7th in the Russell Group. This was because our fall was significantly less than that experienced by other institutions. This performance was also seen at subject level with 28 subject areas in the upper two quartiles compared with 20 a year ago. And replicated in seven of the thematic areas including the Teaching on my Course, learning opportunities and academic support.

The University has an ambition to attract a diverse student body, including a strong international student population. Whilst the proportion of students from ethnic minorities and low participation areas was at target, the proportion from overseas was significantly reduced due to the travel restrictions as a result of the pandemic.

Professional Services

Student satisfaction with service and support, as with other student satisfaction metrics, has seen an adverse impact due to the pandemic. However, as with the other student indicators, the fall has been substantially better than other institutions remaining in the upper quartile and above the national average of 74%.

Financially the full year results are very positive given the challenging environment and impact of COVID-19. Operating surplus is £25.8m or 4.3% including pension adjustments. The underlying operating surplus excluding pension adjustments is £38.8m, 6.5%, in excess of our 4% target.

Our closing cash position of circa £140.2m is far in excess of our £60m minimum level. This puts us in a strong position as we head into 2021-22 which will continue to be a challenging year financially.

Strategy objectives

The refreshed Strategy 2026 vision is to be a connected, global university at the forefront of knowledge leadership, recognised as being among the top 20 UK universities worldwide. The pandemic has indirectly introduced a degree of volatility into global league tables with universities who published high-impact research on COVID-19 particularly benefiting. As a consequence, the University fell back overall in the Times Higher Education World University Rankings to 178 but climbed three places in the globally connected measures to move into the upper quartile at 66th and 12th in the Russell Group. The international higher education sector remains highly competitive and the ambition to achieve UK top 20 rank in an international league table remains challenging.

Strategy Aims and Linked Indicators

Strand		Status in 2019/20	Progress in 2020/21
Strategy Objectives	To be among the top 20 UK universities in a recognised international league table by 2026	Progress needed	Progress needed
	THE International Outlook measure - Top 20 position among UK Universities	Progress needed	On track
Research and Impact	To achieve top quartile positions in all our units in terms of proportion of world leading outputs by 2026	On track	On track
	To improve the alignment of partnership projects with our overall Research and Impact priorities and objectives with a view to establishing three further strategic partnerships (cf Unilever) by 2026	On track	On track
Education	To increase the satisfaction of our students as measured by the NSS to a consistently upper quartile sector position by 2026	On track	On track
	Graduate level employment in top 20 sector position	On track	On track
	To achieve an internationally diverse student body across all disciplines	On track	On track
Professional Services	Staff satisfaction - to achieve that 95% agree that the University is a good place to work	On track	On track
	To generate an annual surplus of at least 4%	Progress needed	On track
	To maintain a minimum holding of £60m in cash	On track	On track
	To achieve year-on-year improvements in overall student satisfaction with services and support	On track	Progress needed
	Through our research and improvements to our operations, we will achieve a net zero carbon campus by 2035	Progress needed	Progress needed

RISK MANAGEMENT

Risk management is crucial to ensuring the University is able to deliver on its key strategic objectives by mitigating potential negative outcomes and increasing its ability to focus on success. During the year the University launched a revised Risk Framework which provides the more effective escalation of risks as well as improved consistency of reporting. The most recent review of strategic risks resulted in 14 Strategic Risks and Opportunities, both internal and external, being listed on the Strategic Risk Register.

The consequences of the COVID-19 global pandemic flow through the majority of risks on the register. This is via its impact on the near-term operation of the University or its finances. These are either the result of restrictions placed on people and travel restricting the ability of overseas students to come and study at Liverpool, thus constraining the University's on-campus delivery model, or the increased cost of operation. Working closely with sector bodies, national and regional contacts and partners, the University has continued to develop and deliver mitigations to these impacts.
All strategic risks are reviewed regularly by nominated risk leads to monitor any changes to the nature of the risk and ascertain if any further mitigations or controls should be implemented to reduce the risk. This approach has been confirmed as appropriate by our internal auditors who went further in finding no elements of concern in the broader risk management framework that we have implemented.

Strategic Risk Management

The external risks affecting the University continued to include the risk of cyber-attack (universities having been highlighted as at particular risk because of the research they conduct); uncertainties following Brexit; changes in government and funding policy affecting higher education; and pensions. Whilst the institution cannot affect whether these risks will occur, it can be alert to the changing environment and prepare for the risk and any potential impact. To this end the University undertakes regular environment scans and keeps abreast of policy developments to ensure early notification of emergent changes to these risks.

In addition to these four external risks and opportunities, ten internal risks have been identified aligned to Strategy 2026. These are described in more detail below.

RISK	DESCRIPTION AND RESPONSE
Compliance	This is the University's ability to comply with statutory and/or legislative requirements. There is governance oversight of processes that ensure compliance with statutory requirements including health and safety, GDPR, information security, data assurance, Office for Students conditions of registrations, research ethics and integrity and safeguarding our students. Internal reviews and audits identify potential improvements to these and action plans are developed to implement changes.
Culture and ambition	The importance of having a culture which enables institutional change in support of strategic ambitions. The University has a Strategic Change portfolio which fosters a culture of inclusiveness, engagement and ownership. The work of the team reflects the priorities of the Institution. This work is supported by leadership but engages with stakeholders across the University to develop a change-readiness culture.

Staff recruitment, retention, satisfaction and wellbeing	This is the risk to the Institution's ability to recruit and retain excellent staff. The Institution has strategies to retain and attract staff and uses surveys and focus groups to identify areas for development then introduces action plans where relevant. Staff are kept informed through regular communications and opportunities for engagement.
Student recruitment	This risk is the Institution's ability to recruit high quality students and achieve planned numbers. The University has effective planning and governance processes to enable subjects to align plans to overarching recruitment strategies and have oversight of this. Action plans with marketing and communication activity are in place to support recruitment of specific cohorts. Regular review of the portfolio ensures continued attractiveness to students.
Student satisfaction and wellbeing	This is the risk to the University's ability to meet the needs of students and deliver a competitive student experience. The University has a planning process that ensures appropriate investment to ensure the wellbeing and satisfaction of students in line with the Education Strategy and Student Success Framework. Close working with the Student Guild identifies priorities and supports development of action plans for implementation.
Reliance on key partnerships	This is the risk of having limited / under developed partnerships for both teaching and research. Work to diversify and develop our partnerships is aligned to the Student Intake and Research Strategies and appropriate investment and activity is identified through the annual planning process. Potential development opportunities are identified through research activity and reviewed through partnership groups.
Financial sustainability	This is the risk of failing to generate the required surplus for investment in our strategic priorities. The Planning cycle sets out budgetary parameters and there is scenario-planning to understand the impact of changes in the environment. Opportunities for growth are identified in the planning cycle and aligned to strategy. Reviews identify areas where cost efficiency and value for money could be improved and targeted actions are undertaken where appropriate.
COVID-19	This is the risk that COVID-19 will impact on the University's ability to undertake developments that help it deliver Strategy 2026 within the expected timeframe. The University has identified areas of priority and an agile approach was used to implement short term changes. Modelling was undertaken to understand the impact of potential changes in the environment. Medium to long term changes were identified and resourced through the planning cycle.
Research and impact quantity and quality	This is the risk to the quantity and quality of the University's research and its impact as measured by UK Research Excellence Framework and world ranking measures. The University has a review process to assess the quantity and quality of research and areas that are a priority for development are resourced through the planning process. There are regular scans of the research environment to identify new opportunities and action plans are aligned to strategy to support developments to build diverse, inclusive and sustainable research at all points in a researcher's career.
Reputation	Alignment of the University's local, national and global reputation with its strategic ambitions. The University recognises the importance of a co-ordinated approach to marketing and communications to express the University's mission and values and building our reputation as a high-calibre research-intensive University with distinctive strengths. This work includes identifying areas for development as well as internal and external marketing and communications with staff, students, alumni, partners (existing and potential), local, regional and national stakeholders and the media.

DIVERSITY AND EQUALITY, INVESTMENT AND RESERVES POLICIES

Diversity and Equality of Opportunity Policy

The University is committed to providing an environment which recognises and values people's differences, capitalises on the strengths that those differences bring to the institution and supports all staff and students in maximising their potential to succeed. This commitment is made with specific reference to a person's age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religious belief and non belief, sex and sexual orientation. The University is committed to fulfilling its obligations under the Equality Act 2010.

The University has diversity and equality embedded within our Values and Ethics and at the heart of Strategy 2026. Our vision is to be a University where diversity, equality and inclusion are embedded in everything that we do. We want to build a strong and lasting culture which:

- Truly values the diversity of experience, ideas and backgrounds of everyone in our community
- Values and enhances the ability or potential to succeed in an environment of support and respect
- Provides opportunities and experiences which are open to all
- Ensures we take personal and professional responsibility for our actions, and for our behaviour towards one another
- Is recognised by our peers as a sector leader in the field of equality.

Our activity until 2026 is driven through our Equality Framework which sets out the University's key diversity and equality objectives in support of Strategy 2026. It includes six student objectives covering: recruitment and admissions; progression; attainment; graduate outcomes; and intergroup relations and understanding and five staff strategic objectives covering staff recruitment; retention and progression; diversity competence and representation; employer of choice; and family friendly culture.

In progressing this work, this year the University has:

- Signed up to Advance HE's Race Equality Charter having concluded the work of the task and finish group to respond to the Equality and Human Rights Commission's report into racial harassment in Higher Education, and published a new set of commitments and actions
- Launched 'Report and Support'; a new online reporting tool for staff and students to report issues including those relating to harassment and bullying
- Successfully retained our institutional Silver Athena SWAN award by developing an action plan which included ways in which the University will respond to the gendered impact of the pandemic
- Continued work to improve the physical accessibility of the campus including the completion of a full disability access review of 98 University buildings and updating the online public resource guide by AccessAble
- Continued to provide comprehensive support and guidance for managers regarding the potential diversity and equality related implications of changes to working practices arising from the COVID-19 pandemic, and embedding diversity and equality within the new Hybrid Working principles
- Developed a citizenship module for all students as part of Welcome Week which achieved high levels of participation with 5,000 completions, over 100 students contributing a book to the University reading list and over 1,200 completing a self reflective essay
- Provided specialist training regarding Hate Crimes through our partnership with the Anthony Walker Foundation, and relating to 'First Steps for Trans Inclusion' and 'Introduction to LGBT Allyship' by Stonewall
- Published its fourth Gender Pay Gap analysis, as well as its disability, ethnicity and sexuality pay gaps.

Ethical Investment Policy

It is the role of Council to set out the ethical platform on which the University's investments are managed. The Council instructs its investment managers, through the Investments Sub-Committee, to invest University funds only in those companies which meet its criteria for ethical investment. It is the role of the Investments Sub-Committee to monitor investment managers' adherence to the University's Ethical Investment Policy. Investment managers report regularly to the Investments Sub-Committee on actions they have taken relating to ethical investment. The University was in adherence to its ethical investment policy throughout 2020-21.

The University has committed to full divestment from fossil fuel extraction by 31 July 2022. This means extending its exclusion on thermal coals and tar sands to all companies that derive significant income from fossil fuel extraction. This wider exclusion was adhered to throughout 2020-21.

The policy is reviewed on an annual basis, with the latest version approved in July 2021.

The policy can be accessed here: **www.liverpool.ac.uk/media/livacuk/commsec/Ethical,Investment,Policy,July,21.pdf**

Reserves Policy

The University recognises its obligations as an exempt charity to expend the resources provided to it for charitable purposes and its reserves are retained for a variety of purposes. A significant proportion is represented by endowments which are retained and used in accordance with the wishes of the benefactors.

The University has also built up its own reserve balances over a number of years to provide a source of funding for future activities and to repay long term debt. Further reserves are retained to provide working capital to support the University's complex organisation and to invest in land, buildings and equipment to develop its activities.

CORPORATE GOVERNANCE

The following is provided to enable readers of the financial statements to understand key aspects of the governance of the University.

The University is committed to best practice in all aspects of corporate governance and conducts its business:

- In line with the Office for Students (OfS) general ongoing conditions of registration
- In accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership)
- In compliance with the guidance on corporate governance which has been provided for the sector by the Committee of University Chairs (CUC), including the Higher Education Code of Governance.

The University's statutory framework upholds the public interest governance principles outlined by the OfS.

Legal Status

The University is a corporate body established by Royal Charter dated 1903. Our objects, powers and framework of governance are set out in the Charter, Statutes and Ordinances. The latest versions of the Charter and Statutes were fully revised and approved by the Privy Council in 2013, with further minor amendments made primarily to reflect changes to the Council's constitution approved in 2019.

The University is an exempt charity under the terms of the Charities Act 2011, and is regulated by the OfS. Members of the University Council are the charitable trustees and are responsible for ensuring compliance with charity law.

The University is registered with the OfS as a higher education provider with degree awarding powers and was previously funded by the Higher Education Funding Council for England. The address of the registered office is the Foundation Building, 765 Brownlow Hill, Liverpool L69 7ZX.

The Council

The Council is the governing body of the University. The Charter identifies the Council as being responsible for 'the management and administration of the whole revenue and property of the University and the conduct of all the affairs of the University'. The powers and duties of the Council are defined in Statute 9. The primary responsibilities of the Council may be defined as being to:

- Appoint a Chancellor, a President who shall act as Chairman of the Council and a Vice-President of the Council
- Appoint a Vice-Chancellor as chief executive, and to put in place suitable arrangements for monitoring his/her performance
- Delegate authority to the Vice-Chancellor, as chief executive, for the academic, corporate, financial, estate and human resource 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 head of the institution
- Approve the mission and strategic vision of the institution, the long-term academic and business plans and key performance indicators, and to ensure that these meet the interests of stakeholders
- Ensure that 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
- Ensure the establishment and monitoring of systems of control and accountability, including financial and operational controls and risk assessment, and procedures for handling internal grievances and for managing conflicts of interest
- Be the employing authority for all staff in the institution and be responsible for establishing a human resources strategy
- Oversee the academic endeavours of the University to ensure that there is an effective framework in place to manage the quality of learning and teaching and to maintain academic standards; and to ensure that the welfare of students, as far as is reasonably practicable, is secured

- 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
- Be the institution's legal authority and, as such, to ensure that systems are in place for meeting all the institution's legal and regulatory obligations, including those arising from contracts and other legal commitments made in the institution's name
- Conduct its business in accordance with the best interests of the University, and in an open and transparent fashion as appropriate, safeguarding the University's good name, values and sustainability
- Conduct its business in accordance with best practice in Higher Education corporate governance and with the principles of public life drawn up by the Committee on Standards in Public Life, as well as to ensure the OfS public interest governance principles are upheld and delivered
- Appoint a Clerk to the Council. Irrespective of other duties an individual appointed as Clerk might have in the University, in his/her capacity as Clerk s/he shall act on the instructions of, and be responsible to, the Council alone
- Ensure that the institution's constitution is followed at all times and that appropriate advice is available to enable this to happen
- Act as trustee for any property, legacy, endowment, bequest or gift in support of the work and welfare of the institution
- Establish processes to monitor and evaluate the performance and effectiveness of the governing body itself.

There are 21 members of the Council, the majority of whom are lay members (external to the University and outside the day-to-day executive management). Membership comprises: the President, the Vice-President, 10 other lay members, the Vice-Chancellor, two Pro-Vice-Chancellors, the President of the Guild of Students, the Senior Professional Services Representative with Responsibility for People and Infrastructure, three members of the academic staff drawn from the Senate, and one member of staff drawn from Professional Services.

The Council meets four times per year and unreserved minutes of its meetings are published on the University's website. The formal business meetings are supplemented by two away days and regular informal briefing sessions. Emails sent by the Senior Leadership Team to all staff and a daily media digest including links to University and sector media coverage are also circulated to Council members to ensure they are kept abreast of ongoing developments. Lay members are involved in many aspects of University life which ensures that they are part of the wider community of the University and are appropriately briefed on activities and challenges, eg by attending key events such as degree ceremonies, by serving on several committees including the strategic committees (Education Committee and Research and Impact Committee), and by being involved in recruitment and disciplinary panels etc. All new members of the Council are provided with appropriate induction and attend relevant training sessions.

Following approval by the Charity Commission, the President of Council is now remunerated. Other lay members do not receive payment for the work they do for the University, apart from the reimbursement of expenses which are disclosed in the financial statements. Ordinance 20 provides for lay members of the Council to be appointed for a term of office of three years and they may be re-appointed for up to two further three-year terms. However, the Council in July 2020 approved the extension of the tenure of one of its lay members two years and four months beyond the continuous period of service of nine years as the appointment was believed to be exceptionally justified. In keeping with the University's existing Ordinance 5 which permits the maximum continuous period of service that a lay member may serve on the Council to be twelve years if appointed as President or Vice-President of Council, the Vice-President of Council is also currently serving beyond a nine-year tenure.

Independent reviews of the Council's effectiveness are conducted and these are supplemented by periodic reviews undertaken by the Council itself. Action plans are developed in response to the recommendations arising from all governance effectiveness reviews and progress in implementing the actions is monitored. The most recent independent review of the Council was undertaken in late 2020-21 by Halpin Partnership Limited. Halpin concluded: 'Our assessment is that Liverpool has a good governance culture with a clear desire to be open and transparent and a willingness to challenge. The trajectory is also viewed positively with recent changes welcomed by both Council members and executives alike. This establishes an excellent foundation for the future. With many examples of good practice and by adopting the recommendations in this report, Council can be assured that it is meeting its governance obligations and is continuing on its journey to be at the leading edge of governance practice'. In addition, members' opinions on the effectiveness of the Council are sought regularly, including through annual meetings held between individual members, the President of Council and the Clerk to Council and post-meeting surveys.

Committees of the Council

The Council has several committees, the key ones being Audit Committee, Finance and Resources Committee (renamed during the year from

Planning and Resources Committee), Nominations Committee and Remuneration Committee. These Committees are formally constituted with terms of reference and contain significant lay member representation – Council membership of these committees is shown on page 3.

The Council is also supported in the fulfilment of its statutory responsibilities by the Health and Safety Governance Committee and the Committee on Research Ethics. Regular reports are submitted to the Council by all of its committees.

The Council operates a Scheme of Delegation which delegates specific matters to its committees or senior members of staff. This is reviewed periodically. The matters reserved to the Council are set out in the Statutes.

