UNIVERSITY OF LIVERPOOL

Review of the year and financial statements 2019/20

Contents

The Council of the University

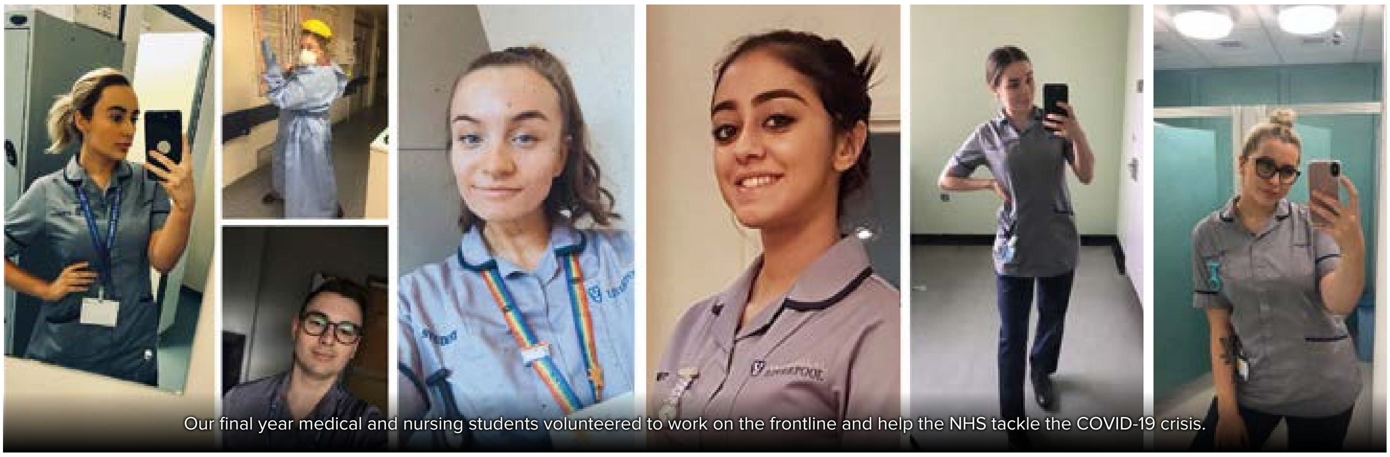
The key committees of the Council are:

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

Names	Membership of key committees
Ex Officio Members	
The Vice-Chancellor	
Professor Dame Janet Beer, BA, MA, PhD	2, 3
The Chief Operating Officer	
Mrs Jenny Tucker, BSc, DipBS (until 31 October 2019)	3
The Senior Professional Services Representative with Responsibility for People and Infrastructure*	
Dr Carol Costello, MA, EdD, FCIPD (from 1 November 2019)	3
Two of the Pro-Vice-Chancellors	
Professor Gavin Brown, BSc, PhD	3
Professor Anthony Hollander, BSc, PhD	3
The President of the Guild of Students	
Mr Adnan Hussain, BA	2
Twelve Lay Members (including the President and Vice-President) appointed by the Council	
Ms Cilla Ankrah-Lucas, CQSW	
Mrs Carmel Booth, BA, FCA (Vice-President from 1 August 2019, President from 1 August 2020)	1 (until 31 July 2020), 2, 3 (from 1 August 2020), 4
Mr Sam Butler, BA, PgDip, MSc (until 1 May 2020)	2, 3
The Earl of Derby, DL (President until 31 July 2020)	2, 3, 4
Mr Ed Fishwick, BA	
Dr Paul Johnson, BSc, PhD (Vice-President from 1 August 2020)	2 (from 1 August 2020), 3, 4
Mrs Helen Miller, BA, CIPD	3, 4
Mr Norman Molyneux MA, FCMA	2, 3
Dr Roger Platt, BSc, PhD, MA, PhD	1
Dr Andrew Scott, MA, DPhil (until 31 July 2020)	1
Mr Hans van Mourik Broekman, MA	
Dr Diana Walford, CBE, MA, MD, BSc, MSc, FRCP, FRCPath, FFPH	1 (from 1 August 2020)
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	
Professor Bruce Gibson, MA, DPhil (until 31 July 2020)	2
Professor Hazel Scott, MBChB, MD, FRCP, PFHEA	
Professor Thomas Teubner, Dr. rer. nat. (from 18 September 2020)	
One member of the Professional Services staff appointed by the Council on the recommendation of the Nominations Committee	
Mr Kieran O'Sullivan, BA	
Clerk to Council	
Dr Alison Fairclough, BSc, PhD (until 7 October 2019)	
Mr Kevan Ryan, BA, CPE, LPC (from 15 October 2019)	

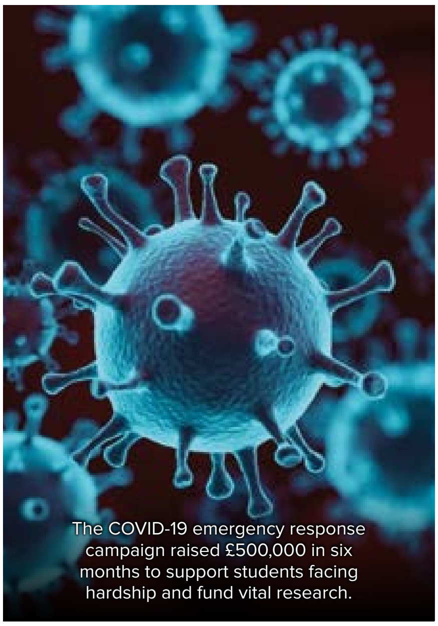
Council members are the University's Charitable Trustees.
**This amendment to Council's constitution is subject to Privy Council approval.*

HIGHLIGHTS OF THE YEAR

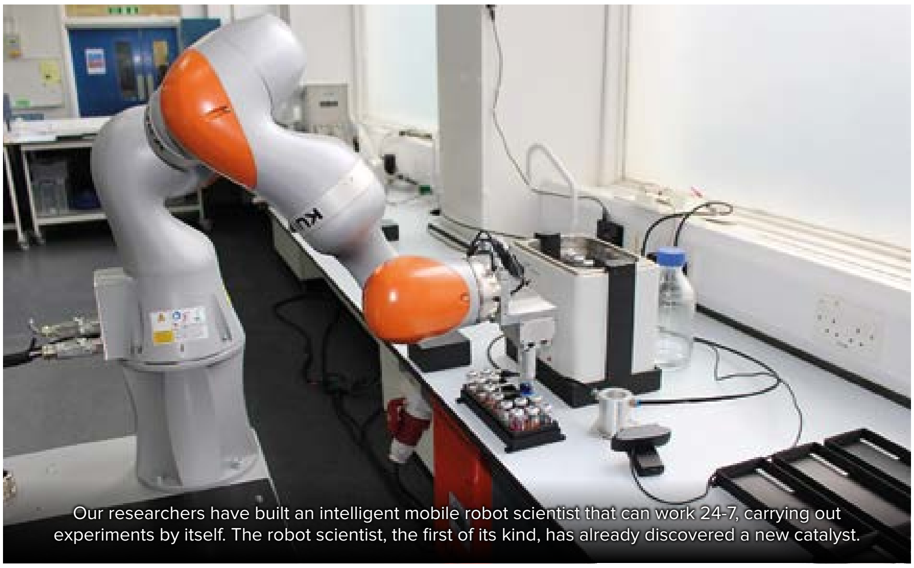

Our final year medical and nursing students volunteered to work on the frontline and help the NHS tackle the COVID-19 crisis.


