UNIVERSITY OF LIVERPOOL

REVIEW OF THE YEAR AND FINANCIAL STATEMENTS 2021/22

THE ORIGINAL REDBRICK

Contents

The Council of the University

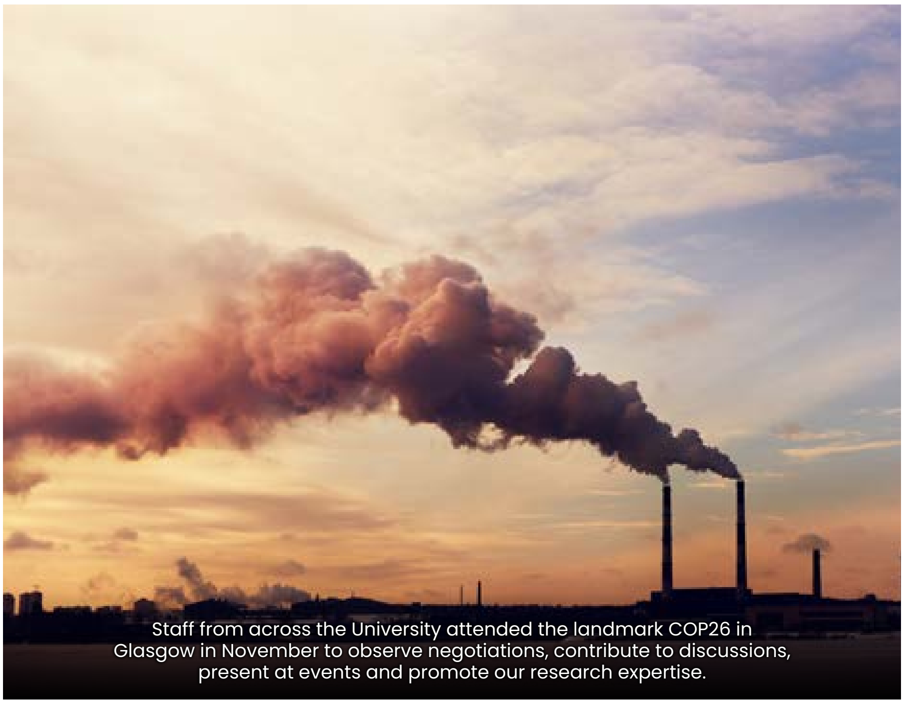
The key committees of the Council are:

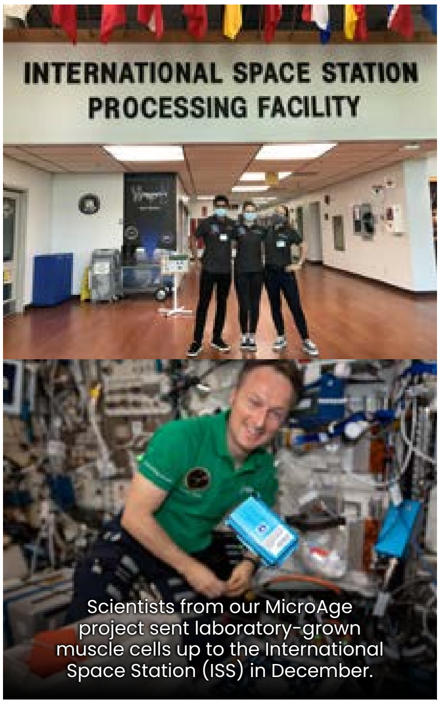
1. **Audit Committee**
2. **Finance & Resources Committee**
3. **Nominations Committee**
4. **Remuneration Committee**

Names	**Membership of key committees**
Ex Officio Members	
The Vice-Chancellor	
Professor Dame Janet Beer, BA, MA, PhD	2, 3
The Senior Professional Services Representative with Responsibility for People and Infrastructure	
Dr Carol Costello, MA, EdD, FCIPD	2
Two of the Pro-Vice-Chancellors	
Professor Gavin Brown, BSc, PhD	2
Professor Anthony Hollander, BSc, PhD	2
The President of the Guild of Students	
Bertie Woodcock, BA (until 31 July 2022)	3
Vasiliki Samuels, LLB (from 1 August 2022)	3
Twelve Lay Members (including the President and Vice-President) appointed by the Council	
Cilla Ankrah-Lucas, CQSW	
Carmel Booth, BA, FCA (President)	2, 3, 4
Fiona Cullen, BA	
Ed Fishwick, BA (until 31 July 2022)	2
Barry Flynn, BSc, MBA, ACA (from 1 August 2022)	1, 2
Dr Kashmir Gill, PEng, PhD	
Vanessa Griffiths, MA	1
Dr Paul Johnson, BSc, PhD (Vice-President)	2, 3, 4
Helen Miller, BA, CIPD	2, 3, 4
Norman Molyneux, MA, FCMA (until 21 October 2022)	2, 3
Dr Roger Platt, BSc, PhD, MA, PhD	1, 4
Hans van Mourik Broekman, MA	
Dr Diana Walford, CBE, MA, MD, BSc, MSc, FRCP, FRCPath, FFPH	1
Three members of the Senate, two appointed by the Council on the recommendation of the Nominations Committee and one elected from and by Senate's elected membership	
Professor Julia Balogun, BSc, PhD, MBA	3
Professor Hazel Scott, MBChB, MD, FRCP, PFHEA	
Professor Thomas Teubner, Dr. rer. nat.	
One member of the Professional Services staff appointed by the Council on the recommendation of the Nominations Committee	
Kieran O'Sullivan, BA	
One member of the student body	
Kathryn Manley, BA (from 1 August 2022)	
Clerk to Council	
Kevan Ryan, BA, CPE, LPC	

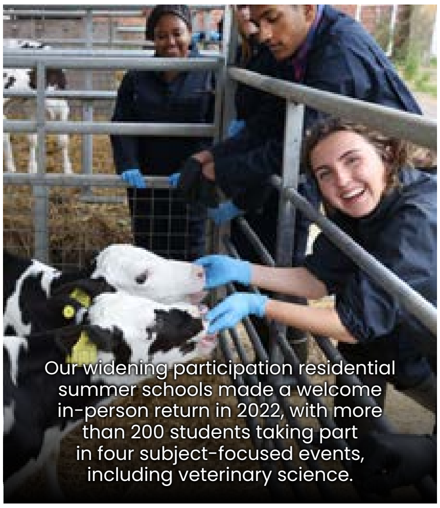
Council members are the University's Charitable Trustees.

Highlights of the year


Staff from across the University attended the landmark COP26 in Glasgow in November to observe negotiations, contribute to discussions, present at events and promote our research expertise.

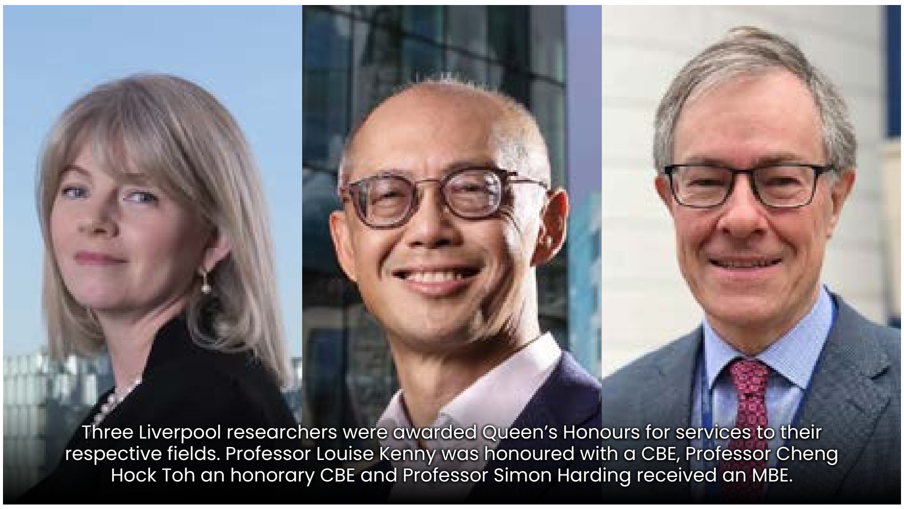


Scientists from our MicroAge project sent laboratory-grown muscle cells up to the International Space Station (ISS) in December.


Our widening participation residential summer schools made a welcome in-person return in 2022, with more than 200 students taking part in four subject-focused events, including veterinary science.

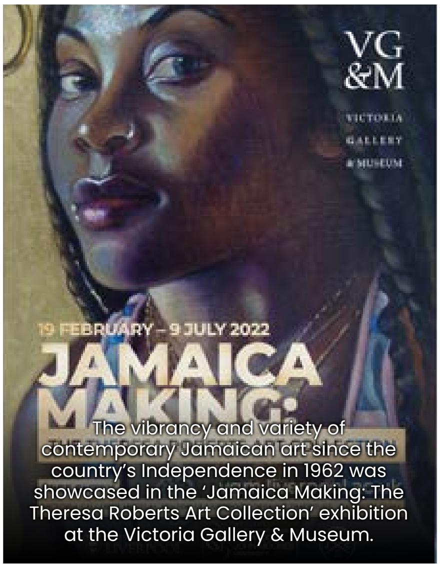

Steve Rotheram, the Liverpool City Region Mayor, officially opened our Digital Innovation Facility (DIF), a £12.7 million Centre of Excellence in emerging digital technologies, alongside tech entrepreneur and visiting Professor at the University, Sir Robin Saxby.


91% of the University's research was classed as world leading or internationally excellent as part of the national Research Excellence Framework exercise to assess the quality and impact of research at every UK university.

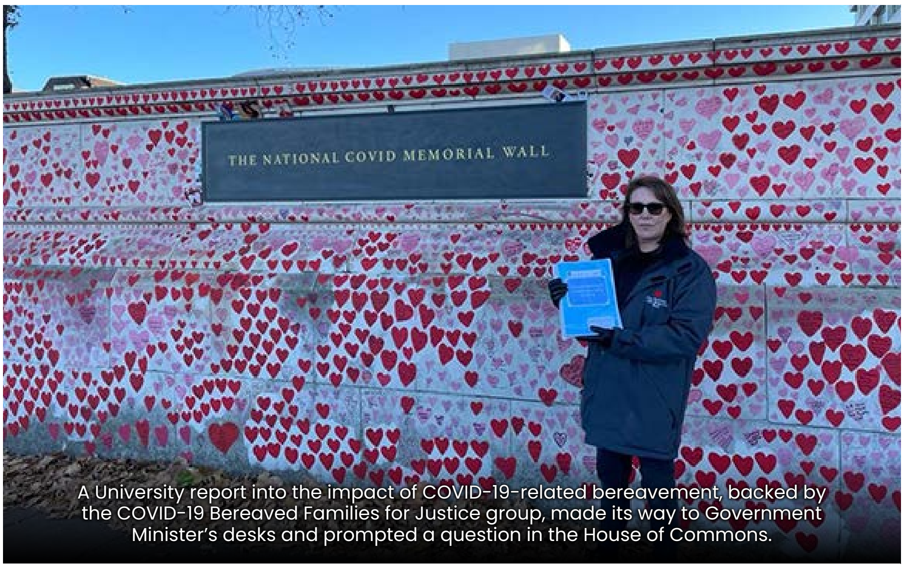

Three Liverpool researchers were awarded Queen's Honours for services to their respective fields. Professor Louise Kenny was honoured with a CBE, Professor Cheng Hock Toh an honorary CBE and Professor Simon Harding received an MBE.

Sean Ono Lennon officially opened the Yoko Ono Lennon Centre – home of the University's new world class concert hall, The Tung Auditorium.

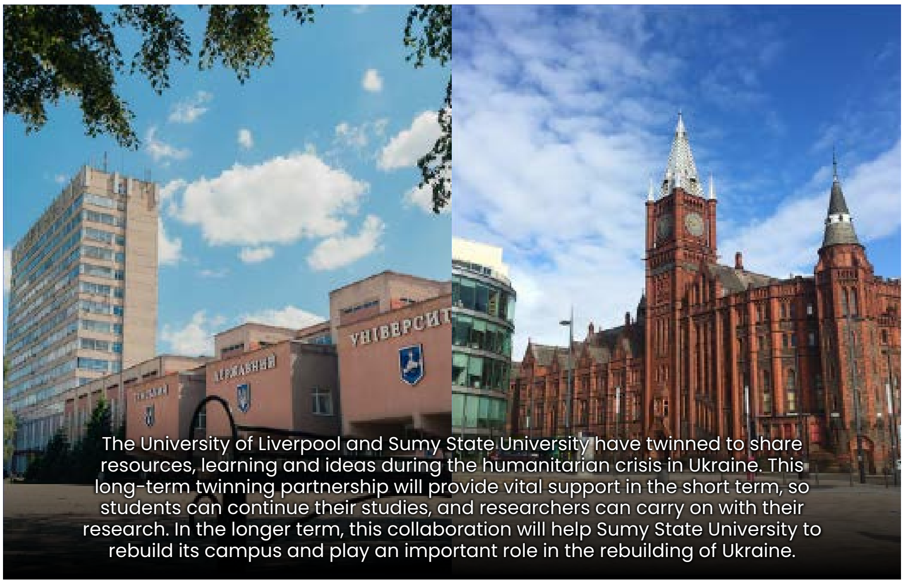
The Materials Innovation Factory was awarded a £1.3 million grant to develop the Low Carbon Chemistry Lab of the Future to make its research more environmentally sustainable.



The vibrancy and variety of contemporary Jamaican art since the country's Independence in 1962 was showcased in the 'Jamaica Making: The Theresa Roberts Art Collection' exhibition at the Victoria Gallery & Museum.



A University report into the impact of COVID-19-related bereavement, backed by the COVID-19 Bereaved Families for Justice group, made its way to Government Minister's desks and prompted a question in the House of Commons.



The University of Liverpool and Sumy State University have twinned to share resources, learning and ideas during the humanitarian crisis in Ukraine. This long-term twinning partnership will provide vital support in the short term, so students can continue their studies, and researchers can carry on with their research. In the longer term, this collaboration will help Sumy State University to rebuild its campus and play an important role in the rebuilding of Ukraine.

The University celebrated a decade of helping businesses in the region develop low carbon strategies, technologies, processes and skills through developing close collaborative interactions with the University and other universities in the region.

President of Council Statement

So much of the work highlighted throughout this report was conducted whilst still emerging from the significant impact of the COVID-19 pandemic. The need for colleagues to be flexible, resilient and creative in the face of great change has been a constant feature of the past two years, as has the need to support our students during the most difficult of times. I would like to start by extending my sincere thanks to our entire University community for demonstrating such incredible commitment, professionalism, expertise and dedication during this lengthy and challenging period.

While the effects of the pandemic on our University's operations are still visible, there is still much to celebrate in this report. Financially, the University's full year results report an underlying operating surplus of £11.8m or 1.9% (2021 - £38.8m, 6.5%) excluding pension adjustments and a closing cash and cash equivalents position of £134.4m. During this reporting period, we received the 2021 Research Excellence Framework (REF) results, which classified 91% of the University's research as world-leading (4*) or internationally excellent (3*), placing us 25th in the UK and achieving our internal target. And as you will read later in this report, our work on priority areas such as sustainability, aimed at addressing the global challenges facing society and the environment, by improving health and education, reducing inequality, ensuring economic sustainability, protecting our shared environment and its biodiversity, and tackling climate change, continued to progress towards our key commitments and targets.

We continue to be enormously proud of our long-standing track record in improving the social mobility of our students and of our reputation as one of the most successful Russell Group universities for widening participation. Our range of programmes which seek to improve access to and participation in higher education are rooted in creating opportunities for all our students. The University's partnerships with charities IntoUniversity and Liverpool Football Club Foundation, continue to co-sponsor a long-term community approach to supporting young people in Anfield to achieve their educational potential. The IntoUniversity Centre North Liverpool has worked with almost 1,800 children since opening in 2017, with a number of positive outcomes, including improved school performance and progression to higher education.

I would like to end by recognising the tremendous contribution made by our current Vice-Chancellor, Professor Dame Janet Beer. Dame Janet arrived in February 2015 and this will be her final reporting period as Vice-Chancellor, as she will retire from her role in December 2022. Our first woman Vice-Chancellor, Dame Janet has overseen significant improvements in student experience, research performance and civic engagement, along with the physical transformation of our campus. Most recently, she has led the University in exemplary fashion throughout the pandemic. These achievements and more are a great credit to her and also to everyone across the University who has played a part in these successes. Janet will be sorely missed but her work will be continued by her successor, Professor Tim Jones, who will join us as Vice-Chancellor in January 2023 following a global search. His work, and the work of our entire University community, will be central to taking forward our considerable strategic ambitions and building on our worldwide reputation for education and research.

Carmel Booth
President of Council

Vice-Chancellor's Report

The last two annual reports have, for obvious reasons, been dominated by accounts of our University's work in response to the COVID-19 pandemic. This work continues in the form of our research into pandemics and infectious diseases and, in particular, through the partnership venture: The Pandemic Institute, which builds on our city's tradition of innovative public health interventions to predict, prevent, prepare, respond to and recover from pandemics. The legacy of the pandemic has continued to require our attention in many ways. Throughout the year, we staged 86 graduation ceremonies for almost 14,000 students and more than 28,000 guests, from our 2020 and 2021 cohorts, whose conferral ceremonies had been postponed during the periods of lockdown. Alongside these ceremonies, our 2022 cohort, whose experience has been so disrupted over the course of the past three years, were able to graduate at the end of their programmes in formal ceremonies in the Philharmonic Hall and The Tung Auditorium. Celebrating these students' attainments, their courage and resilience as well as their academic achievements, in person, was a particular highlight of this year.

We are rightly proud of the University's contribution to the worldwide COVID-19 crisis but it is something of a relief to be able to talk about other achievements in this year's review, as the University begins to return to business as usual. We welcomed the return of face to face events this year and one reminder of how important it is to feel a sense of place is the difference it makes to applicants and their families when they attend one of our Open Days. There really is no better way for prospective students to find out what a University of Liverpool experience can offer them. This year's Open Days came in time to highlight the news that the University had achieved its highest ever position in the Complete University Guide (CUG), representing an improvement of nine places on last year up to 21st position nationally and 14th in the Russell Group. The table features 10 indicators including student satisfaction, research quality, grades and graduate prospects so as to compare 130 UK Higher Education institutions.

In other rankings related success, we achieved a place in the world's top 100 in the Times Higher Education Impact Rankings League and were placed first for Partnership in support of the UN Sustainability Development Goals. The latter is representative of our commitment as a University community to work together to meet the aims of our Sustainability Strategy: to achieve net zero by 2035; halve waste by 2025; and either provide sustainable learning for every University of Liverpool student or meet the aims of the UN Sustainable Development Goals through on-campus activity or collaborative partnerships. At the end of 2021, academic colleagues from across our three faculties attended the landmark UN Climate Change Conference of the Parties (COP26) in Glasgow to observe negotiations, contribute to discussions, speak at events and promote University of Liverpool research expertise. The University was an accredited Observer Organisation and our academics were advocates for a range of solutions, including Net Zero North, an N8 Research Partnership initiative to drive growth in the green economy in the North of England and beyond, by co-producing research and innovation to meet real-world challenges.

Returning to 2022, in March, we were joined on campus by Sean Ono Lennon to officially open the Yoko Ono Lennon Centre. The building was part funded through a significant fundraising campaign and designed by University of Liverpool alumni, working with our School of Architecture, Acoustic Research Unit and acoustic consultants. Inside the Centre is The Tung Auditorium, a 400-seat, acoustically optimised music performance space, capable of hosting a full 70-piece orchestra. This fantastic building is an important addition to the musical life of our great City, and, with significant teaching and learning space also incorporated, the Centre will provide an inspirational environment for all our

"I am enormously proud that we made improvements in both our sector and Russell Group position for every key university-level metric."

students. They will, of course, benefit from the opportunity to perform in The Tung Auditorium, but the Centre goes much further than that, providing both professional, real-world experience for those interested in pursuing careers in sound recording and live broadcasting, and brilliant new opportunities to experience every element of organising live performances, from artist liaison and administration, to programming and technical aspects at a scale never before possible.

