UNIVERSITY OF LIVERPOOL

Review of the year and financial statements 2017/18

Contents

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**

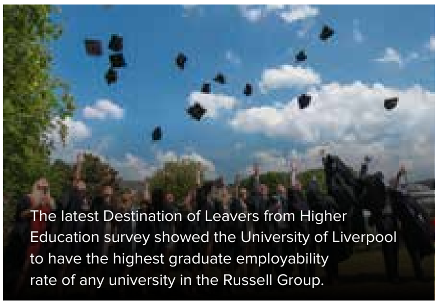
Names	**Membership of key committees**
President The Earl of Derby, DL	1,2,3
Vice-President Mr Christopher Graham, BA	1,2,3
Ex Officio Members	
Pro-Chancellor Vacant	1,3
Vice-Chancellor Professor Dame Janet Beer, BA, MA, PhD	1,2,3
Three of the Deputy Vice-Chancellors, Pro-Vice-Chancellors or Chief Operating Officer	
Mr Patrick Hackett, BArch (until 30 August 2018)	1
Professor Gavin Brown, BSc, PhD	1
Professor Anthony Hollander, BSc, PhD	1
Mrs Jenny Tucker, BSc, DipBS (from 11 June 2018)	1
President of the Guild of Students	
Mr Sean Turner (until 31 July 2018)	2
Mr Rory Hughes (from 1 August 2018)	2
Lay Officers	
Dr Andrew Scott, MA, DPhil	4
Lay Members appointed by the Council	
Mrs Carmel Booth, BA, FCA	2, 4
Mr Sam Butler, BA, PgDip, MSc	
Mr Ed Fishwick, BA	
Dr Paul Johnson, BSc, PhD	3
Ms Helen Miller (from 1 October 2018)	
Dame Lorna Muirhead, DBE, CStJ, SRN, SCM, MTD, FRCM, FRCOG, FJMU, Hon LLD (until 30 September 2018)	
Dr Roger Platt, BSc, PhD, MA, PhD	4
Mrs Abila Pointing, MBE, DL, MA	1
Mrs Patricia Young, BA	
Members of the Senate (three appointed by the Council and one elected from and by Senate's elected membership)	
Professor Fiona Beveridge, LLB, MPhil (until 31 July 2018)	2
Professor Susan Dawson, BVMS, PhD, MRCVS	
Professor Bruce Gibson, MA, DPhil (from 18 September 2017)	
Professor Ronan McGrath, BA, PhD, FInstP (until 18 April 2018)	
Clerk to Council	
Dr Alison Fairclough, BSc, PhD	

Council members are the University's Charitable Trustees.
A request has been submitted to the Privy Council to revise Council's constitution (as detailed on page 34)

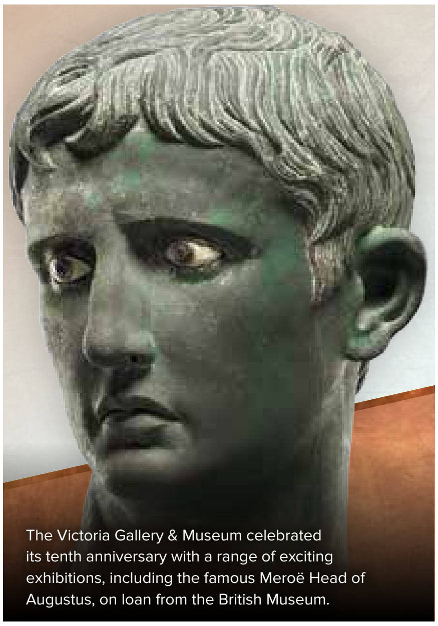
HIGHLIGHTS OF THE YEAR

A major new study showed that rotavirus vaccination reduced infant diarrhoea deaths by one-third in rural Malawi. This provides the first population-level evidence from a low-income country that rotavirus vaccination saves lives.

The University is leading on a major new collaborative £4.7 million project to develop a Zika virus vaccine that is suitable for use in pregnancy.



The latest Destination of Leavers from Higher Education survey showed the University of Liverpool to have the highest graduate employability rate of any university in the Russell Group.



The Victoria Gallery & Museum celebrated its tenth anniversary with a range of exciting exhibitions, including the famous Meroë Head of Augustus, on loan from the British Museum.

The University's Institute of Irish Studies announced the joint patronage of The Prince of Wales and the President of Ireland, HE Michael D. Higgins.

The University's expertise in data science was recognised with a double success in the Engineering and Physical Sciences Research Council's "New Approaches to Data Science" funding call.

LIVERPOOL 2018

The University has been supporting Liverpool's 2018 Capital of Culture anniversary as official education partner in the celebrations.

Vice-Chancellor, Professor Dame Janet Beer, was recognised with a Damehood for her services to higher education and equality and diversity in the New Year's Honours list.

The University received approval from the Department of Education to establish a specialist maths school – the only one of its kind in the north of England - for the most able young mathematicians in the Liverpool City Region.

The University has seen a nine place rise in the QS World Rankings to 164th in the world and has been awarded a Silver rating in the Teaching Excellence and Student Outcomes Framework.

Secretary of State for Business, Energy and Industrial Strategy, Greg Clark, officially opened Liverpool's new centre for sensor technology development, Sensor City.

Liverpool City Region Combined Authority agreed to £5 million funding to enable the creation of the Digital Innovation Facility, a new Centre of Excellence in simulation and virtual reality.

The IntoUniversity North Liverpool centre in Anfield, a new learning centre which will support children and young people in North Liverpool to improve their educational attainment, was officially opened.

The Department of Molecular and Clinical Pharmacology was honoured with a Queen s Anniversary Prize in recognition of its work to improve the safety and effectiveness of medicines.

It has been another busy and successful year at the University of Liverpool with a range of significant achievements across the full breadth of our activities.

The University s Strategy 2026 sets out clear ambitions to build on our strengths in both teaching and research and we ultimately aim to rank amongst the top 100 universities worldwide. This year has seen us make great progress against these ambitions, with improvements enabled by our teaching and research strategies and realised by the hard work of our staff, resulting in a nine place rise in the QS World Rankings to 164th in the world.

In teaching we have seen our disappointing Bronze award in last year s Teaching Excellence Framework improve to a Silver although, of course, we are aiming for a Gold over the coming years. In addition, the latest graduate employability data places us first in the Russell Group for UK undergraduates in employment or further study six months after graduation. This has been a real area of focus for the University over the last twelve months in particular and I am delighted by the improvement we have seen in outcomes for our students.

We have also seen a number of research successes. In December, our Department of Molecular and Clinical Pharmacology was honoured with a Queen s Anniversary Prize in recognition of its world leading work to improve the safety and effectiveness of medicines. The University has also enjoyed a number of funding successes. We will be leading a major new £4.7 million project to develop a Zika vaccine that is suitable for use during pregnancy. Meanwhile we celebrated double funding success in the Engineering and Physical Sciences Research Council s New Approaches to Data Science funding call with Liverpool leading a £4 million research project and collaborating on a second project.

This year has also been an important one for the City of Liverpool, as it celebrates the ten year anniversary of the European Capital of Culture. The University is the official education partner of the celebrations and our Liverpool Literary Festival in October formed part of the year s calendar of events.

We have also deepened our educational commitment to the City Region in two particularly significant ways this year. Firstly through opening IntoUniversity North Liverpool in partnership with educational charity, IntoUniversity and the Liverpool Football Club Foundation. This centre aims to support up to 1,000 children and young people in Anfield and the surrounding areas of Liverpool each year to do better at school and believe in their ability to study at university. In addition, in July we announced plans to open the first specialist Mathematics College in the North of England which will give 80 talented A Level pupils per year the chance to study Maths, Further Maths and Physics at an advanced level. The College will also work in partnership with local schools to raise aspirations and attainment levels in mathematics across the region and encourage more girls to study maths at an advanced level.

Vice Chancellor,
Professor Dame Janet Beer

Janet Beer

FINANCIAL HIGHLIGHTS

Overall turnover

£545.7m

Total income increased by **£22.5m (4%)** to **£545.7m**, despite a **£12.7m** drop in capital income. This reflects strong student recruitment and other non-capital income growth.

Operating surplus

£26.2m

The **operating surplus reduced** by **£17.9m (41%)** to **£26.2m**. This was as expected and mainly due to large specific capital grants received in 2016-17 that uplifted the prior year result.

Tuition fee income

£287.9m

Tuition fee income increased by **£31.4m (12%)** to **£287.9m**. Strong recruitment both home and overseas resulted in **7.2%** student number growth.

Staff investment

£286.3m

Staff costs increased by **£23.2m (9%)** to **£286.3m**. This includes investment in new posts resulting in **204** additional staff FTE, **176** of which were academic staff. **£4.0m** was spent on compensation payments in the year.

Cash generation

£65.7m

Operating cash inflow of **£65.7m** is strong at **12%** of total income. The year on year increase of **£19.6m** is largely due to improved recovery of receivables.

Capital expenditure

£69.9m

Expenditure in the year on capital was **£69.9m**. **£25.0m** related to Residences, largely the Greenbank student accommodation village development. **£28.5m** related to improvements to the academic estate, and **£16.4m** related to 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

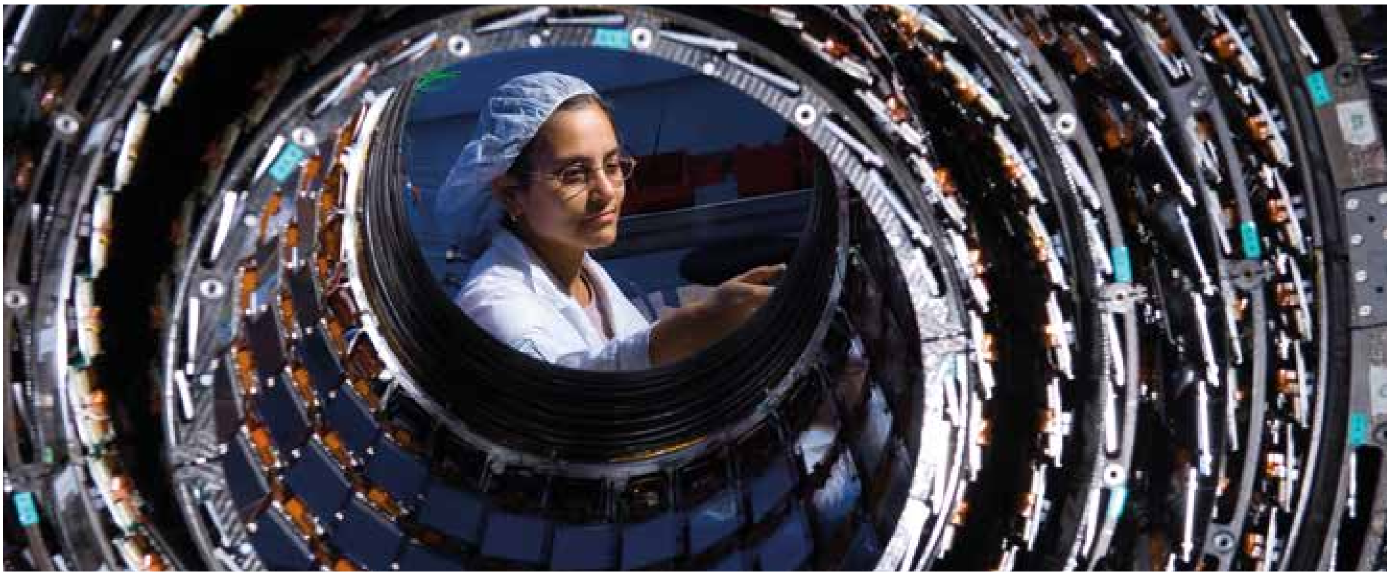
EDUCATIONAL EXPERIENCE:
promote a transformative learning and teaching agenda for advancement of learning and ennoblement of life

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

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

Teaching Excellence

Immense strides have been made this year towards our ambition to deliver excellent teaching for all our students.

University Awarded Silver for Teaching Excellence and Student Outcomes

The University has been awarded a Silver rating in the Teaching Excellence and Student Outcomes Framework (TEF). The Office for Students praised the University for 'excellent' outcomes.

The University was also commended in a number of other areas, including effective student representation; recognition and reward for excellence in teaching; investment in facilities; and the comprehensive range of initiatives relating to employability.

Supporting Staff to Deliver Excellent Teaching

The University held its annual Learning and Teaching Conference, which provides the opportunity to share good practice and to celebrate both the excellent work of colleagues right across the University and the achievements made to date.

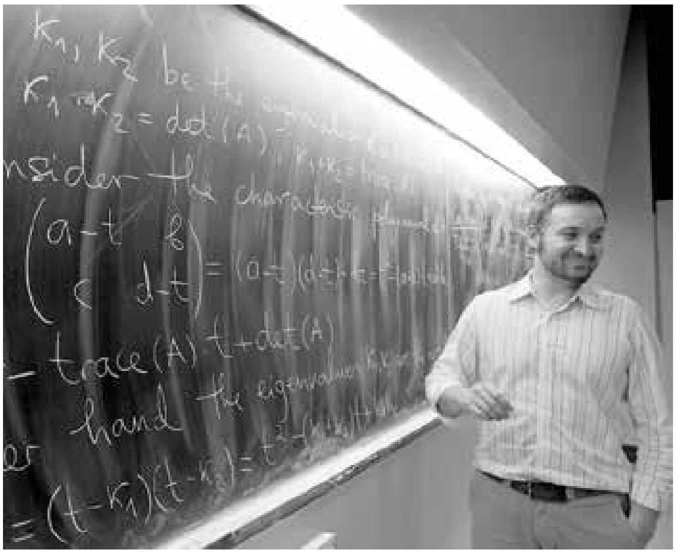
The Pedagogic Research Conference was held in January 2018 with the aim of supporting colleagues in the planning and publication of their pedagogic research.

Teaching, Learning & Academic Support Quality Framework

The University has led the development of a Teaching, Learning & Academic Support Quality Framework (TLASQF) throughout this year. This Framework will encourage colleagues to reflect on and develop their teaching practice, focusing on several core elements, including: student feedback; peer observation; continuing professional development; education leadership; and contribution to academic advice and guidance.

Curriculum 2021

Senate approved the University's new Curriculum 2021 Framework which will help guide a major programme of curriculum review and refresh up to 2021. Strategy 2026 defines three Liverpool Hallmarks that will shape all of our curricula – research-connected teaching, authentic assessment and active learning. The Framework also describes three Graduate Attributes that we expect our students to develop - Confidence, Digital Fluency and Global Citizenship.



Employability and Opportunity

Employability is an important focus of the University's Education Strategy, with a number of new initiatives, such as the Kick Start graduate internship programme, launched in the past twelve months.

Liverpool tops Russell Group for graduate employability

According to the latest Destination of Leavers from Higher Education (DLHE) survey, 96.9% of the University's UK full-time first degree graduates who completed programmes in 2016-17 were either in work or further study six months after graduating in July 2017, up from 94.7% the previous year. This ranks the University first amongst the Russell Group for graduate employability. The proportion of graduates entering highly skilled employment has also increased, rising from 78% in 2015-16 to 85% in 2016-17. Overall the University is now ranked 23rd in the UK, having risen a huge 53 places from 76th last year.

Kick Start Graduate Internship Scheme

Kick Start was designed as a professional development opportunity for Liverpool graduates to gain real, work-based experience to support their progression into the labour market, with a particular focus on those who needed the most support. 100 graduates were successful in gaining an internship and, of those who responded to a follow-up survey, half were in (or about to be in) graduate level employment. A second Kick Start will take place in the 18/19 academic year.

Degree apprenticeships

The University of Liverpool has been accepted onto the Register of Approved Apprenticeship Training Providers (RoATP) which means that the institution is now able to offer Degree Apprenticeship learning programmes at either undergraduate or postgraduate level.

Student Engagement and Experience

National Student Survey

The University has received an overall student satisfaction score of 85% in this year's National Student Survey (NSS), placing it 1.5% above the sector average and 7th in the Russell Group.

KnowHow – starting with the student, not the service

KnowHow is the University of Liverpool's centrally managed face-to-face and online resource for student academic success. This year saw the opening of the KnowHow space and the launch of new online materials. KnowHow workshops offer students the chance to improve their writing, statistics and time management skills, as well as to understand academic integrity and participate in sessions to improve wellbeing.

Learning and Teaching space enhancements

There have been a number of improvements to the teaching facilities across campus through a targeted programme of refurbishment and refresh. A new central lecture hub with state-of-the-art facilities opened September 2018, providing: three new large lecture theatres (for 200-300 people); flexible teaching rooms (for 20-80 people); new PC suites (30 students each); and a collaborative Lecture Theatre (around 72 people).

RESEARCH AND IMPACT

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

The University identified five priorities for research and impact activity during 2017-18:

- Preparing for the forthcoming Research Excellence Framework (2021)
- Engaging with Global Challenges and the Industrial Strategy
- Developing research staff
- Building strategic partnerships
- Refreshing institutional research themes

Highlights

Industrial Strategy

Previous success in the Global Challenges Research Fund and Newton Fund calls (in which the University has been ranked 10th in the UK) prompted a similar institutional approach to calls emerging from the government's Industrial Strategy. Swift and effective responses have ensured that the University has enjoyed considerable success, including in 'Robotics in Extreme Environments', '5G Community Wi-Fi in Health and Social Care' (in collaboration with Sensor City), 'New Approaches to Big Data', and the Faraday Battery Challenge.

China Strategy

The University's China Strategy was launched in September 2017, setting out the institution's approach to increasing its collaborations with some of the best research institutions in China.

Innovative Liverpool

The Science and Innovation audit of the Liverpool City Region reported in September 2017 and evidenced innovative modes of working, including the Materials Innovation Factory, Sensor City and Centre of Excellence in Infectious Diseases Research.

