UNIVERSITY OF LIVERPOOL

THE ORIGINAL RED BRICK

Review of the year and financial statements 2018/19

Contents

The Council of the University

The key committees of the Council are:

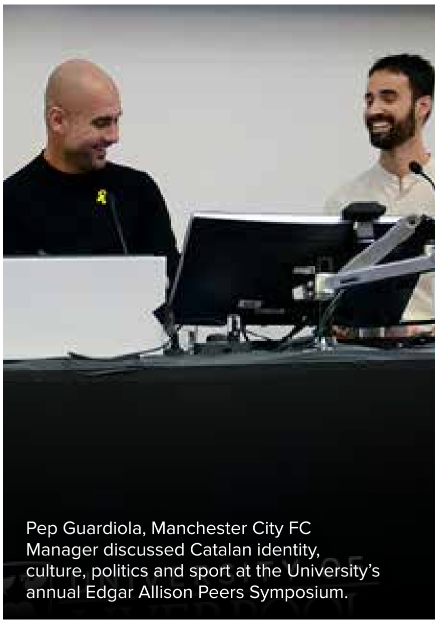
1. **Audit Committee**
2. **Nominations Committee**
3. **Planning & Resources Committee**
4. **Remuneration Committee**

Names	**Membership of key committees**
Ex Officio Members	
The Vice-Chancellor	
Professor Dame Janet Beer, BA, MA, PhD	2, 3
The Deputy Vice-Chancellor	3
Mr Patrick Hackett, BArch (until 30 August 2018)	
The Chief Operating Officer	
Mrs Jenny Tucker, BSc, DipBS (until 31 October 2019)	3
Two of the Pro-Vice-Chancellors	
Professor Gavin Brown, BSc, PhD	3
Professor Anthony Hollander, BSc, PhD	3
The President of the Guild of Students	
Mr Rory Hughes (until 31 July 2019)	2
Mr Adnan Hussain (from 1 August 2019)	2
Twelve Lay Members (including the President and Vice-President) appointed by the Council	
Ms Cilla Ankrah-Lucas, CQSW (from 1 August 2019)	
Mrs Carmel Booth, BA, FCA (Vice-President from 1 August 2019)	1, 2 (and 4 from 1 August 2019)
Mr Sam Butler, BA, PgDip, MSc	2, 3 (from 1 August 2019)
The Earl of Derby, DL (President)	2, 3, 4
Mr Ed Fishwick, BA	
Mr Christopher Graham, BA (Vice-President until 31 July 2019)	2, 3, 4 (until 31 July 2019)
Dr Paul Johnson, BSc, PhD	4 (and 3 from 1 August 2019)
Mrs Helen Miller, BA, CIPD (from 1 October 2018)	3 (and 4 from 1 August 2019)
Mr Norman Molyneux MA, FCMA (from 21 November 2018)	3 (and 2 from 1 August 2019)
Dame Lorna Muirhead, DBE, CStJ, SRN, SCM, MTD, FRCM, FRCOG, FJMU, Hon LLD (until 30 September 2018)	
Dr Roger Platt, BSc, PhD, MA, PhD	1
Mrs Abila Pointing, MBE, DL, MA (until 31 July 2019)	2, 3
Dr Andrew Scott, MA, DPhil	1
Mr Hans van Mourik Broekman, MA (from 15 October 2019)	
Dr Diana Walford, CBE, MA, MD, BSc, MSc, FRCP, FRCPath, FFPH (from 15 October 2019)	
Mrs Patricia Young, BA (until 31 July 2019)	4
Three members of the Senate, two appointed by the Council on the recommendation of the Nominations Committee and one elected from and by Senate's elected membership	
Professor Julia Balogun, BSc, PhD, MBA (from 21 November 2018)	
Professor Susan Dawson, BVMS, PhD, MRCVS (until 31 July 2019)	
Professor Bruce Gibson, MA, DPhil	2
One member of the Professional Services staff appointed by the Council on the recommendation of the Nominations Committee	
Mr Kieran O'Sullivan, BA (from 21 November 2018)	
Clerk to Council	
Dr Alison Fairclough, BSc, PhD (until 4 October 2019)	
Mr Kevan Ryan (from 15 October 2019)	

Council members are the University's Charitable Trustees.
The Privy Council approved revisions to the Council's constitution on 13 February 2019. The revised constitution is reflected above.

HIGHLIGHTS OF THE YEAR

The Institute of Ageing and Chronic Disease received more than £1.1 million from the UK Space Agency to study age-related loss of muscle mass in microgravity.



Pep Guardiola, Manchester City FC Manager discussed Catalan identity, culture, politics and sport at the University's annual Edgar Allison Peers Symposium.

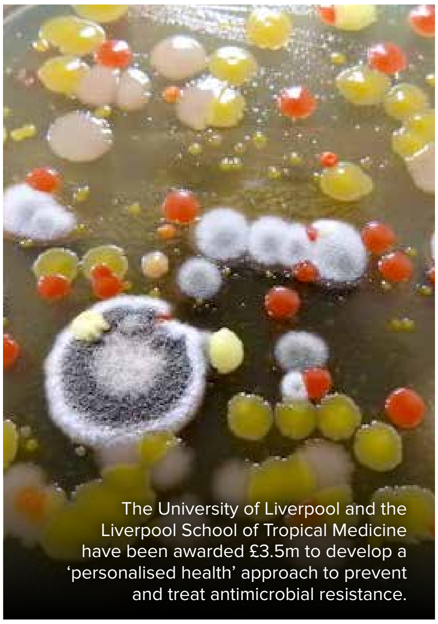
The Prince of Wales and the President of Ireland Michael D. Higgins visited the University to sign a joint patronage agreement for the Institute of Irish Studies.

The University has committed to fully divest from fossil fuel extraction by July 2022, building on its ethical investment policy.

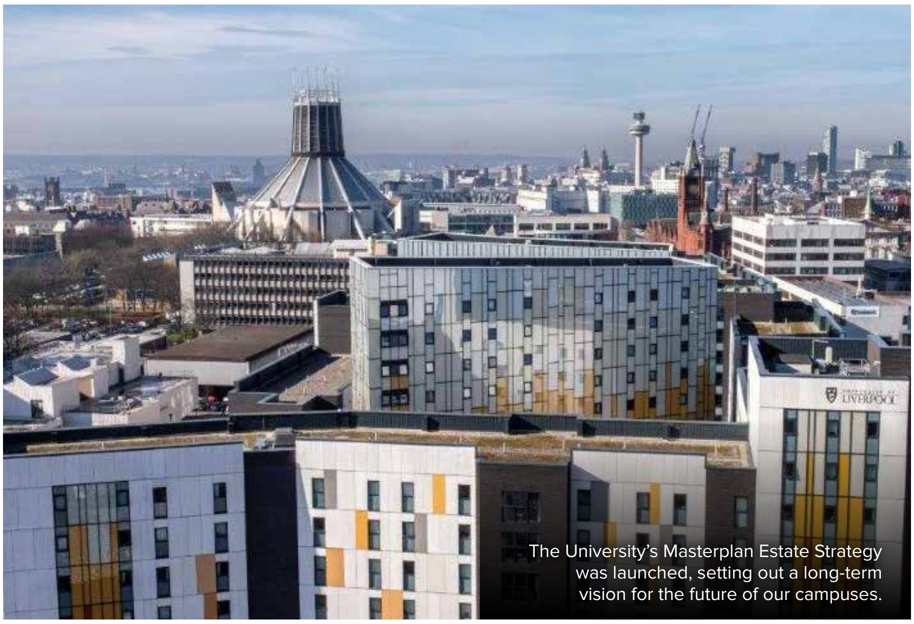
University researchers discovered an ancient quarry ramp system which may have helped workers build Egypt's Great Pyramids.

A new report, co-authored by Professor Dinah Birch, Pro-Vice-Chancellor for Cultural Engagement and Professor Michael Parkinson, Pro-Vice-Chancellor for Civic Engagement, was launched demonstrating the University's commitment to Liverpool City Region as an economic catalyst, a key employer and a driver for health, culture, heritage and innovation.

The University announced three new research centres addressing conditions with high prevalence within Liverpool City Region – cardiovascular disease, head and neck cancer and alcohol misuse.

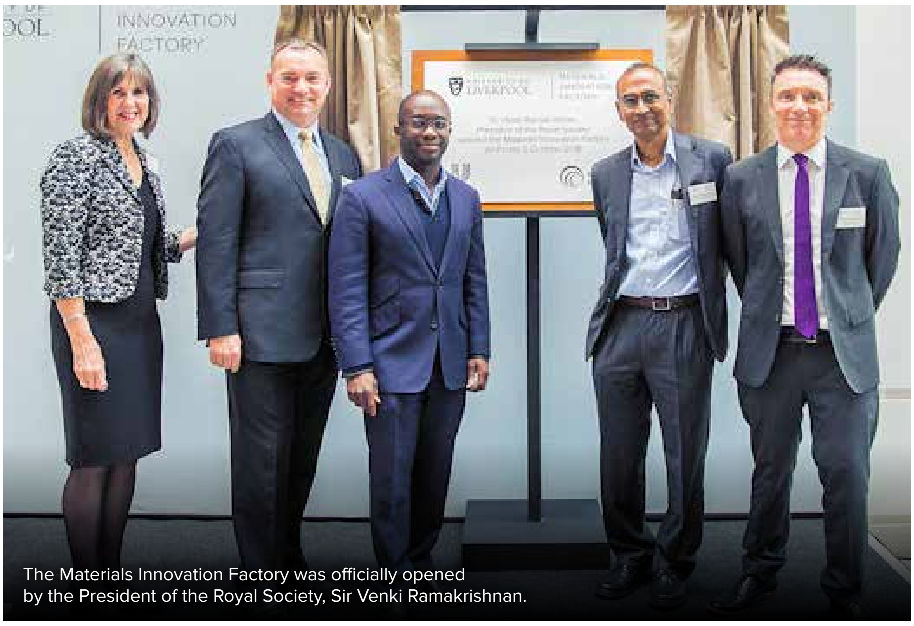


The University of Liverpool and the Liverpool School of Tropical Medicine have been awarded £3.5m to develop a 'personalised health' approach to prevent and treat antimicrobial resistance.



The University's Masterplan Estate Strategy was launched, setting out a long-term vision for the future of our campuses.

Hundreds attended the Liverpool Literary Festival 2018, with talks, debates and workshops involving literary legends such as Val McDermid and Sir Tony Robinson.



The Materials Innovation Factory was officially opened by the President of the Royal Society, Sir Venki Ramakrishnan.

We have enjoyed another successful academic year in 2018/19 with a number of significant achievements across the full range of our activity.

Since our foundation as a University one of our key priorities has been the fulfilment of the role of anchor institution for the City of Liverpool. So, when the Civic University Commission issued its report earlier this year, it was a natural step for us to commit to working in partnership with local government and other major regional stakeholders to develop a civic university agreement. This agreement will provide more opportunities to build on the extensive work already underway in this area, as evidenced in our recent publication, *Celebrating the University of Liverpool's Contribution to Liverpool City Region*. From our economic contribution to our vital role in innovation and the commercialisation of knowledge, our work to help people into employment and our promotion of thought leadership, culture and heritage, there are many successes on which to build.

The health and wellbeing of those in the City and beyond is also an area of significant focus for us and, as we continue our work to re shape our Faculty of Health and Life Sciences in the coming academic year, the impact we have on the health outcomes of the people of the Liverpool City Region will be at the heart of our decision making. Over the last academic year we have announced three new research centres for cardiovascular disease, head and neck cancer and alcohol misuse all of which have been specifically prioritised due to the high prevalence of these conditions in our communities.

This year has seen a number of important research successes. As a result of Professor John Field s research into the benefits of lung cancer screening, in February the NHS announced the roll out of 10 lung health check projects which have the potential to reach around 600,000 people over four years, detecting approximately 3,400 cancers and saving hundreds of lives across the country. The important work we do across the heritage research theme saw an exciting breakthrough last November with Dr Roland Enmarch s discovery of an ancient Egyptian ramp system which could provide the long sought answer to how the pyramids were built. Meanwhile in October, we welcomed the President of the Royal Society and Nobel Laureate, Sir Venki Ramakrishnan onto campus to formally open the Materials Innovation Factory. This state of-the art facility brings together materials chemistry expertise with the latest computational and robotic equipment to accelerate research and reduce the time it takes to develop new products which have the potential to address a range of societal challenges.

This important addition to campus will not be the last. We recently consulted on our long term £1 billion vision for the University of Liverpool estate which features a wide range of future investment plans, including a recently announced new music performance centre, a new facility for the School of Architecture and also a park on our Liverpool campus, which will help us achieve our commitment to becoming a 1,000 tree campus.

This year also saw success in university league tables, with a climb of eight places to 28th in the *Complete University Guide*, a 16 place improvement in *Times Higher Education World University Rankings* 2020, and a climb of 11 places in *The Times* and *Sunday Times Good University Guide* 2019.

Finally, one of the highlights of the last year was the visit from the Prince of Wales and the President of Ireland Michael D. Higgins. On campus to sign a joint patronage agreement for the Institute of Irish Studies, they were welcomed by crowds of well wishers on what was a very special day for the University. This visit highlighted the huge role the Institute of Irish Studies plays in shaping the relationship between our islands, through its research, events, student programmes and expertise.

Vice Chancellor,
Professor Dame Janet Beer

FINANCIAL HIGHLIGHTS

Overall turnover

£577.7m

Total income increased by **£32m (5.9%)** to **£577.7m**, despite a **£1.9m** drop in capital income. This reflects strong student recruitment and other non-capital income growth.

Operating deficit

£67.5m

The **operating surplus reduced** by **£93.7m** to a deficit of (**£67.5m**). This is as expected and is due to an increase in the USS pension provision, along with additional investment in staff.

Tuition fee income

£309.0m

Tuition fee income increased by **£21.1m (7.3%)** to **£309m**. This reflects strong recruitment, in particular overseas, with a **7.1%** increase in overseas student numbers.

Staff investment

£390.1m

Staff costs increased by £103.8m (36.3%) to £390.1m. This includes a **£85.2m** year on year adjustment in respect of the USS pension scheme and an investment in **147** additional academic staff. **£1.9m** was spent on compensation payments in the year.

Cash generation

£40.8m

Operating cash inflow of £40.8m is strong at **7.1%** of total income, although down on prior year of **12.0%**. This is largely due to a lower operating surplus and movements in working capital.

Capital expenditure

£83.2m

Expenditure in the year on capital was **£83.2m**. **£30.3m** related to Residences, largely the Greenbank student accommodation village development. **£38.1m** related to improvements to the academic estate, and **£14.8m** related to equipment and IT.

STRATEGY 2026

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

In 2016, the University of Liverpool launched Strategy 2026. The aim of the strategy is that, by 2026, 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 on our strengths to become world leaders in specific research areas and globally recognised in all our impact activities, with more highly ranked research disciplines and leaders than ever before undertaking work that changes lives for the better.

We will continue to attract a diverse range of students who 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.

In addition, Liverpool will be recognised as being an exceptionally well-run University with staff who are supported and developed to create a culture of collegiality, working together to achieve overall performance in the upper quartile in the UK, in terms of research performance, student satisfaction and graduate prospects.

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

GLOBAL KNOWLEDGE LEADERSHIP: to support our researchers to increase the proportion of highly ranked research disciplines and leaders and to increase the proportion of research leading to tangible public benefit

GRADUATE PROSPECTS: with a high quality educational experience, to support social mobility and to make our diverse graduates more employable and able to leverage social and economic capital

EDUCATIONAL EXPERIENCE: with the introduction of Curriculum 2021 and the offer of exceptional opportunities to study and work abroad, to provide stimulating and transformative education for advancement of learning and ennoblement of life

BUSINESS EXCELLENCE: to lead the sector through our approach to managing the University and supporting its activities in a sustainable manner

PARTNERSHIPS: to extend our global reach and performance, through national and international developments and collaborations

NATIONAL AND INTERNATIONAL PROFILE: to enhance the reputation and brand of our University and the City of Liverpool with key stakeholders through our international presence and world leading activities

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

EDUCATION

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

Teaching Excellence

The provision of excellent teaching for all our students remains a key priority and work continues apace to secure continuous improvement in this area. Great progress has been made in the education arena this year, demonstrated by our recent performance in league tables such as a climb of eight places to 28th in the *Complete University Guide* and a climb of 11 places in *The Times* and *Sunday Times Good University Guide*.

Supporting Staff to Deliver Excellent Teaching

The Centre for Innovation in Education hosted another successful Learning and Teaching conference on 4 and 5 July 2019 which had more speakers and, at almost 150 attendees, a larger audience than ever. This year the conference included a student panel discussion which provided invaluable insight in to ways we can better engage our students with university life, plans and priorities.

Academic Portfolio Planning

The University's first policy on Academic Portfolio Planning was approved by the Council in July and is a culmination of extensive consultation with staff and trade unions to establish a University policy which will guide local implementation of processes to plan academic portfolios of work. The benefits include helping to ensure workloads are manageable and fairly distributed amongst teams and also providing opportunities for individuals to fulfil career aspirations and contribute to all areas of the University.

Curriculum 2021

Curriculum 2021 is the University's curriculum framework which supports the vision articulated in our Strategy 2026 and Education Strategy to support our students to 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'.

Curriculum 2021 implementation has continued with the development of new resources, support packages and staff networks to support programme teams in embedding the Liverpool Hallmarks (research-connected teaching, active learning and authentic assessment) and providing opportunities for students to develop our Graduate Attributes - digital fluency, confidence and global citizenship. The Periodic Review process is being used as a co-ordinated approach to introduce Curriculum 2021 to all subject areas, including online provision.

Liverpool Online

We have selected Kaplan Open Learning as our partner to create and deliver postgraduate taught programmes to a global student audience through online learning and the first phase of programmes to be delivered has already been approved. More details on this can be found in the international outlook section (see page 22).

Employability and Opportunity

Employability is an important focus of our Education Strategy and the Employability Change Programme has seen great strides made over 2018/19. Good progress has been made working with Liverpool City Region to build networks with local employers to provide employment opportunities for our graduates and also to assist in the identification and addressing of skills gaps in the region.