Our infectious disease researchers have been at the forefront of tackling the COVID-19 pandemic, with work underway to understand how the virus spreads, how outbreaks can be controlled and how different parts of the population are affected.

The University announced the name of its new £22 million teaching and performance facility - the Yoko Ono Lennon Centre. Set to open in late 2021, it will house the Tung Auditorium, a 400-seat state-of-the-art performance space.


The COVID-19 emergency response campaign raised £500,000 in six months to support students facing hardship and fund vital research.


Professor Dame Sally Davies, UK Special Envoy on Antimicrobial Resistance, helped launch an ambitious new programme of AMR research at the Centre of Excellence in Infectious Diseases Research – a partnership between the University and Liverpool School of Tropical Medicine.

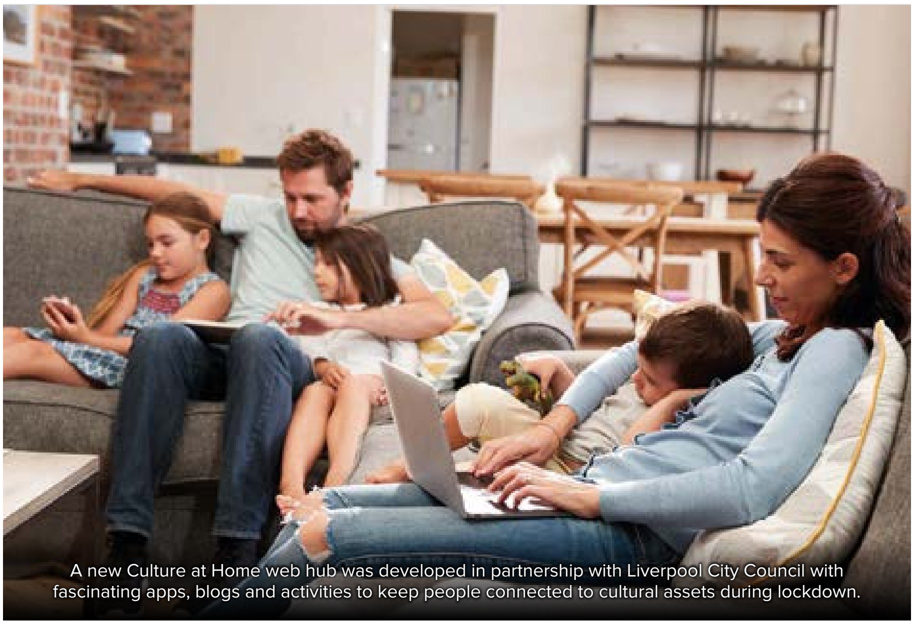

Our researchers have built an intelligent mobile robot scientist that can work 24-7, carrying out experiments by itself. The robot scientist, the first of its kind, has already discovered a new catalyst.


The University has signed up to Advance HE's Race Equality Charter with the explicit goal of eliminating any racial disparities for staff and students and achieving race equity on campus.

The University has extended its sustainability commitments by announcing the full divestment from fossil fuels achieved by 31 July 2020, committing to the United Nations' Sustainable Development Goals and launching the Climate Futures research challenge.


A new £35 million 'live-learn' facility for the University of Liverpool International College has opened, providing state-of-the-art teaching and residential accommodation for those studying with Kaplan for entry into the University's degree programmes.


The new University of Liverpool Maths School opened its doors to its first students. The third specialist mathematics school in the UK and the first in the North of England, it offers 16–19 year olds the opportunity to study an innovative and challenging A level curriculum.


A new Culture at Home web hub was developed in partnership with Liverpool City Council with fascinating apps, blogs and activities to keep people connected to cultural assets during lockdown.

2019/20 has been an academic year like no other, as the effects of the COVID-19 pandemic make themselves felt in all our activities, both nationally and internationally. It is true to say, however, that whenever this University, in its long history, has faced a challenge like this one, our shared values as a community, expressed, above all, through the monumental efforts of our students and staff, are what get us through.

We have had to change much about the way we do things. We were one of the first universities to move the majority of our campus-based activities to distance learning. Teaching, assessment and support services have continued to be available, and our academics have been at the forefront of COVID related research. We can look ahead to the new year knowing that we have done all we can to ensure the safe arrival of students and assure their continued health and safety once they are studying with us.

The pandemic has highlighted the strength of our civic commitments. Staff and students across the University came together to support the local NHS – from opening our car parks and providing accommodation in our halls of residence for NHS workers, to galvanising alumni donations of PPE and augmenting these through on-campus 3D printing of visors for medical staff. Our student doctors and nurses deserve a special mention, demonstrating their bravery and commitment by volunteering to help on the frontline, providing exceptional care for the local community in the most difficult of circumstances.

We were also very involved in the regional response institutionally. Our Executive Pro-Vice-Chancellor for the Faculty of Health and Life Sciences, Professor Louise Kenny, provided city-wide leadership directing a Liverpool Health Partners' 'STOP-COVID' initiative. Our Heseltine Institute for Public Policy, Practice and Place, in collaboration with the Combined Authority, produced a series of Policy Briefs to help support civic leaders, policy makers and the general public in Liverpool City Region through the COVID-19 crisis and onwards, to "Build Back Better". Meanwhile a Culture at Home web hub was developed to provide those in the City and beyond with resources to entertain themselves and their families during lockdown.

Equally, as a University renowned for our strength in infectious diseases research – as marked by the celebration of the next phase of our Centre of Excellence in Infectious Diseases Research in early 2020 – academic colleagues have been at the heart of research into how the virus spreads, how outbreaks can be controlled, how it affects different parts of the population and much more.

This collegiate, caring and communal response is mirrored in other important areas of our activity. In our sustainability work, for example, we have made important institutional commitments, such as full divestment from fossil fuels achieved by 31 July 2020, and signing up to the United Nations' Sustainable Development Goals accord. We have also launched a new research challenge – Climate Futures - to explore, understand and address the climate and ecological crisis.

Devastating events in the USA in 2020, and the deep-seated issues of discrimination closer to home, have brought into focus the work we are doing to tackle racism and discrimination. Following the Equality and Human Rights Commission's report on racial harassment at universities, published in October 2019, we set up a Working Group in order to build a more equitable campus. We have since initiated a programme of changes which seek to tackle racism wherever it may manifest. This work is of the highest priority for the University, I am proud of the steps we have made so far, and we will and must go even further.

Finally, it is pleasing to see us progress further in this year's rankings, with a 29 place rise in the *Center for World University Rankings* 2020-21 – placing us 134th and in the top 0.7% of global universities; a two place rise to 29th in the *Times* and *Sunday Times Good University Guide* 2020; and a further two place rise to 163rd in the *Times Higher Education World University Rankings* 2021, which builds on the 16 place rise in the previous year.

Professor Dame Janet Beer,
Vice-Chancellor

FINANCIAL HIGHLIGHTS

Overall turnover

£583.5m

Total income increased by £7.9m (1.4%) to £583.5m. Although income was impacted by the pandemic, this increase reflects strong student recruitment.

Operating surplus

£54.7m

This operating surplus compares with an operating deficit in prior year of £69.6m. This significant change is due to a reduction in the USS pension provision following finalisation of the 2018 valuation.

Tuition fee income

£324.3m

Tuition fee income increased by £15.3m (5.0%) to £324.3m. Overall student number growth was 2.4%. This included strong overseas growth of 6.4%, in line with our student intake strategy.

