

*Review of the year and financial  
statements 2016/17*





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## The Council of the University

The key committees of the Council are:-

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

Names	Membership of key committees
President The Earl of Derby, DL	1,2,3
Vice-President Mr Christopher Graham, BA	1,3 2 (from 23 November 2016)
<b>Ex Officio Members</b>	
Pro-Chancellor Mr David McDonnell, CBE, DL, FCA, FRSA (until 31 July 2017)	1,3
Vice-Chancellor Professor Janet Beer, BA, MA, PhD	1,2,3
<b>Three of the Deputy Vice-Chancellors or Pro-Vice-Chancellors</b>	
Mr Patrick Hackett, BArch	1
Professor Dinah Birch, BA, MA, DPhil, FEA	1
Professor Gavin Brown, BSc, PhD	1
<b>President of the Guild of Students</b>	
Mr Sean Turner	2
<b>Lay Officers</b>	
Mr Jon Haymer, MA, FCA (until 8 May 2017)	1
Dr Andrew Scott, MA, DPhil	4
<b>Lay Members appointed by the Council</b>	
Mrs Carmel Booth, BA, FCA	2, 4
Mr Sam Butler, BA, PgDip, MSc (from 1 August 2017)	
Mr Ed Fishwick, BA (from 1 August 2017)	
Dr Paul Johnson, BSc, PhD	3 (from 1 August 2017)
Sir Colin Lucas, MA, DPhil, FRHistS (until 31 July 2017)	
Dame Lorna Muirhead, DBE, CStJ, SRN, SCM, MTD, FRCM, FRCOG, FJMU, Hon LLD	
Dr Roger Platt, BSc, PhD, MA, PhD	4
Mrs Abila Pointing, MBE, DL, MA	1, 2
Mrs Patricia Young, BA	3
<b>Members of the Senate (three appointed by the Council and one elected from and by Senate's elected membership)</b>	
Professor Fiona Beveridge, LLB, MPhil	2
Professor Susan Dawson, BVMS, PhD, MRCVS	
Professor Bruce Gidson MA, DPhil (from 18 September 2017)	
Dr Fabienne Marret-Davies, BSc, MSc, PhD (until 31 July 2017)	
Professor Ronan McGrath, BA, PhD, FInstP	
<b>Clerk to Council</b>	
Mr Alastair Flett, BA, MA (until 31 March 2017)	
Dr Alison Fairclough, BSc, PhD (from 1 August 2017)	

The academic year 2016/17 has been an eventful one, both for us as an institution and for the higher education sector as a whole. Here, at the University of Liverpool we made significant progress toward the realisation of some of the aspirations articulated in Strategy 2026. We continue to prioritise investment in the student experience and are implementing substantial improvements in our work in both academic practice and in graduate employability. We are seeing rising success rates in our grant capture and achieved particularly good results in applications to the Global Challenges Research Fund.

Our desire to improve in both research and teaching has, if anything, been sharpened by the understanding that we must continually strive to improve our performance if we are to enhance our global reputation and ranking. A poor performance in the National Student Survey and in Employability in 2013-14 counted against us, as can be seen by our disappointing TEF outcome. We believe that we are providing our students with a very good experience but we can always do better and must ensure that we demonstrate the huge benefits arising from study in a research rich academic environment. We continue to turn in a strong financial performance which allows us to invest in a programme of campus improvement to both teaching and research infrastructure. The first phase of the redevelopment of Greenbank Halls was completed in time for students to take up residence in the 2017 Autumn Semester and we also completed the development of the leading-edge Materials Innovation Factory (MIF) and Sensor City. At our Graduation Dinner in St George's Hall in July the theme for our celebrations was partnership and these two latter developments are outstanding physical manifestations of our collaborative approach. The MIF will make us the most exciting place in the world for materials discovery in bringing together scientists and researchers from Unilever and the University; and in Sensor City, working with Liverpool John Moores University, we will be enabling the development of sensor concepts to market, supporting new and existing businesses to develop and grow.

Other partnerships have also been cemented or initiated during the year. The Royal College of Physicians (RCP) took the decision to open a northern headquarters in the Knowledge Quarter, adjacent to our campus and we signed a renewal agreement with our long-standing partner, Kaplan, who will also be building on the Paddington Village site, alongside the RCP.

In our Strategy 2026 one of the most important affirmations is the commitment to maximising the benefit of our international reach and outlook in both education and research. The continued success of our joint venture University in China: XJTLU, as well as our campuses in Singapore and in London are testament to our desire to broaden and deepen our educational offer. We also make a huge contribution to the health and wealth of the Liverpool City Region, a contribution evidenced in the *economic and social impact report* we published this year. We continue to do outstanding work to widen participation in higher education in our City Region and in our cultural offer, including the rich and varied events of our Open House week and our first Literary Festival.

We were also delighted, this year, to install the world famous writer, Colm Tóibín, as our Chancellor. Colm will be an outstanding ambassador for the University as well as an inspiring role model for both staff and students. And, finally, the end of this academic year coincided with my taking up the role of President of Universities UK and I look forward to making this a year in which we ensure that, as I said in my inaugural Presidential speech, everyone in our communities understands that 'higher education is a force for good and that universities have a duty to acknowledge and live up to this role. Universities are values-driven, rooted in our local communities and are the beating hearts of the economic and social fabric of the nation.'

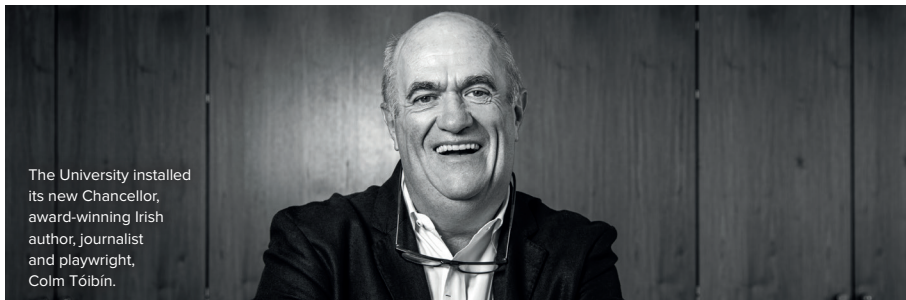
**Vice-Chancellor, Professor Janet Beer**

*Janet Beer*





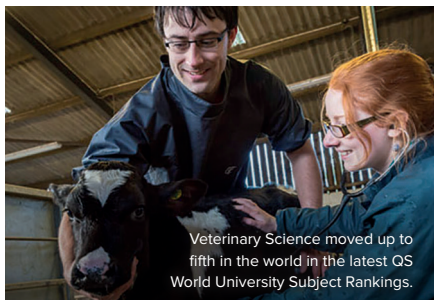
# HIGHLIGHTS OF THE YEAR



The University installed its new Chancellor, award-winning Irish author, journalist and playwright, Colm Tóibín.



Vice-Chancellor, Professor Janet Beer, was elected as President of Universities UK and took up her role in August 2017.



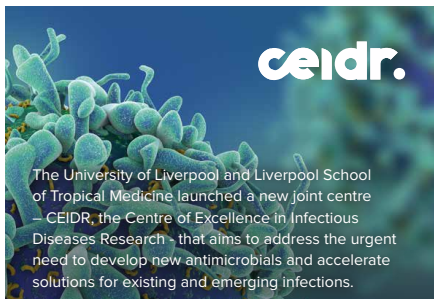
Veterinary Science moved up to fifth in the world in the latest QS World University Subject Rankings.



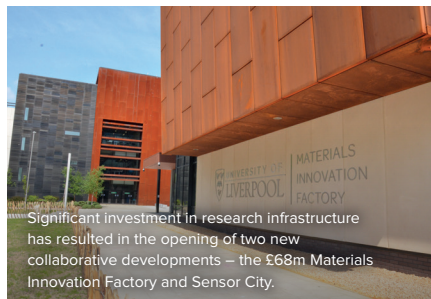
The University has hosted a range of successful public events this year, including the first Liverpool Literary Festival and Open House – a fortnight of free public events.



The University of Liverpool's partnership with Tate was named Partnership of the Year at a national awards ceremony supported by Research Councils UK.



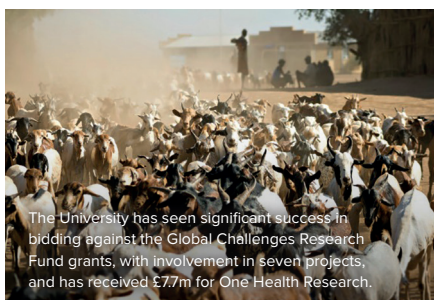
The University of Liverpool and Liverpool School of Tropical Medicine launched a new joint centre – CEIDR, the Centre of Excellence in Infectious Diseases Research – that aims to address the urgent need to develop new antimicrobials and accelerate solutions for existing and emerging infections.



Significant investment in research infrastructure has resulted in the opening of two new collaborative developments – the £68m Materials Innovation Factory and Sensor City.



The University has extended its partnership agreement with Kaplan, which will support the Liverpool International College for a further 15 years. The construction of a new college building in the Knowledge Quarter is also now underway.



The University has seen significant success in bidding against the Global Challenges Research Fund grants, with involvement in seven projects, and has received £77m for One Health Research.



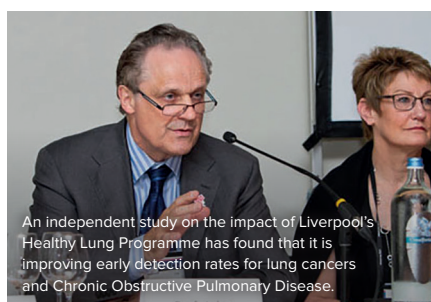
The University's politics and law academics have seen significant levels of media coverage providing expert analysis on the general election and Brexit negotiations.



The University of Liverpool launched an Economic and Social Impact report which highlights its significant contributions to the Liverpool City Region.



The University's Centre for the Study of International Slavery launched a report assessing an innovative solution to the problem of long-term care for survivors of modern slavery in the UK.



An independent study on the impact of Liverpool's Healthy Lung Programme has found that it is improving early detection rates for lung cancers and Chronic Obstructive Pulmonary Disease.



The University and Proton Partners International Ltd have agreed a two-year collaborative research project to enhance proton beam therapy technology. A pioneering £35m proton cancer treatment centre is also to be built.



# FINANCIAL HIGHLIGHTS

## Overall turnover

**£523.2m**

Overall turnover increased by **£28.0m (5.7%)** to **£523.2m**.

This is slightly ahead of the rate of increase of the previous year, at **5.5%**.

## Operating surplus

**£44.1m**

The **operating surplus** rose by **£20.6m (87.7%)** to **£44.1m**,

representing a **return** on turnover of **8.3%** compared to 4.7% last year. This is **ahead** of the plan target of **6%**.

## Tuition fees income

**£256.5m**

**Tuition fees income** increased by **£15.8m (6.6%)** to **£256.5m**

and research income increased by **£0.8m** to **£94.5m**, an increase of **0.9%**.

## Staff investment

**£263.1m**

There has been an **increasing investment in staff**. Staff costs **increased** by **£12.5m (5%)** to **£263.1m**. Overall **staff numbers increased** by **268 (5.4%)** to **5,248**, with an increase of **195 (6.6%)** in **academic staff**.

## Balance sheet

**£657.3m**

The **balance sheet** shows **growth in net worth** of **£76.4m (13.2%)** to **£657.3m**

## Buildings expenditure

**£75.1m**

Overall outlay on **buildings expenditure** was **£75.1m** with **£29.6m** related to the **Greenbank student accommodation** village development, **£32.5m** on **academic estate**, including completion of the **Materials Innovation Factory** and **Sensor City**, and **£13m** on **equipment and IT**.



## 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 and activity. We will be at the forefront of research, scholarship and knowledge leadership and will be among the top 100 universities in the world.

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.

Our students will come from diverse backgrounds and will be highly employable global citizens. Half of them will take up the exceptional opportunities to study and work abroad that Liverpool offers, while the University will rank within the top 50 for International Outlook.

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





Strategy 2026 encompasses three supporting strategies: research and impact; education; and professional services. The core priorities are:

**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 'for advancement of learning and ennoblement of life'

**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 presence, increased profile and world-leading activities

For each of the three supporting strategies the University has agreed a set of key performance indicators to be achieved, including a sub set for the first five years of the Strategy to 2026. These are monitored regularly by the senior management and governance committees.





# EDUCATION

Our Education Strategy vision 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.

## Key progress towards the Strategy this year

### Portfolio development

The Education Strategy has already stimulated several curriculum reviews in line with the Liverpool Hallmarks of research-connected teaching, opportunities for active learning and the principles of authentic assessment. Enhancement plans are also in place in every subject to work with students to identify ways that changes can be made that will improve student satisfaction.

The offering at the London campus continues to be developed. New postgraduate taught programmes will be available shortly, as well as new continued professional development and undergraduate study opportunities. In the online portfolio, the computing programmes were replaced with a suite of programmes that reflect recent developments in cybersecurity and big data.

### Supporting student success

The University has a strong and well respected track record in its widening participation outreach and access work and this will remain a strong focus. In addition, the University is now also looking at ways to support students from backgrounds which are typically under-represented in higher education across the whole student journey, helping to support the success of young people in the region during their studies at Liverpool and beyond into the world of work. A new Centre for Student Success will open in 2018/19.

### Virtual and physical infrastructure

The University has taken the decision to upgrade the current Banner system to the latest version, and in parallel review business processes to ensure they are effective and efficient. A review of future requirements for the Virtual Learning Environment has also begun.

A number of other virtual infrastructure projects are taking place, too, including: the development of a new Innovation Hub that involves

students in the design and co-creation of digital resources that will enhance the student experience; the introduction of a system to gather student feedback for every module to provide richer feedback data on the quality of teaching; and the introduction of e-submission.

Physical infrastructure improvements include good progress with the refurbishment of teaching space and work on a new Lecture Hub which will be ready for 2018/19. The review of timetabling has resulted in a number of improvements in both system and process that are already improving the experience of students and staff.

### Enhancing employability

This is a real area of focus for the University. Efforts are going into expanding the range of opportunities available to students to enhance their skills during their time with us. There has been a significant increase in the number of extra-curricular activities available to students, a very large number of which can now be recorded on a student's Higher Education Achievement Record which they can share with employers. The role of Academic Advisors to promote the benefits of these and other opportunities, including work placements and study abroad, will be strengthened.

Students now have a new range of international opportunities available to them. Colleagues in the University have worked hard to increase the number of quality study abroad partners (16 new partners have been signed in the last year). The coming year will also see the first students attending a new summer school at Xi'an Jiaotong-Liverpool University and, connected to the University's aim to develop culturally sensitive, globally aware graduates, Open Languages will soon be launched. This will provide access to foreign language learning at all levels, initially as an extra-curricular opportunity, but over the coming year, as an option within students' degrees.



## Teaching Excellence Framework

The Teaching Excellence Framework (TEF) has been introduced by the government as a new measure of the effectiveness of teaching in higher education. The government says the TEF will help to inform students' choices about where to study, as well as raise the profile of good teaching and, in turn, encourage institutions to better meet the needs of employers.

For the first time, in June 2017, each participating institution received a Gold, Silver or Bronze rating, which is used by official sources, including UCAS and Unistats, to inform prospective students about where they may wish to study. The University of Liverpool received a Bronze rating, which was disappointing. The rating is largely based on historic data and does not reflect the excellent learning experience the University offers its students.

TEF ratings are based partly on an analysis of publicly available data about students' reported experience of their time at university, graduate outcomes and non-continuation rates. The analysis of this data used a process in which each institution has its own unique set of benchmarks, so stronger or weaker performance on the metrics is based on how each institution performed against its own benchmarks, rather than a like-for-like comparison with other institutions.

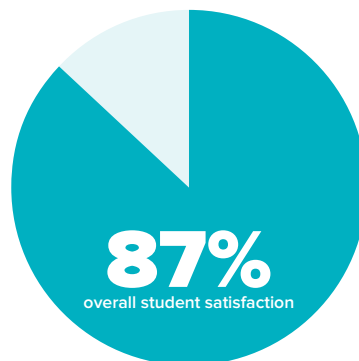
A national 'lessons learned' process has been planned for the TEF and the University of Liverpool will be contributing to this in order to support the development of a system which provides prospective students with clear information that helps them to make informed decisions about where to study.