Audit Committee

The responsibilities of the Audit Committee are as follows:

- Advise the Council on the appointment of the external auditors, the audit fee, the provision of any non-audit services by the external auditors, and any questions of resignation or dismissal of the external auditors
- Discuss with the external auditors, before the audit begins, the nature and scope of the audit
- Discuss with the external auditors problems and reservations arising from the interim and final audits, including a review of the management letter, incorporating management responses, and any other matters the external auditors may wish to discuss (in the absence of management where necessary)
- Consider and advise the Council on the appointment and terms of engagement of the internal audit service (and the head of internal audit if applicable), the audit fee, the provision of any non-audit services by the internal auditors, and any questions of resignation or dismissal of the internal auditors
- Review the internal auditors' audit risk assessment, strategy and programme and annual report; consider major findings of internal audit investigations and management response; and promote coordination between the internal and external auditors. The Committee will ensure that the resources made available for internal audit are enough to meet the institution's needs (or make a recommendation to the Council as appropriate)
- Monitor annually the performance and effectiveness of the external and internal auditors, including any matters affecting their objectivity, and make recommendations to the Council concerning their reappointment, where appropriate
- Monitor the implementation of agreed audit-based recommendations from whatever source
- Keep under review the effectiveness of the arrangements for risk management, culture, control and governance arrangements
- Advise the Council on the arrangements in place for identifying, evaluating and controlling risks, and to monitor such arrangements
- Oversee the institution's policy on fraud and irregularity, including being notified of any action taken under that policy
- Ensure that all significant losses have been thoroughly investigated and that the internal and external auditors – and where appropriate the regulator – have been informed
- Satisfy itself that suitable arrangements are in place to ensure the sustainability of the institution and to promote economy, efficiency and effectiveness (Value for Money). This may include consideration of arrangements that:
  - support the culture and behaviour that is prevalent within the institution
  - ensure the effective management of conflicts of interest
  - enable the appointment of 'fit and proper persons' to the governing body and senior executive positions
- Satisfy itself that effective arrangements are in place to ensure appropriate and accurate data returns are made to external stakeholders and regulatory bodies
- Receive any relevant reports from the National Audit Office, the regulator and other organisations
- Monitor other relevant sources of assurance, for example other external reviews
- Consider elements of the annual financial statements in the presence of the external auditors, including:
  - the auditors' formal opinion
  - the statement of members' responsibilities
  - the statement of internal control, in accordance with the regulator's accounts directions
- In the event of the merger or dissolution of the institution, ensure that the necessary actions are completed, including arranging for a final set of financial statements to be completed and signed.

The Audit Committee received the Audit Plan and Strategy from the external auditors in June 2021. The Committee has considered and discussed the risks identified within this document during its meeting held in June and further in meetings of the Committee held in October and November. The Independent Auditor's Report from Ernst & Young LLP starting on page 54 of this document provides further information on their audit approach and findings for the period.

Finance and Resources Committee

On behalf of the Council, the Finance and Resources Committee provides strategic oversight of the University's planning, performance, finances and resources, staff, capital and investment strategy. The Committee's terms of reference are as follows:

Financial Strategy:

- To review institutional budgets, activity plans, and frameworks, and to recommend them for approval to the Council
- On behalf of the Council, to oversee financial sustainability through monitoring high-level delivery of financial performance. To also consider the quarterly financial performance reports in advance of submission to the Council
- To oversee longer-term financial plans for the University and to review and recommend the framework within which planning and resource allocation should take place
- To review the financial elements of the University's annual financial statements prior to their consideration by the Council
- To review and recommend to the Council the University's Financial Regulations
- To regularly review the financial elements of the University's Scheme of Delegation and advise the Council accordingly
- To approve the University's annual Transparent Approach to Costing returns to the OfS
- Under delegated authority, to approve policies and procedures relating to financial management, and oversee the effective implementation of such policies
- On behalf of the Council, to monitor compliance with regulatory requirements (eg relevant OfS conditions and funding requirements)
- On behalf of the Council, to receive reports on the financial performance and operations of the University's Subsidiary Companies.

Planning and Performance:

- To approve plans for the annual planning and performance cycle, including the proposed planning parameters
- To monitor the achievement of strategic plans and institutional budgets
- To oversee the strategic planning governance framework.

Human Resources:

- To review and recommend to the Council Human Resources strategies and major new policy developments
- On behalf of the Council, to approve Human Resources related policies and procedures, and oversee the effective implementation of such policies; providing general oversight of the University's compliance with relevant regulations, standards and codes of practice
- To monitor and report to the Council on progress in achieving improvements to key Human Resource metrics (eg progress against diversity and inclusion targets)
- In advance of submission to the Council, to receive and consider reports on employee pension arrangements and consider any consultation response proposals regarding changes to the rules or terms of the pension schemes.

Capital and Estates:

- To monitor performance and delivery against the Estates Strategy
- To monitor performance of the Capital Plan, including financial and non-financial elements and post-project completion Capital Plan
- To approve, under delegated authority, capital schemes of a value up to £5m
- To review and recommend to the Council approval of capital schemes in excess of £5m.

Digital Technologies:

- To monitor performance and delivery against the Digital Strategy
- To monitor performance of investment in Digital Technologies, including financial and non-financial elements and post-project benefits analysis
- To approve, under delegated authority, capital investment in technology infrastructure schemes of a value up to £5m
- To review and recommend to the Council approval of digital technology capital schemes in excess of £5m.

Investments:

- Through quarterly reporting from the Investments Sub-Committee, to oversee the implementation of the University's Investment Strategy, monitor the performance of investments and to advise the Council on any matters of concern
- On the advice of the Investments Sub-Committee, to consider and make recommendations to the Council on the University's overall Investment Strategy and objectives, including in relation to the University Ethical Investment Policy, and ESG considerations generally
- To monitor and keep under review the effectiveness and the activities of the Investments Sub-Committee.

Nominations Committee

The Nominations Committee makes recommendations regarding potential lay members of the Council, Council-appointed Senate and Professional Services representatives on the Council and Council-appointed members of University committees and bodies. In making its recommendations, the Committee seeks to ensure: that the Council is able to discharge its duties effectively through an engaged membership that has an appropriate mix of skills, knowledge, experience and diversity; that robust and appropriate procedures are in place around the Council's appointments to University committees and bodies; that there is an appropriate allocation of workload amongst members; and that due consideration is given to succession planning. The Committee also oversees the arrangements for the induction, development and annual appraisal of Council members.

Recruitment to the Council is either ex officio (for example in terms of senior managers such as the Vice-Chancellor), appointment or election (for other staff members), or by external advertisement (for lay members). Recruitment of lay members is undertaken in line with sector guidance with a view to attracting as wide a range of candidates as possible.

Remuneration Committee

The Remuneration Committee has the following remit:

- To approve and annually review the Strategic Reward for Senior Staff Policy (SRSS) which is the policy framework for managing senior staff remuneration and conditions (including non-pay benefits) at the University
- To be responsible, on behalf of the Council, for setting the policy for and agreeing remuneration and reward for members of the Senior Leadership Team (SLT) in accordance with the SRSS policy
- To consider and determine the overall remuneration and objectives of the Vice-Chancellor. The Chair of Council will:
  - report on their assessment of the Vice-Chancellor's performance against the Professional Development Review (PDR) objectives that were agreed
  - propose to the Committee any increase in remuneration in accordance with the SRSS policy
  - propose to the Committee any bonus payment in accordance with the Vice-Chancellor's contract of employment
  - propose to the Committee PDR objectives for the coming year

The Committee's recommendations are then presented to the Council for consideration.

- To receive reports on the remuneration of staff above Grade 9 who are not members of SLT in accordance with the SRSS policy
- To consider and determine upon proposals for voluntary severance or the early retirement of members of the SLT (the determination of such matters with regard to the Vice-Chancellor shall be restricted to the lay members of the Committee)
- To approve policy on the outside earnings of senior staff (professorial and Grade 10)
- To review and note remuneration trends across the University sector using benchmarking data
- To agree the policy for claims for expenses from the Vice-Chancellor and receive regular reports on expense payments made
- To provide an annual remuneration report to the Council on the business of the Committee that shall be produced in accordance with the CUC Higher Education Senior Staff Remuneration Code/OfS guidance
- To ensure compliance with the CUC Higher Education Senior Staff Remuneration Code/OfS guidance in all relevant matters before the Committee.

The annual report of the Remuneration Committee submitted to the Council in November 2021 is available at: **www.liverpool.ac.uk/governance/university-committees/remuneration-committee/**

Senate

Under its Charter, the University is required to have a Senate which, subject to the oversight of the Council, is responsible for promoting research, promoting and regulating learning and teaching and maintaining the quality and standards of the University's academic provision. Senate's primary role is to act as the key forum for debate, development and testing of institutional academic policy, but it also has the right to discuss and declare an opinion on any matter relating to the University.

Senate has 84 members, including the Director of People and Services, Policy and Executive Pro-Vice-Chancellors, Associate Pro-Vice-Chancellors, Deans, nominated Heads of Department, elected Faculty representatives and student representatives. Senate is chaired by the Vice-Chancellor and normally meets four times per year. Senate's powers and duties are detailed in Ordinance 19 of the University's Statutory Framework.

As a result of the COVID-19 pandemic, since March 2020 the University's committees, including those referred to above, have met virtually. Where appropriate, agendas have been pared down and some of the more routine business has been dealt with via correspondence. From the beginning of the 2021-22 academic year it is hoped that some meetings will be held in-person.

Leadership

The principal academic and administrative officer of the University is the Vice-Chancellor, who has overall responsibility for the executive management of the University and for its day-to-day direction, being accountable to the Council for the exercise of these responsibilities and, as the designated accountable officer, to OfS/Research England for the use of the public funds the University receives.

The Vice-Chancellor exercises primary influence on the development of institutional policy and strategy, the identification and planning of new developments and in shaping the institutional ethos. The Vice-Chancellor is supported in the role by three Policy Pro-Vice-Chancellors, three Executive Pro-Vice-Chancellors, the Director of Finance, the Director of People and Services and the University Secretary and Director of Legal and Governance. They lead the management of the University which is organised into three academic Faculties and the Professional Services.

Senior Leadership Team

The Senior Leadership Team (SLT) comprises the Vice-Chancellor, Pro-Vice-Chancellor for Cultural Engagement, Pro-Vice-Chancellor for Education, Pro-Vice-Chancellor for Research and Impact, Executive Pro-Vice-Chancellor for Health and Life Sciences, Executive Pro-Vice-Chancellor for Humanities and Social Sciences, Executive Pro-Vice-Chancellor for Science and Engineering, Director of Finance, Director of People and Services, and University Secretary and Director of Legal and Governance. SLT meets regularly and provides strategic leadership and direction, within the parameters set by the overarching strategy approved by the Council and the University's statutory framework.

The Formal Senior Leadership Team (FSLT) is the University's operational executive body and consists of the members of the SLT. Within the parameters set by the overarching strategy approved by the Council and the University's statutory framework, it takes decisions on major operational matters that have institutional reach, and strategic issues where doing so is time critical. It also reviews proposals relating to the development of, or major changes to, institutional strategies, major policies, frameworks, and other governance documentation to ensure a coordinated management response before these are submitted to the formal governance structure for scrutiny and approval. The FSLT usually has ten meetings per year, and an away day each September. The terms of reference are available at: **www.liverpool.ac.uk/governance/university-committees/formalseniorleadershipteam/**

Internal Control

The Council is responsible for maintaining a sound system of internal control that supports the achievement of the University's policies, aims and objectives, while safeguarding public and other funds and assets for which it is responsible, in accordance with the University's statutory framework and the requirements of the OfS and Research England.

The system of internal control is designed to identify and manage, rather than eliminate, the risk of failure to achieve policies, aims and objectives; it can therefore provide only a reasonable and not an absolute assurance of effectiveness.

Detailed review and monitoring of the system of internal control is carried out on behalf of the Council by the Audit Committee, from which the Council receives periodic reports.

The Committee receives regular reports from the University's internal auditors, PwC, which provide an independent opinion on the adequacy and effectiveness of the University's arrangements for internal control, risk management, governance, and securing value for money, together with recommendations for improvement where appropriate and timescales for implementation. PwC's methodology is aligned to the requirements of the OfS's Terms and Conditions for Funding.

The Council's review of the effectiveness of the system of internal control for the year ended 31 July 2021 and up to the date of approval of the audited financial statements is informed by the Audit Committee, the work of the internal auditors, the work of the senior managers who have responsibility for the development, maintenance and continual review of the internal control framework, comments made by the external auditors in their management letter and other reports, and comments made by Halpin Partnership Limited during their 2020-21 governance effectiveness review.

Risk Management

The system of internal control is based on an ongoing process designed to identify the principal business, operational, compliance and financial risks to the achievement of the University's policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically.

The University's approach to risk management aims to mitigate risks and to maximise opportunities to increase the probability of successful short, medium and long term outcomes, whilst protecting the reputation and sustainability of the University.

The University considers risk management a key part of decision making and strategic planning and that effective risk management is essential for effective governance and realisation of strategic ambitions.

Risk management processes are undertaken at all levels of the organisation, from project through to institutional level. A revised risk management framework, which integrates risk and mitigation activities as part of the University's Planning and Performance Cycle, was approved by the Council in Spring 2020. Additionally, processes have been put in place for colleagues to manage risks at both local and operational level across the institution including a new risk escalation process to enable risk owners to effectively manage and further mitigate high scoring risks. Risks are assessed in terms of their likelihood and consequence supported by tools that enable users to assess risk consistently across the institution. With regard to the institutional risk appetite, the framework has moved away from a risk appetite statement to include three categories of risk appetite: low, medium and high. This is to allow greater agility in the tolerance of risk, provide a tool for the monitoring of risk status and allow the facilitation of more timely responses to opportunities.

Risk is overseen by the Formal Senior Leadership Team. The Education Committee and Research and Impact Committee, which report to the Senate and the Council, provide input through their consideration of quarterly performance, environment scan and risk reports. The Audit Committee provides assurance to the Council that an appropriate risk management framework is in place. The management of risk is integral to the work of the Council.

As part of the process, the Council regularly considers the strategic direction of the University and institutional plans, and receives regular reports on progress against key performance indicators, strategic initiatives and other significant projects and risk factors.

PwC construct their internal audit plan in consultation with management in order to ensure that it is based on the University's strategic risk register so that assurances can be gained that risks are properly managed, and to allow the auditors to fulfil their responsibility to give the Audit Committee an assurance on the system of internal control.

The Council is of the view that there is an ongoing process for identifying, evaluating and managing the University's significant risks and that this process has been in place for the year ended 31 July 2021 and up to the date of the approval of the audited financial statements.

Public Interest

The University is committed to conducting its affairs in accordance with the highest standards of integrity, and appropriate policies and procedures are in place to enable concerns to be raised regarding malpractice, corruption, wrongdoing and any form of impropriety. The Public Interest Disclosure Policy has been designed to enable individuals to raise concerns at an appropriate level and is in line with the legal requirements contained within the Public Interest Disclosure Act.

Register of Interests

A Register of Members' Interests is maintained in which the primary interests of all members of the Council and the Senior Leadership Team are held. This information is publicly available online. Disclosure of interest is a standing item on agendas for formal governance committees and at the first meeting of each academic year members receive the Statement of Policy and Procedure on Disclosure of Interest.

Financial Control

The Council is responsible for preparing the Review of the Year and the financial statements in accordance with the requirements of the OfS's Terms and Conditions of Funding for Higher Education Institutions and Research England's Terms and Conditions of Research England Grant. It is required to prepare group and parent University financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS102 The Financial Reporting Standard applicable in the UK and Republic of Ireland. The Terms and Conditions of Funding further require the financial statements to be prepared in accordance with the 2019 Statement of Recommended Practice – Accounting for Further and Higher Education, in accordance with the requirements of the Accounts Direction issued by the OfS. The Council is required to prepare financial statements which give a true and fair view of the state of affairs of the group and parent University and of their income and expenditure, gains and losses, changes in reserves and of the Group's cash flows for the period.

In preparing each of the group and parent University financial statements, the Council is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the group and parent University's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent University or to cease operations, or have no realistic alternative but to do so.

The Council is responsible for keeping proper accounts and proper records in relation to the accounts. It is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The Council is also responsible for ensuring that:

- funds from whatever source administered by the Group or the

University for specific purposes 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 terms and conditions attached to them;
- ensuring that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources; and
- securing the economical, efficient and effective management of the University's resources and expenditure.

The Council is responsible for the maintenance and integrity of the corporate and financial information included on the University's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

- Clear definitions of the responsibilities of, and the authority delegated to, all heads of departments
- A comprehensive short and medium term planning and performance cycle process, supplemented by detailed annual income, expenditure, capital and cash flow budgets
- Quarterly updates detailing institutional performance against relevant KPIs and SPIs and highlighting the key risks related to delivery of Strategy 2026, alongside quarterly reviews of financial results involving variance reporting and updates of forecast outturns
- Clearly defined and formalised requirements for approval and control of expenditure
- A formalised treasury management policy
- Comprehensive Financial Regulations detailing financial controls and procedures, approved by the Audit Committee, Finance and Resources Committee and the Council
- A professional independent internal audit team whose programme of work is approved annually by the Audit Committee and endorsed by the Council.

It is critical that the University demonstrates value for money to its stakeholders. The University's reporting to the Audit Committee and the Council in this area focuses on the issues identified by the OfS, but is supplemented by other areas in which the University adds significant impact both locally and globally. Future reports will focus on the following priority areas: teaching quality, transparency (including consumer information, fees and funding, and course transfers), employment outcomes, efficiency, cultural contributions, global impact and progress in relation to sustainability.

The Council's review of the effectiveness of the system of internal financial control is informed by the work of the internal auditors, the Audit Committee, the individual members of staff with responsibility for the development and maintenance of the financial control framework and comments made by the external auditors in the management letter and in other reports.

The Council is satisfied that the system of internal financial control described above has been in place throughout the year ended 31 July 2021 and up to the date of the approval of the audited financial statements.

The Council is satisfied that the University is a going concern and the financial statements are prepared on that basis. Further detail is given in note 1 to the financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE COUNCIL OF THE UNIVERSITY OF LIVERPOOL

Opinion

In our opinion:

- the University of Liverpool's Group financial statements and Parent Institution's financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Institution's state of affairs as at 31 July 2021, 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;
- the financial statements have been properly prepared in accordance United Kingdom Generally Accepted Accounting Practice.
- the financial statements have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education, relevant legislation and Office for Students requirements.

We have audited the financial statements of the University of Liverpool which comprise:

Group	Parent Institution
Consolidated Statement of Financial Position as at 31 July 2021	Statement of Financial Position as at 31 July 2021
Consolidated Statement of Comprehensive Income for the year then ended	Statement of Comprehensive Income for the year then ended
Consolidated Statement of Changes in Reserves for the year then ended	University Statement of Changes in Reserves for the year then ended
Consolidated Statement of Cash Flows for the year then ended	
Related notes 1 to 38 to the financial statements, including a statement of principal accounting policies	Related notes 1 to 38 to the financial statements including a statement of principal 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).