Also, in March, we marked the one-year anniversary of signing up to the principles of Advance HE's Race Equality Charter. Race equality is an area of focus for us, the Equality and Human Rights Commission's 2019 report, 'Tackling Racial Harassment: Universities Challenged', coupled with feedback and recommendations from the BAME staff network, having acted as catalysts for change. I am pleased to say that our action plan, setting out the activity required across the University to tackle racial harassment and build a more inclusive campus for all students and staff, is now 80% complete and, more importantly, a part of business as usual activities. I look forward to the swift implementation of the next steps but we still have some way to go. Racial inequality is about more than tackling harassment, it is deep seated in all aspects of UK society and higher education, affecting study outcomes, employment opportunities and much, much more. We will not eradicate inequalities at the University of Liverpool overnight but we are committed to taking decisive, wide-reaching action for as long as it takes. Work on the Race Equality Charter is fundamental to our capacity to identify further barriers and issues for staff and students and to implement plans to tackle them.

In May 2022, we received the 2021 Research Excellence Framework (REF) results. REF results have a huge impact on our University's reputation as well as informing a number of important areas of institutional strategy and I am enormously proud that we made improvements in both our sector and Russell Group position for every key university-level metric. The results classified 91% of the University's research as world-leading (4*) or internationally excellent (3*) placing us 25th in the UK. This is a significant jump from our position in the last REF (2014) where this percentage was 81% (33rd in the UK), and actually masks a more substantial improvement, as we have moved from submitting 70% of our eligible research-active

staff for the previous REF to 100% for REF 2021. The University of Liverpool's 'research power' is 19th in the UK. Research power represents the overall quality of the University's submission, recognising both the quality and quantity of research submitted. An area of particular success for the University is research impact, with a significant number of units achieving entirely 4* or 3* ratings and nine units featuring in the sector top ten for 4* impact. These include Agriculture, Veterinary and Food Sciences, Chemistry, Communication, Cultural and Media Studies, Library and Information Management, English Language and Literature, Modern Languages and Linguistics, Philosophy, Engineering, Politics and International Studies and Law. 94% of our research impact is now classified as outstanding (4*) or very considerable (3*). This has resulted in an impressive 30 place rise to 28th in the sector rankings for 4* impact. Research impact has been an area of specific focus since REF 2014 and colleagues across the University have played an important role in making this improvement possible. Our REF 2021 results are a huge achievement in an increasingly competitive landscape and represent a collective effort from right across the University.

In June, Steve Rotheram, the Liverpool City Region Mayor, officially opened the University of Liverpool's Digital Innovation Facility (DIF) alongside tech entrepreneur and visiting Professor at the University, Sir Robin Saxby. The DIF is a £12.7 million Centre of Excellence in emerging digital technologies, located on the University campus, which provides a purpose-built environment to support collaborations and partnerships between academics, industry and organisations in the research areas of computer and data science, robotics and engineering where the University has world-class research capabilities. The 1500 m^2 facility houses laboratories which feature cutting edge equipment and highly skilled support to facilitate access for businesses and organisations that wish to collaborate with University experts across multiple technology areas including visualisation, robotics, artificial intelligence, data science, simulation and modelling. Specialist spaces in the DIF include a Mixed Reality Laboratory containing the latest in VR technology and equipment, an Extreme Environment Laboratory that simulates real-world hazardous conditions for testing robotics and autonomous systems, and an Immersive Laboratory that focuses on developing sensory

Liverpool City Region Mayor Steve Rotheram opening the DIF with (l-r) the Vice-Chancellor, Professor Dame Janet Beer, Professor Wiebe van der Hoek, Executive Pro-Vice-Chancellor for the Faculty of Science and Engineering, Dr Andrew Levers and Visiting Professor Sir Robin Saxby technologies in areas of smell and touch for future 'Tactile Internet' applications. The DIF is co-funded by the University of Liverpool and Liverpool City Region Combined Authority's Local Growth Fund and is a key addition to the science and technology facilities in Liverpool's Knowledge Quarter.

Also in June, we officially opened the University's new School of Law and Social Justice building which provides the first home for the School of Law and Social Justice since its formation in 2010. It makes available a fantastic facility in which our students can pursue their studies - from the light-filled atrium to the postgraduate research suites. The building will also house the award-winning Liverpool Law Clinic, as well as Interchange, which sources third sector research projects, the local charity, Moving on With Life and Learning (MOWLL), and the University of Law.

The terrible events in Ukraine have been unfolding before our eyes throughout this year and the University of Liverpool has played an important part in the wider higher education sector response. We are one of a number of British universities signed up to 'twin' with a Ukrainian university and since the spring we have been working closely with academics at Sumy State University (SSU) in north-eastern Ukraine. Our focus has been on understanding what our twin institution's immediate needs are so that we can offer practical help now but also understand what we can do in the longer term to help them rebuild their institution when the time is right. Amongst the activities are: access to electronic library resources and provision of an extensive database of online learning materials across disciplines; summer school places, physical and virtual, and accommodation for those able to get here in person; access to space and accommodation for Sumy State academics able to travel to Liverpool; access to Liverpool staff development courses; support for Sumy's cloud-based IT needs and joint working between our academics on journals and conferences. We may also be called upon to ask our colleagues in ULCCO-SP (our in-house construction company) to work with us to provide Sumy with replacements for the 100+ windows they have lost to bomb damage. We are all, of course, still hoping that some way can be found to end the conflict soon but, in the meantime, we are doing what we can to support staff and students there without contributing to the brain-drain that they so fear. They have a profound commitment to ensuring that Ukraine's universities endure and indeed, flourish, so that their staff and students can help rebuild the battered country.

I will end this report by returning to the beginning of 2022 when I announced my retirement from the University. In my letter to staff I referred back to some of the words from my first communication when I took up the role in February 2015: "I am hugely proud to be given the opportunity to serve both the University and the City of Liverpool in the role of Vice-Chancellor. I hope that you will trust me to protect and promote the best interests of the University and the people who make it such a special place." And again, I would like to thank both my colleagues in the University and in the sector nationally and in our City Region for extending that trust to me. I have been privileged to have been, along with the Senior Leadership Team, entrusted with the custodianship of this great University through a once in a generation set of challenges. Clarity of purpose and an indomitable team spirit kept the whole University community on track and the same qualities will ensure that the University of Liverpool continues to enhance learning and ennoble life in the future, just as it has done for the last 140 years.

Financial Highlights

Total income

£614.9m

Total income increased by £17.3m (2.9%) to £614.9m (2021 - £597.6m). This increase is mainly due to growth in other income which increased by £19.1m or 23.4% reflecting increased campus activity as the impact of the pandemic reduced.

Operating deficit[1]

£141.2m

The operating surplus reduced by £167.0m to a deficit of £141.2m (2021 - £25.8m surplus). This is as expected and is mainly due to an increase in the Universities Superannuation Scheme (USS) pension provision of £138m, along with additional investment as we emerge from the pandemic and begin to invest in our strategic priorities.

Tuition fee income

£308.2m

Tuition fee income increased by £3.8m (1.2%) to £308.2m (2021 - £304.4m). Overall student numbers are down 0.8% compared with last year. Strong demand from home students (up 1.5%) was offset by a reduction in overseas students of 8.0% due to the continuing impact of the pandemic.

Research grants and contracts

£113.6m

Research grants and contracts income increased by £1.1m (0.1%) to £113.6m (2021 - £112.5m). This is a positive result, maintaining the increase gained in prior year and reflects significant increases in awards over recent years.

Staff investment

£482.7m

Staff costs increased by £152.3m (46.1%) to £482.7m (2021 - £330.4m). This is impacted by the significant increase in the USS pension provision (non-cash in 2021/22) which increased by £137.3m, the annual inflationary pay increase, and investment in additional staff.

Cash generation

£43.3m

Operating cash inflow of £43.3m is strong at 7.0% of total income, although down on prior year of 16.2% (2021 - £97.1m). This is largely due to the receipt of £15m of exceptional income received in 2020/21 and increased expenditure as we emerge from the pandemic and start to increase investment.

1 Operating deficit and operating surplus are defined as the (Deficit) / Surplus before other gains / (losses) and share of operating surplus of joint ventures and associates which is presented in the Consolidated Statement of Comprehensive Income. Underlying operating surplus refers to the operating surplus excluding pension adjustments.

Finance Director's Report

Executive summary

Our 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's share of the past deficit on USS, calculated based on the USS 2020 actuarial valuation. The provision has increased by £138m to £214.1m resulting in an operating deficit[1] of £141.2m (2021 - £25.8m operating surplus) and a total comprehensive expense of £140.2m for the year (2021 - £50.3m total comprehensive income). 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. This is a non-cash movement in 2021/22, however it does reflect the continued high cost of the USS pension in its current form, and represents amounts due over the next sixteen years based on the latest valuation. There have also been non-cash pension adjustments of £15m relating to service costs and expenses for our University pension scheme, the University of Liverpool Pension Fund (ULPF).

Our underlying financial performance is sound with an underlying operating surplus[1] of £11.8m, 1.9% (2021 - £38.8m, 6.5%). We have seen growth in both income and expenditure during the year as we emerged from the pandemic and students returned to campus. We continue to feel some effects of COVID-19, most notably in overseas student recruitment, however this has been largely offset by an increase in home students.

Overall, income has increased by £17.3m with significant growth in other income more than compensating for a drop in donations caused by the £10m exceptional income received in 2020/21 to set up the Pandemic Institute. Research income and awards have sustained the significant increase seen in prior year which is a real achievement and will continue to have a positive impact in future years.

Pay costs (excluding non-cash pension adjustments and restructuring costs) of £328.5m are £13.2m higher than prior year reflecting an inflationary pay increase and investment in additional staff. As expected, other operating expenses have also increased by £34.2m to £213.3m reflecting increased activity as lockdown restrictions eased, and spend increased in areas of strategic investment.

Our longer-term strategy is to achieve an underlying operating surplus of 4% in order to enable continued investment in strategic priorities. The current year underlying result of 1.9% reflects the ongoing impact of COVID-19 on overseas student recruitment, and our decision to invest in priority areas as we emerge from the tight cost controls in place over the last two years.

Financial key performance indicators (KPIs)

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

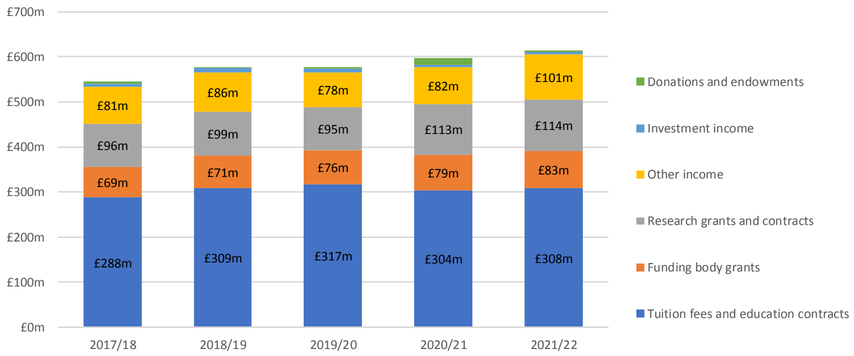
	2021/22	2020/21
Operating surplus	**(141.2)**	25.8
USS pension	**138.0**	(0.1)
ULPF pension	**15.0**	13.1
Underlying operating surplus	**11.8**	38.8
Operating margin %	**1.9%**	6.5%

The underlying operating surplus of 1.9% is down on prior year of 6.5%, mainly due to exceptional income of £10m received last year in relation to the set up of the Pandemic Institute which will largely be spent in future years, along with a reduction in overseas tuition fees and increases in both pay and non-pay expenditure as we emerge from the pandemic and begin to invest in our strategic priorities.

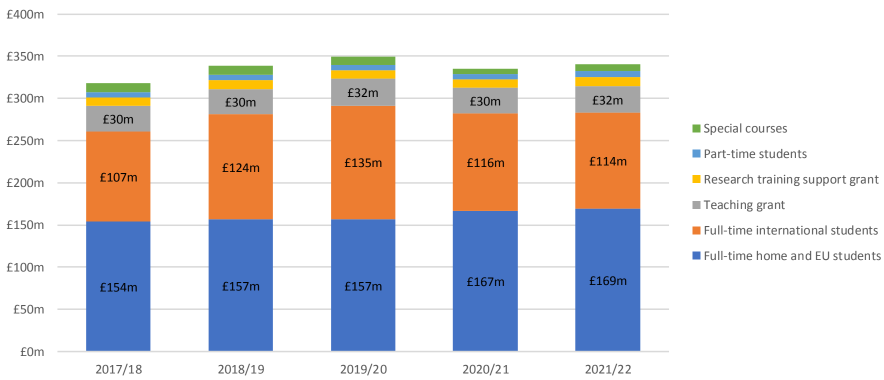
Closing cash and cash equivalents and current asset investments of £134.4m are slightly down from £140.2m in prior year, but remain significantly above the minimum cash holdings target of £60m.

1 Operating deficit and operating surplus are defined as the (Deficit) / Surplus before other gains / (losses) and share of operating surplus of joint ventures and associates which is presented in the Consolidated Statement of Comprehensive Income. Underlying operating surplus refers to the operating surplus excluding pension adjustments.

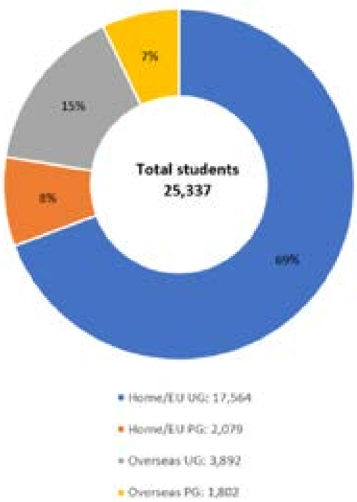
Income trends



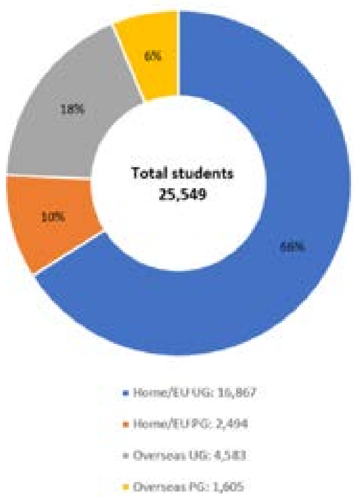
Teaching income trends



Student numbers 2021/22



Student numbers 2020/21



Income

Total income at £614.9m is up £17.3m (2.9%) year on year, mainly due to £19.1m (23.4%) growth in other income reflecting increased activity as the impact of the pandemic reduces. Relatively small increases in tuition fee income, funding body grants and research income have been offset by a year on year drop in donations income following the significant donation received in prior year to set up the Pandemic Institute.

Tuition fee income of £308.2m is £3.8m (1.3%) higher year on year.

Overall, student numbers of 25,337 FTEs are 212 (0.8%) down on prior year. This relates to a decrease in overseas student FTEs of 495 (8.0%) offset by an increase in home FTEs of 283 (1.5%). The overall proportion of overseas students has fallen from 24.2% to 22.5%.

Overseas student recruitment continues to be affected by the pandemic, and although the impact is reduced in 2021/22, we have not yet seen a return in overseas demand to pre-pandemic levels. Home student demand has been strong following the changes to A level results, exceeding expectations for 2021/22 entry.

Funding body grants are up £4.5m to £83.2m, as a result of £2.6m increased funding from UK Research and Innovation (UKRI) and the Office for Students (OfS), and £1.1m additional capital investment.

Research income of £113.6m is up £1.1m (1%) year on year and up £6.1m excluding £5m capital funding received in 2020/21 relating to the Digital Innovation Facility. Income largely relates to Research Councils and Government grants which account for 40% and 32% of income respectively (prior year: 42% and 32% respectively).

Research awards at c£146.5m are consistent with prior year (2021 - £146m), maintaining the step change compared with previous years and delivering an increase of £20.5m on the previous three year average. Recent award successes include:

- £7m from the National Institute for Health and Care Research awarded to a global health research team led by Professor Dan Pope, building on vital work to rapidly scale clean energy access to improve health, gender equality and climate in sub-Saharan Africa.

- £1.5m relating to the prestigious and highly competitive UKRI-funded Future Leaders Fellowship awarded to Dr Stefania Soldini, a Lecturer (Assistant Professor) in Space Engineering in the School of Engineering. Dr Soldini will lead research into the development of a fleet of self-driven small satellites that will be sent out into the solar system to track and analyse asteroids.
- £1m awarded to Professor Susan Pickard by the Economic and Social Research Council for a project looking at the varied experiences of frailty in older age with respect to ethnicity.

Other income is up £19.1m (23.4%) to £100.8m reflecting increased campus activity as we emerge from the pandemic. Approximately £9m is a result of our return to campus with increased occupancy levels within our halls of residence, along with a growth in commercial income year on year. There have also been increases of £1.8m in funding to support our medical education, and £2.7m additional income to fund capital projects.

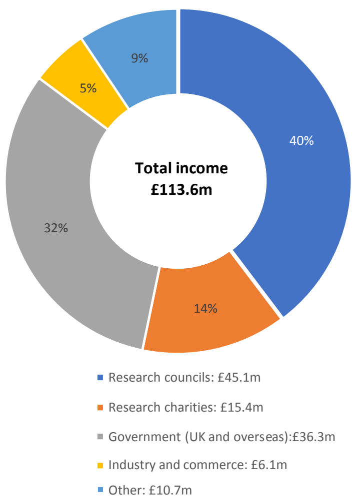
Investment income is up £0.7m year on year to £5.7m reflecting the impact of interest rate rises on investment returns.

Donations and Endowments are down £11.9m to £3.4m which is in line with expectations. 2020/21 included a £10m donation to set up the Pandemic Institute. Gifts are recognised when the University is entitled to the funds, so some year on year volatility is expected.

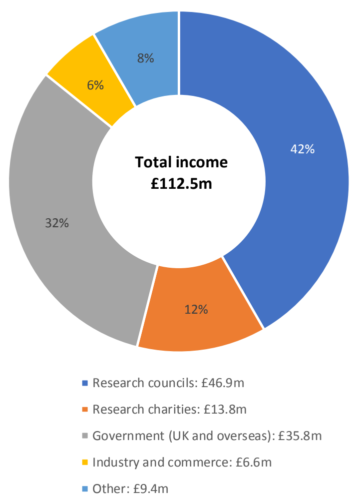
Expenditure

Staff costs of £482.7m are up £152.3m (46%) year on year. This increase is largely due to a significant £137.3m cost in respect of the USS pension provision (prior year: £0.7m credit), and £1.9m increase in costs relating to ULPF. Pay costs also include £1.6m of compensation payments (prior year: £2.5m). Excluding these amounts, the underlying increase in staff costs

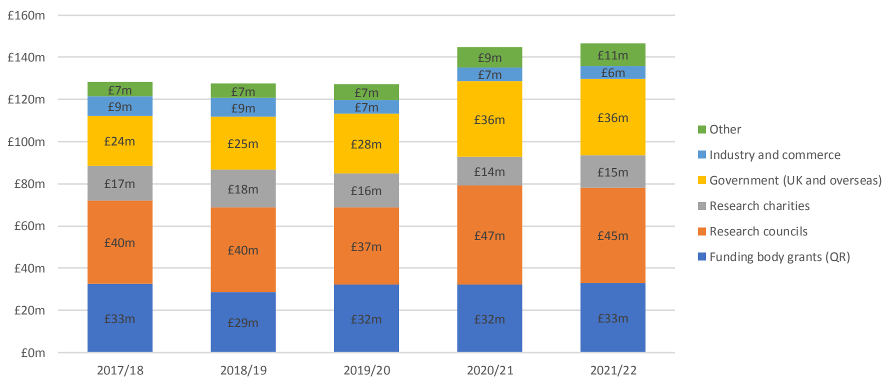
Research income 2021/22



Research income 2020/21



Research income trends



is £13.2m (4.2%) which is due to pay inflation of circa 2.9% and an increase of 1.3% due to increased staff numbers reflecting investment in certain areas. Staff costs (excluding the USS pension adjustment and compensation payments) as a % of income are 55.9%, an increase of 0.9% compared with prior year reflecting increased investment whereas income has not fully recovered from the impact of the pandemic.

Other operating expenses have increased by £34.2m (19%) to £213.3m reflecting increased activity as COVID-19 restrictions have lifted and increased spend in areas of strategic investment. The increase has impacted spend across many areas reflecting the wide-ranging impact which the pandemic had on University life.

Capital

Overall the value of tangible fixed assets has increased by £1.2m, 0.2%, to £781m. Capital expenditure of £48.8m included £34.7m relating to improvements to the academic estate, £1.3m in relation to development of the Greenbank Student Village, and £12.8m 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.

This expenditure is offset by depreciation in the year of £47.5m (2021 - £49.6m).