Pathways to partnerships

Recommendations for a University Partnerships plan were approved in January 2018. The plan advances a model for the coordination of the University's engagement with external organisations, ensuring synergy with institutional research themes.

Northern Powerhouse

The Northern Powerhouse welcomed the University as an official partner in June, cementing the University's role as an anchor institution within the local industrial strategy, through technological advancement, international exchange and innovation.

From cradle to chair

Researcher development 'from cradle to chair' has continued, including through the work of the Liverpool Doctoral College, and the University's inaugural Making an Impact week in June.

Researchers from Liverpool and the World Health Organisation published a report highlighting key policies required to address social determinants of health and health inequities.

The AHRC-funded Digital Panopticon project launched an online resource which draws on over four million historical records to follow the lives of criminals convicted at the Old Bailey.

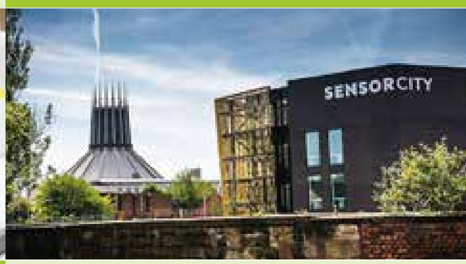
Two University-led projects, both resulting from successful collaboration with partners in India, were shortlisted for the 2017 Newton prize.

A Leverhulme-funded project to evaluate historical and contemporary arguments about lowering the voting age was profiled in the Trust's Annual Report.

The University became a partner in three of the four UK Industrial Strategy Hubs to develop robotics and Artificial Intelligence (AI) for use in extreme environments.

In collaboration with the University of Manchester and the BBC, a citizen science test of thinking style and its relationship with mental health was launched.

The University is leading a £4.7 million project which aims to take two new Zika vaccine candidates through to a clinical trial in humans within the next three years.



Sensor City was awarded £3.5m for a consortium of researchers to investigate the opportunities of 5G community Wi-Fi in health and social care.

The University received more than £3 million from the EPSRC for two interdisciplinary projects in advanced materials and novel means of drug delivery.

A new student journal, Insider Imprint, which is run by PhD students to publish content authored by undergraduate and Master's students, celebrated its launch.

A Centre of Excellence for Sustainable Food Systems to address alleviation of hunger, adoption of healthy diets and sustainable production of food was established.

The Faculty of Humanities and Social Sciences introduced a Tenure Track Fellowship scheme to recruit and nurture a new generation of outstanding and ambitious academic leaders.

PROFESSIONAL SERVICES

In June 2018, the University held the first One Professional Service Conference. The two-day event brought together 1,500 Professional Services staff from across the University to celebrate the huge progress made, share best practice and promote further collaboration. The One PS conference involved sessions with senior academics to help staff gain a more comprehensive understanding of how Professional Services staff contribute to Strategy 2026 by supporting the Education and Research and Impact agendas.

People

The University strives to offer targeted, high-quality professional development opportunities to staff across all levels and roles. To this end the Leadership, Organisational, Staff and Academic Development Academy was established in August 2017. The Academy's mission is to promote and enable excellence through the strategic development of the University's people and practices. This work encompasses initiatives, projects and accredited programmes, aimed at enhancing leadership, management, education, research and professionalism across all aspects of University practice. One such activity is the Academy-designed 'Liverpool Professional Programme' which was launched in September 2018, a new opportunity for Professional Services staff to continue their development and gain recognition for their efforts.

400 members of staff participated in Making an Impact Week in June 2018, which involved high quality development activities designed to help transform skills, knowledge and expertise.

In 2018, the University became a signatory to the national Technician Commitment which is focused on enhancing visibility, recognition, career development and sustainability for technical roles. Liverpool's engagement with the Commitment is already paying dividends, drawing together a community of practice from across our diverse technical roles, establishing a Technician's Network and positively contributing to our research and teaching environment.

Staff and student wellbeing across all our campuses continues to be a priority and, in 2018, the University held its third Wellbeing Week under the theme of 5 Ways to Wellbeing endorsed by the NHS: connect, be active, keep learning, give to others, and be mindful. The week included over 80 different events which saw over 6,000 online registrations. A particular highlight was the 5k campus run, which over 300 staff and students completed.

The University is committed to equality and diversity for all staff and students. This year saw further progress made in our commitment to the Athena SWAN charter, with the creation of a Professional Services Self-Assessment Team to ensure that all areas of the organisation are part of the important work on gender equality.

Estates and IT

Investment in the Estate continues to be a priority for the University to support student and staff experience. A new Teaching Hub opened for the 2018/19 academic year, providing more than 1,200 students at any one time with a state-of-the-art educational environment across three lecture theatres, alongside flexible study spaces. The University's focus on refurbishment has delivered a further 12 teaching rooms and one lecture theatre in 2017/18. In addition, significant improvements have been delivered to provide contemporary practice, with sound and recording facilities for music programmes and student workshop facilities for architecture.

Investment in student halls has been hugely successful, with satisfaction with student accommodation now at 98%. Phase one of the redevelopment of Greenbank Student Village has delivered 650 rooms within a state-of-the-art student community and phase 2 is set to open in September 2019.

The University has continued to invest in IT infrastructure. The student records system is undergoing an end-to-end review and upgrade. This will improve the efficiency and accuracy of student records along the institutional reporting capability, facilitating better support for students' welfare.


Greenbank Student Village

Reputation

The University of Liverpool is consistently ranked in the top 200 universities in the world, and performance in domestic league tables has been improving; in 2017/18 the University moved up ten ranking places in the Guardian University League Table and up five places in the Complete University Guide.

The University has also been awarded a Silver rating in the Teaching Excellence and Student Outcomes Framework.

Strategic Change

The Strategic Change Programme is central to achieving the University's Strategy 2026 vision to be a world top 100 university. Agreed by the Senior Executive Group, the Programme is a portfolio of projects designed to bring about a real step-change in organisational performance across areas such as education; the student experience; research and innovation; and global reach and reputation. The evolution of the Strategic Change Programme during 2017/18 reflects the scale and pace of change taking place across the institution.

In 2018, the Strategic Change Team was established to oversee this Programme and ensure consistent governance in the planning, delivery and evaluation of approved projects. The Team is also working to engage staff and students in delivering effective and lasting change, as well as fostering collaborative working practices across the institution, which facilitate cultural change and ensure business excellence.

REGIONAL IMPACT

The University of Liverpool plays an important role in the City Region across the full breadth of its activities – from education to research and the wider economic benefits.

Education

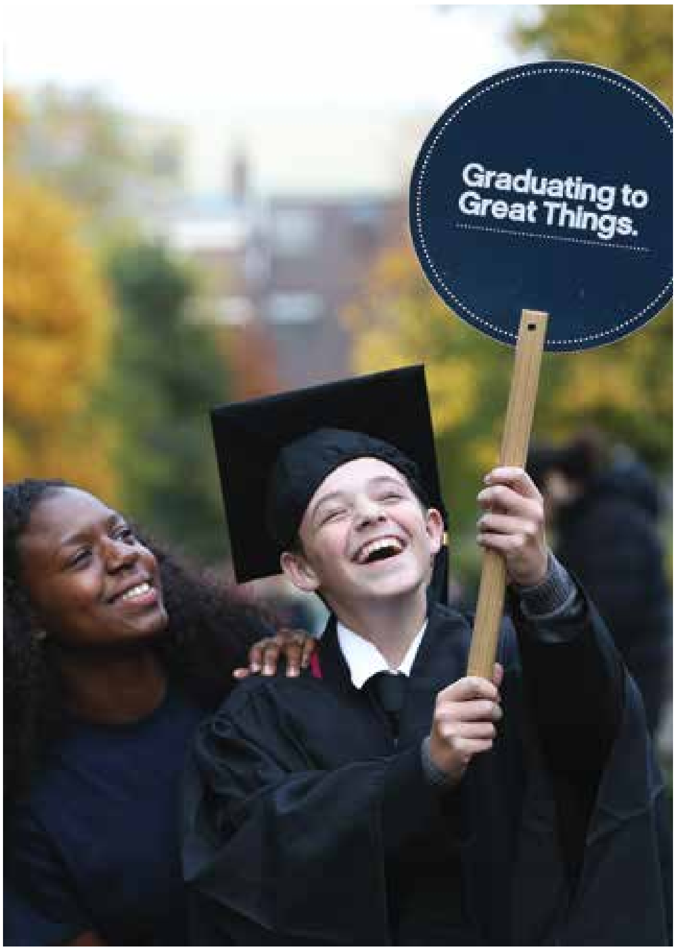
The University plays an important role in raising the aspirations of school pupils across Liverpool. The institution undertakes a wide range of widening participation activities and more information on these can be found in the Public Benefit section.

Specialist Maths school

This year the University has received approval from the Department of Education to establish a specialist maths school which will provide world-leading maths education for young people from all backgrounds who have a passion for mathematics. This will be the only school of its kind in the north of England and will be a hub for the most able young mathematicians in the Liverpool City Region.

In partnership with local schools, the School will work to raise aspirations and attainment levels in mathematics across the North West and provide professional development programmes for maths teachers throughout the region. A key aspect of the School's work will be to support outreach work with a focus on students from disadvantaged backgrounds.

The School will also seek to address the gender imbalance that exists in the study of further mathematics and will work with employers in the region to establish partnerships, giving pupils the chance to gain business experience and the opportunity to see how their skills will support their future career choices.



Research and business development

Digital Innovation Facility

In July 2018 Liverpool City Region Combined Authority agreed to provide £5 million funding from its Single Investment Fund for a new University development – the Digital Innovation Facility (DIF) - which is expected to create more than 400 jobs.

The DIF, which will be based in Liverpool's Knowledge Quarter, will be a Centre of Excellence in simulation and virtual reality, bringing together complementary areas of research of computer science, robotics, and engineering in which the University has world-class capabilities and enabling engagement with businesses to promote innovation.

It will involve construction of a new 1,530 sq m facility, scheduled to open in late 2020, that will enable collaborative Research & Development and the ability to foster and grow businesses, linked to the exploitation of Digital Technologies. The DIF will focus on three particular priority sectors where the Liverpool City Region has competitive advantage, namely advanced manufacturing and engineering, low carbon energy, and digital industries, as well as other significant growth sectors including health.

Through collaboration between business and academia, the DIF is forecast to create approximately 400 jobs over a ten-year period, while boosting the city region economy by £44.5 million.

LCR 4.0 and the Virtual Engineering Centre

LCR 4.0 (which creates a collaborative community that connects SMEs to expertise and support from key knowledge assets in the region) and the Virtual Engineering Centre (VEC) continue to work collaboratively with small and large companies across many sectors to improve business performance and competitiveness.

As an example, in February 2018, a Liverpool-based biometric security firm, Human Recognition Systems, reported that by working with LCR 4.0 through the VEC, it had reduced the component costs of one of its core products by 20 per cent. This is predicted to save the business £130,000 over the next two years.

Economic benefits

Last 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.

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 with 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 between 2011/12 and 2016/17.

INTERNATIONAL OUTLOOK

The University of Liverpool has ambitions to be a distinctive, global University at the forefront of knowledge leadership. Against a backdrop of uncertainty over the impact of Brexit, the University continues to extend its global reach and international reputation, building on an established international brand for excellent research and teaching.

World rankings

The University rose nine places, from 173 to 164, in the QS World University Rankings 2019. The QS World University Rankings is an annual league table based on four elements: research, teaching, employability and internationalisation. In the latest ranking, the University has seen particular improvements in the academic and employer reputation indicators. The University rose 31 places to 191 for academic reputation, and 15 places to 244 for employer reputation.


XJTLU campus in Suzhou, China

International partnerships

Xi'an Jiaotong-Liverpool University

Xi'an Jiaotong-Liverpool University (XJTLU), the University's joint venture institution in Suzhou, China continues to flourish and, in February 2018, a second campus in Taicang was announced.

The new campus will mirror aspects of XJTLU's existing provision, offering a high calibre, international higher education experience with the opportunity to study both in China and in the United Kingdom. It is proposed that the campus will open in 2020 and it is anticipated to grow to a community of 6,000 students by 2025.

The campus will also enable new and innovative links to be formed between XJTLU, industry and the local community in Taicang, supporting sustainable development and providing opportunities for students to spend time working with and within the city's expanding industrial base. A key focus will be to develop graduates in science and technology with expertise in AI and robotics who will go on to lead new industries.

Internationalising our research

Official Development Assistance

Since 2015 the UK government, as part of its international aid (Official Development Assistance, ODA), has provided funding for research which benefits low and middle income countries. The University has supported researchers to develop proposals to deliver impact in ODA countries and has secured over £29 million.

Projects include: one health capability building in the horn of Africa; developing community-led strategies to combat modern slavery in West and Central Africa; developing anticoagulation services for cardiovascular disease in Uganda and South Africa; producing clean energy through hydrogen-fuelled vehicles in China; and working with the Yazidi people to preserve their heritage and identity.

Global challenges research strategy

A strategy has been developed for global challenges research with five objectives:

- **to deliver impact at scale in the developing world by securing funding;**
- **to build research capacity and capability in the developing world;**
- **to communicate the insititution's role in delivering impact in the developing world;**
- **to broaden our portfolio of international partnerships; and**
- **to build research capability and increase the international dimension of our research environment.**

The strategy has successfully unlocked Research England funding of £1 million per year for the next three years (2018/19-2020/21). This will enable Liverpool to develop its research environment and infrastructure to address global challenges.

International recruitment

Undergraduate

The University is the second largest recruiter of new international undergraduate students in the sector (data source, HESA 2016/17), primarily as a result of recruitment partnerships with XJTLU, Liverpool International College (LIC) and Malaysian Law transfer partners.

To further develop recruitment of overseas students, the International Recruitment team visits the top 20 countries for outwardly mobile students, and promotes the entire University of Liverpool portfolio to students and their supporters in these countries. The team nurtures relationships with in-country contacts including students, parents, agents, schools, feeder colleges and commercial/governmental sponsoring organisations.

For entry 2018 over 40 separate overseas recruitment visits took place and outreach activities have been aided by two representative offices in Beijing and Singapore which have allowed regional coverage of East and South East Asia. A third representative office is under development in Nigeria to assist West African recruitment. In addition, academics have supported international recruitment activity, which has been built into existing schedules when travelling abroad.

Recruitment activity is also supported through a wide range of communications and marketing activities.

Postgraduate

At postgraduate taught (PGT) level, the majority of recruitment is delivered through direct or agency activities. Growth areas for PGT applications include India, North Africa (Egypt/Libya) and oil-rich economies of the Gulf Co-operation Council (especially Saudi Arabia) and West Africa (especially Nigeria and Ghana).

BUILDING LIFELONG RELATIONSHIPS

The University's single largest stakeholder group is its global community of more than 220,000 alumni and supporters. Engaging with this community and providing support throughout their lifetime allows the University to improve its global reputation, enhance employability outcomes for current students and graduates, as well as drive significant investment into the institution's strategic areas of education, research and world class facilities.

Community

220,733 alumni community members, in 171 countries, aged 21 to 101

971 members of Parent & Family programme

33,000 students

6,000 University of Liverpool Staff

1,460 volunteers

4,195 hours donated

12% of volunteers are also donors

Students and alumni working together

Mechanical Engineering undergraduate student and event organiser Megan Stammers, said: "After attending several careers fairs and searching for jobs, I found I was still unsure about what different engineering roles entailed and what the day to day of an engineer in industry looks like. It is surprising how diverse a mechanical engineering role can be and I was keen to find out how my skills could transfer into those roles, and what might suit me best.

"The alumni networking event idea was born from a desire to find out what makes graduates stand out from the crowd in the jobs market. We wanted students to meet our successful alumni to inspire, educate and motivate the next generation of engineers from Liverpool.

"The fact that so many of our alumni were keen to help, travelling from right across the UK, is testament to the student experience within Liverpool's School of Engineering."

Last year, the University's Development and Alumni Relations team launched Liverpool Connect, an online networking platform, offering alumni the opportunity to share their career advice and story with current students and fellow alumni through informal online mentoring.

LIVERPOOL CONNECT

504 students,
2,716 alumni,
356 mentoring pairings

Impact of Fundraising

New gifts and pledges:

£4,545,096

Launch of IntoUniversity North Liverpool

The University of Liverpool is collaborating with leading education charity IntoUniversity and Liverpool Football Club Foundation to deliver IntoUniversity North Liverpool. The IntoUniversity North Liverpool centre in Anfield opened in October 2017 and is going from strength to strength. The centre has already worked with 1,039 primary and secondary students, who are being provided with a quiet and safe place to study, are meeting inspirational mentors, working one-on-one with academic tutors, visiting the University of Liverpool campus and exploring what higher education might offer them. Through donations from our alumni and supporters, children and young people are gaining support and inspiration.

"IntoUniversity made me realise that education is important. If I didn't have qualifications, I wouldn't be where I am now. I've had a wake-up call about revision – I want better grades and a good future."

Kasan,
IntoUniversity student

The £800,000 gift changing children's lives

The Children's Research Fund has transformed the future of paediatric health research in Liverpool by establishing a legacy worth £800,000 for a partnership between the University of Liverpool and Alder Hey Children's Hospital. The fund, founded by honorary graduate Dr Hugh Greenwood OBE (Hon LLD 2012), has supported both the University and Alder Hey for the last 50 years, contributing to construction of world-class facilities as well as a multitude of research projects.

The gift of £800,000, from the new 'Hugh Greenwood Legacy for Children's Health Research', will help to further advance child health research over the next five years and will build on partnership working between the University of Liverpool and Alder Hey, focusing on key priorities in children's health research and engaging with local communities through funding health initiatives.

"We are extremely grateful to the family of the late Hugh Greenwood for their long standing support and incredibly generous donation to children's research. Alder Hey is a leading Centre for paediatric research and this donation will be invaluable as we continue to develop pioneering new treatments that will improve the health of children everywhere.