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 as applied to listed public interest entities, 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Council's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Council's assessment of the Group and Parent Institution's ability to continue to adopt the going concern basis of accounting included:

- We read the Narrative Report and Financial Statement disclosures in relation to the financial statements being prepared on a going concern basis to ensure that they were consistent with our knowledge of the Group and Institution's financial position.
- We assessed the information used in the going concern assessment for consistency with management reporting, and information obtained through auditing other areas of the business, obtained an understanding of the business planning process and challenged the underlying assumptions, for the going concern period to 31 July 2023 from our sign off date for evidence of bias and for consistency with our knowledge of the organisation.
- We compared actual performance for the period to 31 July 2021 to the budget for that period to assess the accuracy of historical data.
- We challenged management's assumptions against historic financial performance, and assessed the level of available reserves against plans to apply those reserves to meet any future pressures.
- We assessed the levels of current borrowing and confirmed that the Group and Institution is compliant with loan covenants and forecasts to be through the going concern period.
- Undertook reverse stress testing on the possible downside scenario planning performed by management, to understand the potential circumstances required and likelihood of those circumstances that could result in liquidity and covenant compliance shortages within the going concern period.
- We have observed that the financial forecast position of the Group and Institution as set out in the central and downside scenarios prepared by management is such that it has sufficient liquidity to maintain its position through to 31 July 2023, as well as forecasting compliance with all loan covenants through to 31 July 2023.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and Parent Institution's ability to continue as a going concern for a period of 20 months to 31 July 2023, from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Council with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Overview of our audit approach

Key audit matters	• Fraud in Revenue Recognition
Audit scope	• We performed an audit of the complete financial information of one component and audit procedures on specific balances for a further 5 components. • *The component where we performed full audit procedures accounted for 99.9% of total income,* 117.7% *of* Surplus *before tax* and 99.1% *of Total assets.*
Materiality	• *Overall Group materiality of* £5.8m *which represents approximately* 1% *of* total income.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Fraud in Revenue Recognition (£597.6m total income, PY comparative £576.5m) *Refer to Accounting policies (page 68); and Notes 1-7 of the Consolidated Financial Statements* Revenue is recognised in accordance with FRS 102 and sections 16, 17 and 18 of the Statement of Recommended Practice: Accounting for Further and Higher Education. The number of revenue streams increases the risk of inappropriate revenue recognition. A risk of override exists, as described in ISA 240, and manifests itself through management recording revenue incorrectly around the year end date either through incorrect judgements being applied when determining whether performance conditions have been met and therefore the incorrect deferral, or clawback, of income or via manual journals posted during the financial statement close process. *Research income (£112.5m; PY £95.1m).* - Recognition requires judgement at year end in recognising accrued and deferred income which could result in recognising income in the year incorrectly either by recognising the incorrect value or recognising income that should be deferred until any performance related conditions are met. *Tuition fees (£304.4m; PY £317.3m):* - Where there are courses spanning the financial year end the risk lies in recognising revenue in the correct financial year. *Other income (£81.7m; PY £77.7m);* - *There is a risk that revenue is recorded incorrectly around the year end date.* *Donations and endowments (£15.3m; PY £3.2m);* - There is a risk that revenue is recorded incorrectly around the year end date. *Funding body grants (£78.7m; PY £76.2m);* - Since there is no material judgement associated with the recognition of the University's funding council grant income, we have determined that the risk of revenue recognition does not materialise within this area. *Investment income (£5.0m; PY £7.0m)* - Revenue is not material in the current year. We do not consider there to be a risk of material manipulation for the year. We consider this risk to be relevant to the Group (and the University as a single entity).	Our audit procedures included: - Understanding the revenue processes for each material revenue stream. - Identification and walkthrough of key controls over revenue processes for each material revenue stream. *Research income* - Tested a sample of research income, deferred income and accrued income, verifying that judgement applied in recognising income was in accordance with the performance related conditions. This included verification to source documents such as contracts, awards or agreement with funders, and project budgets and performance to date. - For each research project tested, confirmed that where income recognition to date is in excess of budgeted that this is appropriate and supportable to contract variations with funders where applicable. - Independently inquired with the University's Research Office, Faculty of Research Finance and Group Finance as applicable to understand the outcome of audits performed by grant funding bodies during the period, cross referring responses and the results of our substantive testing and challenging whether the University's assessment of clawback risk is correctly valued in the financial statements. *Tuition fees* - For full-time courses we performed substantive audit procedures, reperforming the recognition of fee income and investigating any unusual transactions, comparing this to the income recognised in the income statement. - Sample tested student fees and short course fees verifying the amounts back to evidence of student records and cash. *Other income* - Substantively tested a sample of other income back to source documents, such as invoice, contracts, grant agreements or receipt of cash as applicable. *Donations and endowments* - Substantively tested a sample of income back to source documents, such as donation agreements and cash. *Procedures across all revenue streams:* - Performed an overall analytical review on revenue compared to prior year on an individual sub-stream basis to identify, understand and corroborate any unusual fluctuations, considering any contradictory evidence. - Performed cut off testing for a sample of transactions around the year end to confirm that they have been recorded in the correct financial year. - Undertook risk-based procedures to identify journals specifically raised to increase income and corroborated their purpose back to underlying evidence. We performed full scope audit procedures over this risk, which covered 99.3% of the risk amount. We also performed specified procedures over the existence and valuation of cash and overall financial performance in five locations.	Based upon the audit procedures performed, we conclude that revenue has been appropriately recorded in the period in accordance with the requirements of FRS 102 and sections 16, 17 and 18 of the Statement of Recommended Practice: Accounting for Further and Higher Education.

An overview of the scope of our audit

Tailoring the scope

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

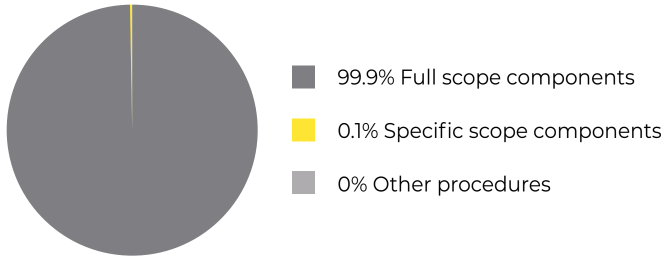
Of the 5 components selected, we performed an audit of the complete financial information of 1 component ("full scope component") which was selected based on its size or risk characteristics. For the remaining 4 components ("specific scope components"), we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile.

The reporting components where we performed audit procedures accounted for 99.2% (2020: 100.4%) of the Group's Total income, 111.5% (2020: 105.5%) of the Group's Surplus before tax and 99.5% (2020: 99.2%) of the Group's Total assets. For the current year, the full scope component contributed 99.9% (2020: 100.2%) of the Group's Total income, 117.7% (2020: 105.5%) of the Group's Surplus before tax and 99.1% (2020: 98.8%) of the Group's Total assets. The specific scope components contributed 0.1% (2020: -0.2%) of the Group's Total income, -17.7% (2020: -5.5%) of the Group's Surplus before tax and 0.9% (2020: 1.2%) of the Group's Total assets. The audit scope of these components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant accounts tested for the Group. We also instructed 4 locations to perform specified procedures over certain aspects of cash existence and valuation, and overall financial performance and position, as described in the Risk section above.

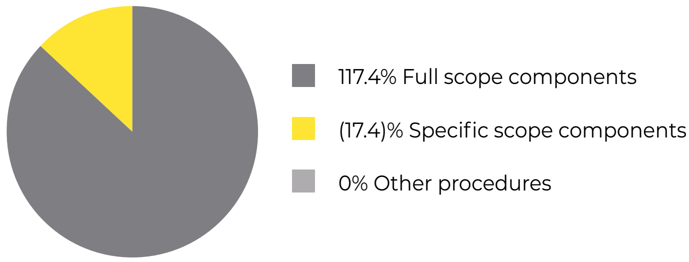
Of the remaining 4 components that together represent 0.1% of the Group's Total Revenue none are individually greater than 5% of the Group's total revenue. For these components, we performed other procedures, including analytical review and 'review scope' components, testing of consolidation journals and intercompany eliminations and foreign currency translation recalculations to respond to any potential risks of material misstatement to the Group financial statements.

The charts below illustrate the coverage obtained from the work performed by our audit teams.

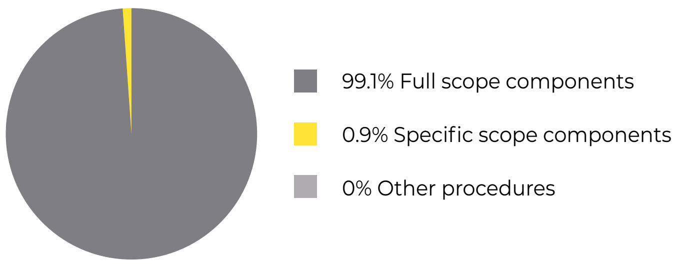
Total income



Surplus before tax



Total assets



Involvement with component teams

In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the primary audit engagement team, or by component auditors from other EY global network firms operating under our instruction. Of the one full scope component, audit procedures were performed on all of these directly by the primary audit team. For the 4 specific scope components, where the work was performed by component auditors, we determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Group as a whole.

The primary team interacted regularly with the component teams where appropriate during various stages of the audit, reviewed key working papers and were responsible for the scope and direction of the audit process. This, together with the additional procedures performed at Group level, gave us appropriate evidence for our opinion on the Group financial statements.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be £5.8 million, which is 1% (2020: 1%) of total income for the Group. We believe that income provides us with the most appropriate basis for understanding the Group's activities and what would be material to it.

We determined materiality for the Parent Institution to be £5.8 million, which is 1% of total Institution income. During the course of our audit, we reassessed initial materiality and determined the initially assessment materiality remained appropriate.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 75% of our planning materiality, namely £4.3m. We have set performance materiality at this percentage due to the lack of prior year audit misstatements identified through our planning and opening balances work, and the lack of issues identified through our initial audit planning procedures, including our walkthrough of key controls.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was £0.29m to £4.3m.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.29m, which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the Review of the Year, set out on pages 3 to 53, 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.

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 course of 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 themselves. 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

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

- funds from whatever source administered by University of Liverpool have been properly applied to those purposes and managed in accordance with relevant legislation;
- funds provided by the Office for Students, UK Research and Innovation (including Research England), the Education and Skills Funding Agency and the Department for Education 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.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Office for Students require us to report to you where:

- the University's grant and fee income, as disclosed in notes 2 to 4 to the financial statements, has been materially misstated
- the University's expenditure on access and participation activities for the financial year has been materially misstated.

Responsibilities of the Council

As explained more fully in the Statement of the Council's responsibilities statement set out on pages 46 and 47, 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 and 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 management 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the University and management. Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant are FRS 102 and the Statement of Recommended Practice for Further and Higher Education, the Office for Students Terms and conditions of funding for higher education institutions and the Higher Education and Research Act 2017.
- We understood how the Group and Parent Institution is complying with those frameworks by making enquiries of management and those responsible for legal and compliance procedures. We corroborated our enquires through our review of the Council minutes and papers provided to the Audit Committee at a Group level, as well as consideration of the results of our audit procedures to either corroborate or provide contrary evidence.
- We have considered the culture of honesty and ethical behaviour of management and whether a strong emphasis is placed on fraud prevention, which may reduce opportunities for fraud to take place, and fraud deterrence, which could persuade individuals not to commit fraud because of the likelihood of detection and punishment.
- We assessed the susceptibility of the Group and Parent Institution's financial statements to material misstatement, including how fraud might occur by meeting with management to understand where they considered there was susceptibility to fraud. We also considered performance targets and their influence on efforts made by management to manage financial performance. Where this risk was considered higher, we performed audit procedures to address the risk of fraud and management override. These procedures included testing manual journals and were designed to provide reasonable assurance that the financial statements were free from fraud or error.
- We also considered the oversight of those charged with governance (i.e., considering the potential for override of controls or other inappropriate influence over the financial reporting process, such as efforts by management to manage earnings in order to influence the perceptions of stakeholders as to the entity's performance and profitability).

- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved enquiries of management, those charged with governance and those responsible for legal and compliance procedures; journal entry testing with a focus on journals indicating large or unusual transactions based on our understanding of the business; review of Council minutes to identify any non-compliance with laws and regulations, and inspection of any correspondence between the University and its regulators.

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.

Other matters we are required to address

- We were appointed by the University of Liverpool on 28 June 2021 to audit the financial statements for the year ended 31 July 2021 and subsequent financial periods.

  The period of total uninterrupted engagement including previous renewals and reappointments is 1 year, covering the year ended 1 August 2020 to 31 July 2021.

- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Institution and we remain independent of the Group and the Parent Institution in conducting the audit.
- The audit opinion is consistent with the additional report to the Audit Committee.

Use of our report

This report is made solely to the Council, as a body, in accordance with the Charters and Statutes of the University of Liverpool. 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 Council as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP
Edinburgh
2 December 2021

ANNUAL FINANCIAL STATEMENTS

for the year ended 31 July 2021

Consolidated and Institution Statement of Comprehensive Income - Year Ended 31 July 2021

	Notes	**Year ended 31 July 2021**		Year ended 31 July 2020	
		Consolidated	**Institution**	Consolidated (Restated*)	Institution (Restated*)
		£m	**£m**	£m	£m
Income					
Tuition fees and education contracts	2	**304.4**	**303.7**	317.3	316.0
Funding body grants	3	**78.7**	**78.7**	76.2	76.2
Research grants and contracts	4	**112.5**	**112.5**	95.1	95.1
Other income	5	**81.7**	**79.0**	77.7	75.3
Investment income	6	**5.0**	**8.2**	7.0	11.9
Donations and endowments	7	**15.3**	**15.3**	3.2	3.2
Total income		**597.6**	**597.4**	576.5	577.7
Expenditure					
Staff costs	8	**328.6**	**326.9**	323.4	321.6
Restructuring costs	8, 10a	**2.5**	**2.5**	6.4	6.4
Staff element to USS pension adjustment	8	**(0.7)**	**(0.7)**	(60.1)	(60.1)
Total staff costs	8	**330.4**	**328.7**	269.7	267.9
Other operating expenses	10	**179.1**	**180.1**	190.3	190.7
Depreciation and amortisation	12,13	**50.5**	**48.5**	43.8	41.9
Impairment of fixed assets	13	**-**	**-**	4.8	4.8
Interest and other finance costs	9	**11.8**	**11.1**	13.2	12.4
Total expenditure	10a	**571.8**	**568.4**	521.8	517.7
Surplus before other gains losses and share of operating surplus of joint ventures and associates		**25.8**	**29.0**	54.7	60.0
(Loss) / gain on disposal of fixed assets		**(4.0)**	**(4.0)**	11.0	11.0
Gain / (loss) on investments	15	**30.2**	**30.2**	(0.1)	(0.1)
Share of operating (deficit) / surplus in joint ventures and associates	16	**(5.0)**	**-**	1.6	-
Surplus before tax		**47.0**	**55.2**	67.2	70.9
Taxation	11	**(0.1)**	**-**	-	-
Surplus for the year		**46.9**	**55.2**	67.2	70.9
Other comprehensive income					
Actuarial gain / (loss) in respect of University of Liverpool Pension Fund	32	**3.4**	**3.4**	(30.3)	(30.3)
Total comprehensive income for the year		**50.3**	**58.6**	36.9	40.6
Represented by:					
Endowment comprehensive income / (expenditure) for the year		**21.9**	**21.9**	(3.4)	(3.4)
Unrestricted comprehensive income for the year		**28.4**	**36.7**	40.3	44.0
		50.3	**58.6**	36.9	40.6

All items of income and expenditure relate to continuing activities.
The accompanying notes and policies on pages 66 to 107 form part of these financial statements.
*Refer to note 37

Consolidated and Institution Statement of Financial Position - Year Ended 31 July 2021

	Notes	As at 31 July 2021 Consolidated £m	As at 31 July 2021 Institution £m	As at 31 July 2020 Consolidated £m	As at 31 July 2020 Institution £m
Non-current assets					
Intangible assets	12	**1.0**	**0.8**	1.8	1.6
Fixed assets	13	**779.8**	**766.5**	781.1	765.6
Heritage assets	13/14	**17.0**	**17.0**	17.0	17.0
Investments	15	**303.1**	**303.1**	195.5	195.5
Investment in subsidiaries	15	**-**	**3.8**	-	3.8
Investment in joint ventures and associates	16	**4.3**	**-**	8.7	-
Retirement benefit asset in University of Liverpool Pension Fund	32	**13.4**	**13.4**	23.1	23.1
		1,118.6	**1,104.6**	1,027.2	1,006.6
Current assets					
Stock	17	**1.3**	**1.1**	1.4	1.0
Trade and other receivables	18	**78.7**	**84.6**	65.8	73.2
Investments	19	**50.5**	**50.5**	70.1	70.1
Cash and cash equivalents	24	**89.7**	**87.0**	93.4	91.8
		220.2	**223.2**	230.7	236.1
Less: Creditors - amounts falling due within one year	20	**(164.0)**	**(164.9)**	(134.2)	(138.4)
Net current assets		**56.2**	**58.3**	96.5	97.7
Total assets less current liabilities		**1,174.8**	**1,162.9**	1,123.7	1,104.3
Creditors - amounts falling due after more than one year	21	**(300.3)**	**(285.3)**	(300.2)	(285.2)
Provisions					
Pension provisions	22	**(76.1)**	**(76.1)**	(76.2)	(76.2)
Other provisions	22	**(1.3)**	**-**	(0.5)	-
Total net assets		**797.1**	**801.5**	746.8	742.9
Restricted reserves					
Income and expenditure reserve - endowment reserve	23	**190.2**	**190.2**	168.3	168.3
Unrestricted reserves					
Income and expenditure reserve - unrestricted		**606.9**	**611.3**	578.5	574.6
Total reserves		**797.1**	**801.5**	746.8	742.9

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

Professor Dame Janet Beer
Vice-Chancellor

Carmel Booth
President of Council

Consolidated and Institution Statement of Changes in Reserves - Year Ended 31 July 2021

Consolidated		**Income and expenditure reserve**		**Total**
	Notes	Endowment	Unrestricted	
		£m	£m	£m
At 1 August 2019		**171.7**	**538.2**	**709.9**
(Deficit) / surplus from the income and expenditure statement		(3.4)	70.6	67.2
Other comprehensive income		-	(30.3)	(30.3)
Total comprehensive income for the year		**(3.4)**	**40.3**	**36.9**
At 1 August 2020		**168.3**	**578.5**	**746.8**
Surplus from the income and expenditure statement		21.9	25.0	46.9
Other comprehensive income	32	-	3.4	3.4
Total comprehensive income for the year		**21.9**	**28.4**	**50.3**
Balance at 31 July 2021		**190.2**	**606.9**	**797.1**

Institution		**Income and expenditure reserve**		**Total**
		Endowment	Unrestricted	
		£m	£m	£m
At 1 August 2019		**171.7**	**530.6**	**702.3**
(Deficit) / surplus from the income and expenditure statement		(3.4)	74.3	70.9
Other comprehensive income		-	(30.3)	(30.3)
Total comprehensive income for the year		**(3.4)**	**44.0**	**40.6**
Balance at 1 August 2020		**168.3**	**574.6**	**742.9**
Surplus from the income and expenditure statement		21.9	33.3	55.2
Other comprehensive income	32	-	3.4	3.4
Total comprehensive income for the year		**21.9**	**36.7**	**58.6**
Balance at 31 July 2021		**190.2**	**611.3**	**801.5**

Consolidated Statement of Cash Flows - Year Ended 31 July 2021

	Notes	**Year ended 31 July 2021 £m**	Year ended 31 July 2020 £m
Cash flow from operating activities			
Surplus for the year before tax		**47.0**	67.2
Adjustment for non-cash items			
Depreciation	13	**49.6**	43.0
Impairment	13	**-**	4.8
Amortisation of intangibles	12	**0.9**	0.8
(Gain) / loss on investments	15	**(30.2)**	0.1
Decrease in stock	17	**0.1**	-
Increase in trade and other receivables	18	**(10.4)**	(1.9)
Increase in creditors falling due within one year	20	**29.6**	6.1
Increase / (decrease) in pension provision	22	**13.0**	(55.6)
Increase in other provisions	22	**0.8**	-
Share of operating deficit / (surplus) in joint ventures and associates	16	**3.4**	(2.0)
Adjustment for investing or financing activities			
Investment income	6	**(0.8)**	(1.9)
Interest payable	9	**11.8**	13.2
Endowment investment income	6	**(3.9)**	(3.9)
(Loss) / profit on sale of fixed assets		**4.0**	(10.9)
Capital grant income	3	**(17.7)**	(4.9)
Cash flows from operating activities		**97.2**	54.1
Taxation		**(0.1)**	-
Net cash inflow from operating activities		**97.1**	54.1
Cash flows from investing activities			
(Payment) / proceeds in relation to disposal of fixed assets		**(2.3)**	1.2
Capital grants receipts	20	**15.6**	13.4
Disposal of non-current asset investments	15	**23.5**	164.2
Disposal of current investments		**99.8**	94.8
Investment income (including joint venture and associates net investment income)	6	**0.8**	3.5
Endowment investment income	6	**3.9**	3.9
Payments made to acquire fixed assets	13	**(50.0)**	(43.2)
Payments made to acquire intangible assets	12	**(0.1)**	(0.6)
New non-current asset investments	15	**(98.1)**	(156.1)
New current investments		**(80.0)**	(85.3)
		(86.9)	(4.2)
Cash flows from financing activities			
Interest paid	9	**(11.1)**	(11.1)
Non-current investment cash (outflow) / inflow	15	**(2.8)**	13.4
Capital element of finance lease	21	**-**	0.1
		(13.9)	2.4
(Decrease) / increase in cash and cash equivalents in the year		**(3.7)**	52.3
Cash and cash equivalents at beginning of the year	24	**93.4**	41.1
Cash and cash equivalents at end of the year	24	**89.7**	93.4

NOTES TO THE ACCOUNTS

for the year ended 31 July 2021

Notes to the Accounts for the year ended 31 July 2021

1 Statement of Principal Accounting Policies

a Accounting convention

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). 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.

b Basis of preparation

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

The Institution and group financial statements have been prepared on a going concern basis for the period to 31 July 2021. The Council consider this to be appropriate for the following reasons.