Office for Students Challenge Competition

We were successful in bidding for funds from the Office for Students (OfS) to launch an innovative new digital skills training programme to improve employment prospects for local students who live and study at home. The Digital Graduate Accelerator project will engage with 200 businesses to provide structured internships, training and mentoring for a team of Digital Coaches who will be trained in partnership with local social enterprise, Agent Academy CIC. The students will then provide peer to peer digital skills training for over 1,000 students at the University. The OfS is to make this a trailblazer project with a view to rolling out the concept nationwide.

Careers Studio

Careers and Employability has received national recognition for its Careers Studio, which opened to students in September 2018, together with other initiatives and changes to its service offering. It secured the Most Improved Commitment to Employability award at the National Undergraduate Employability Awards.

Degree Apprenticeships

In February 2019 the first Degree Apprenticeship programme began with a cohort of over 40 NHS professionals studying Allied Health Care with the School of Health Sciences.

Student Engagement and Experience

National Student Survey

The University has seen an improvement in overall satisfaction scores for 27 subject areas in the National Student Survey this year, with significant improvement of 5% or more in 15 subject areas. Overall satisfaction remains at last year's 85%. This places us 1.4% above the sector average.

KnowHow

Our KnowHow service, which has been developed to support our students in improving their study skills, has continued to grow its resources this year with a new module integrated within the University's Virtual Learning Environment (VITAL) and a pilot of a writing feedback service. Evaluation of the writing feedback pilot found that this service was highly valuable to students and has resulted in our intention to proceed with an in-house offer, building on the success of the Writing@Liverpool programme offered by our Faculty of Humanities and Social Sciences with postgraduate research students delivering writing support for undergraduate students within their area of study.

Student Success

The new Student Success Framework was launched in September 2019, providing all students with a clear picture of the support they can call upon to ensure they succeed. The Framework introduces a new, centrally co-ordinated Peer Mentoring scheme to complement the other support available to students and help with transition to university life. Peer Mentors have been recruited and have been fully trained before they were assigned to work with their nominated School from September 2019. Training and resources for Academic Advisors have also been reviewed as part of the initiative and these will be launched prior to the new academic year.

Civic Engagement and Widening Participation

Access and Participation Plan

This year has seen a focus on the provision of targeted interventions and support to help students achieve their potential. Scholarships and bursary support has been refocused to prioritise financial support for underrepresented groups and a series of task and finish groups have developed initiatives and plans which form the basis of our Access and Participation Plan. More details on this Plan can be found in the public benefit section on page 26.

University of Liverpool Maths School

The new University of Liverpool Maths School has appointed its Headteacher. Due to open in September 2020, the School will provide a challenging and innovative A Level curriculum and work with schools, colleges and education partners to raise attainment and interest in maths for pupils of all ages and abilities across the whole Liverpool City Region.

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 pursued five key priorities for research and impact activity during 2018/19:

- Preparing for the forthcoming Research Excellence Framework (2021)
- Engaging with the Global Challenges Research Fund and the Industrial Strategy
- Developing researcher staff through our 'Cradle to Chair' approach
- Building strategic partnerships
- Refreshing institutional research themes.

Highlights

Cradle to Chair - Prosper: Enhancing first-time postdoctoral career development and success

'Prosper' is a project that will develop researchers, particularly early postdoctoral talent, with the broader capabilities, attributes and mindset needed to thrive in multiple careers.

This £4.4m University of Liverpool project is funded by the first ever Research England Development Fund award.

The project aligns with the People strand of the UK government's Industrial Strategy and will tackle equality, diversity and inclusivity issues that can present barriers to training for postdoctoral researchers.

UK Research and Innovation Future Leader Fellowship awards

Three researchers from our Faculty of Science and Engineering were awarded prestigious Future Leaders Fellowships to pursue ambitious and adventurous research programmes in the fields of glaciology, particle physics and quantum computing.

The Future Leaders Fellowships is a highly competitive new scheme, funded by UK Research and Innovation, which provides early career researchers with the funding, flexibility and freedom to undertake research programmes on truly challenging questions.

- Glaciologist, Dr James Lea will use new computing techniques to monitor glacier and iceberg behaviour across both the Arctic and Antarctic regions, with a view to understanding how they will be affected by a rapidly changing climate.

- Electronic engineer, Dr Eva Vilella, who works in the Department of Physics, is developing advanced silicon sensors for the tracking of charged particles in physics experiments. Under her Future Leaders Fellowship, she aims to achieve a step change improvement in the performance of these sensors.

- Dr David Schaich, who recently joined the University's Department of Mathematical Sciences, aims to develop new, potentially transformative technology in the field of quantum computing, a key emerging industry.

Using new computing techniques, Dr James Lea will monitor glacier and iceberg behaviour

EPSRC Centre for Doctoral Training in Distributed Algorithms

The University was awarded £7m by the Engineering and Physical Sciences Research Council (EPSRC), to establish a new Centre for Doctoral Training (CDT) to empower the next generation of data science leaders.

The CDT in Distributed Algorithms will equip 60 PhD students with the skills and knowledge to design the future algorithm solutions needed to solve pressing industrial problems. Partners include the Science and Technology Facilities Council's Hartree Centre who will provide training, access to state-of-the-art computing platforms and joint project supervision. Other partners are key organisations in the manufacturing, defence and security sectors, where next-generation data science can make most difference, including Dstl, GCHQ, Unilever and IBM Research, who recently signed a joint study agreement with the University.

Success in addressing global challenges

The University was ranked 10th in the UK for securing Official Development Assistance (ODA) research funding, totalling £16.9m between 2014 and 2018. Recent successes this year include Dr Ross White who was awarded £1m to develop new approaches to improve the mental health of Congolese refugees in Uganda and Rwanda and Professor Claire Taylor, awarded £433k to research representations of conflict, justice and victims of Colombia's 60-year long conflict. More details can be found in the international outlook section on page 20.

Knowledge Exchange Team of the Year

The University's Consultancy Team was named Knowledge Exchange (KE) Team of the Year at the PraxisAuril 2019 KE Awards. The Consultancy Team enable staff from across the University to effectively engage in consultancy and facilities and equipment service projects and provides advice and guidance throughout the process. The team currently supports approximately 300 projects per year from across the University, with a contract value of over £3m in 2018/19 alone.


Dr Susan Kenny, Senior Consultancy Business Manager, Dr Sonja Vujovic, Head of Consultancy and Partnerships and Kelli Cassidy MBA, former Consultancy Business Manager

Partnerships

This year we became the latest UK University to join IBM's University Relations programme. A major part of this new relationship is a Joint Study Agreement which sees us plan to work together to forge new research links in areas including artificial intelligence, big data and high performance computing across a broad range of disciplines including life sciences, engineering, chemistry and social sciences.

PROFESSIONAL SERVICES

Our Professional Services staff have enjoyed a successful year in 2018/19, supporting institutional change projects and making key contributions which have supported the University's improved league table performance. Following on from the OnePS Conference in 2017/18, Professional Services staff have worked together on innovative projects such as the new Careers Studio, which is providing sector-leading, peer-focused support to students and alumni.

Estates

Following extensive consultation, a new Estates Masterplan has been developed which details how the campus and facilities will transform over the next fifteen years. The £1 billion vision for the estate will help the University community to achieve our long term strategic goals and includes new facilities for Electrical Engineering and Electronics and the School of Architecture. The centrepiece of the Masterplan is the creation of a new University Park opposite the Liverpool Metropolitan Cathedral.

After a multimillion pound investment, the University celebrated the opening of its new music facilities in the refurbished Gordon Stephenson Building this year. With nine new practice rooms, a research studio for experimental electronic music and high-quality rehearsal space, the new facilities will make sure that we continue to support students to go on to leading roles in the music and arts sectors.

Building work has started on the new Digital Innovation Facility, which is scheduled to open in late 2020. Replacing derelict buildings in the heart of north campus, the facility will support collaboration in digital technologies and will allow the University to explore new opportunities and foster new partnerships.

We are proud to have committed to the single largest reduction in rent for disadvantaged students in the higher education sector. Valued at a total of £3.7m over four years, the rent reduction will see students from low income backgrounds, those who are care leavers, and those from various other widening participation backgrounds save £800 per year when living in University-owned accommodation.

People

We continue to strive to offer the best career development opportunities to our staff and have been awarded £4.4m from Research England and partner organisations to develop the Prosper project which will support the development and success of postdoctoral researchers' careers. There are more details on this in the research and impact section (see page 12).

As the University initiates an increasing number of change programmes it is vital that staff feel comfortable with the purpose and process of change. To this end, The Academy, which oversees the strategic development of the University's people and practices, has developed a Change Toolkit with support and guidance for staff driving or being affected by change.

Staff have also underlined their commitment to the community by participating in the 'Liv to Give' staff volunteering scheme which was launched this year. Through this scheme every member of staff is encouraged to take three paid days each year to volunteer or fundraise for charity.

Liv to Give
Make time, make a difference

IT

The University has launched a Data Improvement Programme that will look to enhance the way we collect, store and use our institutional data. The programme is split into three projects looking at data governance, business intelligence strategy and technical infrastructure. Implementation of the programme will start with a series of pilot projects which will take place at various points over the next three to five years.

Under the Data Improvement Programme the University recently acquired Tableau as an institutional tool for data analysis and visualisation. Tableau will enable staff to explore and interrogate data – pre-determined dashboards and templates can be used alongside bespoke analysis to make new insights from data.

A significant investment is currently being made to improve the resilience and performance of the University's data centres. As demand for high-performance digital services increases and the role of data in research, student experience and institutional planning continues to grow, this investment will help to secure our digital future, and will ensure the data centres are more resilient and efficient.

Brand and Reputation

2018/19 has proven to be a buoyant year for the University in terms of league table performance. The University's ranking has improved in each of the major domestic league tables and we achieved our highest ever position in the *Complete University Guide*, rising eight places to 28th. This improvement in performance has been validated by *The Guardian* where Liverpool moved up by seven places and *The Times* where the University's ranking improved by 11 places.

This year has seen the launch of 'The Original Redbrick', a new campaign celebrating the University's heritage and prestige as one of the first civic universities. By focusing on the uniqueness of the University's history and the original student experience on offer, the campaign aims to raise the profile of the University among stakeholders and prospective students.

Strategic Change

Over the past year significant progress has been made across the portfolio of Strategic Change programmes which will be key to achieving the goals of Strategy 2026. A number of existing projects have progressed from planning and scoping to implementation and a number of new change programmes have been established.

The Strategic Change programmes are set up to engage with staff across the institution to maximise buy-in and awareness.

Health and Safety

The University community has achieved 98% compliance with the Health and Safety Management Profile (HASMAP) substantial level. HASMAP is an audit tool devised by the Universities Safety and Health Association specifically for use in universities and is endorsed by the Universities and Colleges Employers Association (UCEA) as a management standard to provide assurance on the performance and management of health and safety.

This is an excellent result which demonstrates the commitment of all colleagues to protecting our people, driving business excellence, increasing organisational resilience through proactive risk prevention, innovation and continual improvement, strengthening legal and regulatory compliance and reducing business losses.

Work is continuing to achieve 100% and to progress our ambition to achieve HASMAP high level by July 2021, which is an important step to achieving International Standard ISO 45001.

REGIONAL IMPACT

In 1881 the University of Liverpool became one of the first civic universities and ever since that time, our commitment to the Liverpool City Region has been unwavering.

Civic University Agreement and Civic Engagement Report

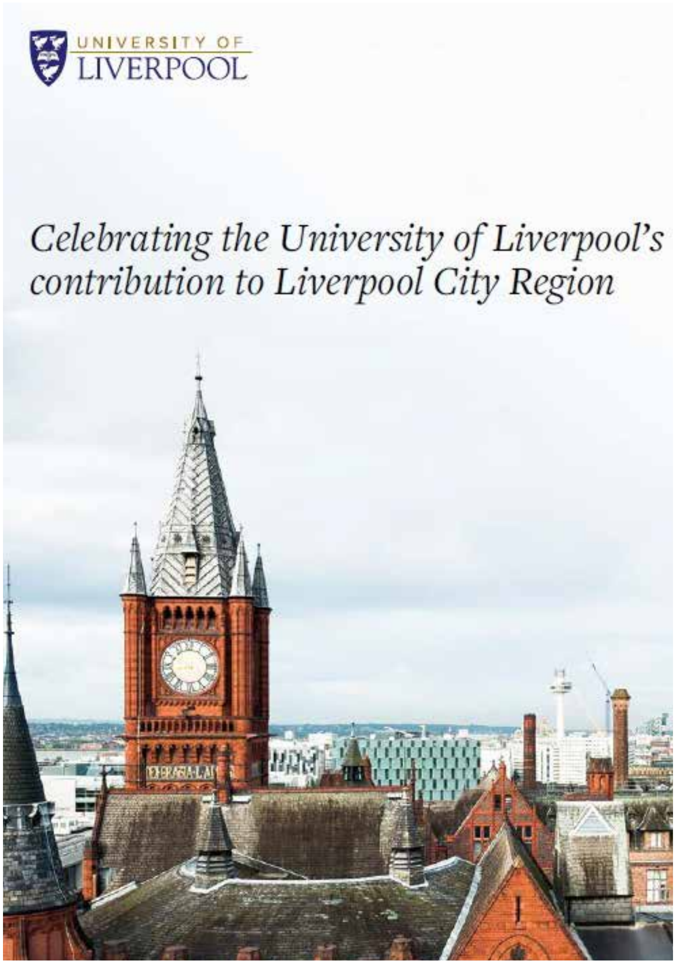
In February 2019 the University joined a number of other higher education institutions in committing to produce a Civic University Agreement in partnership with local government and other major regional institutions.

The Civic University Agreement will require universities to:

- Understand local populations, and ask them what they want
- Understand themselves and what they are able to offer
- Work with other local anchor institutions, businesses and community organisations to agree where the short, medium and long-term opportunities and problems lie for communities. Linking with local authorities and other local plans, such as the local industrial strategy is particularly important
- Define a clear set of priorities, collaborating and aligning resources with local authorities, Local Economic Partnerships, NHS bodies and the like to identify the live issues that universities can most usefully help with.

Following on from this, in May we published *Celebrating the University of Liverpool's contribution to the Liverpool City Region* which highlighted the wide range of ways in which we already contribute. We know that our strategic ambitions – to connect globally, innovate, increase social mobility and work in partnership – directly affect the city region's performance and prospects. So too do our expenditure, investment, infrastructure and people.

The report demonstrates the different ways in which the University contributes to the success of Liverpool and the City Region. It reflects on the principles that underpin our engagement and shows how we make a substantial and diverse contribution.



Here are some highlights from the Report:

Promoting public health and wellbeing

Poor health outcomes and health inequalities persist in Liverpool City Region.

The people of Liverpool are more likely to die prematurely of non-communicable diseases. Cardiovascular disease, for example, caused 3,500 deaths amongst the under-75s in Liverpool City Region in 2014-2016. Many of these deaths were preventable.

32,000 children live in poverty in Liverpool, and socioeconomic inequalities in childhood continue to widen. A baby girl born in disadvantaged Kensington in Liverpool can expect to live for 20 fewer years in good health than a baby girl born in affluent Kensington, London.

The University is helping to meet these challenges. We are a founding member of Liverpool Health Partners (LHP). LHP aligns us with Liverpool City Region's leading hospitals and other local higher education institutions in order to improve health and deliver exemplary research, education and healthcare.

We have also recently launched three new research centres, all specifically targeted at addressing serious local health challenges. These are: the Liverpool Head and Neck Centre, the Liverpool Centre for Cardiovascular Science launched by Gerard Houllier and the Liverpool Centre for Alcohol Research launched by Adrian Chiles.

Getting people into employment

With 23,000 undergraduate and graduate students studying a wide range of academic disciplines on campus, we are committed to creating opportunities for all students. And we are proud of our reputation as one of the most successful Russell Group universities in widening participation to higher education (see the Public Benefit section on page 26 for more information).

Our UK undergraduates have the highest rate of employment six months after graduating of all the Russell Group universities (DLHE 2015/16). Helping our students to find employment within the Liverpool City Region through the work of our Careers and Employability team is amongst the most important ways in which we support the region's social and economic development. We provide events for local businesses and public sector organisations to recruit students and graduates for part and full-time jobs and support local businesses and other organisations across the region in providing access to high-level graduate skills.

In addition, targeted recruitment activities and bespoke internship programmes are currently being developed, specifically with high-growth companies in Sci-Tech Daresbury and Alderley Park. We provide opportunities for local young people to work at the University through our apprenticeship programme, the most successful of its type in the university sector. We also support a range of high-growth start-ups and the development of regional skills strategies with local employer federations including the local Chambers of Commerce.

The Vice-Chancellor, Professor Dame Janet Beer, at the launch of the Liverpool Head and Neck Centre in October

Increasing city regional innovation and commercialising knowledge

The University makes its research and expertise available to support the ambitions of a wide range of local businesses and enterprises across the private and public sector.

We are a partner in Knowledge Quarter Liverpool (KQ Liverpool), a 450-acre Mayoral Development Zone, which is home to some of the world's most influential players in science, health, technology, education, music and the creative and performing arts. With over £1 billion of new developments recently completed or underway – and a further £1 billion in the pipeline – KQ Liverpool is bringing forward new development opportunities, successfully attracting new investment, increasing the city's employment figures, improving graduate attraction and retention rates and establishing Liverpool City Region as a key player in the Northern Powerhouse.

The University has a number of facilities within the Knowledge Quarter, including the Materials Innovation Factory (MIF), a partnership between the University of Liverpool, Unilever and the former Higher Education Funding Council for England to develop a unique materials chemistry research hub. It provides an unparalleled suite of state-of-the-art equipment and internationally-leading academic expertise.

By providing open access to equipment, whether to an SME in St Helens or a large multinational on the Wirral, the MIF provides opportunities for local industry to accelerate their discovery process and ultimately reduce time to market, delivering clear economic benefits to the region. The MIF also provides a route for businesses to partner with others experiencing the same scientific challenges, helping to promote collaborative research or secure inward investment into the city region.

Meanwhile, the Digital Innovation Facility (DIF) will be a centre of excellence in simulation and virtual reality, bringing together complementary areas of research of computer science, robotics and engineering. With the construction of a new 1,530 sq m facility that will enable collaborative research and development and the ability to foster and grow businesses, the DIF will focus on three particular priority sectors where Liverpool City Region has competitive advantage - 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 10 year period, while boosting the city region economy by £44.5 million.