"Working together with partners such as the University of Liverpool is enabling us to make a significant contribution to the future health of children and young people across the world, driving research in children's medicines, infection, childhood cancer, inflammation and international child health. Continued investment, including the development of our Institute in the Park facility, will position Alder Hey and Liverpool as a national and international leader in children's health research, innovation and education."

Sir David Henshaw, Chair of Alder Hey Children's Hospital

Supporting strategic leadership

University of Liverpool alumnus and former Chief Executive of Thomson Travel Group Plc, Dr Paul Brett, has made a generous donation of £500,000 to support the establishment of a new Chair in the Management School.

Dr Brett (BA Hons Geography 1965, Hon LLD 2017) has been a long-standing supporter of the School. In 2014 he donated £1,000,000 towards the refurbishment of the old Senate Drum into a new, state of the art teaching facility for MBA students, named the Brett Building in memory of his late mother, Kathleen.

In recognition of his latest gift, the Dean of the Management School will now also hold the title Brett Chair in Management.

Registered with FUNDRAISING REGULATOR

PUBLIC BENEFIT

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

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

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

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

Working for public benefit is core to the University's founding mission – for 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 the recruitment of students from state schools, low participation neighbourhoods and low income households.

The institution works hard to ensure opportunities at Liverpool are made available to all students who are talented enough to succeed – ranking first in the Russell Group for the percentage of UK students recruited from neighbourhoods with low participation (9.6% of the intake, an increase of 0.5% from last year), and also third for students recruited from state schools and colleges (88.4%).

The Widening Participation (WP) team has developed long-term relationships with 35 local secondary schools and over 60 primary schools, in some cases lasting over 15 years. 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 10,000 students per year across a range of age groups, offering in-school talks, campus visits, residential opportunities, as well as long-term programmes to support access into competitive professions. The Widening Participation team recognises the impact of repeated interventions 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 school level targeting, the University also targets individuals who are particularly under-represented in higher education such as certain black and minority ethnic groups, and refugee groups amongst others. An example of our work is the 'Fast Trackers' GCSE mentoring project with local Somalian and Yemeni students, which has received a national commendation and is the basis for an 'Office for Students' Case Study of good practice. The team also has close links with local community groups, providing academic support within a community setting.

Recognising the additional barriers faced by students from a 'Disrupted Education' background, the team has introduced a designated point of contact who can provide bespoke support and advice for students, and whose engagement allows the students access to a reduced offer from the University. By offering individual pastoral and academic support for these students, the team is able to increase their chances of progression, as evidenced in 2017/18, when the University welcomed 29 students from a care background, compared to 14 in 2015/16, representing a 107% increase.

The Widening Participation team also delivers two supported access projects which offer a direct path into the University of Liverpool. In 2017/18, 75 students joined as undergraduates after graduating from the 'Liverpool Scholars' programme, with a further 34 progressing through the collaborative 'Realising Opportunities' scheme.

In February 2018 the University hosted the Northern Realising Opportunities Conference for the first time, welcoming over 500 disadvantaged, high achieving Year 12 students to campus.

The University has recently signed up to an online tracking database to map the longitudinal outcomes of the students that it engages with, including those who benefit from our programmes but choose to enter other institutions.

The University recognises the importance of an institution-wide approach to supporting WP students to succeed once they achieve a place at Liverpool. As such, the Widening Participation team works with Student Support Services, academic departments and the Liverpool Guild of Students to ensure that these students have a successful transition into and through university life. Upon graduating, WP students are signposted to additional support they can receive to enhance their progression and success through the Liverpool Careers and Employability Service and the online resource 'Liverpool Connect'.

The University values and recognises the whole student lifecycle approach to working with widening participation students, so the WP Team offers paid work to 170 undergraduates, many of whom have previously engaged in University of Liverpool projects during their school lives. The Student Advocate role is a regular wage and this role offers the chance to increase confidence and develop transferable skills valued in the graduate job market whilst acting as a role model for future generations.

The University also hosts the government funded 'Shaping Futures' team, 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.

This year the University has also co-funded and launched a unique partnership with the Liverpool Football Club Foundation and the national charity IntoUniversity. The new outreach centre provides aspirational and academic support for up to 1,000 students in the Anfield area. Anfield has been specifically targeted because of its higher education progression rate, which is as low as 17.5% - less than half the national average (37%). In the Anfield ward, youth unemployment (16-24) is currently at 8.5% compared to 2.8% nationally.

IntoUniversity students with LFC goalkeeper, Simon Mignolet, Andrea Cooper (Head of LFC Foundation), Dr Rachel Carr OBE (Chief Executive and Co-Founder of IntoUniversity) and Dame Janet at the launch event

PUBLIC BENEFIT *CONTINUED*

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. The VG&M has been celebrating its ten year anniversary – it was opened following extensive refurbishment of the University's original redbrick Victoria Building in 2008 as a gift to the City of Liverpool for its year as the European Capital of Culture. Particularly popular exhibitions in its anniversary year have included: the famous Meroë Head of Augustus, on loan from the British Museum; Book of the Dead: Passport through the Underworld, an exhibition which encourages visitors to engage fully with Ancient Egyptian visions of the afterlife; and pieces from the tenth edition of the Liverpool Biennial: Beautiful world, where are you?

The University has also played a central role in the City of Liverpool's ten year anniversary celebrations as European Capital of Culture. As the official education partner of the China Dream season, the University brought world-famous chef, Ken Hom to the World Museum to talk about Chinese culture and its influence on his own life and career. In October 2018 the University held the second Liverpool Literary Festival as a further contribution to the anniversary celebrations. This included a wide range of exciting speakers from Frank Cottrell-Boyce to Tony Robinson, Val McDermid and Sally Rooney.

The University's second Open House ran in May 2018, offering a five-day festival of talks, performances, exhibitions and interactive experiences showcasing great ideas, knowledge and culture. Members of the public were invited to attend a range of sessions from the panel debate, Devolution and the Metro Mayor – where next? with Metro Mayor Steve Rotheram to a lecture exploring the life and work of the late Professor Stephen Hawking.

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 again in 2018. The University's 'Meet the Scientists' 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 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.

FINANCIAL REVIEW

Nicola Davies, Director of Finance

Executive summary

This has been another strong result for the University, with reported total comprehensive income of £47.2m (8.6% of income) and an operating surplus of £26.2m (4.8% of income).

The key financial performance indicator that we report on in order to assess longer term financial sustainability is EBITDA (earnings before interest, tax, depreciation and amortisation). This measure focuses on cash generation, and our agreed KPI is a minimum EBITDA as a % of income of 14%.

Current year EBITDA as a % of income is 17.4%, which is in excess of our 14% KPI. Year on year EBITDA has fallen from 23.3%, largely due to a drop in gains on investment, and significant one-off capital grants received in 2016-17.

In order to give an underlying year on year comparative position, we have defined an 'underlying EBITDA' that excludes certain items either due to volatility or non-cash generation, as shown in the table.

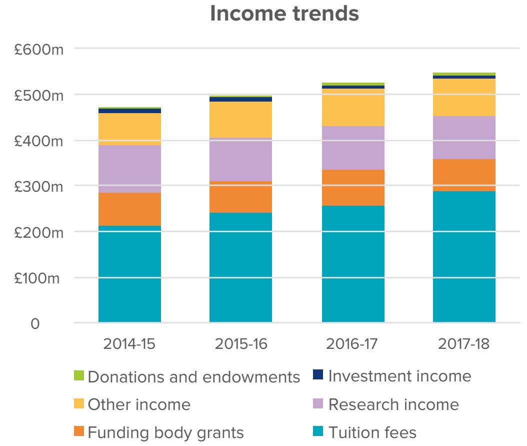
Underlying EBITDA	**2017-18 £m**	**2016-17 £m**
EBITDA	**95.0**	**121.8**
EBITDA as a % of income	**17.4%**	**23.3%**
Less:		
Capital income	12.9	25.6
Gains on investment	9.9	21.2
Share in joint ventures and associates	3.9	11.1
USS pension adjustment	(4.2)	(2.6)
Underlying EBITDA	**72.5**	**66.5**
Underlying EBITDA as a % of income	**13.3%**	**12.7%**

Underlying EBITDA as a % of income is 13.3%, up slightly compared with 12.7% in prior year.

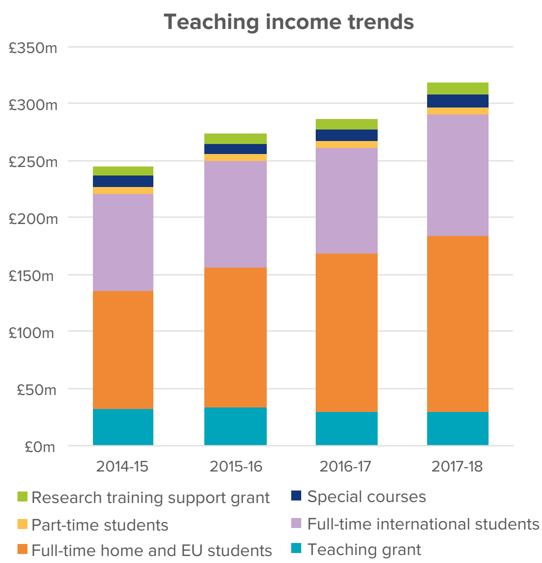
Closing cash and current (liquid) investments were £146.7m, up from £122.5m in prior year and in excess of our minimum cash levels KPI of £60m. Operating cash generation at £65.7m is up £19.6m on prior year, largely due to improved recovery of debtors.

Income

Total income at £545.7m is up £22.5m (4.3%) year on year, reflecting strong student recruitment. This growth is in spite of an £8.9m drop in funding body grants driven by an £11m specific capital grant received in 2016/17.

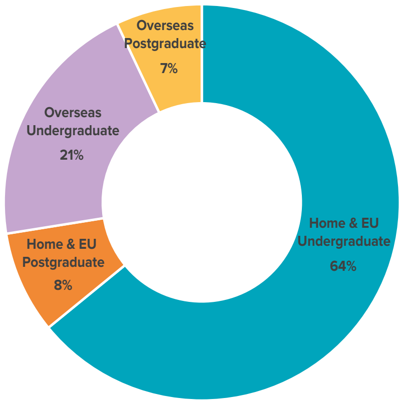


Tuition fee income of £287.9m is up £31.4m (12.2%) year on year.



This increase is due to strong student recruitment in 2017/18 which contributed to overall student numbers increasing by 1,729 (7.2%) to 25,829. The proportion of overseas students has remained steady at 27.5%, and all categories home and overseas, both undergraduate and postgraduate have increased.

Student numbers 2017-18

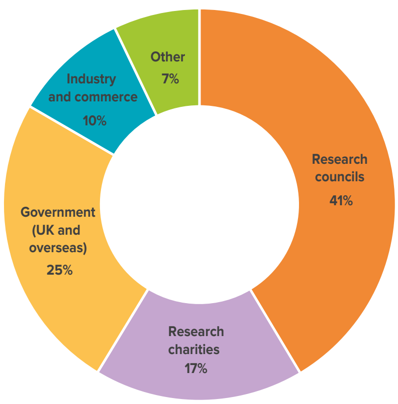


There are risks around student recruitment in the coming years due to a drop in the UK demographic leading to increased competition, and Brexit also brings potential challenges to recruitment of EU students in future years. Recruitment has been strong again in the current 2018/19 cycle, and the latest forecast indicates that we should be in line with our target for student numbers overall, although with some variance across different subject areas.

Funding body grants are down £8.9m to £68.7m, due to an £11m one-off capital grant in 2016/17. Research related funding has remained steady in cash terms which represents a decline in real terms. This is a challenge given the funding model for research, and results in increased subsidies for research from other activities.

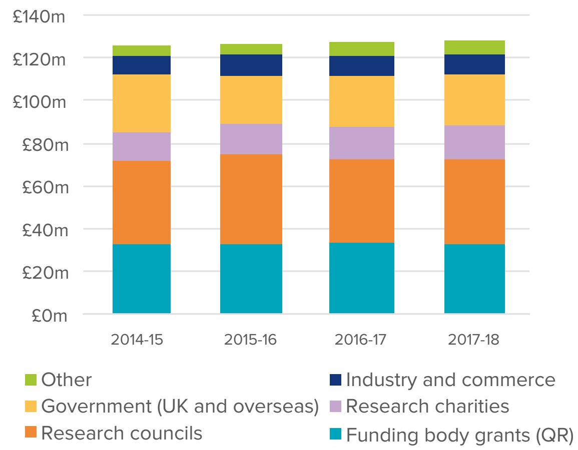
Research income of £95.6m is up £1.1m (1.2%) year on year. UK charities income is up 11.5% to £16.5m, and Government funding is down £0.4m to £23.6m. Other funding sources including Research Councils and Industry are at consistent levels year on year. Research Council funding is the largest source of research funding at 41.4% (2016-17: 41.9%).

Research income 2017-18



The modest year on year increase overall is not in line with our ambitions as we do have plans to grow our research activity and related income. Awards at £117.6m are up 29.7% year on year which is a positive sign for future growth although it does take time for these awards to flow through into income.

Research income trends



Other income is down £1.3m (1.6%) to £81.1m. 2016-17 included a specific capital grant of £8.5m, so the underlying position excluding that grant is an increase of £7.2m (9.9%). Grant funding is up £2.7m, largely in relation to the Materials Innovation Factory, Residential income is up £1.7m and royalty and consultancy income is up £0.8m. The overall increase is in line with the strategy to improve our diversification of income.

Investment income is up £0.9m year on year to £7.9m. This includes £1.8m net return relating to the University of Liverpool Pension Fund (ULPF), which was has been recognised following a review of the accounting treatment relating to ULPF (see note 31).

Donations and Endowments are down £0.7m to £4.5m. This is an area of focus for the University, and additional investment has been agreed for 2018-19 in order to help generate additional philanthropic income. This is part of the University strategy to diversify income streams in order to help mitigate risk in other areas of funding.

Expenditure

Staff costs of £286.3m are up £23.2m (8.8%) year on year. This includes compensation payments of £4.0m (relating to 94 staff). Of the remaining 7.3% increase, pay inflation including incremental drift was in the region of 3.1%, and staff FTEs increased by 204 (3.9%), with 86% of the staff FTE increase being academic staff.

Staff costs as a % of income are 52.4%, an increase compared with prior year at 50.3%. This increase was expected due to investment over the last two years. It is a challenge that a high proportion of University income does not increase with inflation, whereas pay costs increase at a faster rate than inflation. In order to mitigate this risk we are continuing to diversify our income streams, and controls are in place in order to ensure that any investment in this area is strategic and has a strong business case.

The compensation payments related to voluntary severance schemes that were available across certain areas including academic schools across the Institution, and Residential and Commercial Services. The schemes were strategically focussed in order to improve University performance in line with Strategy 2026.

Other operating expenses are up £14.7m (8.6%) to £185.5m. 2016-17 included a change to the University bad debt provision which resulted in a credit of £4.4m in that year. Excluding this credit, the underlying increase in operating expenses is £10.3m, 6.2%. This includes £3.9m increased expenditure on bursaries and scholarships, and an additional £1.6m cost in relation to international recruitment. An additional £1.4m has been spent on academic services including IT and library books and journals.

Capital

Overall the value of tangible fixed assets is up 5% to £745.5m. Capital expenditure of £69.9m included £28.5m relating to improvements to the academic estate, £25.0m in relation to student residences (largely the Greenbank Student Village development), and £16.4m in relation to equipment and IT investment. Capital expenditure is planned to continue at these levels as we invest in our infrastructure in order to improve both the student and staff experience, and ensure that our facilities are able to support the University strategy and ambition.

Treasury

Our **fixed asset investments** include a £209.5m portfolio managed by three fund managers, Baillie Gifford, Olim and Ruffer. During the year the fund increased in value by £9.2m, reflecting a strong market. 84.7% of the investments are in quoted equities, which has benefitted the University over the period and over the last few years. This strategy does carry some risk, and a review of investment strategy will take place during 2018-19.

Cash and cash equivalents were £74.1m and **current asset investments** were £72.6m at year end, giving a total of £146.7m relatively liquid assets. The University treasury management policy includes a minimum cash holding of £60m which we are comfortably in excess of. These funds are invested in line with the treasury management policy which uses external benchmarks to ensure reasonable returns while focussing on minimising risk in relation to cash and short term liquid assets. University five year plans show that cash remains well within the £60m cash minimum level.

Provisions

The USS pension provision at £47.9m is included in the accounts based on the 2014 USS valuation. This provision relates to the obligation to fund the University share of the past deficit on USS. It is expected that this provision may increase following the finalisation of the 2017 valuation, however until the valuation is finalised we have not adjusted for any change. Sensitivity analysis is included in note 33, because the change in provision may be significant.

Risk and financial sustainability

The University is in a relatively strong financial position with healthy cash balances and forward plans that demonstrate generation of surpluses over the next five years.

However there are significant risks which may have an impact on financial sustainability, many of which are outside University direct control.

- The ongoing review of post-18 education and funding is a risk to the University, due to our dependence on home student fee income. Home fees have increased 2.7% since 2012 which is a drop in income in real terms, and any further decline in fees would significantly impact our ability to invest.
- Funding for the USS pension scheme is a significant risk, and each 1% increase in employer contributions carries an annual cost of £1.6m.
- Brexit carries a number of risks for the institution, in terms of both student fee income and EU research funding, but also staff recruitment and retention, and ability to continue to participate in strategically important programmes such as ERASMUS. A University EU working group, chaired by the EPVC for Humanities and Social Sciences, is continuing to develop risk analyses and contingency plans.
- Student recruitment has been strong, however it continues to be a risk in light of the UK demographic dip, and increased competition across the sector for both home and international markets.