Treasury

Our **fixed asset investments** include a portfolio of £300.6m (2021 - £301.4m) which is managed by external fund managers. These investments dropped in value during the year by 1%, reflecting the volatility that occurred in the market for both equities and bonds. During this period the University was able to continue its activities without drawing down on these investments.

The level of equities in the portfolio was 37.6% (2021 - 42.1%). We continued the implementation of the University long term investment strategy with the creation of alternative diversifying assets in which investment will increase over the next five years.

Cash and cash equivalents were £113.9m (2021 - £89.7m) and **current asset investments** were £20.5m (2021 - £50.5m) at year end, giving a total of £134.4m (2021 - £140.2m) relatively liquid assets.

The University's strategy continues to be that of minimising risk in relation to these funds while generating returns greater than base rate through the use of money markets. The base rate has increased from 0.1% to 1.25% during the year which has increased returns although the closing rate was still historically low and returns relatively modest.

Pension asset and liability

The USS pension provision at £214.1m (prior year: £76.1m) is included in the financial statements based on the 2020 USS actuarial valuation. This provision relates to the obligation to fund the University's share of the past deficit on USS. The £138m increase compared to prior year is consistent with expectations and reflects the impact of the 2020 actuarial valuation which was finalised in September 2021, partly offset by a rise in discount rate.

A pension asset in respect of the University of Liverpool Pension Fund at £3.7m (prior year: £13.4m) is included in the financial statements. This asset relates to recognition of a proportion of the surplus in the Fund at year end as the University is currently utilising a small element of the surplus in order to retain existing contributions levels in line with the technical accounting requirements of FRS 102. As set out in note 29 to the financial statement, a new schedule of contributions based on the 2021 actuarial valuation was agreed in October 2022. Any adjustments to the asset recognised will be reflected in the 2022/23 financial statements.

Risk and financial sustainability

As expected, 2021/22 has been a challenging year financially, with the pandemic continuing to impact the level of overseas students, in particular relating to students articulating from our Joint Venture in China, Xi'an Jiaotong-Liverpool University (XJTLU). This has contributed to the underlying operating surplus for the year of 1.9% being below our long term financial target of 4%. We expect lower surplus levels to continue for the next few years as overseas student numbers take some time to recover to pre-pandemic levels.

Home student recruitment remains strong for 2022/23, and research awards have remained at increased levels for the last two years which gives a strong basis for continued increases in research income.

We have a healthy cash position, and we plan to continue investment in strategic initiatives during this period, utilising an element of our cash reserves while remaining well above our minimum cash levels. This is a decision made to enable achievement of our ambitious goals within Strategy 2026. Outcomes linked to our strategic investment initiatives will be closely monitored.

Other significant financial risks, many of which are outside of direct University control although can be mitigated to an extent, are as follows:

- The potential for geopolitical disruption is a risk to international student recruitment with international student numbers concentrated in a relatively small number of countries. There is a particular exposure to international relations with China due to our Joint Venture, XJTLU. We have diversified our international student mix and continue to focus on further diversification in future years, however we continue to have a high proportion of students from China.
- Current rates of inflation are significantly higher than in previous years. Some of the increase has been factored into our plans but some costs are in excess of those planned, which will need close management. Contract negotiation and a close look at service requirements are helping to mitigate, but in certain areas increased costs are inevitable.
- Energy costs in particular are a major concern across the sector, and although we are looking closely at demand management, as a research intensive University we have some significant energy requirements. We have mitigated this in part through a strong purchasing strategy and have forward purchased all energy to October 2025, locking in lower prices. However, this remains a longer term risk and we continue to focus on our plans to achieve net zero carbon by 2035, an element of which is the plan to decarbonise our estate.
- Pay cost inflation is linked to cost of living rises, and there is a risk of increased pay inflation in excess of our plan. The upward pressure on pay awards to staff will need to be balanced against affordability, both within our University and across the sector.
- Conversely, home student fees, a significant proportion of our income, have only increased by £250 to £9,250 since 2012, and are now fixed until at least 2025. This is a significant risk to our financial sustainability given the inflationary pressures noted above. We have managed the risk over the last ten years during a period of relatively low inflation, however this will be a major challenge in a period of high inflation.
- Pension costs remain a risk, and the volatile economic environment may result in continued large changes between valuations. Our own University of Liverpool Pension Fund is currently in surplus, however as an open defined benefit scheme there is a risk that contributions may need to increase in the future in order to remain in a surplus position.

Given the increasing cost pressures, it is critical that we mitigate through a focus on strong cost controls and ongoing review of our activities including system and process, to ensure that we are delivering value for money. At the same time, we plan to grow our activities in areas of high demand, with a focus on income streams that will keep pace with inflation, in order to remain financially sustainable in the longer term.

Going concern

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

Strategy 2026

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

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

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

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

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

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

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

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

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

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

Key Performance Indicators

"For graduate employment the expected depressed labour market, as a result of the pandemic, still impacts this metric for all providers this year."

The University monitors progress towards the ambitions set out in Strategy 2026 through a suite of Key Performance Indicators that reflect our aims and ambitions. Staff across academic and professional services areas work collaboratively to deliver enhanced performance. Performance reports with metrics covering key priorities are considered on a quarterly basis by senior leadership and the governance committees. An overview of 2021/22 performance in key measures is provided below.

Research and Impact

Within REF 2021, as well as 91% of the University's research being classified as world leading (4*) or internationally excellent (3*), the funding related market share of 4*/3* FTE has increased from 1.9% to 2.1%, exceeding our internal target and improving our UK position by 8 places to 25th. 94% of research impact is now classified as outstanding (4*) or very considerable (3*), resulting in a 30 place rise to 28th in the sector rankings for 4* impact. Research impact has been an area of specific focus since REF 2014 and colleagues across the University have played an important role in making this improvement possible. A consequence of this success has been the uplift of circa £6.6m in the annual Quality-related Research funding that we will receive from 2022/23. Research income at £113.6m consolidates the gains made last year due to further significant COVID related additional grant funding. This provides a sound basis to build towards the ambitions outlined in our CREATE initiative.

Education

Student satisfaction, as measured by the National Student Survey, was impacted by the pandemic across all institutions and by industrial action at many institutions including Liverpool. Our overall satisfaction at 72% was 7% lower than last year although six subject areas recorded performance positively within the upper quartile. Actions to deliver key priorities are now being considered within a unified Student Success Framework covering three strands related to academic success that allows students to reach their potential, personal success that allows students to experience a welcoming and supportive environment, and future success that allows students to build their intellectual, social and cultural capital together with career awareness in readiness for their future. This Framework will allow the co-ordination of coherent activities within Schools, Faculties and at Institution level and also drive the ambitions articulated in our Access and Participation Plan.

For graduate employment the expected depressed labour market, as a result of the pandemic, still impacts this metric for all providers this year. Our increase to 77.9% ranks us 22nd against our peers in the Russell Group. The level of students unemployed and looking for work has decreased to 6%, down from 7.8% last year and the percentage of students moving into further study after graduation has positively increased to 20%.

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

Professional Services

The levels of student satisfaction with service and support has increased for the first time in the last two years, to 83% - ranking 47th across all providers. The subsidiary metric relating to access of course specific resources has also improved performance to upper quartile levels within the Higher Education sector.

Financially the full year results are very positive given the challenging environment and impact of COVID. We will report an operating surplus of £11.8m or 1.9% excluding pension adjustments.

Our closing cash position including current asset investments of circa £134.4m, is far in excess of our £60m minimum level. This puts us in a strong position as we head into 2022/23 which will continue to be a challenging year financially.

Strategic Aims

The refreshed Strategy 2026 vision is to be a connected, global university at the forefront of knowledge leadership, recognised as being among the top 20 UK universities worldwide. The pandemic has indirectly introduced a degree of volatility into global league tables with universities who published high-impact research on COVID-19 particularly benefiting. As a consequence, the University fell back overall in the QS World University ranking to 26th in the UK, but climbed 3 places in the globally connected measures moving into the upper quartile at 66th and 12th in the Russell Group. The international higher education sector remains highly competitive and the ambition to achieve UK top 20 rank in an international league table remains challenging.

Strategy Aims and Linked Indicators

Strand	Key Performance Indicator	Status in 2020/21	Progress in 2021/22
Strategy Aims	To be among the top 20 UK universities in a recognised international league table by 2026	Progress needed	Progress needed
	THE International Outlook measure - to be in a top 20 position among UK Universities	On track	On track
Research and Impact	To achieve top quartile positions in all our units in terms of proportion of world leading outputs by 2026	On track	On track
	To increase the number of next generation partnership projects in alignment with our overall Research and Impact objectives and priorities	On track	On track
Education	To increase the satisfaction of our students as measured by the NSS	On track	Progress needed
	Improving the number of graduates in graduate level employment in the UK or further study	On track	On track
	To attract and retain a diverse student body across all disciplines	On track	On track
Professional Services	Staff satisfaction - to achieve that 95% agree that the University is a good place to work	On track	On track
	To generate an annual surplus of at least 4%	On track	Progress needed
	To maintain a minimum holding of £60m in cash	On track	On track
	To achieve year-on-year improvements in overall student satisfaction with services and support	Progress needed	On track
	Through our research and improvements to our operations, we will achieve a net zero carbon campus by 2035	Progress needed	Progress needed

Risk Management

Risk management is crucial to ensuring the University is able to deliver on its key strategic objectives by mitigating potential negative outcomes and increasing its ability to focus on success. The University's Risk Framework, which was launched last year, has been maturing with increased focus and analysis on the most critical risk areas. The most recent review of strategic risks resulted in eight Strategic Risks and Opportunities, both internal and external, being listed on the Strategic Risk Register.

All strategic risks are reviewed regularly by nominated risk leads to monitor any changes to the nature of the risk and ascertain whether any further mitigations or controls should be implemented to reduce the risk. This approach has been confirmed as appropriate by our internal auditors who went further in finding no elements of concern in the broader risk management framework that we have implemented.

Strategic Risk Management

The external risks affecting the University continued to include the risk of cyber attack, changes in government and funding policy affecting HE, and pensions, which is considered within the risk surrounding financial sustainability. Whilst the Institution cannot affect whether these risks will occur, it can be alert to the changing environment and prepare for the risk and any potential impact. To this end the Institution undertakes regular environment scans and keeps abreast of policy developments to ensure early notification of emergent changes to these risks.

In addition to these three external risks and opportunities, six internal risks have been identified aligned to Strategy 2026. These are described in more detail on the next page.

RISK	DESCRIPTION AND RESPONSE
Cyber Attack	This is the external risk to the University of a prolonged loss of business operations as a result of a cyber-attack targeting or taking advantage of technical vulnerabilities. The Institution has strategies and investment in place to keep pace with the external threats as well as constantly reviewing its technical solutions, processes and management of its IT infrastructure.
Change in Government Funding Policy affecting HE	This is the external risk to the University's position and sustainability relative to its peers from changes in government policy or funding framework. The Institution has strategies to diversify further its income streams as well as articulating and communicating the value of HE both regionally and nationally.
Staff Recruitment, Retention, Satisfaction and Wellbeing	This is the risk to the Institution's ability to recruit and retain excellent staff. The Institution has strategies to retain and attract staff and uses surveys and focus groups to identify areas for development, introducing actions plans where relevant. Staff are kept informed through regular communications and opportunities for engagement.
Student Recruitment	This risk is the Institution's ability to recruit high quality students and achieve planned numbers, including reliance on some key partners. The Institution has effective planning and governance processes to enable subjects to align plans to overarching recruitment strategies and have oversight of this. Action plans with marketing and communication activity are in place to support recruitment of specific cohorts. Regular review of the portfolio ensures continued attractiveness to students.
Student Satisfaction and Wellbeing	This is the risk to the Institution's ability to meet the needs of students and deliver a competitive student experience. The University has a planning process that ensures appropriate investment to ensure the wellbeing and satisfaction of students in line with the Education Strategy and Student Success Framework. Close working with the Student Guild identifies priorities and supports development of action plans for implementation.
Financial Sustainability	This is the risk of failing to generate the required surplus for investment in our strategic priorities. The Planning cycle sets out budgetary parameters and there is scenario-planning to understand the impact of changes in the environment. Opportunities for growth are identified in the planning cycle and aligned to strategy. Reviews identify areas where cost efficiency and value for money could be improved and targeted actions are undertaken where appropriate.
Research and Impact, Quantity and Quality	This is the risk to the quantity and quality of the University's research and its impact as measured by UK Research Excellence Framework and world ranking measures. The University has a review process to assess the quantity and quality of research and areas that are a priority for development are resourced through the planning process. There are regular scans of the research environment to identify new opportunities and action plans are aligned to strategy to support developments to build diverse, inclusive and sustainable research at all points in a researcher's career.
Reputation	Alignment of the University's local, national and global reputation with its strategic ambitions. The Institution recognises the importance of a co-ordinated approach to marketing and communications to express the University's mission and values and building our reputation as a high-calibre research-intensive university with distinctive strengths. This work includes identifying areas for development as well as internal and external marketing and communications with staff, students, alumni, partners (existing and potential), local, regional and national stakeholders and the media.

Sustainability

"Delivering our sustainability ambitions requires a whole community effort and a governance structure that embeds sustainability at its heart. "

We are committed to addressing the global challenges facing society and the environment, by improving health and education, reducing inequality, ensuring economic sustainability, protecting our shared environment and its biodiversity, and tackling climate change.

Our Sustainability Strategy was published in January 2021 and includes the key targets to:

1. Achieve net zero by 2035
2. Reduce waste by 50% by 2025
3. Offer every student the opportunity to undertake a sustainability-related module, extra-curricular activity or learning by 2022.

The award-winning[1] Sustainability in Action module[2], created by students for students, has enabled us to achieve our third target, and work continues as part of our Education for Sustainable Development project to create a Student Sustainability Hub and Network. Progress is also being made toward delivering our other key targets, with the University's net zero plans currently being finalised ready to launch.

Our commitment to the United Nations Sustainable Development Goals (SDGs)

In January 2020 the University formalised its commitment to the SDGs[3] by signing the global higher education sector's SDG Accord in partnership with the Liverpool Guild of Students[4]. By signing the SDG Accord we pledged to put the SDGs at the heart of all of our activities.

We are proud to have been ranked number 1 in the world in the 2022 Times Higher Education Impact Rankings[5] for SDG 17 – Partnerships for Goals[6]. This reflects our commitment to implementing global partnerships for sustainable development in support of our Strategy 2026 vision to be a connected, global university at the forefront of knowledge leadership.

We are committed to embedding sustainability into everything we do across the University and we see these rankings as a tool to continue building on positive results and focus on areas for improvement.

The Environmental Crisis

We have set ourselves an ambitious target to reach net zero by 2035 and for our scope 1 and 2 emissions this will largely be achieved through the decarbonisation of our energy supply and operations; up to 40,000 tonnes of CO_2 is currently generated per annum, with the onsite District Network gas consumption accounting for approximately 80% of our carbon emissions.

Our scope 1 and 2 energy consumption and emissions (see Table 1) are reported through statutory and regulatory schemes, and verified annually by the Environment Agency, Department for Business, Energy & Industrial Strategy (BEIS) and other relevant bodies. We also report to the Higher Education Statistics Agency - Estates Management Record (HESA EMR) as part of our annual statutory returns, and have an ISO14001 accredited Environmental Management System which supports the management of our environmental

1. University of Liverpool wins the AGCAS Sustainability Impact Award 2021
2. Student Resources - Centre for Innovation in Education - University of Liverpool
3. THE 17 GOALS | Sustainable Development (un.org)
4. University and Guild of Students sign UN Sustainable Development Goals Accord - News - University of Liverpool
5. Times Higher Education Impact Rankings League: University of Liverpool ranked in world's top 100 - Articles - Sustainability - University of Liverpool
6. Goal 17 | Department of Economic and Social Affairs (un.org)

performance data, which is documented in our annual report.

We are strengthening our baseline data for business travel, commuter travel, waste and water emissions. Other aspects of scope 3 emissions (products and services, investment, student beginning and end of term travel) are less well understood and difficult to measure. We will work with others in the higher education sector and beyond to develop a better understanding of these emissions and will use the science-based target approach throughout 2023 to understand, evaluate and address all of our scope 3 emissions.

Securing the investment needed to deliver against our net zero targets is another key priority. Following approval of our net zero plans we will develop a robust investment and funding strategy.

We recognise that there is a climate and ecological crisis which moves beyond net zero, and are committed to undertaking a climate risk assessment which will inform the development of climate mitigation and adaption plans for the University.

Governance and Reporting

Delivering our sustainability ambitions requires a whole community effort and a governance structure that embeds sustainability at its heart. Chaired by Nicola Davies, University Finance Director and Executive Lead for sustainability, the Sustainability Board has oversight of sustainability activities and plans across the Institution and reports to the University's Senior Leadership Team as part of the formal governance structure.

Several sub-committees have been established to support the Sustainability Board through subject matter expertise linked to several themes including Climate Action, Biodiversity, Responsible Consumption and Production, Built Environment and Travel and Transport; each group includes a member of the University Senior Leadership Team and a Student Officer.

Sir Keir Starmer visits the University Energy Centre during 2022

Table 1: University of Liverpool Emissions

Type of Emissions	Emission Sources	2019/20 tC02e	2020/21 tC02e	2021/22 tC02e
Scope 1	Gas and fuels (used to heat and operate our buildings)	34,958	35,994	34,666
Scope 1	Fuel used in vehicle fleet (petrol and diesel)	84	76	77
Scope 2	Electricity (used for lighting, IT equipment, ventilation, etc.)	4,247	3,078	3,614

Public Benefit

"Working for public benefit is core to the University's Strategy and to its founding mission – for advancement of learning and ennoblement of life."

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

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

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

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

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

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

Widening Participation and Outreach

Entry 2022

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

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

There remain multiple challenges to social mobility within the Liverpool City Region (LCR), many of which impact on access to higher education and progression. To ensure students can fully engage in our community of learning, whatever their background, the University delivers a comprehensive range of access and widening participation initiatives, focused on ensuring anyone who has the potential to study at the University has the opportunity to do so.

Last year we piloted our formal Contextual Admissions Process, and encouraged by its success, we employed it again in 2022. This included alternative offers for students who have overcome predetermined educational barriers, as categorised by the Office for Students.

Our new intake will include around 600 students from neighbourhoods with historically low levels of participation in higher education – a new record for the University. We have also confirmed places for 63 new students who have spent part or all of their lives in care, which is again our highest intake to date and reflects the University's well-established support programme for these inspiring young people. These successes are even more significant in the wider context of shifting national grade boundaries, missed learning opportunities and greater competition for places at selective universities, as overall, our planned first year undergraduate home numbers have been met.

The University continues to work to a five-year Access and Participation Plan (APP) (2020-25), approved by the Office for Students. Over £10.5m has been invested in financial support to APP accountable student groups.

In addition, senior members of the University led the Improving Student Mental Health through Partnership Working Project - a joint mental health initiative with Liverpool John Moores University, Mersey Care, Brownlow Health Central and the Innovation Agency - funded by the partners and the Office for Students to tackle the gaps between universities and NHS services. The project focused on provision for students who were experiencing significant mental health difficulties and distress. The new Student Liaison Service established by the project provides increased safety, improved communication between organisations and has improved mental health support for students, enhancing the quality of their university experience and the likelihood of success beyond their studies.

Scholarships and Outreach

In 2021 we launched a new scholarship funded by former Liverpool Football Club player Divock Origi. The scholarship was awarded to two students for the 2021/22 academic year, and they are now finishing their first year of studying Law. Full tuition fees are covered for the duration of their programmes, as well as £3,000 per annum towards living costs. A third student will be funded this academic year, followed by a fourth student in 2023/24.

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

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

The University has also re-designed its digital outreach offer for primary school students, evolving our Primary focused website, which engaged with 25,000 individuals during the first 10 months after relaunch. Building on delivery models successfully developed throughout the pandemic, we have continued hybrid provision of academic-based mentoring to young people through both digital technologies and face-to-face opportunities, leading to a net increase in mentoring hours per pupil on average.

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

Events and Cultural Activities

An incredibly special highlight this year was opening the Yoko Ono Lennon Centre, home of the University of Liverpool's new world class concert hall, The Tung Auditorium. We were delighted that Sean Ono Lennon was able to officially open the Centre on behalf of his mother on 24 March 2022.

The opening of the new state-of-the-art cultural landmark, on the corner of Grove Street and Oxford Street, was celebrated with the world premiere performance of composer and Liverpool alumna, Professor Shirley J. Thompson OBE's One World – a re-imagining and homage to John Lennon's iconic song, Imagine.