Staff investment

£269.7m

Staff costs reduced by £120.4m (30.9%) to £269.7m. This is impacted by the significant reduction in the USS pension provision (non-cash), and includes £6.4m compensation payments. Excluding these amounts, staff costs are up 6.8% year on year.

Cash generation

£54.1m

Operating cash inflow of £54.1m is strong at 9.3% of total income. The year on year increase of **£13.3m** is largely due to working capital movements in the year.

Capital expenditure

£46.9m

Expenditure in the year on capital was **£46.9m. £7m** related to Residences, largely completion of the Greenbank student accommodation village development. **£35.0m** related to improvements to the academic estate, and **£4.9m** related to equipment and IT.

STRATEGY 2026

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

In 2016, the University of Liverpool launched Strategy 2026. The aim of the strategy is that, by 2026, the University of Liverpool will be a truly global institution – in its outlook, influence, impact and activity.

Approaching the halfway point we have taken the opportunity to reflect on our progress and reaffirmed our key aims and objectives.

We remain committed to being a global institution at the forefront of research, scholarship and knowledge leadership and will be among the top 20 UK universities in the world.

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.

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

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

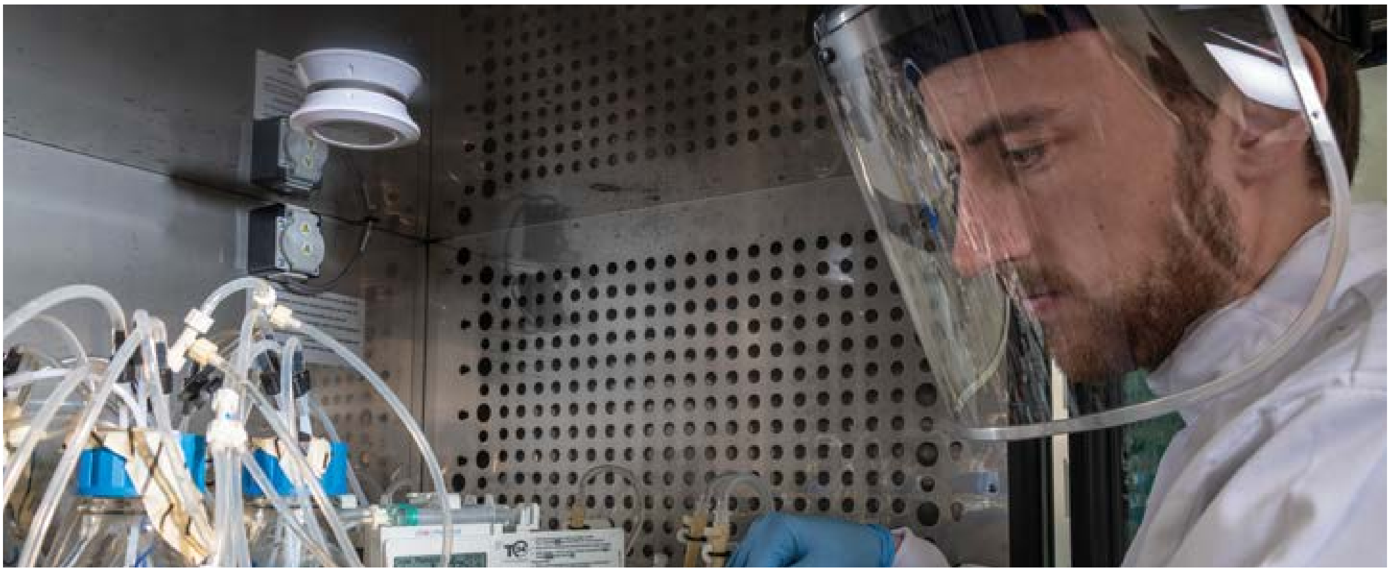
EDUCATIONAL EXPERIENCE: with the introduction of Curriculum 2021 and the offer of exceptional opportunities to study and work abroad, to provide stimulating and transformative education and to be the sector leader in the provision of wholly online postgraduate programmes

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

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

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

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



EDUCATION

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

Teaching Excellence

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

Student Success

Work is underway to develop a Student Success Strategy which will allow us to co-ordinate all activity relating to student success. The strategy is organised in three strands, each with its own Board:

1. Academic Success: that all students have the chance to achieve their full potential;
2. Personal Success: that all students experience a welcoming and supportive environment which prioritises wellbeing and belonging;
3. Future Success: that all students have space and opportunity to build their intellectual, social and cultural capital for the future.

The Guild of Students has been engaged in shaping the priorities for each of the Boards and consultation with staff and students on an outline strategy will follow.

Access and Participation Plan

Planning work for delivery of the five-year Access and Participation Plan (APP) has continued and has included engaging with national best practice through Office for Student (OfS) funded projects, sector bodies and other means.

Evaluation themes for new and existing projects targeted at underrepresented groups have been agreed following a series of workshops. The outputs from these workshops will inform the priorities for a new APP Evaluation Plan that will span across the student lifecycle. More detail on the University's widening participation work can be found in the Public Benefit section on page 26.

Portfolio and Curriculum

Curriculum 2021 is the University's curriculum framework which supports the vision for Education articulated in our Strategy 2026. Work in this area is well underway with the ambition that all programmes will have commenced the shift to this new framework by December 2021. Curriculum 2021 networks and communities of practice have been established to facilitate sharing of good practice and provide an effective supported infrastructure.

The Portfolio Review Group has developed a framework with short, medium and long-term postgraduate portfolio opportunities which is being used to inform new programme development.

Supporting Staff to Deliver Excellent Teaching

This year our annual University of Liverpool Learning and Teaching Conference was held entirely online, hosted by the Centre for Innovation in Education and The Academy. The theme for this year's conference was 'Students As Partners' and included a selection of online activities such as lightning talks, digital demonstrations, participatory workshops, podcasts and a tweet chat.

Employability and Opportunity

Employability is an important focus of the University's Education Strategy and the Employability Change Programme has seen great strides made over this year, in particular through working with Liverpool City Region to build networks with local employers to provide employment opportunities for our graduates and also to assist in identifying and addressing skills gaps in the region.

Employability Change Programme

The final Employability Change Board meeting took place at the beginning of May 2020, marking the end of the change programme. The Future Success Board will take over the work of this group. Two streams of activity remain active:

Faculty Alignment: to ensure that the University's employability strategy is implemented and monitored consistently across the Faculty structures.

Peer-to-peer: to provide a singular vision and framework for the development of peer-to-peer activities and schemes across the institution.

Digital Graduate Accelerator project

This Digital Graduate Accelerator project, funded by the Office for Students (OfS), aims to improve graduate employment outcomes for commuter students (those who live and study at home) in the local Liverpool City Region through providing the skills that local employers demand to boost the local economy. Digital Coaches have delivered a wide range of sessions on campus to 850 of their peers. Digital Discovery Week, which happened just before lockdown, marked the end of phase one delivery. Activities included a reverse careers fair where the Digital Coaches presented their digital CVs to employers, who interviewed them on the spot for internship opportunities. Several of the Coaches also took part in the Local Enterprise Partnership Digital Summit, raising the profile of the project and the University.

Summer Placement Opportunities

This year has seen an increase in the number of final year students who have completed a placement or internship up from 32% to 36%, which represents an additional 633 students. A future focus for activity will be the numbers of students completing summer internships between years 1 and 2.

An institutional review of placement practice has been undertaken with a view to producing guidance for placement activity.

Regional and international education

University of Liverpool Maths School

The University of Liverpool Maths School opened its doors to students in September 2020, with specific measures in place to ensure safety during the continuing pandemic. The third specialist mathematics school in the UK and the first in the North of England, it offers 16–19 year olds the opportunity to study an innovative and challenging A Level curriculum.