At 31 July 2021 the Institution had net current assets of £56.2m, including cash of £89.7m, and further liquid investments of £50.5m. The Institution also had long term loans of £300.1m for which all covenants had been complied with at the Statement of Financial Position date. More recently subsequent to the year end the Institution had cash available of £177.6m at 31 October 2021.

Cash flow forecasts were prepared for the period up to 31 July 2023 to support management's assessment of going concern. The Institution's base case scenario for the period forecast compliance with all loan covenants to 31 July 2023 and liquidity headroom no lower than £62.3m through the going concern period.

The going concern assessment covered associated risks under the following headings:

- Customer perspective - risks to student fee income
- Supply chain perspective - risks to research funding, risks to partnerships and risks to infrastructure and maintenance services suppliers

The Institution has forecast a plausible downside scenario based on these risks, in which it retains liquidity headroom through the going concern period. Tuition fee, research and commercial income were all subject to stress testing, as well as the impact of COVID-19 on both pay and non-pay expenditure. Under the plausible downside scenario, cash remains above the treasury minimum of £60m at all points in the going concern assessment period.

In the event of further downside risks materialising there are additional mitigations within its control that the Institution can implement, such as reducing uncommitted future spend on capital and IT programmes and managing staff vacancies more strictly. Should it be needed this could provide additional liquidity up to £54m through the going concern period.

The Institution has considered a scenario to reverse stress test the model under which it either utilises all cash and liquid investments or breaches loan covenants. This scenario would require a significant reduction in forecast income, such as the total removal of overseas student recruitment for the going concern period. Management is satisfied that it is sufficiently remote that such a scenario would occur.

In particular the Institution has considered the impact of the worst case scenario change to the USS pension provision going forward, noting that even under this scenario it would still have £50m headroom on existing impacted covenants before the stated available mitigations were implemented.

After reviewing these forecasts, the Council is of the opinion that, taking account of severe but plausible downsides, including the potential impact of COVID-19 the Group and parent University will have sufficient funds to meet their liabilities as they fall due over the period to 31 July 2023.

The financial statements are prepared in sterling which is the functional currency of the Group and rounded to the nearest £m.

c Exemptions under FRS102

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.

d Basis of consolidation

The consolidated financial statements include the financial statements of the Institution and all its subsidiaries together with the share of results of joint ventures and associates for the financial year to 31 July 2021. The results of subsidiaries acquired or disposed of during the period are included in the Consolidated Statement of Comprehensive Income from the date of acquisition or up to the date of disposal. Intra-group transactions are eliminated on consolidation.

Gains or losses on any intra-group transactions are eliminated in full. Amounts in relation to debts and claims between undertakings included in the consolidation are also eliminated. Balances between the Institution and its associates and joint ventures are not eliminated. Normal trading transactions that are not settled by the balance sheet date are included as current assets or liabilities. Any gains or losses are included in the carrying amount of assets of either entity, the part relating to the Institution's share is eliminated.

The consolidated financial statements do not include the income and expenditure of the Liverpool Guild of Students 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 necessary, adjustments are made to the financial statements of subsidiaries, associates and joint ventures to bring their accounting policies into line with those used by the Institution.

e 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 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 as expenditure and not deducted from income.

Education contracts are recognised when the Institution is entitled to the income, which is the period in which students are studying, or where relevant, when performance conditions have been met.

Investment income is credited to the Consolidated Statement of Comprehensive Income 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

Grant funding including Office for Students and Research England recurrent grants, research grants from government sources and grants (including research grants) from non government sources are recognised as 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 on the Statement of Financial Position and released to income as the conditions are met.

Donations and endowments

Non-exchange transactions without performance related conditions are donations and endowments. 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 is recorded in income in the year in which it arises, as either restricted or unrestricted income according to the terms of the restriction applied to the individual endowment fund.

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 in respect of the endowment and the endowment may be spent in full.

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.

Capital grants

Capital grants are recognised in income when the Institution is entitled to the funds subject to any performance related conditions being met.

f Accounting for retirement benefits

The two principal pension schemes for the Institution's staff are the Universities Superannuation Scheme (USS) and the University of Liverpool Pension Fund (ULPF). These schemes are defined benefit schemes, which are externally funded and contracted out of the State Second Pension (S2P). Each fund is valued every three years by professionally qualified independent actuaries.

The USS is a multi-employer defined benefit scheme for which it is not possible to identify the assets and liabilities attributed to the Institution 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.

Defined contribution plan

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 the 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 plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. Under defined benefit plans, the Institution's obligation is to provide the agreed benefits to current and former employees, and 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 Statement of Financial Position 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 recognises 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.

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.

Universities Superannuation Scheme

The Institution participates in the Universities Superannuation Scheme. The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the assets are not attributed to individual institutions and a scheme-wide contribution rate is set. The Institution is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a reasonable and consistent basis. As required by section 28 of FRS 102 "Employee benefits", the Institution therefore accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the Consolidated Statement of Comprehensive Income represents the contributions payable to the scheme. Since the Institution has entered into an agreement (the Recovery Plan) that determines how the employer within the scheme will fund the overall deficit, the Institution recognises a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) with related expenses being recognised through the Consolidated Statement of Comprehensive Income.

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

University of Liverpool Pension Fund

The University of Liverpool Pension Fund is accounted for as a defined benefit plan under FRS 102.

The Trust Deed provides for the Institution to unilaterally wind up the University of Liverpool Pension Fund, in which event any residual amounts after settling all scheme obligations are repayable to the Institution. The Trust Deed also provides for the Fund Trustees to transfer annuity policies into individual members' names without requiring the Institution's consent which means that the Institution does not have a right to a refund from the Scheme, as set out by the accounting standard.

However, as the current service cost has been greater than the employer contributions, under the rules of FRS 102, a proportion of the surplus is required to be recognised. This equates to the shortfall from the contributions to the service cost, for an agreed period.

Further detail is provided on the specific pension schemes in note 32 to the financial statements.

g Employment benefits

Short term employment benefits such as salaries and compensated absences 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.

All staff employed for at least two years are entitled to statutory redundancy pay. The amount of benefit is calculated based on length of service, age and salary. Payment in lieu of notice will also be paid where agreed.

All such payments are recognised as an expense in the year in which the payment is made.

Termination benefits are recognised only when the Institution is demonstrably committed to either terminate the employment of an employee before the normal retirement date or provide termination benefits as a result of an offer made in order to encourage voluntary redundancy. In the case of an offer made to encourage voluntary redundancy, termination benefits are measured at the best estimate of the expenditure required to settle the obligation at the year end, based on the number of employees expected to accept the offer.

h Finance leases

Leases in which the Institution assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Leased assets acquired by way of finance lease and the corresponding lease liabilities are initially recognised at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease. Assets acquired on a finance lease are depreciated over the life of the lease.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

i 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 minimum lease term with the exception of the lease for Finsbury Square which was held at the transition date to FRS 102 for which the rent free period is spread over the period to the first rent review.

j Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of Institution 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 in Surplus or Deficit [except for differences arising on the retranslation of a financial liability designated as a hedge of the net investment in a foreign operation that is effective, or qualifying cash flow hedges, which are recognised directly in Other Comprehensive Income]. 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.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Institution's presentational currency, Sterling, at foreign exchange rates ruling at the reporting date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Exchange differences arising from this translation of foreign operations are reported as an item of Other Comprehensive Income.

When the Institution disposes of only part of its interest in a subsidiary that includes a foreign operation while still retaining control, the relevant proportion of the accumulated amount is re-attributed to non-controlling interests. When the Institution disposes of only part of its investment in an associate or joint venture that includes a foreign operation while still retaining significant influence or joint control, the exchange differences shall be recognised in other comprehensive income and accumulated in reserves.

k Property, plant and equipment

Property, plant and equipment are stated at deemed cost less accumulated depreciation and accumulated impairment losses.

Land and buildings

Land is stated at deemed cost as at 1 August 2014. Buildings are stated at historic purchase cost less accumulated depreciation. Cost includes the original purchase price of the asset and costs attributable to bringing the asset to its working condition for its intended use. 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 of between 30 and 50 years.

Infrastructure assets are depreciated over 16 years.

Leasehold buildings are 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.

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

Equipment

Equipment, including computers, costing less than £25,000 per individual item is recognised as expenditure. All other equipment is capitalised.

Capitalised equipment is stated at cost and depreciated over its expected useful life. Equipment funded by research grants is depreciated over the remaining life of the grant, which on average is between 1 and 5 years. Non-research grant funded equipment is depreciated over 4 years.

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

All assets are depreciated from the month they are brought into use.

Impairment

A review for potential indicators of impairment is carried out at each reporting date. If events or changes in circumstances indicate that the carrying amount of the property, plant and equipment may not be recoverable, a calculation of the impact is completed and arising impairment values charged against the asset and to the Statement of Comprehensive Income.

Repairs and maintenance

Expenditure to ensure that a tangible fixed asset maintains its previously recognised standard of performance is recognised in the Consolidated Statement of Comprehensive Income in the period in which it is incurred.

Borrowing costs

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

l 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 owns a considerable collection of works of art and museum objects, which were donated or bequeathed to the Institution during the last 120 years, and nearly all prior to 1970. The vast majority of these items are not included in the financial statements. The Institution considers that in many cases it would not be practical to obtain a meaningful valuation. Very few heritage assets could be sold by the Institution due to the restrictive nature of their acquisition. Further information is provided in note 14. The cost of conservation and restoration of the heritage collection is reported in the Consolidated Statement of Comprehensive Income in the year it is incurred.

Heritage assets are stated at deemed cost and are not depreciated as their long economic life and high residual value mean that any depreciation would not be material.

The assets are subject to an annual impairment review in accordance with applicable accounting standards.

m Intangible assets

Intangible assets are amortised over 5 years representing the remaining estimated economic life of the assets.

Intangible assets donated to the Institution are valued by an Independent Global Intellectual Property Firm in accordance with Intellectual Property valuation principles to arrive at a justifiable market valuation using the most efficient and cost effective scenarios for re-development and are amortised over 5 years.

Intangible assets are subject to periodic impairment reviews as appropriate.

n Investments

Investments in jointly controlled entities, associates and subsidiaries are carried at cost less impairment in the Institution's separate financial statements.

Listed non current asset investments are held on the Statement of Financial Position at fair value with movements recognised in arriving at the surplus before tax. Other non current asset investments including corporate bonds are held at amortised cost less impairment. Investment gains are shown net of fees.

Listed current asset investments are held at fair value with movements recognised in the surplus before tax.

o Stock

Stock is valued at the lower of cost and net realisable value, and is measured using an average cost formula, with the exception of stock at Wood Park Farm which has been valued at market value.

p 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 (less than 3 months from the placement date), highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value.

q Provisions, contingent liabilities and contingent assets

Provisions are recognised in the financial statements when:
(a) the Institution has a present obligation (legal or constructive) as a result of a past event;
(b) it is probable that an outflow of economic benefits will be required to settle the obligation; and
(c) 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 possible 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.

r Accounting for joint ventures and associates

The Institution accounts for its share of joint ventures and associates using the equity method.

The Institution accounts for its share of transactions from joint ventures and associates in the Consolidated Statement of Income.

To the extent that the Institution's share of losses of a joint venture or associate equals or exceeds the carrying amount of its investment in the joint venture or associate, the Institution discontinues recognising its share of further losses. After the Institution's interest is reduced to zero, the Institution shall recognise additional losses by a provision but only to the extent that the Institution has incurred legal or constructive obligations or has made payments on behalf of the joint venture or associate.

s 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. 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 subsidiaries are liable to Corporation Tax and VAT in the same way as any other commercial organisation.

t 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.

u 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 offset the recognised amounts and an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Institution's financial assets and liabilities all meet the criteria for basic financial instruments prescribed within FRS 102 section 11.8. All financial assets and liabilities are initially recognised at the transaction price plus any additional attributable transaction costs. They are subsequently measured as follows:

Investments

Investments within the scope of section 11 of FRS 102 (therefore excluding investments in subsidiaries, associates and joint ventures) are recognised initially at fair value which is normally the transaction price.

Subsequently, they are measured at fair value if the investment is publicly traded or their fair value can otherwise be measured reliably with the changes in fair value recognised in the Consolidated Statement of Comprehensive Income.

All other investments are measured at cost less impairment.

Short term debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the Consolidated Statement of Comprehensive Income in other operating expenses.

Loans

Loans which are basic financial instruments are initially recorded at the transaction price, net of transaction costs. Subsequently they are measured at amortised cost using the effective interest method. Loan notes that are receivable within one year are not discounted.

Derivatives

Derivatives are held on the Statement of Financial Position at fair value with movements in fair value recognised in arriving at the surplus.

v 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.

The critical accounting estimates and judgements used in the preparation of the financial statements are as follows:

Critical accounting estimates

Recoverability of debtors

The provision for doubtful debts is based on an 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.

The Institution provides for all debt greater than 365 days old at the year end date. The provision is adjusted for any post year end receipts and is extended to any items less than 365 days old where recovery is deemed to be a potential issue.

Provisions

Management apply judgement to arrive at the best estimate for any obligation required. The amount recognised as a provision is management's best estimate of the present value of the amount required to settle the obligation. To arrive at this amount management assess the likelihood and extent of any future settlement and make judgements based on these.

Retirement benefit obligations

The Institution operates it own defined benefit scheme, the University of Liverpool Pension Fund and participates in the Universities Superannuation Scheme (USS). Actuarial valuations are carried out as determined by the trustees at intervals of not more than three years.

The cost of defined benefit pension plans (and other post-employment benefits) 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.

The University of Liverpool Pension Fund costs under FRS 102 are calculated by the University actuary based upon the latest actuarial valuation and assumptions agreed by management following actuarial advice. The assumptions are documented in note 32.

The USS scheme is accounted for as a defined contribution scheme as insufficient information is available to used defined benefit accounting. FRS 102 makes a distinction between a group plan and a multi-employer scheme. A group plan consists of a collection of entities under common control typically with a sponsoring employer. A multi-employer scheme is a scheme for entities not under common control and represents (typically) an industry-wide scheme such as Universities Superannuation Scheme (USS). The accounting for a multi-employer scheme where the employer has entered into an agreement with the scheme that determines how the employer will fund a deficit results in the recognition of 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 the Consolidated Statement of Income in accordance with section 28 of FRS 102. The Council is satisfied that the 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 recovery plan in existence at the date of approving the financial statements.

As the Institution is contractually bound to make deficit recovery payments to USS, the provision is recognised as a liability on the Statement of Financial Position. The provision is currently based on the USS deficit recovery plan agreed after the 2018 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 inflation, changes in staff numbers and the prevailing rate of discount.

Based on the inputs to the model, sensitivity analysis which outlines the potential impact on the provision (assuming the same discount rate) has been performed. Further detail is given in note 33.

Significant judgements

Impairments

Management make judgements as to whether any indicators of impairment are present for any of the Institution's assets.

At each reporting date fixed assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss as a result of any indications. If there is an indication of impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in surplus or deficit in the period it arises.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in surplus or deficit in the period it arises.

	Notes	Year Ended 31 July 2021 Consolidated £m	Year Ended 31 July 2021 Institution £m	Year Ended 31 July 2020 Consolidated £m (Restated*)	Year Ended 31 July 2020 Institution £m (Restated*)
2 Tuition fees and education contracts					
Full-time home and EU students		**166.6**	**166.6**	156.9	156.9
Full-time international students		**115.6**	**114.9**	134.8	133.5
Part-time students		**6.1**	**6.1**	6.2	6.2
Special courses		**6.1**	**6.1**	9.9	9.9
Research Training Support Grant		**10.0**	**10.0**	9.5	9.5
		304.4	**303.7**	317.3	316.0

*The prior year figures have been restated to deduct discounts from fee income for XJTLU students and Postgraduate Progression Awards as the discounts are not discretionary. Further detail is given in note 37.

3 Funding body grants					
Recurrent grant					
Office for Students		**30.4**	**30.4**	32.0	32.0
Research England		**32.2**	**32.2**	32.1	32.1
Specific grants					
Capital Investment Funds		**6.1**	**6.1**	4.5	4.5
Higher Education Innovation Fund		**4.4**	**4.4**	3.4	3.4
Other specific grants		**5.6**	**5.6**	4.2	4.2
		78.7	**78.7**	76.2	76.2
4 Research grants and contracts					
Research councils		**46.9**	**46.9**	36.8	36.8
Research charities		**13.8**	**13.8**	16.1	16.1
Government (UK and overseas)		**35.8**	**35.8**	28.2	28.2
Industry and commerce		**6.6**	**6.6**	6.7	6.7
Other		**9.4**	**9.4**	7.3	7.3
		112.5	**112.5**	95.1	95.1

The source of grant and fee income, included in notes 2 to 4 is as follows:

Grant and Fee income					
Grant income from the OfS		**34.4**	**34.4**	34.2	34.2
Grant income from other bodies		**156.9**	**156.9**	137.1	137.1
Fee income for research awards (exclusive of VAT)		**14.7**	**14.7**	13.5	13.5
Fee income from non-qualifying courses (exclusive of VAT)		**17.0**	**17.0**	20.4	20.4
Fee income for taught awards (exclusive of VAT)		**272.6**	**271.9**	283.4	282.1
		495.6	**494.9**	488.6	487.3
5 Other income					
Residences, catering and conferences		**21.2**	**21.2**	22.0	22.0
Health authorities		**17.4**	**17.4**	10.7	10.7
Other services		**25.9**	**23.1**	24.7	22.2
Other income		**17.2**	**17.3**	20.3	20.4
		81.7	**79.0**	77.7	75.3

Other income includes Coronavirus Job Retention Scheme income totalling £1.8m. The average number of staff on furlough during the year was 228.