The Materials Innovation Factory draws together world-leading research academics with a technical support team whose expertise and capabilities are directly matched to the equipment portfolio found in the Open Access Area

Promoting thought leadership, culture and heritage

We play a major thought leadership role, providing discussion of the major issues facing the city region.

The Heseltine Institute for Public Policy, Practice and Place is the University's city-facing, public policy research institute. It brings together academic expertise from across the University with policy-makers and practitioners in Liverpool City Region to support the development of successful, sustainable cities and city regions. The Institute has a particular focus on former industrial cities in the midst of regeneration such as Liverpool City Region. It publishes policy reports, holds debates and convenes seminars and conferences on key issues and challenges in the city region, building and strengthening academic-practitioner and policy-making networks. It also provides consultancy and advice to many public, private and third sector organisations in the city region.

One of the most influential ways in which the University supports the development of Liverpool City Region is through its extensive contributions to cultural and heritage-related activities. We have productive partnerships with cultural organisations in Liverpool which encourage connections between academics and curators and staff from a range of areas of expertise.

For example, our award-winning Tate Liverpool Partnership aims to broaden participation in art and culture and increase our impact among diverse audiences. One of the unique aspects of our partnership is its ability to bring a rich variety of research perspectives to Tate Liverpool's exhibitions. From our computer scientists working with the robots in a Cécile B. Evans exhibition, to our egyptologists inspiring creative responses to the Book of the Dead, Liverpool academics have been able to share expertise as well as find ways of broadening their own research through engagement with the Tate.

Economic benefits

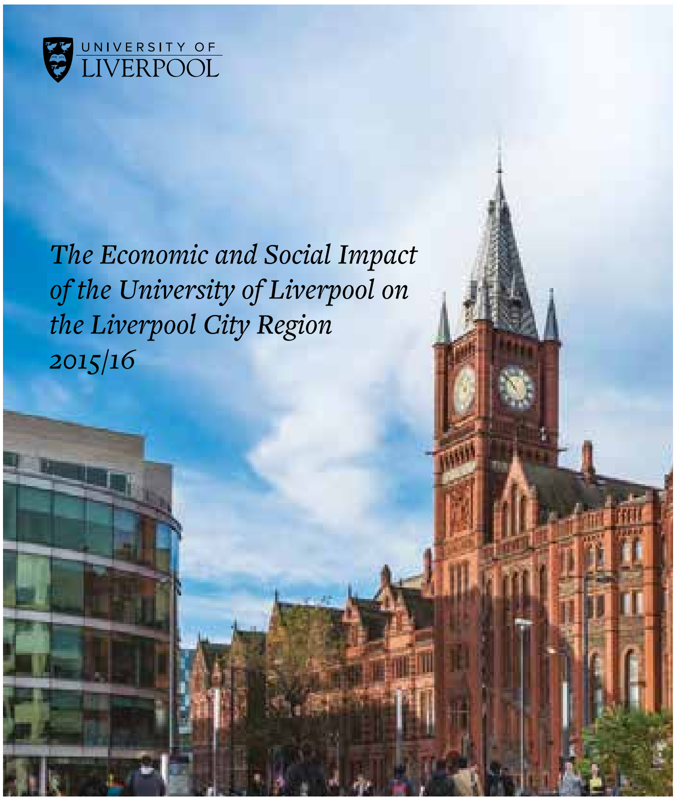
In 2017 the University commissioned a report on its economic and social impact on the city, sub-region and region, which is available to download, visit: www.liverpool.ac.uk/about.

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.

To read more about the University's contributions to the City Region, visit: https://www.liverpool.ac.uk/media/Civic,Engagement,Web.pdf



INTERNATIONAL OUTLOOK

At the University of Liverpool we have ambitions to be a distinctive, global University at the forefront of knowledge leadership. Against a backdrop of uncertainty over the impact of Brexit, we continue to extend our global reach and international reputation, building on an established international brand for excellent research and teaching. We have been pleased to see this reflected in a 16 place rise in the *Times Higher Education World University Rankings 2020*.

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, receiving its first placing in the QS rankings 2019 for mainland China at 79th. XJTLU is in the process of developing a second site in Taicang. Taicang will build upon XJTLU's existing provision, offering a high calibre, international higher education experience with links to industry. The site will open in 2020 and it is anticipated to grow to a community of 6,000 students by 2025. A key focus at Taicang will be to develop graduates in science and technology with expertise in Artificial Intelligence and robotics who will go on to lead new industries.

Taicang campus, which will lead on science and technology expertise

Internationalising our research

Official Development Assistance

A significant driver in internationalising the University's research is Official Development Assistance (ODA) research funding - which benefits low and middle income countries.

Examples of our success in winning ODA research funding include: community-based sociotherapy for Congolese refugees in Rwanda and Uganda; memory and representation of the Colombian conflict; drivers for antimicrobial resistance in poultry in India; heritage stewardship in Jordan; household air pollution and cancer in Kenya; diagnosis of brain infections in Indonesia; hosting four Newton Advanced Fellows from China and Turkey, including the University's first from the British Academy.

To ensure this pipeline continues, pump-priming was provided to 38 projects during the first year of our global challenges strategy funded by Research England (QR Global Challenges Research Fund (GCRF)). A GCRF Impact Accelerator Account (GIAA) was also secured from UK Research and Innovation (UKRI) for almost £0.2m which supported 13 projects to strengthen capacity, inform policy making and work with business.

Building on success

The Malawi-Liverpool-Wellcome Trust Clinical Research Programme entered a new phase with the launch of a new project to build a Clinical Research and Training Open Resource (CREATOR) in Malawi. This will allow a 30% increase in clinical research activity and postgraduate specialist clinical medical education.

The tenth year of a partnership with the University of Georgia, Athens (UGA), was marked by securing $4m of US State Department funding to reduce human trafficking in West Africa.

Dr Ross White, from the Department of Psychological Sciences won Best International Research Award in the inaugural Arts and Humanities Research Council (AHRC)/Wellcome Trust Health Humanities Medal awards, for his work on cross-cultural perspectives on mental health and wellbeing.

We are responding to changes in the international funding landscape such as the Fund for International Collaboration (part of the National Productivity Innovation Fund) for collaboration with high-income countries to deliver the UK's Industrial Strategy. Projects include working with Japan on insect genetics and China on mixed-reality cinema.

Vice-Chancellor, Professor Dame Janet Beer (back, left) Health and Life Sciences EPVC, Professor Louise Kenny (front, second left) and Dean of the School of Medicine, Professor Hazel Scott (back, second right) at the launch of the CREATOR project with students in Malawi (Photo credit: @MelitaGordon5)

International recruitment

Online learning

The University is a pioneer in online education and we are recognised as a European market leader for wholly online postgraduate programmes. Currently 9,000 students across a portfolio of 30 programmes including masters and professional doctorates are studying online with us and we have over 15,000 graduates in 171 countries.

In May we announced that Kaplan Open Learning (KOL) had been selected as our partner to create and deliver postgraduate taught programmes to a global student audience through online learning. Maintaining academic excellence and a high quality educational experience for students were priorities in new partner selection.

With this new partnership, we will further develop our leadership in online education aligned to our World top 100 ambitions and Strategy 2026 by drawing on distinctive strengths in education and research and with a primarily international focus.

The University and Kaplan already enjoy a highly successful partnership in the area of international student pathway provision through the University of Liverpool International College.

International student recruitment

On our campuses in Liverpool and London, we currently welcome over 8,000 international and EU students from over 130 countries.

Our Liverpool campus is home to the Liverpool International College, one of the largest embedded pathway colleges in the UK, which will be opening a new live-learn facility in 2020. Our partnership with Kaplan International Pathways sees more than 500 international students progress to study with us annually, following successful completion of a Foundation Certificate or Pre-Master's Programme.

The University has also regained its position as the number one recruiter of new international undergraduate students in the sector (data source, HESA 2017/18), primarily as a result of the effectiveness of the XJTLU 2+2 model, which sees high numbers of Chinese students opt to spend the final two years of their course in Liverpool.

Outward mobility

In 2018/19, 443 Liverpool students participated in a Study Abroad opportunity, including our largest ever Year in China cohort of 80 students. We were also excited to launch a new summer abroad opportunity, taking 20 students from disadvantaged backgrounds on a fully funded and bespoke experience at the University of Georgia in the USA.

Liverpool International College 'tops out'

Students celebrating graduation
(Photo credit: Mark McNulty)

BUILDING LIFELONG RELATIONSHIPS

The University's single largest stakeholder group is its global community of over 232,000 alumni and supporters. Engaging with this community and providing support throughout their lifetime allows the University to improve its global reputation, enhance employability outcomes for current students and graduates and drive significant investment into key institutional strategic priorities: education, research and world class facilities.

Community

New Alumni Awards launched

The University of Liverpool has launched its first awards to celebrate the success and achievements of alumni across the world. We received more than 150 nominations from staff, students and alumni in categories including academic or research success, contributions to the local, national or international community and charity work.

Alumnus provides placement opportunities for 30 Law students

Law alumnus, Nigel Taylor (LLB Hons, 1973) founder of SPG Law's operations outside the US, contacted the University seeking exceptional Law students to join the company on a part-time basis, as his way of giving back to the University.

"I chose to apply for this placement to gain an insight into the operation of a law firm. It was an opportunity to work on large scale group litigations which isn't common. I read up on the partner of the firm; Nigel Taylor mentioned his aims of implementing the 'US approach' to UK clients which made it a unique and attractive opportunity."

Suhail Ilyas, second year Law student

Enterprise Fund launched

In total, 39 students and recent graduates applied for funding to turn their entrepreneurial ideas into reality thanks to a partnership between the University of Liverpool and Santander Universities UK. Successful applicants to the new Enterprise Fund received awards of £500 each to pay for training courses, seed funding for developing a business idea or funding for travel to enterprise competitions.

"Thank you so much for supporting this venture with funding. Without this my business idea would not have gone forward so soon, or it may have been left like so many ideas do, to never materialise at all."

Enterprise Fund recipient, Linda Donnelly, third year Psychology student and owner of Divinely Inspired, a safe and ethical skincare company

Celebrations for the 20th anniversary of Liverpool-Shanghai twinning

More than 100 alumni attended events celebrating the 20th anniversary of Shanghai's official twinning with Liverpool. The University's research capabilities were showcased at the China Shanghai International Technology Fair and a delegation met to strengthen links between the two cities.

Impact of Fundraising

HIV nanomedicines appeal reaches target

The campaign to raise £400,000 for a new paediatric HIV treatment reached its target in record time – nine months ahead of schedule - thanks to the donations of more than 240 supporters.

New 400-seat music performance space to enrich Liverpool's cultural life

The Development and Alumni Relations team launched a £3m fundraising campaign to build a state-of-the-art 400-seat music performance auditorium, with £1.5m of the target already achieved.

Success for IntoUniversity North Liverpool campaign

The fundraising campaign to establish and support the IntoUniversity North Liverpool Learning Centre has reached its £300,000 goal, securing its future for the next five years. In addition, alumni have started volunteering as mentors for the 1,000 students who will use the Centre each year.

Lord Leverhulme's Charitable Trust gift for Leahurst

Thanks to alumnus, Anthony Hannay (LLB Hons, 1965), trustee of the Lord Leverhulme Charitable Trust, £400,000 was pledged by the charity to support a new Equine Isolation Unit at Leahurst.

Hong Kong Graduate Association endows scholarship fund

Trustees from the University of Liverpool Graduate Association (Hong Kong), including honorary graduate and long-standing donor Dr Nelson Yu (Hon LLD, 1999), pledged £1m to the University, as part of its continued support of a successful scholarship programme at the University.

Facts & figures

232,191
alumni community members, in 190 countries, aged 21 to 101

1,259
members of Parent & Family programme

844
volunteers **452** of which are mentors

5,365
hours donated

Donations received:
£1,881,738

LIVERPOOL CONNECT

862 students
3,490 alumni
124 staff

Artist impression of the new music performance centre

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 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
- Undertaking joint activities with key local partners such as Tate Liverpool and National Museums Liverpool.

Widening participation and outreach

Providing opportunities and nurturing talent

The University of Liverpool continues to invest significant resource into supporting academically able students from under-represented groups to progress into Higher Education.

We work 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 (10% of the intake in 2017/18, an increase of 0.9% in two years). We also recruited 88.1% of our students from state schools and colleges, which placed us third in the Russell Group.

Using a curriculum progression model, our Widening Participation team and academic and support staff engage with a range of school and college age young people to offer a detailed programme of aspirations and attainment raising activity. At younger years, these activities are designed to instil a love of learning in participants and familiarise them with the concept of a university education; leading on to specific subject tasters and participation in long term supported access opportunities for older year groups.

Through the University's own work and as the lead institution for the Office for Students' funded National Collaborative Outreach Programme, young people across Liverpool City Region are also benefiting from impartial information, advice and guidance on the university application process and how to best prepare for and get the most from their higher education journey.

A major milestone for 2019 was the production of our new five year Access and Participation Plan (2020-25), setting out the University's commitment to improving social mobility by enabling access to and participation in higher education. Adopting a new mission statement of 'providing opportunities and nurturing talent', the Plan aims to create smooth transitions for students across each stage of their university experience: from choosing to study here, through to their time with us and on to their degree award and future employment / further study.

To maximise our impact and consistent with our status as a Civic University, the University of Liverpool continues to partner with organisations that share our values. For example, through generous support from our network of alumni and supporters, the University has been able to sponsor, together with Liverpool Football Club Foundation, an IntoUniversity outreach centre in the Anfield area of Liverpool. The location of the centre was chosen as, in parts of North Liverpool where it operates, the higher education progression rate is as low as 17.5%, less than half the national average (37%).

In its two years of operation, the centre has worked intensively with primary and secondary school and college pupils in the local area to raise their aspirations, support their attainment in school and to provide mentoring opportunities with current University students. In 2017-18, more than 1,100 local children attended the centre to access its support services and many reported they are working better at school as a result.

Former Liverpool Football Club goalkeeper Simon Mignolet celebrates the centre s first birthday with pupils from All Saints Catholic Primary School

PUBLIC BENEFIT *CONTINUED*

Events and Cultural Activities

The Victoria Gallery & Museum (VG&M) houses the University's fine art and museum collections, and this year it retained its status of Full Museum Accreditation following a review by Arts Council England. 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.

In 2018-19 the VG&M marked the centenary of women's suffrage through thought-provoking exhibitions such as 'Eleanor Rathbone – An Independent Woman', which celebrated the Liverpool-born social reformer's career fighting against injustices and her contribution to the national suffrage movement; and 'She's Eclectic', a gallery showcasing the diversity of women artists represented in the VG&M.

Other highlights were the launch of a new augmented reality app which brings the creatures featured in the VG&M's 'Nightmares in a Bell Jar' exhibition to life; and the popular 'Before Egypt' exhibition. This exhibition featured internationally important collections of Predynastic Egyptian and Nubian artefacts dating from as early as 7,000 years ago from the University of Liverpool's Garstang Museum of Archaeology, supplemented by loans of key objects from UK museums.

We work to provide opportunities to engage with a vast range of research both on and off campus, including the 'Science and Society Lecture Series' which explores the beneficial relationship between science and society. The 'Pint of Science' festival successfully took place again in Liverpool in 2019, with a number of Liverpool lecturers presenting their research in pubs around the city. The University also continued to run its successful 'Meet the Scientists' series, which features interactive hands-on science days for the whole family.

The third Open House Festival took place in May 2019, offering the public a ten-day festival of talks, performances, exhibitions and interactive experiences showcasing great ideas, knowledge and culture. The varied programme included an exploration of Ancient Egyptian inscriptions, a debate about lowering the voting age and the audio-visual art installation, 'Híbridos, The Spirits of Brazil', which formed part of Liverpool's Light Night Festival offerings.

2018-19 also saw the University's second Liverpool Literary Festival, which was attended by almost 2,000 members of the public who enjoyed events with speakers such as Sir Tony Robinson, Frank Cottrell-Boyce and Val McDermid.