The School has been continuing its outreach work during COVID-19 lockdown by providing daily mathematics and physics sessions for Year 11 students in the North West of England.

Partnerships for international learning

The University continues its excellent partnership work to deliver education internationally. Further information on our University of Liverpool International College, our new online learning portfolio and our joint venture institution, Xi'an Jiaotong-Liverpool University (XJTLU), can be found in the international section on page 20.

The Education response to COVID-19

COVID-19 undoubtedly impacted upon the whole University community but we moved quickly to alleviate concerns and mitigate, wherever possible, the impacts on both students and staff. A decision was taken early to transition to fully online study to enable students to continue their learning in a way that significantly reduced the need for people to gather together in a teaching environment and, therefore, minimising the risk. Academic colleagues responded to the call to develop alternative means of continuing teaching online and pedagogical efforts focused upon this from mid-March.

Students enrolled in study abroad, including the Year in China Programme, were advised to return to the UK and were supported academically with options such as completing a semester in industry module or, for modern language students, completing an assessed module.

Changes were also made to formal assessments in relation to semester 2 of the 2019/20 Academic Year with on-campus examinations replaced by alternative online assessment. The University implemented a Safety Net Policy to ensure that students were not academically disadvantaged by the necessary changes due to the pandemic.

From late March onwards, colleagues carried out detailed planning to ensure a smooth transition back to campus in September 2020. Whilst continuing uncertainty underlined the work, a tremendous amount of effort was made to build resilience into our education approaches to ensure that we can give our students the best possible educational and student experience.

RESEARCH AND IMPACT

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

The University continued to build on five key priorities for research and impact activity during 2019/20:

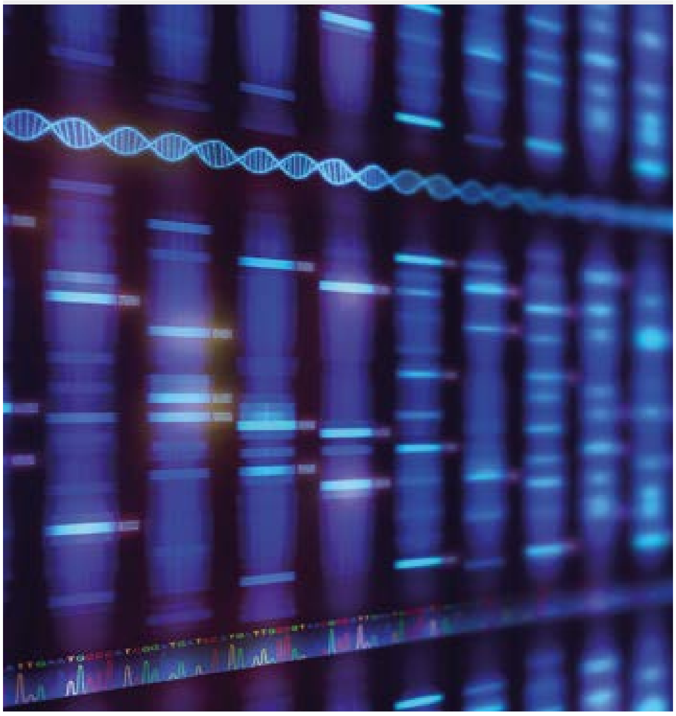
- Preparing for the forthcoming Research Excellence Framework (2021)
- Engaging with the Global Challenges Research Fund and the Industrial Strategy
- Developing research staff through our "Cradle to Chair" approach
- Building strategic partnerships
- Refreshing institutional research themes.

Highlights

Large research grants

This year has seen the institution engage in a number of outstanding projects and continue its strong track record of successful research grant awards. Particular highlights include:

- The award of more than £24 million in funding from Unitaid to develop new medicines for low- and middle-income countries. The LONGEVITY project aims to develop long-action formulations for malaria and TB prevention, and a single-injection cure for hepatitis C
- £13 million funding from the Natural Environment Research Council (NERC), meaning Liverpool is set to co-host the NERC Environment Omics Facility, providing environmental researchers across the UK with access to innovative omics supporting technologies to enable world-leading research from October 2020
- Being awarded £4.3 million funding for the Liverpool 5G Create project, which will develop a private, independent 5G network for health and social care services in areas across Liverpool and will be the blueprint for the use of private 5G networks in delivering public services
- The Children Growing-up in Liverpool (C-GULL) study, which was awarded this year and is the first newly-established, longitudinal birth cohort to be funded in the UK for almost 20 years. Managed by the University, this project will bring together key partners to better understand and improve the lives of children within the Liverpool City Region.



Responding to global challenges

Following adoption of the United Nations' Sustainable Development Goals, the University launched the Climate Futures research challenge, bringing together experts in a wide range of disciplines to explore the impacts of climate change, to develop solutions to environmental challenges and to address knowledge gaps across science and society.

As a recognised leader in infectious diseases research, over 150 researchers across the University are applying their leading expertise to help combat the COVID-19 global pandemic.

This includes:

- A new £1 million outbreak laboratory, funded by the Medical Research Council, which is helping us understand how COVID-19 affects people
- Being part of a genomic sequencing alliance to map the spread of the disease
- Having launched a fully searchable, dynamic COVID-19 drug interactions website to aid the safe prescribing of experimental drugs
- A team of NHS, third sector and academic collaborators coming together to conduct the very first COVID-19 funded dementia study, which will be led by the University
- Opening our Official Development Assistance/Global Challenges Research Fund to support research projects to tackle the challenge faced by low- and middle-income countries
- Researchers across the Faculty of Humanities and Social Sciences working to understand how the pandemic is impacting society and seeking opportunities to change our world for the better.

Developing people

Four Liverpool researchers were awarded prestigious UK Research and Innovation (UKRI) Future Leaders Fellowships to tackle pressing global challenges:

- Dr Janine Kavanagh specialises in understanding the development and evolution of volcanic plumbing systems and the fellowship aims to develop new methodologies to help forecast and assess the danger posed by volcanic eruptions in order to significantly minimise their human and economic cost
- Dr Ruth Nugent is an archaeologist specialising in Britain's mortuary cultures from the 5th century AD onwards. Dr Nugent's fellowship will examine the history of exhumation of the dead and will work with partners to create the first-ever digital research library of historic exhumations from the 7th-19th century
- Dr Jenny Hodgson is a conservation biologist and will build a new scientific toolbox for reliable conservation plans that are applicable globally. Key advances will involve marrying the power of network analysis with a data-driven, mechanistic model of how species survive and move
- Dr Marco Giardiello focuses on nanomedicine and aims to develop novel Inorganic/Organic Nanocomposite Particles for use in both diagnostic and therapeutic nanomedicine.

Dr Dani Arribas-Bel, a senior lecturer in Geographic Data Science at the Department of Geography and Planning has been awarded the University's first ever Economic and Social Research Council Turing Fellowship and is focused on using AI and machine learning to leverage satellite imagery.

Professor Melita Gordon, Clinical Infection, Microbiology and Immunology, has been awarded a National Institute for Health Research Professorship in Global Health to accelerate the vaccine prevention of both Typhoid Fever and Invasive Non-Typhodial Salmonella disease, over the next five years.

Prosper

With £4.3 million funding from the first ever Research England Development Award, June saw the launch of the first set of co-created resources from 'Prosper'. Based in The Academy, Prosper is a new approach to career development that unlocks postdoctoral researchers' potential to thrive in multiple career pathways. Resources include case studies from former postdocs and employers, self-reflection and diagnostic tools and more. This online portal will evolve as the project progresses to develop a model that delivers for all stakeholders.