## National Student Survey

The 2016 National Student Survey, published in August 2016, saw significant improvements for the University, with overall student satisfaction reaching 87%, compared with 85% in the previous year, and placing the University above the sector average. The University's results for teaching and feedback also improved. This was a significant achievement and testament to excellent work across the institution.

The University of Liverpool's Guild of Students was one of several student unions across the country that encouraged students not to complete the 2017 National Student Survey. As a result, the response rate for the 2017 survey, published in August 2017 (slightly outside the reporting timelines for this report), was not sufficient to meet the Higher Education and Funding Council for England's overall publication threshold and data has only been published for those subject areas where more than 50% of students took part.



## Graduate outcomes

The Longitudinal Education Outcomes data was published for the first time this year. The experimental data published by the Department of Education showed that University of Liverpool graduates go on to achieve the second highest salaries of graduates from higher education institutions in the North West five years after graduation (based on the mean of median salaries from all subject areas).

Comparing median earnings from each subject area, University of Liverpool graduates earn on average £28,223 per annum five years after graduation. That is over £5,000 more than the average figure of £22,811 earned by graduates from the fourteen higher education providers in the region.

The Longitudinal Education Outcomes data focuses on the employment and earnings outcomes in the tax year 2014/15 for those who graduated with an undergraduate degree in 2008/09, 2010/11 and 2012/13 from a higher education institution in Great Britain.

The data, which does not take account of regional variations in earnings, also shows that the University of Liverpool is in the top quartile of higher education institutions across Great Britain in a comparison of median salary earnings.

# £28,223

University of Liverpool graduates earn on average £28,223 per annum five years after graduation.

# 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.

## Key achievements

The Research and Impact Strategy implementation plan includes many initiatives and actions to enhance the research, impact activities and reputation of the University of Liverpool. For the first year, two key areas were prioritised – enhancing research leadership at all career stages and embedding research impact as a central part of the institution's environment. To support these areas, internal funding and Professional Services support have been aligned.

### Research leadership and career development

In enhancing research leadership, the institution is supporting colleagues in securing prestigious fellowships, such as four Leverhulme Early Career Researcher Fellowships in the Faculty of Humanities and Social Sciences and a European Research Council award in Earth, Ocean and Ecological Sciences.

In addition, research career development is being supported through initiatives such as improvements to the University's infrastructure, for example the Liverpool Doctoral College. This year a task and finish group was also established to improve the environment for post-doctoral researchers and the recommendations from this Group were approved by the Senate in June 2017.

### Research quality

The University is committed to increasing the proportion of 4\* research and impact, and Faculties have been working hard to reach this goal. The Peer Review College is producing excellent outcomes by offering high quality academic feedback to colleagues.

### Funding

The University continues its strong track record for successful research grant proposals. Of particular note this year was the institution's success in bidding for the Global Challenges Research Fund (GCRF) which sees the University's involvement in seven research grants. GCRF is a five-year, £1.5bn fund and a key component in the delivery of the UK Aid Strategy: tackling global challenges in the national interest. The fund aims to ensure that UK research takes a leading role in addressing the problems faced by developing countries.

The University has also responded very well to the new opportunities offered by the ODA budget for research funding, and strengthened its regional partnerships and agreed shared priorities. The Science and Innovation Audit has been submitted to the Department for Business, Energy and Industrial Strategy, reflecting the institution's thematic strengths in infection and personalised health, materials and big data.

# 81%

of our research is ranked world leading and internationally excellent

# 2,000+

active interdisciplinary research staff across three Faculties

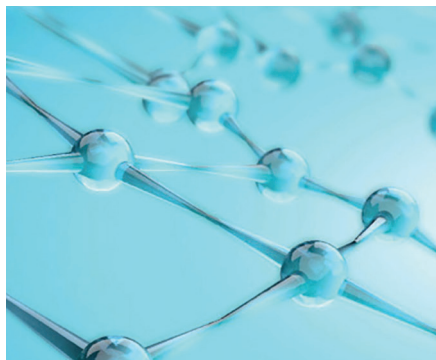
# £144m

research project funding allocated in 2015/16



## Research themes

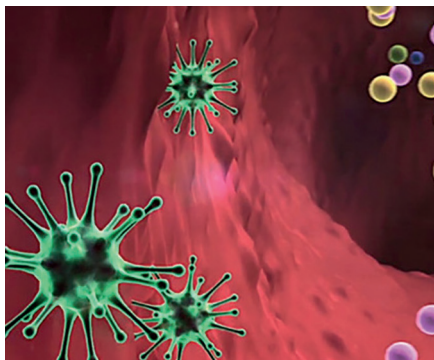
Colleagues across the institution are continuing to carry out excellent, world-leading research. In particular, the University continues to show its strengths in the three core research themes set out at the beginning of this year: advanced materials; infectious diseases; and personalised health.



### Advanced materials

The £68m Materials Innovation Factory (MIF) was completed this year and provides a new template for how researchers can work together to meet society's grand challenges and drive the UK's competitive advantage. With access to one of the highest concentrations of materials science automation robotics in the world, University researchers and industry have a unique opportunity to collaborate and advance materials science. A number of significant academic appointments have also been made in association with this important new development.

One of the University's leading advanced materials academics, Professor Matthew Rosseinsky FRS, was awarded one of the Royal Society's most prestigious awards, the Davy Medal, this year in recognition of his "advances in the design and discovery of functional materials, integrating the developments of new experimental and computational techniques."



### Infectious diseases

The University has launched the Centre of Excellence in Infectious Diseases Research (CEIDR), in partnership with the Liverpool School of Tropical Medicine (LSTM). The centre will translate expertise from the University and LSTM to help tackle the burden of morbidity and mortality caused by infectious disease around the world. It is an excellent example of partnership-working in an area of global need.

There have also been a number of successful funding bids in this area this year, including a new £1.4m national research trial, funded by the National Institute for Health Research Health Technology Assessment Programme, to tackle antibiotic overuse in hospitalised children and reduce the spread of antimicrobial resistance, which the institution will lead together with Alder Hey Children's NHS Foundation Trust.

In addition, the University has been awarded £7.7m from Research Councils UK as part of the Global Challenges Research Fund Growing Research Capacity call (mentioned above) to improve the health and wealth of people in the Horn of Africa by increasing local capacity to undertake 'One Health' research.



### Personalised health

Colleagues working in the personalised health research theme have also seen significant funding bid success this year, with the University's Institute of Translational Medicine awarded £2m by the National Institute for Health Research. The funding will be used to establish a new research group to build on the personalised health approach of the Institute. The group aims to improve the effectiveness in Sub-Saharan Africa of a specific drug (warfarin) used to prevent blood clots.

The University is also to co-ordinate a new £14m European research project which aims to improve the understanding of adverse drug reactions by using cutting-edge modelling approaches to drug safety.

**Additional, emerging research themes have also been approved this year, securing institutional support for their development. These are: digital; genomes to life; heritage; energy; and healthy living and ageing.**

## PROFESSIONAL SERVICES

Our Professional Services vision is to advance our University, and its staff and students, through our people, place and culture of leadership.

There have been a number of important accomplishments in the first year of delivery of the new strategy.

### Partnerships

The University has renewed or is renewing its partnership agreements with Laureate, who partner the institution in the delivery of online postgraduate degree courses, and Kaplan, who run Liverpool International College which delivers a range of courses to prepare international students for entry into university programmes. Both of these partnerships are vital to the University's international outlook and global ambitions.

The University, together with other key partners across the city region, has been instrumental in the Knowledge Quarter (KQ) Development. The KQ Liverpool aims to bring together key city partners to collaborate and close the economic gap with London. The University of Liverpool's developments in the Knowledge Quarter are progressing well, with Sensor City and the Materials Innovation Factory both operational and the new Liverpool International College under development.

More information on these developments can be found later in this report.

### Culture and satisfaction

Staff across the University are beginning to engage with the one Professional Services approach, which aims to develop: a recognisable single culture; a trusted leadership; a sense of togetherness; a common purpose; shared accountability; and a reconfigurable approach to teams and use of staff resourcing.

The University saw a very positive set of staff survey results which show 90% of staff are proud to work at the University. Another 65 measures have also improved since the last staff survey in 2013.

Staff  
Survey  
results  
2016

93% of you told  
us you enjoy  
your work

Make a difference:  
join a focus group

### Structures

A new structure for the Academic Secretary's Office has been implemented which will achieve better alignment of functions, providing more efficient and effective ways of working and enabling the University to keep pace with changes across the sector.

A merger of Governance and Strategic Planning has been completed and will integrate planning, business intelligence, governance and risk processes to enhance institutional decision-making.

### Performance and change

Work to support step change has started, with the establishment of a Change Board to manage the significant change necessary to achieve the Strategy. The Change Programme has also been established over the last year and includes major projects such as: the student journey review; the workload allocation model; purchase to pay; timetabling; and careers and employability.



The University has also developed a new level of understanding of Professional Services performance as a result of a new regular benchmarking exercise, in which most Russell Group universities are taking part. This shows that Liverpool is operating in the top half already for efficiency and effectiveness, which provides an excellent foundation on which to build.

## Brand and reputation

The University of Liverpool is regularly ranked in the top 200 universities world-wide, located in one of the world's most famous cities, delivering internationally renowned research and experiencing unprecedented demand from prospective students but is often considered a 'sleeping giant'. In response to this, an extensive reputation and brand strategy has been developed, with six themes:

- **Enhancing our Reputation**
- **Engaging our Stakeholders**
- **Developing an Irresistible Brand**
- **Campaigning (integrated campaigns that influence our key stakeholders)**
- **Engaging our Internal Audience**
- **Drive Development and Alumni Relations.**

Progress is being made against each of these areas. Of particular note is the May 2017 campaign, the University's first multi-stakeholder, multi-channel campaign. It was designed to promote the University as a connected, global organisation at the forefront of knowledge leadership for both research and education. Its stakeholders included staff, current students, prospective students, peer academics, strategic partners, schools and colleges, agents and sponsors, alumni, city region stakeholders, trusts and foundations, and the general public. The key strands of the campaign were to:

- **Promote the University's global research strengths – delivered through the inception of a twelve month campaign in the *Times Higher Education***
- **Enhance the institution's reputation and engagement with the city region – delivered through the publication of the *Economic and Social Impact* report and the delivery of 'Open House' fortnight (a series of free talks, activities and events for the local population), both of which are detailed later on in the report**
- **Achieve home and EU student recruitment targets – through a multi-platform digital Open Day campaign**
- **Promote the institution's fundraising priorities – through launching four key fundraising projects.**

## Research support

The institution has submitted 1,216 applications totalling £277m and processed 552 awards for £65m. 1,800 live awards are currently being managed.

Partnership working between Professional Services colleagues and academics has resulted in excellent bid success in the Global Challenges Research Fund and this will continue to be a priority area next year.

Enhanced support for research through the Peer Review College has been a key priority. This has resulted in enhanced performance in the Natural Environment Research Council (NERC) community – the University is now one of only 12 institutions not capped by the NERC and was top of the table for the number of research grants awarded over the 2016 rounds.

European Research Council applications and Leverhulme Research Leadership awards were also supported.

## Infrastructure investment

£100m has been invested in Greenbank student accommodation and development is well underway. The self-contained student village will provide 1,361 student bedrooms, all with en-suite facilities. The first phase opened its doors to students in September 2017.

There has also been significant investment in corporate systems, with upgrades to our HR, student records and finance systems to support efficiency and service quality.

### £277m

The institution has submitted 1,216 applications totalling £277m and processed 552 awards for £65m. 1,800 live awards are currently being managed.

### 200

ranked in the top 200 universities world-wide.

### £100m

£100m has been invested in Greenbank student accommodation.

## REGIONAL IMPACT

The University of Liverpool plays an important role in the city region. The last year has continued to see a number of important developments and achievements in these areas.

### The Economic and Social Impact of the University of Liverpool on the Liverpool City Region 2015/16

During the year the University commissioned a report on its Economic and Social Impact on the city, sub-region and region, which is available to download, visit: [www.liverpool.ac.uk/about](http://www.liverpool.ac.uk/about).

The report produced by Oxford Economics, found that, together with its students and their visitors, the University of Liverpool generated a £652 million gross value added contribution to the Liverpool City Region in 2015/16. This represents a 31% acceleration in economic growth at the University since 2011/12, compared to a 4% increase across the City Region.

The report also shows that one in every 57 jobs in the Liverpool City Region (some 10,790 in total) was supported by the University, its students and their visitors in 2015/16. This represents a 17% increase in University-related employment since 2011/12.

The main driver behind these changes is the increasing demand to study at the University of Liverpool. Over the last five years, the University's excellent teaching and Liverpool's appeal as a place to study have attracted greater numbers of students from across both the country and the globe. This has resulted in a 19% increase in student numbers over the last five years.

#### Other highlights from the report's findings include:

- The University and its staff paid **£72m** in tax and national insurance contributions, the equivalent to funding **2,730** nurses over the same period
- **£73m** was spent on goods and services from suppliers in the city region
- The University's procurement generated a **£48m** gross value added contribution to the Liverpool City Region's GDP, sustained **890** jobs and supported **£11m** in tax revenues along the local supply chain
- Students themselves spent **£342m** in the local economy mainly on housing, retail and transport
- Together this supported **3,060** jobs and generated tax receipts of **£45m**
- Spending by University visitors generated a further **£4m** in gross value added
- **£1.5m** was spent by the University on outreach programmes aimed at increasing the educational opportunities for those from backgrounds which are typically under-represented in higher education
- A further **£9.7m** was spent providing financial support to students from segments of society that are under-represented at higher education institutions.



## Knowledge Quarter

The University, together with other key partners across the city region, has been instrumental in the Knowledge Quarter Development. The KQ Liverpool aims to bring together key city partners to collaborate and close the economic gap with London.

### The Knowledge Quarter Liverpool will:

- Be made up of **450** acres and will include the Materials Innovation Factory, Sensor City and the new Liverpool International College complex
- Support programmes to invest in the **54,000** students across the Liverpool region
- Deliver **£1bn** in income and **14,000** jobs to the city region.

The £68m Materials Innovation Factory (MIF) was completed this year and is an important development in partnership with Unilever. The MIF provides a new template for how researchers can work together to meet society’s grand challenges and drive the UK’s competitive advantage. With access to one of the highest concentrations of materials science automation robotics in the world, University researchers and industry have a unique opportunity to collaborate and advance materials science. The ultimate aim is to discover new materials which have the potential to save energy and natural resources, improve health and transform a variety of manufacturing processes.

Sensor City opened for business this year. It is a new collaborative venture between the University of Liverpool and Liverpool John Moores University which attracted £10m of external funding into the City. It will drive sensor technology development across the UK and will link leading academics with entrepreneurs.

Sensor City has been designed and built to establish and support commercially viable high-tech businesses by offering technical expertise, business support and an international platform for collaboration. It also offers state-of-the-art facilities, including a technology development zone and open innovations lab. Sensor City has already welcomed a number of regional and internationally based businesses as tenants and over the next decade it is expected to create 1,000 jobs in the region, nurturing 300 start-up tech businesses.



Materials Innovation Factory (MIF)

# INTERNATIONAL OUTLOOK

The University's global partnerships enable thousands of students to benefit from a University of Liverpool degree.

## Liverpool International College

This year, the University has extended its partnership agreement with Kaplan, which will support the Liverpool International College (LIC) for a further 15 years. The College delivers a range of courses to prepare international students for entry into university programmes, providing a bridge for students from education systems which do not directly map into UK higher education.

Since opening in 2007 with an initial cohort of 146 students, it has grown to become one of the largest of its kind in the UK. Over the decade, more than 6,500 students from almost 100 nationalities have studied at the College and 20% of the institution's international recruitment is achieved via pathways at LIC.

Construction of a new, 47,000 square foot, 13-storey college building is now underway and due to open in 2019. Providing modern and inspiring academic, residential and administrative space, the new college building will act as a gateway to the University campus in the Knowledge Quarter.

**6,500**

Over the decade, more than 6,500 students from almost 100 nationalities have studied at the College.

**20%**

20% of the institution's international recruitment is achieved via pathways at LIC.

**47,000**

Construction of a new, 47,000 square foot, 13-storey college building is now underway and due to open in 2019.