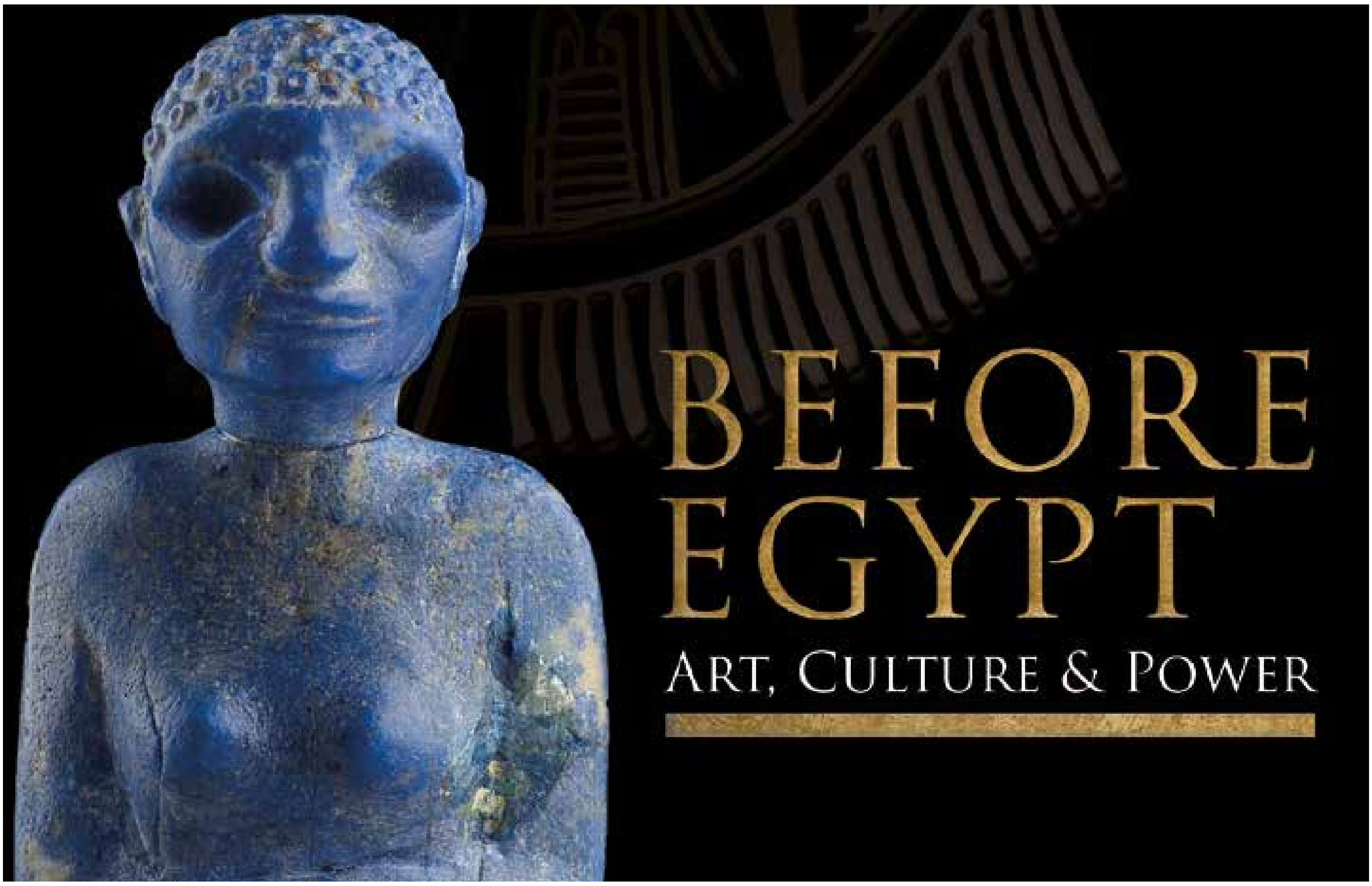
The second Liverpool Literary Festival hosted the 'New Voices' event with Sally Rooney, Anthony Joseph, Lisa McInerney and distinguished Guardian and Observer critic Alex Clark

This year we also signed a three year agreement with National Museums Liverpool (NML), to further increase the institution's engagement with city cultural organisations. The Memorandum of Understanding sets out a shared ambition to provide mutual support for the loan of artefacts and the exchange of knowledge; the implementation of research activities, public engagement and outreach; and help around increasing participation in higher education for under-represented groups.

As part of the agreement, NML will provide advice and guidance to the University's Heritage, Arts and Culture Committee, alongside general support for identified research themes, particularly heritage.

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. This year saw them organise successful events such as Chinese New Year celebrations and dragon boat races.

Vice-Chancellor, Professor Dame Janet Beer, and NML Director, Laura Pye, sign the Memorandum of Understanding



FINANCIAL REVIEW

Nicola Davies, Director of Finance

Executive summary

The University underlying financial performance this year has been relatively strong, with positive operating cash generation of 7.1% and an underlying EBITDA of 11.0%. However there are financial challenges that have impacted both the University and the sector this year, in particular relating to pension costs. The financial climate is likely to remain uncertain over the next few years, and our financial plans show that we expect to see a reduction in underlying EBITDA in the near future, although we remain financially sustainable with strong cash balances over the next five year period.

The results for this year have been materially impacted by the increase in our Universities Superannuation Scheme (USS) pension provision. This provision relates to our obligation to fund the University share of the past deficit on USS, calculated based on the USS 2017 valuation. The provision has increased by £86.2m to £134.1m, resulting in an operating deficit of £67.5m and a total comprehensive expense of £52.6m for the year. The accounting for this provision has impacted all universities that are members of the USS pension scheme, and will have a material impact generally on the university sector results.

As disclosed in note 28 as a post balance sheet event, a new Schedule of Contributions based on the 2018 actuarial valuation has been agreed and results in a decrease in the provision of £58.8m, resulting in a lower provision of £75.3m in relation to our obligation for future payments. This adjustment will be reflected in the University's Financial Statements for the year ended 31 July 2020.

Although as shown there is volatility in the USS pension adjustments due to the changes between the 2017 and 2018 valuations which impact the accounting position, the significant deficit based on the latest 2018 valuation demonstrates the overall increase in the cost of the USS pension. This presents a significant financial challenge for the University and the sector.

Excluding the USS pension adjustment of £86.2m, total comprehensive income is £33.6m (5.8% of income) and operating surplus is £20.3m (3.5% of income). With operating cash generation of £40.8m, 7.1% of income. This is a relatively strong financial performance for the year against a backdrop of financial challenge, including increased pension costs and a highly competitive international market.

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 13%. As shown in the table below, in order to give a consistent EBITDA comparison we have excluded the material increase in USS pension provision.

Current year EBITDA as a % of income is 14.4%, which is above our 13% KPI. Year on year EBITDA has fallen from 16.6%, largely due to a reduced operating surplus for 2018/19.

In order to give a more meaningful 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.

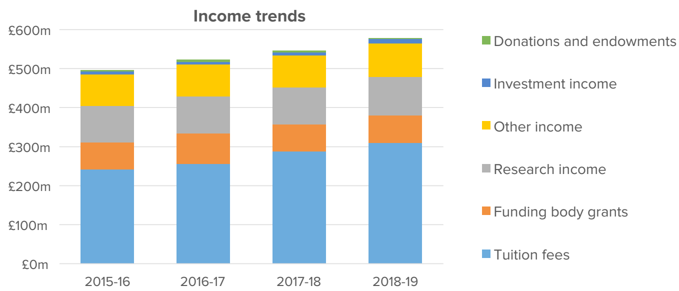
EBITDA	**2018/19**	2017/18	2016/17
Total comprehensive income for the year	**(52.6)**	47.2	76.4
add back tax	**0.1**	0.1	0.2
add back interest	**11.1**	11.9	11.2
add back depreciation and amortisation	**38.6**	35.8	34.0
USS pension adjustment	**86.2**	(4.2)	(2.6)
EBITDA exc. USS pension adjustment	**83.4**	90.8	119.2
EBITDA as a % of income	**14.4%**	16.6%	22.8%
Less			
Capital income	**10.7**	12.9	25.6
Gains on investment	**8.3**	9.9	21.2
Share in joint ventures and associates	**0.8**	3.9	11.1
Underlying EBITDA	**63.6**	72.5	66.5
Underlying EBITDA as a % of income	**11.0%**	13.3%	12.7%

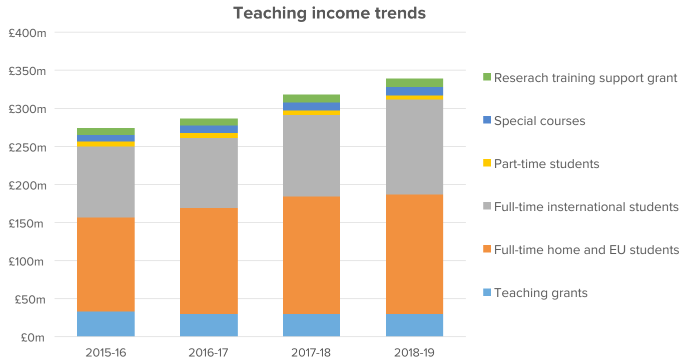
Underlying EBITDA as a % of income is 11%, and the drop compared with 13.3% in prior year is as expected, reflecting our planned investment in a number of strategic projects during the year. This drop in underlying EBITDA is expected to continue into 2019/20 as we continue to invest in priority areas.

Closing cash and current (liquid) investments of £120.4m are down from £146.7m in prior year, reflecting continued planned investment in our estate, including the completion of the Greenbank Student Village development, a £115m development that opened to students in September 2019.

Income

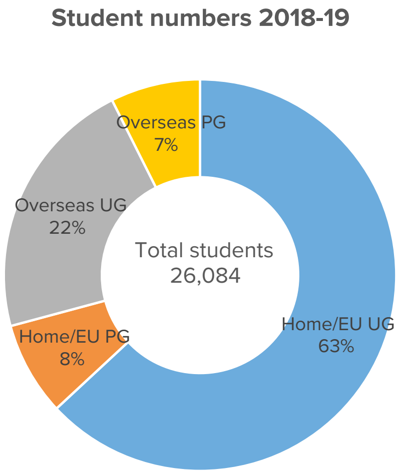
Total income at £577.7m is up £32m (5.9%) year on year, reflecting strong student recruitment and other non-capital income growth.





This increase is due to strong overseas student recruitment in 2018/19 which contributed to overall student numbers increasing by 255 (1%) to 26,084. The proportion of overseas students has increased from 27.2% to 29.2%, both undergraduate and postgraduate.

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. Both home and overseas demand has been strong in the current 2019/20 cycle, with latest estimates showing that we will likely be slightly ahead of our recruitment targets, although some subject areas are more challenging than others with varying demand across different disciplines.

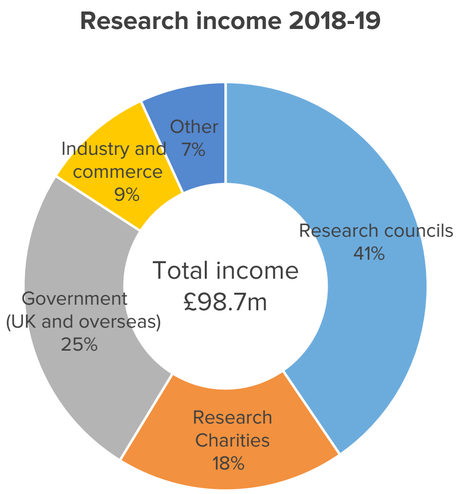


Funding body grants are up £2.5m to £71.2m, due to a £2.6m increase in the teaching grant from OfS. Research related funding has remained steady in cash terms which represents a decline in real terms. This is a challenge given the funding model for research, and results in increased subsidies for research from other activities.

Research income of £98.7m is up £3.1m (3.2%) year on year. This

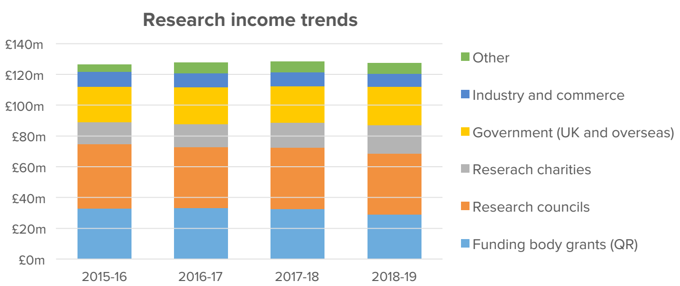
Tuition fee income of £309m is up £21.1m (7.3%) year on year.

increase largely relates to UK charities and Government funding sources, up by 9.7% to £18.1m and 5.9% to £25m respectively. 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 40.4% (2017/18: 41.4%).



The year on year increase is ahead of inflation, however we have plans for more significant growth in this area. Recent award successes, as noted in the Research and Impact section on page 12, have not yet had a substantial impact on income as this will be seen in future years.

Other income is up £5.2m (6.4%) to £86.3m. This is across grant funding £1.4m, residential income £1.2m and royalty income £2.2m. The overall increase is in line with our strategy to improve diversification of income in order to reduce reliance on particular areas, and to better enable keeping pace with and exceeding pay inflation in particular.



Investment income is up £2.7m year on year to £10.6m. This includes a £1.1m increase in the net return relating to the University of Liverpool Pension Fund (ULPF), along with greater returns on the investment portfolio.

Donations and Endowments are down £2.6m to £1.9m. Gifts are recognised when the university is entitled to the funds, so some year on year volatility is expected. Prior year donations included £1.5m relating to equipment and some larger specific donations which were not repeated in the current year.

Expenditure

Staff costs of £390.1m are up £103.8m (36.3%) year on year. Current year costs include an £85.2m cost in respect of the USS pension provision (prior year: £5.2m credit), and £1.9m compensation payments (prior year: £4.0m). Excluding these amounts, the underlying increase in staff costs is £15.5m, 5.4%. Pay inflation including incremental drift and increased pension contributions during the year was around 3.3%, the remaining 2.1% growth reflects investment in 147 additional academic staff.

Staff costs (excluding pension adjustment) as a % of income are 52.3%, a slight decrease compared with prior year at 52.7%. In order to ensure continued strong control in this area, we have put in place pay oversight groups for both academic and PS pay, which will support a consistent approach to investment across the Institution.

Other operating expenses are up £19.9m (10.7%) to £205.4m. This includes a number of expected cost increases including rental costs in relation to our London campus, increased international student recruitment costs in line with the increase in international student numbers, and investment in Medical School teaching and student experience. In addition, we continue to invest further in bursaries in scholarships with £2.1m increased costs, and an additional £3.0m has been invested in academic services and maintenance of the estate.

Capital

Overall the value of tangible fixed assets is up 6.1% to £791.1m. Capital expenditure of £83.2m included £38.1m relating to improvements to the academic estate, £30.3m in relation to student residences (largely the Greenbank Student Village development), and £14.8m in relation to equipment and IT investment. The investment in student residences is now largely complete, with the future focus of the Capital Masterplan being on the academic estate, and improving the public realm areas.

Treasury

Our **fixed asset investments** include a £217.4m portfolio managed by three fund managers, Baillie Gifford, Olim and Ruffer. During the year these funds increased in value by £7.1m, reflecting a recovery in the market towards the year end. 81.7% of the investments are in quoted equities, which has benefitted the University over the period and over the last few years. A revised investment strategy has been agreed during the year, and this will result in a reduction in the level of equities in order to diversify the level of risk inherent in the strategy. Implementation of the strategy will be phased, with the first phase being completed by 31 October 2019 resulting in a reduction in equities to 60% of the portfolio.

Cash and cash equivalents were £41.1m and **current asset investments** were £79.3m at year end, giving a total of £120.4m relatively liquid assets, in excess of the University treasury management policy minimum cash holding of £60m. In the current financial environment generation of significant returns is challenging, and our focus is on minimising risk in relation to these funds while generating returns greater than base rate through the use of money market funds.

Provisions

The USS pension provision at £134.1m is included in the accounts based on the 2017 USS valuation. This provision relates to the obligation to fund the University share of the past deficit on USS. This provision will decrease by £58.8m following the finalisation of the 2018 valuation in 2019/20, however because this occurred after the year end the impact is disclosed as a post balance sheet event (note 28) rather than adjusted for in the financial statements.

Risk and financial sustainability

The University is in a relatively strong financial position with healthy cash balances, however forward plans show that there are significant financial challenges ahead. The level of operating surplus is planned to reduce over the coming years as we continue to invest in critical areas, while facing significant increases to the overall cost of employment.

With a lower operating surplus, close monitoring of the financial results including the cost base is important, and the setting up of pay oversight groups along with a focus on quarterly forecasting during the year will support this.

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

- The post - 18 education funding review was published during the year, and although the recommendation to reduce tuition fees to £7,500 was matched with a recommendation to increase treasury funding in order to offset any income shortfall, this remains a significant 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. It is uncertain whether any of the recommendations within the report will be implemented.

- Funding for the USS pension scheme continues to be a significant risk, and each 1% increase in employer contributions carries an annual cost of £1.7m. USS pension contributions have risen by 3.1% in recent years and are expected to increase by further 2.6% inline with the recent 2018 valuation.

- 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 remained 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.

- Although there are significant risks, the University has strong cash balances and is forecasting to generate surpluses in the future periods. We are satisfied that the University is a going concern and the financial statements are prepared on that basis.

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 2018/19 performance in key measures is provided below.

Research and impact

The outcomes of the 2018 outputs assessment programme show that the University is on track to achieve its milestone target for 2021, with growth in world-leading outputs being seen across all three Faculties. This was also supported by the performance seen in highly cited papers in the top 10% of the world for their field. The number of these highly cited papers published between 2014 and 2018 grew by 8.7% compared to the previous five-year period. The field-weighted citation index also increased, improving the University's performance to 13th in the Russell Group.

Research income has grown by 3% to £98.7m, including success in strategic funding from UKRI and future leader fellowships.

Following a period of investment in research studentships and the research student experience, postgraduate research student FTE per Teaching and Research staff FTE has continued to grow and has exceeded target levels set for the year in all Faculties.

Education

The sector has changed its approach to monitoring graduate employment and further study and there are no new results for 2018/19, following the positive upward trajectory seen in the last Destination of Leavers from Higher Education survey in 2017/18. The focus on providing increased opportunities for students has led to 32% of 2018/19 final year students undertaking an internship or placement in the previous 12 months. The University's Careers and Employability team have also seen a 40% increase in interactions with students since the new Careers Studio opened.

Good progress has been made across all areas of the Education Strategy Action Plan in 2018/19. The proportion of staff with a teaching qualification has increased from 57.2% to 62.3%. Student satisfaction, as measured by the National Student Survey, was 85% overall and showed improvement for 27 subject areas, with significant improvements of 5% or more in 15 subject areas. Focused work over the year led to improvements in the key areas of teaching quality and academic support, and the University's Library services were ranked third in the English Russell Group.

The University has an ambition to attract a diverse student body, including a strong international student population. As part of this, we are keen to ensure that our international recruitment is not over-reliant on any one country. The proportion of students from a single country increased in 2018/19, following an improvement in this metric last year. This is being addressed with a range of portfolio development plans aligned to demand from a range of countries.

Strategy objectives

The Strategy 2026 vision is to be a connected, global university at the forefront of knowledge leadership, recognised as being in the top 100 worldwide. The University has seen improvements in academic reputation surveys including those used by the QS World University Rankings and Times Higher Education World University Rankings and we have seen an associated rise in this latter ranking to 165 from 181. However, the international higher education sector remains highly competitive and the ambition to achieve a top 100 rank is challenging. It will require further step changes in performance in order to be delivered by 2026.

Strategy Aims and Linked Indicators

Strand		Progress
Strategy Objectives	To achieve a top 100 worldwide ranking in a recognised international league table by 2026	Progress needed
	To consistently achieve an upper quartile sector position 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	On track
Education	To increase the satisfaction of our students as measured by the NSS to a consistently upper quartile sector position by 2026	On track
	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	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 earnings before interest, taxes, depreciation and amortisation (EBITDA) over a five year period (last two years actual, next three years forecast) on an ongoing basis of 13%	On track

RISK MANAGEMENT

Risk management is crucial to ensuring the University of Liverpool is able to deliver on its key strategic objectives by mitigating potential negative outcomes for the University and increasing our ability to focus on how colleagues can strive for success. The most recent review of risks resulted in 12 Strategic Risks and Opportunities (both internal and external) being listed on the Strategic Risk Register.