PROFESSIONAL SERVICES

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

Estates

Work to implement the Estates Masterplan is underway alongside the continuation of a number of major developments. After a five year, £116 million investment, Greenbank Student Village has been completed providing 1,360 high quality bed spaces. The £16 million School of Law and Social Justice building opened in early 2020, delivering state-of-the-art facilities, collaboration spaces and a law clinic. Works have continued on the Liverpool City Region-supported Digital Innovation Factory, which is due for completion in 2020-21, and construction commenced on the new £22 million Yoko Ono Lennon Centre, scheduled to open in late 2021.

People

The University is continuing a range of initiatives to develop research staff. For example, our flagship £4.3 million Prosper Project is changing our approach to the career development of Postdoctoral researchers. In addition, The Academy's annual Making an Impact series was delivered in a fully online format for the first time with huge success, as over 650 colleagues engaged in three weeks of learning dedicated to research impact. The recently initiated RISE Project aims to go even further, as it focuses on supporting an inclusive and sustainable research culture and environment at Liverpool. The University's commitment to all of these activities is illustrated both by our successful retention of the Human Resources Excellence in Research Award in 2020 and by our recent decision to become signatories of the revised Concordat to Support the Career Development of Researchers.

The critical role of technical staff in supporting our education and research agendas continues to be a key development priority for the University. Coordinated by The Academy, the University's participation in the Technician Commitment continues to foreground the invaluable work of the technical community. Through this process, additional resource has now been allocated to further enhance the visibility, recognition and ongoing development of technicians.

IT

The University is becoming increasingly reliant on digital technologies and IT services and has recognised a need to invest in this area. Work has now commenced to define and implement a new Target Operating Model for IT that will reflect the future needs of the University, with the initial development stage to be completed in early 2021.

Brand and reputation

The University has continued to achieve notable successes in its rankings performance, including an improvement of 16 places to 165th in the *Times Higher Education World University Rankings* and an improvement of 18 places to 23rd in the equivalent UK list. Meanwhile the 'Original Redbrick' campaign proved a significant success, improving perceptions of the University as a desirable place to study and driving an increase in applications from prospective students, including in target areas in the East and South East of England.

The impact of the global pandemic led to an acceleration in the use of digital methods to build the University's brand and engage with a variety of audiences. This work will continue in 2020-21, with further brand development based on the Original Redbrick concept and new innovations to improve online user journeys and customer relationship management.

Strategic change

A number of important outcomes have been attained from the 2019/20 Strategic Change Portfolio including:

- Extensive adoption of the institution's new virtual learning environment, Canvas, for the extended pilot with associated training, communications and technical workstreams
- The establishment and opening of a new specialist Maths School for 16-19 year olds (the first in the North West and only the third in the England) and an outreach programme to raise attainment in GCSE Maths across the Liverpool City Region

- The roll out of a pilot to test the new electronic process for non-pay expenditure, including a new e-marketplace, as part of the Finance Functional Review and a successful tender to identify a new international student payments provider, with this enhanced service offering due to be in place for students in the 2020/21 academic year.
- The successful completion of the Employability Change Programme, which has resulted in the Careers and Employability team becoming internationally recognised for its peer-to-peer Career Studio model, alongside establishing a consistent institution-wide employability offer, new links with leading employers and launching Handshake as the University's new careers platform for students.

Sustainability

In recognition of the global climate emergency, we have committed to become net zero carbon by 2035; have announced our divestment from fossil fuels, achieved by 31 July 2020, and have signed up to the UN Sustainable Development Goals Accord.

Alongside the development of a Sustainability Strategy and Sustainability Action Plan, we have implemented a Sustainability Policy to ensure sustainability is embedded within all our research, education and professional service activities.

COVID-19 response

All areas of Professional Services have undertaken significant activity in the wake of the COVID-19 pandemic.

Following the successful closure of most campus activity (with exceptions for groups such as those working in COVID-19 and science-based research and students in medical areas), swift work was undertaken to support colleagues to work from home, to support academics in moving their teaching online and to virtually provide a range of student support services.

The transition to working and learning from home was achieved with minimal disruption, demonstrating the robustness and resilience of our existing IT services, successful completion of data centre redevelopments and the flexibility of users.

To support staff during lockdown, a range of flexible working options were offered, including enhanced career breaks, purchase of additional leave, time-limited flexible working and voluntary severance. This enabled individuals to consider future ways of working or to establish a work-life balance either for a time-limited period or for the longer term.

Communications activities have kept staff and students informed throughout the pandemic, with significant work undertaken to ensure timely, accurate updates. In addition, fundraising efforts have been re-focused to raise money to support our response to the pandemic, achieving £500,000 for the COVID-19 Research Campaign.

Returning to campus

In planning our safe return to campus, work across Professional Services has focused on the following three areas:

Safe ways of working

Undertaking risk assessments for individual buildings; establishing the guidance and policies which ensure site risks are managed; and applying a 'COVID secure' assurance framework – all aligned to government and NHS guidance and carried out with partners in the Liverpool City Region.

Staff and student preparedness

Continued communication and engagement with new and existing students and staff across a range of channels; the development of a campus safety web hub; a revised Welcome Week schedule and pre-arrival information for students; the development of a Student Community Pledge; and a new citizenship module.

Campus preparedness

Preparing buildings, student accommodation and campus with social distancing measures; carrying out COVID adaptations; designing enhanced cleaning regimes; establishing operational plans for occupancy and flow; providing an on-site test centre; promoting a bespoke health monitoring app; and planning for the management of any outbreaks.

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

REGIONAL IMPACT

We are incredibly proud to be a civic university. We are the original red brick institution founded by the collective endeavours of our city to provide the education, skills and opportunities, which continue to change lives today. We are a great employer, a cultural contributor and an economic driver for the whole region. We're making our region healthier and providing the skills for our future workforce.

The focus this year has been supporting the COVID-19 relief efforts. We have only been able to mobilise our resources toward supporting NHS staff, controlling the virus and shaping the economic response, because of our existing civic ties.

There is always much more we can do. In the next year we can look forward to producing our Civic University Agreement which will codify our commitments to the City, Region and our partners. We will be shaping our regional Research and Development Strategy and will seek to lead the sector in being good civic partners. Crucially, our work to support the COVID-19 relief efforts will not cease until the pandemic is over.

Education and Skills

We are committed to ensuring that anyone with the talent to benefit from higher education has the opportunity to do so and our widening participation work has continued in earnest this year. Full details of this can be found in the Public Benefit section.

We continue to be a provider of high-quality skills development for staff across the region. We currently host 66 apprentices at the University who are learning and working, gaining valuable skills while they are with us. In a very short period of time we were able to support individuals who could no longer work on site owing to COVID-19 with tailored information, and online modes of delivery.

We have also been active participants in the City Region's work to build back better from the COVID-19 pandemic. A number of our staff have been working with colleagues at Liverpool City Region Combined Authority to assess the future skills need, propose programmes that will meet it and then contributing to submissions to government to provide the funding to make these programmes possible.