RISK AND KPIS

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

The University's approach to risk management aims to mitigate inherent risks and to maximise opportunities to increase the probability of successful short, medium and long term outcomes, whilst protecting the reputation and sustainability of the University. A key part of this is regular environment scanning to understand external risks and opportunities and keep abreast of government policy and sector developments. This is part of the University's regular performance reporting and risk management process, in which the external environment is assessed alongside risk to understand the University's position and ensure it remains agile in a rapidly changing external environment.

A decline in the 18 year-old demographic in the UK has led to a smaller number of applications to the University; this is in line with the national trend. Nevertheless, the University expects to meet both current and future recruitment targets and to maintain student numbers at the current level in readiness for a predicted growth in the number of 18 year-olds from 2022.

Following the announcement of a major government review of post-18 education and funding in 2017, value for money for students has become an area of increased scrutiny. Early indications from the Post-18 Review suggest a potential for differential fees related to subject and cost of delivery. The University has undertaken analysis to understand the level of risk associated with this change and continues to monitor developments and early indicators.

The University has been awarded Silver in the Teaching Excellence and Student Outcomes Framework (TEF). This is the result of a number of successful initiatives to significantly improve the student experience and student outcomes, including the initiation of a comprehensive review of the Student Journey, investment in Careers and Employability provision and increased activity to support widening participation.

As the sector prepares for the Research Excellence Framework 2021, the University is undertaking local and institutional activities to facilitate production of excellent research outputs and impact case studies. Activities over the last 12 months have included an extensive reading programme and increased support for impact case studies. In 2017/18, the University developed a single research theme: 'Health, Wealth and Social Justice', which seeks to unify Liverpool research and encourage cross-disciplinary research. The University has also identified five identified priorities for research activities, which are detailed in the Research and Impact Section of this report.

The University is committed to further developing its efficient and effective professional service which is agile in response to a high pace of change in the external environment. In 2017/18, the University held its first Professional Services Conference, which brought together 1500 Professional Services staff across the institution to share best practice and attend a variety of workshops on priority topics.

Risk Register

Through the Strategic Risk Register, the University manages 30 strategic risks. Resource is prioritised towards those risks that have a post-mitigation score of 'medium' or above. The table below sets out these risks and the mitigating actions that are underway, or planned to mitigate these risks.

Risk	Activity Underway
Research Excellence Failure to achieve enhanced research outcomes	Capturing and showcasing of Research outputs and impact activity via a dedicated system Development of a Peer Review College Supporting the growth and development of Research Leaders Comprehensive system of Professional Development Review
Teaching Excellence Initial and sustained low TEF rating relative to comparators	Quality Assurance Framework in place Faculty Enhancement Plans and National Student Survey Action Plans Target for 100% of staff who teach to hold a teaching qualification / or Professional Recognition against the UK Professional Standards Framework
Research, impact and knowledge exchange Failure to demonstrate impact of research and knowledge exchange	Annual stock take of the number and quality of impact case studies with support for Faculties to review and put actions in place to increase breadth and quality Focus on Early Career Researchers to make Liverpool the 'Employer of choice' Liverpool Doctoral College in place as the home for all doctoral training and development across the University. Supporting researchers to thrive in their doctoral programme.
Financial sustainability Inability to maintain or increase financial security	Diversifying income streams through philanthropy, international partners for student income, commercial activity Controlling costs and better understanding of cost base through new data sets such as the Russell Group Professional Services Benchmarking Project Introduction of integrated strategic and financial plans and increased accuracy of forecasting

Key Performance Indicators

The University monitors progress towards the ambitions set out in Strategy 2026 through a suite of Key Performance Indicators, as outlined in the table below. Staff across Academic and Professional Services areas work collaboratively to deliver enhanced performance. Performance Reports with metrics covering key priorities are considered on a quarterly basis by senior management and the governance committees. An overview of 2017/18 performance in key measures is provided below.

The outcomes of the 2017 outputs assessment programme show that accelerated progress is being made towards increasing the proportion of world-leading outputs, with improvements being made across all three Faculties.

The number of highly cited papers has exceeded the 2017/18 target, with Liverpool increasing in-line with peers, and maintaining its Russell Group ranking (15th). Research income has increased compared with the same period last year. Following a period of investment in research studentships and the research student experience, postgraduate research student FTE per Teaching and Research staff FTE has increased and exceeds target levels set for the year. This has resulted in an upwards move in the Russell Group ranking to 11th.

In the most recent Destination of Leavers from Higher Education survey, Liverpool had the highest proportion of UK undergraduates in employment or further study in the Russell Group. Liverpool also had the lowest proportion of unemployed graduates among the same comparator group.

The University is committed to maintaining a diverse population. The overseas and EU student population derived from any one country decreased in 2016/17, putting the University on a positive trajectory towards this ambition. Overall, the proportion of overseas international students rose slightly in 2017/18 and they now constitute 26% of the University's student body.

Good progress has been made across all areas of the Education Strategy Action Plan in 2017/18 resulting in a number of significant achievements and improvement in five out of six of the key TEF metrics and an overall Silver rating.

The Strategy 2026 vision is to be a connected, global University at the forefront of knowledge leadership, recognised by being in the top 100 worldwide. Progress has been made in core metrics used by global rankings and in closing the gap to many UK institutions ranked above Liverpool. However, the international higher education sector is increasingly competitive, and the ambition to achieve a top 100 rank is challenging. It will require further step changes in performance to be delivered in the next few years.

Strategy Aims and Linked Indicators

Strand		Progress
Strategy Objectives	To achieve a top 100 worldwide ranking in the Times Higher Education (THE) World University Rankings by 2026	Further Progress needed
	To achieve a top 20 national ranking in the Sunday Times League Table by 2026	On track
Research and Impact	To achieve top quartile positions in all our units in terms of proportion of world-leading outputs by 2026	On track
	To improve the alignment of partnership projects with our overall Research and Impact priorities and objectives with a view to establishing three further strategic partnerships (cf Unilever) by 2026	On track
	Staff meeting institutional policy principles of world-leading and internationally excellent research	Further progress needed
Education	To increase the satisfaction of our students as measured by the NSS to a consistently upper quartile sector position by 2026	On track
	Graduate level employment in top 20 sector position	Achieved
	To achieve an internationally diverse student body across all disciplines, ensuring that by 2026 no more than 55% of our overseas and EU student population derives from any one country (57% by 2021)	On track
	Improvements on TEF metrics performance towards gold	On track
Professional Services	Staff satisfaction - Those who agree that the University is a good place to work. Target is 95%.	On track
	To generate an average EBITDA over a 5 year period (last 2 years actual, next 3 years forecast) on an ongoing basis of 14%	On track

EQUAL OPPORTUNITIES AND ETHICAL INVESTMENT AND RESERVES POLICY

Diversity and Equality of Opportunity Policy

The University is committed to providing an environment which recognises and values people's differences, capitalises on the strengths that those differences bring to the institution and supports all staff and students in maximising their potential to succeed.

This commitment is made with specific reference to a person's age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religious belief and non belief, sex and sexual orientation. The University is committed to fulfilling its obligations under the Equality Act 2010.

Our vision is to be a University where diversity, equality and inclusion are embedded and recognised by our stakeholders as being embedded in everything that we do. We want to build a strong and lasting culture:

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

This year a new Equality Framework was adopted to drive activity in equality and diversity through to 2026. It includes six student objectives covering: recruitment and admissions; progression; attainment; graduate outcomes; intergroup relations; and understanding and six staff objectives covering: staff recruitment; retention and progression; diversity competence and representation; employer of choice; and family friendly culture.

In progressing this work, this year has seen the achievement of a gold Athena Swan Award for the Institute of Integrative Biology, the launch of a framework to support staff who are carers and research to understand in more detail and improve the experience of disabled students.

Ethical Investment Policy

It is the role of Council to set out the ethical platform on which the University's 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 its criteria for ethical investment. It is the role of the Investments Sub-Committee to monitor investment managers' adherence to the University's ethical investment policy. Investment managers report regularly to the Investments Sub-Committee on actions they have taken relating to ethical investment.

During the year a review of the policy was undertaken involving staff and students and including consultation with the investment managers. As a result, a new Ethical Investment Policy was agreed in July 2018 which adopted a set of investment principles and specified the types of investments to be excluded from the portfolio. Fund Managers have until July 2019 to be compliant with the new policy.

The policy can be accessed through the link below www.liverpool.ac.uk/corporate-governance-and-support-office/corporate-documents

Reserves Policy

The University recognises its obligations as an exempt charity to expend the resources provided to it for charitable purposes and its reserves are retained for a variety of purposes. A significant proportion is represented by endowments which are retained and used in accordance with the wishes of the benefactors. The University has also built up its own reserve balances over a number of years to provide a source of funding for future activities and to repay long term debt. Further reserves are retained to provide working capital to support the University's complex organisation and to invest in land, buildings and equipment to develop its activities.

CORPORATE GOVERNANCE

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

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

- In accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership)
- In compliance with the guidance on corporate governance which has been provided for the sector by the Committee of University Chairs (CUC), including the Higher Education Code of Governance first published in December 2014 and revised in June 2018.

The University's statutory framework upholds the public interest governance principles outlined by the Office for Students (OfS).

Legal Status

The University is a corporate body established by Royal Charter dated 1903. Its objects, powers and framework of governance are set out in the Charter, Statutes and Ordinances. The latest versions of the Charter and Statutes were fully revised and approved by the Privy Council in 2013.

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

The University is registered with the OfS as a higher education provider with degree awarding powers and was previously funded by the Higher Education Funding Council for England.

Council

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

- Appoint a Chancellor, a 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.

There are 21 members of Council, the majority of whom are lay members (external to the University and outside of the day-to-day executive management). Membership comprises: the President, the Vice-President, 10 other lay members, the Vice-Chancellor, two Pro-Vice-Chancellors, the President of the Guild of Students, the Chief Operating Officer, three members of the academic staff drawn from the Senate, and one member of staff drawn from Professional Services. The revised constitution as described here has recently been submitted to the Privy Council for approval. Council's membership during 2017/18, which reflects the previous constitution, is listed on page 3.

Council meets four times per year and unreserved minutes of its meetings are published on the University's website. The formal business meetings are supplemented by two away days.

Lay members are involved in many aspects of University life which ensures that they are part of the wider community of the University and are appropriately briefed on activities and challenges, eg. by attending key events such as degree ceremonies, by serving on several committees including the strategic committees (Education Committee and Research and Impact Committee), and by being involved in recruitment and disciplinary panels etc. Lay members do not receive payment for the work they do for the University, apart from the reimbursement of expenses which are disclosed in the financial statements. All new members of Council are provided with appropriate induction and attend relevant training sessions.

Independent reviews of Council's effectiveness are conducted every four years, supplemented by annual reviews undertaken by Council itself. Action plans are developed in response to the recommendations arising from all governance effectiveness reviews and progress in implementing the actions is monitored. The most recent independent review of Council was undertaken in 2017 by Professor Ella Ritchie OBE, former Deputy Vice-Chancellor of Newcastle University. Professor Ritchie concluded that: 'On the basis of the evidence available to the reviewer the conclusion is that the University of Liverpool has a strong and effective governing body that meets the 2014 Code of Governance and adds value to the University'. In addition, members' opinions on the effectiveness of Council are sought regularly, including through annual meetings held between individual members, the President of Council and the Clerk to Council.

Committees of the Council

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

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

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

Planning and Resources Committee

The terms of reference of the Planning and Resources Committee provide for it to:

- On behalf of the Council, oversee the governance and management of the University's affairs
- Be responsible to the Senate and the Council for all strategic academic and non-academic planning, including financial and human resources, risk and value for money, and to advise the Senate and the Council thereon
- Formulate institutional budgets, activity plans, and frameworks for the management of human resources, and to recommend them for approval to the Council

- Monitor the achievement of strategic plans and institutional budgets
- On behalf of the Council, oversee the University's capital programme, with authority to approve capital schemes of a value up to £5m.

Nominations Committee

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

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

Remuneration Committee

The Remuneration Committee has the following remit:

- To be responsible, on behalf of the Council, for setting the policy for and agreeing remuneration and reward for members of the senior management team
- To consider and determine the emoluments of the Vice-Chancellor. The Vice-President of Council (or another lay member) to Chair the Committee when considerations are taking place regarding the Vice-Chancellor
- To receive reports concerning non-clinical professorial and equivalent Professional Services senior management staff (Grade 10) remuneration and reward
- To approve proposals for voluntary severance or the early retirement of senior staff. (The determination of such matters with regards to the Vice-Chancellor shall be restricted to the lay members of the Committee)
- To approve policy on the outside earnings of senior staff (professorial and Grade 10)
- To receive reports on actions taken by the Vice-Chancellor to approve retention awards for senior staff
- To review and note remuneration trends across the University, including reports on the relationship between graded structure and senior staff, equality and risk assessment issues
- To have oversight of the University's remuneration, reward and promotion (RRP) processes and, subject to any conditions set by Council, establish the conditions for the RRP Review in any one year and to receive a report on the outcome of the RRP Review including appeals
- To make recommendations to the Planning and Resources Committee on the affordability and acceptability of national pay agreements
- To report to the Senate on academic promotions and to the Council on all matters.

The Committee continues to revise its approach to ensure alignment of institutional practice to the CUC Higher Education Senior Staff Remuneration Code published in June 2018 and other guidance on remuneration in the sector. Recent developments include changes to the membership to address guidance about attendance of the Vice-Chancellor and the involvement of an independent member, and the submission of an annual report to Council.

Audit Committee

The responsibilities of the Audit Committee are as follows:

- To advise the Council on the effectiveness of the University's management and control systems for ensuring value for money, propriety, regularity, economy, efficiency and accountability
- To monitor the implementation of approved recommendations relating both to internal audit reports and external audit reports and management letters
- To initiate reports and investigations as it sees fit, having the right of access to all minutes, books, documents or any other information maintained by the University
- To monitor the effectiveness of the external and internal audit services, and their relationship with each other
- To advise the Council on the arrangements in place for identifying, evaluating and controlling risks, and to monitor such arrangements
- To review the annual financial statements before they are presented to Council, focusing on accounting policies, compliance with accounting standards, and the findings of the external auditors
- To approve the annual statement of risk and compliance
- To provide an annual opinion on the adequacy and effectiveness of the University's arrangements for each of the following: risk management, control and governance; economy, efficiency and effectiveness (VFM); and the management and quality assurance of data submitted to the Higher Education Statistics Agency, the Student Loans Company, the OfS, Research England and other bodies
- To prepare an annual report for submission to Council
- To approve the long term and annual plans for internal audit and monitor results as presented in internal audit's annual report

- To review, consider and advise upon reports made by the internal audit service, as to the financial affairs of the University and the functioning, maintenance and development of its financial control systems
- To advise the Council on the appointment and remuneration of the internal audit service and the external auditors and the scope of their work
- To communicate with the external auditor on the audit approach, reporting timetables and findings
- To approve the external audit strategy and planning memorandum.

The membership of the Committee comprises three lay members of Council, one of whom acts as Chair, and an external co-opted member (there were two co-opted members during 2017/18). Whilst senior executives attend meetings of the Committee, they are not members. The members meet with the internal and external auditors on their own for independent discussions.

The Committee has recently been the subject of an effectiveness review undertaken by the Head of Board Practice at Mazars LLP. The reviewer concluded: 'Based on the work undertaken and the views expressed to me, the Audit Committee comes across as a well-functioning Committee within its terms of reference'.

The Audit Committee received the Audit Planning Memorandum from the External Auditors in March 2018. The Committee has considered and discussed the risks identified within this document during its meeting held in March and further in meetings of the Committee held in October and November.

Leadership

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

The Vice-Chancellor exercises primary influence on the development of institutional policy and strategy, the identification and planning of new developments and in shaping the institutional ethos. The Vice-Chancellor is supported in the role by three Policy Pro-Vice-Chancellors, three Executive Pro-Vice-Chancellors and the Chief Operating Officer. They lead the 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 Chief Operating Officer. These individuals contribute to the Vice-Chancellor's work, but the ultimate executive responsibility rests with the Vice-Chancellor.

Senior Management Team

The Senior Management Team (SMT) meets weekly and its membership consists of the Vice-Chancellor, the Pro-Vice-Chancellor for Cultural Engagement, the Pro-Vice-Chancellor for Education, the Pro-Vice-Chancellor for Research and Impact, the Executive Pro-Vice-Chancellor for Health and Life Sciences, the Executive Pro-Vice-Chancellor for Humanities and Social Sciences, the Executive Pro-Vice-Chancellor for Science and Engineering, the Chief Operating Officer and the Director of Finance. SMT provides strategic leadership and direction, within the parameters set by the overarching strategy approved by Council and the University's statutory framework.

Senior Executive Group

The Senior Executive Group (SEG) is the University's operational executive body. It takes decisions on major operational matters that have institutional reach, and strategic issues where doing so is time critical. It also reviews strategic issues and proposals to ensure a coordinated management response before these are submitted to the formal governance structure for scrutiny and approval. SEG normally meets monthly and its membership comprises the Vice-Chancellor (who is Chair), the Pro-Vice-Chancellors and the Professional Services Leadership Team.

Senate

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

Senate has 77 members, including the academic members of SMT and the Chief Operating Officer, the Deans of the Institutes/Schools, nominated Heads of Department, elected Faculty representatives and student representatives. Senate is chaired by the Vice-Chancellor and normally meets four times per year.

Internal Control

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

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

Detailed review and monitoring of the system of internal control is carried out on behalf of the Council by the Audit Committee, from which the Council receives periodic reports. The Committee receives regular reports from the University's internal auditors, PwC, which provide an independent opinion on the adequacy and effectiveness of the University's arrangements for internal control, risk management, governance, and securing value for money, together with recommendations for improvement where appropriate and timescales for implementation. PwC's methodology is aligned to the requirements of the OfS's terms and conditions for funding.