The external risks affecting the University continue to include uncertainties around Brexit, ensuring we can recruit and support both students and staff from current EU countries. We have identified a review of Brexit-related risks and mitigating actions for each of these, including: ensuring that working at the University remains an attractive prospect to staff joining us from across the EU; providing clarity about the future recruitment of PhD students from EU Member States; supporting Study Abroad students and staff who regularly travel to other EU countries; and protecting against interruptions to supplies. We are also working with the required external bodies to ensure that we closely monitor the situation.

The University also continues to review the pension issues affecting all institutions who are members of the Universities Superannuation Scheme (USS). The potential medium and long term changes to this scheme could impact on staff, relations with trade unions and the University's financial position. Mitigation factors include contingency planning for any changes in financial forecasts along with regular communication and support for staff affected by these changes.

Changes in government policy and the funding environment (as a result of the Post-18 Review of Education and Funding, for example) could have significant impacts but there remains uncertainty about the nature and timing of any changes. Due to the potential scale of impact, this is a key area discussed internally and by the University's governance bodies and considered as part of ongoing planning and monitoring processes. We are also working closely with sector bodies, national and regional contacts to support evidence-based decision making.

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

RISK	MITIGATION
Research and Impact Quantity and quality of the University's research and its impact as measured by UK Research Excellence Framework and world ranking measures	• Enhancement of an environment that supports world-leading research and alignment of support to maximise impact from our research • Capture and presentation of research and impact activity including promotion of Open Access and Open Data • Advisory Groups to coordinate and support institutional responses to key opportunities such as Global Challenges Research Funding, Industrial Strategy opportunities and institutional research themes.
Student Recruitment Ability to recruit high quality students and achieve planned numbers	• Development of a Student Intake Strategy, taking into account demographic changes and the competitive global higher education environment • Enhancements to the University's Portfolio to attract and retain a diverse and high quality student body, aligned to student and employer demand • Improved use of data and market insight during student number planning.

Student Satisfaction and Wellbeing Ability to meet the needs of students and deliver a competitive student experience	• Close partnership working with our Guild of Students and multiple partners beyond the sector who share mental health and wellbeing as a strategic priority • Investment in wellbeing provision for students • Implementation of Curriculum 2021 to improve active engagement of students with their learning • The expansion of the KnowHow programme to help students succeed in their studies.
Reputation Alignment of the University's local, national and global reputation with its strategic ambitions	• Strategic communication with students, media, alumni, staff, researchers, public figures and other stakeholders • Strengthening our collaborative and strategic relationships with local bodies, including the Knowledge Quarter, Liverpool City Region, local authorities and NHS partners • Development of a new brand narrative and strategy for digital content and marketing • Overseas engagement through alumni, recruitment and other activities that strengthen our global reputation.
Compliance Ability to comply with statutory and/or legislative requirements	• Ongoing governance oversight of processes to ensure compliance with statutory requirements including health and safety, GDPR, information security and data assurance, research ethics and integrity and safeguarding our students • Cross-institutional activities to address new or changing requirements including Office for Students conditions.
Culture and Ambition A culture which enables institutional change in support of strategic ambitions	• Management of a Strategic Change portfolio fostering a culture of inclusiveness, engagement and ownership • Use of a benefits realisation framework to ensure delivery and return on our investment and key independent scrutiny around our plans and projects.
Staff recruitment, retention, satisfaction and wellbeing Ability to recruit and retain excellent staff	• New strategies to retain and attract international staff following Brexit • Use of staff survey to understand levels of employee engagement and identify areas of both best and poor practice, developing and monitoring action plans where required • Investment in an Employee Assistance Programme to provide staff with a range of support services.
Reliance on key partnerships Reliance on key partnerships for delivery	• Partnership groups in operation to review opportunities relating to existing key partnerships • Investment in the international recruitment team to enhance brand overseas and a collaborative approach to setting up new partnerships • Research and impact partnership strategies aligned to research themes and major research bids • Opportunities to develop new partnerships as part of the Prosper project, which will develop early postdoctoral talent.
Financial sustainability Generating the required surplus for investment in our strategic priorities	• Financial scenario planning to review the potential impact of major changes such as pensions and the outcome of the Post-18 review • Targeted work to increase income through new education portfolio development and growth of research awards • Detailed review of high cost areas in order to improve cost efficiency and value for money.

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 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.

Our Equality Framework has been adopted to drive activity 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 the University:

- Committed to becoming a Real Living Wage Employer by the end of 2019
- Joined BAMBIS, the Breastfeeding Mayoral Quality Mark, to support breastfeeding women in public spaces
- Approved a new Access and Participation Plan outlining our commitment to widening participation, student recruitment, progression and retention
- Achieved our first two Athena SWAN department awards in the Faculty of Humanities and Social Sciences, with 14 out of 16 Schools/Institutes now holding awards
- Developed new menopause support guidance and established a peer support group.

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

2018/19 was the first year of the University's Ethical Investment Policy. The University's Fund Managers disposed of £6.7m of investments to adhere to the policy and a Student Representative Officer was appointed as a member of Investments Sub-Committee. The Policy was reviewed in July 2019 and, following this, the University has committed to full divestment from fossil fuel extraction by 31 July 2022. This means extending its exclusion on thermal coals and tar sands to all companies that derive significant income from fossil fuel extraction.

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

Reserves Policy

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

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

CORPORATE GOVERNANCE

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

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

- In line with the relevant general ongoing conditions of registration that applied from the date the University was first registered with the Office for Students (OfS)
- 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 OfS.

Legal Status

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

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

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

The Council

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

- Appoint a Chancellor, a President who shall act as Chairman of the Council and a Vice-President of the Council
- Appoint a Vice-Chancellor as chief executive, and to put in place suitable arrangements for monitoring his/her performance
- Delegate authority to the Vice-Chancellor, as chief executive, for the academic, corporate, financial, estate and human resource management of the institution. And to establish and keep under regular review the policies, procedures and limits within such management functions as shall be undertaken by and under the authority of the head of the institution
- Approve the mission and strategic vision of the institution, 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 Higher Education corporate governance and with the principles of public life drawn up by the Committee on Standards in Public Life, as well as to ensure the OfS public interest governance principles are upheld and delivered
- Appoint a Clerk to the Council. Irrespective of other duties an individual appointed as Clerk might have in the University, in his/her capacity as Clerk s/he shall act on the instructions of, and be responsible to, the Council alone
- Ensure that the institution's constitution is followed at all times and that appropriate advice is available to enable this to happen
- Act as trustee for any property, legacy, endowment, bequest or gift in support of the work and welfare of the institution
- Establish processes to monitor and evaluate the performance and effectiveness of the governing body itself.

There are 21 members of the Council, the majority of whom are lay members (external to the University and outside the day-to-day executive management). Membership comprises: the President, the Vice-President, 10 other lay members, the Vice-Chancellor, two Pro-Vice-Chancellors, the President of the Guild of Students, the Chief Operating Officer (to 31 October 2019), three members of the academic staff drawn from the Senate, and one member of staff drawn from Professional Services.

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

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 the Council are provided with appropriate induction and attend relevant training sessions.

Independent reviews of the Council's effectiveness are conducted every four years, supplemented by annual reviews undertaken by the Council itself. Action plans are developed in response to the recommendations arising from all governance effectiveness reviews and progress in implementing the actions is monitored. The most recent independent review of the Council was undertaken in 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 the Council are sought regularly, including through annual meetings held between individual members, the President of the Council and the Clerk to the Council.

Committees of the Council

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

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

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

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 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 the 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 oversee matters relating to fraud and irregularity
- 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; 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 the 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. 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 Audit Committee received the Audit Plan and Strategy from the External Auditors in March 2019. 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.

Nominations Committee

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

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

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, 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.

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 of the Committee) takes over the chair from the President when considerations are taking place regarding the Vice-Chancellor, who is not present for discussions of her salary.
- 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 regard to the Vice-Chancellor shall be restricted to the lay members of the Committee)
- To approve policy on the outside earnings of senior staff (professorial and Grade 10)
- To 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 the 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
- To ensure compliance with the CUC Higher Education Senior Staff Remuneration Code.

The annual report of the Remuneration Committee submitted to the Council in November 2019 is available at: https://www.liverpool.ac.uk/governance/university-committees/formalseniorleadershipteam/#d.en.1177525

Senate

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

Senate has 89 members, including the academic members of SMT and the Chief Operating Officer (to 31 October 2019), the Pro-Vice-Chancellor, 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. Senate's powers and duties are detailed in Ordinance 19 of the University's Statutory Framework.

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 (to 31 October 2019). They lead the management of the University which is organised into three academic Faculties and the Professional Services.

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 (to 31 October 2019) and the Director of Finance. SMT provides strategic leadership and direction, within the parameters set by the overarching strategy approved by the Council and the University's statutory framework.

Executive Board

The Executive Board is the University's operational executive body and replaced the Senior Executive Group in January 2019. Within the parameters set by the overarching strategy approved by the Council and the University's statutory framework it takes decisions on major operational matters that have institutional reach, and strategic issues where doing so is time critical. It also reviews proposals relating to the development of, or major changes to, institutional strategies, major policies, frameworks, and other governance documentation to ensure a coordinated management response before these are submitted to the formal governance structure for scrutiny and approval. The Executive Board meets eleven times per year and its membership comprises the Vice-Chancellor (who is Chair), the other members of Senior Management Team and seven additional senior directors.

New Arrangements

From 1 November 2019 Senior Management Team and Executive Board were replaced by the Senior Leadership Team (SLT). SLT comprises of 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, Director of People and Services, the University Secretary, Director of Legal and Governance and the Director of Finance. The terms of reference are available at: https://www.liverpool.ac.uk/media/livacuk/cgso/committees/Remuneration,Committee,Annual,Report.pdf

Internal Control

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

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

Additional controls were introduced during 2018/19 to provide the Council with assurance concerning compliance with OfS conditions. As part of this work, the University reviewed and revised its policy on dealing with non-academic debt. The approval of a revised approach took place prior to the Competitions and Markets Authority (CMA) contacting the University on this issue. The CMA nonetheless conducted an investigation of the University's practice in this area, and the University confirmed its undertaking to remove academic sanctions for historical and current students.

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, the Council. During 2018/19 the Committee continued to oversee the plans to address these issues and to gain assurance over improvements to processes and data.

The Council's review of the effectiveness of the system of internal control for the year ended 31 July 2019 and up to the date of approval of the audited financial statements is informed by the Audit Committee, the work of the internal auditors, the work of the senior managers who have responsibility for the development, maintenance and continual review of the internal control framework 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 the 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 processes for managing local and operational risks. Risks are assessed in terms of their likelihood and impact. The risk rating is compared to the institutional risk appetite, defined at the level of each individual risk. Additional actions are taken where the risk score exceeds the risk appetite rating.

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

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

PwC construct their internal audit plan in consultation with management in order to ensure that it is based on the University's strategic risk register so that assurances can be gained that risks are properly managed, and to allow the auditors to fulfil their responsibility to give the 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 2019 and up to the date of the approval of the audited financial statements.

Public Interest

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

Register of Interests

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

Financial Control

The Council is responsible for preparing the Review of the Year and the financial statements in accordance with the requirements of the Office for Students' Terms and conditions of funding for higher education institutions and Research England's Terms and conditions of Research England grant and applicable law and regulations.

They are required to prepare group and parent University financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland. The terms and conditions of funding further require the financial statements to be prepared in accordance with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education, in accordance with the requirements of the Accounts Direction issued by the Office for Students. The Council is required to prepare financial statements which give a true and fair view of the state of affairs of the group and parent University and of their income and expenditure, gains and losses and changes in reserves for that period.

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

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

The Council is responsible for keeping proper accounts and proper records in relation to the accounts. They are responsible for 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The Council is also responsible for ensuring that:

- funds from whatever source administered by the Group or the University for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- funds provided by the Office for Students and Research England have been applied in accordance with the terms and conditions attached to them;
- ensuring that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources; and
- securing the economical, efficient and effective management of the university's resources and expenditure.

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

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

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

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 2019 and up to the date of the approval of the audited financial statements.

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 2019 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 and the 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 of the University's affairs as at 31 July 2019 and of the Group's and the University's income and expenditure, gains and losses, 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, other than where the University has applied the allowance to early adopt the requirements of paragraph 12(d) of the Accounts Direction dated 25 October 2019 issued by the Office for Students.

Basis for opinion

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

We were first appointed as auditor by the Council on 10 November 2010. The period of total uninterrupted engagement is for the 9 financial years ended 31 July 2019.

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.

Overview		
Materiality: Group financial statements as a whole	£5.45m (2018: £6.5m) 0.9% (2018: 1.2%) of Group total income	
Coverage	99.4% (2018: 99.4%) of Group total income	
Key audit matters		**vs 2018**
Recurring risks	Group and University Income: 2018/19 / 2019/20 undergraduate and post-graduate income	◀▶
	Group and University Income: 2018/19 / 2019/20 research grants and contracts income	◀▶
	Subjective valuation of the Universities Superannuation Scheme provision and University of Liverpool Pension Fund	◀▶
Event driven	**New:** The impact of uncertainties due to the UK exiting the European Union on our audit	▲

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 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: The impact of uncertainties due to the UK exiting the European Union on our audit *Refer to pages 31 and 33 (financial review) and page 36 (risk management).*	**Unprecedented levels of uncertainty:** All audits assess and challenge the reasonableness of estimates, in particular as described in the key audit matter on the *Subjective valuation of the University's Superannuation Scheme provision and University of Liverpool Pension Fund* below, and related disclosures and the appropriateness of the going concern basis of the preparation of the financial statements. All of these depend on assessments of the future economic environment and the group's future prospects and performance. Brexit is one of the most significant economic events for the UK and at the date of this report, its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown.	We developed a standardised firm-wide approach to the consideration of the uncertainties arising from Brexit in planning and performing our audits. Our procedures included: • **Our Brexit knowledge:** We have considered the Council's assessment of Brexit-related sources of risk for the group's business and financial resources compared with our own understanding of the risks. We considered the Council's plans to take action to mitigate the risks. • **Sensitivity analysis:** When addressing the key audit matter on the *Subjective valuation of the University's Superannuation Scheme provision and University of Liverpool Pension Fund*, we compared the Council's analysis to our assessment of the full range of reasonably possible scenarios resulting from Brexit uncertainty and, where forecast cash flows are required to be discounted, considered adjustments to discount rates for the level of remaining uncertainty. • **Assessing transparency:** We considered all of the Brexit related disclosures together, including those in the *Review of the Year and Financial Statements to 31 July 2019*, comparing the overall picture against our understanding of the risks. However, no audit should be expected to predict the unknowable factors or all possible future implications for an organisation and this is particularly the case in relation to Brexit.

	The risk	Our response

Group and University:
 	
Pension provisions
 	
(£134.1 million; 2018: £47.9 million)
 	
Refer to page 61 (accounting policy) and page 78 and pages 81 to 88 (financial disclosures).
	Subjective valuation of the Universities Superannuation Scheme provision and University of Liverpool Pension Fund:
	
	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.
	
	The effect of these matters is that, as part of our risk assessment, we determined that the valuation of the USS and ULPF pension provision has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. The financial statements (note 32) disclose the sensitivity estimated by the University.
		Our procedures included:
		• **Control design:** Assessing the control framework regarding monitoring of the pension provision;
		• **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 assumptions 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 as well as performing our own valuation procedures to gain comfort over the valuation.
		  • Agreeing the inputs from the University into the calculation of the ULPF valuations to supporting payroll information.
		  • Agreeing the inputs included within the University's ULPF projected cash flow to supporting information.
		  • Assessing the inputs from the University into the calculation of the USS provision.
		• **Historical comparison:** Evaluating the track record of key assumptions applied in the valuation of the USS provision, being future salary inflation and staff numbers, against historic accuracy of forecasts used in the calculation.
		• **Assessing transparency:** Considering the adequacy of the disclosures in respect of the sensitivity of the pension obligations to these assumptions.
		• **Our pensions expertise:**
		  • Evaluating the competency and 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 the USS and ULPF pension obligation to be acceptable (2018 result: acceptable).

	The risk	Our response

Group and University Income: Undergraduate student and post-graduate income
 	
(£307.6million; 2018: £286.5million)
 	
Refer to page 60 (accounting policy) and page 66 (financial disclosures).
	2018/19 / 2019/20 undergraduate and post-graduate 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 is not recognised in the correct year of the financial statements due to the timing of course dates.
		Our procedures included:
		• **Control design:** Assessing the design and effectiveness of controls established to record student details in the student records system.
		
		• **Data Comparisons:**
		  • Assessing 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 2019, 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 recalculate the fee income details held within the general ledger using information contained within the student records system and the fee rules held in the University fee schedule. Any mismatches between the general ledger and the recalculated values were then tested on a sample basis and agreed back to source documentation, such as application forms and fees schedules, to confirm that the correct income had been recorded.
		• **Tests of detail:**
		  • 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 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 application forms, award letters and fee schedules.
		• **Our results:**
		  • We found the recognition of income from undergraduate and post-graduate students to be acceptable (2018 result: acceptable)

	The risk	Our response
Group and University Income: Research grants and contracts (£98.7 million; 2018: £95.6 million) *Refer to page 60 (accounting policy) and page 66 (financial disclosures).*	**2018/19 / 2019/20 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. There is a related significant risk that non-compliance with grant terms and conditions, for example claiming for ineligible spend, results in income not being recognised in line with the University's accounting policies or relevant accounting standards. Noncompliance with grant terms and conditions may also result in clawback of funding by research funders.	Our procedures included: • **Control design:** Assessing the design and effectiveness of the controls established to set-up and monitor research projects and research grants and contracts income. **Test of details** • Analysing research project data to identify projects with income, expenditure, debtor or creditor balances meeting certain criteria (such as value, length of project, start and end dates) during the year and considering whether the accounting treatment for those projects is in line with accounting standards by reference to grant agreements and other supporting documentation. • For a sample of research projects, testing whether expenditure was in line with the terms and conditions of the relevant contract. • For a sample of research projects, testing whether income was included in the correct period and accounted for in accordance with the requirements of the relevant grant agreement and accounting standards. • Assessing the outcomes of inspection visits by research funders 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 (2018 result: acceptable)

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

The materiality for the Group financial statements as a whole was set at £5.45m (2018: £6.5m), determined with reference to a benchmark of Group total income of £577.7m (2018: £545.7m), of which it represents 0.9% (2018: 1.2%).