	Year Ended 31 July 2021 Consolidated £m	Year Ended 31 July 2021 Institution £m	Year Ended 31 July 2020 Consolidated £m	Year Ended 31 July 2020 Institution £m
6 Investment income				
Investment income on endowments	**3.9**	**3.9**	3.9	3.9
Other investment income	**0.8**	**4.0**	1.9	6.8
Net return on ULPF pension scheme 32	**0.3**	**0.3**	1.2	1.2
	5.0	**8.2**	7.0	11.9
7 Donations and endowments				
New endowments	**3.6**	**3.6**	1.2	1.2
Unrestricted donations	**11.7**	**11.7**	2.0	2.0
	15.3	**15.3**	3.2	3.2

The comparatives have been reclassified to correctly disclose the split of donations and endowments.

	Year Ended 31 July 2021 Consolidated £m	Year Ended 31 July 2021 Institution £m	Year Ended 31 July 2020 Consolidated £m	Year Ended 31 July 2020 Institution £m
8 Staff costs				
Staff costs:				
Salaries	**246.4**	**245.0**	248.4	247.0
Social security costs	**24.0**	**23.9**	24.2	24.0
Movement on USS past service cost	**(0.7)**	**(0.7)**	(60.1)	(60.1)
Other pension costs	**58.1**	**57.9**	50.3	50.1
Movement on annual leave provision	**0.1**	**0.1**	0.5	0.5
Sub-total	**327.9**	**326.2**	263.3	261.5
Restructuring costs	**2.5**	**2.5**	6.4	6.4
Total	**330.4**	**328.7**	269.7	267.9

A further breakdown of pension costs has been included in note 32.

	Year Ended 31 July 2021 £'000	Year Ended 31 July 2020 £'000
Total remuneration of the Vice-Chancellor		
Basic Salary	**300.5**	300.5
Performance related pay	**-**	-
Allowance in lieu of pension contribution	**51.8**	51.9
Total renumeration for the Vice-Chancellor	**352.3**	352.4
Taxable benefits:		
Accommodation expenses	**1.7**	3.2
Medical insurance	**2.2**	2.1
Non-taxable benefits:		
Accommodation expenses	**4.4**	6.5
Total remuneration including benefits	**360.6**	364.2

Each year, the Institution participates in the UCEA, Russell Group, Korn Ferry Hay Industry & Services and CUC salary surveys. On the anniversary of the Vice-Chancellor's appointment the Institution's Remuneration Committee is given an analysis of this data to show how the Vice-Chancellor's remuneration package compares with a comparator group of organisations (those with over £400m turnover and the Russell Group) and the packages of jobs rated an equivalent size under the Hay job evaluation methodology (Korn Ferry Hay public, private and UK University clients).

The President of Council reports the outcomes of the Vice-Chancellor's Performance and Development Review to the Remuneration Committee, specifically the performance against personal objectives and the achievement of institutional strategic objectives. The President of Council makes recommendations to the Remuneration Committee on the Vice-Chancellor's pay. The Vice-Chancellor's pay year runs from February to January each year. Once the level of any increase to the Vice-Chancellor's salary has been agreed, the final recommendation is reported to Council. This includes confirmation of any bonus payment to be made (up to a maximum of 20% of base salary) and any increase in base pay. Data such as league tables, awards, student survey results are indicators used to assist the President of Council's deliberations. Council considers the recommendations of the President of Council in relation to the Vice-Chancellor's reward, based on the assessment of the Vice-Chancellor's achievements and that of the Institution.

In the light of the ongoing pandemic and the consequent impact on the Institution's finances, Council agreed to defer the 2020/21 promotions and progression round (Annual Review). As such, it was not be possible to award a percentage increase to the Vice-Chancellor's base salary as part of the Non-clinical Professorial/Senior Management Salary Review. Council agreed with the Vice Chancellor's suggestion that in light of the financial situation as a consequence of the COVID-19 pandemic, it would not be appropriate to award a bonus payment at this time. The Vice-Chancellor, with the agreement of Council, moved out of institutionally provided accommodation in March 2021, and consequently benefits have reduced year on year.

Pay negotiations undertaken through the Joint Negotiating Committee for Higher Education Staff (JNCHES) concluded in August 2021 with an award of 1.5% (with additional percentage weighting for lower paid roles). The Vice-Chancellor's base salary and allowance in lieu of employer's pension contributions will be increased in line with this pay award.

The Vice-Chancellor holds other roles as shown below, all of which are unpaid except where indicated. Any amounts received by the Vice-Chancellor were donated to the University IntoUniversity North Liverpool Project.

- Director of the Board, The Russell Group of Universities
- Member of the Board of Trustees, British Council (finished 31 July 2020)
- Member of the Board, Universities UK (UUK)
- Vice-Chair of the Board, Xi'an Jiaotong-Liverpool University
- Council Member, Arts and Humanities Research Council (net amount of £3,772 donated to INTOUniversity North Liverpool Project)
- Advisor on Higher Education for Liverpool City Region Metro Mayor
- Director, Liverpool Science Park Ltd
- Director, N8 Ltd
- Chair, Knowledge Quarter Liverpool Board
- Chair, Sciontec Liverpool Board
- Member, Liverpool City Region LEP Board
- Member, Board of Government Skills and Curriculum Unit

Head of Provider Pay Multiple	**Year ended 31 July 2021**		**Year ended 31 July 2020**	
	Basic Pay	**Total Pay**	**Basic Pay**	**Total Pay**
	£'000	**£'000**	**£'000**	**£'000**
Staff Pay Median	**36.9**	**41.5**	36.5	41.5
Vice-Chancellor Pay	**300.5**	**360.6**	300.5	364.2
Pay Multiple	**8.1**	**8.7**	8.2	8.8

Payment to the President of Council

From 1 August 2020, the President of Council received payment for their services to the Institution. The level of payment was based on research within the Higher Education sector and other charitable organisations and was set at £25,000 per annum. The decision to remunerate the role of President of Council reflects the growing demands and time commitments necessary and was approved by the Charity Commission and Council in line with charity requirements, and will continue to be reviewed.

In 2020/21, payment for the President of the Council's services was made to a Consulting company of which the President of Council is a director.

The number of staff with a basic salary of over £100,000, excluding employer's pension contributions (subject to relevant accounts direction and shown before any salary sacrifice):

	Year ended 31 July 2021 No.	Year ended 31 July 2020 No.
£100,000-£104,999	**52**	59
£105,000-£109,999	**22**	22
£110,000-£114,999	**41**	36
£115,000-£119,999	**4**	5
£120,000-£124,999	**12**	11
£125,000-£129,999	**8**	8
£130,000-£134,999	**4**	3
£145,000-£149,999	**1**	1
£150,000-£154,999	**3**	3

£155,000-£159,999	**4**	3
£160,000-£164,999	**1**	1
£165,000-£169,999	**2**	2
£175,000-£179,999	**1**	1
£195,000 - £199,999	**1**	1
£215,000-£219,999	**-**	1
£220,000-£224,999	**1**	1
£235,000-£239,999	**1**	1
£255,000-£259,999	**1**	1
£300,000- £304,999	**1**	1
	160	161

The tables above include the Vice-Chancellor for both years in line with the accounts direction clarification.

	Year ended 31 July 2021	Year ended 31 July 2020
Average staff numbers by major category	**Full time equivalent**	Full time equivalent
Academic	**1,879**	1,893
Research	**806**	814
Technical	**571**	611
Professional Services	**2,382**	2,474
	5,638	5,792

Severance payments

During the year the Institution undertook significant restructuring which resulted in £2.5m (2020 - £6.4m) in compensation for loss of office being paid to 191 (2020 - 349) employees.

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 Institution 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 all forms of consideration paid to key management personnel in exchange for services to the Institution. Key management personnel are defined as those being a member of the Senior Leadership Team which is comprised of the Vice-Chancellor, the Pro Vice-Chancellors for Cultural Engagement, Education and Research & Impact, Executive Pro-Vice-Chancellors for each of the Academic Faculties, the University Secretary and Director of Legal & Governance, the Director of People & Services and the Director of Finance.

	Year ended 31 July 2021	Year ended 31 July 2020
Number of key management personnel	**10**	10
Key management personnel compensation	**2,334**	2,300

The year on year increase of 1.5% is due to the inclusion of a full year's costs for two members who joined the group during 2019/20.

Access and Participation

The following staff costs are intrinsic to the delivery of the Access and Participation activities and are included in the Access and Participation costs in note 10.

	Year ended 31 July 2021	Year ended 31 July 2020
	£'000	£'000
Access investment	**1,089**	1,158
Financial support	**38**	18
Disability support (excluding expenditure included in the two categories above)	**597**	524
Research and evaluation	**195**	197
	1,919	1,897

	Notes	**Year Ended 31 July 2021**		Year Ended 31 July 2020	
		Consolidated	**Institution**	Consolidated	Institution
		£m	**£m**	£m	£m
9 Interest and other finance costs					
Loan interest		**11.2**	**10.5**	11.0	10.2
Net charge on USS pension scheme	22	**0.6**	**0.6**	2.2	2.2
		11.8	**11.1**	13.2	12.4

	Notes	**Year Ended 31 July 2021**		Year Ended 31 July 2020	
		Consolidated	**Institution**	Consolidated	Institution
		£m	**£m**	£m	£m
				(Restated*)	(Restated*)
10a Analysis of total expenditure by activity					
Academic and related expenditure		**256.8**	**256.3**	263.1	262.2
Administration and central services		**12.9**	**12.9**	14.6	14.6
Premises		**70.6**	**70.8**	76.1	75.6
Residences, catering and conferences		**21.1**	**20.9**	22.7	22.5
Research grants and contracts		**85.3**	**85.3**	73.7	73.7
Net credit on USS pension scheme provision	8, 9	**(0.1)**	**(0.1)**	(57.9)	(57.9)
Other expenses		**125.2**	**122.3**	129.5	127.0
		571.8	**568.4**	521.8	517.7
		£m	**£m**	£m	£m
Operating expenses include:					
Operating lease rentals					
Land and buildings		**4.2**	**4.2**	6.7	6.7
Other		**1.2**	**1.2**	0.5	0.5
Restructuring costs		**2.5**	**2.5**	11.2	11.2

*The prior year figures have been restated as discounts on fee income for XJTLU students and Postgraduate Progression Awards are now accounted for as a deduction from tuition fee income as the discounts are no longer discretionary. Further detail is given in note 37.

	£'000	£'000
External auditors remuneration in respect of audit services		
Institution external audit fee 2020/21	**210.0**	131.0
Subsidiaries external audit fees 2020/21	**59.9**	36.4
	269.9	167.4
External auditors remuneration in respect of non-audit services		
Other assurance services	**6.0**	10.7
Grant assurance	**-**	52.4
	6.0	63.1

During the year the Institution undertook significant restructuring which resulted in £2.5m (2020 - £6.4m) in compensation for loss of office for 191 (2020 - 349) employees (see note 8). In 2019/20, the Institution incurred £4.8m of other restructuring costs which related to the impairment in value of the property lease and fixtures and fittings held on the London campus.

10b Access and Participation

	Year Ended 31 July 2021 £'000	Year Ended 31 July 2020 £'000
Access investment	**1,270**	1,381
Financial support	**11,544**	10,836
Disability support	**623**	542
Research and evaluation	**195**	197
	13,632	12,956

Of the above costs, £1,919k (2020 - £1,897k) are intrinsic to the delivery of the access and participation activities and these costs are already included in the overall staff costs figures included in note 8.

Cost apportionment methodologies have been used when preparing the note in relation to the allocation of £1,919k staff costs (2020 - £1,897k) and recruitment costs of £46k (2020 - £21k).

The published Access and Participation Plan can be accessed here: www.liverpool.ac.uk/media/livacuk/about/APP2020-25.pdf

11 Taxation

	Year Ended 31 July 2021		Year Ended 31 July 2020	
	Consolidated £m	**Institution £m**	Consolidated £m	Institution £m
Recognised in the Statement of Comprehensive Income				
Deferred tax				
Origination and reversal of timing differences	**0.1**	**-**	-	-
Deferred tax expense	**0.1**	**-**	-	-

12 Intangible assets

Software

	Year Ended 31 July 2021		Year Ended 31 July 2020	
	Consolidated £m	**Institution £m**	Consolidated £m	Institution £m
At 1 August 2020	**1.8**	**1.6**	2.0	1.9
Additions in the year	**0.1**	**-**	0.6	0.4
Amortisation charge for the year	**(0.9)**	**(0.8)**	(0.8)	(0.7)
At 31 July 2021	**1.0**	**0.8**	1.8	1.6

13 Fixed assets

Consolidated

	Freehold land and buildings £m	Leasehold land and buildings £m	Finance lease £m	Infrastructure £m	Equipment £m	Assets in the course of construction £m	Heritage assets £m	Total £m
Cost								
At 1 August 2020	761.6	62.4	0.1	122.3	213.0	41.5	17.0	1,217.9
Additions	0.8	-	-	1.4	8.8	38.9	-	49.9
Transfers	8.3	0.1	-	14.2	7.4	(30.0)	-	-
Disposals	(1.7)	(11.5)	-	-	-	-	-	(13.2)
At 31 July 2021	**769.0**	**51.0**	**0.1**	**137.9**	**229.2**	**50.4**	**17.0**	**1,254.6**
Depreciation								
At 1 August 2020	205.1	24.8	0.1	24.1	165.7	-	-	419.8
Charge for the year	20.3	1.1	-	8.4	19.8	-	-	49.6
Disposals	(1.7)	(9.9)	-	-	-	-	-	(11.6)
At 31 July 2021	**223.7**	**16.0**	**0.1**	**32.5**	**185.5**	**-**	**-**	**457.8**
Net book value								
At 31 July 2021	**545.3**	**35.0**	**-**	**105.4**	**43.7**	**50.4**	**17.0**	**796.8**
At 31 July 2020	556.5	37.6	-	98.2	47.3	41.5	17.0	798.1

Institution

	Freehold land and buildings £m	Leasehold land and buildings £m	Finance lease £m	Infrastructure £m	Equipment £m	Assets in the course of construction £m	Heritage assets £m	Total £m
Cost								
At 1 August 2020	772.7	62.4	0.1	122.3	173.7	39.9	17.0	1,188.1
Additions	1.6	-	-	1.4	8.7	38.5	-	50.2
Transfers	8.3	0.1	-	14.2	6.5	(29.1)	-	-
Disposals	(1.7)	(11.5)	-	-	-	-	-	(13.2)
At 31 July 2021	**780.9**	**51.0**	**0.1**	**137.9**	**188.9**	**49.3**	**17.0**	**1,225.1**
Depreciation								
At 1 August 2020	205.1	24.8	0.1	24.1	151.4	-	-	405.5
Charge for the year	20.3	1.1	-	8.4	17.9	-	-	47.7
Disposals	(1.7)	(9.9)	-	-	-	-	-	(11.6)
At 31 July 2021	**223.7**	**16.0**	**0.1**	**32.5**	**169.3**	**-**	**-**	**441.6**
Net book value								
At 31 July 2021	**557.2**	**35.0**	**-**	**105.4**	**19.6**	**49.3**	**17.0**	**783.5**
At 31 July 2020	567.6	37.6	-	98.2	22.3	39.9	17.0	782.6

At 31 July 2021, freehold land and buildings included £44.8m (2020 - £44.8m) in respect of freehold land that is not depreciated.
At 31 July 2021, leasehold land and buildings included £1.5m (2020 - £1.3m) in respect of leasehold land that is not depreciated.
There is no capitalised aggregated interest included in the cost of fixed assets in 2020/21 (2020 - £6.6m).
There are no capitalised borrowing costs included in the additions in 2020/21 (2020 - £0.3m).

14 Heritage assets

The Institution holds its heritage assets in two collections; the Heritage collection, and the Fine and Decorative Art collection.

A record of both of these collections and a Collections Development Policy which applies is maintained by the Libraries, Museums and Galleries department of the Institution.

The Heritage Collection consists of 15,000 museum objects which have been collected over many years by academic departments of the Institution, and has been brought together into the Victoria Gallery & Museum. Many of the objects may originally have had value for teaching purposes, but this is no longer the case. 10,000 items are geological specimens, and the remainder come from a wide range of departments of the Institution. The Collection has never been valued, and, given the wide range of objects, such a valuation is not considered to be practical and as a result has not been recognised in the Statement of Financial Position.

The Fine and Decorative Art collection consists of 7,000 items of metalware, fine furniture, ceramics, paintings, drawings, prints and sculptures. It is held in the Victoria Gallery & Museum in the University's iconic redbrick Victoria Building, which is open to the public.

The Institution revalued some of its heritage assets on a fair value basis as at 31 July 2014, taking advantage of the transitional provisions of FRS 102 section 35.10. The Institution appointed Christies, an independent external valuer.

An appropriately qualified assessor at Christies confirmed in 2013 that the double high auction estimate for this collection was £115.6m. Of the £115.6m, £34m related to two items, pictures by Freud and Turner at £14m and £20m respectively. Both of these paintings were brought onto the Statement of Financial Position at 31 July 2014 at one half of their insurance value (i.e. half of the double high auction estimate value) at £7m and £10m respectively, totalling £17m. In accordance with the FRS 102 transitional provisions these values are used as the deemed cost of these heritage assets.

The insurance valuation for the collection at 31 July 2021 is £106.2m.

Heritage assets held at cost or valuation are not depreciated due to their indefinite life and high residual value.

During the reporting period 1 August 2020 to 31 July 2021 there has been no impairment of these assets. More specifically there has been no physical deterioration, breakage or doubts as to their authenticity. In July 2021, an appropriately qualified assessor at Christies confirmed that the double high auction estimate values for the pictures by Freud and Turner were £16m and £24m respectively.

15 Non-current investments

Consolidated	Subsidiary companies £m	Other fixed assets investments £m	Endowment investments £m	Total £m
At 1 August 2020	-	27.2	168.3	195.5
Additions	-	78.9	19.2	98.1
Disposals	-	(0.2)	(23.3)	(23.5)
Cash movement	-	-	2.8	2.8
Change in market value	-	7.0	23.2	30.2
At 31 July 2021	**-**	**112.9**	**190.2**	**303.1**
Institution				
At 1 August 2020	3.8	27.2	168.3	199.3
Additions	-	78.9	19.2	98.1
Disposals	-	(0.2)	(23.3)	(23.5)
Cash movement	-	-	2.8	2.8
Change in market value	-	7.0	23.2	30.2
At 31 July 2021	**3.8**	**112.9**	**190.2**	**306.9**

The gains on investments in the Consolidated Statement of Comprehensive Income also includes gains on current assets of £nil (2020 - £0.2m). Change in market value is net of fees.