Artist's impression of a new, 47,000 square foot, 13-storey college building which is now underway and due to open in 2019.



## University of Liverpool online

The University has also renegotiated and extended its agreement with Laureate for a further ten years this year. Through this partnership, the University is the largest provider of 100% online postgraduate degrees in Europe. Approximately 10,000 students are currently studying for University of Liverpool degrees online, in 160 countries. 9,000 graduates have completed programmes online and there are now over 30 programmes on offer, from master's to online professional doctorates and postgraduate certificates.

**10,000**

Approximately 10,000 students are currently studying for University of Liverpool degrees online, in 160 countries.

## Xi'an Jiaotong-Liverpool University

Together with Xi'an Jiaotong University – one of China's top ten universities – the University established Xi'an Jiaotong-Liverpool University (XJTLU). Now in its eleventh year, it is home to more than 10,000 students.

XJTLU is the only internationally collaborative university in China with dual degree awarding powers, from the Chinese Ministry of Education and from the University. Upon completion of their studies, students are awarded a University of Liverpool degree and an XJTLU degree from the Chinese Ministry of Education.

The founding departments of XJTLU were in the areas of computer science and software, electrical engineering, mathematical sciences, and business and management. Provision has expanded to include the built environment, finance, industrial design, applied chemistry and biological sciences, and languages and cultural studies. Over the next three to five years XJTLU aims to expand its undergraduate provision further into humanities and social sciences.

The campus at XJTLU has expanded rapidly over the past few years with 12 academic departments, four teaching centres and excellent support and resource facilities all housed on the north campus.

Development of the south campus is underway, increasing XJTLU's total capacity to 14,000 students. The new facilities will include teaching and research space for humanities and social sciences, law, industrial design, interdisciplinary sciences, as well as an international academic exchange centre and an international research centre.



**14,000**

Development of the south campus is underway, increasing XJTLU's total capacity to 14,000 students.

## Singapore

The University of Liverpool also has a collaboration with the Singapore Institute of Technology and the Ministry of Home Affairs which is seeking to establish the first critical and theoretically informed sociological approach to criminology and security in Singapore.

Together since 2013, the collaboration has offered degrees in criminology and security. The first students graduated from this course last year.

The programme team works closely with the Ministry to ensure students are well prepared for careers in the police, prison and public security services and have the opportunity to conduct research projects with non-governmental organisations to hone their research skills and gain work experience.



## PUBLIC BENEFIT

The University is an exempt charity and is required to demonstrate the public benefit of its work. The University's Council is aware of its duties in relation to the Charity Commission's guidance in this area.

The University is one of the UK's leading research institutions and consistently ranked in the top 200 higher education institutions worldwide. Liverpool is a member of the Russell Group - the UK's leading research universities - and is associated with nine Nobel Laureates.

Including those studying online and at overseas campuses the University has over 45,000 students.

Working for public benefit is core to the University's founding mission – the advancement of learning and ennoblement of life – and to its Strategy 2026. 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;
- Providing volunteering and work placement opportunities for students;
- Organising series of free events for members of the public to attend;
- Actively encouraging public engagement with research;
- Targeting business support services such as Knowledge Transfer Partnerships with North Liverpool businesses; and
- Undertaking joint activities with key local partners such as Tate Liverpool.

### Widening participation

The University of Liverpool consistently performs in the top quartile of all Russell Group universities for recruitment of students from state schools, low participation neighbourhoods and low income households.

The institution works hard to ensure that opportunities at Liverpool are made available to all students who are talented enough to succeed – and is ranked 1<sup>st</sup> in the English Russell Group for the percentage of UK students recruited from neighbourhoods with low participation (9% of our intake), and also 1<sup>st</sup> for students recruited from state schools and colleges (89%).

The Widening Participation team has developed long term relationships with 35 local secondary schools and over 60 primary schools. These schools are selected on the basis of the percentage of students receiving free school meals, and also the percentage of students who live in the most deprived areas, ensuring its work is as targeted as possible. The team works with approximately 11,000 students per year across these age groups, offering in-school talks, campus visits, residential opportunities, as well as long term programmes to support access.

The University also targets individuals who are particularly under-represented in higher education such as care-experienced young people, young adult carers, mature learners, BME groups, and refugee groups among others. It is important to promote the idea that higher education is for all at an early age, and the Widening Participation team understands the increased impact of repeated intervention to improve confidence towards higher education. As such, the team works year-on-year with the University's target schools, meaning students have repeated interactions during their school lives, reinforcing the message that university is an option for them.

As well as the work with our partner schools, the University designs and delivers projects for underrepresented groups, such as a GCSE mentoring project with local Somalian and Yemeni students, bespoke support for Children in Care, regular programmes with

local community groups and events for young adult carers delivered with Barnardo's, as well as taster days for young people identified by the After Adoption charity. The projects are delivered through partnership and consultation with the Liverpool City Region as well as local charities. By offering individual pastoral and academic support for these students, the team is able to increase their chances of progression, for instance in 2017/18 the University will welcome 28 students from a care background, compared to 14 in 2015/16.

The Widening Participation team delivers two supported access projects which offer a direct path into the University of Liverpool. In 2017/18 75 students will join as undergraduates after graduating from the 'Liverpool Scholars' programme, with a further 20 progressing through the collaborative 'Realising Opportunities' scheme. In February 2018 the University has been selected to host the Northern Realising Opportunities Conference, welcoming over 500 disadvantaged, high achieving students to campus.

Key to the Widening Participation team's work with these groups of students is partnership working with University teams such as student support services, academic departments and the Guild of Students to ensure that these students have a successful transition into university life. The University values and recognises the whole student lifecycle approach to working with Widening Participation students, so offers paid work such as 'Student Advocates' for 170 undergraduates, many of whom have previously engaged in University of Liverpool projects during their school lives. As well as the regular wage, this role offers the chance to increase confidence, experience and develop transferable skills valued in the graduate job market.

Highlighting the institutional commitment to collaborative working, the University also hosts the government funded 'Shaping Futures', the Merseyside branch of the National Collaborative Outreach Project, a partnership of twelve local higher education providers tasked with raising university applications from local electoral wards performing lower than expected. These wards and students will be engaged and enthused through activities delivered through the University, as well as the partner institutions.

## Events and Cultural Activities

The University's Victoria Gallery & Museum (VG&M) houses the University's fine art and museum collections. Free to the public, its special exhibitions programme, showcasing both local and international artists, is extremely popular and the VG&M welcomes more than 50,000 visitors each year. Housed in the University's original redbrick Victoria Building, designed by Alfred Waterhouse, current exhibitions include *Beyond Dredd & Watchmen: The Art of John Higgins* and highlights from LOOK/17, Liverpool's International Photography Festival.

The University's Confucius Institute aims to deliver improved understanding of Chinese culture and increased language development opportunities. The Institute is a collaborative project

between the University, Xi'an Jiaotong University and Hanban, the Chinese Government agency for the promotion of Chinese language and culture.

The Institute aims to provide a focal point for all China-related activity in Merseyside, working closely with schools and colleges, local businesses, community groups and individuals to promote Chinese language and culture. Running Mandarin classes throughout the year, it also has a cultural programme focusing on calligraphy, Chinese ink painting, tai chi and dance, and a monthly lecture series that delves into the shared history of China and the UK.

The University also runs a number of free public events. A particular success this year was Open House, which provided a two week series of free events for the public. It featured a vibrant and diverse line up of topical talks, performances, exhibitions and interactive experiences to engage and entertain people of all ages and interests. A highlight was taking part in Liverpool's Light Night Festival, when the Victoria Gallery & Museum unveiled a specially-commissioned outdoor light projection courtesy of Liverpool-born artist John Higgins, who found global success as a comic book artist and writer for 2000AD, DC, and Marvel.

The University also held the first Liverpool Literary Festival in the autumn, featuring a number of celebrated writers including Colm Tóibín, Lemn Sissay, Frank Cottrell Boyce and Ali Smith. The three-day festival also included a writing masterclass and a series of free family events.

Formal and informal opportunities to hear from researchers are also organised by the University. This includes 'Pint of Science' which saw a number of Liverpool lecturers presenting their research in pubs around Liverpool. The University's 'Meet the Scientist' series features interactive hands-on science days which are targeted at the whole family. The University also offers a thought-provoking lecture series for the public throughout the year on a wide variety of subject areas, including the Science and Society Lecture Series which explores the beneficial relationship between science and society. The events are well-attended and are webcast to enable greater accessibility.

The University was selected to be one of the 'hub' venues for the 'Being Human' festival. During November 2016 the Faculty of Humanities and Social Sciences, in collaboration with the Faculty of Health and Life Sciences and Continuing Education hosted a series of events exploring the festival theme, 'Fears of the past, hopes for the future'.





# FINANCIAL PERFORMANCE

## Results for the year

A year on from the adoption of Financial Reporting Standard 102 (FRS 102) and the new Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2015, the University presents another strong set of results for the year to 31 July 2017.

The results and financial position at the end of the year demonstrate a number of successes. Student numbers at all levels (undergraduate, postgraduate, taught and research) have increased, evidencing continued rising demand. In addition, the University has achieved higher research income with some substantial individual contributions from research partners and grant wins. There have also been a number of grants from major commercial and public service partners towards joint initiatives.

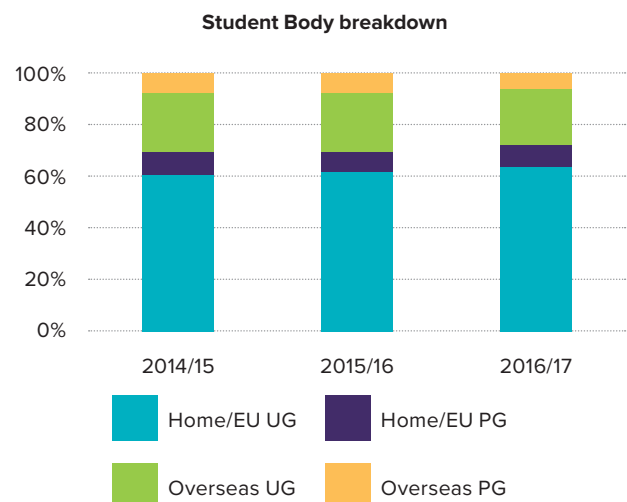
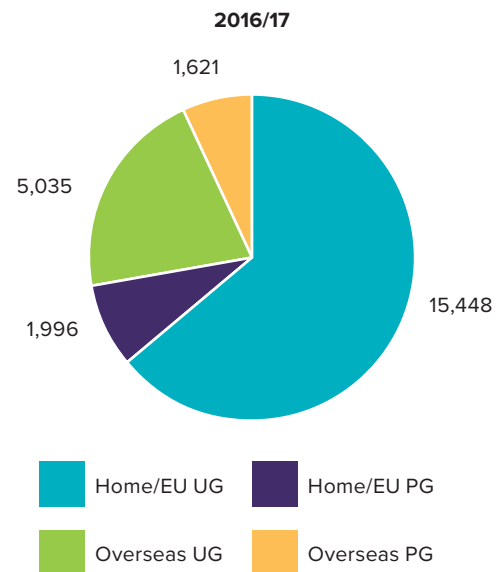
The results also speak to investment by the University and its partners in infrastructure to advance research and knowledge activity to benefit the city, region, country and global community.

As such, its results evidence its advancement of learning and ennoblement of life, the University's original aspirations in 1881, now given new impetus through Strategy 2026.

## Student recruitment

The University has increased its overall student population by 1,537 to 24,100, an increase of 6.8%. This was well ahead of the growth of 865 and 4% last year. The largest increase was on home and EU undergraduates, by 1,428 or 10.2%, compared with the increase of 870 in the previous year. Home and EU postgraduates increased by 221 or 12.4%. This reversed a decline in the previous year, aided by the introduction of loans for Home/EU postgraduate taught students. Overseas numbers fell, on both undergraduate and postgraduate, by 1.6% overall.

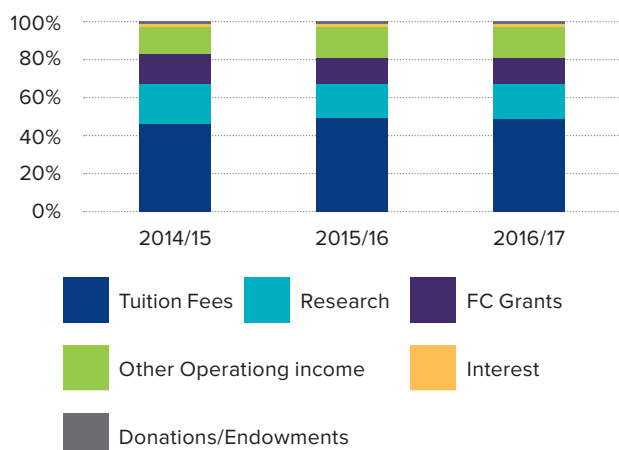
Full time and part time students	2016/17	2015/16	2014/15
Home & EU Undergraduate	15,448	14,020	13,150
Home & EU Postgraduate	1,996	1,775	2,032
Overseas Undergraduate	5,035	5,072	4,864
Overseas Postgraduate	1,621	1,696	1,643
<b>Total</b>	<b>24,100</b>	<b>22,563</b>	<b>21,698</b>



## Financial highlights

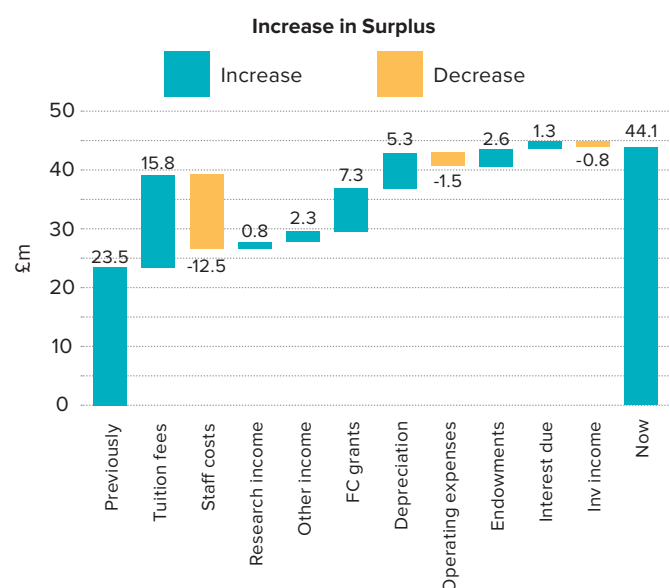
- Overall turnover increased by **£28.0m (5.7%)** to **£523.2m**. This is slightly ahead of the rate of increase of the previous year, at **5.5%**.
- Tuition fees income increased by **£15.8m (6.6%)** to **£256.5m**. Home/EU student fee income showed a growth of **£15.8m (12.8%)** to **£139.6m**. Meanwhile, overseas student fees fell slightly to £92.3m, a fall of £0.9m (0.9%).
- HEFCE income increased by **£7.3m to £77.6m**, including **£11m** from UK Research Partnership Investment Funding recognised on the Materials Innovation Factory building being completed and brought into use during the year.
- Research income increased by **£0.8m (0.9%)** to **£94.5m**, with Research Council income representing **42%** of the total (2016 – 45%).

Analysis of Income



- The University has increased investment in staffing levels so staff costs have increased by **£12.5m (5.0%)** to **£263.1m**. Overall staff numbers increased by **268 (5.4%)** to **5,248**, with an increase of **195 (6.6%)** and in academic staff.