The Audit Committee also seeks assurance that the University has in place adequate and effective arrangements for the management and quality assurance of data provided to various bodies. During 2017/18, some student data quality and assurance issues were brought to the attention of the Committee and, in turn, Council. The Committee is overseeing the plans to address these issues and actions range from new governance processes around data verification and sign-off to team working practices.

The Council's review of the effectiveness of the system of internal control for the year ended 31 July 2018 is informed by the Audit Committee, the work of the internal auditors, the work of the senior managers who have responsibility for the development, maintenance and continual review of the internal control framework and comments made by the external auditors in their management letter and other reports.

Risk Management

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

The University's approach to risk management aims to mitigate risks and to maximise opportunities to increase the probability of successful short, medium and long term outcomes, whilst protecting the reputation and sustainability of the University. The University considers risk management a key part of decision making and strategic planning and that effective risk management is essential for effective governance and realisation of strategic ambitions.

Risk management processes are undertaken at all levels of the organisation, from project through to institutional level. A new risk management framework, which integrates risk and mitigation activities as part of the University's Planning and Performance Cycle, was approved by Council in Autumn 2017. The framework includes a strategic risk register which identifies the most significant risks to the achievement of the objectives in Strategy 2026, as well as an operational risk register identifying the risks affecting each area of the University. Risks are assessed in terms of their likelihood and impact.

Risk is overseen by SEG, Planning and Resources Committee and Council. The Education Committee and Research and Impact Committee, which report to Senate and Council, provide input through their consideration of quarterly performance, environment scan and risk reports. The Audit Committee provides assurance to Council that an appropriate risk management framework is in place. The management of risk is integral to the work of the Council. As part of the process, Council regularly considers the strategic direction of the University and institutional plans, and receives regular reports on progress against key performance indicators, strategic initiatives and other significant projects and risk factors.

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

The Council is of the view that there is an ongoing process for identifying, evaluating and managing the University's significant risks and that this process has been in place for the year ended 31 July 2018 and up to the date of the approval of the financial statements.

Public Interest

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

Register of Interests

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

Financial Control

Working through its Planning and Resources Committee and Audit Committee, Council is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the University and which ensure that the financial statements are prepared in accordance with the University's statutory framework, the Statement of Recommended Practice: Accounting for Further and Higher Education (SORP), the OfS's accounts direction and all other relevant accounting and financial reporting standards. In addition, within the terms and conditions of the OfS and Research England, Council, through its accountable officer (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 ensured 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.

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 OfS and Research England are used only for the purposes for which they have been given and in accordance with the terms and conditions
- 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
- Quarterly updates detailing institutional performance against relevant KPIs and SPIs and highlighting the key risks related to delivery of Strategy 2026, alongside quarterly reviews of financial results involving variance reporting and updates of forecast outturns
- Clearly defined and formalised requirements for approval and control of expenditure
- A formalised treasury management policy
- Comprehensive Financial Regulations detailing financial controls and procedures, approved by the Audit Committee, Planning and Resources Committee and Council
- A professional independent Internal Audit team whose programme of work is approved annually by the Audit Committee and endorsed by Council.

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

The Council is satisfied that the system of internal financial control described above has been in place throughout the year ended 31 July 2018 and up to the date of the approval of the financial statements.

The OfS conducted an Assurance Review in July 2018 to examine how the University exercises accountability for the public funding which it received covering the 12 month period to 10 July 2018 and confirmed that it was able to place reliance on the accountability information provided by the University.

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

1. Our opinion is unmodified

We have audited the financial statements of the University of Liverpool ("the University") for the year ended 31 July 2018 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 2018, 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 the Accounts Direction dated 19 June 2018 issued by the Office for Students.

Overview		
Materiality: Group financial statements as a whole	£6.5m (2017: £8m) 1.2% (2017: 1.5%) of Group total income	
Coverage	99.4% (2017: 100%) of Group total income	
Risks of material misstatement		**vs 2017**
Recurring risks	Group and University Income: 2017/18 / 2018/19 undergraduate student and post-graduate and distance learning income	◀▶
	Group and University Income: 2017/18 / 2018/19 research grants and contracts income	◀▶
	New: Subjective valuation of the Universities Superannuation Scheme provision and University of Liverpool Pension Fund	▲

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 have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

We were first appointed as auditor by the Council on 10 November 2010. The period of total uninterrupted engagement is for the 8 financial years ended 31 July 2018. 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 public interest entities. No non-audit services prohibited by that standard were provided.

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

Group and University: Pensions provisions
 	
(£47.9 million (2017: £52.1 million))
 	
Refer to pages 52 and 53 (accounting policy) and page 70 (financial disclosures).
	Subjective valuation
	
	The Group is a member of the Universities Superannuation Scheme (USS), as well as enrolling members of staff in the University's own pension scheme (University of Liverpool Pension Fund (ULPF)).
	
	Assumptions used in the valuation of scheme assets, the defined benefit obligation and the value of the pension provision include highly judgemental or complex assumptions and small variations may give rise to material movements in the balances. It is therefore critical that the assumptions reflect the profile of the Group's employees and are based on the most recent actuarial valuation and that assumptions are derived on a consistent basis year-to-year.
	
	Additionally the USS valuation process is on-going pending finalisation of the new recovery plan, and therefore the basis of the calculation of the liability is subject to change.
		Our procedures included:
		
		• **Control design:** Assessing the control framework regarding monitoring of the pension liability.
		
		• **Benchmarking:** Challenging, with the support of our own actuarial specialists, the key assumptions applied in the valuation of the ULPF, being the discount rate, inflation rate and mortality/ life expectancy against externally derived data.
		
		Challenging, with the support of our own actuarial specialists, the key assumption applied in the valuation of the USS provision, being the discount rate, against externally derived data.
		
		• **Test of Details:**
		  ◦ Agreeing the assets held in the ULPF at the year-end to third party confirmations.
		  ◦ Agreeing the inputs from the University into the calculation of the ULPF valuations to supporting payroll information.
		  ◦ Assessing the inputs from the University into the calculation of the USS provision.
		
		• **Assessing transparency**: Assessing the adequacy of the disclosure of actuarial valuations and assumptions included in the financial statements for both schemes.
		
		• **Our pensions expertise**
		  ◦ Evaluating the competency, objectivity of the ULPF actuary to assess the adequacy of their qualifications and the basis for their calculations.
		  ◦ Assessing the methodology used by the ULPF actuary with the use of a KPMG actuary.
		
		Our results:
		
		• We found the valuation of USS and ULPF pension obligation to be acceptable.

	The risk	Our response

Group and University Income: Undergraduate student and post-graduate and distance learning income
 	
(£287.9 million (2017: £256.5 million))
 	
Refer to page 52 (accounting policy) and page 58 (financial disclosures).
	2017/18 / 2018/19 undergraduate student and post-graduate and distance learning income
	
	There is a significant risk over the completeness and accuracy of income due from undergraduate students.
	
	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 due to the timing of course dates.
		Our procedures included:
		• **Control re-performance:** assessing the design and effectiveness of controls established to record student details in the student records system.
		• **Data comparisons:**
		  • Assessed the completeness and accuracy of data through the testing of the reconciliation between the University's financial system, which inputs to the financial statements, with the student records system.
		  • Comparing the Student Loan Company statement as at 31 July 2018, 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.
		  • Using data analytics to match the fee income details held within the general ledger and the student records system using the fee rules held in the University Masterfile. Any mismatches between the general ledger, the student records 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.
		
		Test of details
		• For a sample of individual students that made up the tuition fee balance, assessing whether their tuition fee income had been accurately recognised in the student ledger.
		• Assessing the completeness and accuracy of data and information in relation to the programmes crossing the year-end, to assess whether income had been accurately recorded, in the correct period.
		• 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.
		
		Our results:
		• We found the recognition of income from undergraduate students, post-graduate and distance learning to be acceptable (2017 result: acceptable).

	The risk	Our response

Group and University Income: Research grants and contracts
 	
(£95.6 million (2017: £94.5 million))
 	
Refer to page 52 (accounting policy) and page 58 (financial disclosures).
	2017/18 / 2018/19 research grants and contracts income
	There is a significant risk that research income has not been accurately recognised due to the inappropriate recognition associated with overhead recovery and non-standard contracts.
		Our procedures included:
		• **Control re-performance:** assessing the design and effectiveness of controls established to:
		  • Complete and approve the costing template for the project.
		  • Only allow a cost centre to be opened once a signed research project agreement is in place.
		  • Check that overhead rates are at the correct level.
		  • Check that the correct invoices are raised to request the income for the research project based on the expenditure and overheads incurred.
		• **Tests of details**
		  • Assessing the grant income (being a function of the expenditure and overheads) by agreeing a sample of grant expenditure and overheads to grant agreements.
		  • For a sample of research projects, assessing whether income has been recognised in line with the relevant accounting standards.
		  • For a sample of specific research expenditure, assessing whether it had been appropriately recorded as research related expenditure within a specific project, in line with grant agreements.
		  • Assessing the outcomes of audits, as required by research funders, for a sample of research projects to identify potential clawback of funds recognised in year.
		
		• Our results:
		  • We found the recognition of income from research grants and contracts to be acceptable (2017 result: acceptable).

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 £6.5m (2017: £8m), determined with reference to a benchmark of Group total income of £546m (2017: £523m), of which it represents 1.2% (2017: 1.5%).

Materiality for the University financial statements was set at £6.499m (2017: £7.999m), determined with reference to a benchmark of University total income of £546m (2017: £523m), of which it represents 1.2% (2017: 1.5%).

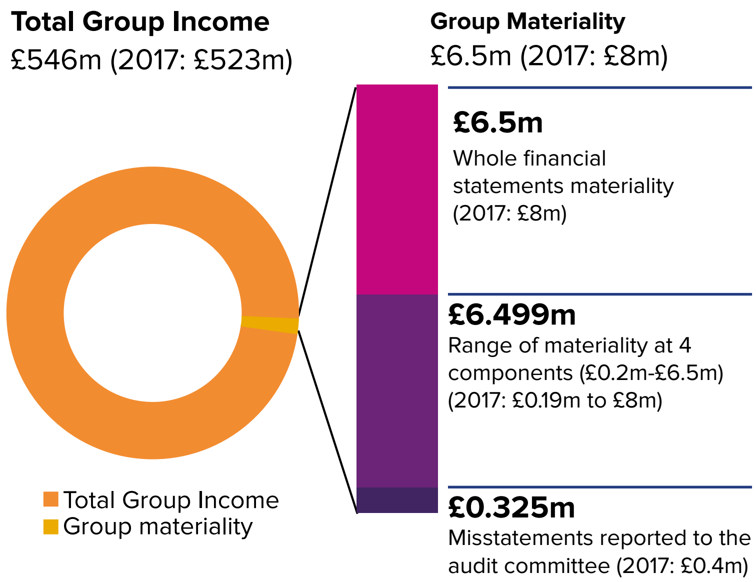
We consider total income, rather than a surplus related benchmark, to be the appropriate benchmark as the University is a not for profit organisation.

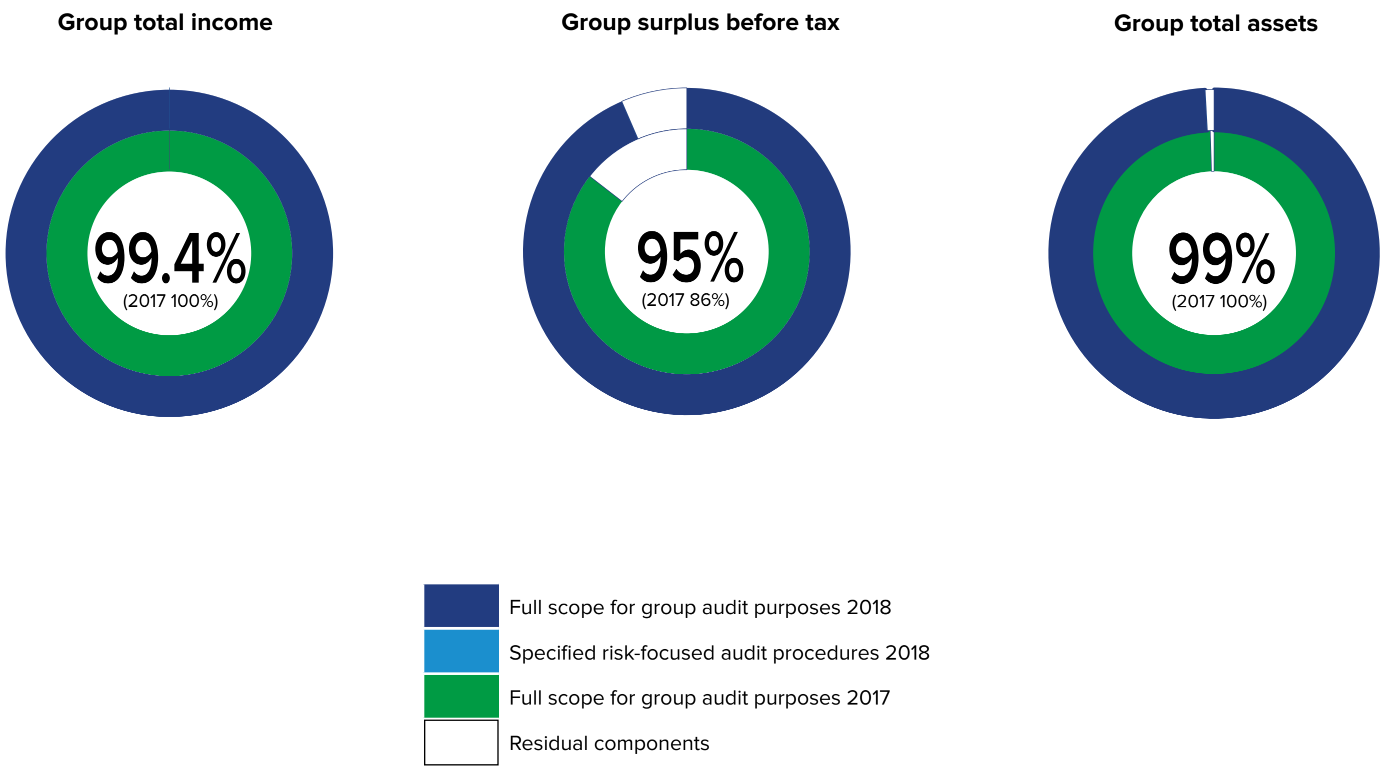
We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.325m (2017: £0.4m), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's 10 (2017: 10) reporting components, we subjected 4 (2017: 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: 99.4% (2017: 100%) of Group total income, 90.3% (2017: 85.5%) of Group surplus before tax and 99.09% (2017: 99.5%) of Group total assets.

The Group team completed the audit of the 4 reporting components subject to audit for group reporting purposes, including the parent organisation. The component materialities ranged from £0.2m to £6.5m (2017: £0.19m to £8m), having regard to the mix of size and risk profile of the Group across the components.


Total Group Income
£546m (2017: £523m)
Group Materiality
£6.5m (2017: £8m)
£6.5m
Whole financial statements materiality (2017: £8m)
£6.499m
Range of materiality at 4 components (£0.2m-£6.5m) (2017: £0.19m to £8m)
£0.325m
Misstatements reported to the audit committee (2017: £0.4m)
Total Group Income
Group materiality


Group total income
99.4%
(2017 100%)
Group surplus before tax
95%
(2017 86%)
Group total assets
99%
(2017 100%)
Full scope for group audit purposes 2018
Specified risk-focused audit procedures 2018
Full scope for group audit purposes 2017
Residual components

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 2018*

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 explained more fully in their statement set out on pages 33 and 34, 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.

Irregularities – ability to detect

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our sector experience, through discussion with Council and senior management (as required by auditing standards), and from inspection of the University's regulatory and legal correspondence.

We had regard to laws and regulations in areas that directly affect the financial statements including higher education financial reporting regulation and legislation. We considered the extent of compliance with those laws and regulations as part of our procedures on the related financial statement items.

In addition we considered the impact of laws and regulations in the specific areas of higher education and charity law recognising the nature of the University's activities. As required by auditing standards, our work in respect of these was limited to enquiry of Council and senior management, and inspection of regulatory and legal correspondence.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the group to component audit teams of relevant laws and regulations identified at group level, with a request to report on any indications of potential existence of non-compliance with relevant laws and regulations (irregularities) in these areas, or other areas directly identified by the component team.

As with any audit, there remained a higher risk of non-detection of irregularities as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

Report on other legal and regularity requirements

We are required to report on the following matters under the Office for Students and Research England Audit Codes of Practice issued under the Further and Higher Education Act 1992.