Medical students were among the first University of Liverpool students to return to teaching on campus following the coronavirus lockdown

This year we also launched the University of Liverpool Maths School. The School is the third specialist mathematics school in the UK and the first in the North of England. It offers 16 –19 year olds the opportunity to study an innovative and challenging A level curriculum in Maths, Further Maths, Physics and Computer Science as well as the School's own Aspiring Mathematician and Personal and Pastoral Enrichment Programmes. The School will be an asset for the region as we support our young people to achieve their potential. To this end, the Vice-Chancellor has also agreed to lead a Liverpool City Council taskforce looking at how we can all play a greater role in supporting educational attainment.

Health

In the weeks and months since the outbreak of the pandemic, the University of Liverpool has galvanised its community of staff, students, alumni and partners in delivering a collective response to meet the challenge of COVID-19. Our staff and medical and nursing students have been volunteering on the frontline, our estate has been made available to NHS staff and our research has been tilted toward the COVID-19 relief effort.

With over a century of discovery and translational research in infectious diseases, the University of Liverpool is a recognised leader in this field. For example, at a regional level, 300 households are participating in a unique study which will enable our researchers to measure the transmission of COVID-19 and other effects of the pandemic. The core household study is generating key data to improve national understanding of the dynamics and determinants of transmission into and through households and to further explore the characteristics of COVID-19. This is one of a number of health research projects seeking answers to the pandemic and is complemented by academics in other disciplines across our University gaining insights into the wider societal and environmental impact of the pandemic.

Under the direction of the Executive-Pro-Vice-Chancellor of the Faculty of Health and Life Sciences and Vice-Chair of Liverpool Health Partners, Professor Louise Kenny, Liverpool STOP COVID is a unique city-wide initiative which has been helping to decrease the burden of COVID-19 locally, nationally and globally. Drawing on the clinical and academic strengths of the Centre of Excellence in Infectious Diseases Research, the NIHR Health Protection Research Unit in Emerging and Zoonotic Infections, and NHS organisations, the STOP COVID system-wide approach is strengthening the support and structuring of all Liverpool COVID-19 related research activity.

Shaping Post COVID-19 Economy

We have never worked more closely with our civic partners. Earlier this year we agreed to explore a regional Research and Development (R&D) strategy, the first of its kind, to draw together the best knowledge assets of our region into a comprehensive civic framework. This is built on a belief that our research assets are key to the economic fortunes of Liverpool City Region.

We can see that across our work. In the Materials Innovation Factory (MIF), our intelligent robot scientist featured on the cover of *Nature*. The robot scientist, the first of its kind, makes its own decisions about which chemistry experiments to perform next, and has already discovered a new catalyst. Professor Andrew Cooper, who led the project, described it as “a new superpowered team member” and we know it will contribute great benefits to science, to local industry and to our University. Combining cutting edge science with real world engagement has been a hallmark of our work. For example, as we celebrate ten years of our Virtual Engineering Centre, we can look back over its work in providing innovative solutions for real-world industry problems through the exploitation of our academic research and access to the latest technology. Successes have included developing technologies to supply low-carbon heat, hydrogen and other clean energy for decades to come.

Meanwhile, set to open soon, the Digital Innovation Facility (DIF) is a £12.7 million investment co-funded by the Liverpool City Region Combined Authority, which will concentrate on areas of research in computer science, robotics and engineering, distributed simulation and immersive visualisation to enable collaborative R&D and support businesses linked to the exploitation of digital technologies. The DIF will be home to an immersive reality lab and four allocated labs for robotics, with a specific interest in robots for social domestic care, robots for the lab of the future, robots for manufacturing and robots for extreme environments.

Plans have also grown at speed for Health Innovation Liverpool which will transform health outcomes for our local communities. Earlier this year the Combined Authority approved funding for a Civic Data Cooperative which will provide better insights into care needs and enhance data security across the many NHS and local government organisations that provide care. These insights will foster innovations that improve care, such as technologies to help people with complex health conditions live better at home or to help clinicians react quicker to prevent diseases getting worse.

The Digital Innovation Facility will be a centre of excellence in autonomous systems, distributed simulation and immersive visualisation

Thought Leadership

The work on COVID-19 has gone beyond an initial response. For example, in collaboration with Liverpool City Region, our Heseltine Institute has published a series of policy briefs which will shape the future of our City Region.

In addition, we have deployed our expertise to shape: the Local Industrial Strategy; the City Plan; and the submission to the Comprehensive Spending Review, Recovery Submission to Government. Through our membership of the Local Economic Partnership, various resilience fora, Liverpool Knowledge Quarter Board and a plethora of other local bodies, we have brought our expertise where it has been needed most.

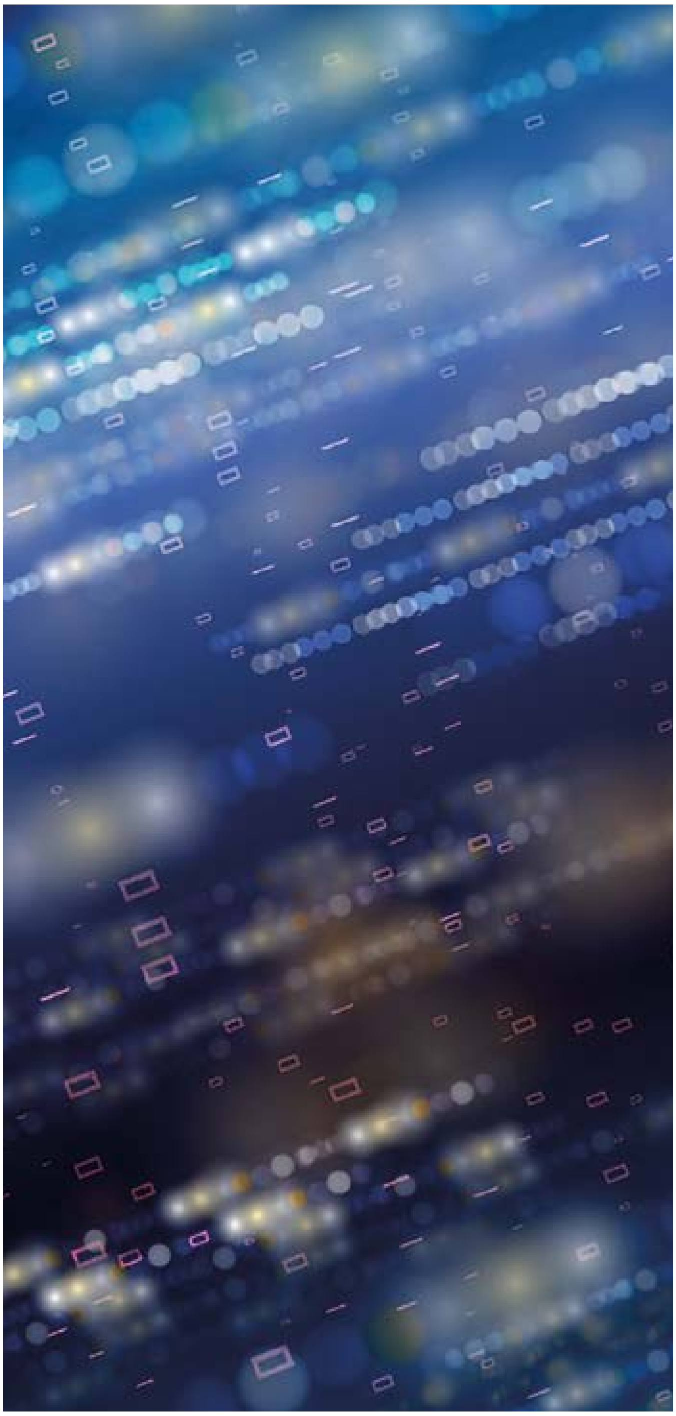
Culture

We are proud to have contributed to the cultural success of Liverpool in these challenging times. The tourist economy continues to be integral to the fortunes of our region while our cultural artefacts enrich the life of everybody who visits here. This year, we launched Culture at Home, in partnership with Liverpool City Council, to provide blogs, apps and activities, to keep us connected while we remained apart.