As well as providing the latest teaching facilities, including the 600-seat Paul Brett Lecture Theatre, the Yoko Ono Lennon Centre is home to The Tung Auditorium, a 400-seat acoustically optimised, flexible, music performance space, designed for solo, chamber, choral and orchestral performances, with adjustable acoustics to accommodate a wide variety of jazz, folk, pop, electro-acoustic and experimental music. In addition to the performance space and teaching facilities, the Yoko Ono Lennon Centre houses an iteration of Yoko Ono Lennon's famous Wish Tree installation in the Peace Atrium, and the Fröhlich Café Bar is open to the public.

The Tung Auditorium launched its debut programme in February 2022 with the University's hugely popular, and free, Lunchtime Concert series. Artists and performers including Courtney Pine, Bill Ryder-Jones, Distractfold, My Iris and Manchester Collective have graced the stage in this fantastic new performance space, which is also home to the Royal Liverpool Philharmonic Orchestra's contemporary music group, Ensemble 10/10. The Solem Quartet will continue in their role as University of Liverpool ensemble in residence.

The Victoria Gallery & Museum (VG&M) houses the University's fine art and museum collections. Free to the public, its special exhibitions programme, showcasing both local and international artists, is extremely popular and, in an average year, the VG&M welcomes more than 70,000 visitors.

An exciting range of special exhibitions have taken place throughout the year, and with the lifting of all lockdown restrictions, we were delighted to fully open the VG&M's doors to visitors. Between 19 February and 9 July 2022, the first exhibition of wholly Jamaican art to be displayed in the North West, 'Jamaica Making', was hosted at the VG&M. This exhibition was a partnership with Liverpool John Moores University and featured more than thirty artworks from the extensive collection of Jamaican-born entrepreneur and philanthropist Theresa Roberts. The exhibition opened in a reduced form

Professor Catherine Tackley, Head of the Department of Music, Sean Ono Lennon, Vice-Chancellor Professor Dame Janet Beer and Richard Hartwell, Artistic Director of The Tung Auditorium in October at the University of East London, and it is hoped that it will tour to further venues following this.

'The World Reimagined', a nationwide programme of art education around Black history and achievements was another highlight in the VG&M calendar. At its core, it raised awareness of the Transatlantic Slave Trade and the legacies of enslaved African people and their descendants. A display of artefacts from the VG&M's collections supported the work of the programme, and the exhibition also featured three globes decorated by local schools.

We also continue to offer online events for the public, including the annual Lucrezia Zaina Bequest Lecture, which was given this year by Dr Simone Brioni from Stony Brook University, USA. The Annual Heritage Keynote Lecture with Karen O'Rourke, Curator of Sport, Music and Performance at National Museums Liverpool (NML), 'Making an Impact', and the 'Liverpool Leaders' series also continue to attract a diverse audience, both regionally and from around the globe.

'Liverpool Literary Festival Presents' hosted a lively event with our outgoing Chancellor Colm Tóibín, Vice-Chancellor Professor Dame Janet Beer and University Pro-Vice-Chancellor for Cultural Engagement, Professor Dinah Birch in July at the VG&M, where the three panellists shared their passion for their favourite novels, and took questions from a large live audience.

The Liverpool Literary Festival returned for its seventh year in October, sponsored by Bruntwood and Student Roost, with live talks by some of our country's finest writers. Adele Parks, Patrick Gale, Joanna Trollope, and Ann Cleeves featured, along with local writers Frank Cottrell Boyce and Malik Al Nasir. After listening to feedback from attendees, a weekend pass was made available so that festival attendees could enjoy everything the festival had to offer, and benefit from some exclusive VIP benefits such as reserved seating and complimentary refreshments.

Local author, poet and academic Malik Al Nasir (left) in conversation with BBC Radio Merseyside's Jermaine Foster

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.

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

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

The responsibilities of 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 Chair 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 their 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, as far as is reasonably practicable, is secured

- Be the principal financial and business authority of the institution, to ensure that proper books of account are kept, to approve the annual budget and financial statements, and to have overall responsibility for the institution's assets, property and estate
- Be the institution's legal authority and, as such, to ensure that systems are in place for meeting all the institution's legal and regulatory obligations, including those arising from contracts and other legal commitments made in the institution's name
- Conduct its business in accordance with the best interests of the University, and in an open and transparent fashion as appropriate, safeguarding the University's good name, values and sustainability
- Conduct its business in accordance with best practice in Higher Education corporate governance and with the principles of public life drawn up by the Committee on Standards in Public Life, as well as to ensure the OfS public interest governance principles are upheld and delivered
- Appoint a Clerk to the Council. Irrespective of other duties an individual appointed as Clerk might have in the University, in their capacity as Clerk they 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 22 members of the Council, the majority of whom are lay members (external to the University and outside the day-to-day executive management). Membership comprises: the President, the Vice-President, 10 other lay members, the Vice-Chancellor, two Pro-Vice-Chancellors, the President of the Guild of Students, the Senior Professional Services Representative with Responsibility for People and Infrastructure, three members of the academic staff drawn from the Senate, one member of staff drawn from Professional Services, and one member of the student body. Compliance with the CUC's Higher Education Code of Governance requires institutions to consider whether a Senior Independent Governor should be appointed – at its meeting held in November 2021, Council approved the recommendation of the Nominations Committee that a Senior Independent Governor should not be appointed at this time as it was not considered that such a role would add value or fill any current gap, but that sector practice should continue to be monitored and the position should be reviewed on an annual basis.

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

Following approval by the Charity Commission, the President of Council is now remunerated. Other lay members do not receive payment for the work they do for the University, apart from the reimbursement of expenses which are disclosed in the financial statements. Ordinance 20 provides for lay members of the Council to be appointed for a term of office of three years and they may be re-appointed for up to two further three-year terms. However, the Council in July 2020 approved the extension of the tenure of one of its lay members two years and four months beyond the continuous period of service of nine years as the appointment was believed to be exceptionally justified. The Vice-President of Council is also currently serving beyond a nine-year tenure, although this is in keeping with Ordinance 20.1 which states that, if appointed as the President or the Vice-President of the Council, the maximum continuous period of service that a lay member may serve on the Council may be 12 years in exceptional circumstances.

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

Committees of the Council

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

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

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

Audit Committee

The responsibilities of the Audit Committee are to:

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

The Audit Committee received the Audit Planning Report from the external auditor in March 2022 and has considered and discussed the risks identified within this document. The Independent Auditor's Report from Ernst & Young starting on page 35 of this document provides further information on their audit approach and findings for the period.

Finance and Resources Committee

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

Financial Strategy:

- To review institutional budgets, activity plans, and frameworks, and to recommend them for approval to the Council

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

Planning and Performance:

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

Human Resources:

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

Capital and Estates:

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

Digital Technologies:

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

Investments:

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

Nominations Committee

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

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

Remuneration Committee

The Remuneration Committee has the following remit:

- To approve and annually review the Strategic Reward for Senior Staff Policy (SRSS) which is the policy framework for managing senior staff remuneration and conditions (including non-pay benefits) at the University

- To be responsible, on behalf of the Council, for setting the policy for and agreeing remuneration and reward for members of the Senior Leadership Team (SLT) in accordance with the SRSS policy
- To consider and determine the overall remuneration and objectives of the Vice-Chancellor. The Chair of Council will:
  - report on their assessment of the Vice-Chancellor's performance against the Professional Development Review (PDR) objectives that were agreed
  - propose to the Committee any increase in remuneration in accordance with the SRSS policy
  - propose to the Committee any bonus payment in accordance with the Vice-Chancellor's contract of employment
  - propose to the Committee PDR objectives for the coming year

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

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

The annual report of the Remuneration Committee submitted to the Council in November 2022 is available at www.liverpool.ac.uk/governance/university-committees/remuneration-committee/

Senate

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

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

Leadership

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

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

Senior Leadership Team

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

The Formal Senior Leadership Team (FSLT) is the University's operational executive body and consists of the members of the SLT. Within the parameters set by the overarching strategy approved by the Council and the University's statutory framework, it takes decisions on major operational matters that have institutional reach, and strategic issues where doing so is time critical. It also reviews proposals relating to the development of, or major changes to, institutional strategies, major policies, frameworks, and other governance documentation to ensure a coordinated management response before these are submitted to the formal governance structure for scrutiny and approval. The FSLT usually has 10 meetings per year, and an away day each September. The terms of reference are available at: www.liverpool.ac.uk/governance/university-committees/formalseniorleadershipteam/

Internal Control

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

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

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

The Committee receives regular reports from the University's internal auditor, 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 internal auditor provides an annual report, which includes an opinion on the adequacy and effectiveness of governance, risk management and control, and economy, efficiency and effectiveness arrangements (value for money). The internal auditor's opinion for 2021/22 was generally satisfactory with some improvements required relating to a small number of weaknesses in control which are currently being addressed.

The Council's review of the effectiveness of the system of internal control for the year ended 31 July 2022 and up to the date of approval of the audited financial statements is informed by the Audit Committee, the work of the internal auditor, the work of the senior managers who have responsibility for the development, maintenance and continual review of the internal control framework, comments made by the external auditor in their management letter and other reports, and comments made by Halpin Partnership Limited during their 2020/21 Governance Review.

Risk Management

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

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

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

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

Risk is overseen by the Formal Senior Leadership Team. The Education Committee and Research and Impact Committee, which report to the Senate and the Council, provide input through their consideration of quarterly performance, environment scan and risk reports. The Audit Committee provides assurance to the Council that an appropriate risk management framework is in place. The management of risk is integral to the work of the Council and it agreed at its Away Day held in October 2021 that the strategic risk areas of financial sustainability, research, student recruitment and satisfaction and wellbeing, and cyber security should be prioritised for particular Council focus.

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 auditor to fulfil their responsibility to give the Audit Committee an assurance on the system of internal control.

The Council is of the view that there is an ongoing process for identifying, evaluating and managing the University's significant risks and that this process has been in place for the year ended 31 July 2022 and up to the date of the approval of the audited financial statements.

Public Interest

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

Register of Interests

A Register of Members' Interests is

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

Council Responsibilities for Financial Control and the Annual Report

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

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

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

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

The Council is also responsible for ensuring that:

- funds from whatever source administered by the Group or the University for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation
- funds provided by the OfS 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
- securing the economical, efficient and effective management of the University's resources and expenditure.

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

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

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

It is critical that the University demonstrates value for money to its stakeholders. The University's reporting to the Audit Committee and the Council in this area focuses on the issues identified by the OfS, but is supplemented by other areas in which the University adds significant impact both locally and globally.

The Council's review of the effectiveness of the system of internal financial control is informed by the work of the internal auditor, the Audit Committee, the individual members of staff with responsibility for the development and maintenance of the financial control framework and comments made by the external auditor 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 2022 and up to the date of the approval of the audited financial statements.

The Council is satisfied that the University is a going concern and the financial statements are prepared on that basis. Further detail is given on page 49.

Independent auditor's report to the Council of the University of Liverpool

Opinion

In our opinion:

- the University of Liverpool's Group financial statements and Parent Institution's financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Parent Institution's state of affairs as at 31 July 2022, and of the Group's and Parent Institution's income and expenditure, gains and losses and changes in reserves and of the Group's cash flows for the year then ended;
- the financial statements have been properly prepared in accordance United Kingdom Generally Accepted Accounting Practice.
- the financial statements have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education, relevant legislation and Office for Students requirements.

We have audited the financial statements of The University of Liverpool (the 'Parent Institution') and its subsidiaries (the 'Group') for the year ended 31 July 2022 which comprise:

Group	**Parent Institution**
Consolidated Statement of Financial Position as at 31 July 2022	Statement of Financial Position as at 31 July 2022
Consolidated Statement of Comprehensive Income for the year then ended	Statement of Comprehensive Income for the year then ended
Consolidated Statement of Changes in Reserves for the year then ended	University Statement of Changes in Reserves for the year then ended
Consolidated Statement of Cash Flows for the year then ended	Statement of Accounting Policies
Statement of Accounting Policies	Related notes 1 to 37 to the financial statements
Related notes 1 to 37 to the financial statements	

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The financial reporting standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and Parent Institution in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

- Reading the Narrative Report and Financial Statement disclosures in relation to the financial statements being prepared on a going concern basis to ensure that they were consistent with our knowledge of the Group and Parent Institution's financial position.
- Assessing the information used in the going concern analysis for consistency with management reporting, and information obtained through auditing other areas of the University. We also obtained an understanding of the business planning process and challenged the underlying assumptions, for the going concern period to 31 July 2024. This included reviewing for evidence of bias and for consistency with our knowledge of the University.
- Comparing actual performance for the year to 31 July 2022 to the budget for that period to assess the accuracy of historical data.
- Challenging management's assumptions against historic financial performance and assessed the level of available reserves against plans to apply those reserves to meet any future requirements.
- Assessing the levels of current borrowing and confirmed that the Group and Parent Institution is compliant with loan covenants and forecasts through the going concern period.
- Undertaking reverse stress testing on the possible downside scenario performed by management, to understand the potential circumstances required and likelihood of those circumstances that could result in liquidity and covenant compliance shortages within the going concern period.
- Challenging the financial forecast position of the Group and Parent Institution as set out in the central and downside scenarios prepared by management to ensure that it has sufficient liquidity to maintain its position through to 31 July 2024, as well as forecasting compliance with all loan covenants through to 31 July 2024.
- Assessing management's going concern disclosures in the Financial Statements to ensure they are appropriate based on our knowledge and in conformity with FRS 102 "The financial reporting standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Based on the work performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and Parent Institution's ability to continue as a going concern for the period to 31 July 2024.

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

Overview of our audit approach

Audit scope	• We performed an audit of the complete financial information of 1 component and audit procedures on specific balances for a further 4 components. • The components where we performed full or specific audit procedures accounted for 98% of Surplus before tax, 100% of Revenue and 100% of Total assets.
Key audit matters	• Fraud in Revenue Recognition
Materiality	• Overall Group materiality of £6.1m which represents approximately 1% of total income.

An overview of the scope of our audit

Tailoring the scope

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

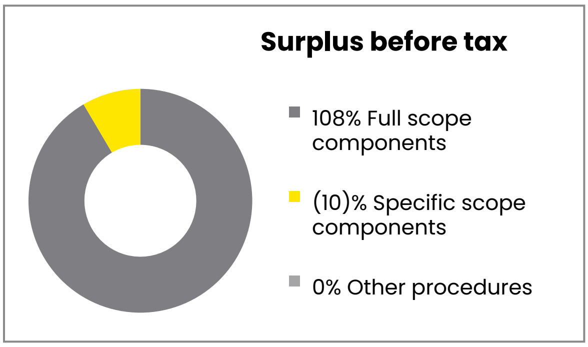
In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the 5 reporting components of the Group, we selected 5 components, which represent the principal business units within the Group.

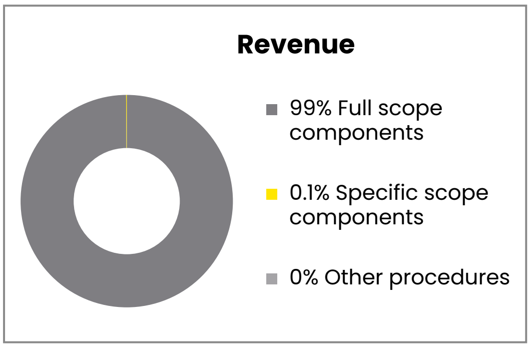
Of the 5 components selected, we performed an audit of the complete financial information of 1 component ("full scope components") which was selected based on its size or risk characteristics. For the remaining 4 components ("specific scope components"), we performed audit procedures on specific accounts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

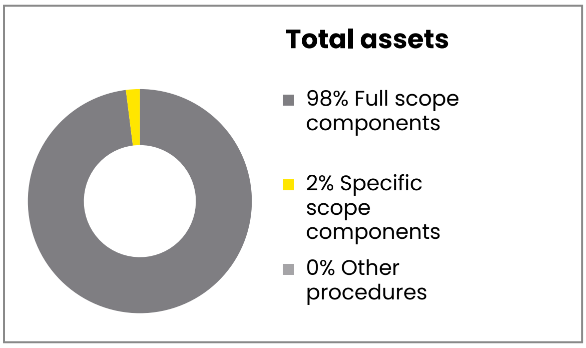
The reporting components where we performed audit procedures accounted for 98% (2021: 124%) of the Group's Surplus before tax, 100% (2021:99%) of the Group's Revenue and 100% (2021: 100%) of the Group's Total assets. For the current year, the full scope component contributed 108% (2021: 106%) of the Group's Surplus before tax, 99% (2021: 99%) of the Group's Revenue and 98% (2021: 98%) of the Group's Total assets. The specific scope components contributed -10% (2021: 18%) of the Group's Surplus before tax 0.1% (2021: 0.2%) of the Group's Revenue and 2% (2021: 2%) of the Group's Total assets. The audit scope of these components may not have included testing of all significant accounts of the components but will have contributed to the coverage of significant accounts tested for the Group. We also instructed 4 locations to perform specified procedures over certain aspects of cash existence and valuation, and overall financial performance and position, as described in the Risk section above.

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

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







Involvement with component teams

In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the primary audit engagement team, or by component auditors from other EY global network firms operating under our instruction. Of the 1 full scope component, audit procedures were performed on this directly by the primary audit team. For the 4 specific scope components, where the work was performed by component auditors, we determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Group as a whole.

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

Climate change

There has been increasing interest from stakeholders as to how climate change will impact the University. The University has determined that the most significant future impacts from climate change on its operations will be relating to its Sustainability Strategy which aims to achieve key targets such as becoming Net Zero by 2035 and reducing waste by 50% by 2025. This explained on pages 22-23 in the Sustainability report, which forms part of the "Other information," rather than the audited financial statements. Our procedures on these disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated.

Our audit effort in considering climate change was focused on evaluating management's assessment of the impact of climate risk, physical and transition, and ensuring that the effects of climate risks disclosed on pages 22-23 have been appropriately reflected in the carrying value of investments/assets with indefinite and long lives, and in the timing and nature of liabilities recognised. We also challenged the management's considerations of climate change in their assessment of going concern and associated disclosures.

Key audit matters

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

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Inappropriate timing of revenue recognition, including around cut-off around financial year end and income with performance conditions (£614.9m total income, PY Comparative £597.6m) *Refer to Accounting policies (pages 49-58); and Note 1-7of the Consolidated Financial Statements (page 44)* Revenue is recognised in accordance with FRS 102 and sections 16, 17 and 18 of the Statement of Recommended Practice: Accounting for Further and Higher Education. The number of revenue streams increases the risk of inappropriate revenue recognition. Under ISA (UK) 240 there is a presumed risk that revenue may be misstated due to improper recognition of revenue. We identified a specific risk of fraud and error in respect of inappropriate revenue recognition given the number of revenue streams and there is inherently more judgement applied in determining the amount and timing of income to be recognised in respect of tuition fees, research income , capital grant income and "other" income streams. As there is no material judgement associated with the recognition of the University's funding council grant income, we have determined that the risk of revenue recognition does not materialise within this area. We consider this risk to be relevant to the Group (and University as a single entity) and all of the subsidiary entities consolidated into the Group depending on their respective material revenue streams. *Research income (£113.6m; PY £112.5m).* - Recognition requires judgement at year end in recognising accrued and deferred income which could result in recognising income in the year incorrectly either by recognising the incorrect value or recognising income that should be deferred until any performance related conditions are met. *Tuition fees (£308.2m; PY £304.4m)*: - Where there are courses spanning the financial year end the risk lies in recognising revenue in the correct financial year. *Other income (£100.8m; PY £81.7m);* - *There is a risk that revenue is recorded incorrectly around the year end date.* *Donations and endowments (£3.4m; PY £15.3m);* - There is a risk that revenue is recorded incorrectly around the year end date. *Funding body grants – Recurrent grants (£65.2m; PY £62.6m);* - Since there is no material judgement associated with the recognition of the University's funding council grant income, we have determined that the risk of revenue recognition does not materialise within this area. *Funding body grants – Specific grants (£18m; PY £16.1m);* - There is inherent judgement in the recognition of this income stream as grants often come with performance conditions which must be met in order to earn entitlement to the income *Investment income (£5.7m; PY £5.0m)* - Revenue is not material in the current year. We do not consider there to be a risk of material manipulation for the year. We consider this risk to be relevant to the Group (and the University as a single entity).	Our audit procedures included: - Understanding the revenue processes for each material revenue stream. - Identification and walkthrough of key controls over revenue processes for each material revenue stream. *Research income* - Tested a sample of research income, deferred income and accrued income, verifying that judgement applied in recognising income was in accordance with the performance related conditions. This included verification to source documents such as contracts, awards or agreement with funders, and project budgets and performance to date. - For each research project tested, confirmed that where income recognition to date is in excess of budgeted that this is appropriate and supportable to contract variations with funders where applicable. - Independently inquired with the University's Research Office, Faculty of Research Finance and Group Finance as applicable to understand the outcome of audits performed by grant funding bodies during the period, cross referring responses and the results of our substantive testing and challenging whether the University's assessment of clawback risk is correctly valued in the financial statements. *Tuition fees* - For full-time courses we performed substantive audit procedures, reperforming the recognition of fee income and investigating any unusual transactions, comparing this to the income recognised in the income statement. - Sample tested student fees and short course fees verifying the amounts back to evidence of student records and cash. *Other income* - Substantively tested a sample of other income back to source documents, such as invoice, contracts, grant agreements or receipt of cash as applicable. *Donations and endowments* - Substantively tested a sample of income back to source documents, such as donation agreements and cash. *Procedures across all revenue streams:* - Performed an overall analytical review on revenue compared to prior year on an individual sub-stream basis to identify, understand and corroborate any unusual fluctuations, considering any contradictory evidence. - Performed cut off testing for a sample of transactions around the year end to confirm that they have been recorded in the correct financial year. - Undertook risk-based procedures to identify journals specifically raised to increase income and corroborated their purpose back to underlying evidence. This included both system generated and manual journals. We performed full scope audit procedures over this risk, which covered 99.3% of the risk amount. We also performed specified procedures over the existence and valuation of cash and overall financial performance in five locations. We assessed management's disclosure in the Group Financial Statements relating to revenue recognition to ensure they are appropriate based on our knowledge and in conformity with FRS 102 "The financial reporting standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).	Based upon the audit procedures performed, we conclude that revenue has been appropriately recorded in the period in accordance with the requirements of FRS 102 and sections 16, 17 and 18 of the Statement of Recommended Practice: Accounting for Further and Higher Education.