In our opinion, in all material respects:

- funds from whatever source administered by the 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;
- funds provided by the Office for Students and Research England have been applied in accordance with the terms and conditions attached to them; 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

Date: 27 November 2018

ANNUAL FINANCIAL STATEMENTS

for the year ended 31 July 2018

Consolidated and University Statement of Comprehensive Income and Expenditure - Year Ended 31 July 2018

	Notes	**Year ended 31 July 2018**		Year ended 31 July 2017	
		Consolidated	**University**	Consolidated	University
		£m	**£m**	£m	£m
Income					
Tuition fees and education contracts	2	**287.9**	**286.5**	256.5	255.2
Funding body grants	3	**68.7**	**68.7**	77.6	77.6
Research grants and contracts	4	**95.6**	**95.6**	94.5	94.5
Other income	5	**81.1**	**79.6**	82.4	81.0
Investment income	6	**7.9**	**9.0**	7.0	8.3
Donations and endowments	7	**4.5**	**4.5**	5.2	5.2
Total income		**545.7**	**543.9**	523.2	521.8
Expenditure					
Staff costs	8	**286.3**	**284.9**	263.1	261.7
Other operating expenses		**185.5**	**187.8**	170.8	172.3
Depreciation and amortisation	12,13	**35.8**	**34.3**	34.0	32.3
Interest and other finance costs	9	**11.9**	**11.1**	11.2	10.4
Total expenditure	10	**519.5**	**518.1**	479.1	476.7
Surplus before other gains losses and share of operating surplus of joint ventures and associates		**26.2**	**25.8**	44.1	45.1
Gain on disposal of fixed assets		**4.0**	**4.0**	0.2	0.2
Gain on investments	15	**9.9**	**9.9**	21.2	21.2
Share of operating surplus in joint ventures and associates	16	**3.9**	**-**	11.1	-
Surplus before tax		**44.0**	**39.7**	76.6	66.5
Taxation	11	**(0.1)**	**-**	(0.2)	-
Surplus for the year		**43.9**	**39.7**	76.4	66.5
Movement in University of Liverpool Pension Fund		**3.3**	**3.3**	-	-
Total comprehensive income for the year		**47.2**	**43.0**	76.4	66.5
Represented by:					
Endowment comprehensive income for the year		**4.6**	**4.6**	15.0	15.0
Unrestricted comprehensive income for the year		**42.6**	**38.4**	61.4	51.5
		47.2	**43.0**	76.4	66.5

All items of income and expenditure relate to continuing activities.

Consolidated and University Balance Sheet - Year Ended 31 July 2018

		As at 31 July 2018		As at 31 July 2017	
	Notes	Consolidated	University	Consolidated	University
		£m	£m	£m	£m
Non-current assets					
Intangible assets	12	2.4	2.3	3.0	2.9
Fixed assets	13	745.5	725.1	710.8	689.4
Heritage assets	13/14	17.0	17.0	17.0	17.0
Investments	15	209.5	213.3	202.7	206.5
Investment in joint ventures and associates	16	8.8	-	5.4	-
		983.2	957.7	938.9	915.8
Current assets					
Stock	17	1.2	1.0	1.3	1.1
Trade and other receivables	18	62.9	68.2	77.2	81.8
Assets held for resale		0.4	0.4	0.5	0.5
Investments	19	72.6	72.6	56.1	56.1
Cash and cash equivalents	24	74.1	71.4	66.4	61.8
		211.2	213.6	201.5	201.3
Less: Creditors: amounts falling due within one year	20	(141.6)	(144.0)	(128.9)	(126.9)
Net current assets		69.6	69.6	72.6	74.4
Total assets less current liabilities		1,052.8	1,027.3	1,011.5	990.2
Creditors: amounts falling due after more than one year	21	(300.0)	(285.0)	(300.9)	(285.8)
Provisions					
Pension provisions	22	(47.9)	(47.9)	(52.1)	(52.1)
Other provisions	22	(0.4)	-	(1.2)	(0.9)
Total net assets		704.5	694.4	657.3	651.4
Restricted reserves					
Income and expenditure reserve - endowment reserve	23	167.1	167.1	166.5	166.5
Unrestricted reserves					
Income and expenditure reserve - unrestricted		537.4	527.3	490.8	484.9
Total reserves		704.5	694.4	657.3	651.4

The financial statements were approved by the Council on 21 November 2018 and were signed on its behalf on that date by:

Janet Beer

Professor Dame Janet Beer, Vice-Chancellor

Derby

The Earl of Derby, President of Council

Consolidated and University Statement of Changes in Reserves - Year Ended 31 July 2018

Consolidated	**Income and expenditure account**		**Total**
	Endowment	Unrestricted	
	£m	£m	£m
Balance at 1 August 2017	**166.5**	**490.8**	**657.3**
Surplus from the income and expenditure statement	4.6	42.6	47.2
Release of restricted funds in the year	(4.0)	4.0	-
Total comprehensive income for the year	**0.6**	**46.6**	**47.2**
Balance at 31 July 2018	**167.1**	**537.4**	**704.5**

University	**Income and expenditure account**		**Total**
	Endowment	Unrestricted	
	£m	£m	£m
Balance at 1 August 2017	**166.5**	**484.9**	**651.4**
Surplus from the income and expenditure statement	4.6	38.4	43.0
Release of restricted funds in the year	(4.0)	4.0	-
Total comprehensive income for the year	**0.6**	**42.4**	**43.0**
Balance at 31 July 2018	**167.1**	**527.3**	**694.4**

Consolidated Cash Flow - Year Ended 31 July 2018

	Notes	Year ended 31 July 2018 £m	Year ended 31 July 2017 £m
Cash flow from operating activities			
Total comprehensive income for the year		**47.2**	76.4
Adjustment for non-cash items			
Depreciation	13	**35.2**	33.7
Amortisation of intangibles	12	**0.6**	0.3
Gain on investments	15	**(9.9)**	(21.2)
Decrease in stock	17	**0.1**	-
Decrease in trade and other receivables	18	**15.0**	(20.1)
(Decrease)/increase in creditors < 1 year	20	**(1.7)**	17.6
Decrease in creditors > 1 year	21	**(0.8)**	(2.4)
Decrease in pension provision	22	**(4.2)**	(2.6)
(Decrease)/increase in other provisions	22	**(0.8)**	0.2
Receipt of donated equipment		**-**	(3.1)
Share of operating surplus in joint ventures and associates	16	**(3.9)**	(11.1)
Adjustment for investing or financing activities			
Investment income	6	**(1.2)**	(2.3)
Interest payable	9	**11.9**	11.2
Endowment investment income	6	**(4.9)**	(4.7)
Profit on sale of fixed assets		**(4.0)**	(0.2)
Capital grant income	3/5	**(12.9)**	(25.6)
Net cash inflow from operating activities		**65.7**	46.1
Cash flows from investing activities			
Proceeds from sales of fixed assets		**4.2**	0.2
Capital grants receipts	3/5	**18.0**	7.0
Capital receipts		**8.0**	8.0
Disposal of non-current asset investments	15	**38.4**	41.2
Disposal of current investments		**24.9**	43.0
Investment income	6	**1.7**	2.3
Endowment investment income	6	**4.9**	4.7
Payments made to acquire fixed assets	13	**(67.6)**	(71.3)
New non-current asset investments	15	**(32.5)**	(42.6)
New current investments		**(40.7)**	(32.2)
		(40.7)	(39.7)
Cash flows from financing activities			
Interest paid	9	**(11.9)**	(12.3)
Interest element of finance lease	9	**(0.1)**	(0.1)
Non-current investment cash (outflow)/inflow	15	**(3.5)**	20.6
Repayments of amounts borrowed	21	**(1.4)**	(1.5)
Capital element of finance lease and service concession payments	21	**(0.4)**	(0.5)
		(17.3)	6.2
Increase in cash and cash equivalents in the year		**7.7**	12.6
Cash and cash equivalents at beginning of the year	24	**66.4**	53.8
Cash and cash equivalents at end of the year	24	**74.1**	66.4

NOTES TO THE ACCOUNTS

for the year ended 31 July 2018

Notes to the Accounts for the year ended 31 July 2018

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 2018. 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, 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 Comprehensive 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 USS is a hybrid scheme whilst the ULPF scheme is a defined benefit scheme. Both schemes are externally funded, with the assets of the schemes held separately from those of the University, in separate trustee administered funds. 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

The Universities Superannuation Scheme is a hybrid pension scheme, providing defined benefits (for all members), as well as defined contribution benefits. The assets of the scheme are held in a separate trustee-administered fund. 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 has been 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. 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. This is confirmed by the Trust Deed as summarised below.

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.

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

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 University 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 Consolidated Statement of Comprehensive 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 Consolidated 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.

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 ventures and associates

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

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

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

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 instruments

The University has chosen to apply the provisions of sections 11 and 12 of FRS 102 in full. Financial assets and financial liabilities are recognised in the University's balance sheet when the University becomes a party to the contractual provisions of the instrument. A financial asset and a financial liability are offset only when there is a legally enforceable right to offset the recognised amounts and an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

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

Investments

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

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

All other investments are measured at cost less impairment.

Short term debtors and creditors

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

Loans

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

u Significant estimates and judgements

In the process of applying these accounting policies, the University is required to make certain estimates, judgements and assumptions that management believe are reasonable based on the information available. Significant estimates and material judgements used in the preparation of the financial statements are as follows:

Recoverability of debtors

The recoverability of debtor balances is an area of uncertainty. The University provides for all debt greater than 365 days old at the year end date. The provision is adjusted for any post year end receipts and is extended to any items less than 365 days old where recovery is deemed to be a potential issue. The University deems the provision to be adequate based on the aged profile of debt and the nature of the underlying discussions around recovery.

Impairments

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

Provisions

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

Universities Superannuation Scheme

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 a gain or loss in accordance with section 28 of FRS 102. The Council is satisfied that the Universities Superannuation Scheme meets the definition of a multi-employer scheme and has therefore recognised the discounted fair value of the contractual contributions under the funding plan in existence at the date of approving the financial statements.

As the University is contractually bound to make deficit recovery payments to USS, this is recognised as a liability on the balance sheet. The USS deficit recovery plan defines the deficit payment required as a percentage of future salaries until 2031. These contributions will be reassessed within each triennial valuation of the scheme. The provision is based on management's estimate of expected future salary inflation, changes in staff numbers and the prevailing rate of discount.

The 2017 actuarial valuation of the Universities Superannuation Scheme has been undertaken but this has not yet been formally completed. The 2017 valuation has set out the challenges currently facing the scheme and the likelihood of significant increases in contributions being required to address these challenges.

In the judgement of the University, as the 2017 valuation has not formally completed, and there remains various stages of consultation around the key factors specifically relating to the funding of the past deficit, including the level of contributions required, the period of the recovery plan and the level of asset performance over the period, it remains appropriate to continue to account for the past deficit obligation in accordance with the plan agreed after the 2014 actuarial valuation.

However, there is a significant risk that the year end provision as calculated will not reflect the position following the final outcome of negotiations, potentially by a very significant amount depending upon what is finally agreed as regards future deficit contributions and their duration. The University expects to have greater clarity in this respect during the next financial year. Based on the inputs to the model, sensitivity analysis which outlines the potential impact on the existing liability (assuming the same discount rate) has been performed. Further detail is given in note 32.

University of Liverpool Pension Fund

Under section 28.22 (Employee Benefits - Defined benefit plan asset) of FRS 102 the University does not recognise the surplus of the University of Liverpool Pension Fund as it is unable to recover the surplus through reduced contributions in the future or through refunds from the plan. This is confirmed by the Trust Deed.
As a result the information provided in note 31 is for disclosure purposes only and the surplus is not recognised within the financial statements.

		Notes	Year Ended 31 July 2018 Consolidated £m	Year Ended 31 July 2018 University £m	Year Ended 31 July 2017 Consolidated £m	Year Ended 31 July 2017 University £m
2	**Tuition fees and education contracts**					
	Full-time home and EU students		**153.9**	**153.9**	139.6	139.6
	Full-time international students		**107.0**	**105.6**	92.3	91.0
	Part-time students		**6.1**	**6.1**	6.1	6.1
	Special courses		**10.9**	**10.9**	9.9	9.9
	Research Training Support Grant		**10.0**	**10.0**	8.6	8.6
			287.9	**286.5**	256.5	255.2
3	**Funding body grants**					
	Recurrent grant					
	Higher Education Funding Council		**39.1**	**39.1**	56.8	56.8
	Office for Students		**6.5**	**6.5**	-	-
	Engineering and Physical Sciences Research Council		**9.9**	**9.9**	-	-
	Specific grants					
	HEFCE CIF		**7.2**	**7.2**	6.1	6.1
	Higher Education Innovation Fund		**3.2**	**3.2**	3.2	3.2
	Capital grant		**-**	**-**	11.0	11.0
	Other specific grants		**2.8**	**2.8**	0.5	0.5
			68.7	**68.7**	77.6	77.6

Higher education institutions were funded by the Higher Education Funding Council for England until 31 March 2018. From 1 April 2018, teaching was funded by the Office for Students and research by the Engineering and Physical Sciences Research Council, which is part of UK Research and Innovation.

		Notes	Year Ended 31 July 2018 Consolidated £m	Year Ended 31 July 2018 University £m	Year Ended 31 July 2017 Consolidated £m	Year Ended 31 July 2017 University £m
4	**Research grants and contracts**					
	Research councils		**39.6**	**39.6**	39.6	39.6
	Research charities		**16.5**	**16.5**	14.8	14.8
	Government (UK and overseas)		**23.6**	**23.6**	24.0	24.0
	Industry and commerce		**9.1**	**9.1**	9.0	9.0
	Other		**6.8**	**6.8**	7.1	7.1
			95.6	**95.6**	94.5	94.5
5	**Other income**					
	Residences, catering and conferences		**30.4**	**30.4**	25.8	25.8
	Health authorities		**10.0**	**10.0**	10.1	10.1
	Other services		**25.2**	**23.4**	23.1	23.1
	Other income		**15.3**	**15.6**	14.9	13.5
	Specific capital grant		**0.2**	**0.2**	8.5	8.5
			81.1	**79.6**	82.4	81.0
6	**Investment income**					
	Investment income on endowments		**4.9**	**4.9**	4.7	4.7
	Other investment income		**1.2**	**2.3**	2.3	3.6
	Net return on pension scheme	31	**1.8**	**1.8**	-	-
			7.9	**9.0**	7.0	8.3
7	**Donations and endowments**					
	New endowments		**1.5**	**1.5**	0.4	0.4
	Unrestricted donations		**3.0**	**3.0**	4.8	4.8
			4.5	**4.5**	5.2	5.2

8 Staff costs

	Year Ended 31 July 2018 Consolidated £m	Year Ended 31 July 2018 University £m	Year Ended 31 July 2017 Consolidated £m	Year Ended 31 July 2017 University £m
Staff costs:				
Salaries	**228.5**	**227.3**	212.2	211.1
Social security costs	**22.1**	**22.0**	20.7	20.6
Movement on USS provision	**(5.2)**	**(5.2)**	(3.5)	(3.5)
Other pension costs	**40.9**	**40.8**	33.7	33.5
Total	**286.3**	**284.9**	263.1	261.7

	Year Ended 31 July 2018 £'000	Year Ended 31 July 2017 £'000
Emoluments of the Vice-Chancellor:		
Salary	**278.2**	266.9
Performance related pay	**27.5**	52.6
Allowance in lieu of pension contribution	**41.2**	39.5
Taxable benefits:		
Accommodation expenses	**2.9**	2.3
Medical insurance	**2.0**	2.0
Non-taxable benefits:		
Accommodation expenses	**11.7**	10.4
Total Remuneration Package for the Vice-Chancellor	**363.5**	373.7

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

The Vice-Chancellor received a 10% non-consolidated bonus on 1 February 2018 based on performance against personal objectives and delivery of strategic University targets. Using data from a range of sector and industry surveys, the Vice-Chancellor's base pay was uplifted by 2% to bring this in line with median salaries for Vice-Chancellors in Higher Education Institutions with a turnover of over £400m and Vice-Chancellors in the Russell Group. Alongside all other University employees, the Vice-Chancellor was awarded the nationally negotiated pay settlement of 1.7% on 1 August 2017.

The Vice-Chancellor holds other roles as shown below, all of which are unpaid except where indicated. The amounts quoted are gross and the Vice-Chancellor donated the net amounts to the Uinversity INTO Project.

- Director of the Board, The Russell Group of Universities
- Director, Sensor City Liverpool Ltd
- Member of the Board of Trustees, British Council
- President, Universities UK (UUK)
- Vice-Chair of the Board, Xi'an Jiaotong-Liverpool University
- Chair of the Board, Liverpool Knowledge Quarter Board
- Member, Liverpool City Region LEP Board
- Member, REF Equality and Diversity Advisory Panel (gross payment £1,500; net amounted donated to University INTO Project)
- Council Member, Arts and Humanities Research Council (gross payment £6,850; net amounted donated to University INTO Project)
- Advisor on Higher Education for Liverpool City Region Metro Mayor

Head of Provider Pay Multiple	Basic Pay	Total Pay
	£'000	£'000
Staff Pay Median	33.5	37.8
Vice-Chancellor Pay	278.2	363.5
Pay Multiple	8.3	9.6

The pay median does not include atypical staff as it is not possible to accurately calculate a full time equivalent and therefore a full time equivalent salary for these staff. A large percentage of atypical staff submit claims for pay as a value claim with no indication of the time taken to complete.

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-£104,999	**39**	26
£105,000-£109,999	**8**	5
£110,000-£114,999	**4**	6
£115,000-£119,999	**9**	13
£120,000-£124,999	**8**	4
£125,000-£129,999	**3**	3
£140,000-£144,999	**-**	1
£145,000-£149,999	**5**	6
£150,000-£154,999	**5**	1
£155,000-£159,999	**-**	1
£160,000-£164,999	**2**	-
£175,000-£179,999	**-**	1
£185,000-£189,999	**1**	-
£200,00-£204,999	**-**	1
£215,000-£219,999	**1**	-
£220,000-£224,999	**-**	1
£225,000-£229,999	**1**	-
£240,000-£244,999	**1**	1
	87	70

*The 2016/17 figures have been re-stated in line with the new Office for Students Regulatory Advice 9: Accounts Direction to enable comparison.

Average staff numbers by major category	**Full time equivalent**	Full time equivalent
Academic	**3,325**	3,149
Clinical	**190**	192
Technical	**622**	617
Clerical	**926**	891
Other	**389**	399
	5,452	5,248

	£'000	£'000
Compensation payable to higher paid staff recorded within staff costs	**4,023.2**	871.1
Number of higher paid staff in receipt of compensation payments	**94**	54

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, which is comprised of the Vice-Chancellor, the Chief Operating Officer, the Pro-Vice-Chancellors for Cultural Engagement, Education and Research & Impact, Executive Pro-Vice-Chancellors for each of the Academic Faculties and the Director of Finance.