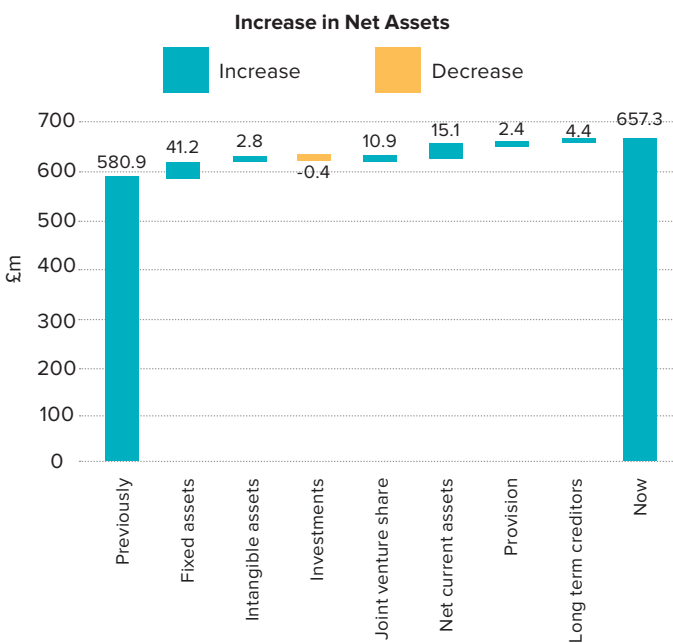
- Increase in other operating expenses was limited to growth of **£1.5m (0.9%)** to **£170.8m**.
- Depreciation reduced by **£5.3m (13.5%)** to **£34m** due to a temporary dip in research equipment investment.
- This means that the operating surplus has risen by **£20.6m (87.7%)** to **£44.1m**, representing a return on turnover of **8.3%** compared to **4.7%** last year. This is ahead of the plan target of 6%.



- Earnings before interest, tax and depreciation and amortisation (EBITDA) was **£89.3m**, increased by **£14.0m (18.6%)** compared to the previous year and represented **17.1%** of turnover, compared with **15.2%** the previous year and thus ahead of the corporate plan target of 14%.
- Management of the investment portfolio generated an increase in market value of the investments of **£21.2m** of which **£18.8m** related to the long term investments, an increase of **£10.2m (119%)** compared with the previous year.

## Financial Position

- The balance sheet shows growth in net assets of **£76.4m (13.2%)** to **£657.3m**



- There is an increase in net current assets of **£15.1m (26.3%)** to **£72.6m**.

- Non-current assets increased by **£54.5m (6.2%)**, with fixed assets increasing by **£41.2m (6.2%)** to **£710.8m** while investments fell by **£0.4m (0.2%)** to **£202.7m** due to the use of funds as intended towards the capital programme.

- Equities now represent **71.1%** of the value of investments compared to **62.5%** a year previously.

- The investment managers delivered increases in value across all portfolios as follows:
  - Rothschild (Bond portfolio - Low Risk/Bond) : 7.3%
  - Baillie Gifford (Endowment and Bond portfolios) : 16.0%
  - Ruffer (Endowment) : 3.6%
  - OLIM (Endowment) : 8.9%
  - Total : 9.5%**

- Overall outlay on fixed assets was **£75.1m** with **£29.6m** related to the Greenbank student accommodation village development, **£32.5m** on academic estate, including completion of the Materials Innovation Factory and Sensor City and **£13m** on equipment and IT. This was funded partly from surpluses (£6.6m) and grants but also cashing in investments which funded **£34.7m** of the costs.

- Although the above value was liquidated, the reduction in final value of investments is lower due to the appreciation during the year of the investment portfolio of **£21.2m**.

- Cash and cash equivalents are reported as **£66.4m**. Taking account of current asset investments of **£56.1m** which includes **£20m** of deposits due to mature within two days of the year end, the University is comfortably above its target minimum cash position of **£60m** which is currently equivalent to 45 days of operating expenditure (Opex). This KPI/target is being revised to be expressed in terms of days of Opex, with a minimum value of 45.

- The USS pension provision decreased by **£2.6m** to **£52.1m** at the year end.



## RISK AND KPIS

The University risk management processes include a strategic risk register which identifies the most significant risks to the achievement of the objectives in the Strategy 2026, as well as an operational risk register identifying the risks affecting each area of the University. The risk registers are updated by the University and reviewed by Council and its committees on a regular basis.

The University has a clear plan which takes into account the outlook for universities featuring both a number of risks, or threats, and also opportunities.

The University has around 1,300 students currently from EU countries at its UK campuses and around 680 staff who are EU citizens. In comparison to the Russell Group, Liverpool's dependency on the EU student market is low (3% compared with a Russell Group average of 7%). 10% of the University's total research funding in 2016/17 was EU dependent. As the terms of exit are developed, the University will confirm its arrangements for both sets of stakeholders in line with any national requirements or guidance and explore research funding opportunities as a non-EU member. In the meantime there is an effective support system and communications process.

In line with the national trend, the University has seen a decline in the volume of applications to courses for allied health professions. Nevertheless it expects to meet both current and future recruitment targets to fulfil NHS and private sector demand for qualified staff, a demand which will continue and may rise. Programmes will be aligned to workforce and skill/competence requirements, particularly those in the city and region.

The University is a member of the USS pension scheme for which a revaluation is due in 2017 and which is expected to show an increased deficit. At this stage the impact on the accounts and finances cannot be estimated but the effect may lead to an increase in contributions and a share of an increased actuarial deficit. Its own pension fund is currently in surplus but with the risk that liabilities will rise faster than investment appreciation thus resulting in a deficit and a charge in the accounts.

The University intends to improve its Bronze rating in the Teaching Excellence Framework. A number of actions are already underway, such as a comprehensive review of the student journey, a refresh of teaching and learning space and investment in the Careers and Employability Service.

The University aims to take a lead role in growing economic activity in the city and region through its anchor role in the Knowledge Quarter with academic, public service and commercial partners, which will result in increased local graduate employment opportunities.

It also will work with others to retain the World Heritage Status of the historic centre and docklands of the City of Liverpool, so that the reputation of the city is maintained and enhanced.

It will use its network of other physical campuses outside Liverpool including London, Singapore and Suzhou as well as its online footprint with Laureate to grow the international community of Liverpool students and staff as a leading global brand for excellent international education and research, reducing any exposure to downturns in in-bound recruitment arising from change in immigration policy.

## Key Performance Indicators

Performance reports with metrics covering all key priorities are considered on a quarterly basis by senior management and the governance committees to assess progress towards the agreed key ambitions and plan actions.

# EQUAL OPPORTUNITIES AND ETHICAL INVESTMENT AND RESERVES POLICY

## Equal Opportunities Policy

The aim of the University's policy is to ensure that no job applicant or member of staff receives less than favourable treatment on the grounds of disability, sex, sexual orientation, marital status, religion, race, colour, nationality or ethnic or national origins or is disadvantaged by conditions or requirements which cannot be shown to be justifiable. Selection criteria and procedures are reviewed to ensure that individuals are selected, promoted and treated on the basis of their relevant merits and abilities. All members of staff will be given equal opportunity, and where appropriate, special training to progress within the University. The University is committed to ensuring that this policy remains fully effective. The University is a disability confident employer and is also a member of the Stonewall Diversity Champions programme.

This year Liverpool became only the second university to achieve an institutional level Athena SWAN Silver award under the new criteria. In addition, the Institute of Translational Medicine achieved its second Silver award and Physical Sciences achieved a Silver award – the first for the Faculty of Science & Engineering.

## Ethical Investment Policy

It is the role of Council to set out the ethical platform on which the University's endowment asset investments are managed. The Council instructs its investment managers, through the Investments Sub-Committee, to invest University funds only in those companies who meet the criteria for ethical investment. It is the role of the Investments Sub-Committee to maximise the potential returns on investments within such criteria as established by Council. Investment managers report regularly to the Investments Sub-Committee on actions they have taken relating to ethical investment.

During the year a review of policy was undertaken involving staff and students and including consultation with the investment managers relating to impact on returns. As a result, there will be an updated policy on Ethical Investment in 2018.

## 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 University of Liverpool is a corporate body established by Royal Charter dated 1903. Under the corporate objectives set out in the Charter, the University remains committed to the ‘advancement of learning and ennoblement of life’.

The University is governed by the Council which comprises lay and academic members appointed under the Statutes of the University, the majority of whom are non-executive (see page 2 for members). Council members are the University’s Charitable Trustees. The Council has the responsibility for the ongoing strategic direction of the University, approval of major developments and the oversight of the day to day operations of its business and of its subsidiary companies. It meets a minimum of four times each year and has several Committees, the key ones being Planning and Resources Committee, Nominations Committee, Remuneration Committee and Audit Committee. All of these Committees are formally constituted with terms of reference and contain significant lay member representation. Council membership of the key committees is shown on page 2.

The Planning and Resources Committee, inter alia, recommends to Council the University’s annual revenue and capital budgets and monitors performance in relation to the approved budgets.

The Nominations Committee seeks and considers nominations for potential lay members of the Council, lay officers, Council-appointed Senate representatives on Council and Council-appointed members of University Committees and makes recommendations to the Council for the appointment of such.

Recruitment to Council is either ex officio (for example in terms of senior managers such as the Vice-Chancellor), nomination

or election (for other staff members), or by external advertisement for lay members. In recruiting members to Council attention is paid to the skills set and diversity of existing members to ensure an appropriate spread of expertise and experience. Since 2014 this assessment of the composition of Council membership has also included the collection and consideration of diversity information.

The Remuneration Committee undertakes and determines the review of all professorial and senior administrative staff salaries, and the approval of any proposal for voluntary severance or early retirement of the most senior staff.

The Audit Committee, which meets four times a year, is responsible for advising the Council and Vice-Chancellor on the effectiveness of the University’s management and control systems. To this end, it meets with the External Auditors to discuss their audit findings, and with the Internal Auditors to consider detailed internal audit reports and recommendations for the improvement of the University’s systems of internal control, together with management’s response and implementation plans. It also receives and considers reports from the Higher Education Funding Council for England and the other government bodies and NGOs as they affect the University’s business and monitors adherence with the regulatory requirements.

The Audit Committee received the Audit Planning Memorandum from the External Auditors in March 2017. The Audit Committee has considered and discussed

the significant risks identified within this document during the Audit Committee meeting in March and further in meetings of the Committee in October and November. The Committee reviews the University’s annual financial statements together with the accounting policies. It advises the Council on the appointment and remuneration of the Internal and External Auditors. The Committee is chaired by the Pro-Chancellor, or another member of Council, and whilst senior executives and other lay officers attend meetings of the Audit Committee as necessary, they are not members of the Committee. The Committee meets with the Internal and External Auditors on their own for independent discussions.

The roles of President and Vice-President of the Council are separated from the role of the University’s Chief Executive, the Vice-Chancellor. The matters specially reserved to the Council for decision are set out in the Statutes of the University and in the Memorandum of Assurance and Accountability with the Higher Education Funding Council for England (HEFCE).

The Vice-Chancellor is supported in the role by the Deputy Vice-Chancellor, three Policy Pro-Vice-Chancellors and three Executive Pro-Vice-Chancellors. They lead the academic management of the University which is organised into three academic Faculties and the Professional Services. The academic Faculties are managed by the Executive Pro-Vice-Chancellors and the Professional Services are managed by the Deputy Vice-Chancellor.



The Council of the University is responsible for the University's system of internal control and for reviewing its effectiveness. Such a system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. The Audit Committee, on behalf of the Council, has reviewed the effectiveness of the University's system of internal financial control. Any system of internal financial control can, however, only provide reasonable, but not absolute, assurance against material misstatement or loss.

The Council is satisfied that there is an ongoing process for identifying, evaluating and managing the University's significant risks. This process is regularly reviewed by the Council. It accords with the internal control guidance for directors of companies as set out in the Combined Code as deemed appropriate for higher education and with the HEFCE 'Best Practice' guidance on Risk Management and compliance with the Committee of University Chairs (CUC) Guidance.

The Council and the University's Senior Executive Group receive reports setting out key performance and risk indicators. The Council also receives regular reports from the Audit Committee and the Health and Safety Governance Committee setting out, where necessary, recommendations for change and improvement. Processes and systems are continually being refined to ensure that the reporting mechanism is enhanced. Council's view of the effectiveness of the system of internal control is also informed by the work of the executive officers of the University who have responsibility for the development and maintenance of the internal control framework.

The University of Liverpool is committed to conducting its affairs in accordance with the highest standards of integrity, and it has the appropriate policies and procedures in place to enable concerns to be raised regarding malpractice, corruption, wrongdoing and any form of impropriety. The Public Interest Disclosure Policy in place at the University 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.

The University of Liverpool has adopted an approach which complies with the Higher Education Code of Governance published by the Committee of University Chairs in December 2014.

The University is committed to diversity and equality of opportunity and strives to provide an environment in which no staff member, student or partner is disadvantaged or discriminated against based on the nine protected characteristics as defined by the Equality Act 2010. The University takes its moral and legal obligations relating to discrimination very seriously and all breaches will be dealt with in accordance with the University's Disciplinary Policy. Council takes overall responsibility for this area.

# RESPONSIBILITIES OF THE COUNCIL

The Council, under the provisions of the Charter and the Statutes of the University, 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 detailed 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 Pro-Chancellor, a President who shall act as Chairman of the Council, a Vice-President of the Council and up to two other Lay Officers
- 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, 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 to 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 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 HE corporate governance and with the principles of public life drawn up by the Committee on Standards in Public Life
- 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

(Approved by the Council at its meeting on 30 September 2015)

Working through its Planning and Resources Committee and Audit Committee, the Council is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the University and enable it to ensure that the financial statements are prepared in accordance with the Charter and Statutes, the Statement of Recommended Practice: Accounting for Further and Higher Education (SORP15), which was approved by the Financial Reporting Council in March 2014 and applies with effect from 2015/16, and all other relevant accounting and financial reporting standards. In addition, within the terms and conditions of a memorandum of assurance and accountability agreed between the Higher Education Funding Council for England and the Council of the University, the Council, through its designated office holder (the Vice-Chancellor), is required to prepare audited financial statements for each financial year which give a true and fair view of the state of affairs of the University and of the surplus or deficit and cash flows for that year.

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

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

The Council has taken reasonable steps to:

- Ensure that funds from the Higher Education Funding Council for England are used only for the purposes for which they have been given and in accordance with the memorandum of assurance and accountability with the Funding Council and any other conditions which the Funding Council may from time to time prescribe;
- Ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- Safeguard the assets of the University and prevent and detect fraud;

- Secure the economical, efficient and effective management of the University's resources and expenditure.

The 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 process, supplemented by detailed annual income, expenditure, capital and cash flow budgets;
- Regular reviews of academic performance and 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 and Council; and
- A professional independent Internal Audit team whose programme of work is approved annually by the Audit Committee.

The Council is satisfied that the system of internal control described above has been in place throughout the year ended 31 July 2017.



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

## Report on the audit of the financial statements

### 1. Our opinion is unmodified

We have audited the financial statements of the University of Liverpool ("the University") for the year ended 31 July 2017 which comprise the Consolidated and University Statement of Comprehensive Income and Expenditure, the Consolidated and University Balance Sheet, the Consolidated and University Statement of Changes in Reserves and the Consolidated Cash Flow and related notes, including the accounting policies in note 1.