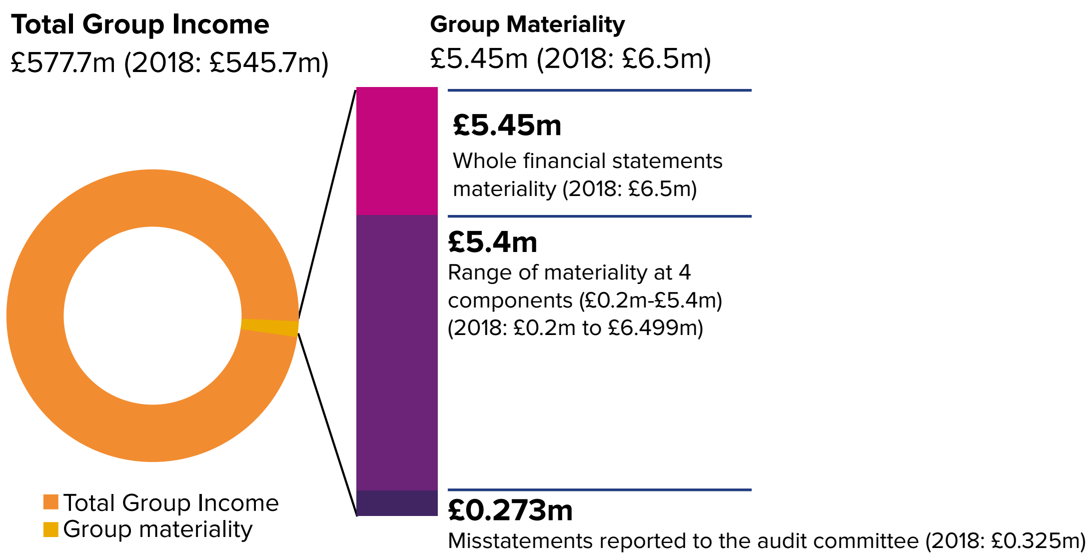
The materiality for the University financial statements was set at £5.4m (2018: £6.499m), determined with reference to a benchmark of University income of £577.7m (2018: £543.9m), of which it represents 0.9% (2018: 1.2%).

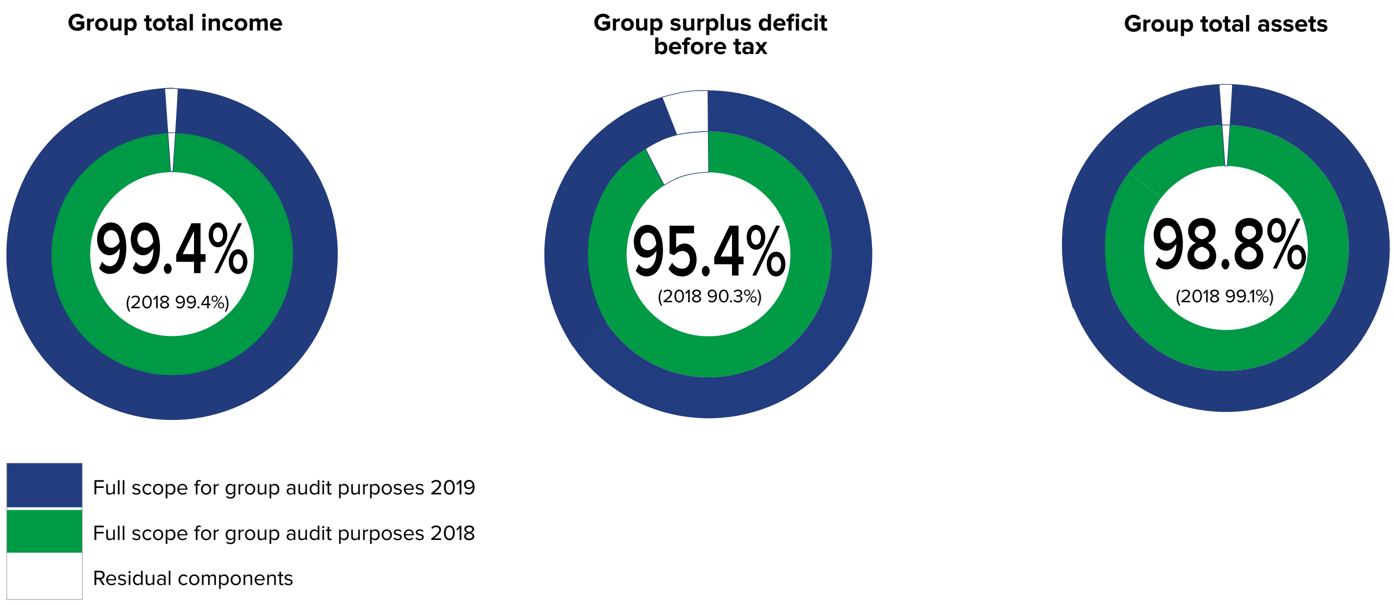
We consider total income, rather than a surplus related benchmark, to be the most appropriate benchmark as the Group is a not-for-profit organisation, therefore the focus is on income and any surplus generated is variable and reinvested.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.273m (2018: £0.325m), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's 10 (2018: 10) reporting components, we subjected 4 (2018: 4) to audits for Group reporting purposes. These audits accounted for 99.4% (2018: 99.4%) of Group total income, 95.4% (2018: 90.3%) of Group surplus/deficit before tax and 98.8% (2018: 99.1%) 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 £5.4m (2018: £2.2m to £6.5m), having regard to the mix of size and risk profile of the Group across the components. None of the other components individually represented more than 5% of total group income, or total group assets. For the residual components, we performed analysis at an aggregated group level to re-examine our assessment that there were no significant risks of material misstatement within these components.





4. We have nothing to report on going concern

The Council has prepared the financial statements on the going concern basis as they do not intend to liquidate the University or the Group or to cease their operations, and as they have concluded that the University's and the Group's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

Our responsibility is to conclude on the appropriateness of the Council's conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group or the University will continue in operation.

In our evaluation of the Council's conclusions, we considered the inherent risks to the Group's and University's business model, including the impact of Brexit, and analysed how those risks might affect the Group's and University's financial resources or ability to continue operations over the going concern period. We evaluated those risks and concluded that they were not significant enough to require us to perform additional audit procedures.

Based on this work, we are required to report to you if we have anything material to add or draw attention to in relation to the Council's statement in Note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group or University's 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 this respect, and we did not identify going concern as a key audit matter.

5. We have nothing to report on other information in the *Review of the Year and Financial Statements to 31 July 2019*

The Council is responsible for the other information, which comprises the Review of the Year, Corporate Governance Statement 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 misstatement in the other information.

6. Respective responsibilities

Council Responsibilities

As explained more fully in their statement set out on page 40, the Council is responsible for: the preparation of the financial statements including being satisfied that they 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 or 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.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, 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. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

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; and
- funds provided by the Office for Students and Research England have been applied in accordance with the 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 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 2019

ANNUAL FINANCIAL STATEMENTS

for the year ended 31 July 2019

Consolidated and University Statement of Comprehensive Income and Expenditure - Year Ended 31 July 2019

	Notes	Year ended 31 July 2019 Consolidated £m	Year ended 31 July 2019 University £m	Year ended 31 July 2018 Consolidated £m	Year ended 31 July 2018 University £m
Income					
Tuition fees and education contracts	2	**309.0**	**307.6**	287.9	286.5
Funding body grants	3	**71.2**	**71.2**	68.7	68.7
Research grants and contracts	4	**98.7**	**98.7**	95.6	95.6
Other income	5	**86.3**	**83.9**	81.1	79.6
Investment income	6	**10.6**	**14.4**	7.9	9.0
Donations and endowments	7	**1.9**	**1.9**	4.5	4.5
Total income		**577.7**	**577.7**	545.7	543.9
Expenditure					
Staff costs excluding movement in USS pension provision	8	**304.9**	**303.2**	291.5	290.1
Increase/(decrease) to USS pension provision	8	**85.2**	**85.2**	(5.2)	(5.2)
Total staff costs	8	**390.1**	**388.4**	286.3	284.9
Other operating expenses		**205.4**	**206.4**	185.5	187.8
Depreciation and amortisation	12,13	**38.6**	**36.7**	35.8	34.3
Interest and other finance costs	9	**11.1**	**10.3**	11.9	11.1
Total expenditure	10	**645.2**	**641.8**	519.5	518.1
(Deficit)/Surplus before other gains losses and share of operating surplus of joint ventures and associates		**(67.5)**	**(64.1)**	26.2	25.8
Gain on disposal of fixed assets		**4.3**	**4.1**	4.0	4.0
Gain on investments	15	**8.3**	**8.3**	9.9	9.9
Share of operating surplus in joint ventures and associates	16	**0.8**	**-**	3.9	-
(Deficit)/Surplus before tax		**(54.1)**	**(51.7)**	44.0	39.7
Taxation	11	**(0.1)**	**-**	(0.1)	-
(Deficit)/Surplus for the year		**(54.2)**	**(51.7)**	43.9	39.7
Movement in University of Liverpool Pension Fund		**1.6**	**1.6**	3.3	3.3
Total comprehensive (expenditure)/income for the year		**(52.6)**	**(50.1)**	47.2	43.0
Represented by:					
Endowment comprehensive income for the year		**4.8**	**4.8**	4.6	4.6
Unrestricted comprehensive income for the year		**(57.4)**	**(54.9)**	42.6	38.4
		(52.6)	**(50.1)**	47.2	43.0

All items of income and expenditure relate to continuing activities.

Consolidated and University Balance Sheet - Year Ended 31 July 2019

	Notes	**As at 31 July 2019**		As at 31 July 2018	
		Consolidated	**University**	Consolidated	University
		£m	**£m**	£m	£m
Non-current assets					
Intangible assets	12	**2.0**	**1.9**	2.4	2.3
Fixed assets	13	**791.1**	**772.5**	745.5	725.1
Heritage assets	13/14	**17.0**	**17.0**	17.0	17.0
Investments	15	**217.4**	**221.2**	209.5	213.3
Investment in joint ventures and associates	16	**8.4**	**-**	8.8	-
		1,035.9	**1,012.6**	983.2	957.7
Current assets					
Stock	17	**1.4**	**1.1**	1.2	1.0
Trade and other receivables	18	**68.5**	**79.2**	62.9	68.2
Assets held for resale		**-**	**-**	0.4	0.4
Investments	19	**79.3**	**79.3**	72.6	72.6
Cash and cash equivalents	24	**41.1**	**37.8**	74.1	71.4
		190.3	**197.4**	211.2	213.6
Less: Creditors: amounts falling due within one year	20	**(139.7)**	**(146.6)**	(141.6)	(144.0)
Net current assets		**50.6**	**50.8**	69.6	69.6
Total assets less current liabilities		**1,086.5**	**1,063.4**	1,052.8	1,027.3
Creditors: amounts falling due after more than one year	21	**(300.0)**	**(285.0)**	(300.0)	(285.0)
Provisions					
Pension provisions	22	**(134.1)**	**(134.1)**	(47.9)	(47.9)
Other provisions	22	**(0.5)**	**-**	(0.4)	-
Total net assets		**651.9**	**644.3**	704.5	694.4
Restricted reserves					
Income and expenditure reserve - endowment reserve	23	**171.7**	**171.7**	167.1	167.1
Unrestricted reserves					
Income and expenditure reserve - unrestricted		**480.2**	**472.6**	537.4	527.3
Total reserves		**651.9**	**644.3**	704.5	694.4

The financial statements were approved by the Council on 20 November 2019 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 2019

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 1 August 2018	**167.1**	**537.4**	**704.5**
Surplus/(Deficit) from the income and expenditure statement	4.8	(57.4)	(52.6)
Release of restricted funds in the year	(0.2)	0.2	-
Total comprehensive income for the year	**4.6**	**(57.2)**	**(52.6)**
Balance at 31 July 2019	**171.7**	**480.2**	**651.9**

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 1 August 2018	**167.1**	**527.3**	**694.4**
Surplus/(Deficit) from the income and expenditure statement	4.8	(54.9)	(50.1)
Release of restricted funds in the year	(0.2)	0.2	-
Total comprehensive income for the year	**4.6**	**(54.7)**	**(50.1)**
Balance at 31 July 2019	**171.7**	**472.6**	**644.3**

Consolidated Cash Flow - Year Ended 31 July 2019

	Notes	Year ended 31 July 2019 £m	Year ended 31 July 2018 £m
Cash flow from operating activities			
Total comprehensive income for the year		**(52.6)**	47.2
Adjustment for non-cash items			
Depreciation	13	**37.9**	35.2
Amortisation of intangibles	12	**0.7**	0.6
Gain on investments	15	**(8.3)**	(9.9)
Decrease / (increase) in stock	17	**(0.2)**	0.1
Decrease / (increase) in trade and other receivables	18	**(4.6)**	15.0
Decrease in creditors < 1 year	20	**(7.0)**	(1.7)
Decrease in creditors > 1 year	21	**0.0**	(0.8)
Increase / (decrease) in pension provision	22	**86.2**	(4.2)
Increase / (decrease) in other provisions	22	**0.1**	(0.8)
Share of operating surplus in joint ventures and associates	16	**0.4**	(3.9)
Adjustment for investing or financing activities			
Investment income	6	**(2.1)**	(1.2)
Interest payable	9	**11.1**	11.9
Endowment investment income	6	**(5.8)**	(4.9)
Profit on sale of fixed assets		**(4.3)**	(4.0)
Capital grant income	3/5	**(10.7)**	(12.9)
Net cash inflow from operating activities		**40.8**	65.7
Cash flows from investing activities			
Proceeds from sales of fixed assets		**5.1**	4.2
Capital grants receipts	20	**8.2**	18.0
Capital receipts	20	**2.8**	8.0
Disposal of non-current asset investments	15	**57.6**	38.4
Disposal of current investments	19	**20.0**	24.9
Investment income (including joint venture and associates net investment income)	6	**2.1**	1.7
Endowment investment income	6	**5.8**	4.9
Payments made to acquire fixed assets	13	**(80.1)**	(67.6)
Payments made to acquire intangible assets	12	**(0.3)**	0
New non-current asset investments	15	**(52.1)**	(32.5)
New current investments	19	**(25.3)**	(40.7)
		(56.2)	(40.7)
Cash flows from financing activities			
Interest paid	9	**(11.1)**	(11.9)
Interest element of finance lease	9	**0.0**	(0.1)
Non-current investment cash outflow	15	**(6.3)**	(3.5)
Repayments of amounts borrowed	21	**(0.2)**	(1.4)
Capital element of finance lease	21	**0.0**	(0.4)
		(17.6)	(17.3)
(Decrease)/increase in cash and cash equivalents in the year		**(33.0)**	7.7
Cash and cash equivalents at beginning of the year	24	**74.1**	66.4
Cash and cash equivalents at end of the year	24	**41.1**	74.1

NOTES TO THE ACCOUNTS

for the year ended 31 July 2019

Notes to the Accounts for the year ended 31 July 2019

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 Standard (FRS 102). The University is a public benefit entity and therefore has applied the relevant public benefit requirement of the applicable UK laws and accounting standards. The financial statements have been prepared in accordance with the historical cost convention and on the basis of being a going concern.

The University has taken the exemption under section 3.3 of the SORP (1.12(b) of FRS 102) to not produce a cash flow statement for the University as it is the ultimate parent entity.

The financial statements meet the requirements of the Accounts Direction dated 19 June 2018 issued by the Office for Students, other than where the University has applied the allowance to early adopt the requirements of paragraph 12(d) of the Accounts Direction dated 25 October 2019 issued by the Office for Students

b Basis of consolidation

The consolidated financial statements include the University and all its subsidiaries together with the share of results of joint ventures and associates for the financial year to 31 July 2019. 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.

Tuition 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.

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

Investment income is credited to the Consolidated Statement of Comprehensive Income 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

Non-exchange transactions without performance related conditions are donations and endowments. 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). These schemes are defined benefit schemes, which are externally funded and contracted out of the State Second Pension (S2P). Each fund is valued every three years by professionally qualified independent actuaries. The USS is a multi-employer defined benefit scheme for which it is not possible to identify the assets and liabilities attributed to the University due to the mutual nature of the scheme and therefore this scheme is accounted for as a defined contribution retirement benefit scheme.

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

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. 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 multi-employer 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 University is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a reasonable and consistent and basis. As required by section 28 of FRS 102 "Employee benefits", the University 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. Where the University has entered into an agreement with such a multi-employer scheme that determines how the University will contribute to a deficit recover plan, the University recognises a liability for the contributions payable that arise from the agreement, to the extent that they relate to the deficit, and the resulting expense is recognised in expenditure.

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. Further detail is provided on the specific pension schemes in note 31 to the financial statements.

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 reporting date are translated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in Surplus or Deficit [except for differences arising on the retranslation of a financial liability designated as a hedge of the net investment in a foreign operation that is effective, or qualifying cash flow hedges, which are recognised directly in Other Comprehensive Income]. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

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

When the 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.

Impairment

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

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

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

The 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.

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

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

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

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.

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 from the placement date), 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 UK Corporation Tax in respect of income or capital gains received within categories covered by section 478-488 of the Corporation Tax Act 2010 (CTA 2010) or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

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

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

Deferred tax is provided in full on timing differences that exist at the balance sheet date and that 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 elected to adopt the provisions of sections 11 and 12 of FRS 102 in respect of the recognition, measurement, and disclosure of financial instruments. Financial assets and liabilities are recognised when the University becomes party to the contractual provision of the instrument and they are classified according to the substance of the contractual arrangements entered into. A financial asset and a financial liability are offset only when there is a legally enforceable right to offset the recognised amounts and an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

The 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

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

Management consider the areas set out below to be those where critical accounting judgements have been applied and the resulting estimates and assumptions may lead to adjustments to the future carrying amounts of assets and liabilities:

Recoverability of debtors

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

The 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.

Retirement benefit obligations

The cost of defined benefit pension plans (and other post-employment benefits) are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. Further details are given in note 31.