Our application of materiality

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

Materiality

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

We determined materiality for the Group to be £6.1 million (2021: £5.8 million), which is 1% (2021: 1%) of Total income for the Group. We believe that income provides us with the most appropriate basis for understanding the Group's activity.

We determined materiality for the Parent Institution to be £6.0 million (2021: £5.8million), which is 1% (2021: 1%) of the Parent Institution's income.

During the course of our audit, we reassessed initial materiality and we determined that this remained appropriate.

Performance materiality

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

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 75% (2021: 75%) of our planning materiality, namely £4.5m (2021: £4.3m). We have set performance materiality at this percentage due to lack of issues identified through our audit planning procedures, including our walkthrough of key controls.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was £0.3m to £4.5m (2021: £0.3m to £4.3m).

Reporting threshold

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

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.3m (2021: £0.3m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

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

Other information

The other information comprises the information included in the Review of the Year, set out on pages 3 to 34, other than the financial statements and our auditor's report thereon. The Council is responsible for the other information contained within the Review of the Year.

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Office for Students

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

- funds from whatever source administered by University of Liverpool have been properly applied to those purposes and managed in accordance with relevant legislation;

- funds provided by the Office for Students, UK Research and Innovation (including Research England), the Education and Skills Funding Agency and the Department for Education have been applied in accordance with the applicable Terms and conditions attached to them; and
- the requirements of the Office for Students accounts direction for the relevant year's financial statements have been met.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the Group and management.

Matters on which we are required to report by exception

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

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

Responsibilities of the Council

As explained more fully in the Statement of the Council's responsibilities statement set out on pages 28 and 29, the Council is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Council determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant are FRS 102 and the Statement of Recommended Practice for Further and Higher Education, the Office for Students Terms and conditions of funding for higher education institutions and the Higher Education and Research Act 2017.
- We understood how the Group and Parent Institution is complying with those frameworks by making enquiries of management and those responsible for legal and compliance procedures. We corroborated our enquires through our review of the Council minutes and papers provided to the Audit Committee at a Group level, as well as consideration of the results of our audit procedures to either corroborate or provide contrary evidence.
- We assessed the susceptibility of the Group and Parent Institution's financial statements to material misstatement, including how fraud might occur by meeting with management to understand where they considered there was susceptibility to fraud. We also considered performance targets and their influence on efforts made by management to manage financial performance. Where this risk was considered higher, we performed audit procedures to address the risk of fraud and management override. These procedures included testing manual journals and were designed to provide reasonable assurance that the financial statements were free from fraud or error.

- We also considered the oversight of those charged with governance (i.e., considering the potential for override of controls or other inappropriate influence over the financial reporting process, such as efforts by management to manage earnings in order to influence the perceptions of stakeholders as to the entity's performance and profitability).
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved enquiries of management, those charged with governance and those responsible for legal and compliance procedures; journal entry testing with a focus on journals indicating large or unusual transactions based on our understanding of the business; review of Council minutes to identify any non-compliance with laws and regulations, and inspection of any correspondence between the University and its regulators.

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

Other matters we are required to address

- Following the recommendation from the Audit Committee we were appointed by the University on 28 June 2021 to audit the financial statements for the year ending 31 July 2021 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments is 2 years, covering the years ending 1 August 2020 to 31 July 2022. The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Institution and we remain independent of the Group and the Parent Institution in conducting the audit.
- The audit opinion is consistent with the additional report to the Audit Committee.

Use of our report

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

Ernst & Young LLP

Stephen Reid (Senior statutory auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
Edinburgh
Date: 25 November 2022

Annual Financial Statements

for the year ended 31 July 2022

Consolidated and Institution Statement of Comprehensive Income - Year Ended 31 July 2022

	Notes	Year ended 31 July 2022		Year ended 31 July 2021	
		Consolidated	Institution	Consolidated	Institution
		£m	£m	£m	£m
Income					
Tuition fees and education contracts	2	**308.2**	**307.9**	304.4	303.7
Funding body grants	3	**83.2**	**83.2**	78.7	78.7
Research grants and contracts	4	**113.6**	**113.6**	112.5	112.5
Other income	5	**100.8**	**97.9**	81.7	79.0
Investment income	6	**5.7**	**6.6**	5.0	8.2
Donations and endowments	7	**3.4**	**3.4**	15.3	15.3
Total income		**614.9**	**612.6**	597.6	597.4
Expenditure					
Staff costs	8	**343.8**	**342.0**	328.6	326.9
Restructuring costs	8, 10a	**1.6**	**1.6**	2.5	2.5
Staff element to USS pension adjustment	8	**137.3**	**137.3**	(0.7)	(0.7)
Total staff costs	8	**482.7**	**480.9**	330.4	328.7
Other operating expenses	10	**213.3**	**215.6**	179.1	180.1
Depreciation and amortisation	12,13	**48.1**	**46.0**	50.5	48.5
Interest and other finance costs	9	**12.0**	**11.2**	11.8	11.1
Total expenditure	10a	**756.1**	**753.7**	571.8	568.4
(Deficit) / Surplus before other gains /(losses) and share of operating deficit of joint ventures and associates		**(141.2)**	**(141.1)**	25.8	29.0
Gain / (loss) on disposal of fixed assets		**0.3**	**0.3**	(4.0)	(4.0)
(Loss) / gain on investments	15	**(3.8)**	**(3.8)**	30.2	30.2
Share of operating deficit in joint ventures and associates	16	**(0.3)**	**-**	(5.0)	-
(Deficit) / Surplus before tax		**(145.0)**	**(144.6)**	47.0	55.2
Taxation	11	**(0.5)**	**-**	(0.1)	-
(Deficit) / Surplus for the year		**(145.5)**	**(144.6)**	46.9	55.2
Other comprehensive income					
Actuarial gain in respect of University of Liverpool Pension Fund	32	**5.3**	**5.3**	3.4	3.4
Total comprehensive (expenditure) / income for the year		**(140.2)**	**(139.3)**	50.3	58.6
Represented by:					
Endowment comprehensive (expenditure) / income for the year		**(5.4)**	**(5.4)**	21.9	21.9
Unrestricted comprehensive (expenditure) / income for the year		**(134.8)**	**(133.9)**	28.4	36.7
		(140.2)	**(139.3)**	50.3	58.6

All items of income and expenditure relate to continuing activities.
The accompanying notes and policies on pages 48 to 85 form part of these financial statements.

Consolidated and Institution Statement of Financial Position – Year Ended 31 July 2022

	Notes	**As at 31 July 2022**		As at 31 July 2021	
		Consolidated	**Institution**	Consolidated	Institution
		£m	**£m**	£m	£m
Non-current assets					
Intangible assets	12	**0.4**	**0.3**	1.0	0.8
Fixed assets	13	**781.0**	**768.3**	779.8	766.5
Heritage assets	13/14	**17.0**	**17.0**	17.0	17.0
Investments	15	**302.4**	**302.4**	303.1	303.1
Investment in subsidiaries	15	**-**	**3.8**	-	3.8
Investment in joint ventures and associates	16	**4.3**	**-**	4.3	-
Retirement benefit asset in University of Liverpool Pension Fund	32	**3.7**	**3.7**	13.4	13.4
		1,108.8	**1,095.5**	1,118.6	1,104.6
Current assets					
Stock	17	**1.6**	**1.3**	1.3	1.1
Trade and other receivables	18	**88.2**	**93.0**	78.7	84.6
Investments	19	**20.5**	**20.5**	50.5	50.5
Cash and cash equivalents	24	**113.9**	**111.6**	89.7	87.0
		224.2	**226.4**	220.2	223.2
Less: Creditors - amounts falling due within one year	20	**(160.6)**	**(160.3)**	(164.0)	(164.9)
Net current assets		**63.6**	**66.1**	56.2	58.3
Total assets less current liabilities		**1,172.4**	**1,161.6**	1,174.8	1,162.9
Creditors - amounts falling due after more than one year	21	**(300.3)**	**(285.3)**	(300.3)	(285.3)
Provisions					
Pension provisions	22	**(214.1)**	**(214.1)**	(76.1)	(76.1)
Other provisions	22	**(1.1)**	**-**	(1.3)	-
Total net assets		**656.9**	**662.2**	797.1	801.5
Restricted reserves					
Income and expenditure reserve - endowment reserve	23	**184.4**	**184.4**	190.2	190.2
Unrestricted reserves					
Income and expenditure reserve - unrestricted		**472.5**	**477.8**	606.9	611.3
Total reserves		**656.9**	**662.2**	797.1	801.5

The financial statements were approved by the Council on 24 November 2022 and were signed on its behalf on that date by:

Professor Dame Janet Beer
Vice-Chancellor

Carmel Booth
President of Council

Consolidated and Institution Statement of Changes in Reserves - Year Ended 31 July 2022

Consolidated		**Income and expenditure reserve**		**Total**
	Notes	Endowment	Unrestricted	
		£m	£m	£m
At 1 August 2020		**168.3**	**578.5**	**746.8**
Surplus from the income and expenditure statement		21.9	25.0	46.9
Other comprehensive income	32	-	3.4	3.4
Total comprehensive income for the year		**21.9**	**28.4**	**50.3**
At 1 August 2021		**190.2**	**606.9**	**797.1**
Deficit from the income and expenditure statement		(5.4)	(140.1)	(145.5)
Other comprehensive income	32	-	5.3	5.3
Release of restricted funds in the year		(0.4)	0.4	-
Total comprehensive expenditure for the year		**(5.8)**	**(134.4)**	**(140.2)**
Balance at 31 July 2022		**184.4**	**472.5**	**656.9**

Institution		**Income and expenditure reserve**		**Total**
		Endowment	Unrestricted	
		£m	£m	£m
At 1 August 2020		**168.3**	**574.6**	**742.9**
Surplus from the income and expenditure statement		21.9	33.3	55.2
Other comprehensive income	32	-	3.4	3.4
Total comprehensive income for the year		**21.9**	**36.7**	**58.6**
Balance at 1 August 2021		**190.2**	**611.3**	**801.5**
Deficit from the income and expenditure statement		(5.4)	(139.2)	(144.6)
Other comprehensive income	32	-	5.3	5.3
Release of restricted funds in the year		(0.4)	0.4	-
Total comprehensive expenditure for the year		**(5.8)**	**(133.5)**	**(139.3)**
Balance at 31 July 2022		**184.4**	**477.8**	**662.2**

Consolidated Statement of Cash Flows - Year Ended 31 July 2022

	Notes	**Year ended 31 July 2022 £m**	Year ended 31 July 2021 £m
Cash flow from operating activities			
(Deficit) / Surplus for the year before tax		**(145.0)**	47.0
Adjustment for non-cash items			
Depreciation	13	**47.5**	49.6
Amortisation of intangibles	12	**0.6**	0.9
Loss / (gain) on investments	15	**6.6**	(30.2)
(Increase) / decrease in stock	17	**(0.3)**	0.1
Increase in trade and other receivables	18	**(7.9)**	(10.4)
Decrease / (increase) in creditors falling due within one year	20	**(4.8)**	29.6
Increase in pension provision	22	**153.0**	13.0
(Decrease) / increase in other provisions	22	**(0.2)**	0.8
Share of operating deficit in joint ventures and associates	16	**0.3**	3.4
Adjustment for investing or financing activities			
Investment income	6	**(1.8)**	(0.8)
Interest payable	9	**11.3**	11.8
Endowment investment income	6	**(3.6)**	(3.9)
(Profit) / loss on sale of fixed assets		**(0.3)**	4.0
Capital grant income	3	**(11.6)**	(17.7)
Cash flows from operating activities		**43.8**	97.2
Taxation		**(0.5)**	(0.1)
Net cash inflow from operating activities		**43.3**	97.1
Cash flows from investing activities			
Proceeds / (payment) in relation to disposal of fixed assets		**0.3**	(2.3)
Capital grants receipts	20	**10.8**	15.6
Disposal of non-current asset investments	15	**168.2**	23.5
Disposal of current asset investments		**80.0**	99.8
Investment income (including joint venture and associates net investment income)	6	**1.8**	0.8
Endowment investment income	6	**3.6**	3.9
Payments made to acquire fixed assets	13	**(48.1)**	(50.0)
Payments made to acquire intangible assets	12	**-**	(0.1)
New non-current asset investments	15	**(173.3)**	(98.1)
New current investments	15	**(50.0)**	(80.0)
		(6.7)	(86.9)
Cash flows from financing activities			
Interest paid	9	**(11.3)**	(11.1)
Non-current investment cash outflow	15	**(1.1)**	(2.8)
		(12.4)	(13.9)
Increase / (decrease) in cash and cash equivalents in the year		**24.2**	(3.7)
Cash and cash equivalents at beginning of the year	24	**89.7**	93.4
Cash and cash equivalents at end of the year	24	**113.9**	89.7

Notes to the Financial Statements

for the year ended 31 July 2022

Notes to the Financial Statements for the year ended 31 July 2022

1 Statement of Principal Accounting Policies

a Accounting convention

The Consolidated and Institution financial statements have been prepared in accordance with United Kingdom Accounting Standards, including Financial Reporting Standard 102 (FRS 102) and the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education (2019 edition). They have also been prepared in accordance with the 'carried forward' powers and duties of previous legislation (Further and Higher Education Act 1992 and the Higher Education Act 2004) and the new powers of the Higher Education and Research Act 2017 during the transition period to 31 July 2019, the Royal Charter, the Accounts Direction issued by the Office for Students (OfS), the Terms and conditions of funding for higher education institutions issued by the Office for Students and the Terms and conditions of Research England Grant.

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

b Basis of preparation

The Consolidated and Institution financial statements have been prepared under the historical cost convention (modified by the revaluation of certain financial assets and liabilities at fair value).

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

The Institution and group financial statements have been prepared on a going concern basis for the period to 31 July 2022. The Council consider this to be appropriate for the following reasons.

At 31 July 2022 the Institution had net current assets of £63.6m, including cash of £113.9m, and further liquid investments of £20.5m. The Institution also had long term loans of £300.2m for which all covenants had been complied with at the Statement of Financial Position date. More recently subsequent to the year end the Institution had cash available of £117.8m at 31 October 2022.

Cash flow forecasts were prepared for the period up to 31 July 2024 to support management's assessment of going concern. The Institution's base case scenario for the period forecast compliance with all loan covenants to 31 July 2024 and liquidity headroom no lower than £64m through the going concern period.

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

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

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

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

The Institution has considered a scenario to reverse stress test the model under which it either utilises all cash and liquid investments or breaches loan covenants. This scenario would require a significant reduction in both forecast overseas student recruitment, and an immediate, sustained and significant inflationary uplift in both pay and non-pay for the going concern period. Management is satisfied that it is sufficiently remote that such a scenario would occur.

After reviewing these forecasts, the Council is of the opinion that, taking account of severe but plausible downsides, the Group and parent University will have sufficient funds to meet their liabilities as they fall due over the period to 31 July 2024.

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

c Exemptions under FRS102

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

d Basis of consolidation

The consolidated financial statements include the financial statements of the Institution and all its subsidiaries together with the share of results of joint ventures and associates for the financial year to 31 July 2022. The results of subsidiaries acquired or disposed of during the period are included in the Consolidated Statement of Comprehensive Income from the date of acquisition or up to the date of disposal. Intra-group transactions are eliminated on consolidation.

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

The consolidated financial statements do not include the income and expenditure of the Liverpool Guild of Students as the Institution does not exert control or dominant influence over policy decisions.

Associated companies and joint ventures are accounted for using the equity method.

Where necessary, adjustments are made to the financial statements of subsidiaries, associates and joint ventures to bring their accounting policies into line with those used by the Institution.

e Income recognition

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

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

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

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

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

Grant funding

Grant funding including Office for Students and Research England recurrent grants, research grants from government sources and grants (including research grants) from non government sources are recognised as income when the Institution is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the Statement of Financial Position and released to income as the conditions are met.

Donations and endowments

Non-exchange transactions without performance related conditions are donations and endowments. Donations and endowments with donor imposed restrictions are recognised in income when the Institution is entitled to the funds. Income is retained within the restricted reserve until such time that it is utilised in line with such restrictions at which point the income is released to general reserves through a reserve transfer.

Donations with no restrictions are recognised in income when the Institution is entitled to the funds.

Investment income is recorded in income in the year in which it arises, as either restricted or unrestricted income according to the terms of the restriction applied to the individual endowment fund.

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

1. Restricted donations - the donor has specified that the donation must be used for a particular objective.
2. Unrestricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of the Institution.
3. Restricted expendable endowments - the donor has specified a particular objective in respect of the endowment and the endowment may be spent in full.
4. Restricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective.

Capital grants

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

f Accounting for retirement benefits

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

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

A liability is recorded within

provisions for any contractual commitment to fund past deficits within the USS scheme.

Defined contribution plan

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

Multi-employer schemes

Where the Institution is unable to identify its share of the underlying assets and liabilities in a multi-employer scheme on a reasonable and consistent basis, it accounts as if the scheme were a defined contribution scheme. Where the Institution has entered into an agreement with such a multi-employer scheme that determines how the Institution will contribute to the deficit recovery plan, the Institution recognises a liability for the contributions payable that arise from the agreement, to the extent that they relate to the deficit, and the resulting expense is recognised in expenditure.

Defined benefit plan

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

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

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

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

The cost of the defined benefit plan, recognised in expenditure as staff costs, except where included in the cost of an asset, comprises the increase in pension benefit liability arising from employee service during the period and the cost of plan introductions, benefit changes, curtailments, and settlements. The net interest cost is calculated by applying the discount rate to the net liability. This cost is recognised in expenditure as a finance cost.

Universities Superannuation Scheme

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

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

University of Liverpool Pension Fund

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

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

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

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

g Employment benefits

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

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

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

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

h Finance leases

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

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

i Operating leases

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

j Foreign currency

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

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

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

k Property, plant and equipment

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

Land and buildings

Land is stated at deemed cost as at 1 August 2014. Buildings are stated at historic purchase cost less accumulated depreciation. Cost includes the original purchase price of the asset and costs attributable to bringing the asset to its working condition for its intended use. Costs incurred in relation to land and buildings after initial purchase or construction are capitalised to the extent that they increase the expected future benefits to the Institution.

Freehold land is not depreciated as it is considered to have an indefinite useful life. Freehold buildings are depreciated on a straight line basis over their expected useful lives of between 30 and 50 years.

Infrastructure assets are depreciated over 16 years.

Leasehold buildings are depreciated over the life of the lease up to a maximum of 50 years.