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and the University's affairs as at 31 July 2017, of the Group's and the University's income and expenditure, gains and losses and changes in reserves, and of the Group's cash flows for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* and with the 2015 Statement of Recommended Practice – *Accounting for Further and Higher Education*; and
- meet the requirements of HEFCE's Accounts Direction to higher education institutions for 2016-17 financial statements.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were appointed as auditor by the Council on 10 November 2010. The period of total uninterrupted engagement is the 7 years ended 31 July 2017. We have fulfilled our ethical responsibilities under, and

we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

#### Overview

**Materiality:** £8m (2016: £8m)  
group financial statements  
as a whole

**Coverage** 1.5% of group total income  
(2016: 1.6% of group total  
income)

#### Risks of material misstatement

**Recurring risks** Group and University  
Income:  
Undergraduate student and  
post-graduate and distance  
learning income - Current  
year vs next year

Group and University  
Income:  
Research grants and  
contracts -  
Current year vs next year

## 2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including 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. We summarise below the key audit matters, in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters

The risk	Our response
<p><b>Group and University</b></p> <p><b>Income: Undergraduate student and post-graduate and distance learning income</b></p> <p>(£256.5 million (2016: £240.7 million))</p> <p>Refer to page 40 (accounting policy) and page 44 (financial disclosures).</p>	<p><b>Current year vs next year</b></p> <p>There is a significant risk over the completeness of income due from undergraduate students.</p> <p>In addition, there is a significant risk that income from post graduate students and students on distance learning courses, is not recognised in the correct year of the financial statements.</p> <p>Our procedures included:</p> <ul style="list-style-type: none"> <li>• <b>Control reperformance:</b> assessing the design and effectiveness of controls established to record student details in the student system.</li> <li>• <b>Data comparisons:</b> <ul style="list-style-type: none"> <li>• Reperforming the reconciliation of the University's financial system, which inputs to the financial statements, with the student system.</li> <li>• Comparing the Student Loan Company statement as at 31 July 2017, which details all payments made in year by the Student Loan Company in relation to home and EU students accessing student finance, to entries in the general ledger at year end.</li> <li>• using data analytics to match the fee income details held within the general ledger and the student information system using the fee rules held in the University masterfile. Any mismatches between the general ledger, the student information system and the masterfile were then tested on a sample basis and agreed back to source documentation, such as sales invoices, course registration forms and fees schedules, to confirm that the correct income had been recorded in the year.</li> </ul> </li> <li>• <b>Test of details:</b> for a sample of post graduate and distance learning students assessing whether the related income had been recorded in the correct year with reference to supporting documentation, including sales invoices, course registration forms and fee schedules.</li> </ul> <p>Our results:</p> <p>We found the treatment of income from undergraduate and post-graduate and distance learning students to be acceptable (2016 result: acceptable).</p>

The risk	Our response
<p><b>Group and University Income: Research grants and contracts</b></p> <p>(£94.5 million (2016: £93.7 million))</p> <p>Refer to page 40 (accounting policy) and page 44 (financial disclosures).</p>	<p><b>Current year vs next year</b></p> <p>There is a significant risk that non-research spend has been incorrectly allocated to a research project causing the level of income recognised to be overstated.</p> <p>Our procedures included:</p> <ul style="list-style-type: none"> <li>• <b>Control reperformance:</b> assessing the design and effectiveness of controls established to: <ul style="list-style-type: none"> <li>• Complete and approve the costing template for the project;</li> <li>• Only allow a cost centre to be opened once a signed research project agreement is in place;</li> <li>• Check that overhead rates are at the correct level;</li> <li>• Check that the correct invoices are raised to request the income for the research project based on the expenditure and overheads incurred.</li> </ul> </li> <li>• <b>Tests of details:</b> assessing the grant income (being a function of the expenditure and overheads) by agreeing a sample of grant expenditure and overheads to grant agreements.</li> </ul> <p>Our results:</p> <p>We found the treatment of income from research grants and contracts to be acceptable (2016 result: acceptable).</p>

### 3. Our application of materiality and an overview of the scope of our audit

Materiality for the group financial statements as a whole was set at £8m (2016: £8m), determined with reference to a benchmark of group total income of £523m (2016: £495m), of which it represents 1.5% (2016: 1.6%).

Materiality for the University financial statements was set at £8m (2016: £8m), determined with reference to a benchmark of University total income of £522m (2016: £493m), of which it represents 1.5% (2016: 1.6%).

We consider total income, rather than a surplus related benchmark, to be the appropriate benchmark as the University is a not for profit organisation.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.4m (2016: £0.4m), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's 9 (2016: 9) reporting components, we subjected 4 (2016: 4) to audits for group reporting purposes.

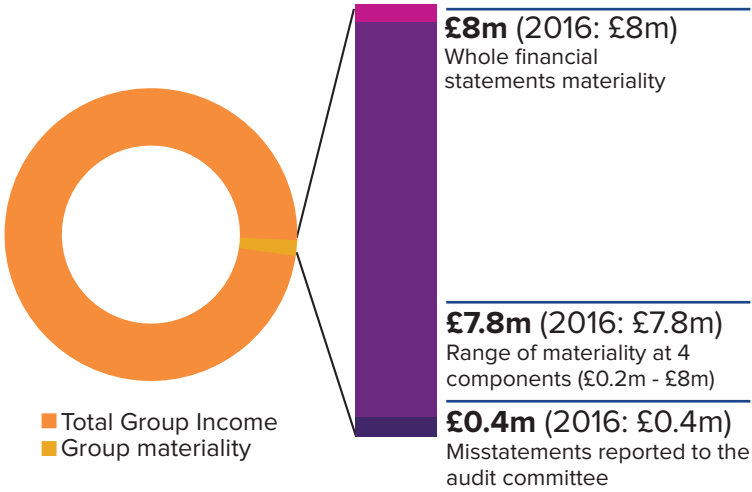
The reporting components subject to audits for group reporting purposes within the scope of our work accounted for the following percentages of the group's results: 100% (2016: 100%) of Group total income, 85.5% (2016: 99.4%) of Group surplus before tax and 99.5% (2016: 100%) of Group total assets.

The Group team completed the audit of the 4 reporting components subject to audit for group reporting purposes. The component materialities ranged from £190k to £8m (2016: £182k to £8m), having regard to the mix of size and risk profile of the Group across the components.

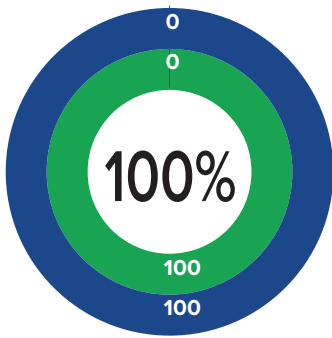


**Total Group Income**  
£523m (2016: £495m)

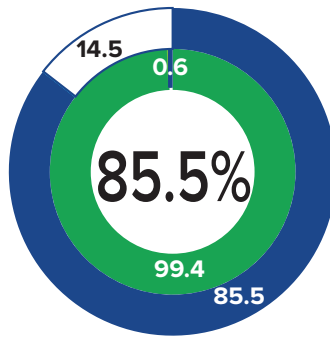
**Group Materiality**  
£8m (2016: £8m)



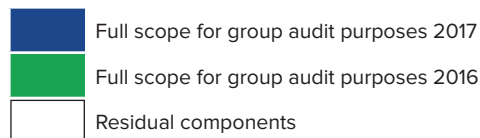
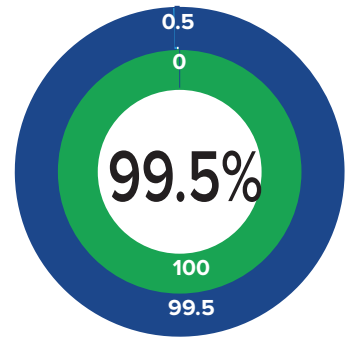
**Group total income**



**Group surplus before tax**



**Group total assets**



#### 4. We have nothing to report on going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

#### 5. We have nothing to report on other information in the Review of the Year and Financial Statements to 31 July 2017

The Council is responsible for the other information, which comprises the review of the year, corporate governance statements and responsibilities of the Council of the University. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

#### 6. Respective responsibilities

##### Council Responsibilities

As described more fully in their statement set out on page 27, the Council is responsible for: the preparation of financial statements that give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and University'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 they either intend to liquidate the Group or the University or to cease operations, or have no realistic alternative but to do so.

##### Auditor Responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud, other irregularities, or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. The risk of not detecting a material misstatement resulting from fraud or other irregularities is higher than for one resulting from error, as they may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control and may involve any area of law and regulation not just those directly affecting the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

## Report on other legal and regularity requirements

We are required to report on the following matters under the HEFCE Audit Code of Practice (effective 1 August 2016) issued under the Further and Higher Education Act 1992.

In our opinion, in all material respects:

- funds from whatever source administered by the Group and the University for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- income has been applied in accordance with the University's Statutes; and
- funds provided by HEFCE have been applied in accordance with the Memorandum of Assurance and Accountability and any other terms and conditions attached to them.

## The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Council of the University in accordance with the Statute 7 of the institution. Our audit work has been undertaken so that we might state to the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the University and the Council for our audit work, for this report, or for the opinions we have formed.

**Michael Rowley**  
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants  
One Snowhill  
Snow Hill Queensway  
Birmingham  
B4 6GH

29 November 2017

# ANNUAL FINANCIAL STATEMENTS

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for the year ended 31 July 2017

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## Consolidated and University Statement of Comprehensive Income and Expenditure - Year Ended 31 July 2017

	Notes	Year ended 31 July 2017		Year ended 31 July 2016	
		Consolidated £m	University £m	Consolidated £m	University £m
<b>Income</b>					
Tuition fees and education contracts	2	256.5	255.2	240.7	240.7
Funding body grants	3	77.6	77.6	70.3	70.3
Research grants and contracts	4	94.5	94.5	93.7	93.7
Other income	5	82.4	81.0	80.1	77.6
Investment income	6	7.0	8.3	7.8	7.9
<b>Total income before endowments and donations</b>		<b>518.0</b>	<b>516.6</b>	492.6	490.2
Donations and endowments	7	5.2	5.2	2.6	2.6
<b>Total income</b>		<b>523.2</b>	<b>521.8</b>	495.2	492.8
<b>Expenditure</b>					
Staff costs	8	263.1	261.7	250.6	249.5
Other operating expenses		170.8	172.3	169.3	171.0
Depreciation and amortisation	12,13	34.0	32.3	39.3	37.8
Interest and other finance costs	9	11.2	10.4	12.5	11.7
<b>Total expenditure</b>	10	<b>479.1</b>	<b>476.7</b>	471.7	470.0
<b>Surplus before other gains losses and share of operating surplus of joint ventures and associates</b>		<b>44.1</b>	<b>45.1</b>	23.5	22.8
Gain on disposal of fixed assets		0.2	0.2	0.3	0.3
Gain on investments	15	21.2	21.2	9.0	9.0
Share of operating surplus in joint ventures	16	11.1	-	0.2	-
<b>Surplus before tax</b>		<b>76.6</b>	<b>66.5</b>	33.0	32.1
Taxation	11	(0.2)	-	-	-
<b>Total comprehensive income for the year</b>		<b>76.4</b>	<b>66.5</b>	33.0	32.1
Represented by:					
Endowment comprehensive income for the year		15.0	15.0	7.9	7.9
Unrestricted comprehensive income for the year		61.4	51.5	25.1	24.2
		<b>76.4</b>	<b>66.5</b>	33.0	32.1

All items of income and expenditure relate to continuing activities.

## Consolidated and University Balance Sheet - Year Ended 31 July 2017

	Notes	As at 31 July 2017		As at 31 July 2016	
		Consolidated £m	University £m	Consolidated £m	University £m
<b>Non-current assets</b>					
Intangible assets	12	3.0	2.9	0.2	-
Fixed assets	13	710.8	689.4	669.6	644.7
Heritage assets	13/14	17.0	17.0	17.0	17.0
Investments	15	202.7	206.5	203.1	208.2
Investment in joint venture	16	5.4	-	(5.5)	-
		<b>938.9</b>	<b>915.8</b>	884.4	869.9
<b>Current assets</b>					
Stock	17	1.3	1.1	1.3	1.0
Trade and other receivables	18	77.2	81.8	57.1	61.4
Assets held for resale		0.5	0.5	0.3	0.3
Investments	19	56.1	56.1	64.2	64.2
Cash and cash equivalents	24	66.4	61.8	53.8	52.8
		<b>201.5</b>	<b>201.3</b>	176.7	179.7
Less: Creditors: amounts falling due within one year	20	<b>(128.9)</b>	<b>(126.9)</b>	(119.2)	(120.4)
<b>Net current assets</b>		<b>72.6</b>	<b>74.4</b>	57.5	59.3
<b>Total assets less current liabilities</b>		<b>1,011.5</b>	<b>990.2</b>	941.9	929.2
Creditors: amounts falling due after more than one year	21	<b>(300.9)</b>	<b>(285.8)</b>	(305.3)	(288.6)
<b>Provisions</b>					
Pension provisions	22	<b>(52.1)</b>	<b>(52.1)</b>	(54.7)	(54.7)
Other provisions	22	<b>(1.2)</b>	<b>(0.9)</b>	(1.0)	(1.0)
<b>Total net assets</b>		<b>657.3</b>	<b>651.4</b>	580.9	584.9
<b>Restricted reserves</b>					
Income and expenditure reserve - endowment reserve	23	<b>166.5</b>	<b>166.5</b>	155.8	155.8
<b>Unrestricted reserves</b>					
Income and expenditure reserve - unrestricted		<b>490.8</b>	<b>484.9</b>	425.1	429.1
<b>Total reserves</b>		<b>657.3</b>	<b>651.4</b>	580.9	584.9

The financial statements were approved by the Council on 23 November 2017 and were signed on its behalf on that date by:



Professor Janet Beer, Vice-Chancellor



The Earl of Derby, President of Council

## Consolidated and University Statement of Changes in Reserves - Year Ended 31 July 2017

Consolidated	Income and expenditure account		Total
	Endowment	Unrestricted	
	£m	£m	£m
<b>Balance at 1 August 2016</b>	<b>155.8</b>	<b>425.1</b>	<b>580.9</b>
Surplus from the income and expenditure statement	15.0	61.4	76.4
Release of restricted funds in the year	(4.3)	4.3	-
<b>Total comprehensive income for the year</b>	<b>10.7</b>	<b>65.7</b>	<b>76.4</b>
<b>Balance at 31 July 2017</b>	<b>166.5</b>	<b>490.8</b>	<b>657.3</b>

University	Income and expenditure account		Total
	Endowment	Unrestricted	
	£m	£m	£m
<b>Balance at 1 August 2016</b>	<b>155.8</b>	<b>429.1</b>	<b>584.9</b>
Surplus from the income and expenditure statement	15.0	51.5	66.5
Release of restricted funds in the year	(4.3)	4.3	-
<b>Total comprehensive income for the year</b>	<b>10.7</b>	<b>55.8</b>	<b>66.5</b>
<b>Balance at 31 July 2017</b>	<b>166.5</b>	<b>484.9</b>	<b>651.4</b>



## Consolidated Cash Flow - Year Ended 31 July 2017

	Notes	Year ended 31 July 2017 £m	Year ended 31 July 2016 £m
<b>Cash flow from operating activities</b>			
Surplus for the year		76.4	33.0
<b>Adjustment for non-cash items</b>			
Depreciation	13	33.7	39.3
Amortisation of intangibles	12	0.3	-
Loss/(Gain) on investments	15	(21.2)	(9.0)
Decrease/(increase) in stock	17	-	(0.2)
Increase/(decrease) in trade and other receivables	18	(20.1)	7.4
Increase/(decrease) in creditors < 1 year	20	17.6	(1.1)
Increase/(decrease) in creditors > 1 year	21	(2.4)	3.3
Increase/(decrease) in pension provision	22	(2.6)	5.1
Increase/(decrease) in other provisions	22	0.2	0.8
Receipt of donated equipment		(3.1)	-
Share of operating surplus in joint venture	16	(11.1)	(0.2)
<b>Adjustment for investing or financing activities</b>			
Investment income	6	(2.3)	(3.1)
Interest payable	9	11.2	12.5
Endowment investment income	6	(4.7)	(4.7)
Profit on sale of fixed assets		(0.2)	(0.3)
Capital grant income	3/5	(25.6)	(14.2)
<b>Net cash inflow from operating activities</b>		<b>46.1</b>	<b>68.6</b>
<b>Cash flows from investing activities</b>			
Proceeds from sales of fixed assets		0.2	0.3
Capital grants receipts	3/5	7.0	14.2
Capital receipts		8.0	-
Disposal of non-current asset investments	15	41.2	23.6
Withdrawal of deposits		-	(69.9)
Investment income	6	2.3	3.1
Endowment investment income	6	4.7	4.7
Payments made to acquire fixed assets	13	(71.3)	(80.4)
New non-current asset investments	15	(42.6)	(44.8)
New deposits		10.8	(1.3)
		<b>(39.7)</b>	<b>(150.5)</b>
<b>Cash flows from financing activities</b>			
Interest paid	9	(12.3)	(12.4)
Interest element of finance lease and service concession payments	9	(0.1)	(0.1)
Non-current investment cash outflow	15	20.6	-
Repayments of amounts borrowed	21	(1.5)	(1.5)
Capital element of finance lease and service concession payments	21	(0.5)	(0.5)
		<b>6.2</b>	<b>(14.5)</b>
<b>Increase/(Decrease) in cash and cash equivalents in the year</b>		<b>12.6</b>	<b>(96.4)</b>
Cash and cash equivalents at beginning of the year	24	53.8	150.2
Cash and cash equivalents at end of the year	24	66.4	53.8

# NOTES TO THE ACCOUNTS

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for the year ended 31 July 2017

# Notes to the Accounts for the year ended 31 July 2017

## 1 Accounting policies

### a Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2015 and in accordance with Financial Reporting Standards (FRS 102). The University is a public benefit entity and therefore has applied the relevant public benefit requirement of FRS 102. The financial statements are prepared in accordance with the historical cost convention.