Other fixed asset investments and endowments investment are held at market value with the exception of the corporate bonds which are held at amortised cost. The investments in the subsidiary companies are held at cost.

Details of shares in subsidiary companies are disclosed in note 30.

Non-current investments consist of:	Consolidated £'000	Institution £'000
Quoted equities	127.7	127.7
Fixed interest bonds	42.8	42.8
Property and other investments	126.5	130.3
Cash and cash equivalents	6.1	6.1
	303.1	**306.9**

The Institution holds shares in the following companies, none of which are considered to be material, and are therefore not consolidated in these financial statements:

	% Holding		% Holding
Sepsis Limited	35.1	Nidor Diagnostics Ltd	16.3
Meta Additive Ltd	30.0	Porous Liquid Technologies	15.1
Provexis IBD Limited	25.0	Pepsyn Limited	3.5
Q Technologies Limited	24.9	CDDM Technology Limited	3.0
Polymer Mimetics Ltd	20.0	Robotiz3D Limited	25.0
Aimes CIC Limited	20.0	Phenutest Diagnostics Limited	26.0
Intellihep Limited	18.0	CVCP Limited	1.3

16 Investment in joint ventures and associates

The Institution holds a 50% share of the issued ordinary capital of Xi'an Jiaotong-Liverpool University (XJTLU) which is registered in the People's Republic of China. This is a joint venture company owned equally by the University of Liverpool and Xi'an Jiaotong University. The Institution holds a 50% interest in Sensor City Liverpool Ltd. This is a joint venture company owned equally by University of Liverpool and Liverpool John Moores University. Both investments are treated as joint ventures and are accounted for using the equity method.

The Institution holds a 25% interest in Liverpool Science Park Ltd and Sciontec Developments Ltd and a 20% interest in Laureate - University of Liverpool Ventures BV. The entities are treated as associates and accounted for using the equity method.

	Year ended 31 July 2021						Year ended 31 July 2020					
	XJTLU*	**Sciontec Developments Ltd**	**Liverpool Science Park Ltd**	**Laureate - University of Liverpool Ventures B.V.**	**Sensor City**	**Total**	XJTLU*	Sciontec Developments Ltd	Liverpool Science Park Ltd	Laureate - University of Liverpool Ventures B.V.	Sensor City	Total
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	£m	£m	£m	£m	£m	£m
Income and expenditure account												
Income	**79.3**	**(0.2)**	**0.4**	**(0.5)**	**-**	**(0.3)**	63.0	-	0.5	1.6	0.1	2.2
Surplus/(deficit) before tax	**13.9**	**-**	**(0.2)**	**(0.5)**	**(4.3)**	**(5.0)**	6.0	0.7	-	1.6	(0.7)	1.6
Balance sheet												
Fixed assets	**125.4**	**-**	**4.4**	**-**	**0.4**	**4.8**	126.2	-	4.4	-	4.6	9.0
Current assets	**38.5**	**0.7**	**0.4**	**-**	**0.1**	**1.2**	25.7	0.8	0.2	-	0.2	1.2
	163.9	**0.7**	**4.8**	**-**	**0.5**	**6.0**	151.9	0.8	4.6	-	4.8	10.2
Creditors: amounts due within one year	**(15.0)**	**(0.1)**	**(0.6)**	**-**	**(0.1)**	**(0.8)**	(11.1)	(0.1)	(0.3)	-	(0.1)	(0.5)
Creditors: amounts due after more than one year	**(128.9)**	**-**	**(0.9)**	**-**	**-**	**(0.9)**	(134.8)	-	(1.0)	-	-	(1.0)
	(143.9)	**(0.1)**	**(1.5)**	**-**	**(0.1)**	**(1.7)**	(145.9)	(0.1)	(1.3)	-	(0.1)	(1.5)
Share of net assets	**20.0**	**0.6**	**3.3**	**-**	**0.4**	**4.3**	6.0	0.7	3.3	-	4.7	8.7

The Sensor City reported figures have been adjusted to reflect the University group accounting policy with respect to fixed assets land and buildings.

The Liverpool Science Park Ltd figures have been adjusted to reflect the University group accounting policy with respect to capital grants.

* XJTLU reported accumulated net liabilities for the year ended 31 July 2019 and was not consolidated that year. This treatment was in accordance with FRS 102. The Institution's share of XJTLU's net assets as at 31 July 2021 was £20m (2020 - £6.0m). Following an impairment review which considered the uncertainties in relation to future cash flows which could support this valuation, the investment was impaired to a carrying value of £nil. The amounts reported for XJTLU are therefore solely a memorandum.

17 Stock

	As at 31 July 2021		As at 31 July 2020	
	Consolidated	**Institution**	Consolidated	Institution
	£m	**£m**	£m	£m
General consumables	**1.3**	**1.1**	1.4	1.0

18 Trade and other receivables

	As at 31 July 2021		As at 31 July 2020	
	Consolidated	**Institution**	Consolidated	Institution
	£m	**£m**	£m	£m
Amounts falling due within one year:				
Research grants receivables	**36.7**	**36.7**	32.4	32.4
Other trade receivables	**14.4**	**13.8**	9.1	8.5
Other receivables	**7.5**	**7.2**	3.0	2.3
Prepayments and accrued income	**20.1**	**19.9**	21.3	21.0
Amounts due from subsidiary companies	**-**	**7.0**	-	9.0
	78.7	**84.6**	65.8	73.2

19 Current investments

	As at 31 July 2021		As at 31 July 2020	
	Consolidated	**Institution**	Consolidated	Institution
	£m	**£m**	£m	£m
Short term investment in shares	**-**	**-**	14.0	14.0
Short term bonds and gilts	**-**	**-**	1.0	1.0
Short term deposits	**50.5**	**50.5**	35.9	35.9
Other short term investments	**-**	**-**	19.2	19.2
	50.5	**50.5**	70.1	70.1

Deposits are held with banks and building societies operating in the London market and authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority and have more than three months maturity from the initial deposit date. The interest rates for these deposits are fixed for the duration of the deposit at time of placement.

At 31 July 2021 the weighted average interest rate of these fixed rate deposits was 0.21% per annum. The fair value of these deposits was not materially different from the book value.

20 Creditors: amounts falling due within one year

	As at 31 July 2021		As at 31 July 2020	
	Consolidated	**Institution**	Consolidated	Institution
	£m	**£m**	£m	£m
Trade payables	**13.3**	**13.2**	12.9	12.7
Amounts due to subsidiary companies	**-**	**9.0**	-	10.0
Social security and other taxation payable	**7.1**	**6.3**	6.9	6.8
Accruals and deferred income	**75.3**	**68.1**	65.9	60.5
Research grants received on account	**68.3**	**68.3**	48.5	48.4
	164.0	**164.9**	134.2	138.4

Deferred income

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

	As at 31 July 2021		As at 31 July 2020	
	Consolidated	**Institution**	Consolidated	Institution
	£m	**£m**	£m	£m
Grant income	**7.8**	**7.8**	5.5	5.5
Other income	**32.0**	**32.0**	27.4	26.9
	39.8	**39.8**	32.9	32.4

21 Creditors: amounts falling due after more than one year

	As at 31 July 2021		As at 31 July 2020	
	Consolidated	**Institution**	Consolidated	Institution
	£m	**£m**	£m	£m
Obligations under finance leases	**0.1**	**0.1**	0.1	0.1
Unsecured loans	**300.1**	**285.1**	300.0	285.0
Other creditors	**0.1**	**0.1**	0.1	0.1
	300.3	**285.3**	300.2	285.2
Analysis of unsecured loans:				
Due within one year or on demand (note 20)	**-**	**-**	-	-
Due between one and two years	**-**	**-**	-	-
Due in five years or more	**300.1**	**285.1**	300.0	285.0
Due after more than one year	**300.1**	**285.1**	300.0	285.0
Total unsecured loans	**300.1**	**285.1**	300.0	285.0
Bond repayable by 2055	**245.1**	**245.1**	245.0	245.0
Unsecured loans repayable by 2036	**40.0**	**40.0**	40.0	40.0
Unsecured loans repayable by 2028	**15.0**	**-**	15.0	-
	300.1	**285.1**	300.0	285.0

Included in loans are the following:

Lender	Amount	Term	Interest rate	Borrower
	£m		**%**	
Public bond	245.1	2055	3.375	Institution
Private placement	40.0	2036	4.99	Institution
	285.1			
Lloyds Bank	15.0	2028	4.975	Subsidiary
Total	**300.1**			

In June 2015 an unsecured fixed rate public bond was issued for the sum of £250 million over a 40 year term with a coupon rate of 3.375%. It is listed on the London Stock Exchange. There are no capital payments to be made over the term, with the bond maturing in 2055. There are no plans for early repayment.

The bond transaction costs of £5.3m are being amortised over the life of the bond and charged to interest costs.

The Institution may, at its option, redeem some or all of the bond at the Redemption Price with interest accrued to the date of redemption. The 'Redemption Price' shall be the higher of:

(a) the principal amount of the bonds to be redeemed and

(b) the product of the principal amount of the bonds to be redeemed and the price, expressed as a percentage, at which the Gross Redemption Yield on the bond is equal to the sum of the Gross Redemption of the benchmark gilt (currently the 4.25% UK Treasury Gilt December 2055) plus 0.15%.

The £40m private placement loan carries financial covenants, all of which have been complied with at the Statement of Financial Position date and are assessed at each re-forecast. The Institution has reviewed all of its covenants as part of its going concern review as detailed in part b of the Statement of Principal Accounting Policies.

22 Provisions for liabilities

Consolidated	Notes	Obligation to fund deficit on USS Pension	Other provisions	Total
		£m	£m	£m
At 1 August 2020		76.2	0.5	76.7
(Credited) / charged to the Statement of Comprehensive Income	8/9	(0.1)	0.8	0.7
At 31 July 2021		**76.1**	**1.3**	**77.4**

Institution	Notes	Obligation to fund deficit on USS Pension	Other provisions	Total
		£m	£m	£m
At 1 August 2020		76.2	-	76.2
Credited to the Statement of Comprehensive Income	8/9	(0.1)	-	(0.1)
At 31 July 2021		**76.1**	**-**	**76.1**

Obligation to fund deficit on USS pension

The obligation to fund the past deficit on the Universities Superannuation Scheme (USS) arises from the contractual obligation with the USS to fund 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 and further information is provided in note 32(i).

The £0.1m (2020 - £57.9m) credited to the Statement of Comprehensive Income consists of the movement on the past service cost of £0.7m (2020 - £60.1m) (note 8) and the net finance charge of £0.6 (2020 - £2.2m) (note 9).

Since the year end, following the completion of the 2020 actuarial valuation, a new deficit recovery plan has been agreed of which more detail is given in note 32 (i). As at 31 July 2021 and with all the other assumptions used to calculate the provision unchanged, this would result in an increase in provision as detailed in note 29.

Other provisions

Other provisions comprise an obligation of £1.3m (2020 - £0.5m) for deferred tax payable on timing differences between accumulated depreciation and capital allowances.

23 Endowment reserves Institution and Consolidated

Restricted net assets relating to endowments are as follows:

		Restricted permanent endowments	Restricted expendable endowments	2021 Total	2020 Total
		£m	£m	£m	£m
Balances at 1 August					
Capital		116.5	28.8	**145.3**	148.8
Accumulated income		17.9	5.1	**23.0**	22.9
		134.4	33.9	**168.3**	171.7
New endowments		2.8	0.8	**3.6**	1.2
Investment income		3.1	0.8	**3.9**	3.9
Expenditure		(6.0)	(2.8)	**(8.8)**	(5.1)
Increase / (decease)in market value of investments		18.6	4.6	**23.2**	(3.4)
Total endowment comprehensive income for the year		18.5	3.4	**21.9**	(3.4)
Balances at 31 July		152.9	37.3	**190.2**	168.3
Represented by:					
	Capital	137.9	32.8	**170.7**	145.3
	Accumulated income	15.0	4.5	**19.5**	23.0
		152.9	37.3	**190.2**	168.3
Analysis by type:					
	Chairs	73.6	0.4	**74.0**	63.2
	Scholarships and Fellowships	47.4	16.6	**64.0**	58.5
	Prizes	5.1	1.2	**6.3**	5.4
	Lectureships	8.9	7.4	**16.3**	14.9
	Other	17.9	11.7	**29.6**	26.3
		152.9	37.3	**190.2**	168.3

		2021 Total	2020 Total
Analysis by asset:		£m	£m
	Current and non-current asset investments	**184.1**	165.0
	Cash and cash equivalents	**6.1**	3.3
		190.2	168.3

There were no accumulated income balances in deficit at 31 July 2021 (2020 - none).

24 Cash and cash equivalents

	At 1 August 2020 £m	Cash flows £m	At 31 July 2021 £m
Consolidated	**93.4**	**(3.7)**	**89.7**

25 Consolidated reconciliation of net debt

	At 31 July 2021 £m
Net debt 1 August 2020	**206.7**
Movement in cash and cash equivalents	(3.7)
Other non-cash changes	7.5
Net debt 31 July 2021	**210.5**
Change in net debt	**3.8**

Analysis of net debt:	At 31 July 2021 £m	At 31 July 2020 £m
Cash and cash equivalents	**89.7**	**93.4**
Borrowings: amounts falling due after more than one year		
Obligations under finance lease	0.1	0.1
Unsecured loans	300.1	300.0
	300.2	**300.1**
Net debt	**210.5**	**206.7**

26 Capital and other commitments

Provision has not been made for the following capital commitments at 31 July 2021:

	As at 31 July 2021		As at 31 July 2020	
	Consolidated £m	**Institution £m**	Consolidated £m	Institution £m
Commitments contracted for	**27.6**	**26.5**	62.7	62.1

27 Contingent liabilities

The Institution has given written undertakings to support Sensor City Liverpool Ltd, University of Liverpool Energy Company Ltd, University of Liverpool Construction Company Ltd and ULCCO (Special Projects) Ltd for the period from the date of approval of these financial statements up to 31 July 2023.

28 Lease obligations Consolidated and Institution

Total rentals payable under operating leases:

	Land and buildings £m	Plant and machinery £m	Other Leases £m	31 July 2021 total £m	31 July 2020 £m
Payable during the year	**4.2**	**0.5**	**0.7**	**5.4**	7.2
Future minimum lease payments due:					
Not later than 1 year	**2.8**	**0.4**	**0.7**	**3.9**	4.2
Later than 1 year and not later than 5 years	**10.2**	**1.6**	**1.7**	**13.5**	10.3
Later than 5 years	**26.8**	**-**	**-**	**26.8**	27.6
Total lease payments due	**39.8**	**2.0**	**2.4**	**44.2**	42.1

29 Events after the reporting period Consolidated and Institution

As set out in note 32 in respect of the Universities Superannuation Scheme (USS), a new Schedule of Contributions based on the 2020 actuarial valuation was agreed in September 2021. The valuation revealed a shortfall in assets when measured against the scheme's technical provisions. The size of the shortfall is dependent on whether the proposed benefit structure reforms and covenant support measures are implemented by 28 February 2022. If they are, the shortfall as at 31 March 2020 is £14.1 billion. If no Benefit Change Deed is entered into, the reduced level of covenant support results in an increase to the technical provisions and the shortfall as at 31 March 2020 is £18.4 billion.

This represents a significant deterioration from the £3.6 billion deficit established under the 2018 valuation.

As at 31 July 2021 and with all the other assumptions used to calculate the provision unchanged, if the Benefit Change Deed was entered into, the provision for the obligation to fund the deficit would increase by £157m to £233m and if the Benefit Change Deed was not entered into, the provision for the obligation to fund the deficit would increase by £283m to £359m. This adjustment will be reflected in the Institution's Financial Statements for the year ended 31 July 2022.

At this stage, the USS Trustee has until 28 February 2022 to enter into a Benefit Change Deed. For the 2020/21 financial year, this is considered a non-adjusting event.

The Institution has subsequent to the year end sold its shareholding in a spin out company for £3.1m. The proceeds will be reported as a gain on disposal in the year to 31 July 2022.

In November 2021 the University received notice of a final ruling in a legal case for which it had been accruing costs and related income going back to 2019/20. The ruling, which is considered final, resulted in a net release of costs and improved surplus of £6.9m for the 31 July 2021 financial position, and has been adjusted for in these financial statements.

30 Subsidiary undertakings

The subsidiary companies, wholly-owned or effectively controlled by the Institution are as follows:

Company	Principal Activity	Ownership	Status
University of Liverpool Energy Company Ltd	Provision of energy supplies to the Institution	100% owned	Active
University of Liverpool Construction Company Ltd	Provision of construction service to the Institution	100% owned	Active
ULCCO (Special Projects) Ltd	Provision of construction service to the Institution	100% owned	Active
Liverpool University Press (2004) Ltd	Publication of books and periodicals	100% owned	Active
University of Liverpool in Singapore Pte Ltd	Provisions of academic services in Singapore	100% owned	Active
Tandem Nano Ltd	Biotechnology spin out	55% owned	Active
Cagecapture Ltd	Technology spin out	50% owned	Active
ULIVE Ltd	Holding company	100% owned	Dormant
ULIVE Enterprises Ltd	Holding company	100% owned	Dormant
UOLM Sdn Bhd	Provision of education	100% owned	Dormant
Liverpool International College	Provision of education	100% owned	Dormant
University of Liverpool Mathematics School	Provision of education	Member	Active

The Institution's subsidiary companies are all registered in England and Wales with the exception of the University of Liverpool in Singapore Pte Ltd and UOLM Sdn Bhd. The active companies have been consolidated if material to the group financial statements . The principal purpose of these companies is to support the activities of the Institution.

University of Liverpool Mathematics School is a state funded sixth form college. The School commenced its teaching activities in September 2020. The Institution is a founding sponsor and member of the School which has been formed as a company limited by guarantee. The Institution does not control the activities of the School and has no long term interest in the assets of the School. The School has therefore not been consolidated into the Institution group financial statements.

31 Linked charity

The Institution administers the Agnes Lois Bulley Trust which was established through a Declaration of Trust in 1948. The University of Liverpool is the appointed Trustee. The duties of the Trustee are delegated to the Officers of the Institution and members of the Senior Leadership Team.

The Trust endowed land to the Institution at Ness Botanic Gardens together with a fund to provide financial support for the maintenance and operation of the Gardens.

The Agnes Lois Bulley Trust is separately registered with the Charities Commission (Registration No 505721). Its funds are managed on its behalf by the Institution as part of the Institution's endowments portfolio.

The Trust is consolidated based on the Institution's effective control as appointed Trustee.

The movement in the year on the funds of the Agnes Lois Bulley Trust included within the Consolidated and Institution financial statements was as follows:

	As at 31 July 2020	Investment income and gain	Expenditure	As at 31 July 2021
	£m	£m	£m	£m
Agnes Lois Bulley Trust				
Investments	7.3	1.2	(0.2)	**8.3**

32 Pension schemes

Different categories of staff were eligible to join one of three different schemes:

- Universities Superannuation Scheme (USS)
- University of Liverpool Pension Fund (ULPF)
- National Health Service Pension Scheme (NHSPS)

The two main schemes, being USS and ULPF, are both defined-benefit schemes contracted out of the State Second Pension (S2P) the assets of which are held in separate trustee administered funds.