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 provision is currently based on the deficit recovery plan agreed after the 2017 actuarial valuation, which defines the deficit payment required as a percentage of future salaries until 2034. These contributions will be reassessed within each triennial valuation of the scheme. The provision is based on management's estimate of expected future salary inflation, changes in staff numbers and the prevailing rate of discount.

Based on the inputs to the model, sensitivity analysis which outlines the potential impact on the provision (assuming the same discount rate) has been performed. Further detail is given in note 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 2019 Consolidated £m	Year Ended 31 July 2019 University £m	Year Ended 31 July 2018 Consolidated £m	Year Ended 31 July 2018 University £m
2 Tuition fees and education contracts					
Full-time home and EU students		**156.8**	**156.8**	153.9	153.9
Full-time international students		**124.2**	**122.8**	107.0	105.6
Part-time students		**6.3**	**6.3**	6.1	6.1
Special courses		**10.9**	**10.9**	10.9	10.9
Research Training Support Grant		**10.8**	**10.8**	10.0	10.0
		309.0	**307.6**	287.9	286.5
3 Funding body grants					
Recurrent grant					
Higher Education Funding Council		**-**	**-**	39.1	39.1
Office for Students		**30.1**	**30.1**	6.5	6.5
Engineering and Physical Sciences Research Council		**28.8**	**28.8**	9.9	9.9
Specific grants					
Capital Investment Funds		**5.6**	**5.6**	7.2	7.2
Higher Education Innovation Fund		**3.4**	**3.4**	3.2	3.2
Other specific grants		**3.3**	**3.3**	2.8	2.8
		71.2	**71.2**	68.7	68.7

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 2019 Consolidated £m	Year Ended 31 July 2019 University £m	Year Ended 31 July 2018 Consolidated £m	Year Ended 31 July 2018 University £m
4 Research grants and contracts					
Research councils		**39.9**	**39.9**	39.6	39.6
Research charities		**18.1**	**18.1**	16.5	16.5
Government (UK and overseas)		**25.0**	**25.0**	23.6	23.6
Industry and commerce		**8.9**	**8.9**	9.1	9.1
Other		**6.8**	**6.8**	6.8	6.8
		98.7	**98.7**	95.6	95.6
5 Other income					
Residences, catering and conferences		**31.5**	**31.5**	30.4	30.4
Health authorities		**9.3**	**9.3**	10.0	10.0
Other services		**26.0**	**23.7**	25.2	23.4
Other income		**19.5**	**19.4**	15.3	15.6
Specific capital grant		**-**	**-**	0.2	0.2
		86.3	**83.9**	81.1	79.6
6 Investment income					
Investment income on endowments		**5.8**	**5.8**	4.9	4.9
Other investment income		**2.1**	**5.9**	1.2	2.3
Net return on pension scheme	31	**2.7**	**2.7**	1.8	1.8
		10.6	**14.4**	7.9	9.0
7 Donations and endowments					
New endowments		**0.4**	**0.4**	1.5	1.5
Unrestricted donations		**1.5**	**1.5**	3.0	3.0
		1.9	**1.9**	4.5	4.5

	Year Ended 31 July 2019 Consolidated £m	Year Ended 31 July 2019 University £m	Year Ended 31 July 2018 Consolidated £m	Year Ended 31 July 2018 University £m
8 Staff costs				
Staff costs:				
Salaries	**239.2**	**237.8**	228.5	227.3
Social security costs	**23.2**	**23.1**	22.1	22.0
Movement on USS provision	**85.2**	**85.2**	(5.2)	(5.2)
Other pension costs	**42.5**	**42.3**	40.9	40.8
Total	**390.1**	**388.4**	286.3	284.9

	Year Ended 31 July 2019 £'000	Year Ended 31 July 2018 £'000
Emoluments of the Vice-Chancellor:		
Salary	**291.5**	278.2
Performance related pay	**57.3**	27.5
Allowance in lieu of pension contribution	**43.6**	41.2
Taxable benefits:		
Accommodation expenses	**2.7**	2.9
Medical insurance	**2.1**	2.0
Non-taxable benefits:		
Accommodation expenses	**12.8**	11.7
Total Remuneration Package for the Vice-Chancellor	**410.0**	363.5

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

The President of Council reports the outcomes of the Vice-Chancellor's Performance and Development Review to the Remuneration Committee, specifically the performance against personal objectives and the achievement of institutional strategic objectives. The President of Council makes recommendations to the Remuneration Committee on the Vice-Chancellor's pay. 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 20% non-consolidated bonus on 1 February 2019 based on performance against personal objectives and delivery of strategic University targets. The Vice-Chancellor's base pay was uplifted by 3% as part of the Senior Management Salary Review 2019. Alongside all other University employees, the Vice-Chancellor was awarded the nationally negotiated pay settlement of 2% on 1 August 2018.

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 University 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 amount donated to University INTO Project)
- Council Member, Arts and Humanities Research Council (gross payment £6,850; net amount donated to University INTO Project)
- Advisor on Higher Education for Liverpool City Region Metro Mayor

Head of Provider Pay Multiple	**Year ended 31 July 2019**		**Year ended 31 July 2018**	
	Basic Pay	**Total Pay**	**Basic Pay**	**Total Pay**
	£'000	**£'000**	**£'000**	**£'000**
Staff Pay Median	35.2	40.4	34.5	38.8
Vice-Chancellor Pay	291.5	410.0	278.2	363.5
Pay Multiple	8.3	10.1	8.1	9.4

The University has opted for early adoption of the 2019/20 OfS Accounts Direction and incorporated into the pay median staff included in real-time reporting to HMRC only.

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

	Year ended 31 July 2019 No.	Year ended 31 July 2018 No.
£100,000-£104,999	**57**	39
£105,000-£109,999	**40**	8
£110,000-£114,999	**8**	4
£115,000-£119,999	**5**	9
£120,000-£124,999	**9**	8
£125,000-£129,999	**5**	3
£130,000-£134,999	**1**	-
£145,000-£149,999	**2**	5
£150,000-£154,999	**6**	5
£155,000-£159,999	**2**	-
£160,000-£164,999	**-**	2
£165,000-£169,999	**1**	-
£175,000-£179,999	**1**	-
£185,000-£189,999	**1**	1
£215,000-£219,999	**-**	1
£220,000-£224,999	**1**	-
£225,000-£229,999	**-**	1
£230,000-£234,999	**1**	-
£240,000-£244,999	**-**	1
£255,000-£259,999	**1**	-
	141	87

Average staff numbers by major category	Year ended 31 July 2019 Full time equivalent	Year ended 31 July 2018 Full time equivalent
Academic	**3,472**	3,325
Clinical	**193**	190
Technical	**615**	622
Clerical	**963**	926
Other	**355**	389
	5,598	5,452

	£'000	£'000
Compensation payable to staff recorded within staff costs	**1,983.9**	**4,023.2**
Number of staff in receipt of compensation payments	**149**	**94**

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 (to 31 October 2019), 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.

	Year ended 31 July 2019	Year ended 31 July 2018
Number	**9**	**9**
Staff costs - £'000	**2,093.9**	**2,149.6**

The year on year decrease of 2.6% is due to a slight reduction in FTE. The year on year increase in cost excluding the reduction in FTE was 2.8%.

		Notes	Year Ended 31 July 2019		Year Ended 31 July 2018	
			Consolidated	**University**	Consolidated	University
			£m	**£m**	£m	£m
9	**Interest and other finance costs**					
	Loan interest		**10.0**	**9.2**	10.9	10.1
	Net charge on pension scheme	22	**1.1**	**1.1**	1.0	1.0
			11.1	**10.3**	11.9	11.1

		Year Ended 31 July 2019		Year Ended 31 July 2018	
		Consolidated	**University**	Consolidated	University
		£m	**£m**	£m	£m
10	**Analysis of total expenditure by activity**				
	Academic and related expenditure	**249.3**	**248.3**	235.0	233.9
	Administration and central services	**11.7**	**11.7**	16.2	16.2
	Premises	**74.4**	**74.5**	69.7	71.2
	Residences, catering and conferences	**17.7**	**17.6**	17.7	17.6
	Research grants and contracts	**77.0**	**77.0**	74.5	74.5
	Other expenses	**215.1**	**212.7**	106.4	104.7
		645.2	**641.8**	519.5	518.1

Other operating expenses include:		£'000	£'000
External auditors remuneration in respect of audit services	University	**79.2**	76.9
	Subsidiaries	**37.9**	36.0
External auditors remuneration in respect of non-audit services	Tax Management	**-**	-
	Grant assurance	**57.8**	71.8
	Other Assurance Services	**15.5**	7.1

11 Taxation

	Year Ended 31 July 2019		Year Ended 31 July 2018	
	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**	**-**	0.1	-
Deferred tax expense	**0.1**	**-**	0.1	-

12 Intangible assets

Software

	Year Ended 31 July 2019		Year Ended 31 July 2018	
	Consolidated	**University**	Consolidated	University
	£m	**£m**	£m	£m
At 1 August 2018	**2.4**	**2.3**	3.0	2.9
Additions in the year	**0.3**	**0.3**	-	-
Amortisation charge for the year	**(0.7)**	**(0.7)**	(0.6)	(0.6)
At 31 July 2019	**2.0**	**1.9**	2.4	2.3

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 2018	689.4	86.5	5.8	70.8	184.9	66.9	17.0	1,121.3
Additions	0.4	-	-	0.7	11.3	70.8		83.2
Transfers	17.3	-	(5.8)	10.0	10.3	(31.6)		0.2
Disposals	-	-	-	-	(3.3)	-		(3.3)
At 31 July 2019	**707.1**	**86.5**	**-**	**81.5**	**203.2**	**106.1**	**17.0**	**1,201.4**
Depreciation								
At 1 August 2018	167.2	30.5	5.8	11.0	144.3	-	-	358.8
Charge for the year	18.6	2.4	-	5.3	11.6	-	-	37.9
Transfers	5.7	-	(5.8)	-	0.1	-	-	-
Disposals	-	-	-	-	(3.4)	-	-	(3.4)
At 31 July 2019	**191.5**	**32.9**	**-**	**16.3**	**152.6**	**-**	**-**	**393.3**
Net book value								
At 31 July 2019	**515.6**	**53.6**	**-**	**65.2**	**50.6**	**106.1**	**17.0**	**808.1**
At 31 July 2018	522.2	56.0	-	59.8	40.6	66.9	17.0	762.5

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 2018	692.3	86.5	5.8	70.8	152.0	65.8	17.0	1,090.2
Additions	0.6	-	-	0.7	7.9	74.0	-	83.2
Transfers	17.3	-	(5.8)	10.0	8.2	(29.5)	-	0.2
Disposals	-	-	-	-	(3.3)	-	-	(3.3)
At 31 July 2019	**710.2**	**86.5**	**-**	**81.5**	**164.8**	**110.3**	**17.0**	**1,170.3**
Depreciation								
At 1 August 2018	167.2	30.5	5.8	11.0	133.6	-	-	348.1
Charge for the year	18.6	2.4	-	5.3	9.7	-	-	36.0
Transfers	5.7	-	(5.8)	-	0.1	-	-	-
Disposals	-	-	-	-	(3.3)	-	-	(3.3)
At 31 July 2019	**191.5**	**32.9**	**-**	**16.3**	**140.1**	**-**	**-**	**380.8**
Net book value								
At 31 July 2019	**518.7**	**53.6**	**-**	**65.2**	**24.7**	**110.3**	**17.0**	**789.5**
At 31 July 2018	525.1	56.0	-	59.8	18.4	65.8	17.0	742.1

At 31 July 2019, freehold land and buildings included £44.8m (2018 - £44.3m) in respect of freehold land that is not depreciated.
At 31 July 2019, leasehold land and buildings included £1.3m (2018 - £1.3m) in respect of leasehold land that is not depreciated.
Included in the cost of fixed assets is aggregated interest capitalised of £6.3m (2018 - £5.1m). There is no amount included in Consolidated and University net book value relating to assets held for resale (2018 - £0.4m).
Additions include £1.2m (2018 - £0.3m) of borrowing costs capitalised in the year.

14 Heritage assets

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

A record of both of these collections and 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 2018 to 31 July 2019 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 2018	-	42.4	167.1	209.5
Additions	-	7.8	44.3	52.1
Disposals	-	(8.6)	(49.0)	(57.6)
Cash movement	-	0.8	5.5	6.3
Change in market value	-	3.3	3.8	7.1
At 31 July 2019	**-**	**45.7**	**171.7**	**217.4**
University				
At 1 August 2018	3.8	42.4	167.1	213.3
Additions	-	7.8	44.3	52.1
Disposals	-	(8.6)	(49.0)	(57.6)
Cash movement	-	0.8	5.5	6.3
Change in market value	-	3.3	3.8	7.1
At 31 July 2019	**3.8**	**45.7**	**171.7**	**221.2**

The gains on investments in the Consolidated Statement of Comprehensive Income and Expenditure also includes gains on current assets £1.2m (2018 - £0.7m) giving total investment gains of £8.3m (2018 - £9.9m). Change in market value is net of fees.

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

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

Non-current investments consist of:	Consolidated	University
	£'000	£'000
Quoted equities	177.6	177.6
Fixed interest bonds	17.0	17.0
Property and other investments	6.0	9.8
Cash and cash equivalents	16.8	16.8
	217.4	**221.2**

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
Sepsis Limited	35.1	Nidor Diagnostics Ltd	16.3
Provexis IBD Limited	25.0	Porous Liquid Technologies	15.1
Q Technologies Limited	24.9	Liverpool Health Partners Limited	10.0
Aimes CIC Limited	20.0	Pepsyn Limited	3.5
Intellihep Limited	18.0	CDDM Technology Limited	2.3
Senectus Therapeutics Limited	16.7	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 of the University and 50% of its net income is reported in the University's 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.

	Year ended 31 July 2019					Year ended 31 July 2018				
	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	£m	£m	£m	£m
Income and expenditure account										
Income	59.4	0.4	1.5	0.2	**2.1**	50.2	3.6	1.1	0.1	**4.8**
Surplus/(deficit) before tax	**3.8**	**(0.1)**	**1.5**	**(0.6)**	**0.8**	**0.7**	**3.5**	**1.1**	**(0.7)**	**3.9**
Balance sheet										
Fixed assets	132.6	4.5	-	4.8	**9.3**	125.1	4.6	-	5.1	**9.7**
Current assets	31.7	0.1	-	0.5	**0.6**	22.2	0.1	0.1	0.3	**0.5**
	164.3	**4.6**	**-**	**5.3**	**9.9**	**147.3**	**4.7**	**0.1**	**5.4**	**10.2**
Creditors: amounts due within one year	(26.1)	(0.2)	-	(0.3)	**(0.5)**	(20.6)	(0.2)	-	(0.2)	**(0.4)**
Creditors: amounts due after more than one year	(138.7)	(1.0)	-	-	**(1.0)**	(131.0)	(1.0)	-	-	**(1.0)**
	(164.8)	**(1.2)**	**-**	**(0.3)**	**(1.5)**	**(151.6)**	**(1.2)**	**-**	**(0.2)**	**(1.4)**
Share of net (liabilities) / assets	**(0.5)**	**3.4**	**-**	**5.0**	**8.4**	**(4.3)**	**3.5**	**0.1**	**5.2**	**8.8**

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

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

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

17 Stock

	Year ended 31 July 2019		Year ended 31 July 2018	
	Consolidated	**University**	Consolidated	University
	£m	**£m**	£m	£m
General consumables	**1.4**	**1.1**	**1.2**	**1.0**

18 Trade and other receivables

	Year ended 31 July 2019		Year ended 31 July 2018	
	Consolidated	**University**	Consolidated	University
	£m	**£m**	£m	£m
Amounts falling due within one year:				
Research grants receivables	**32.8**	**32.8**	31.1	31.1
Other trade receivables	**13.3**	**12.6**	12.1	11.3
Other receivables	**3.8**	**1.9**	2.6	1.0
Prepayments and accrued income	**18.6**	**18.3**	17.1	16.9
Amounts due from subsidiary companies	**-**	**13.6**	-	7.9
	68.5	**79.2**	**62.9**	**68.2**

19 Current investments

	Year ended 31 July 2019		Year ended 31 July 2018	
	Consolidated	**University**	Consolidated	University
	£m	**£m**	£m	£m
Short term investment in shares	**14.4**	**14.4**	12.0	12.0
Short term bonds and gilts	**3.2**	**3.2**	3.8	3.8
Short term deposits	**45.2**	**45.2**	40.0	40.0
Other short term investments	**16.5**	**16.5**	16.8	16.8
	79.3	**79.3**	**72.6**	**72.6**

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 2019 the weighted average interest rate of these fixed rate deposits was 1.06% 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 2019		Year ended 31 July 2018	
	Consolidated	**University**	Consolidated	University
	£m	**£m**	£m	£m
Unsecured loans	**-**	**-**	0.2	-
Trade payables	**17.8**	**17.5**	19.2	17.5
Amounts due to subsidiary companies	**-**	**15.8**	-	12.6
Social security and other taxation payable	**7.5**	**6.6**	9.1	8.4
Accruals and deferred income	**77.4**	**69.7**	78.2	70.6
Research grants received on account	**37.0**	**37.0**	34.9	34.9
	139.7	**146.6**	141.6	144.0

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 2019		Year ended 31 July 2018	
	Consolidated	**University**	Consolidated	University
	£m	**£m**	£m	£m
Grant income	**7.2**	**7.2**	8.3	8.3
Other income*	**46.0**	**45.5**	46.8	46.3
	53.2	**52.7**	55.1	54.6

*Other Income includes £18.8m (2018 - £16m) relating to the disposal of a lease expected to take place in 2019/20.

21 Creditors: amounts falling due after more than one year

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

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 2018		47.9	0.4	48.3
Charged to the Statement of Comprehensive Income and Expenditure	8/9	86.2	0.1	86.3
At 31 July 2019		**134.1**	**0.5**	**134.6**

University		Obligation to fund deficit on USS Pension £m	Other provisions £m	Total £m
At 1 August 2018		47.9	-	47.9
Charged to the Statement of Comprehensive Income and Expenditure	8/9	86.2	-	86.2
At 31 July 2019		**134.1**	**-**	**134.1**

Obligation to fund deficit on USS pension

The obligation to fund the past deficit on the Universities Superannuation Scheme (USS) arises from the contractual obligation with the pension scheme for total payments relating to benefits arising from past performance. Management have assessed future employees within the USS scheme and salary payment over the period of the contracted obligation in assessing the value of this provision. Further information is provided in note 31 (i).