### b Basis of consolidation

The consolidated financial statements include the University and all its subsidiaries for the financial year to 31 July 2017. The results of subsidiaries acquired or disposed of during the period are included in the Consolidated Statement of Comprehensive Income and Expenditure from the date of acquisition or up to the date of disposal. Intra-group transactions are eliminated on consolidation.

The consolidated financial statements do not include the income and expenditure of the Liverpool Guild of Students as the University does not control or dominate 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 University.

### c Income recognition

Income from the sale of goods or services is credited to the Consolidated Statement of Comprehensive Income and Expenditure when the goods or services are supplied to the external customers or the terms of the contract have been satisfied.

Fee income is stated gross of any expenditure which is not a discount and credited to the Consolidated Statement of Comprehensive Income and Expenditure over the period in which students are studying. Where the amount of the tuition fee is reduced, by a discount for prompt payment, income receivable is shown net of the discount. Bursaries and scholarships are accounted for gross as expenditure and not deducted from income.

Investment income is credited to the Consolidated Statement of Income and Expenditure on a receivable basis.

Funds the University receives and disburses as paying agent on behalf of a funding body are excluded from the income and expenditure of the University where the University is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

#### Grant funding

Grant funding including funding council block grant, research

grants from government sources and grants (including research grants) from non government sources are recognised as income when the University 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 balance sheet and released to income as the conditions are met.

#### Donations and endowments

Donations and endowments without performance related conditions are non exchange transactions. Donations and endowments with donor imposed restrictions are recognised in income when the University 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 University is entitled to the funds.

Investment income and appreciation of endowments 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 University.
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 University is entitled to the funds subject to any performance related conditions being met.

### d Accounting for retirement benefits

The two principal pension schemes for the University's staff are the Universities Superannuation Scheme (USS) and the University of Liverpool Pension Fund (ULPF).

The 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.

#### Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which the University 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.

#### Defined benefit plan

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

#### Universities Superannuation Scheme

With effect from 1 October 2016, the Universities Superannuation Scheme changed from a defined benefit only pension scheme to 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. 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 consistent and reasonable basis. As required by section 28 of FRS 102 "Employee benefits", the institution therefore accounts for the scheme as if it were a wholly defined contribution scheme. As a result, the amount charged to the Consolidated Statement of Comprehensive Income and Expenditure represents the contributions payable to the scheme. Since the institution has entered into an agreement (the Recovery Plan) that determines how each 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) and therefore an expense is recognised.

A liability is recorded within provisions for any contractual commitment to fund past 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 University 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 University. As a result the University has determined that it has an unconditional right to a refund on wind-up. However, the Trust Deed also provides for the Fund Trustees to transfer annuity policies into individual members' names without requiring the University's consent. Due to the existence of those Fund Trustees rights, the University considers it appropriate to not recognise the surplus within the financial statements in respect of the Pension Fund.

#### e 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 University. Any unused benefits are accrued and measured as the additional amount the University 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.

#### f Finance leases

Leases in which the University 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.

#### g 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.

#### h Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of University entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet 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 University's presentational currency, Sterling, at foreign exchange rates ruling at the balance sheet 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 University 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 Group 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 relevant proportion of the cumulative amount is recycled to the Statement of Comprehensive Income and Expenditure.

#### **i Fixed assets**

Fixed assets 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 University.

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.

##### **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. 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 Balance Sheet.

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

##### **Repairs and maintenance**

Expenditure to ensure that a tangible fixed asset maintains its previously recognised standard of performance is recognised in the Statement of Consolidated Income and Expenditure 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.

#### **j Heritage assets**

The University owns a considerable collection of works of art and museum objects, which were donated or bequeathed to the University 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 University considers that in many cases it would not be practical to obtain a meaningful valuation. Very few heritage assets could be sold by the University 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 Statement of Comprehensive Income and Expenditure in the year it is incurred.

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

#### **k Intangible assets**

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

Intangible assets donated to the University 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.

#### **l Investments**

Listed non current asset investments are held on the Balance Sheet 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.

Investments in jointly controlled entities, associates and subsidiaries are carried at cost less impairment in the University's accounts.

Listed current asset investments are held at fair value with movements recognised in the surplus before tax. Corporate bonds are held at amortised cost less impairment.

#### **m Stock**

Stock is held 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.

#### **n 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), highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value.

#### **o Provisions, contingent liabilities and contingent assets**

Provisions are recognised in the financial statements when:

- (a) the University 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 University 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 University. 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 University 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 University.

Contingent assets and liabilities are not recognised in the Balance Sheet but are disclosed in the notes.

#### **p Accounting for joint operations, jointly controlled assets and jointly controlled operations**

The University accounts for its share of joint ventures using the equity method.

The University accounts for its share of transactions from joint operations and jointly controlled assets in the Consolidated Statement of Income and Expenditure.

To the extent that the University's share of losses of the joint venture equals or exceeds the carrying amount of its investment in the joint venture, the University discontinues recognising its share of

further losses. After the University's interest is reduced to zero, the University shall recognise additional losses by a provision but only to the extent that the University has incurred legal or constructive obligations or has made payments on behalf of the joint venture.

#### **q Taxation**

The University 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 University is potentially exempt from taxation 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 University receives no similar exemption in respect of Value Added Tax. Irrecoverable VAT on inputs is included in the costs of such inputs. Any irrecoverable VAT allocated to fixed assets is included in their cost.

The University's subsidiaries are liable to Corporation Tax in the same way as any other commercial organisation.

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are more likely than not to be recovered. Deferred tax assets and liabilities are not discounted.

#### **r Derivatives**

Derivatives are held on the balance sheet at fair value with movements in fair value recognised in arriving at the surplus.

#### **s Reserves**

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

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

#### **t Financial liabilities**

Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost using the effective interest method.

	Year Ended 31 July 2017		Year Ended 31 July 2016	
	Consolidated	University	Consolidated	University
	£m	£m	£m	£m
<b>2 Tuition fees and education contracts</b>				
Full-time home and EU students	139.6	139.6	123.8	123.8
Full-time international students	92.3	91.0	93.2	93.2
Part-time students	6.1	6.1	6.5	6.5
Special courses	9.9	9.9	8.6	8.6
Research Training Support Grant	8.6	8.6	8.6	8.6
	<b>256.5</b>	<b>255.2</b>	240.7	240.7
<b>3 Funding body grants</b>				
<b>Recurrent grant</b>				
Higher Education Funding Council	56.8	56.8	59.9	59.9
OFFA Scheme	-	-	0.5	0.5
<b>Specific grants</b>				
HEFCE CIF	6.1	6.1	5.9	5.9
Higher Education Innovation Fund	3.2	3.2	3.3	3.3
Capital grant	11.0	11.0	0.2	0.2
Other specific grants	0.5	0.5	0.5	0.5
	<b>77.6</b>	<b>77.6</b>	70.3	70.3
<b>4 Research grants and contracts*</b>				
Research councils	39.6	39.6	42.0	42.0
Research charities	14.8	14.8	14.2	14.2
Government (UK and overseas)	24.0	24.0	22.8	22.8
Industry and commerce	9.0	9.0	9.9	9.9
Other	7.1	7.1	4.8	4.8
	<b>94.5</b>	<b>94.5</b>	93.7	93.7
*Research and development expenditure credit (RDEC) included above	-	-	0.5	0.5
<b>5 Other income</b>				
Residences, catering and conferences	25.8	25.8	25.3	25.3
Health authorities	10.1	10.1	10.9	10.9
Other services	23.1	23.1	23.0	23.0
Other income	14.9	13.5	12.6	10.1
Specific capital grant	8.5	8.5	8.3	8.3
	<b>82.4</b>	<b>81.0</b>	80.1	77.6
<b>6 Investment income</b>				
Investment income on endowments	4.7	4.7	4.7	4.7
Other investment income	2.3	3.6	3.1	3.2
	<b>7.0</b>	<b>8.3</b>	7.8	7.9
<b>7 Donations and endowments</b>				
New endowments	0.4	0.4	1.3	1.3
Unrestricted donations	4.8	4.8	1.3	1.3
	<b>5.2</b>	<b>5.2</b>	2.6	2.6

	Year Ended 31 July 2017		Year Ended 31 July 2016	
	Consolidated £m	University £m	Consolidated £m	University £m
<b>8 Staff costs</b>				
Staff costs:				
Salaries	212.2	211.1	199.6	198.7
Social security costs	20.7	20.6	17.1	17.0
Movement on USS provision	(3.5)	(3.5)	3.6	3.6
Other pension costs	33.7	33.5	30.3	30.2
Total	263.1	261.7	250.6	249.5

## Emoluments of the Vice-Chancellor:

	Year Ended 31 July 2017 £'000	Year Ended 31 July 2016 £'000
Salary	266.9	256.3
Performance related pay	52.6	44.2
Benefits	4.3	4.4
Allowance in lieu of pension contribution	39.5	36.7
	363.3	341.6

Remuneration of other higher paid staff, excluding employer's pension contributions (subject to relevant accounts direction and shown before any salary sacrifice):

	No.	No.
£100,000-£109,999	25	21
£110,000-£119,999	25	19
£120,000-£129,999	13	21
£130,000-£139,999	7	10
£140,000-£149,999	10	9
£150,000-£159,999	6	8
£160,000-£169,999	11	8
£170,000-£179,999	7	7
£180,000-£189,999	4	4
£190,000-£199,999	3	1
£200,000-£209,999	2	-
£210,000-£219,999	2	3
£220,000-£229,999	2	4
£230,000-£239,999	1	1
£260,000-£269,999	1	-
£290,000-£299,999	-	-
£340,000-£349,999	-	1
	119	117



## Average staff numbers by major category

	Full time equivalent	Full time equivalent
Academic	3,149	2,954
Clinical	192	191
Technical	617	600
Clerical	891	857
Other	399	378
	5,248	4,980
	£'000	£'000
Compensation payable to higher paid staff recorded within staff costs	377.1	544.0
Number of higher paid staff in receipt of compensation payments	2	4

**Key management personnel**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the University. Staff costs includes compensation paid to key management personnel. Key management personnel are defined as those being a member of the Senior Management Team.

	Year ended 31 July 2017	Year ended 31 July 2016
<b>Number</b>	7	8
<b>Staff costs - £'000</b>	1,684.2	2,000.0

**9 Interest and other finance costs**

Notes	Year Ended 31 July 2017		Year Ended 31 July 2016	
	Consolidated £m	University £m	Consolidated £m	University £m
Loan interest	10.2	9.4	10.9	10.1
Finance lease interest	0.1	0.1	0.1	0.1
Net charge on pension scheme	0.9	0.9	1.5	1.5
	11.2	10.4	12.5	11.7

**10 Analysis of total expenditure by activity**

	Year Ended 31 July 2017		Year Ended 31 July 2016	
	Consolidated £m	University £m	Consolidated £m	University £m
Academic and related expenditure	215.3	214.3	203.1	202.2
Administration and central services	9.0	9.0	17.3	17.3
Premises (including service concession cost)	64.6	67.1	63.3	64.1
Residences, catering and conferences	19.6	17.6	16.9	16.7
Research grants and contracts	72.0	72.0	77.2	77.2
Other expenses	98.6	96.7	93.9	92.5
	479.1	476.7	471.7	470.0

Other operating expenses include:		£'000	£'000
External auditors remuneration in respect of audit services	University	80.2	63.3
	Subsidiaries	20.5	27.0
External auditors remuneration in respect of non-audit services	Tax Management	0.2	14.1
	RDEC Claim	-	3.8
	Grant assurance	39.4	50.0
	Other Assurance Services	9.7	-

**11 Taxation**

	Year Ended 31 July 2017		Year Ended 31 July 2016	
	Consolidated £m	University £m	Consolidated £m	University £m
<b>Recognised in the statement of comprehensive income</b>				
<b>Deferred tax</b>				
Origination and reversal of timing differences	0.2	-	-	-
<b>Deferred tax expense</b>	<b>0.2</b>	<b>-</b>	<b>-</b>	<b>-</b>

**12 Intangible assets**

Software	Year Ended 31 July 2017		Year Ended 31 July 2016	
	Consolidated £m	University £m	Consolidated £m	University £m
At 1 August 2016	0.2	-	0.1	-
Additions in the year	3.1	3.1	0.1	-
Amortisation charge for the year	(0.3)	(0.2)	-	-
At 31 July 2017	<b>3.0</b>	<b>2.9</b>	0.2	-

Additions during the year relate to donations of software intangible assets.

The amortisation period is 5 years.

**13 Fixed assets****Consolidated**

	Freehold land and buildings	Leasehold land and buildings	Finance lease	Infrastructure	Equipment	Assets in the course of construction	Heritage assets	Total
	£m	£m	£m	£m	£m	£m	£m	£m
<b>Cost</b>								
At 1 August 2016	654.4	49.1	5.8	33.8	161.8	62.6	17.0	984.5
Additions	9.6	-	-	0.8	6.6	58.1	-	75.1
Transfers	26.8	0.1	-	12.3	4.2	(43.8)	-	(0.4)
Disposals	(5.8)	-	-	-	(0.9)	(0.1)	-	(6.8)
<b>At 31 July 2017</b>	<b>685.0</b>	<b>49.2</b>	<b>5.8</b>	<b>46.9</b>	<b>171.7</b>	<b>76.8</b>	<b>17.0</b>	<b>1,052.4</b>

**Depreciation**

At 1 August 2016	144.1	19.4	5.1	4.5	124.8	-	-	297.9
Charge for the year	18.4	1.5	0.5	2.6	10.7	-	-	33.7
Transfers	(0.2)	-	-	-	-	-	-	(0.2)
Disposals	(5.8)	-	-	-	(1.0)	-	-	(6.8)
<b>At 31 July 2017</b>	<b>156.5</b>	<b>20.9</b>	<b>5.6</b>	<b>7.1</b>	<b>134.5</b>	<b>-</b>	<b>-</b>	<b>324.6</b>

**Net book value**

<b>At 31 July 2017</b>	<b>528.5</b>	<b>28.3</b>	<b>0.2</b>	<b>39.8</b>	<b>37.2</b>	<b>76.8</b>	<b>17.0</b>	<b>727.8</b>
At 31 July 2016	510.3	29.7	0.7	29.3	37.0	62.6	17.0	686.6

**University****Cost**

At 1 August 2016	654.4	49.1	5.8	33.8	130.2	61.6	17.0	951.9
Additions	11.9	-	-	0.8	6.6	57.8	-	77.1
Transfers	26.8	0.1	-	12.3	2.9	(42.6)	-	(0.5)
Disposals	(5.8)	-	-	-	(0.9)	-	-	(6.7)
<b>At 31 July 2017</b>	<b>687.3</b>	<b>49.2</b>	<b>5.8</b>	<b>46.9</b>	<b>138.8</b>	<b>76.8</b>	<b>17.0</b>	<b>1,021.8</b>

**Depreciation**

At 1 August 2016	144.1	19.4	5.1	4.5	117.1	-	-	290.2
Charge for the year	18.4	1.5	0.5	2.6	9.1	-	-	32.1
Transfers	(0.2)	-	-	-	-	-	-	(0.2)
Disposals	(5.8)	-	-	-	(0.9)	-	-	(6.7)
<b>At 31 July 2017</b>	<b>156.5</b>	<b>20.9</b>	<b>5.6</b>	<b>7.1</b>	<b>125.3</b>	<b>-</b>	<b>-</b>	<b>315.4</b>

**Net book value**

<b>At 31 July 2017</b>	<b>530.8</b>	<b>28.3</b>	<b>0.2</b>	<b>39.8</b>	<b>13.5</b>	<b>76.8</b>	<b>17.0</b>	<b>706.4</b>
At 31 July 2016	510.3	29.7	0.7	29.3	13.1	61.6	17.0	661.7

At 31 July 2017, freehold land and buildings included £45.5m (2016 - £46m) in respect of freehold land that is not depreciated.

At 31 July 2017, leasehold land and buildings included £0.1m (2016 - £0.1m) in respect of leasehold land that is not depreciated.

Included in the cost of fixed assets is aggregated interest capitalised of £4.7m (2016 - £3.5m). Included in Consolidated and University net book value is £10.4m relating to assets held for resale.