The National Health Service Pension Scheme (NHSPS), is a multi-employer defined benefit scheme where the contributions are not put aside into a separate fund, and nor are additional contributions thereafter required by central government in relation to those benefits.

The total pension cost for the University was:

		Year Ended 31 July 2021		Year Ended 31 July 2020
	Consolidated	**Institution**	Consolidated	Institution
	£m	**£m**	£m	£m
Statement of comprehensive income - net pension cost in year				
USS	**35.4**	**35.2**	(24.5)	(24.7)
ULPF including FRS 102 adjustments	**19.9**	**19.9**	12.6	12.6
Other pension schemes	**2.1**	**2.1**	2.1	2.1
	57.4	**57.2**	(9.8)	(10.0)
Other comprehensive income - actuarial gain / (loss) in respect of pension scheme				
ULPF including FRS 102 adjustments	**3.4**	**3.4**	(30.3)	(30.3)
Statement of Financial Position - Pension scheme asset				
ULPF including FRS 102 adjustments	**13.4**	**13.4**	23.1	23.1

(i) The Universities Superannuation Scheme

The Institution participates in the Universities Superannuation Scheme (USS) which is the main scheme covering most academic and academic-related staff. The Scheme is a hybrid pension scheme, providing defined benefits (for all members), as well as defined contribution benefits. The assets of the scheme are held in a separate trustee-administered fund. USS is a multi-employer scheme and is accounted for as set out in the accounting policies.

The total cost charged to the Consolidated Statement of Comprehensive Income is £36.1m (2020 - £35.6m) excluding the impact of the change in the deficit recovery plan, as shown in note 8.

Deficit recovery contributions due within one year for the Institution are £3.4m (2020 - £3.3m).

At the year end, the latest available completed actuarial valuation of the Retirement Income Builder section of the scheme was at March 2018 (the valuation date), which was carried out using the projected unit method.

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%.

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

Pension increases (CPI)	Term dependent rates in line with the difference between the Fixed Interest and Index Linked yield curves, less 1.3% p.a.
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%

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:

	2018 valuation
Mortality base table	Pre-retirement: 71% of AMC00 (duration 0) for males and 112% of AFC00 (duration 0) for females Post retirement: 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 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% until 31 March 2028. The 2020 and 2021 deficit recovery liability reflects this plan. The liability figures have been produced using the following assumptions:

	2021	2020
Discount rate	**0.89%**	0.74%
Pensionable salary growth	**8.26%**	-2.35%

At the year end a further full valuation as at 31 March 2020 was underway. Work was still to be done agreeing the technical provisions assumptions, the extent of future investment risk, the duration of the deficit period and the level of deficit contributions. Rule changes in respect of strengthening the employer covenant were also in progress including restrictions on employer exits, debt monitoring and pari passu arrangements. The valuation did not meet its statutory deadline of 30 June 2021.

The 2020 valuation was finalised 30 September 2021 and revealed a shortfall in assets when measured against the scheme's technical provisions. The size of the shortfall is dependent on whether the anticipated benefit structure reforms and covenant support measures are implemented by 28 February 2022. If this takes place, the shortfall as at 31 March 2020 is £14.1 billion, a funding ratio of 83%. If no Benefit Change Deed is entered into, the reduced level of covenant support results in an increase to the technical provisions and the shortfall as at 31 March 2020 is £18.4 billion, a funding ratio of 78%.

A new deficit recovery plan has been agreed which amends the existing deficit recovery plan set out in the 2018 valuation. Under the new plan, deficit recovery contributions cease from 1 October 2021 and recommence 1 April 2022 at 6.3% of salaries payable for the length of the recovery plan until 31 March 2038. This assumes the Benefit Change Deed is entered into by 28 February 2022. If no Benefit Change Deed is entered into by 28 February 2022, the new plan requires deficit recovery contributions from 1 October 2022 to commence at 3% of salaries then increase every six months by 3% until they reach 20% of salaries at 1 October 2025. Then remain at this level until 31 July 2032.

The English High Court ruling in Lloyds Banking Group Pensions Trustees Limited v Lloyds Bank plc and others was published on 26 October 2018, and held that UK pension schemes with Guaranteed Minimum Pensions (GMPs) accrued from 17 May 1990 must equalise for the different effects of these GMPs between men and women. The case also gave some guidance on related matters, including the methods of equalisation.

For the Universities Superannuation Scheme, the provision included within the financial statements disclosed in note 22 will only be impacted to the extent the change in benefits increases cash financing.

(ii) NHS Pension Scheme

The Institution also participates in the NHSPS which is contracted out of the State Second Pension (S2P). The notional assets of NHSPS are assessed by the Government Actuary and the benefits are underwritten by the Government.

The NHS Pension Scheme is a defined benefit public service pension scheme, which operates on a pay-as-you-go basis. A new reformed scheme was introduced on 1 April 2015 that calculates pension benefits based on career average earnings. Transitional arrangements permit individuals who on 1 April 2012 were within ten years of normal pension age to continue participating in the old 'final salary' NHS Pension Scheme arrangements (the 1995 and 2008 sections).

An HM Treasury pension scheme valuation for funding purposes was carried out as at March 2012. The Scheme Regulations have been changed to allow contribution rates to be set by the Secretary of State for Health, with the consent of HM Treasury, and consideration of the advice of the Scheme Actuary and appropriate employee and employer representatives as deemed appropriate. The contribution rate payable by the Institutions during the year ended 31 July 2021 was equal to 14.3% of the total pensionable salaries in accordance with the conclusion of the Government Actuary's report on the scheme.

(iii) University of Liverpool Pension Fund (ULPF)

The University of Liverpool operates a defined benefit scheme in the UK. This is a separate trustee administered fund holding the pension scheme assets to meet long term pension liabilities. The final salary section of the fund closed to new entrants with effect from 31 July 2011 and, from 1 August 2011, new members joined the CARE section of the fund. A full actuarial valuation was carried out at 31 July 2018 and updated to 31 July 2020 by a qualified actuary, independent of the scheme's sponsoring employer. The major assumptions used by the actuary are shown below.

The 2018 actuarial valuation showed a surplus of £105.5m. The University of Liverpool agreed with the trustees that in accordance with the actuarial valuation, it will pay 23.5% of pensionable earnings for final salary members and 22.5% of pensionable earnings for CARE members in respect of the cost of accruing benefits. These rates include an allowance for the costs of insuring death in service benefits, management and administration expenses, levies to the Pension Protection Fund, and member contributions at the rate of 7.5% of pensionable earnings for final salary members and 6.5% pensionable earnings for CARE members. A full actuarial valuation as at 31 July 2021 is in progress.

Assumptions

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

	At 31 July 2021	At 31 July 2020
	%pa	%pa
Discount rate	**1.70**	1.50
Price Inflation (RPI)	**3.40**	3.10
Price Inflation (CPI)	**2.85**	2.55
Rate of increase in salaries	**2.85 (plus promotional salary scale)**	2.55 (plus promotional salary scale)

Allowance for revaluation of CARE benefit (for service for new joiners after 1 August 2011)	**2.85**	2.55
Allowance for revaluation of deferred pensions of CPI or 5% p. a. if less	**2.85**	2.55
Allowance for revaluation of deferred pensions of CPI or 2.5% p. a. if less	**2.50**	2.50
Allowance for pension in payment increases of CPI or 5% p. a. if less	**2.80**	2.50
Allowance for pension in payment increases of RPI or 2.5% p. a. if less	**2.20**	2.10
Allowance for pension in payment increases of CPI or 2.5% p. a. if less	**2.00**	1.90
Allowance for commutation of pension cash at retirement	**80% of Post A Day**	80% of Post A Day

The mortality assumptions adopted at 31 July 2021 and 31 July 2020 imply the following life expectancies:

	Life expectancy at age 60 (years)	Life expectancy at age 60 (years)
Male retiring in 2021 (2020)	**26.2**	25.8
Female retiring in 2021 (2020)	**28.2**	27.9
Male retiring in 2041 (2040)	**28.1**	27.7
Female retiring in 2041 (2040)	**30.1**	29.9

The best estimate of contributions to be paid by the University of Liverpool to the scheme for the year commencing 1 August 2021 is £7.0m.

Present values of defined benefit obligation, fair value of assets and defined benefit asset

	Fair value as at 31 July 2021 £m	Fair value as at 31 July 2020 £m
Equities	**319.0**	297.4
Bonds	**104.1**	97.9
Property	**66.9**	65.9
Multi asset fund	**74.6**	70.6
Net current assets	**29.5**	1.5
Fair value of scheme assets	**594.1**	533.3
Present value of defined benefit obligation	**(495.8)**	(510.2)
Surplus in scheme	**98.3**	23.1
Unrecognised surplus	**(84.9)**	-
Defined benefit asset recognised	**13.4**	23.1

None of the fair values of the assets shown above include any direct investments in the Institution's own financial instruments or any property occupied by, or other assets used by, the University of Liverpool.

The Trust Deed provides for the Institution to unilaterally wind up the University of Liverpool Pension Fund, in which event any residual amounts after settling all scheme obligations are repayable to the Institution. The Trust Deed also provides for the Fund Trustees to transfer annuity policies into individual members' names without requiring the Institution's consent which means that the Institution does not have a right to a refund from the Scheme, as set out by the accounting standard.

Following completion of the 2018 actuarial valuation the Trustee agreed to use a small part of the surplus to support the Institution continuing at a contribution rate of 16% per annum until the 2021 valuation is completed. This was on the basis that if market conditions do not change between now and the 2021 valuation, the Institution would need to increase their contribution to 16.8% per annum at that time or other such rate as required by the results of the 2021 valuation.

Accounting standards require the surplus be recognised in respect of any economic value the Institution is able to derive from the surplus in the form of potential future reduced contributions. The economic value the Institution can derive from the surplus is calculated as the difference between the present value of the future contributions the Institution is committed to paying under the documentation in force at the reporting date and the present value of the future benefits expected to accrue in the future (over the working lifetime of active members) as measured on the accounting basis at the reporting date.

As the current service cost has been greater than the employer contributions, under the rules of FRS 102, a proportion of the surplus is required to be recognised. This equates to the shortfall from the contributions to the service cost, capitalised for the future active lifetime of the scheme capped at the value of the contributions payable under the schedule of contributions currently in force.

During the year it was identified that there are a number of members of the scheme who are not employed by the Institution, and thus the assets and liabilities in respect of these members should not have been shown on the Institution's Statement of Financial Position. The University's actuary calculated those members' share of both the past and future service liabilities based on the results of the last triennial valuation. The proportion of past service liabilities was 4.2% and for future service 2.7%. Those members' assets and liabilities have been derecognised, with the net impact going through the Statement of Comprehensive Income in the current year, as the amounts are not considered material. The impact was a reduction of liabilities of £21.7m and assets of £26.0m, resulting in a total net reduction to the net asset of £4.3m, and is included in the following tables as relating to Participating Employer.

The defined benefit costs recognised in the Consolidated Statement of Income are analysed as follows:

	Year Ended 31 July 2021 £m	Year Ended 31 July 2020 £m
Current service cost	**14.4**	11.8
Past service cost	**0.3**	0.1
Expenses	**1.2**	0.9
Net interest cost	**(0.3)**	(1.2)
Losses on business combinations	**4.3**	-
Total recognised in surplus for the year	**19.9**	11.6

The defined benefit costs recognised taken to Other Comprehensive Income are analysed as follows:

	Year Ended 31 July 2021 £m	Year Ended 31 July 2020 £m
Return on scheme assets (excluding amounts included in net interest cost)	**84.2**	18.8
Experience gains and losses arising on the scheme liabilities	**2.8**	1.0
Effects of changes in the demographic and financial assumptions underling the present value of the scheme liabilities	**1.3**	(50.1)
Effects of changes in the amount of surplus that is not recoverable (excluding amounts included in net interest cost)	**(84.9)**	-
Total amount recognised in Other Comprehensive Income	**3.4**	(30.3)

Reconciliation of opening and closing balances of the defined benefit obligation	**Year Ended 31 July 2021 £m**	Year Ended 31 July 2020 £m
At start of year	**510.2**	449.1
Current service cost	**14.4**	11.8
Past service cost	**0.3**	0.1
Expenses	**1.2**	0.9
Interest expense	**7.5**	9.4
Contributions by scheme participants	**2.9**	3.1
Actuarial gains	**(4.1)**	49.1
Benefits paid and expenses	**(14.9)**	(13.3)
Liabilities relating to Participating Employer	**(21.7)**	-
At end of year	**495.8**	510.2

Reconciliation of opening and closing balances of the fair value of scheme assets	**Year Ended 31 July 2021 £m**	Year Ended 31 July 2020 £m
At start of year	**533.3**	507.1
Interest income	**7.8**	10.6
Actuarial gains	**84.2**	18.8
Contributions by the Institution and Participating Employer	**6.8**	7.0
Contributions by scheme participants	**2.9**	3.1
Benefits paid and expenses	**(14.9)**	(13.3)
Assets relating to Participating Employer	**(26.0)**	-
At end of year	**594.1**	533.3

The actual return on the scheme assets over the period ended 31 July 2021 was £92.0m (2020 - £29.4m).

	As at 31 July 2021 £m	As at 31 July 2020 £m
Analysis of movement in surplus		
Unrecognised surplus at the beginning of the year	**-**	-
Surplus at the beginning of the year to be recognised	**23.1**	58.0
Surplus at the beginning of the year recognised	**23.1**	58.0
Contributions by the Institution and Participating Employer	**6.8**	7.0
Current service cost	**(14.4)**	(11.8)
Past service cost	**(0.3)**	(0.1)
Expenses	**(1.2)**	(0.9)
Net interest	**0.3**	1.2
Net assets relating to Participating Employer	**(4.3)**	-
Actuarial gains / (losses)	**88.3**	(30.3)
Surplus at end of year	**98.3**	23.1
Unrecognised surplus at the end of the year	**(84.9)**	-
Surplus at the end of the year to be recognised	**13.4**	23.1

The English High Court ruling in Lloyds Banking Group Pensions Trustees Limited v Lloyds Bank plc and others was published on 26 October 2018, and held that UK pension schemes with Guaranteed Minimum Pensions (GMPs) accrued from 17 May 1990 must equalise for the different effects of these GMPs between men and women. The case also gave some guidance on related matters, including the methods of equalisation. In line with last year's disclosure an allowance for the additional liabilities as a result of this ruling of 0.3% (£1.5m) is included within the defined benefit obligation.

33 Accounting estimates and judgements

USS provision and scheme treatment

FRS 102 makes a distinction between a group plan and a multi-employer scheme. A group plan consists of a collection of entities under common control typically with a sponsoring employer. A multi-employer scheme is a scheme for entities not under common control and represents (typically) an industry-wide scheme such as Universities Superannuation Scheme (USS). The accounting for a multi-employer scheme where the employer has entered into an agreement with the scheme that determines how the employer will fund a deficit results in the recognition of 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 profit or loss in accordance with section 28 of FRS 102. The Council is satisfied that the 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.

At the year end the Institution has recognised a provision of £76.1m (2020 - £76.2m) in respect of the liability for the contributions payable under the deficit recovery plan. The calculation of the liability is based on a number of assumptions which could represent a source of material uncertainty within the financial statements. The Institution acknowledges this risk and has done detailed work to ensure the assumptions used are as robust as possible. This has been achieved by using historical trends, planning information and third party expertise.

In accordance with the requirements of the Statement of Recommended Practice: Accounting for Further and Higher Education 2019, the Institution currently recognises a provision for its obligation to fund past deficits arising within the Universities Superannuation Scheme. A deficit recovery plan was put in place as part of the 2018 valuation, which requires payment of 2.0% of salaries over the period 1 October 2019 to 30 September 2021 at which point the rate will increase to 6%. The 2021 deficit recovery liability reflects this plan. Details of this provision, which has been discounted at a rate of 0.89% as at 31 July 2021, are included in note 22 to the financial statements.

The key assumptions of the USS liability calculation are the discount rate, salary inflation and staff member changes in the scheme. For the calculation of the provision at the 31 July 2021 the assumption values were as follows:

Discount rate	0.89% (0.74% 2020)
Salary growth	2.9% for 2022 and 2023 and 3.4% thereafter
Member growth	5.4% 2022, (1.6%) 2023, (1.3%) 2024, (0.6%) 2025, 0.1% 2026, 1% thereafter

At the year end a further full valuation as at 31 March 2020 was underway which was finalised in September 2021. The 2020 valuation revealed a significant deterioration in funding when compared to the 2018 valuation. The size of the shortfall is dependent on whether the anticipated benefit structure reforms and covenant support measures are implemented by 28 February 2022. If this takes place, the shortfall as at 31 March 2020 is £14.1 billion. If no Benefit Change Deed is entered into, the reduced level of covenant support results in an increase to the technical provisions and the shortfall as at 31 March 2020 is £18.4 billion.

Consequently, the year end provision as calculated is expected to increase significantly in 2021/22. The impact on the year end provision is detailed in note 29. Based on the inputs to the model, the following sensitivity analysis outlines the potential impact on the existing liability of £76.1m (assuming the same discount rate of 0.89%). However, this may change significantly following recalculation in 2021/22 based on changes to key assumptions such as discount rate and inflation.

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 are set out below:

	As at 31 July 2021	
	Revised provision value	**Difference to provision recognised**
	£m	**£m**
0.5% pa decrease in discount rate	77.6	1.5
0.5% pa increase in salary inflation over duration	77.6	1.5
0.5% pa increase in salary inflation year 1 only	76.5	0.4
0.5% increase in staff changes over duration	77.6	1.5
0.5% increase in staff changes year 1 only	76.4	0.3
1% increase in deficit contributions from October 2021	88.7	12.6
1 year increase in deficit recovery term	89.0	12.9

Bad debt provision

The recoverability of debtor balances is an area of uncertainty. The Institution provides for all debt greater than 365 days old at the year end date. The provision is adjusted for any post year end receipts and is extended to any items less than 365 days old where recovery is deemed to be a potential issue. This year due to the impact from COVID-19 and the removal of some student related sanctions, academic debt has increased significantly and an additional provision has been included to account for the increased risk. The bad debt provision at 31 July 2021 is £3.9m (2020 - £3.0m). The Institution deems the provision to be adequate based on the aged profile of debt and the nature of the underlying discussions around recovery.

34 Related parties

Due to the nature of the Institution's operations and the composition of its Council (being drawn from local public and private sector organisations) and Senior Leadership Team, it is inevitable that transactions will take place with organisations in which a member of Council or the Senior Leadership Team may have an interest. All such transactions are conducted at arm's length and in accordance with the Institution's financial regulations and normal procurement procedures. The Institution has taken advantage of the exemption within FRS 102 Section 33 'Related Party Disclosures' and has not disclosed transactions with other wholly owned group entities.