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

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

Equipment

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

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

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

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

Impairment

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

Repairs and maintenance

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

Borrowing costs

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

l Heritage assets

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

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

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

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

m Intangible assets

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

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

Intangible assets are subject to an assessment whether there are any indicators of impairment at each reporting date in respect of intangible assets. If such indicators exist, the Institution will perform an impairment review.

n Investments

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

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

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

o Stock

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

p Cash and cash equivalents

Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty.

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

q Provisions, contingent liabilities and contingent assets

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

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

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

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

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

r Accounting for joint ventures and associates

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

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

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

s Taxation

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

Deferred tax is provided in full on timing differences that exist at the reporting date and that result in an obligation to pay more tax, or a right to pay less tax in the future. The deferred tax is measured at the rate expected to apply in periods in which the timing differences are expected to reverse, based on the tax rates and laws that are enacted or substantively enacted at the reporting date. Unrelieved tax losses and other deferred tax assets shall be recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax assets and liabilities are not discounted.

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

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

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

t Reserves

Reserves are classified as restricted or unrestricted.

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

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

u Financial instruments

The Institution has elected to adopt sections 11 and 12 of FRS 102 in respect of the recognition and measurement of financial instruments. Financial assets and liabilities are recognised when the Institution becomes party to the contractual provision of the instrument and they are classified according to the substance of the contractual arrangements entered into. A financial asset and a financial liability are offset only when there is a legally enforceable right to offset the recognised amounts and an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

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

Investments

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

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

All other investments are measured at cost less impairment.

Short term debtors and creditors

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

Loans

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

Derivatives

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

v Critical accounting estimates and judgements

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

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

Critical accounting estimates

Recoverability of debtors

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

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

Provisions

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

Retirement benefit obligations

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

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

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

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

As the Institution is contractually bound to make deficit recovery payments to USS, the provision is recognised as a liability on the Statement of Financial Position. The provision is currently based on the USS deficit recovery plan agreed after the 2020 actuarial valuation, which defines the deficit payment required as a percentage of future salaries until 2038. These contributions will be reassessed within each triennial valuation of the scheme. The provision is based on management's estimate of expected future salary inflation, changes in staff numbers and the prevailing rate of discount.

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

Significant judgements

Impairments

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

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

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

		Notes	Year Ended 31 July 2022 Consolidated £m	Year Ended 31 July 2022 Institution £m	Year Ended 31 July 2021 Consolidated £m	Year Ended 31 July 2021 Institution £m
2	**Tuition fees and education contracts**					
	Full-time home and EU students		**169.4**	**169.4**	166.6	166.6
	Full-time international students		**113.5**	**113.1**	115.6	114.9
	Part-time students		**6.8**	**6.8**	6.1	6.1
	Special courses		**7.8**	**7.9**	6.1	6.1
	Research Training Support Grant		**10.7**	**10.7**	10.0	10.0
			308.2	**307.9**	304.4	303.7
3	**Funding body grants**					
	Recurrent grant					
	Office for Students		**32.1**	**32.1**	30.4	30.4
	Research England		**33.1**	**33.1**	32.2	32.2
	Specific grants					
	Capital Investment Funds		**7.1**	**7.1**	6.1	6.1
	Higher Education Innovation Fund		**5.6**	**5.6**	4.4	4.4
	Other specific grants		**5.3**	**5.3**	5.6	5.6
			83.2	**83.2**	78.7	78.7
4	**Research grants and contracts**					
	Research councils		**45.1**	**45.1**	46.9	46.9
	Research charities		**15.4**	**15.4**	13.8	13.8
	Government (UK and overseas)		**36.3**	**36.3**	35.8	35.8
	Industry and commerce		**6.1**	**6.1**	6.6	6.6
	Other		**10.7**	**10.7**	9.4	9.4
			113.6	**113.6**	112.5	112.5

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

		Notes	Year Ended 31 July 2022 Consolidated £m	Year Ended 31 July 2022 Institution £m	Year Ended 31 July 2021 Consolidated £m	Year Ended 31 July 2021 Institution £m
	Grant and Fee income					
	Grant income from the OfS		**36.6**	**36.6**	34.4	34.4
	Grant income from other bodies		**160.2**	**160.2**	156.9	156.9
	Fee income for research awards		**15.2**	**15.2**	14.7	14.7
	Fee income from non-qualifying courses		**19.2**	**19.3**	17.0	17.0
	Fee income for taught awards		**273.8**	**273.4**	272.6	271.9
			505.0	**504.7**	495.6	494.9
5	**Other income**					
	Residences, catering and conferences		**28.9**	**28.9**	21.2	21.2
	Health authorities		**19.2**	**19.2**	17.4	17.4
	Other services		**28.8**	**25.9**	25.9	23.1
	Other income		**21.2**	**21.2**	17.2	17.3
	Specific capital grant		**2.7**	**2.7**	-	-
			100.8	**97.9**	81.7	79.0

We received no Coronavirus Job Retention Scheme income in the year (2021 - £1.8m). No staff were on furlough during the year (2021 - 228).

		Notes	Year Ended 31 July 2022 Consolidated £m	Year Ended 31 July 2022 Institution £m	Year Ended 31 July 2021 Consolidated £m	Year Ended 31 July 2021 Institution £m
6	**Investment income**					
	Investment income on endowments		**3.6**	**3.6**	3.9	3.9
	Other investment income		**1.8**	**2.7**	0.8	4.0
	Net return on ULPF pension scheme	32	**0.3**	**0.3**	0.3	0.3
			5.7	**6.6**	5.0	8.2

		Year Ended 31 July 2022		Year Ended 31 July 2021	
		Consolidated	**Institution**	Consolidated	Institution
		£m	**£m**	£m	£m
7	**Donations and endowments**				
	New endowments	**0.8**	**0.8**	3.6	3.6
	Unrestricted donations	**2.6**	**2.6**	11.7	11.7
		3.4	**3.4**	15.3	15.3
8	**Staff costs**				
	Staff costs:				
	Salaries	**256.2**	**254.9**	246.4	245.0
	Social security costs	**25.6**	**25.4**	24.0	23.9
	Movement on USS past service cost on pensions	**137.3**	**137.3**	(0.7)	(0.7)
	Other pension costs	**62.2**	**61.9**	58.1	57.9
	Movement on annual leave provision	**(0.2)**	**(0.2)**	0.1	0.1
	Sub-total	**481.1**	**479.3**	327.9	326.2
	Restructuring costs	**1.6**	**1.6**	2.5	2.5
	Total	**482.7**	**480.9**	330.4	328.7

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

	Year Ended 31 July 2022	Year Ended 31 July 2021
	£'000	£'000
Total remuneration of the Vice-Chancellor		
Basic Salary	**309.5**	300.5
Performance related pay	**-**	-
Allowance in lieu of pension contribution	**53.1**	51.8
Total renumeration for the Vice-Chancellor	**362.6**	352.3
Taxable benefits:		
Accommodation expenses	**-**	1.7
Medical insurance	**2.3**	2.2
Non-taxable benefits:		
Accommodation expenses	**-**	4.4
Total remuneration including benefits	**364.9**	360.6

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

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

The Vice-Chancellor's base pay was uplifted by 3% as part of the Senior Management Salary Review 2021.

Overall, the Vice-Chancellor's allowance in lieu of pension contributions increased in line with the USS sector wide increase in pension contributions and revised NI contributions.

This year, the Council agreed to accept and honour the Vice-Chancellor's request not to be considered for a performance bonus.

Pay negotiations being undertaken through the Joint Negotiating Committee for Higher Education Staff (JNCHES) have led to an award of 3.0% from August 2022. The Vice-Chancellor's base salary and allowance in lieu of employer's pension contributions will be increased in line with any agreed pay award.

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

- Director of the Board, The Russell Group of Universities
- Member of the Board, Universities UK (UUK)
- Vice-Chair of the Board, Xi'an Jiaotong-Liverpool University
- Council Member, Arts and Humanities Research Council (net amount of £3,772 donated to the University)
- Director, Liverpool Science Park Ltd
- Director, N8 Ltd
- Member, Knowledge Quarter Liverpool Board
- Chair, Sciontec Liverpool Board
- Member, Liverpool City Region LEP Board
- Member, Board of Government Skills and Curriculum Unit

Head of Provider Pay Multiple	**Year ended 31 July 2022**		**Year ended 31 July 2021**	
	Basic Pay	**Total Pay**	**Basic Pay**	**Total Pay**
	£'000	**£'000**	**£'000**	**£'000**
Staff Pay Median	**37.5**	**42.1**	36.9	41.5
Vice-Chancellor Pay	**309.5**	**364.9**	300.5	360.6
Pay Multiple	**8.3**	**8.7**	8.1	8.7

Payment to the President of Council

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

In 2021/22, payment for the President of the Council's services was made to a consulting company of which the President of Council is a director. The invoice was approved in accordance with the Institution's financial regulations and normal procurement procedures.

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

	Year ended 31 July 2022 No.	Year ended 31 July 2021 No.
£100,000-£104,999	**18**	52
£105,000-£109,999	**64**	22
£110,000-£114,999	**41**	41
£115,000-£119,999	**6**	4
£120,000-£124,999	**8**	12
£125,000-£129,999	**12**	8
£130,000-£134,999	**2**	4
£135,000-£139,999	**1**	-
£145,000-£149,999	**-**	1
£150,000-£154,999	**2**	3
£155,000-£159,999	**2**	4
£160,000-£164,999	**3**	1
£165,000-£169,999	**2**	2
£170,000-£174,999	**1**	-
£175,000-£179,999	**1**	1
£180,000-£184,999	**1**	-
£195,000-£199,999	**-**	1
£200,000-£204,999	**1**	-
£220,000-£224,999	**-**	1
£235,000-£239,999	**1**	1
£255,000-£259,999	**-**	1
£260,000-£264,999	**1**	-
£300,000-£304,999	**-**	1
£305,000-£309,999	**1**	-
£350,000-£354,999	**1**	-
	169	160

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

Average staff numbers by major category	**Year ended 31 July 2022 Full time equivalent**	Year ended 31 July 2021 Full time equivalent
Academic	**1,893**	1,879
Research	**800**	806
Technical	**577**	571
Professional Services	**2,444**	2,382
	5,714	5,638

Severance payments

During the year the Institution incurred restructuring costs of £1.6m (2021 - £2.5m) in compensation for loss of office being paid to 142 (2021 - 191) employees.

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

Key management personnel

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

	Year ended 31 July 2022	Year ended 31 July 2021
Number of key management personnel	**10**	10
Key management personnel compensation	**2,409**	2,334

The year on year increase of 3.2% reflects the annual pay award for 2021/22.

	Notes	**Year Ended 31 July 2022**		Year Ended 31 July 2021	
		Consolidated	**Institution**	Consolidated	Institution
		£m	**£m**	£m	£m
9 Interest and other finance costs					
Loan interest		**11.2**	**10.5**	11.2	10.5
Other interest		**0.1**	**-**	-	-
Net charge on USS pension scheme	22	**0.7**	**0.7**	0.6	0.6
		12.0	**11.2**	11.8	11.1

	Notes	Year Ended 31 July 2022 Consolidated £m	Year Ended 31 July 2022 Institution £m	Year Ended 31 July 2021 Consolidated £m	Year Ended 31 July 2021 Institution £m
10a Analysis of total expenditure by activity					
Academic and related expenditure		**279.6**	**278.9**	256.8	256.3
Administration and central services		**11.3**	**11.3**	12.9	12.9
Premises		**72.9**	**74.2**	70.6	70.8
Residences, catering and conferences		**23.1**	**22.8**	21.1	20.9
Research grants and contracts		**92.4**	**92.4**	85.3	85.3
Net charge / (credit) on USS pension scheme provision	8, 9	**138.0**	**138.0**	(0.1)	(0.1)
Other expenses		**138.8**	**136.1**	125.2	122.3
		756.1	**753.7**	571.8	568.4

	£m	£m	£m	£m
Operating expenses include:				
Operating lease rentals				
Land and buildings	**2.9**	**2.9**	4.2	4.2
Other	**3.2**	**3.2**	1.2	1.2
Restructuring costs	**1.6**	**1.6**	2.5	2.5

	Year Ended 31 July 2022 £'000	Year Ended 31 July 2021 £'000
External auditor's remuneration in respect of audit services		
Fees payable to the auditor for the audit of the University's financial statements	**223.3**	210.0
Additional fees payable in respect of 2020/21 audit of financial statements	**21.6**	-
Audit of the financial statements of subisidiaries	**59.9**	59.9
Other assurance services	**9.6**	6.0
	314.4	275.9

During the year the Institution incurred restructuring costs of £1.6m (2021 - £2.5m) in compensation for loss of office being paid to 142 (2021 - 191) employees.

10b Access and Participation	Year Ended 31 July 2022 £'000	Year Ended 31 July 2021 £'000
Access investment	**1,315**	1,270
Financial support	**10,960**	11,544
Disability support	**720**	623
Research and evaluation	**228**	195
	13,223	13,632

Of the above costs, £2,044k (2021 - £1,919k) are intrinsic to the delivery of the access and participation activities and these costs are already included in the overall staff costs figures included in note 8.

Cost apportionment methodologies have been used when preparing the note in relation to the allocation of £2,044k staff costs (2021 - £1,919k) and recruitment costs of £58k (2021 - £46k).

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

11 Taxation

	Year Ended 31 July 2022		Year Ended 31 July 2021	
	Consolidated	**Institution**	Consolidated	Institution
	£m	**£m**	£m	£m
Recognised in the Statement of Comprehensive Income				
Deferred tax				
Origination and reversal of timing differences	**0.5**	**-**	0.1	-
Deferred tax expense	**0.5**	**-**	0.1	-

12 Intangible assets

Software

	Year Ended 31 July 2022		Year Ended 31 July 2021	
	Consolidated	**Institution**	Consolidated	Institution
	£m	**£m**	£m	£m
At 1 August 2021	**1.0**	**0.8**	1.8	1.6
Additions in the year	**-**	**-**	0.1	-
Amortisation charge for the year	**(0.6)**	**(0.5)**	(0.9)	(0.8)
At 31 July 2022	**0.4**	**0.3**	1.0	0.8

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 2021	769.0	51.0	0.1	137.9	229.2	50.4	17.0	1,254.6
Additions	4.5	-	-	4.7	6.8	32.7	-	48.7
Transfers	11.2	-	-	14.0	7.0	(32.2)	-	-
Disposals	-	-	-	-	(1.0)	-	-	(1.0)
At 31 July 2022	**784.7**	**51.0**	**0.1**	**156.6**	**242.0**	**50.9**	**17.0**	**1,302.3**
Depreciation								
At 1 August 2021	223.7	16.0	0.1	32.5	185.5	-	-	457.8
Charge for the year	20.2	1.1	-	10.1	16.1	-	-	47.5
Disposals	-	-	-	-	(1.0)	-	-	(1.0)
At 31 July 2022	**243.9**	**17.1**	**0.1**	**42.6**	**200.6**	**-**	**-**	**504.3**
Net book value								
At 31 July 2022	**540.8**	**33.9**	**-**	**114.0**	**41.4**	**50.9**	**17.0**	**798.0**
At 31 July 2021	545.3	35.0	-	105.4	43.7	50.4	17.0	796.8

	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
Institution								
Cost								
At 1 August 2021	780.9	51.0	0.1	137.9	188.9	49.3	17.0	1,225.1
Additions	5.3	-	-	4.7	6.5	30.8	-	47.3
Transfers	11.5	-	-	14.0	4.9	(30.4)	-	-
Disposals	-	-	-	-	(1.0)	-	-	(1.0)
At 31 July 2022	**797.7**	**51.0**	**0.1**	**156.6**	**199.3**	**49.7**	**17.0**	**1,271.4**
Depreciation								
At 1 August 2021	223.7	16.0	0.1	32.5	169.3	-	-	441.6
Charge for the year	20.2	1.1	-	10.1	14.1	-	-	45.5
Disposals	-	-	-	-	(1.0)	-	-	(1.0)
At 31 July 2022	**243.9**	**17.1**	**0.1**	**42.6**	**182.4**	**-**	**-**	**486.1**
Net book value								
At 31 July 2022	**553.8**	**33.9**	**-**	**114.0**	**16.9**	**49.7**	**17.0**	**785.3**
At 31 July 2021	557.2	35.0	-	105.4	19.6	49.3	17.0	783.5

At 31 July 2022, freehold land and buildings included £44.8m (2021 - £44.8m) in respect of freehold land that is not depreciated.

At 31 July 2022, leasehold land and buildings included £1.5m (2021 - £1.5m) in respect of leasehold land that is not depreciated.

There is no capitalised aggregated interest included in the cost of fixed assets in 2021/22 (2021 - £0m). There is no amount included in Consolidated and University net book value relating to assets held for resale (2021 - £0m).

There are no capitalised borrowing costs included in the additions in 2021/22 (2021 - £0m).

14 Heritage assets

The Institution holds its heritage assets in three collections; the Heritage collection, the Fine and Decorative Art collection and the Garstang Museum of Archaeology collection.

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

The Heritage Collection consists of 25,000 museum objects which have been collected over many years by academic departments of the Institution, and has been brought together into the Victoria Gallery & Museum. Many of the objects may originally have had value for teaching purposes, but this is no longer the case. 10,000 items are geological specimens, while the dental collection also contains around 10,000 and the remainder come from a wide range of departments of the Institution. The majority of the Collection has never been valued, and, given the wide range of objects, such a valuation is not considered to be practical and as a result has not been recognised in the Statement of Financial Position. Notable items from the dental collection were valued in 2022.

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

The Garstang Museum of Archaeology collection consists of two overlapping collections: its various collections of objects derived from archaeology fieldwork and the paper and photographic archive which in the main relates to much of that fieldwork. The greater part of the collection consists of Egyptian and Nubian material (around 6,000 objects) with the remainder of the collection consisting of material from the Near East, the Mediterranean and Britain.

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

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

In July 2021, an appropriately qualified assessor at Christies confirmed that the insurance valuation for the pictures by Freud and Turner were £16m and £24m respectively.

The insurance valuation for the collection at 31 July 2022 is £106.2m.

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

During the reporting period 1 August 2021 to 31 July 2022 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 2021	-	112.9	190.2	303.1
Additions	-	101.0	72.3	173.3
Disposals	-	(93.7)	(74.5)	(168.2)
Cash movement	-	1.9	(0.8)	1.1
Change in market value	-	(4.1)	(2.8)	(6.9)
At 31 July 2022	**-**	**118.0**	**184.4**	**302.4**
Institution				
At 1 August 2021	3.8	112.9	190.2	306.9
Additions	-	101.0	72.3	173.3
Disposals	-	(93.7)	(74.5)	(168.2)
Cash movement	-	1.9	(0.8)	1.1
Change in market value	-	(4.1)	(2.8)	(6.9)
At 31 July 2022	**3.8**	**118.0**	**184.4**	**306.2**

The loss on investments in the Consolidated Statement of Comprehensive Income also includes a gain of £3.1m relating to the disposal of a minority shareholding in a company which had not been consolidated into these group accounts based on its materiality (2021 - £nil). Change in market value is net of fees.

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

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

The fair value of investments has been determined using the following hierarchy:

Level 1 – The unadjusted quoted price in an active market for identical assets or liabilities which the Institution can access at the year end.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity.

Level 3 – Unobservable inputs for the asset or liability. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

All assets held in pooled investment vehicles are disclosed as Level 2 assets, however the majority of these assets held in each fund relate to listed equities and bonds which individually would be considered Level 1 assets.

	Consolidated				Institution			
	2022	**2022**	**2022**	**2022**	2022	2022	2022	2022
	Level 1	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
	£'000	**£'000**	**£'000**	**£'000**	£'000	£'000	£'000	£'000
Quoted Equities	28.1	-	-	**28.1**	28.1	-	-	28.1
Cash	5.1	-	-	**5.1**	5.1	-	-	5.1
Other	3.2	-	-	**3.2**	3.2	-	-	3.2
Bonds	-	143.6	-	**143.6**	-	143.6	-	143.6
Pooled Funds	-	89.5	-	**89.5**	-	89.5	-	89.5
Property Fund	-	-	19.6	**19.6**	-	-	19.6	19.6
Hedge Funds	-	-	9.6	**9.6**	-	-	9.6	9.6
Private Equity	-	-	1.9	**1.9**	-	-	1.9	1.9
Private Placements	-	-	1.8	**1.8**	-	-	5.6	5.6
	36.4	**233.1**	**32.9**	**302.4**	36.4	233.1	36.7	306.2

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

	% Holding		% Holding
Sepsis Limited	35.1	Porous Liquid Technologies	15.1
Provexis IBD Limited	25.0	Pepsyn Limited	3.5
Q Technologies Limited	24.9	Robotiz3D Limited	25.0
Polymer Mimetics Ltd	20.0	Phenutest Diagnostics Limited	26.0
Intellihep Limited	18.0	CVCP Limited	1.3
Nidor Diagnostics Ltd	16.3	Renewvax Limited	29.6

16 Investment in joint ventures and associates

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

The Institution holds a 25% interest in Liverpool Science Park Ltd and Sciontec Developments Ltd. The entities are treated as associates and accounted for using the equity method.