Additions include £1.1m (2016 - £0.3m) of borrowing costs capitalised in the year.

**14 Heritage assets**

The University 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 an acquisition and disposal policy which applies is maintained by the Libraries, Museums and Galleries department of the University.

The Heritage Collection consists of 15,000 museum objects which have been collected over many years by academic departments of the University, 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 University. 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 balance sheet.

The Fine and Decorative Art collection consists of 7,000 items of metal ware, 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.

An appropriately qualified assessor at Christies has confirmed that the double high auction estimate for this collection is £115.6m and this serves as the insurance valuation. Of the £115.6m, £34m relates to two items only, pictures by Freud and Turner at £14m and £20m respectively. Both of these paintings have been brought onto the balance sheet at one half of their insurance value (i.e. half of the double high auction estimate value) at £7m and £10m respectively, totalling £17m. During the reporting period 1 August 2016 to 31 July 2017 there has been no impairment of these assets. More specifically there has been no physical deterioration, breakage or doubts as to their authenticity.

**15 Non-current investments**

<b>Consolidated</b>	<b>Subsidiary companies</b>	<b>Joint venture</b>	<b>Other fixed assets investments</b>	<b>Endowment investments</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>At 1 August 2016</b>	-	-	47.3	155.8	203.1
Additions	-	-	1.2	41.4	42.6
Disposals	-	-	(4.6)	(36.6)	(41.2)
Cash movement	-	-	(13.1)	(7.5)	(20.6)
Change in market value	-	-	5.4	13.4	18.8
<b>At 31 July 2017</b>	<b>-</b>	<b>-</b>	<b>36.2</b>	<b>166.5</b>	<b>202.7</b>
<b>University</b>					
At 1 August 2016	3.8	1.1	47.5	155.8	208.2
Additions	-	-	1.2	41.4	42.6
Disposals /Impairment	-	(1.1)	(4.8)	(36.6)	(42.5)
Cash movement	-	-	(13.1)	(7.5)	(20.6)
Change in market value	-	-	5.4	13.4	18.8
<b>At 31 July 2017</b>	<b>3.8</b>	<b>-</b>	<b>36.2</b>	<b>166.5</b>	<b>206.5</b>

The gains on investments in the Statement of Comprehensive Income and Expenditure also includes gains on current asset investments (£2.1m) and unrestricted reserves (£0.3m) giving total investment gains of £21.2m. Change in market value is net of fees.

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



The University owns 100% of the issued ordinary share capital of ULEC, ULCCo, ULCCo (Special Projects), University of Liverpool in Singapore (ULIS) Pte Ltd, UOLM Sdn Bhd, Tandem Nano Ltd, Nidor Diagnostics Ltd and Liverpool University Press (2004) Ltd. The University's subsidiary companies are all registered in England and Wales with the exception of the University of Liverpool in Singapore (ULIS) Pte Ltd and UOLM Sdn Bhd. All of the trading subsidiary companies have been consolidated. The principal purpose of these companies is to support the activities of the University.

The University owns 50% of the issued ordinary share capital of Xi'an Jiaotong-Liverpool University, which is registered in the People's Republic of China.

The University holds a 50% interest in Sensor City Liverpool Limited.

Other non-current investments consist of :

	<b>University</b>	<b>Consolidated</b>
	<b>£'000</b>	<b>£'000</b>
Baillie Gifford Worldwide Global Alpha Choice Fund	18.5	18.5
Bioventures Investors Limited Partnership Funds II, III and IV	1.2	1.2
University funds held by endowment fund managers	16.1	16.1
CVCP Property	0.1	0.1
Liftupp Limited	0.2	0.2
Subsidiary companies	3.8	-
Quoted equities	140.3	140.3
Fixed interest bonds	16.6	16.6
Property and other investments	2.7	2.7
Cash and cash equivalents	7.0	7.0
	<b>206.5</b>	<b>202.7</b>

The University 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
Liverpool Science Park Limited	24.5	Trucolour Limited	18.7
Intellihep Limited	18.0	Aimes CIC Limited	20.0
CDDM Technology Limited	2.3	Q Technologies Limited	24.9
Sepsis Limited	35.1	Senectus Therapeutics Limited	16.7
Pepsyn Limited	3.5	Laureate - University of Liverpool Ventures B.V.	20.0
Theryte Limited	3.6	Liftupp Limited	38.0
Provexis IBD Limited	25.0		

**16 Investment in joint ventures**

The University 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-Liverpool University. The University 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, such that 50% of the company's gross assets and liabilities are incorporated into the Consolidated Balance Sheet of the University and 50% of its net income is reported in the University's Consolidated Statement of Income and Expenditure Account.

	Year ended 31 July 2017			Year ended 31 July 2016		
	XJTLU	Sensor City	Total	XJTLU	Sensor City	Total
	£m	£m	£m	£m	£m	£m
<b>Income and expenditure account</b>						
Income	42.0	5.9	47.9	31.4	-	31.4
Surplus before tax	0.5	4.4	4.9	0.2	-	0.2
<b>Balance sheet</b>						
Fixed assets	112.0	5.3	117.3	101.0	-	101.0
Current assets	23.9	1.6	25.5	28.1	-	28.1
	<b>135.9</b>	<b>6.9</b>	<b>142.8</b>	<b>129.1</b>	<b>-</b>	<b>129.1</b>
Creditors: amounts due within one year	(18.2)	(1.5)	(19.7)	(14.7)	-	(14.7)
Creditors: amounts due after more than one year	(122.7)	-	(122.7)	(119.9)	-	(119.9)
	(140.9)	(1.5)	(142.4)	(134.6)	-	(134.6)
<b>Share of net (liabilities) / assets</b>	(5.0)	5.4	0.4	(5.5)	-	(5.5)

2016/17 income includes an exchange rate gain of £0.1m (2016: loss £0.6m).

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

In accordance with FRS 102 the University has written back its 50% share (£6.7m) of XJTLU's accumulated losses as the University has no legal or constructive obligation to make payments to XJTLU in respect of these losses. The amount recognised in the Statement of Consolidated Income and Expenditure is £11.1m, being £6.7m write back of share of losses and £4.4m share of surplus in relation to Sensor City.

**17 Stock**

	Year ended 31 July 2017		Year ended 31 July 2016	
	Consolidated	University	Consolidated	University
	£m	£m	£m	£m
General consumables	<b>1.3</b>	<b>1.1</b>	1.3	1.0

**18 Trade and other receivables**

	Year ended 31 July 2017		Year ended 31 July 2016	
	Consolidated	University	Consolidated	University
	£m	£m	£m	£m
Amounts falling due within one year:				
Research grants receivables	37.3	37.3	29.1	29.1
Other trade receivables	16.9	16.2	5.2	9.7
Other receivables	5.4	2.5	6.9	6.8
Prepayments and accrued income	17.6	17.6	15.9	12.0
Amounts due from subsidiary companies	-	8.2	-	3.8
	<b>77.2</b>	<b>81.8</b>	57.1	61.4

**19 Current investments**

	Year ended 31 July 2017		Year ended 31 July 2016	
	Consolidated	University	Consolidated	University
	£m	£m	£m	£m
Short term investment in shares	12.7	12.7	11.8	11.8
Short term bonds and gilts	17.2	17.2	35.7	35.7
Short term deposits	10.0	10.0	13.1	13.1
Other short term investments	16.2	16.2	3.6	3.6
	<b>56.1</b>	<b>56.1</b>	64.2	64.2

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 full £10m is placed with a Building Society on a fixed term deposit.

At 31 July 2017 the interest rate of the fixed term deposit was 0.44% per annum. The fair value of these deposits was not materially different from the book value.

**20 Creditors: amounts falling due within one year**

	Year ended 31 July 2017		Year ended 31 July 2016	
	Consolidated	University	Consolidated	University
	£m	£m	£m	£m
Unsecured loans	1.5	-	-	-
Obligations under finance leases	0.4	0.4	0.5	0.5
Trade payables	20.2	17.7	22.7	16.5
Amounts due to subsidiary companies	-	8.6	-	7.4
Social security and other taxation payable	7.5	6.7	6.9	6.9
Accruals and deferred income	59.6	53.8	54.0	54.0
Research grants received on account	39.7	39.7	35.0	35.0
Derivatives	-	-	0.1	0.1
	<b>128.9</b>	<b>126.9</b>	<b>119.2</b>	<b>120.4</b>

The derivatives related to forward exchange contracts held at fair value using exchange rates at the balance sheet date. No derivatives were held at the year end.

**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.

	Year ended 31 July 2017		Year ended 31 July 2016	
	Consolidated £m	University £m	Consolidated £m	University £m
Grant income	6.8	6.8	5.3	5.3
Other income	26.7	26.3	27.9	27.9
	<b>33.5</b>	<b>33.1</b>	<b>33.2</b>	<b>33.2</b>

**21 Creditors: amounts falling due after more than one year**

	Year ended 31 July 2017		Year ended 31 July 2016	
	Consolidated £m	University £m	Consolidated £m	University £m
Obligations under finance lease	-	-	0.5	0.5
Unsecured loans	<b>299.9</b>	<b>284.8</b>	301.4	284.7
Other creditors	<b>1.0</b>	<b>1.0</b>	3.4	3.4
	<b>300.9</b>	<b>285.8</b>	305.3	288.6
Analysis of secured and unsecured loans:				
<b>Due within one year or on demand (note 20)</b>	<b>1.5</b>	-	-	-
Due between one and two years	<b>0.1</b>	-	1.7	-
Due between two and five years	-	-	-	-
Due in five years or more	<b>299.8</b>	<b>284.8</b>	299.7	284.7
<b>Due after more than one year</b>	<b>299.9</b>	<b>284.8</b>	<b>301.4</b>	<b>284.7</b>
<b>Total secured and unsecured loans</b>	<b>301.4</b>	<b>284.8</b>	<b>301.4</b>	<b>284.7</b>
Bond repayable by 2055	<b>244.8</b>	<b>244.8</b>	244.7	244.7
Unsecured loans repayable by 2036	<b>40.0</b>	<b>40.0</b>	40.0	40.0
Unsecured loans repayable by 2028	<b>15.0</b>	-	15.0	-
Unsecured loans repayable by 2019	<b>0.1</b>	-	-	-
Unsecured loans repayable by 2018	<b>1.5</b>	-	1.7	-
	<b>301.4</b>	<b>284.8</b>	301.4	284.7



Included in loans are the following:

Lender	Amount £m	Term	Interest rate %	Borrower
Public bond	244.8	2055	3.375	University
Private placement	40.0	2036	4.99	University
	<b>284.8</b>			
Lloyds Bank	15.0	2028	4.975	Subsidiary
Salix Finance	1.6	2019	0	Subsidiary
<b>Total</b>	<b>301.4</b>			

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%. There are no capital payments to be made over the term, with the bond maturing in 2055.

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

The University 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:

- the principal amount of the bonds to be redeemed and
- 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%.

## 22 Provisions for liabilities

Consolidated	Obligation to fund deficit on USS Pension £m	Other provisions £m	Total £m
At 1 August 2016	54.7	1.0	55.7
Utilised during the year	(3.1)	-	(3.1)
Charged to the Statement of Comprehensive Income and Expenditure	0.5	0.2	0.7
<b>At 31 July 2017</b>	<b>52.1</b>	<b>1.2</b>	<b>53.3</b>
University	Obligation to fund deficit on USS Pension £m	Other provisions £m	Total £m
At 1 August 2016	54.7	1.0	55.7
Utilised during the year	(3.1)	-	(3.1)
Charged /(credited) to the Statement of Comprehensive Income and Expenditure	0.5	(0.1)	0.4
<b>At 31 July 2017</b>	<b>52.1</b>	<b>0.9</b>	<b>53.0</b>

### 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 pension scheme for total payments relating to benefits arising from past performance. Management have assessed future employees within the USS scheme and salary payment over the period of the contracted obligation in assessing the value of this provision. Further information is provided in note 30.

**Other provisions****Consolidated and University**

There is an obligation of £1.0m due to an increase in VAT costs, caused by a change of use of part of the William Henry Duncan Building, which had initially benefited from a zero rating VAT relief. This subsequent use does not qualify for VAT relief and under the VAT regulations in place a change of use (VAT) charge is due.

**Consolidated**

There is an obligation of £0.2m for deferred tax payable on timing differences between accumulated depreciation and capital allowances.

**23 Endowment reserves University and Consolidated**

Restricted net assets relating to endowments are as follows:

	<b>Restricted permanent endowments</b>	<b>Restricted expendable endowments</b>	<b>2017</b>	<b>2016</b>
	<b>£m</b>	<b>£m</b>	<b>Total £m</b>	<b>Total £m</b>
<b>Balances at 1 August</b>				
Capital	114.6	19.6	<b>134.2</b>	128.3
Accumulated income	18.3	3.3	<b>21.6</b>	19.6
	<b>132.9</b>	<b>22.9</b>	<b>155.8</b>	<b>147.9</b>
(Released endowments)/New endowments	(4.3)	0.4	<b>(3.9)</b>	1.3
Investment income	3.9	0.8	<b>4.7</b>	4.7
Expenditure	(2.2)	(1.3)	<b>(3.5)</b>	(3.9)
Increase in market value of investments	11.7	1.7	<b>13.4</b>	5.8
<b>Total endowment comprehensive income for the year</b>	<b>9.1</b>	<b>1.6</b>	<b>10.7</b>	<b>7.9</b>
<b>Balances at 31 July</b>	<b>142.0</b>	<b>24.5</b>	<b>166.5</b>	<b>155.8</b>
<b>Represented by:</b>				
Capital	122.1	21.2	<b>143.3</b>	134.2
Accumulated income	19.9	3.3	<b>23.2</b>	21.6
	<b>142.0</b>	<b>24.5</b>	<b>166.5</b>	<b>155.8</b>
<b>Analysis by type of purpose:</b>				
Chairs	60.8	-	<b>60.8</b>	59.5
Scholarships and Fellowships	41.7	7.4	<b>49.1</b>	44.3
Prizes	5.2	0.3	<b>5.5</b>	4.9
Lectureships	7.5	7.4	<b>14.9</b>	13.8
Bequests	19.5	8.2	<b>27.7</b>	25.6
Other	7.3	1.2	<b>8.5</b>	7.7
	<b>142.0</b>	<b>24.5</b>	<b>166.5</b>	<b>155.8</b>

		2017	2016
		Total	Total
		£m	£m
Analysis by asset	Current and non-current asset investments	159.8	141.6
	Cash and cash equivalents	6.7	14.2
		<b>166.5</b>	<b>155.8</b>

#### Deficit balances

There were no accumulated income balances in deficit at 31 July 2017 (2016 - none).

24 Cash and cash equivalents	At 1 August	Cash	At 31 July
	2016	flows	2017
	£m	£m	£m
Consolidated	53.8	12.6	66.4

#### 25 Capital and other commitments

Provision has not been made for the following capital commitments at 31 July 2017 and 31 July 2016:

	31 July 2017		31 July 2016	
	Consolidated	University	Consolidated	University
	£m	£m	£m	£m
Commitments contracted for	111.6	110.9	143.6	141.4

#### 26 Contingent liabilities

The University has given written undertakings to support the subsidiary companies and the Sensor City joint venture for twelve months from the date of approval of these financial statements.

#### 27 Lease obligations University and Consolidated

Total rentals payable under operating leases:

	Land and buildings	Plant and machinery	31 July 2017	31 July 2016
	£m	£m	£m	£m
<b>Payable during the year</b>	<b>4.8</b>	<b>0.8</b>	<b>5.6</b>	<b>3.7</b>
Future minimum lease payments due:				
Not later than 1 year	5.9	-	5.9	5.5
Later than 1 year and not later than 5 years	23.5	-	23.5	23.5
Later than 5 years	54.6	-	54.6	60.8
<b>Total lease payments due</b>	<b>84.0</b>	<b>-</b>	<b>84.0</b>	<b>89.8</b>

**28 Events after the reporting period University and Consolidated**

No events after the reporting period have had a material effect on the financial statements.

**29 Subsidiary undertakings**

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

Company	Principal Activity	Ownership	Status
University of Liverpool Energy Company Ltd	Provision of energy supplies to the University	100% owned	Active
University of Liverpool Construction Company Ltd	Provision of construction service to the University	100% owned	Active
ULCCO (Special Projects) Ltd	Provision of construction service to the University	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
UOLM Sdn Bhd		100% owned	Dormant
Tandem Nano Ltd		100% owned	Dormant
Nidor Diagnostics Ltd		100% owned	Dormant

The University'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.