We also continue to work closely with cultural partners across the City, such as Tate Liverpool, National Museums Liverpool, Liverpool Philharmonic and more. In addition, our Victoria Gallery and Museum continues to play an important cultural role in the City and to take part in city-wide initiatives.

The history of the Garstang Museum features on the Culture at Home website

This year we also announced the naming of our new teaching and performance facility, the Yoko Ono Lennon Centre. The £22 million facility will be a new cultural landmark for the region. Set to open in 2021, it will house the Tung Auditorium, a 400-seat state-of-the-art performance space and the Paul Brett Lecture Theatre, the largest purpose-built lecture space on campus. The Centre will also act as a creative hub for the region, providing space and resources for a programme of diverse and culturally-rich public events.



INTERNATIONAL OUTLOOK

At the University of Liverpool we have ambitions to be a distinctive, global university at the forefront of knowledge leadership. Against a backdrop of uncertainty over the impact of Brexit, we continue to extend our global reach and international reputation, building on an established international brand for excellent research and teaching. We have been pleased to see this reflected in a 16 place rise in the *Times Higher Education World University Rankings* 2020 and a further two place rise in the 2021 rankings.

International partnerships

Xi'an Jiaotong-Liverpool University

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

Internationalising our research

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

We continue to enjoy success in winning ODA research funding, including in areas such as: child mental health, collaborating with longstanding India partner NIMHANS; perinatal depression in Pakistan; antibiotic usage in Argentina's beef industry; risk reduction of tailings dams in Brazil (the first large ODA grant to be led by the Faculty of Science and Engineering); and in heritage, reconciliation and conflict resolution, our first projects with Belize, Zimbabwe and Yemen.

The campus at XJTLU


enjoy
enjoy

To develop our impact-focused work, the University won a translation award of £658,000 from UK Research and Innovation (UKRI) to deliver scalable solutions to issues faced by low and middle-income countries including: coastal erosion, zoonotic diseases, diabetic eye care, museum education for peace and unsafe water.

COVID-19 restrictions around the world severely disrupted planned pump-priming activity funded by Research England (QR Global Challenges Research Fund (GCRF)). Some projects were redesigned to deliver virtually or through partners, but many will be resumed when restrictions ease. The University responded by repurposing funding into a rapid response ODA COVID-19 call which awarded 18 projects, totalling £160,482. Collaborations across countries are addressing: mental health of front-line nurses; food security and livestock systems; integration of COVID-19 guidance into hospital care; screening in public places; the lives of older people; truth in social media; and race, patriarchy and power structures in society.

Wider global engagement and partnerships

Following our tenth year of partnership with the University of Georgia, Athens, we continue to see a strong return on investment in terms of collaborative research grants. This year saw a further award of $15m from the US State Department to continue a joint project which aims to reduce Human Trafficking in West Africa.

Whilst COVID-19 impacted on student and staff mobility, virtual meetings and mobility programmes were established as an interim measure and will continue for 2020-21.

Additionally, we have been widening engagement in Latin America. With support from the British Council we have developed links with San Marcos University, Lima. Subsequently our Centre for Innovation in Education has been invited by the Peruvian Ministry of Education to provide a programme of pedagogic support to six public universities to move education online in response to COVID-19.

International recruitment

Online learning

The University of Liverpool was one of the first UK universities to offer online degrees and is recognised as a European leader in 100% online postgraduate education. Building on our exceptional record of leadership in online education is a key strategic priority aligned to Strategy 2026. Our aim is to be recognised not only as one of the largest and most internationalised UK providers, but as a world leader in understanding and implementing innovative digital pedagogies, developing market-leading programmes and delivering them in ways that enrich the educational experience and life chances of our students.

Following the announcement of the University's new online education partnership with Kaplan Open Learning in May 2019, the University has introduced the first wave of its exciting new online portfolio to market. The new partnership combines Kaplan's sector leading capabilities in learning technologies with the University of Liverpool's academic strengths and curriculum framework, to create a distinctive educational experience with a primarily international focus.

The University of Georgia, Athens

University of Liverpool International College, the new 'live-learn' facility based in Liverpool's £1 billion Paddington Village development close to campus

Programmes are delivered on a part-time, flexible basis and allow students to study 24/7 from anywhere in the world.

International student recruitment

We currently welcome over 8,000 international and EU students from over 130 countries to our campus each year. Our campus is home to the University of Liverpool International College, one of the largest embedded pathway colleges in the UK, which recently opened a new live-learn facility. Our partnership with Kaplan International Pathways sees more than 500 international students progress to study with us annually, following successful completion of a Foundation Certificate or Pre-Master's Programme.

The University of Liverpool is in the top three recruiters of new international undergraduate students in the sector (data source, HESA 2018/19), primarily as a result of the effectiveness of the XJTLU 2+2 model, which sees high numbers of high-quality Chinese students opt to spend the final two years of their course in Liverpool with a significant proportion progressing into further study. Also of note is the importance of the School of Law and Social Justice's relationships with Brickfields Asia College in Malaysia, where students complete a Law Transfer programme and join the LLB through advanced entry. Typically, around 100 students per year transfer through this route.

In terms of direct recruitment (defined as open market, non-partnership), the International Recruitment Team continues to increase the number, breadth and intensity of recruitment activities from its four recruitment hubs in Liverpool, China, Singapore and Nigeria. This activity centres on 30 target markets and has generated unprecedented application and offer growth and volume this year, most notably from South Asia (India and Pakistan), Greater China (mainland China, Hong Kong and Taiwan) and West Africa (Nigeria and Ghana). The re-introduction of the Graduate Immigration Route Visa (allowing post study work) has also catalysed applications from more price-sensitive parts of the world.

Following the COVID-19 outbreak, the International Recruitment Team moved to a digital-first strategy and accelerated work with EdTech companies to ensure outreach and brand awareness raising activities continued unabated. Recent partnerships with IDP-Connect, Bridge-U and Leverage Edu have helped to facilitate this pivot. COVID-19 is impacting student decision making for a range of reasons. However, most surveys indicate that students who defer are serious about re-joining in 2021. This could lead to a significant recruitment boost for those Schools and Departments able to accommodate the numbers.

Outward mobility

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

BUILDING LIFELONG RELATIONSHIPS

The University's single largest stakeholder group is its global community of more than 240,000 alumni and supporters. Engaging with this community and providing support throughout their lifetime allows the University to improve its global reputation, enhance employability outcomes for current students and graduates and drive significant investment into education, research and world class facilities.

Community

Awards recognise achievements of alumni community

The University of Liverpool held its inaugural Alumni Awards ceremony to celebrate the success and achievements of alumni from across the world. Twenty alumni were recognised for their academic or research success, contributions to the local, national or international community and charity work.

Alumni Volunteering

Donating time and expertise is one valuable way in which alumni support the University. Alumni volunteers have supported student employability by participating in networking breakfasts and speaker events like the new #InspiredFutures2020 careers event.

"Volunteering with the University is something I continue to look forward to throughout the year. It's fantastic to be able to give back to the place that has given me the opportunities to get me where I am in my career. It's always super rewarding to see the students so engaged in activities and it's a great feeling being back on campus whenever I get a chance. It's been a great addition to my CV as well as good fun."