Included within the financial statements are the following transactions over £0.1m with related parties:

	Individual Trustree or Key Management	Income	Expenditure	Balances at 31 July 2021 due to/(from) the Institution
		£m	£m	£m
Alder Hey Children's Hospital	Professor Fiona Beveridge	1.9	0.7	0.5
Liverpool Guild of Students	Mr Adnan Hussain	2.9	4.7	-
Liverpool Health Partners Limited	Professor Louise Kenny	-	0.4	-
Liverpool Science Park	Professor Dame Janet Beer	-	0.3	-
Liverpool Women's Hospital	Professor Louise Kenny	1.2	0.2	0.6
North West Universities Purchasing Consortium	Ms Nicola Davies	0.1	-	-
N8 Research Partnership	Professor Dame Janet Beer Professor Anthony Hollander	-	0.1	-
Sensor City Liverpool Ltd	Ms Nicola Davies Professor Anthony Hollander Professor Wiebe van der Hoek	-	0.1	-
Sciontec	Professor Dame Janet Beer Dr Carol Costello	-	0.1	-
The Russell Group of Universities	Professor Dame Janet Beer	-	0.1	-
University of Liverpool Pension Fund	Ms Nicola Davies Dr Carol Costello	0.3	6.8	1.0
University of Liverpool Mathematics School	Professor Gavin Brown	0.1	-	-
Universities UK (UUK)	Professor Dame Janet Beer	-	0.1	-
Xi'an Jiaotong-Liverpool University	Professor Dame Janet Beer Professor Gavin Brown Ms Nicola Davies	2.4	-	0.3

Nature of transactions

Alder Hey Children's Hospital
The majority of income from Alder Hey Children's Hospital relates to salary and research grant recharges. Expenditure relates to supplier invoices processed through the accounts payable system and payable in the normal course of business.

Liverpool Guild of Students
The University of Liverpool Guild of Students represents and supports students, and runs a wide range of services and entertainments. A charity and a company limited by guarantee, it has close links to the Institution, who contribute to the Guild's running costs. The President of the Guild of Students is an ex-officio member of the Council. Income relates to rent and service charge receivable from the Guild. Expenditure relates to the support grant made by the Institution to the Guild.

Liverpool Health Partners Limited
Liverpool Health Partners is a collaborative membership organisation which has the objective of coordinating research and clinical best practice within the Liverpool region.

Liverpool Health Partners is hosted by Liverpool Heart and Chest Hospital.

Liverpool Science Park
Expenditure paid to Liverpool Science Park relates to rent payable for tenanted office space.

Liverpool Women's Hospital
The majority of income from Liverpool Women's Hospital relates to salary and research grant recharges.

North West Universities Purchasing Consortium
The income from the North West Universities Purchasing Consortium relates to salary recharges.

N8 Research Partnership
The N8 Research Partnership is a collaboration of the eight most research intensive Universities in the North of England. Expenditure paid to the N8 Research Partnership was the Institution's agreed contribution to N8 activities for the period 1 August 2020 to 31 July 2021.

Sensor City Liverpool Ltd
Expenditure paid to Sensor City Liverpool Ltd was in accordance with the Joint Venture Agreement funding of Sensor City Liverpool Limited.

Sciontec
Expenditure payable to Sciontec includes the Institution's subscription to the Knowledge Quarter.

University of Liverpool Pension Fund
The income from the University of Liverpool Pension Fund relates to the annual service charge for administration services provided by the Institution to the Fund. The expenditure relates to employer contributions payable during the year in respect of Fund members.

University of Liverpool Mathematics School
The income from the University of Liverpool Mathematics School represents rent and service charges payable by the University of Liverpool Mathematics School to the Institution.

Xi'an Jiaotong-Liverpool University
The majority of income from Xi'an Jiaotong-Liverpool University is for accreditation fees.

Other related parties
The expenditure to the Russell Group of Universities and Universities UK (UUK) relates to supplier invoices processed through the accounts payable system and payable in the normal course of business.

35 Trustees expenses

No expenses were paid to Trustees during the year.

From 1 August 2020, the President of Council received payment for their services to the Institution as disclosed in note 8.

No other Council members received payments for services provided to the Trustee.

36 Financial instruments

Risk management

The Institution operates a centralised treasury management function which is responsible for managing the credit, liquidity, interest and foreign currency risk. These financial risks are managed within the parameters specified by the Planning and Resources Committee approved Treasury Management Policy. The Treasury Management Policy adopts the key recommendations of the Code of Practice on Treasury Management in Public Service as issued by Chartered Institute of Public Finance and Accountancy (CIPFA) as recommended by the Higher Education Funding Council for England (HEFCE) and is reviewed, updated and approved annually.

The Institution's principal financial instruments are the bond, cash, investments and loans. The core objective of these financial instruments is to meet the financing needs of the Institution's operations. Additionally, the Institution has other financial assets and liabilities arising directly from its operations i.e. trade debtors and creditors.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Institution.

The Institution's credit risk arises from bank balances, investments, student debtors and commercial organisations as customers. Management of credit risk is a prime objective of the Treasury Management Policy. At 31 July 2021, the maximum exposure is represented by the carrying value of each financial asset in the Statement of Financial Position.

The credit risk of liquid funds and financial instruments is limited because the counterparties are banks with investment grade credit ratings assigned by international credit-rating agencies. The Institution's exposure and the credit ratings of its counterparties are monitored regularly. The credit exposure is limited by counterparty limits and minimum counter party credit ratings set within the Treasury Management Policy.

Student and commercial debtors are reviewed on an ongoing basis and a bad debt provision is made if recovery becomes uncertain. If a debtor is deemed irrecoverable it is written off. The concentration of risk is limited due to a large number of diverse customers across both students and commercial customer populations.

Liquidity risk

Liquidity risk refers to the risk that the Institution will not be able to meet its financial obligations as they fall due. Regular monitoring of liquidity risk is an essential feature of treasury management activities.

Cash flow forecasts form part of the University 5 year planning process and are revised during the financial year when 3 re-forecasts are made. The Institution policy is to maintain a minimum of £60m in on-call cash balances. Excess funds are invested to maximise the return whilst observing the Treasury Management Policy limits.

The long-term financing of the Institution has been secured by the issue of a £250m public bond in June 2015. The capital amount will be paid at maturity in 2055 with the annual coupon of 3.375% paid bi-annually. The Institution may, at its option, redeem some or all of the bond at the Redemption Price with interest accrued to the date of redemption. The 'Redemption Price' shall be the higher of:

(a) the principal amount of the bonds to be redeemed and

(b) the product of the principal amount of the bonds to be redeemed and the price, expressed as a percentage, at which the Gross Redemption Yield on the bond is equal to the sum of the Gross Redemption of the benchmark gilt (currently the 4.25% UK Treasury Gilt December 2055) plus 0.15%.

Unless previously redeemed or purchased, the bonds will be redeemed at their principal amount on 25 June 2055.

Moody's downgraded the University in October 2020 from Aa3 to A1, this rating action follows the downgrade of the Government of the United Kingdom's rating and was applied across seven Institutions within the sector. Moody's carried out its annual credit opinion for the Institution in January 2021, whereby the rating remaining unchanged as A1 stable.

Foreign currency risk

Foreign currency risk refers to the risk that unfavourable movement in exchange rates may cause financial loss to the Institution. The Institution's principal foreign currency exposure is to the euro. On an annual basis after satisfying euro denominated liabilities the Institution is left with a surplus of euros. The operating level of euros holding is set at €750,000 and after accounting for any forecast liabilities any surplus euros above this level are converted into sterling. Surplus euros are converted at spot rates or via forward contracts that are used to mitigate the risk of adverse exchange rate movements.

Interest rate risk

Interest rate risk refers to the likelihood that changes in interest rates will result in fluctuations of the value of balance sheet items (i.e. price risk) or changes in interest income or expenses (i. e. re-investments risk).

The Institution's main financing relates to 40 year £250m bonds. The interest rate attached to the bond is fixed over the term. The Institution cash deposits are held in a mix of instant access and on call or notice accounts as this allows for competitive returns whilst maintaining liquidity. Such deposits have limited re-investment risk.

Financial instruments

	Note	Year ended 31 July 2021 Consolidated £m	Year ended 31 July 2021 Institution £m	Year ended 31 July 2020 Consolidated £m	Year ended 31 July 2020 Institution £m
Financial assets					
Measured at fair value through income and expenditure					
Non-current investments	15	**303.1**	**303.1**	195.5	199.3
Measured at undiscounted amount receivable					
Trade and other receivables	18	**21.4**	**20.5**	12.1	10.8
Amounts due from subsidiary undertakings	18	**-**	**7.0**	-	9.0
Measured at amortised cost					
Short term investment in shares	19	**-**	**-**	14.0	14.0
Short term bonds and gilts	19	**-**	**-**	1.0	1.0
Short term deposits	19	**50.5**	**50.5**	35.9	35.9
Other short term investments	19	**-**	**-**	19.2	19.2
		375.0	**381.1**	277.7	289.2

	Note	Year ended 31 July 2021 Consolidated £m	Year ended 31 July 2021 Institution £m	Year ended 31 July 2020 Consolidated £m	Year ended 31 July 2020 Institution £m
Financial liabilities					
Measured at undiscounted amount payable					
Trade and other payables	20 & 21	**20.0**	**19.1**	19.9	19.6
Amounts due from subsidiary undertakings	20	**-**	**9.0**	-	10.0
Measured at amortised cost					
Unsecured loans	20 & 21	**300.1**	**285.1**	300.0	285.0
Obligations under finance leases	21	**0.1**	**0.1**	0.1	0.1
		320.2	**313.3**	320.0	314.7

37 Prior year adjustment

Historically the Institution has accounted for tuition fee income from XJTLU students and Postgraduate Progression Awards (PPA) at the gross amount received and accounted for discounts on the fee income separately within scholarship expenditure. Under the rules of FRS 102, on the basis that all XJTLU and PPA students receive a discount on their fees, the discounts are not discretionary and hence should be accounted for as a deduction from fee income itself.

The prior year figures have been restated to deduct the discounts from fee income for XJTLU and PPA students. The impact on the prior year Consolidated and Institution's Statement of Comprehensive Income is shown below. There is no impact on the prior year Consolidated and Institution's Statement of Financial Position.

Consolidated Statement of Comprehensive Income

For the period 1 August 2019 to 31 July 2020

	As previously reported £m	Prior period adjustments £m	As restated £m
Tuition fees and education contracts			
Full-time home and EU students	157.1	(0.2)	156.9
Full-time international students	141.6	(6.8)	134.8
	298.7	(7.0)	291.7
Other operating expenses	(197.3)	7.0	(190.3)
Surplus for the year	67.2	-	67.2
Other comprehensive income	(30.3)	-	(30.3)
Total comprehensive income for the year	**36.9**	**-**	**36.9**

Institution Statement of Comprehensive Income

For the period 1 August 2019 to 31 July 2020

	As previously reported £m	Prior period adjustments £m	As restated £m
Tuition fees and education contracts			
Full-time home and EU students	157.1	(0.2)	156.9
Full-time international students	140.3	(6.8)	133.5
	297.4	(7.0)	290.4
Other operating expenses	(197.7)	7.0	(190.7)
Surplus for the year	70.9	-	70.9
Other comprehensive income	(30.3)	-	(30.3)
Total comprehensive income for the year	**40.6**	**-**	**40.6**

38 US Department of Education Financial Responsibility Supplemental Schedule

In satisfaction of its obligations to facilitate students' access to US federal financial aid, the Institution is required, by the US Department of Education, to present the following Supplemental Schedule in a prescribed format.

The amounts presented within the schedules have been:

- prepared under the historical cost convention, subject to the revaluation of certain fixed assets;
- prepared using United Kingdom generally accepted accounting practice, in accordance with Financial Reporting Standard 102 (FRS 102) and the Statement of Recommended Practice: Accounting for Further and Higher Education (2019 edition);
- presented in pounds sterling.

The schedules set out how each amount disclosed has been extracted from the financial statements. As set out above, the accounting policies used in determining the amounts disclosed are not intended to and do not comply with the requirements of accounting principles generally accepted in the United States of America.

Primary Reserve Ratio

			Year ended 31 July 2021		Year ended 31 July 2020	
Reference	**Line item/related disclosures**		**£m**	**£m**	£m	£m
		Expendable Net Assets				
SOFP Line 22	Statement of Financial Position - Net assets without donor restrictions	Net assets without donor restrictions		**606.9**		578.5
SOFP Line 21	Statement of Financial Position - Net assets with donor restrictions	Net assets with donor restrictions		**190.2**		168.3
	Statement of Financial Position - Related party receivable and Related party note disclosure	Secured and Unsecured related party receivable	**-**		-	
	Statement of Financial Position - Related party receivable and Related party note disclosure	Unsecured related party receivable		**-**		-
SOFP Lines 2 & 3	Statement of Financial Position - Property, Plant and equipment, net	Property, plant and equipment, net (includes Construction in progress)	**796.8**		798.1	
Note 13 (sub total per US guidance)	Note of the Financial Statements - Statement of Financial Position - Property, plant and equipment - pre-implementation	Property, plant and equipment - pre-implementation		**746.9**		751.2
Note 13 (sub total per US guidance)	Note of the Financial Statements - Statement of Financial Position - Property, plant and equipment - post-implementation with outstanding debt for original purchase	Property, plant and equipment - post-implementation with outstanding debt for original purchase		**-**		-
Note 13 (sub total per US guidance)	Note of the Financial Statements - Statement of Financial Position - Property, plant and equipment - post-implementation without outstanding debt for original purchase	Property, plant and equipment - post-implementation without outstanding debt for original purchase		**11.0**		6.0
Note 13 (sub total per US guidance)	Note of the Financial Statements - Statement of Financial Position - Construction in progress	Construction in progress		**38.9**		40.9
	Statement of Financial Position - Lease right-of-use assets, net	Lease right-of-use asset, net	**-**		-	

	Note of the Financial Statements - Statement of Financial Position - Lease right-of-use asset pre-implementation	Lease right-of-use asset pre-implementation		**-**		-
	Note of the Financial Statements - Statement of Financial Position - Lease right-of-use asset post-implementation	Lease right-of-use asset post-implementation		**-**		-
	Statement of Financial Position - Goodwill	Intangible assets		**-**		-
SOFP Line 1	Statement of Financial Position -Other intangible assets	Intangible assets		**1.0**		1.8
SOFP Lines 7 & 18	Statement of Financial Position - Post-employment and pension liabilities	Post-employment and pension liabilities		**62.7**		53.1
SOFP Line 17 less Note 21 Lines 1 & 3	Statement of Financial Position - Note Payable and Line of Credit for long-term purposes (both current and long term) and Line of Credit for Construction in process	Long-term debt - for long term purposes	**300.1**		300.0	
Note 21 2020 Line 2	Statement of Financial Position - Note Payable and Line of Credit for long-term purposes (both current and long term) and Line of Credit for Construction in process	Long-term debt - for long term purposes pre-implementation		**300.0**		299.9
	Statement of Financial Position - Note Payable and Line of Credit for long-term purposes (both current and long term) and Line of Credit for Construction in process	Long-term debt - for long term purposes post-implementation		**-**		-
	Statement of Financial Position - Note Payable and Line of Credit for long-term purposes (both current and long term) and Line of Credit for Construction in process	Line of Credit for Construction in process		**-**		-
	Statement of Financial Position - Lease right-of-use asset liability	Lease right-of-use asset liability	**-**		-	
	Statement of Financial Position - Lease right-of-use asset liability pre-implementation	Pre-implementation right-of-use leases		**-**		-
	Statement of Financial Position - Lease right-of-use asset liability post-implementation	Post-implementation right-of-use leases		**-**		-
	Statement of Financial Position - Annuities	Annuities with donor restrictions		**-**		-
	Statement of Financial Position - Term endowments	Term endowments with donor restrictions		**-**		-
	Statement of Financial Position - Life Income Funds	Life income funds with donor restrictions		**-**		-

Note 23 Line 10	Statement of Financial Position - Perpetual Funds	Net assets with donor restrictions: restricted in perpetuity	**137.9**	116.5
		Total Expenses and Losses		
SOCI Line 16 less Note 23 Line 6	Statement of Activities - Total Operating Expenses (Total from Statement of Activities prior to adjustments)	Total expenses without donor restrictions - taken directly from Statement of Activities	**563.0**	516.7
Note 6 Lines 2 & 3 plus SOCI Lines 19, 20 & 24 less Note 23 Line 7	Statement of Activities - Non-Operating (Investment return appropriated for spending), Investments, net of annual spending gain (loss), Other components of net periodic pension costs, Pension-related changes other than net periodic pension, changes other than net periodic pension, Change in value of split-interest agreements and Other gains (loss) - (Total from Statement of Activities prior to adjustments)	Non-Operating and Net Investment (gain) loss	**(6.5)**	22.3
Note 6 Lines 2 & 3 plus SOCI Line 19 less endowment investment gains Note 23 Line 5	Statement of Activities - (Investment return appropriated for spending) and Investments, net of annual spending, gain (loss)	Net investment gains	**8.1**	6.4
	Statement of Activities - Pension related changes other than periodic pension	Pension-related changes other than net periodic costs	**-**	-

Equity Ratio

			Year ended 31 July 2021		Year ended 31 July 2020	
Reference	**Line item/related disclosures**		**£m**	**£m**	£m	£m
		Modified Net Assets				
SOFP Line 22	Statement of Financial Position - Net assets without donor restrictions	Net assets without donor restrictions		**606.9**		578.5
SOFP Line 21	Statement of Financial Position - total Net assets with donor restrictions	Net assets with donor restrictions		**190.2**		168.3
	Statement of Financial Position - Goodwill	Intangible assets		**-**		-
	Statement of Financial Position - Related party receivable and Related party note disclosure	Secured and Unsecured related party receivable	**-**		-	
	Statement of Financial Position - Related party receivable and Related party note disclosure	Unsecured related party receivable		**-**		-

		Modified Assets				
SOFP Lines 8 & 13	Statement of Financial Position - Total Assets	Total Assets		**1,338.8**		1,257.9
	Note of the Financial Statements - Statement of Financial Position - Lease right-of-use asset pre-implementation	Lease right-of-use asset pre-implementation		**-**		-
	Statement of Financial Position - Lease right-of-use asset liability pre-implementation	Pre-implementation right-of-use leases		**-**		-
	Statement of Financial Position - Goodwill	Intangible assets		-		-
	Statement of Financial Position - Related party receivable and Related party note disclosure	Secured and Unsecured related party receivable	-		-	
	Statement of Financial Position - Related party receivable and Related party note disclosure	Unsecured related party receivable		-		-

Net Income Ratio

				Year ended 31 July 2021		Year ended 31 July 2020
Reference	**Line item/related disclosures**		**£m**	**£m**	£m	£m
SOCI Line 27	Statement of Activities - Change in Net Assets Without Donor Restrictions	**Change in Net Assets Without Donor Restrictions**		**28.4**		40.3
SOCI Line 7 less SOCI Line 6 less Note 7 Line 1 plus SOCI Line 18	Statement of Activities - (Net assets released from restriction), Total Operating Revenue and Other Additions and Sale of Fixed Assets, gains (losses)	**Total Revenue and Gains**		**585.0**		579.3

References refer to the SOCI (Statement of Comprehensive Income) and the SOFP (Statement of Financial Position) which are on pages 62 and 63 respectively.

Line number references count down from the SOCI, SOFP or the note, including subtotals.

All figures relate to the Institution’s consolidated performance and position.

US Guidance refers to the ‘Federal Regulations’ and relates to Federal Register/Vol. 84, No. 184 / Monday, September 23, 2019 / Rules and Regulations.

Copies of the report can be accessed at:

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For further information please contact:

mcteam@liverpool.ac.uk

THE ORIGINAL RED BRICK