Since the year end, following the completion of the 2018 actuarial valuation, a new deficit recovery plan has been agreed of which more detail is given in note 31 (i). As at 31 July 2019 and with all other assumptions used to calculate the provision unchanged, this would have resulted in a revised provision of £75.3m, a decrease of £58.9m from the current year end provision.

Other provisions

There is an obligation of £0.5m (2018 - £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	2019 Total	2018 Total
	£m	£m	£m	£m
Balances at 1 August				
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
(Released endowments)/New endowments	(0.2)	0.4	**0.2**	(2.5)
Reclassification of endowments	-	-	**-**	-
Investment income	4.5	1.3	**5.8**	4.9
Expenditure	(3.2)	(2.0)	**(5.2)**	(8.7)
Increase in market value of investments	3.0	0.8	**3.8**	6.9
Total endowment comprehensive income for the year	4.1	0.5	**4.6**	0.6
Balances at 31 July	135.8	35.9	**171.7**	167.1
Represented by:				
Capital	118.3	30.5	**148.8**	146.6
Accumulated income	17.5	5.4	**22.9**	20.5
	135.8	35.9	**171.7**	167.1
Analysis by type:				
Chairs	64.3	0.6	**64.9**	63.4
Scholarships and Fellowships	42.8	16.0	**58.8**	56.9
Prizes	4.3	1.1	**5.4**	5.2
Lectureships	8.2	7.3	**15.5**	15.3
Other	16.2	10.9	**27.1**	26.3
	135.8	35.9	**171.7**	167.1

Analysis by asset:	**2019 Total £m**	2018 Total £m
Current and non-current asset investments	**157.7**	158.2
Cash and cash equivalents	**14.0**	8.9
	171.7	167.1

There were no accumulated income balances in deficit at 31 July 2019 (2018 - none).

24 Cash and cash equivalents

	At 1 August 2018 £m	Cash flows £m	At 31 July 2019 £m
Consolidated	74.1	(33.0)	41.1

25 Capital and other commitments

Provision has not been made for the following capital commitments at 31 July 2019:

	31 July 2019 Consolidated £m	31 July 2019 University £m	31 July 2018 Consolidated £m	31 July 2018 University £m
Commitments contracted for	65.8	65.4	84.9	84.3

26 Contingent liabilities

The University has given written undertakings to support 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 2019 £m	31 July 2018 £m
Payable during the year	6.4	0.5	6.9	6.5
Future minimum lease payments due:				
Not later than 1 year	6.5	0.5	7.0	6.5
Later than 1 year and not later than 5 years	25.1	1.0	26.1	25.1
Later than 5 years	46.5	-	46.5	48.9
Total lease payments due	78.1	1.5	79.6	80.5

28 Events after the reporting period University and Consolidated

As set out in Note 31 in respect of the Universities Superannuation Scheme (USS) pension scheme, a new Schedule of Contributions based on the 2018 actuarial valuation has been agreed. This results in a decrease of £58.8m in the provision for the obligation to fund the deficit on the USS pension which would instead be £75.3m. This adjustment will be reflected in the University's Financial Statements for the year ended 31 July 2020.

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
Tandem Nano Ltd	Biotechnology spin out	55% owned	Active
ULIVE Ltd	Holding company	100% owned	Dormant
ULIVE Enterprises Ltd	Holding company	100% owned	Dormant
UOLM Sdn Bhd	Provision of education	100% owned	Dormant
Liverpool International College	Provision of education	100% owned	Dormant
University of Liverpool Mathematics School	Provision of education	Member	Active

The 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 if material to the group financial statements . The principal purpose of these companies is to support the activities of the University.

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

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 2018	Investment income and gain	Expenditure	As at 31 July 2019
	£m	£m	£m	£m
Agnes Lois Bulley Trust				
Investments	7.4	0.3	(0.3)	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 (2018 - £1.8m).

The total pension cost for the University was:

	Year Ended 31 July 2019 Consolidated	**Year Ended 31 July 2019 University**	Year Ended 31 July 2018 Consolidated	Year Ended 31 July 2018 University
	£m	**£m**	£m	£m
USS (including movement on provision - see note 8)	**115.1**	**114.9**	22.3	22.2
ULPF	**10.8**	**10.8**	11.6	11.6
Other pension schemes	**1.8**	**1.8**	1.8	1.8
	127.7	**127.5**	35.7	35.6

(i) The Universities Superannuation Scheme

The institution participates in the Universities Superannuation 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 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.

The total cost charged to the Consolidated Statement of Comprehensive Income and Expenditure is £115.1m (2018 £22.3m) as shown in note 8.

The latest available complete actuarial valuation of the Retirement Income Builder section of the scheme is at March 2017 (the valuation date), which was carried out using the projected unit method. A valuation as at 31 March 2018 is underway but not yet complete.

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

The 2017 valuation was the fourth valuation for the scheme under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £60.0 billion and the value of the scheme's technical provisions was £67.5 billion indicating a shortfall of £7.5 billion and a funding ration of 89%.

The key financial assumptions used in the 2017 valuation are described below. More detail is set out in the Statement of Funding Principles.

Pension increases (CPI)	Term dependent rates in line with the difference between the Fixed Interest and Index Linked yield curves, less 1.3% p.a.
Discount rate (forward rates)	Years 1-10: CPI – 0.53% reducing linearly to CPI – 1.32% Years 11-20: CPI + 2.56% reducing linearly to CPI + 1.7% by year 21 Years 21 +: CPI + 1.7%

The main demographic assumption used relates to the mortality assumptions. These assumptions are based on analysis of the scheme's experience carried out as part of the 2017 actuarial valuation. The mortality assumptions used in these figures are as follows:

	2017 valuation
Mortality base table	Pre-retirement: 71% of AMC00 (duration 0) for males and 112% of AFC00 (duration 0) for females Post retirement: 96.5% of SAPS S1NMA "light" for males and 101.3% of RFV00 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

The current life expectancies on retirement at age 65 are:

	2019	2018
Males currently aged 65 (years)	**24.6**	24.5
Females currently aged 65 (years)	**26.1**	26.0
Males currently aged 45 (years)	**26.6**	26.5
Females currently aged 45 (years)	**27.9**	27.8

A new deficit recovery plan was put in place as part of the 2017 valuation, which requires payment of 5% of salaries over the period 1 April 2020 to 30 June 2034. The 2019 pension liability provision reflects this plan. The provision figures have been produced using the following assumptions as at 31 March 2018 and 2019.

	2019	2018
Discount rate	**2.44%**	2.64%
Pensionable salary growth	**N/A**	N/A
Pension increase (CPI)	**2.11%**	2.02%

The 2018 actuarial valuation was finalised after the year end which indicated a shortfall of £3.6 billion and a funding ratio of 95%.

Since the year end, following the completion of the 2018 actuarial valuation, a new deficit recovery plan has been agreed. This amends the exisitng deficit recovery plan as set out in the 2017 valuation Schedule of Contributions. This new plan requires deficit payments of 2% of salaries from 1 October 2019 to 30 September 2021 and then payments of 6% of salaries from 1 October 2021 to 31 March 2028. As at 31 July 2019 and assuming all other assumptions used to calculate the provision remain unchanged, this would have resulted in a revised provision of £75.3m, a decrease of £58.8m from the current year end provision and a lower charge to the staff costs on the face of the Statement of Comprehensive Income of £9.9m.

(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 is being carried out at 31 July 2018 and the preliminary results have been updated to 31 July 2019 by a qualified actuary, independent of the scheme's sponsoring employer. The major assumptions used by the actuary are shown below.

The most recent signed off actuarial valuation was as at 31 July 2018 and showed a surplus of £105.5m. In accordance with the actuarial valuation, the University of Liverpool has agreed with the trustees that it will pay 16% of pensionable earnings in respect of cost accruing benefits. This rate includes a 2.2% allowance for the costs of insurance premiums for death in service benefits and management and administration expenses and levy payments to 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.

During the current year, the methodology for calculating the discount rate has changed as a result of the Jardine Lloyd Thompson employee benefits business being integrated into Mercer. In the prior year the discount rate was based on the Bank of America Merrill Lynch's AA corporate bond yield curve. In the current year, this is based on UK Mercer yield curve. This does not result in a change in accounting estimate.

Assumptions

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

	At 31 July 2019	At 31 July 2018
	%pa	%pa
Discount rate	**2.10**	2.65
Price Inflation (RPI)	**3.50**	3.40
Price Inflation (CPI)	**2.60**	2.50
Rate of increase in salaries	**2.6 (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)	**2.60**	2.50
Allowance for revaluation of deferred pensions of CPI or 5% p. a. if less	**2.60**	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	**2.60**	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	**1.90**	1.80
Allowance for commutation of pension cash at retirement	**80% of Post A Day**	80% of members commute 25% for cash at retirement

The mortality assumptions adopted at 31 July 2019 and 31 July 2018 imply the following life expectancies:

	Life expectancy at age 60 (years)	Life expectancy at age 60 (years)
Male retiring in 2019 (2018)	**25.8**	24.0
Female retiring in 2019 (2018)	**27.9**	26.1
Male retiring in 2039 (2038)	**27.7**	26.0
Female retiring in 2039 (2038)	**29.8**	28.2

The best estimate of contributions to be paid by the University of Liverpool to the scheme for the year commencing 1 August 2019 is £6.9m.

Scheme assets and expected rate of return for ULPF

The assets in the scheme were:

	Fair value as at 31 July 2019 £m	Fair value as at 31 July 2018 £m	Fair value as at 31 July 2017 £m
Equities	**271.9**	253.2	322.9
Bonds	**95.6**	88.6	87.8
Property	**69.7**	69.2	29.4
Multi asset fund	**68.6**	65.5	-
Net current liabilities	**1.3**	(0.5)	(1.7)
Total	**507.1**	476.0	438.4

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 2019 £m	Year Ended 31 July 2018 £m
Fair value of scheme assets	**507.1**	476.0
Present value of defined benefit obligation	**(449.1)**	(371.2)
Surplus in scheme	**58.0**	104.8
Unrecognised surplus	**(58.0)**	(104.8)
Defined benefit asset to be recognised	**-**	-

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

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

	Year Ended 31 July 2019 £m	Year Ended 31 July 2018 £m
Reconciliation of opening and closing balances of the defined benefit obligation		
Defined benefit obligation at the start of period	**371.2**	365.8
Current service cost	**8.8**	8.8
Past service cost	**1.4**	1.9
Expenses	**0.9**	0.9
Interest expense	**9.9**	9.5
Contributions by plan participants	**3.0**	2.9
Actuarial (gains)/losses	**66.7**	(5.6)
Benefits paid and expenses	**(12.8)**	(13.0)
Defined benefit obligation at the end of period	**449.1**	371.2

	Year Ended 31 July 2019 £m	Year Ended 31 July 2018 £m
Reconciliation of opening and closing balances of the fair value of scheme assets		
Fair value of assets at the start of the year	**476.0**	438.4
Interest income	**12.6**	11.3
Actuarial gains	**21.6**	29.9
Contributions by the University	**6.7**	6.5
Contributions by plan participants	**3.0**	2.9
Benefits paid and expenses	**(12.8)**	(13.0)
Fair value of scheme assets at the end of the year	**507.1**	476.0

The actual return on the scheme assets over the period ended 31 July 2019 was £34.1m (2018 - £41.3m).

	As at 31 July 2019 £m	As at 31 July 2018 £m
Analysis of movement in surplus for ULPF		
Surplus at the beginning of the year (unrecognised)	**104.8**	72.6
Contributions or benefits paid by the University	**6.8**	6.5
Current service cost	**(8.8)**	(8.8)
Past service cost	**(1.4)**	(1.9)
Expenses	**(0.9)**	(0.9)
Actuarial gain	**(45.2)**	35.5
Net interest	**2.7**	1.8
Surplus at end of year (unrecognised)	**58.0**	104.8

Accounting for the ULPF pension scheme resulted in the recognition of an additional charge of £5.3m (2018 - £5.1m) to staff costs and £2.7m (2018 - £1.8m) to interest income. As the University is not able to recognise the surplus an additional amount of £1.6m (2018 - £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.

The English High Court ruling in Lloyds Banking Group Pensions Trustees Limited v Lloyds Bank plc and others was published on 26 October 2018, and held that UK pension schemes with Guaranteed Minimum Pensions (GMPs) accrued from 17 May 1990 must equalise pension benefits for men and women in relation to GMPs. The estimated GMP equalisation impact for the scheme is an increase of 0.3% of the value of the scheme liabilities on the FRS 102 basis as at 31 July 2019, or £1.3m.

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

Universities Superannuation Scheme (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 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 £ £134.1m (2018 - £47.9m) 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 USS. 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 13 years remain. Details of this provision, which has been discounted at a rate of 1.62% as at 31 July 2019, are included in note 22 to the financial statements.

The 2017 actuarial valuation of the USS 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 2019 the assumption values were as follows:

Discount rate	1.62% (2.21% 2018)
Salary growth	3.1% 2020 (3.9% 2019), 3.2% thereafter
Member growth	(3.8)% 2020, 2.8% 2021, (0.9)% 2022, (0.2)% 2023,0.4% 2024, 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 £134.1m (assuming the same discount rate of 1.62%).

Sensitivity analysis

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

	As at 31 July 2019	
	Revised provision value	Difference to provision recognised
	£m	£m
0.5% pa decrease in discount rate	140.0	5.9
0.5% pa increase in salary inflation over duration	139.9	5.8
0.5% pa increase in salary inflation year 1 only	134.8	0.7
0.5% increase in staff changes over duration	140.1	6.0
0.5% increase in staff changes year 1 only	134.8	0.7
1% increase in deficit contributions from April 2020	160.4	26.3
1 year increase in deficit recovery term	145.5	11.3

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 2019 is £1.9m (2018 - £1.7m). 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 Leadership Team, it is inevitable that transactions will take place with organisations in which a member of Council or the Senior Leadership Team may have an interest. All such transactions are conducted at arm's length and in accordance with the 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:

	Individual Trustree or Key Management	Income	Expenditure	Balances at 31 July 2019 due to/(from) the University
		£m	£m	£m
Aintree University Hospital NHS Foundation Trust	Mr Kevan Ryan	1.9	0.2	0.0
British Council	Professor Dame Janet Beer	0.0	0.4	0.0
Laureate - University of Liverpool Ventures B.V.	Ms Nicola Davies	1.6	7.7	0.0
Liverpool City Council	Mrs Jenny Tucker	0.0	0.2	0.0
Liverpool City Region LEP	Professor Dame Janet Beer	0.0	0.1	0.0
LFC Foundation	Professor Fiona Beveridge	0.1	0.0	0.0
Liverpool Guild of Students	Mr Rory Hughes	2.9	4.5	0.1
Liverpool Science Park	Professor Dame Janet Beer	0.0	0.2	0.1
Sensor City Liverpool Ltd	Ms Nicola Davies Professor Wiebe van der Hoek Professor Anthony Hollander	0.0	0.4	0.0
The Russell Group of Universities	Professor Dame Janet Beer	0.0	0.1	0.0
University of Liverpool Pension Fund	Ms Nicola Davies	0.3	6.7	1.0
Universities UK (UUK)	Professor Dame Janet Beer	0.0	0.1	0.0
Xi'an Jiaotong-Liverpool University	Professor Dame Janet Beer	0.5	0.1	0.0
Cambridge University Press	Professor Bruce Gibson	0.0	0.1	0.0
University College London	Professor Dinah Birch	0.7	0.0	0.4
Liverpool Women's Hospital	Professor Louise Kenny	1.1	0.0	0.3

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.

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.

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 Guild's running costs. The President of the Guild of Students is an ex-officio member of the Council. Income relates to rent and service charge receivable from the Guild. Expenditure relates to the support grant made by the 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.

Liverpool Women's Hospital
The majority of income from Aintree University Hospital NHS Foundation Trust relates to salary and research grant recharges.

Other related parties
The expenditure to the British Council, Liverpool City Region LEP, The Russell Group of Universities, Universities UK (UUK) and Cambridge University Press relates to supplier invoices processed through the accounts payable system and payable in the normal course of business.
Income from University College London and LFC Foundation relates to research grants and customer invoices.

34 Trustees expenses

Expenses of £5,917.31 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 2019, 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 opinion for the University in May 2019, whereby the rating remaining unchanged as Aa3 but the outlook was changed from negative to stable.

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 2019 are on-call as these offer competitive rates of return whilst offering liquidity. Such deposits have limited re-investment risk.

Financial instruments – fair values

		Year ended 31 July 2019		Year ended 31 July 2018	
	Note	**Consolidated**	**University**	Consolidated	University
		£m	**£m**	£m	£m
Financial assets					
Measured at fair value through income and expenditure					
Non-current investments	15	**217.4**	**221.2**	209.5	213.3
Measured at undiscounted amount receivable					
Trade and other receivables	18	**17.1**	**14.5**	14.6	12.2
Amounts due from subsidiary undertakings	18	**-**	**13.6**	-	7.9
Measured at amortised cost					
Short term investment in shares	19	**14.4**	**14.4**	12.0	12.0
Short term bonds and gilts	19	**3.2**	**3.2**	3.8	3.8
Short term deposits	19	**45.2**	**45.3**	40.0	40.0
Other short term investments	19	**16.5**	**16.5**	16.8	16.8
		313.8	**328.7**	296.7	306.0

		Year ended 31 July 2019		Year ended 31 July 2018	
	Note	**Consolidated**	**University**	Consolidated	University
		£m	**£m**	£m	£m
Financial liabilities					
Measured at undiscounted amount payable					
Trade and other payables	20 & 21	**25.4**	**24.2**	28.4	26.0
Amounts due from subsidiary undertakings	20	**-**	**15.8**	-	12.6
Measured at amortised cost					
Unsecured loans	20 & 21	**299.9**	**284.9**	300.1	284.9
Obligations under finance leases	20	-	-	-	-
		325.3	**324.9**	328.5	323.5

Copies of the report can be accessed at:

www.liverpool.ac.uk

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