**30 Pension schemes**

University staff are eligible to join two main pension schemes:

- Universities Superannuation Scheme (USS)
- University of Liverpool Pension Fund (ULPF)

Due to their contractual arrangements certain staff are also eligible to join the National Health Service Pension Scheme.

The total pension cost for the University was:

	Year Ended 31 July 2017 £m	Year Ended 31 July 2016 £m
USS (including movement on provision - see note 8)	22.1	25.8
ULPF	6.3	6.4
Other pension schemes	1.8	1.7
	<b>30.2</b>	<b>33.9</b>

**(i) The Universities Superannuation Scheme**

The institution participates in the Universities Superannuation Scheme (the scheme). With effect from 1 October 2016, the scheme changed from a defined benefit only pension scheme to 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. 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 the actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. As required by Section 28 of FRS 102 "Employee benefits", the institution therefore accounts for the scheme as if it were a wholly defined contribution scheme. As a result, the amount charged to the Consolidated Statement of Comprehensive Income and Expenditure represents the contributions payable to the scheme. Since the institution has entered into an agreement (the Recovery Plan) that determines how each 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) and therefore an expense is recognised.

### Pension Costs

The total cost charged to the Consolidated Statement of Comprehensive Income and Expenditure is £22.1m (2016: £25.8m) as shown in note 8.

The latest available full actuarial valuation of the scheme was at March 2014 (the valuation date), which was carried out using the projected unit method. The valuation as at 31 March 2017 is underway.

Since the institution cannot identify its share of scheme assets and liabilities, the following disclosures reflect those relevant for the scheme as a whole.

The 2014 valuation was the third valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £41.6 billion and the value of the scheme's technical provisions was £46.9 billion indicating a shortfall of £5.3 billion. The assets therefore were sufficient to cover 89% of the benefits which had accrued to members after allowing for expected future increases in earnings.

Defined benefit liability numbers for the scheme have been produced using the following assumptions:

	2017	2016
Discount rate	2.57%	3.60%
Pensionable salary growth	n/a	n/a
Pensions increases (CPI)	2.41%	2.20%

The main demographic assumption used relates to the mortality assumptions. Mortality in retirement is assumed to be in line with the Continuous Mortality Investigation's (CMI) S1NA tables as follows:

Male members' mortality	98% of S1NA ["light"] YoB tables - no age rating
Female members' mortality	99% of S1NA ["light"] YoB tables - rated down 1 year

Use of these mortality tables reasonably reflects the actual USS experience. To allow for further improvements in mortality rates the CMI 2014 projections with a 1.5% pa long term rate were also adopted. The current life expectancies on retirement at age of 65 are:

	2017	2016
Males currently aged 65 (years)	24.4	24.3
Females currently aged 65 (years)	26.6	26.5
Males currently aged 45 (years)	26.5	26.4
Females currently aged 45 (years)	29.0	28.8
	2017	2016
Scheme assets	£60.0bn	£49.8bn
Total scheme liabilities	£77.5bn	£58.3bn
FRS102 total scheme deficit	£17.5bn	£8.5bn
FRS102 total funding level	77%	85%



**(ii) 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 2015 and updated to 31 July 2017 by a qualified actuary, independent of the scheme's sponsoring employer. The major assumptions used by the actuary are shown below.

The most recent actuarial valuation showed a surplus of £37.3m. In accordance with the actuarial valuation, the University of Liverpool agreed with the trustees that it will pay 13.4% of pensionable earnings in respect of the cost of accruing benefits, increasing to 16.0% with effect from 1 August 2016. This rate includes a 2% (1.6% from 1 August 2016) allowance for the costs of insurance premiums for death in service benefits and management and administration expenses. In addition, the University will meet the costs of levies to the Pension Protection Fund. Member contributions are payable in addition at the rate of 7.5% of earnings for final salary members and 6.5% of earnings for CARE members.

**Assumptions**

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

	<b>At 31 July 2017</b>	At 31 July 2016
	%pa	%pa
Price Inflation (RPI)	<b>3.40</b>	3.00
Price Inflation (CPI)	<b>2.50</b>	2.10
Rate of increase in salaries	<b>2.50 (plus promotional salary scale)</b>	3.00 (plus promotional salary scale)
Discount rate	<b>2.60</b>	2.40
Allowance for revaluation of CARE benefit (for service for new joiners after 1 August 2011)	<b>2.50</b>	2.10
Allowance for revaluation of deferred pensions of CPI or 5% p. a. if less	<b>2.50</b>	2.10
Allowance for revaluation of deferred pensions of CPI or 2.5% p. a. if less	<b>2.50</b>	2.10
Allowance for pension in payment increases of CPI or 5% p. a. if less	<b>2.50</b>	2.20
Allowance for pension in payment increases of RPI or 2.5% p. a. if less	<b>2.20</b>	2.00
Allowance for pension in payment increases of CPI or 2.5% p. a. if less	<b>1.80</b>	1.70
Allowance for commutation of pension cash at retirement	<b>80% of members commute 25% for cash at retirement</b>	80% of members commute 25% for cash at retirement

The mortality assumptions adopted at 31 July 2017 imply the following life expectancies:

	Life expectancy at age 60 (years)
Male retiring in 2017	24.2
Female retiring in 2017	26.2
Male retiring in 2037	26.1
Female retiring in 2037	28.2

The best estimate of contributions to be paid by the University of Liverpool to the scheme for the year commencing 1 August 2017 is £6.3m.

**Scheme assets and expected rate of return for ULPF**

The assets in the scheme were:

	<b>Fair value as at 31 July 2017 £m</b>	Fair value as at 31 July 2016 £m	Fair value as at 31 July 2015 £m
Equities	<b>322.9</b>	275.9	253.2
Bonds	<b>87.8</b>	85.5	78.8
Property	<b>29.4</b>	18.7	12.3
Cash	<b>(1.7)</b>	(0.8)	(0.5)
<b>Total</b>	<b>438.4</b>	379.3	343.8

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

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

	<b>Year Ended 31 July 2017 £m</b>	Year Ended 31 July 2016 £m
Fair value of scheme assets	<b>438.4</b>	379.3
Present value of defined benefit obligation	<b>(365.8)</b>	(375.7)
Surplus in scheme	<b>72.6</b>	3.6
Unrecognised surplus	<b>(72.6)</b>	(3.6)
Defined benefit asset to be recognised	-	-

Under section 28.22 (Employee Benefits - Defined benefit plan asset) of FRS 102 the University does not recognise the surplus of the scheme as it is unable to recover the surplus through reduced contributions in the future or through refunds from the plan.

The Trust Deed provides for the University 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 University. As a result the University has determined that it has an unconditional right to a refund on wind-up. However, the Trust Deed also provides for the Fund Trustees to transfer annuity policies into individual members' names without requiring the University's consent. Due to the existence of those Fund Trustees rights, the University considers it appropriate to not recognise the surplus within the financial statements in respect of the Pension Fund. As a result the information below is for disclosure purposes only and is not recognised within the financial statements.

	<b>Year Ended 31 July 2017 £m</b>	Year Ended 31 July 2016 £m
Analysis of movement in the present value of ULPF liabilities		
Present value of ULPF liabilities at the start of the year	<b>375.7</b>	319.7
Current service cost	<b>10.1</b>	10.0
Expenses	<b>0.8</b>	0.6
Interest expense	<b>9.0</b>	11.5
Contributions by plan participants	<b>2.8</b>	2.8
Actuarial (gains)/losses	<b>(20.0)</b>	44.4
Benefits paid/expenses	<b>(12.6)</b>	(13.3)
<b>Present value of ULPF liabilities at the end of the year</b>	<b>365.8</b>	375.7

**Analysis of movement in the fair value of scheme assets**

	<b>Year Ended 31 July 2017 £m</b>	Year Ended 31 July 2016 £m
Fair value of assets at the start of the year	<b>379.3</b>	343.8
Interest income	<b>9.1</b>	12.3
Actuarial gains	<b>53.5</b>	28.6
Contributions by the University	<b>6.3</b>	5.1
Contributions by plan participants	<b>2.8</b>	2.8
Benefits paid and expenses	<b>(12.6)</b>	(13.3)
<b>Fair value of scheme assets at the end of the year</b>	<b>438.4</b>	379.3

The actual return on the scheme assets over the period ended 31 July 2017 was £62.6m (2016 - £40.9m).

**Analysis of movement in surplus for ULPF****Surplus at the beginning of the year (unrecognised)**

	<b>As at 31 July 2017 £m</b>	As at 31 July 2016 £m
Contributions or benefits paid by the University	<b>6.3</b>	5.1
Current service cost	<b>(10.1)</b>	(10.0)
Expenses	<b>(0.8)</b>	(0.6)
Actuarial gain/(loss)	<b>73.5</b>	(15.8)
Net interest	<b>0.1</b>	0.8
<b>Surplus at end of year (unrecognised)</b>	<b>72.6</b>	3.6

As the surplus is unrecognised no amounts have been recognised in the Consolidated Statement of Comprehensive Income and Expenditure.

**31 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 scheme provided by USS 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 University has recognised a provision of £52.1m 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 University 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. The University therefore considers that whilst there is a degree of uncertainty in the liability calculation these will not be materially different from the actual amounts recognised over the period of the recovery plan.

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 2017 the assumption values were as follows:

Discount rate	1.91%
Salary growth	3.6% 2018, 3.9% thereafter
Member growth	3.5% 2018, 1.0% 2019, 0.5% 2020, 1% thereafter

The table below indicates the sensitivity of the provision calculation to a 0.5% increase and decrease in each assumption parameter whilst holding the other parameters fixed.

		As at 31 July 2017		As at 31 July 2016	
		Revised provision	Difference to	Revised provision	Difference to
		value	provision recognised	value	provision recognised
		£m	£m	£m	£m
Discount rate	-0.50%	54.1	2.0	57.0	2.3
	0.50%	50.2	(1.9)	52.5	(2.2)
Salary growth	-0.50%	50.2	(1.9)	52.4	(2.3)
	0.50%	54.1	2.0	56.8	2.1
Member growth	-0.50%	50.2	(1.9)	52.4	(2.3)
	0.50%	54.2	2.1	56.9	2.2

The above highlights the sensitivity of the provision calculation each of the variables.

#### Bad debt provision

The recoverability of debtor balances is an area of uncertainty. Following a review of recoverability of older debt balances, the basis for the provision has been amended from debt greater than 180 days to debt greater than 365 days. 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. The bad debt provision at 31 July 2017 is £2.1m (2016: £6.8m). The University deems the provision to be adequate based on the aged profile of debt and the nature of the underlying discussions around recovery.

**32 Related parties**

Due to the nature of the University's operations and the composition of its Council (being drawn from local public and private sector organisations) and Senior Executive Group, it is inevitable that transactions will take place with organisations in which a member of Council or the Senior Executive Group may have an interest. All such transactions are conducted at arm's length and in accordance with the University's financial regulations and normal procurement procedures. The University 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 with related parties:

	Income	Expenditure	Balances at 31.7.17 due to/(from) the University
	£m	£m	£m
<b>Professor Janet Beer</b>			
Member of Board of Trustees, British Council	-	0.1	-
Director of the Board, The Russell Group of Universities	-	0.1	-
Member of Board, UCAS	-	0.2	-
Vice-Chair of Board, Xi'an Jiaotong-Liverpool University	0.2	-	0.2
Vice-President, England and NI and Member of Board, Universities UK (UUK)	-	0.1	-
Director, Sensor City Liverpool Ltd	0.1	1.0	0.1
<b>Mr Patrick Hackett</b>			
Director, University of Liverpool Pension Fund (ULPF)	0.3	6.3	0.2
Director, Xi'an Jiaotong-Liverpool University	0.2	-	0.2
Director, Sensor City Liverpool Ltd	0.2	1.0	0.1
<b>Mrs Carol Costello</b>			
Member, Board of Trustees, University of Liverpool Pension Fund (ULPF)	0.3	6.3	0.2
<b>Mr Graham Pollard</b>			
Governor, Cheshire & Wirral Partnership NHS Foundation Trust (April 2016)	0.2	-	-
<b>Mr Kevan Ryan</b>			
Non-Executive Director, Aintree University Hospital NHS Foundation Trust	1.8	0.2	0.4
<b>Mr Steve Smith</b>			
University appointed Trustee of Liverpool College	0.2	-	-
<b>The Earl of Derby DL</b>			
President, Liverpool College	0.2	-	-
<b>Mr Sean Turner</b>			
President, Guild of Students	2.9	4.4	0.3



## Nature of transactions

### Xi'an Jiaotong-Liverpool University

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

### Sensor City Liverpool Ltd

The majority of income from Sensor City Liverpool Ltd relates to recharges of invoices for clerk of works services. Expenditure paid to Sensor City Liverpool Ltd was in accordance with the Joint Venture Agreement funding of Sensor City Liverpool Limited.

### 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 University to the Fund. The expenditure relates to employer contributions payable during the year in respect of Fund members.

### Cheshire & Wirral Partnership NHS Foundation Trust (April 2016)

The majority of income from Cheshire & Wirral Partnership NHS Foundation Trust (April 2016) relates to salary recharges.

### Aintree University Hospital NHS Foundation Trust

The majority of income from Aintree University Hospital NHS Foundation Trust 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 College

The majority of income from Liverpool College is for accommodation fees. Expenditure relates to supplier invoices processed through the accounts payable system and payable in the normal course of business.

### University of 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 University, who contribute to the Union's running costs. The President of the Guild of Students is an ex-officio member of the Council.

### Other related parties

The expenditure to the British Council, The Russell Group of Universities, UCAS and Universities UK (UUK) relates to supplier invoices processed through the accounts payable system and payable in the normal course of business.

## 33 Trustees expenses

Expenses of £4,232.44 were paid to Trustees during the year.

There were no payments made for serving as a Trustee.

There were no payments made for services provided by a Trustee.

## 34 Financial instruments

### Risk management

The University 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 Resource 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 University'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 University's operations. Additionally, the University 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 University.

The University'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 2017, the maximum exposure is represented by the carrying value of each financial asset in the balance sheet.

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 University'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 University 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 3 year planning process and are revised during the financial year when 2 re-forecasts are made. The University 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 University 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 University 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 reviewed the credit rating of the bond in June 2016, which remained unchanged at Aa2 but the outlook revised to negative. Please see note 21 for maturity profile of all borrowings.

**Foreign currency risk**

Foreign currency risk refers to the risk that unfavourable movement in exchange rates may cause financial loss to the University. The University's principal foreign currency exposure is to the euro. On an annual basis after satisfying euro denominated liabilities the University 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 University's main financing relates to 40 year £250m bonds. The interest rate attached to the bond is fixed over the term. Due to the low interest rate environment most of the University cash deposits at the 31 July 2017 are on-call as these offer competitive rates of return whilst offering liquidity. Such deposits have limited re-investment risk.

**Financial instruments – fair values**

The fair values of each category of the University's financial instruments are the same as their carrying value in the balance sheet, other than as noted below:

	<b>2017 Carrying value net of charges £m</b>	<b>2017 Fair value £m</b>	2016 Carrying value net of charges £m	2016 Fair value £m
3.375%, unsecured bonds due 2055	<b>(244.8)</b>	<b>(315.3)</b>	(244.7)	(342.8)
Bond investment portfolio	<b>15.1</b>	<b>15.3</b>	35.0	35.5

The unsecured bond is listed on the London Stock Exchange, therefore, categorised as level 1 under the requirements of FRS 29 (IFRS 7) and valued using a quoted ask price as at 31 July 2017 in compliance with FRS 26 (IAS 39). The fair value of the bond is its market value at the balance sheet date. Market value includes accrued interest and changes in credit risk and interest rate risk, and is therefore different to the reported carrying amounts.

The bond investment portfolio is managed by an external fund manager and was set up to invest surplus cash following the public bond issue. The bonds within the portfolio are held at amortised cost in line with FRS 102 section 11 ('Basic Financial Instruments') which is marginally different from the fair value.



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For further information please contact:

**[mcteam@liverpool.ac.uk](mailto:mcteam@liverpool.ac.uk)**