Laureate – University of Liverpool Ventures BV was formally dissolved in May 2022 and therefore the Institution is no longer equity accounting for this entity.

	Year ended 31 July 2022						Year ended 31 July 2021					
	XJTLU*	**Sciontec Developments Ltd**	**Liverpool Science Park Ltd**	**Laureate – University of Liverpool Ventures B.V.**	**Sensor City**	**Total**	XJTLU*	Sciontec Developments Ltd	Liverpool Science Park Ltd	Laureate – University of Liverpool Ventures B.V.	Sensor City	Total
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	£m	£m	£m	£m	£m	£m
Income and expenditure account												
Income	**98.7**	**0.1**	**0.6**	**-**	**-**	**0.7**	79.3	(0.2)	0.4	(0.5)	-	(0.3)
Surplus/(deficit) before tax	**20.9**	**-**	**(0.1)**	**-**	**(0.2)**	**(0.3)**	13.9	-	(0.2)	(0.5)	(4.3)	(5.0)
Balance sheet												
Fixed assets	**133.0**	**-**	**4.3**	**-**	**0.5**	**4.8**	125.4	-	4.4	-	0.4	4.8
Current assets	**73.4**	**0.7**	**0.4**	**-**	**-**	**1.1**	38.5	0.7	0.4	-	0.1	1.2
	206.4	**0.7**	**4.7**	**-**	**0.5**	**5.9**	163.9	0.7	4.8	-	0.5	6.0
Creditors: amounts due within one year	**(16.3)**	**-**	**(0.7)**	**-**	**-**	**(0.7)**	(15.0)	(0.1)	(0.6)	-	(0.1)	(0.8)
Creditors: amounts due after more than one year	**(146.4)**	**-**	**(0.9)**	**-**	**-**	**(0.9)**	(128.9)	-	(0.9)	-	-	(0.9)
	(162.7)	**-**	**(1.6)**	**-**	**-**	**(1.6)**	(143.9)	(0.1)	(1.5)	-	(0.1)	(1.7)
Share of net assets	**43.7**	**0.7**	**3.1**	**-**	**0.5**	**4.3**	20.0	0.6	3.3	-	0.4	4.3

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.

The Institution's share of XJTLU's net assets as at 31 July 2022 was £43.7m (2021 - £20m). Following an impairment review during the year to 31 July 2020, which considered the uncertainties in relation to future cash flows which could support this valuation, the investment was impaired to a carrying value of £nil. The amounts reported for XJTLU are therefore solely a memorandum.

17 Stock

	As at 31 July 2022		As at 31 July 2021	
	Consolidated	**Institution**	Consolidated	Institution
	£m	**£m**	£m	£m
General consumables	**1.6**	**1.3**	1.3	1.1

18 Trade and other receivables

	As at 31 July 2022		As at 31 July 2021	
	Consolidated	**Institution**	Consolidated	Institution
	£m	**£m**	£m	£m
Amounts falling due within one year:				
Research grants receivables	**39.0**	**39.0**	36.7	36.7
Other trade receivables	**11.5**	**11.0**	14.4	13.8
Other receivables	**12.0**	**11.9**	7.5	7.2
Prepayments and accrued income	**25.7**	**23.9**	20.1	19.9
Amounts due from subsidiary companies	**-**	**7.2**	-	7.0
	88.2	**93.0**	78.7	84.6

19 Current investments

	As at 31 July 2022		As at 31 July 2021	
	Consolidated	**Institution**	Consolidated	Institution
	£m	**£m**	£m	£m
Short term deposits	**20.5**	**20.5**	50.5	50.5

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 2022 the weighted average interest rate of these fixed rate deposits was 0.84% per annum. The fair value of these deposits was not materially different from the book value.

20 Creditors: amounts falling due within one year

	As at 31 July 2022		As at 31 July 2021	
	Consolidated	**Institution**	Consolidated	Institution
	£m	**£m**	£m	£m
Trade payables	**19.3**	**19.3**	13.3	13.2
Amounts due to subsidiary companies	**-**	**5.4**	-	9.0
Social security and other taxation payable	**8.0**	**7.5**	7.1	6.3
Accruals and deferred income	**69.4**	**64.2**	75.3	68.1
Research grants received on account	**63.9**	**63.9**	68.3	68.3
	160.6	**160.3**	164.0	164.9

Deferred income

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

	As at 31 July 2022		As at 31 July 2021	
	Consolidated	**Institution**	Consolidated	Institution
	£m	**£m**	£m	£m
Grant income	**6.5**	**6.5**	7.8	7.8
Other income	**30.7**	**30.7**	32.0	32.0
	37.2	**37.2**	39.8	39.8

21 Creditors: amounts falling due after more than one year

	As at 31 July 2022		As at 31 July 2021	
	Consolidated	**Institution**	Consolidated	Institution
	£m	**£m**	£m	£m
Obligations under finance leases	**0.1**	**0.1**	0.1	0.1
Unsecured loans	**300.2**	**285.2**	300.1	285.1
Other creditors	**-**	**-**	0.1	0.1
	300.3	**285.3**	300.3	285.3
Analysis of unsecured loans:				
Due within one year or on demand (note 20)	**-**	**-**	-	-
Due between one and two years	**-**	**-**	-	-
Due in five years or more	**300.2**	**285.2**	300.1	285.1
Due after more than one year	**300.2**	**285.2**	300.1	285.1
Total unsecured loans	**300.2**	**285.2**	300.1	285.1
Bond repayable by 2055	**245.2**	**245.2**	245.1	245.1
Unsecured loans repayable by 2036	**40.0**	**40.0**	40.0	40.0
Unsecured loans repayable by 2028	**15.0**	**-**	15.0	-
	300.2	**285.2**	300.1	285.1

Included in loans are the following:

Lender	**Amount**	**Term**	**Interest rate**	**Borrower**
	£m		**%**	
Public bond	245.2	2055	3.375	Institution
Private placement	40.0	2036	4.99	Institution
	285.2			
Lloyds Bank	15.0	2028	4.975	Subsidiary
Total	**300.2**			

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

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

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

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

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

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

22 Provisions for liabilities

Consolidated	Notes	Obligation to fund deficit on USS Pension	Other provisions	Total
		£m	£m	£m
At 1 August 2021		76.1	1.3	77.4
Utilised during the year		(4.3)	-	(4.3)
Charged (credited) to the Statement of Comprehensive Income		142.3	(0.2)	142.1
At 31 July 2022		**214.1**	**1.1**	**215.2**

Institution	Obligation to fund deficit on USS Pension	Other provisions	Total
	£m	£m	£m
At 1 August 2021	76.1	-	76.1
Utilised during the year	(4.3)	-	(4.3)
Charged to the Statement of Comprehensive Income	142.3	-	142.3
At 31 July 2022	**214.1**	**-**	**214.1**

Obligation to fund deficit on USS pension

The obligation to fund the past deficit on the Universities Superannuation Scheme (USS) arises from the contractual obligation with the USS to fund deficit payments in accordance with the deficit recovery plan. In calculating this provision, Management have estimated future staff levels within the USS scheme for the duration of the contractual obligation and salary inflation. Key assumptions and further information is provided in note 32(i).

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 in note 33.

The movement in the provision consists of past service cost of £137.3m (2021 - £(0.7)m) (note 8) and the net finance charge of £0.7m (2021 - £0.6m) (note 9).

In 2022/23 the University plans to pay £12.5m of the provision balance.

Other provisions

Other provisions comprise an obligation of £1.1m (2021 - £1.3m) for deferred tax payable on timing differences between accumulated depreciation and capital allowances.

23 Endowment reserves Institution and Consolidated

Restricted net assets relating to endowments are as follows:

		Restricted permanent endowments	Restricted expendable endowments	2022	2021
				Total	Total
		£m	£m	£m	£m
Balances at 1 August					
Capital		137.9	32.8	**170.7**	145.3
Accumulated income		15.0	4.5	**19.5**	23.0
		152.9	37.3	**190.2**	168.3
New endowments		-	0.8	**0.8**	3.6
Investment income		2.9	0.7	**3.6**	3.9
Expenditure		(4.1)	(3.3)	**(7.4)**	(8.8)
(Decrease) / increase in market value of investments		(2.2)	(0.6)	**(2.8)**	23.2
Total endowment comprehensive (expense) / income for the year		(3.4)	(2.4)	**(5.8)**	21.9
Balances at 31 July		149.5	34.9	**184.4**	190.2
Represented by:					
	Capital	135.4	31.6	**167.0**	170.7
	Accumulated income	14.1	3.3	**17.4**	19.5
		149.5	34.9	**184.4**	190.2
Analysis by type:					
	Chairs	71.9	0.2	**72.1**	74.0
	Scholarships and Fellowships	46.5	15.8	**62.3**	64.0
	Prizes	5.0	1.2	**6.2**	6.3
	Lectureships	8.7	6.9	**15.6**	16.3
	Other	17.4	10.8	**28.2**	29.6
		149.5	34.9	**184.4**	190.2

		2022	2021
		Total	Total
Analysis by asset:		**£m**	£m
	Current and non-current asset investments	**179.1**	184.1
	Cash and cash equivalents	**5.3**	6.1
		184.4	190.2

There were no accumulated income balances in deficit at 31 July 2022 (2021 - none).

24 Cash and cash equivalents

	At 1 August 2021 £m	Cash flows £m	At 31 July 2022 £m
Consolidated	**89.7**	**24.2**	**113.9**

25 Consolidated reconciliation of net debt

	At 31 July 2022 £m
Net debt 1 August 2021	**(210.5)**
Movement in cash and cash equivalents	24.2
Other non-cash changes	(0.1)
Net debt 31 July 2022	**(186.4)**
Change in net debt	**(24.1)**

Analysis of net debt:	At 31 July 2022 £m	At 31 July 2021 £m
Cash and cash equivalents	**113.9**	**89.7**
Borrowings: amounts falling due after more than one year		
Obligations under finance lease	(0.1)	(0.1)
Unsecured loans	(300.2)	(300.1)
	(300.3)	**(300.2)**
Net debt	**(186.4)**	**(210.5)**

26 Capital and other commitments

Provision has not been made for the following capital commitments at 31 July 2022:

	As at 31 July 2022		As at 31 July 2021	
	Consolidated £m	**Institution £m**	Consolidated £m	Institution £m
Commitments contracted for	**31.5**	**29.8**	27.6	26.5

27 Contingent liabilities

The Institution has given written undertakings to support Sensor City Liverpool Ltd, University of Liverpool Energy Company Ltd, University of Liverpool Construction Company Ltd and ULCCO (Special Projects) Ltd for the period from the date of approval of these financial statements up to 31 July 2024.

28 Lease obligations Consolidated and Institution

Total rentals payable under operating leases:

	Land and buildings £m	Plant and machinery £m	Other Leases £m	31 July 2022 Total £m	31 July 2021 £m
Payable during the year	**2.9**	**0.4**	**2.8**	**6.1**	5.4
Future minimum lease payments due:					
Not later than 1 year	**2.7**	**0.4**	**2.8**	**5.9**	3.9
Later than 1 year and not later than 5 years	**10.6**	**0.3**	**7.4**	**18.3**	13.5
Later than 5 years	**24.4**	**-**	**-**	**24.4**	26.8
Total lease payments due	**37.7**	**0.7**	**10.2**	**48.6**	44.2

29 Events after the reporting period Consolidated and Institution

As set out in note 32 in respect of the University of Liverpool Pension Fund (ULPF), a new schedule of contributions based on the 2021 actuarial valuation was agreed in October 2022. The valuation revealed a surplus in assets when measured against the Fund's technical provisions. The size of the surplus as at 31 July 2021 was £159m and the funding level 135%.

The surplus recognised in the Statement of Financial Position at the year end was based on the schedule of contributions in place at that date, which was the schedule of contributions agreed following the 2018 actuarial valuation.

Any adjustment to the surplus following the completion of the 2021 actuarial valuation will be reflected in the Institution's Financial Statements for the year ended 31 July 2023. For the 2021/22 financial year, this is considered a non-adjusting event.

Further detail is given in note 32 (iii).

30 Subsidiary undertakings

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

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

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

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

31 Linked charity

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

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

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

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

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

	As at 31 July 2021	Investment income and gain	Expenditure	As at 31 July 2022
	£m	£m	£m	£m
Agnes Lois Bulley Trust				
Investments	8.3	0.1	(0.2)	**8.2**

32 Pension schemes

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

• Universities Superannuation Scheme (USS)

• University of Liverpool Pension Fund (ULPF)

• National Health Service Pension Scheme (NHSPS)

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

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

The total pension cost for the University was:

		Year Ended 31 July 2022		Year Ended 31 July 2021
	Consolidated	**Institution**	Consolidated	Institution
	£m	**£m**	£m	£m
Statement of comprehensive income - net pension cost in year				
USS	**175.1**	**174.8**	35.4	35.2
ULPF including FRS 102 adjustments	**22.2**	**22.2**	19.9	19.9
NHSPS	**2.2**	**2.2**	2.1	2.1
Pension costs within ongoing staff costs (note 8)	**199.5**	**199.2**	57.4	57.2
Interest income on ULPF defined pension asset (note 6)	**(0.3)**	**(0.3)**	(0.3)	(0.3)
Total pension costs	**199.2**	**198.9**	**57.1**	**56.9**
Other comprehensive income - actuarial gain in respect of pension scheme				
ULPF including FRS 102 adjustments	**5.3**	**5.3**	3.4	3.4
Statement of Financial Position - Pension scheme asset				
ULPF including FRS 102 adjustments	**3.7**	**3.7**	13.4	13.4

(i) The Universities Superannuation Scheme

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

The total cost charged to the Consolidated Statement of Comprehensive Income is £37.8m (2021 - £36.1m) excluding the impact of the change in the deficit recovery plan, as shown in note 8.

The 2020 valuation was the sixth valuation for the scheme under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £66.5 billion and the value of the scheme's technical provisions was £80.6 billion indicating a shortfall of £14.1 billion and a funding ratio of 83%.

Deficit recovery contributions due within one year for the Institution are £12.5m (2021 - £9.9m).

The latest available complete actuarial valuation of the Retirement Income Builder section of the scheme was at March 2020 (the valuation date), which was carried out using the projected unit method.

The key financial assumptions used in the 2020 valuation are described below. More detail is set out in the Statement of Funding Principles (uss.co.uk/about-us/valuation-and-funding/statement-of-funding-principles).

CPI assumption	Term dependent rates in line with the difference between the Fixed Interest and Index Linked yield curves, less: 1.1% p.a. to 2030, reducing linearly by 0.1% p.a. to a long term difference of 0.1% p.a. from 2040
Pension increases (subject to a floor of 0%)	CPI assumption plus 0.05%
Discount rate (forward rates)	Fixed interest gilt yield curve plus: Pre-retirement 2.75% p.a. Post retirement 1.00% p.a.

The main demographic assumption used relates to the mortality assumptions. These assumptions are based on analysis of the scheme's experience carried out as part of the 2020 actuarial valuation. The mortality assumptions used in these figures are as follows:

	2020 valuation
Mortality base table	101% of S2PMA "light" for males and 95% of S3PFA for females
Future improvements to mortality	CMI_2019 with a smoothing parameter of 7.5, an initial addition of 0.5% pa 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:

	2022	2021
Males currently aged 65 (years)	23.9	24.7
Females currently aged 65 (years)	25.5	26.1
Males currently aged 45 (years)	25.9	26.7
Females currently aged 45 (years)	27.3	27.9

A new deficit recovery plan was put in place as part of the 2020 valuation, which requires payment of 6.2% of salaries over the period 1 April 2022 to 31 March 2024 at which point the rate will increase to 6.3%. The 2022 deficit recovery liability reflects this plan. The liability figures have been produced using the following assumptions:

	2022	2021
Discount rate	3.33%	0.89%
Pensionable salary growth	8.68%	8.26%

The employers' contribution rates are as follows:

Effective date	**Rate**
1 October 2019 to 30 September 2021	21.10%
1 October 2021 to 31 March 2022	21.40%
1 April 2022 to 31 March 2024	21.60%
1 April 2024 to 30 April 2038	21.40%

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

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

(ii) NHS Pension Scheme

The Institution also participates in the NHSPS. The notional assets of NHSPS are assessed by the Government Actuary and the benefits are underwritten by the Government.

The NHS Pension Scheme is a defined benefit public service pension scheme, which operates on a pay-as-you-go basis. A new reformed scheme was introduced on 1 April 2015 that calculates pension benefits based on career average earnings. Transitional arrangements permitted individuals who on 1 April 2012 were within ten years of normal pension age to continue participating in the old 'final salary' NHS Pension Scheme arrangements (the 1995 and 2008 sections). From 1 April 2022, all members accrue benefits in only the new section of the scheme.

The scheme is not designed to be run in a way that would enable members to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS Body of participating in the scheme is taken as equal to the contributions payable to the scheme for the accounting period.

An HM Treasury pension scheme valuation for funding purposes was carried out as at March 2016. The Scheme Regulations have been changed to allow contribution rates to be set by the Secretary of State for Health, with the consent of HM Treasury, and consideration of the advice of the scheme Actuary and appropriate employee and employer representatives as deemed appropriate. The contribution rate payable by the Institution during the year ended 31 July 2022 was equal to 20.68% of the total pensionable salaries, 6.3% of which is settled centrally by NHS England. This is in accordance with the conclusion of the Government Actuary's report on the scheme.

The total pension cost for the Institution was £2.3m (2021 - £2.1m).

(iii) University of Liverpool Pension Fund (ULPF)

The University of Liverpool operates a defined benefit scheme in the UK. This is a separate trustee administered fund holding the pension scheme assets to meet long term pension liabilities. The final salary section of the fund closed to new entrants with effect from 31 July 2011 and, from 1 August 2011, new members joined the CARE section of the fund. A full actuarial valuation was carried out at 31 July 2021 and updated to 31 July 2022 by a qualified actuary, independent of the scheme's sponsoring employer. The major assumptions used by the actuary are shown below.

The 2021 actuarial valuation showed a surplus of £159m. The University of Liverpool has agreed with the Trustee that in accordance with the actuarial valuation, it will continue to pay 23.5% of pensionable earnings for final salary members and 22.5% of pensionable earnings for CARE members in respect of the cost of accruing benefits for two years from 1 November 2022. These rates include an allowance for the costs of insuring death-in-service benefits, management and administration expenses, levies to the Pension Protection Fund, and member contributions at the rate of 7.5% of pensionable earnings for final salary members and 6.5% pensionable earnings for CARE members. From 1 November 2024, the total rates will increase to 25% of pensionable earnings for final salary members and 24% of pensionable earnings for CARE members.

Assumptions

The financial assumptions used by the actuary to calculate scheme liabilities under FRS 102 are detailed below.

	At 31 July 2022	At 31 July 2021
	%pa	%pa
Discount rate	**3.50**	1.70
Inflation (RPI)	**3.40**	3.40
Inflation (CPI)	**2.85**	2.85
Salary growth	2.85 (plus promotional salary scale)	2.85 (plus promotional salary scale)
Allowance for revaluation of CARE benefit (for service for new joiners after 1 August 2011)	**2.85**	2.85
Deferred pension revaluation - pre April 2009 (CPI max 5%)	**2.85**	2.85
Deferred pension revaluation - post April 2009 (CPI max 2.5%)	**2.50**	2.50
Allowance for pension in payment increases of CPI max 5%	**2.80**	2.80
Allowance for pension in payment increases of RPI max 2.5%	**2.20**	2.20
Allowance for pension in payment increases of CPI max 2.5%	**2.00**	2.00
Allowance for commutation of pension cash at retirement	**80% of Post A Day**	80% of Post A Day

The mortality assumptions adopted imply the following life expectancies:

Implied life expectancy at age 65 years	**At 31 July 2022**	At 31 July 2021
Male currently aged 65	**25.9**	26.2
Male currently aged 45	**27.7**	28.2
Female currently aged 65	**27.9**	28.1
Female currently aged 45	**29.8**	30.1

The best estimate of contributions to be paid by the University of Liverpool to the scheme for the year commencing 1 August 2022 is £7.4m.