The year on year increase of 28% is due to an increase in membership of the Senior Management Team from the start of 2017-18. The additional roles were the Pro-Vice-Chancellor for Cultural Engagement and the Director of Finance. Excluding these two additional roles, the year on year increase in cost was 5.6%, slightly ahead of pay inflation due to some overlap of roles during changes in staff during the year.

	Year ended 31 July 2018	Year ended 31 July 2017
Number	**9**	7
Staff costs - £'000	**2,149.6**	1,684.2

		Notes	Year Ended 31 July 2018		Year Ended 31 July 2017	
			Consolidated	**University**	Consolidated	University
			£m	**£m**	£m	£m
9	**Interest and other finance costs**					
	Loan interest		**10.9**	**10.1**	10.2	9.4
	Finance lease interest		**-**	**-**	0.1	0.1
	Net charge on pension scheme	22	**1.0**	**1.0**	0.9	0.9
			11.9	**11.1**	11.2	10.4

		Year Ended 31 July 2018		Year Ended 31 July 2017	
		Consolidated	**University**	Consolidated	University
		£m	**£m**	£m	£m
10	**Analysis of total expenditure by activity**				
	Academic and related expenditure	**235.0**	**233.9**	215.3	214.3
	Administration and central services	**16.2**	**16.2**	9.0	9.0
	Premises (including service concession cost)	**69.7**	**71.2**	64.6	67.1
	Residences, catering and conferences	**17.7**	**17.6**	19.6	17.6
	Research grants and contracts	**74.5**	**74.5**	72.0	72.0
	Other expenses	**106.4**	**104.7**	98.6	96.7
		519.5	**518.1**	479.1	476.7

Other operating expenses include:		**£'000**	£'000
External auditors remuneration in respect of audit services	University	**76.9**	80.2
	Subsidiaries	**21.0**	20.5
External auditors remuneration in respect of non-audit services	Tax Management	**-**	0.2
	Grant assurance	**71.8**	39.4
	Other Assurance Services	**7.1**	9.7

11 Taxation

	Year Ended 31 July 2018		Year Ended 31 July 2017	
	Consolidated	**University**	Consolidated	University
	£m	**£m**	£m	£m
Recognised in the Statement of Comprehensive Income and Expenditure				
Deferred tax				
Origination and reversal of timing differences	**0.1**	**-**	0.2	-
Deferred tax expense	**0.1**	**-**	0.2	-

12 Intangible assets

Software

	Year Ended 31 July 2018		Year Ended 31 July 2017	
	Consolidated	**University**	Consolidated	University
	£m	**£m**	£m	£m
At 1 August 2017	**3.0**	**2.9**	0.2	-
Additions in the year	**-**	**-**	3.1	3.1
Amortisation charge for the year	**(0.6)**	**(0.6)**	(0.3)	(0.2)
At 31 July 2018	**2.4**	**2.3**	3.0	2.9

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
Cost								
At 1 August 2017	684.1	50.1	5.8	46.9	171.7	76.8	17.0	1,052.4
Additions	4.5	-	-	1.0	10.0	54.4	-	69.9
Transfers	0.8	36.4	-	22.9	4.2	(64.3)	-	-
Disposals	-	-	-	-	(1.0)	-	-	(1.0)
At 31 July 2018	**689.4**	**86.5**	**5.8**	**70.8**	**184.9**	**66.9**	**17.0**	**1,121.3**
Depreciation								
At 1 August 2017	156.0	21.4	5.6	7.1	134.5	-	-	324.6
Charge for the year	19.2	1.1	0.2	3.9	10.8	-	-	35.2
Transfers	(8.0)	8.0	-	-	-	-	-	-
Disposals	-	-	-	-	(1.0)	-	-	(1.0)
At 31 July 2018	**167.2**	**30.5**	**5.8**	**11.0**	**144.3**	**-**	**-**	**358.8**
Net book value								
At 31 July 2018	**522.2**	**56.0**	**-**	**59.8**	**40.6**	**66.9**	**17.0**	**762.5**
At 31 July 2017	528.1	28.7	0.2	39.8	37.2	76.8	17.0	727.8

University

	Freehold land and buildings	Leasehold land and buildings	Finance lease	Infrastructure	Equipment	Assets in the course of construction	Heritage assets	Total
Cost								
At 1 August 2017	686.4	50.1	5.8	46.9	138.8	76.8	17.0	1,021.8
Additions	5.1	-	-	1.0	10.1	53.2	-	69.4
Transfers	0.8	36.4	-	22.9	4.1	(64.2)	-	-
Disposals	-	-	-	-	(1.0)	-	-	(1.0)
At 31 July 2018	**692.3**	**86.5**	**5.8**	**70.8**	**152.0**	**65.8**	**17.0**	**1,090.2**
Depreciation								
At 1 August 2017	156.0	21.4	5.6	7.1	125.3	-	-	315.4
Charge for the year	19.2	1.1	0.2	3.9	9.3	-	-	33.7
Transfers	(8.0)	8.0	-	-	-	-	-	-
Disposals	-	-	-	-	(1.0)	-	-	(1.0)
At 31 July 2018	**167.2**	**30.5**	**5.8**	**11.0**	**133.6**	**-**	**-**	**348.1**
Net book value								
At 31 July 2018	**525.1**	**56.0**	**-**	**59.8**	**18.4**	**65.8**	**17.0**	**742.1**
At 31 July 2017	530.4	28.7	0.2	39.8	13.5	76.8	17.0	706.4

At 31 July 2018, freehold land and buildings included £44.3m (2017 - £45.5m) in respect of freehold land that is not depreciated.
At 31 July 2018, leasehold land and buildings included £1.3m (2017 - £0.1m) in respect of leasehold land that is not depreciated.
Included in the cost of fixed assets is aggregated interest capitalised of £5.1m (2017 - £4.7m). Included in Consolidated and University net book value is £0.4m (2017 - £0.5m) relating to assets held for resale.
Additions include £0.3m (2017 - £1.1m) 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 a Collections Development 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 2017 to 31 July 2018 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

Consolidated	Subsidiary companies	Other fixed assets investments	Endowment investments	Total
	£m	£m	£m	£m
At 1 August 2017	-	36.2	166.5	202.7
Additions	-	8.2	24.3	32.5
Disposals	-	(5.6)	(32.8)	(38.4)
Cash movement	-	1.3	2.2	3.5
Change in market value	-	2.3	6.9	9.2
At 31 July 2018	**-**	**42.4**	**167.1**	**209.5**
University				
At 1 August 2017	3.8	36.2	166.5	206.5
Additions	-	8.2	24.3	32.5
Disposals	-	(5.6)	(32.8)	(38.4)
Cash movement	-	1.3	2.2	3.5
Change in market value	-	2.3	6.9	9.2
At 31 July 2018	**3.8**	**42.4**	**167.1**	**213.3**

The gains on investments in the Consolidated Statement of Comprehensive Income and Expenditure also includes gains on current assets £0.7m (2017 - £2.1m) and unrestricted reserves £Nil (2017 - £0.3m) giving total investment gains of £9.9m (2017 - £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 cost. The investments in the subsidiary companies are held at cost.

Details of shares in subsidiary companies are disclosed in note 29.

Non-current investments consist of :	Consolidated	University
	£'000	**£'000**
Quoted equities	177.4	177.4
Fixed interest bonds	16.9	16.9
Property and other investments	4.7	8.5
Cash and cash equivalents	10.5	10.5
	209.5	**213.3**

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
Liftupp Limited	38.0	Intellihep Limited	18.0
Sepsis Limited	35.1	Senectus Therapeutics Limited	16.7
Provexis IBD Limited	25.0	Liverpool Health Partners Limited	10.0
Q Technologies Limited	24.9	Pepsyn Limited	3.5
Aimes CIC Limited	20.0	CDDM Technology Limited	2.3
Trucolour Limited	18.7	CVCP Limited	1.3

16 Investment in joint ventures and associates

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. For Sensor City Liverpool Ltd, 50% of the company's gross assets and liabilities are incorporated into the Consolidated Balance Sheet and 50% of its net income is reported in the Consolidated Statement of Comprehensive Income and Expenditure.

XJTLU has accumulated net losses and its share of gross assets and liabilities and net income have not been consolidated into the group accounts. This treatment is in accordance with FRS 102. The University holds a 24.5% interest in Liverpool Science Park Ltd and a 20% interest in Laureate-University of Liverpool Ventures BV. Following a review as to their materiality and to align with group accounting policies, both investments have been treated as associates and accounted for using the equity method in the year to 31 July 2018.

	Year ended 31 July 2018					Year ended 31 July 2017				
	XJTLU*	**Liverpool Science Park Ltd**	**Laureate - University of Liverpool Ventures B.V.**	**Sensor City**	**Total**	XJTLU	Liverpool Science Park Ltd	Laureate - University of Liverpool Ventures B.V.	Sensor City	Total
	£m			**£m**	**£m**	£m			£m	£m
Income and expenditure account										
Income	50.2	3.6	1.1	0.1	**4.8**	42.0	-	-	5.9	5.9
Surplus before tax	**0.7**	**3.5**	**1.1**	**(0.7)**	**3.9**	0.5	-	-	4.4	4.4
Balance sheet										
Fixed assets	125.1	4.6	-	5.1	**9.7**	112.0	-	-	5.3	5.3
Current assets	22.2	0.1	0.1	0.3	**0.5**	23.9	-	-	1.6	1.6
	147.3	**4.7**	**0.1**	**5.4**	**10.2**	135.9	-	-	6.9	6.9
Creditors: amounts due within one year	(20.6)	(0.2)	-	(0.2)	**(0.4)**	(18.2)	-	-	(1.5)	(1.5)
Creditors: amounts due after more than one year	(131.0)	(1.0)	-	-	**(1.0)**	(122.7)	-	-	-	-
	(151.6)	**(1.2)**	**-**	**(0.2)**	**(1.4)**	(140.9)	-	-	(1.5)	(1.5)
Share of net (liabilities) / assets	**(4.3)**	**3.5**	**0.1**	**5.2**	**8.8**	(5.0)	-	-	5.4	5.4

2017/18 income includes an exchange rate gain of £nil (2017 - gain £0.1m).

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

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

In accordance with FRS 102, in 2016/17 the University wrote 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 2016/17 Consolidated Statement of Comprehensive Income and Expenditure was £11.1m, being £6.7m write back of share of losses and £4.4m share of surplus in relation to Sensor City.

* XJTLU has accumulated net losses and has not been consolidated. The amounts reported are therefore solely a memorandum.

17 Stock

	Year ended 31 July 2018		Year ended 31 July 2017	
	Consolidated	University	Consolidated	University
	£m	£m	£m	£m
General consumables	**1.2**	**1.0**	1.3	1.1

18 Trade and other receivables

	Year ended 31 July 2018		Year ended 31 July 2017	
	Consolidated	University	Consolidated	University
	£m	£m	£m	£m
Amounts falling due within one year:				
Research grants receivables	**31.1**	**31.1**	37.3	37.3
Other trade receivables	**12.1**	**11.3**	16.9	16.2
Other receivables	**2.6**	**1.0**	5.4	2.5
Prepayments and accrued income	**17.1**	**16.9**	17.6	17.6
Amounts due from subsidiary companies	**-**	**7.9**	-	8.2
	62.9	**68.2**	77.2	81.8

19 Current investments

	Year ended 31 July 2018		Year ended 31 July 2017	
	Consolidated	University	Consolidated	University
	£m	£m	£m	£m
Short term investment in shares	**12.0**	**12.0**	12.7	12.7
Short term bonds and gilts	**3.8**	**3.8**	17.2	17.2
Short term deposits	**40.0**	**40.0**	10.0	10.0
Other short term investments	**16.8**	**16.8**	16.2	16.2
	72.6	**72.6**	56.1	56.1

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

At 31 July 2018 the weighted average interest rate of these fixed rate deposits was 0.80% 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 2018		Year ended 31 July 2017	
	Consolidated	University	Consolidated	University
	£m	£m	£m	£m
Unsecured loans	0.2	-	1.5	-
Obligations under finance leases	-	-	0.4	0.4
Trade payables	19.2	17.5	20.2	17.7
Amounts due to subsidiary companies	-	12.6	-	8.6
Social security and other taxation payable	9.1	8.4	7.5	6.7
Accruals and deferred income	78.2	70.6	59.6	53.8
Research grants received on account	34.9	34.9	39.7	39.7
	141.6	144.0	128.9	126.9

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 2018		Year ended 31 July 2017	
	Consolidated	University	Consolidated	University
	£m	£m	£m	£m
Grant income	8.3	8.3	6.8	6.8
Other income*	46.8	46.3	26.7	26.3
	55.1	54.6	33.5	33.1

*Other income includes £16m (2017 - £8m) relating to the disposal of a lease expected to take place in 2018/19.

21 Creditors: amounts falling due after more than one year

	Year ended 31 July 2018		Year ended 31 July 2017	
	Consolidated	**University**	Consolidated	University
	£m	**£m**	£m	£m
Unsecured loans	**299.9**	**284.9**	299.9	284.8
Other creditors	**0.1**	**0.1**	1.0	1.0
	300.0	**285.0**	300.9	285.8
Analysis of secured and unsecured loans:				
Due within one year or on demand (note 20)	**0.2**	**-**	1.5	-
Due between one and two years	**-**	**-**	0.1	-
Due in five years or more	**299.9**	**284.9**	299.8	284.8
Due after more than one year	**299.9**	**284.9**	299.9	284.8
Total secured and unsecured loans	**300.1**	**284.9**	301.4	284.8
Bond repayable by 2055	**244.9**	**244.9**	244.8	244.8
Unsecured loans repayable by 2036	**40.0**	**40.0**	40.0	40.0
Unsecured loans repayable by 2028	**15.0**	**-**	15.0	-
Unsecured loans repayable by 2019	**0.2**	**-**	0.1	-
Unsecured loans repayable by 2018	**-**	**-**	1.5	-
	300.1	**284.9**	301.4	284.8

Included in loans are the following:

Lender	Amount	Term	Interest rate	Borrower
	£m		**%**	
Public bond	244.9	2055	3.375	University
Private placement	40.0	2036	4.99	University
	284.9			
Lloyds Bank	15.0	2028	4.975	Subsidiary
Total	**299.9**			

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:

(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%.

22 Provisions for liabilities

Consolidated	Notes	Obligation to fund deficit on USS Pension £m	Other provisions £m	Total £m
At 1 August 2017		52.1	1.2	53.3
Utilised during the year	8	(5.2)	(0.9)	(6.1)
Charged to the Statement of Comprehensive Income and Expenditure	9	1.0	0.1	1.1
At 31 July 2018		**47.9**	**0.4**	**48.3**

University	Notes	Obligation to fund deficit on USS Pension £m	Other provisions £m	Total £m
At 1 August 2017		52.1	0.9	53.0
Utilised during the year	8	(5.2)	(0.9)	(6.1)
Charged to the Statement of Comprehensive Income and Expenditure	9	1.0	-	1.0
At 31 July 2018		**47.9**	**-**	**47.9**

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.

As set out in the accounting policies there are some critical judgements made in estimating the obligation to fund the USS deficit. In the judgement of the University, as the 2017 valuation has not formally completed, and there remains various stages of consultation around the key factors specifically relating to the funding of the past deficit, including the level of contributions required, the period of the recovery plan and the level of asset performance over the period, it remains appropriate to continue to account for the past deficit obligation in accordance with the plan agreed after the 2014 actuarial valuation. 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 31.

However, there is a significant risk that the year end provision as calculated will not reflect the position following the final outcome of negotiations, potentially by a very significant amount depending upon what is finally agreed as regards future deficit contributions and their duration. The University expects to have greater clarity in this respect during the next financial year. Based on the inputs to the model, sensitivity analysis which outlines the potential impact on the existing liability of £47.9m has been performed, the results of which are included in note 32.

Other provisions

There is an obligation of £0.4m 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:

		Restricted permanent endowments	Restricted expendable endowments	2018 Total	2017 Total
		£m	£m	£m	£m
Balances at 1 August					
Capital		122.1	21.2	**143.3**	134.2
Accumulated income		19.9	3.3	**23.2**	21.6
		142.0	24.5	**166.5**	155.8
(Released endowments)/New endowments		(2.9)	0.4	**(2.5)**	(3.9)
Reclassification of endowments		(11.3)	11.3	**-**	-
Investment income		3.8	1.1	**4.9**	4.7
Expenditure		(5.8)	(2.9)	**(8.7)**	(3.5)
Increase in market value of investments		5.9	1.0	**6.9**	13.4
Total endowment comprehensive income for the year		(10.3)	10.9	**0.6**	10.7
Balances at 31 July		131.7	35.4	**167.1**	166.5
Represented by:					
	Capital	116.5	30.1	**146.6**	143.3
	Accumulated income	15.2	5.3	**20.5**	23.2
		131.7	35.4	**167.1**	166.5
Analysis by type:					
	Chairs	62.9	0.5	**63.4**	60.8
	Scholarships and Fellowships	41.2	15.7	**56.9**	56.5
	Prizes	4.2	1.0	**5.2**	5.8
	Lectureships	7.9	7.4	**15.3**	14.9
	Other	15.5	10.8	**26.3**	28.5
		131.7	35.4	**167.1**	166.5

		2018 Total	2017 Total
Analysis by asset:		£m	£m
	Current and non-current asset investments	**158.2**	159.8
	Cash and cash equivalents	**8.9**	6.7
		167.1	166.5

There were no accumulated income balances in deficit at 31 July 2018 (2017 - none).

Following a review of endowments, 23 endowments were reclassified as restricted expendable from restricted permanent to reflect donors wishes more fairly.

24 Cash and cash equivalents

	At 1 August 2017 £m	Cash flows £m	At 31 July 2018 £m
Consolidated	66.4	7.7	74.1

25 Capital and other commitments

Provision has not been made for the following capital commitments at 31 July 2018 and 31 July 2017:

	31 July 2018		31 July 2017	
	Consolidated £m	University £m	Consolidated £m	University £m
Commitments contracted for	84.9	84.3	111.6	110.9

26 Contingent liabilities

The University has given written undertakings to support the subsidiary companies, Sensor City Liverpool Ltd, and Liverpool Science Park Ltd, 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 £m	Plant and machinery £m	31 July 2018 £m	31 July 2017 £m
Payable during the year	6.1	0.4	6.5	5.6
Future minimum lease payments due:				
Not later than 1 year	6.0	0.5	6.5	5.9
Later than 1 year and not later than 5 years	23.7	1.4	25.1	23.5
Later than 5 years	48.9	-	48.9	54.6
Total lease payments due	78.6	1.9	80.5	84.0

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
Liverpool International College		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. The principal purpose of these companies is to support the activities of the University.

30 Linked Charity

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

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

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

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

	As at 31 July 2017	Investment income and gain	Expenditure	As at 31 July 2018
	£m	£m	£m	£m
Agnes Lois Bulley Trust				
Investments	7.0	0.6	(0.2)	7.4

31 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 cost of which was £1.8m (2017 - £1.8m).

The total pension cost for the University was:

	Year Ended 31 July 2018 Consolidated	Year Ended 31 July 2018 University	Year Ended 31 July 2017 Consolidated	Year Ended 31 July 2017 University
	£m	**£m**	£m	£m
USS (including movement on provision - see note 8)	**22.3**	**22.2**	22.1	21.9
ULPF	**11.6**	**11.6**	6.3	6.3
Other pension schemes	**1.8**	**1.8**	1.8	1.8
	35.7	**35.6**	30.2	30.0

(i) The Universities Superannuation Scheme

The institution participates in the Universities Superannuation Scheme (the scheme). The scheme is a hybrid pension scheme, providing defined benefits (for all members), as well as defined contribution benefits. The assets of the scheme are held in a separate trustee-administered fund. 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.

In accordance with the requirements of the Statement of Recommended Practice: Accounting for Further and Higher Education 2015, the University currently recognises a provision for its obligation to fund past deficits arising within the Universities Superannuation Scheme. The recovery plan in the 2014 actuarial valuation requires employers to contribute 2.1% of salaries towards repairing the deficit over a period of 17 years, of which 14 years remain. Details of this provision, which has been discounted at a rate of 2.21% as at 31 July 2018, are included in note 22 to the financial statements.

The 2017 actuarial valuation of the Universities Superannuation Scheme has been undertaken but this has not yet been formally completed. The 2017 valuation has set out the challenges currently facing the scheme and the likelihood of significant increases in contributions being required to address these challenges.

In the judgement of the University, as the 2017 valuation has not formally completed, and there remains various stages of consultation around the key factors specifically relating to the funding of the past deficit, including the level of contributions required, the period of the recovery plan and the level of asset performance over the period, it remains appropriate to continue to account for the past deficit obligation in accordance with the plan agreed after the 2014 actuarial valuation.

However, there is a significant risk that the year end provision as calculated will not reflect the position following the final outcome of negotiations, potentially by a very significant amount depending upon what is finally agreed as regards future deficit contributions and their duration. The University expects to have greater clarity in this respect during the next financial year. Based on the inputs to the model, sensitivity analysis which outlines the potential impact on the existing liability of £47.9m has been performed, the results of which are included in note 32.

Pension Costs

The total cost charged to the Consolidated Statement of Comprehensive Income and Expenditure is £22.3m (2017: £22.1m) as shown in note 8.

The latest available complete actuarial valuation of the Retirement Income Builder section of the scheme is at March 2014 (the valuation date), which was carried out using the projected unit method. The valuation as at 31 March 2017 is underway but not yet completed.

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. These figures will be revised once the 2017 scheme valuation is complete.

Defined benefit liability numbers for the scheme for accounting purposes have been produced using the following assumptions as at 31 March 2017 and 2018:

	2018	2017
Discount rate	**2.64%**	2.57%
Pensionable salary growth	**n/a**	n/a
Pensions increases (CPI)	**2.02%**	2.41%

The main demographic assumption used relates to the mortality assumptions. These assumptions have been updated for the 31 March 2018 accounting position, based on updated analysis of the scheme's experience carried out as part of the 2017 actuarial valuation. The mortality assumptions used in these figures are as follows:

	2018	2017
Mortality base table		
Pre-retirement:	**71% of AMC00 (duration 0) for males and 112% of AFC00 (duration 0) for females.**	98% of SAPS S1NA "light" YOB unadjusted for males.
Post retirement:	**96.5% of SAPS S1NMA "light" for males and 101.3% of RFV00 for females.**	99% of SAPS S1NA "light" YOB with a -1 year adjustment for females.
Future improvements to mortality	**CMI_2016 with a smoothing parameter of 8.5 and a long term improvement rate of 1.8% pa for males and 1.6% pa for females.**	CMI_2014 with a long term rate of 1.5% p.a.

	2018	2017
Males currently aged 65 (years)	**24.5**	24.4
Females currently aged 65 (years)	**26.0**	26.6
Males currently aged 45 (years)	**26.5**	26.5
Females currently aged 45 (years)	**27.8**	29.0

	2018	2017
Scheme assets	**£63.6bn**	£60.0bn
Total scheme liabilities	**£72.0bn**	£77.5bn
FRS102 total scheme deficit	**£8.4bn**	£17.5bn
FRS102 total funding level	**88%**	77%

(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 2018 by a qualified actuary, independent of the scheme's sponsoring employer. The major assumptions used by the actuary are shown below.

The 2015 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 16.0% of pensionable earnings in respect of the cost of accruing benefits. This rate includes a 2% 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. A full actuarial valuation as at 31 July 2018 is in progress.

Assumptions

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

	At 31 July 2018 %pa	At 31 July 2017 %pa
Discount rate	**2.65**	2.60
Price Inflation (RPI)	**3.40**	3.40
Price Inflation (CPI)	**2.50**	2.50
Rate of increase in salaries	**2.50 (plus promotional salary scale)**	2.50 (plus promotional salary scale)
Allowance for revaluation of CARE benefit (for service for new joiners after 1 August 2011)	**2.50**	2.50
Allowance for revaluation of deferred pensions of CPI or 5% p. a. if less	**2.50**	2.50
Allowance for revaluation of deferred pensions of CPI or 2.5% p. a. if less	**2.50**	2.50
Allowance for pension in payment increases of CPI or 5% p. a. if less	**2.50**	2.50
Allowance for pension in payment increases of RPI or 2.5% p. a. if less	**2.20**	2.20
Allowance for pension in payment increases of CPI or 2.5% p. a. if less	**1.80**	1.80
Allowance for commutation of pension cash at retirement	**80% of members commute 25% for cash at retirement**	80% of members commute 25% for cash at retirement

The mortality assumptions adopted at 31 July 2018 and 31 July 2017 imply the following life expectancies:

	Life expectancy at age 60 (years)	Life expectancy at age 60 (years)
Male retiring in 2018 (2017)	**24.0**	24.2
Female retiring in 2018 (2017)	**26.1**	26.2
Male retiring in 2038 (2017)	**26.0**	26.1
Female retiring in 2038 (2017)	**28.2**	28.2

The best estimate of contributions to be paid by the University of Liverpool to the scheme for the year commencing 1 August 2018 is £6.5m.

Scheme assets and expected rate of return for ULPF

The assets in the scheme were:

	Fair value as at 31 July 2018 £m	Fair value as at 31 July 2017 £m	Fair value as at 31 July 2016 £m
Equities	**253.2**	322.9	275.9
Bonds	**88.6**	87.8	85.5
Property	**69.2**	29.4	18.7
Multi asset fund	**65.5**	-	-
Net current liabilities	**(0.5)**	(1.7)	(0.8)
Total	**476.0**	438.4	379.3

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

	Year Ended 31 July 2018 £m	Year Ended 31 July 2017 £m
Fair value of scheme assets	**476.0**	438.4
Present value of defined benefit obligation	**(371.2)**	(365.8)
Surplus in scheme	**104.8**	72.6
Unrecognised surplus	**(104.8)**	(72.6)
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. This is confirmed by the Trust Deed as summarised below.

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.

	Year Ended 31 July 2018 £m	Year Ended 31 July 2017 £m
Reconciliation of opening and closing balances of the defined benefit obligation		
Present value of ULPF liabilities at the start of the year	**365.8**	375.7
Current service cost	**8.8**	10.1
Past service cost	**1.9**	-
Expenses	**0.9**	0.8
Interest expense	**9.5**	9.0
Contributions by plan participants	**2.9**	2.8
Actuarial (gains)/losses	**(5.6)**	(20.0)
Benefits paid and expenses	**(13.0)**	(12.6)
Present value of ULPF liabilities at the end of the year	**371.2**	365.8

	Year Ended 31 July 2018 £m	Year Ended 31 July 2017 £m
Reconciliation of opening and closing balances of the fair value of scheme assets		
Fair value of assets at the start of the year	**438.4**	379.3
Interest income	**11.3**	9.1
Actuarial gains	**29.9**	53.5
Contributions by the University	**6.5**	6.3
Contributions by plan participants	**2.9**	2.8
Benefits paid and expenses	**(13.0)**	(12.6)
Fair value of scheme assets at the end of the year	**476.0**	438.4

The actual return on the scheme assets over the period ended 31 July 2018 was £41.2m (2017 - £62.6m).

	As at 31 July 2018 £m	As at 31 July 2017 £m
Analysis of movement in surplus for ULPF		
Surplus at the beginning of the year (unrecognised)	**72.6**	3.6
Contributions or benefits paid by the University	**6.5**	6.3
Current service cost	**(8.8)**	(10.1)
Past service cost	**(1.9)**	-
Expenses	**(0.9)**	(0.8)
Actuarial gain	**35.5**	73.5
Net interest	**1.8**	0.1
Surplus at end of year (unrecognised)	**104.8**	72.6

During the year the University reviewed its treatment of the ULPF pension scheme. This resulted in the recognition of an additional charge of £5.1m to staff costs and income of £1.8m to interest income. As the University is not able to recognise the surplus an additional amount of £3.3m was recognised in the Consolidated Statement of Comprehensive Income and Expenditure. The adjustment had no effect on net assets and the income and expenditure reserves.

On 26 October 2018, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. The issues determined by the judgment arise in relation to many other defined benefit pension schemes. The University is working with the trustees of the University of Liverpool Pension Fund to understand the extent to which the judgment crystallises additional liabilities for our pension scheme. The extent to which the judgment will increase the liabilities in the University of Liverpool Pension Fund is not possible to identify at this point. However the University of Liverpool Pension Fund actuary has recommended, on the basis of experience of other pensions, to advise of an increase in liabilities in the region of 1% (£3.7m) in the notes to the accounts.

For the University's other defined benefit scheme, the Universities Superannuation Scheme, the provision included within the financial statements at note 22 will only be impacted to the extent the change in benefits increases cash financing.

32 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 £47.9m (2017 - £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.

In accordance with the requirements of the Statement of Recommended Practice: Accounting for Further and Higher Education 2015, the University currently recognises a provision for its obligation to fund past deficits arising within the Universities Superannuation Scheme. The recovery plan in the 2014 actuarial valuation requires employers to contribute 2.1% of salaries towards repairing the deficit over a period of 17 years, of which 14 years remain. Details of this provision, which has been discounted at a rate of 2.21% as at 31 July 2018, are included in note 22 to the financial statements.

The 2017 actuarial valuation of the Universities Superannuation Scheme has been undertaken but this has not yet been formally completed. The 2017 valuation has set out the challenges currently facing the scheme and the likelihood of significant increases in contributions being required to address these challenges.

In the judgement of the University, as the 2017 valuation has not formally completed, and there remains various stages of consultation around the key factors specifically relating to the funding of the past deficit, including the level of contributions required, the period of the recovery plan and the level of asset performance over the period, it remains appropriate to continue to account for the past deficit obligation in accordance with the plan agreed after the 2014 actuarial valuation.

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 2018 the assumption values were as follows:

Discount rate	2.21%
Salary growth	3.9% 2019, 3.6% thereafter
Member growth	2.8% 2019, (0.2)% 2020, (0.4)% 2021, 1% thereafter

However, there is a significant risk that the year end provision as calculated will not reflect the position following the final outcome of negotiations, potentially by a very significant amount depending upon what is finally agreed as regards future deficit contributions and their duration. The University expects to have greater clarity in this respect during the next financial year. Based on the inputs to the model, the following sensitivity analysis outlines the potential impact on the existing liability of £47.9m (assuming the same discount rate of 2.21%).

	As at 31 July 2018	
	Revised provision value	**Difference to provision recognised**
	£m	**£m**
The impact of a 1% increase in employer deficit contributions to 3.1%	70.7	22.8
The impact of a 3.9% increase in employer deficit contributions to 6.0%	136.9	89.0
The impact of an increase in duration for the deficit repayment to 17 years	66.2	18.3
The impact of an increase in duration for the deficit repayment to 20 years	81.1	33.2

The table above indicates the sensitivity of the provision calculation to the change in each assumption parameter as stated, whilst holding all the other parameters fixed.

Bad debt provision

The recoverability of debtor balances is an area of uncertainty. The University provides for all debt greater than 365 days old at the year end date. The provision is adjusted for any post year end receipts and is extended to any items less than 365 days old where recovery is deemed to be a potential issue. The bad debt provision at 31 July 2018 is £1.7m (2017 - £2.1m). The University deems the provision to be adequate based on the aged profile of debt and the nature of the underlying discussions around recovery.

33 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 31.7.18 due to/(from) the University
	£m	£m	£m
Aintree University Hospital NHS Foundation Trust	1.9	-	0.2
British Council	0.2	0.2	-
Cheshire and Wirral Partnership NHS Foundation Trust	0.1	-	-
Laureate - University of Liverpool Ventures B.V.	1.1	5.9	-
Liverpool City Council	-	0.2	-
Liverpool City Region LEP	-	0.1	-
Liverpool College	0.1	-	-
LFC Foundation	0.1	-	-
University of Liverpool Guild of Students	2.9	4.5	0.2
Liverpool Science Park	-	0.2	0.1
National Museums Liverpool	-	0.1	-
Sensor City Liverpool Ltd	-	0.5	-
The Russell Group of Universities	-	0.1	-
University of Liverpool Pension Fund	0.3	6.5	0.5
Universities UK (UUK)	-	-	(0.1)
Xi'an Jiaotong-Liverpool University	1.2	-	-

Nature of transactions

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.

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

Laureate - University of Liverpool Ventures B.V.
Income relates to dividends receivable.
Expenditure paid to Laureate - University of Liverpool Ventures B.V. was in accordance with contractually agreed payments to partners.

Liverpool City Council
Expenditure relates to supplier invoices processed through the accounts payable system and payable in the normal course of business and includes sponsorship of Liverpool 2018 Cultural Events.

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. Income relates to rent and service charge receivable from the Guild. Expenditure relates to the support grant made by the University to the Guild.

Liverpool Science Park
Expenditure paid to Liverpool Science Park relates to rent payable for tenanted office space.
Amounts owing to the University relate to a loan of £105,000. There are no formal repayment terms or interest charged on the loan.

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

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.

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

Other related parties
The expenditure to the British Council, Liverpool City Region LEP, National Museums Liverpool, The Russell Group of Universities and Universities UK (UUK) relates to supplier invoices processed through the accounts payable system and payable in the normal course of business.

34 Trustees expenses

Expenses of £3,932.54 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.

35 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 Resources Committee approved Treasury Management Policy. The Treasury Management Policy adopts the key recommendations of the Code of Practice on Treasury Management in Public Service as issued by Chartered Institute of Public Finance and Accountancy (CIPFA) as recommended by the Higher Education Funding Council for England (HEFCE) and is reviewed, updated and approved annually.

The 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 2018, 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 5 year planning process and are revised during the financial year when 3 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 University in September 2017 which resulted in a downgrading from Aa2 to Aa3. This was followed up by a subsequent review in January 2018, whereby the rating remained unchanged as Aa3 with a negative outlook.

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 a 40 year £250m bond. 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 2018 are on-call as these offer competitive rates of return whilst offering liquidity. Such deposits have limited re-investment risk.

Financial instruments – fair values

	Note	Year ended 31 July 2018 Consolidated £m	Year ended 31 July 2018 University £m	Year ended 31 July 2017 Consolidated £m	Year ended 31 July 2017 University £m
Financial assets					
Measured at fair value through income and expenditure					
Non-current investments	15	**209.5**	**213.3**	202.7	206.5
Measured at undiscounted amount receivable					
Trade and other receivables	18	**14.6**	**12.2**	22.3	18.7
Amounts due from subsidiary undertakings	18	**-**	**7.9**	-	8.2
Measured at amortised cost					
Short term investment in shares	19	**12.0**	**12.0**	12.7	12.7
Short term bonds and gilts	19	**3.8**	**3.8**	17.2	17.2
Short term deposits	19	**40.0**	**40.0**	10.0	10.0
Other short term investments	19	**16.8**	**16.8**	16.2	16.2
		296.7	**306.0**	281.1	289.5

	Note	Year ended 31 July 2018 Consolidated £m	Year ended 31 July 2018 University £m	Year ended 31 July 2017 Consolidated £m	Year ended 31 July 2017 University £m
Financial liabilities					
Measured at undiscounted amount payable					
Trade and other payables	20 & 21	**28.4**	**26.0**	28.7	25.4
Amounts due from subsidiary undertakings	20	**-**	**12.6**	-	8.6
Measured at amortised cost					
Unsecured loans	20 & 21	**300.1**	**284.9**	301.4	284.8
Obligations under finance leases	20	-	-	0.4	0.4
		328.5	**323.5**	330.5	319.2

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