The assets and liabilities within the scheme at 31 July were as follows:

	Fair value hierarchy	**31 July 2022**	31 July 2021
		£m	£m
Equities	Level 2	**276.4**	319.0
Bonds	Level 2	**88.5**	104.1
Property	Level 3	**106.9**	66.9
Multi asset fund	Level 2	**71.8**	74.6
Net current assets		**1.2**	29.5
Fair value of scheme assets		**544.8**	594.1
Present value of defined benefit obligation		**(380.5)**	(495.8)
Surplus in scheme		**164.3**	98.3
Effect of asset ceiling		**(160.6)**	(84.9)
Defined benefit asset recognised		**3.7**	13.4

The fair value of investments has been determined using the hierarchy as set out in note 15.

All assets held in pooled investment vehicles are disclosed as Level 2 assets, however the majority of these assets held in each fund relate to listed equities and bonds which individually would be considered Level 1 assets.

The scheme has not invested in any of the Institution's own financial instruments or in properties or other assets used by the University of Liverpool.

The Trust Deed provides for the Institution to unilaterally wind up the University of Liverpool Pension Fund, in which event any residual amounts after settling all scheme obligations are repayable to the Institution. As a result the Institution 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 Institution's consent which means that the Institution does not have a right to a refund from the Scheme, as set out by the accounting standard.

Following completion of the 2021 actuarial valuation the Trustee agreed to continue to use a small part of the surplus to support the Institution continuing at a contribution rate of 16% per annum for two years from 1 November 2022. From 1 November 2024 total contributions will increase to 25% of pensionable earnings for final salary members and 24% of pensionable earnings for CARE members.

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

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

During the prior year it was identified that there were a number of members of the scheme who are not employed by the Institution, and thus the assets and liabilities in respect of these members should not have been shown on the Institution's Statement of Financial Position. The University's actuary calculated those members' share of both the past and future service liabilities based on the results of the last triennial valuation. The proportion of past service liabilities was 4.2% and for future service 2.7%. Those members' assets and liabilities were derecognised, with the net impact going through the Statement of Comprehensive Income in the prior year, as the amounts were not considered material. The impact in 2020/21 was a reduction of liabilities of £21.7m and assets of £26.0m, resulting in a total net reduction to the net asset of £4.3m, and is included in the following tables as relating to Participating Employer.

The amounts recognised in the Consolidated Statement of Comprehensive Income are analysed as follows:

	Year Ended 31 July 2022 £m	Year Ended 31 July 2021 £m
Recognised in the Statement of Comprehensive Income		
Current service cost	**20.2**	14.4
Past service cost	**1.3**	0.3
Administration expenses paid from scheme assets	**0.7**	1.2
Losses on business combinations	**-**	4.3
Total operating charge	**22.2**	20.2
Net interest cost	**(0.3)**	(0.3)
Total cost recognised in deficit for the year	**21.9**	19.9

	Year Ended 31 July 2022 £m	Year Ended 31 July 2021 £m
Taken to Other Comprehensive Income		
Return on scheme assets (excluding amounts included in net interest cost)	**(55.4)**	84.2
Experience gains and losses arising on the scheme liabilities	**(38.5)**	2.8
Effects of changes in the demographic and financial assumptions underling the present value of the scheme liabilities	**173.5**	1.3
Effects of changes in the amount of surplus that is not recoverable (excluding amounts included in net interest cost)	**(74.3)**	(84.9)
Total amount recognised in Other Comprehensive Income	**5.3**	3.4

Reconciliation of opening and closing balances of the defined benefit obligation	**Year Ended 31 July 2022 £m**	Year Ended 31 July 2021 £m
At start of year	**495.8**	510.2
Current service cost	**20.2**	14.4
Past service cost	**1.3**	0.3
Administration expenses paid from scheme assets	**-**	1.2
Interest expense	**8.3**	7.5
Contributions by scheme participants	**3.0**	2.9
Actuarial gains	**(134.9)**	(4.1)
Benefits paid and expenses	**(13.2)**	(14.9)
Liabilities relating to Participating Employer	**-**	(21.7)
At end of year	**380.5**	495.8

Reconciliation of opening and closing balances of the fair value of scheme assets	**Year Ended 31 July 2022 £m**	Year Ended 31 July 2021 £m
At start of year	**594.1**	533.3
Administration expenses paid from scheme assets	**(0.7)**	-
Interest income	**10.1**	7.8
Actuarial gains	**(55.4)**	84.2
Contributions by the Institution and Participating Employer	**6.9**	6.8
Contributions by scheme participants	**3.0**	2.9
Benefits paid and expenses	**(13.2)**	(14.9)
Assets relating to Participating Employer	**-**	(26.0)
At end of year	**544.8**	594.1

The actual return on the scheme assets over the period ended 31 July 2022 was £45.3m (2021 - £92.0m).

The English High Court ruling in Lloyds Banking Group Pensions Trustees Limited v Lloyds Bank plc and others was published on 26 October 2018, and held that UK pension schemes with Guaranteed Minimum Pensions (GMPs) accrued from 17 May 1990 must equalise for the different effects of these GMPs between men and women. The case also gave some guidance on related matters, including the methods of equalisation. In line with last year's disclosure the previous GMP equalisation allowance for the additional liabilities as a result of this ruling has been retained but adjusted for the passage of time and to reflect the estimated impact of changes in market conditions. 0.3% (£1.1m) is included within the defined benefit obligation.

Following the outcome of a High Court case on 20 November 2020, transfers out of the scheme between May 1990 and October 2018 need to be revisited and equalised for GMP (if applicable). No allowance has been made in the defined benefit cost for GMP equalisation in historic transfers out because it is assumed not to be material.

33 Accounting estimates and judgements

USS provision and scheme treatment

FRS 102 makes a distinction between a group plan and a multi-employer scheme. A group plan consists of a collection of entities under common control typically with a sponsoring employer. A multi-employer scheme is a scheme for entities not under common control and represents (typically) an industry-wide scheme such as Universities Superannuation Scheme (USS). The accounting for a multi-employer scheme where the employer has entered into an agreement with the scheme that determines how the employer will fund a deficit results in the recognition of a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and the resulting expense is recognised in profit or loss in accordance with section 28 of FRS 102. The Council is satisfied that the Universities Superannuation Scheme meets the definition of a multi-employer scheme and has therefore recognised the discounted fair value of the contractual contributions under the funding plan in existence at the date of approving the financial statements.

At the year end the Institution has recognised a provision of £214.1m (2021 - £76.1m) in respect of the liability for the contributions payable under the deficit recovery plan. The calculation of the liability is based on a number of assumptions which could represent a source of material uncertainty within the financial statements. The Institution acknowledges this risk and has done detailed work to ensure the assumptions used are as robust as possible. This has been achieved by using historical trends, planning information and third party expertise.

In accordance with the requirements of the Statement of Recommended Practice: Accounting for Further and Higher Education 2019, the Institution currently recognises a provision for its obligation to fund past deficits arising within the Universities Superannuation Scheme. A new deficit recovery plan was put in place as part of the 2020 valuation, which requires payment of 6.4% of salaries over the period 1 April 2022 to 31 March 2024 at which point the rate will increase to 6.3%. The 2022 deficit recovery liability reflects this plan. Details of this provision, which has been discounted at a rate of 3.33% as at 31 July 2022, are included in note 22 to the financial statements.

The key assumptions of the USS liability calculation are the discount rate, salary inflation and staff member changes in the scheme. For the calculation of the provision at the 31 July 2022 the assumption values were as follows:

Discount rate	3.33% (0.89% 2021)
Salary growth	4.9% for 2022/23 and 3.4% thereafter
Member growth	3.8% 2022/23, 3.3% 2023/24, 1.2% 2024/25, 0.3% 2025/26, 1.5% 2026/27, 1% thereafter

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 2022	
	Revised provision value	**Difference to provision recognised**
	£m	**£m**
0.5% pa decrease in discount rate	223.3	9.2
0.5% pa increase in salary inflation over duration	223.2	9.1
0.5% pa increase in salary inflation year 1 only	215.1	1.0
0.5% increase in staff changes over duration	223.4	9.3
0.5% increase in staff changes year 1 only	215.1	1.0
1% increase in deficit contributions	248.1	34.0

Bad debt provision

The recoverability of debtor balances is an area of uncertainty. The Institution provides for all debt greater than 365 days old at the year end date. The provision is adjusted for any post year end receipts and is extended to any items less than 365 days old where recovery is deemed to be a potential issue. This year due to the impact from COVID a further analysis was carried out to identify risk levels of all individual debtors and an additional provision has been included to account for the increased risk. The bad debt provision at 31 July 2022 is £4.8m (2021 - £3.9m). The Institution deems the provision to be adequate based on the aged profile of debt and the nature of the underlying discussions around recovery.

34 Related parties

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

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

	Individual Trustree or Key Management	Income	Expenditure	Balances at 31 July 2022 due to/(from) the Institution
		£m	£m	£m
Alder Hey Children's Hospital	Professor Fiona Beveridge	1.9	0.5	0.2
Liverpool Guild of Students	Mr Bertie Woodcock	2.9	4.8	-
Liverpool Science Park	Professor Dame Janet Beer Dr Carol Costello	-	0.4	-
Liverpool Women's Hospital	Professor Louise Kenny	1.1	0.3	0.7
North West Universities Purchasing Consortium	Ms Nicola Davies	0.2	-	-
N8 Research Partnership	Professor Dame Janet Beer Professor Anthony Hollander	-	0.1	-
Sensor City Liverpool Ltd	Ms Nicola Davies Professor Anthony Hollander Professor Wiebe van der Hoek	-	0.2	-
Sciontec	Professor Dame Janet Beer Dr Carol Costello	-	0.1	-
The Russell Group of Universities	Professor Dame Janet Beer	-	0.1	-
University of Liverpool Pension Fund	Ms Nicola Davies Dr Carol Costello	0.3	7.0	0.6
University of Liverpool Mathematics School	Professor Gavin Brown	0.1	-	-
Wirral Hospice St John's	Dr Roger Platt	-	0.1	-
Universities UK (UUK)	Professor Dame Janet Beer	-	0.1	-
Xi'an Jiaotong-Liverpool University	Professor Dame Janet Beer Professor Gavin Brown Ms Nicola Davies	4.0	-	0.3

Nature of transactions

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

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

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

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

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

N8 Research Partnership
The N8 Research Partnership is a collaboration of the eight most research intensive Universities in the North of England. Expenditure paid to the N8 Research Partnership was the Institution's agreed contribution to N8 activities for the period 1 August 2021 to 31 July 2022.

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

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

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

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

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

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

35 Trustees expenses

Expenses amounting to £2,790.15 (2021 - £nil) were paid to Trustees during the year.

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

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

36 Financial instruments

Risk management

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

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

Credit risk

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

The Institution's credit risk arises from bank balances, investments, student debtors and commercial organisations as customers. Management of credit risk is a prime objective of the Treasury Management Policy. At 31 July 2022, the maximum exposure is represented by the carrying value of each financial asset in the Statement of Financial Position.

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

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

Liquidity risk

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

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

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

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

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

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

Moody's downgraded the University in October 2020 from Aa3 to A1, this rating action follows the downgrade of the Government of the United Kingdom's rating and was applied across seven Institutions within the sector. Moody's carried out its last credit opinion for the Institution in October 2022, whereby the rating remaining unchanged as A1 stable.

Foreign currency risk

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

Interest rate risk

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

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

Financial instruments

	Note	**Year ended 31 July 2022**		Year ended 31 July 2021	
		Consolidated	**Institution**	Consolidated	Institution
		£m	**£m**	£m	£m
Financial assets					
Measured at fair value through income and expenditure					
Non-current investments	15	**302.4**	**306.2**	303.1	303.1
Measured at undiscounted amount receivable					
Trade and other receivables	18	**23.5**	**22.9**	21.4	20.5
Amounts due from subsidiary undertakings	18	**-**	**7.2**	-	7.0
Measured at amortised cost					
Short term investment in shares	19	**-**	**-**	-	-
Short term bonds and gilts	19	**-**	**-**	-	-
Short term deposits	19	**20.5**	**20.5**	50.5	50.5
Other short term investments	19	**-**	**-**	-	-
		346.4	**356.8**	375.0	381.1

	Note	**Year ended 31 July 2022**		Year ended 31 July 2021	
		Consolidated	**Institution**	Consolidated	Institution
		£m	**£m**	£m	£m
Financial liabilities					
Measured at undiscounted amount payable					
Trade and other payables	20 & 21	**27.3**	**26.8**	20.4	19.5
Amounts due from subsidiary undertakings	20	**-**	**5.4**	-	9.0
Measured at amortised cost					
Unsecured loans	20 & 21	**300.2**	**285.2**	300.1	285.1
Obligations under finance leases	21	**0.1**	**0.1**	0.1	0.1
		327.6	**317.5**	320.6	313.7

37 US Department of Education Financial Responsibility Supplemental Schedule

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

The amounts presented within the schedules have been:

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

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

Primary Reserve Ratio

Reference	Line item/related disclosures		Year ended 31 July 2022 £m	Year ended 31 July 2022 £m	Year ended 31 July 2021 £m	Year ended 31 July 2021 £m
		Expendable Net Assets				
SOFP Line 22	Statement of Financial Position - Net assets without donor restrictions	Net assets without donor restrictions		**472.5**		606.9
SOFP Line 21	Statement of Financial Position - Net assets with donor restrictions	Net assets with donor restrictions		**184.4**		190.2
	Statement of Financial Position - Related party receivable and Related party note disclosure	Secured and Unsecured related party receivable	**-**		-	
	Statement of Financial Position - Related party receivable and Related party note disclosure	Unsecured related party receivable		**-**		-
SOFP Lines 2 & 3	Statement of Financial Position - Property, Plant and equipment, net	Property, plant and equipment, net (includes Construction in progress)	**798.0**		796.8	
Note 13 (sub total per US guidance)	Note of the Financial Statements - Statement of Financial Position - Property, plant and equipment - pre-implementation	Property, plant and equipment - pre-implementation		**652.5**		700.0
Note 13 (sub total per US guidance)	Note of the Financial Statements - Statement of Financial Position - Property, plant and equipment - post-implementation with outstanding debt for original purchase	Property, plant and equipment - post-implementation with outstanding debt for original purchase		**-**		-
Note 13 (sub total per US guidance)	Note of the Financial Statements - Statement of Financial Position - Property, plant and equipment - post-implementation without outstanding debt for original purchase	Property, plant and equipment - post-implementation without outstanding debt for original purchase		**200.5**		152.5
Note 13 (sub total per US guidance)	Note of the Financial Statements - Statement of Financial Position - Construction in progress	Construction in progress		**(55.0)**		(55.7)
	Statement of Financial Position - Lease right-of-use assets, net	Lease right-of-use asset, net	**-**		-	
	Note of the Financial Statements - Statement of Financial Position - Lease right-of-use asset pre-implementation	Lease right-of-use asset pre-implementation		**-**		-

	Note of the Financial Statements - Statement of Financial Position - Lease right-of-use asset post-implementation	Lease right-of-use asset post-implementation		**-**		-
	Statement of Financial Position - Goodwill	Intangible assets		**-**		-
SOFP Line 1	Statement of Financial Position -Other intangible assets	Intangible assets		**0.4**		1.0
SOFP Lines 7 & 18	Statement of Financial Position - Post-employment and pension liabilities	Post-employment and pension liabilities		**210.4**		62.7
SOFP Line 17 less Note 21 Lines 1 & 3	Statement of Financial Position - Note Payable and Line of Credit for long-term purposes (both current and long term) and Line of Credit for Construction in process	Long-term debt - for long term purposes	**300.2**		300.1	
Note 21 2021 Line 2	Statement of Financial Position - Note Payable and Line of Credit for long-term purposes (both current and long term) and Line of Credit for Construction in process	Long-term debt - for long term purposes pre-implementation		**299.9**		299.9
	Statement of Financial Position - Note Payable and Line of Credit for long-term purposes (both current and long term) and Line of Credit for Construction in process	Long-term debt - for long term purposes post-implementation		**0.3**		0.2
	Statement of Financial Position - Note Payable and Line of Credit for long-term purposes (both current and long term) and Line of Credit for Construction in process	Line of Credit for Construction in process		**-**		-
	Statement of Financial Position - Lease right-of-use asset liability	Lease right-of-use asset liability			-	
	Statement of Financial Position - Lease right-of-use asset liability pre-implementation	Pre-implementation right-of-use leases		**-**		-
	Statement of Financial Position - Lease right-of-use asset liability post-implementation	Post-implementation right-of-use leases		**-**		-
	Statement of Financial Position - Annuities	Annuities with donor restrictions		**-**		-
	Statement of Financial Position - Term endowments	Term endowments with donor restrictions		**-**		-
	Statement of Financial Position - Life Income Funds	Life income funds with donor restrictions		**-**		-
Note 23 Line 10	Statement of Financial Position - Perpetual Funds	Net assets with donor restrictions: restricted in perpetuity		**135.4**		137.9
		Total Expenses and Losses				
SOCI Line 15 plus CSCR Line 8 plus Note 23 Line 6	Statement of Activities - Total Operating Expenses (Total from Statement of Activities prior to adjustments)	Total expenses without donor restrictions - taken directly from Statement of Activities		**749.1**		563.0

Note 6 Lines 2 & 3 plus SOCI Lines 18,19 & 23 less Note 23 Line 7	Statement of Activities - Non-Operating (Investment return appropriated for spending), Investments, net of annual spending gain (loss), Other components of net periodic pension costs, Pension-related changes other than net periodic pension, changes other than net periodic pension, Change in value of split-interest agreements and Other gains (loss) - (Total from Statement of Activities prior to adjustments)	Non-Operating and Net Investment (gain) loss	**6.1**	(6.5)
Note 6 Lines 2 & 3 plus SOCI Line 18 plus endowment investment losses Note 23 Line 7	Statement of Activities - (Investment return appropriated for spending) and Investments, net of annual spending, gain (loss)	Net investment gains	**1.1**	8.1
	Statement of Activities - Pension related changes other than periodic pension	Pension-related changes other than net periodic costs	**-**	-

Equity Ratio

			Year ended 31 July 2022		Year ended 31 July 2021	
Reference	**Line item/related disclosures**		**£m**	**£m**	£m	£m
		Modified Net Assets				
SOFP Line 22	Statement of Financial Position - Net assets without donor restrictions	Net assets without donor restrictions		**472.5**		606.9
SOFP Line 21	Statement of Financial Position - total Net assets with donor restrictions	Net assets with donor restrictions		**184.4**		190.2
SOFP Line 1	Statement of Financial Position -Other intangible assets	Intangible assets		**0.4**		1.0
	Statement of Financial Position - Related party receivable and Related party note disclosure	Secured and Unsecured related party receivable	**-**		-	
	Statement of Financial Position - Related party receivable and Related party note disclosure	Unsecured related party receivable		**-**		-
		Modified Assets				
SOFP Lines 8 & 13	Statement of Financial Position - Total Assets	Total Assets		**1,333.0**		1,338.8
	Note of the Financial Statements - Statement of Financial Position - Lease right-of-use asset pre-implementation	Lease right-of-use asset pre-implementation		**-**		-
	Statement of Financial Position - Lease right-of-use asset liability pre-implementation	Pre-implementation right-of-use leases		**-**		-
	Statement of Financial Position - Goodwill	Intangible assets		-		-
	Statement of Financial Position - Related party receivable and Related party note disclosure	Secured and Unsecured related party receivable	-		-	

	Statement of Financial Position - Related party receivable and Related party note disclosure	Unsecured related party receivable		-		-

Net Income Ratio

			Year ended 31 July 2022		Year ended 31 July 2021	
Reference	**Line item/related disclosures**		**£m**	**£m**	£m	£m
SOCI Line 26	Statement of Activities - Change in Net Assets Without Donor Restrictions	**Change in Net Assets Without Donor Restrictions**		**(134.8)**		28.4
SOCI Line 7 less SOCI Line 5 less Note 7 Line 1 plus SOCI Line 17	Statement of Activities - (Net assets released from restriction), Total Operating Revenue and Other Additions and Sale of Fixed Assets, gains (losses)	**Total Revenue and Gains**		**608.7**		585.0

References refer to the SOCI (Statement of Comprehensive Income) and the SOFP (Statement of Financial Position) which are on pages 44 and 45 respectively.

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

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

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

Copies of the report can be accessed at:
www.liverpool.ac.uk

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