Holly Fitzgerald (BA Hons Marketing 2017)

Bringing the World to Liverpool

This new online global event series features sector, career and life insights from alumni living in the UK, China, India, Singapore/ Malaysia, Nigeria, Europe and North America. Over 600 students and graduates signed up for the talks, highlighting the global impact of the University's alumni community.

Liverpool Connect

Liverpool Connect is the University's e-Networking and mentoring platform, with a global community of 5,204, of whom 1,821 have registered as alumni mentors. Volunteers have also participated in structured mentoring programmes with the School of Law and Social Justice and the University of Liverpool Management School.

"Volunteering as a Liverpool Connect mentor helped me achieve a great aim in touching lives and aiding great innovations. I also got ideas on how to help people and gained skills in people management."

Priscillia Aggokabo (MRes Biomedical Science and Translational Medicine, 2019)

LIVERPOOL CONNECT

1,180 students
3,913 alumni
111 staff
1,821 active mentors

The impact of fundraising

Responding to the COVID-19 emergency

In under five months, the Development and Alumni Relations team's COVID-19 Emergency Response Campaign, set up to fund ground-breaking research, support students and provide vital PPE equipment, raised a combined total of over £500,000, with support from nearly 500 donors based in 35 countries.

The Yoko Ono Lennon Centre

The University's new teaching and performance centre has been named in recognition of the long-standing philanthropic support of honorary graduate Yoko Ono Lennon (Hon LLD 2001). The ongoing fundraising campaign has to date raised £2.1 million against a £3 million target.

Dr Margaret Alston-Garnjost legacy bequest supports students

Following a £612,690 legacy from alumna Dr Margaret Alston-Garnjost (BSc Hons Physics 1952, PhD Physics 1955), the COVID-19 Student Crisis Support Fund received £100,000 to support students experiencing financial difficulty. We are raising an additional £125,000 to match-fund this and the £25,000 Santander gave to the Fund.

In partnership with Santander

Donations totalling £85,000 from long-standing partner Santander Universities UK have supported the University's COVID-19 campaigns this year. In addition a new project aims to increase young people's access to employment through two work experience programmes.

Undergraduate Scholarships end on a high

Since 2014, the Undergraduate Scholarship programme has helped talented undergraduate students in need of financial support realise their potential. A total of £613,397 was raised from more than 700 donors and has helped more than 800 students.

Celebrating the success of IntoUniversity North Liverpool

Following the successful completion of the University's £300,000 fundraising campaign last year, 1,774 local children have been able to take advantage of the Centre's support services. As a result, more than 20 students who have been through the IntoUniversity programme have offers to study at the University of Liverpool in the 2020/21 academic year.

Facts & figures

240,385
alumni community members, in 189 countries, aged 21 to 101

1,556
members of Parent and Family programme

783
volunteers

5,520
hours donated

1,030
hours donated to support student employability

Donations received:
£3,173,970

PUBLIC BENEFIT

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

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

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

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

Working for public benefit is core to the University's founding mission – for advancement of learning and ennoblement of life – and to its Strategy 2026. The University's core teaching and research activities benefit regional, national and international communities. In addition to this, the University undertakes many other activities directly for public benefit. These include:

- Increasing educational opportunities for those from backgrounds which are typically under-represented in higher education
- Providing volunteering and work placement opportunities for students
- Organising series of free events for members of the public to attend
- Targeting business support services such as Knowledge Transfer Partnerships with North Liverpool businesses
- Undertaking joint activities with key local partners such as Tate Liverpool and National Museums Liverpool.

Widening participation and outreach

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.

However, within our immediate metropolitan area - the Liverpool City Region (LCR) - there remain multiple challenges to social mobility, many of which impact on access to higher education and progression. For example, 25.6% of all LCR children are living in poverty – a figure much higher than the national average of 18.6% – and higher than other cities and city regions in the north.

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 raising aspirations and brokering opportunity for secondary and college age students in the Liverpool City Region area.

For example, our Liverpool Scholars initiative provides contextual offers and bursary support for those going on to study at the University of Liverpool. Our main post-16 supported admissions project, this year we are delighted to be on course to admit a record number of Liverpool Scholars (104), from a range of local schools and colleges.

Meanwhile, through our partnership with charities INTO University and Liverpool Football Club Foundation, the University co-sponsors a long term community approach to supporting young people in Anfield to achieve their educational potential. The INTO University Centre North Liverpool has worked with almost 1,800 children since opening in 2017, with a number of positive outcomes, including improved school performance and progression to higher education.

A graduation ceremony for our INTO University North Liverpool Centre students

We are proud to run a number of more targeted initiatives, too. For example, Merseyside Young Medics is our subject-specific project to widen access to Medicine for pupils in Years 9-12. We also have a specific project to support young people at risk of a disrupted education to progress on to study with us, including support for Care Leavers. 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 been cited this year 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.

To ensure that underrepresented groups can financially support themselves once they join us, we also invest around £10 million each year in scholarships and bursaries to support study and other essential costs such as accommodation and transport.

The University is working to a five year Access and Participation Plan (2020-25), approved by the Office for Students. The headline investment made by the University in access expenditure in 2019-20 is as detailed in the notes to the accounts.

COVID-19 and social mobility

To ensure we were able to continue to support access to higher education for underrepresented student groups during the pandemic, a rapid reimagining of our widening participation and outreach offer to young people took place. This involved the development of digital outreach with our supported access cohorts and we were able, in some cases, to actually expand the provision of academic-based mentoring to care experienced young people through digital technologies, which led to a net increase in mentoring hours per pupil on average.

In addition, for current students, the University developed a COVID-19 Student Crisis Support Fund to supplement our existing financial support and hardship investments. This year also saw significant investment made by the University in providing an accommodation discount in University-owned accommodation for eligible student bursary recipients.

Recognising the lost learning all Year 13 student groups have experienced this year, the University also developed a new online orientation module for new students coming to the University, called Launchpad to Liverpool. The module was delivered to over 5,000 Year 1 UK students in the period between receiving their results and the start of term, covering issues such as wellbeing, settling into university life and refresher study skills.

Events and cultural activities

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 50,000 visitors.

Between May and October 2019, the 'Before Egypt' exhibition featured the internationally important collections of Predynastic Egyptian and Nubian artefacts from the University of Liverpool's Garstang Museum of Archaeology, supplemented by loans of key objects from UK museums. This was followed by 'Secret Art of Survival - Creativity and Ingenuity of British Far East prisoners of War 1942-1945'. The culmination of seven years' research, the exhibition featured over 100 artworks created secretly and kept hidden at great risk by Far East prisoners of war from their captors.

The 2019-20 Liverpool Literary Festival, supported by Student Roost and Bruntwood, attracted visitors from across the region who came to hear speakers such as Chancellor of the University of Liverpool and Brooklyn author, Colm Tóibín; Man Booker Prize winning author, Alan Hollinghurst and human rights lawyer turned award-winning poet, Mona Arshi.

In October 2019, the Institute of Irish Studies held the Inaugural Seamus Heaney Lecture. This annual event seeks to reflect the values of the man and his ability to communicate and connect with a wide audience. It is hoped the lecture will become a major cultural event in the life of the city, providing a space to contemplate Heaney's work and the ideas that engaged him. It is the first lecture to be named after a writer by the Institute and has the full support and cooperation of the Estate of Seamus Heaney. The inaugural lecture was introduced with a recital of Seamus Heaney's poetry by actor, screenwriter and director, Adrian Dunbar and delivered by Professor Louise Richardson, Vice-Chancellor of the University of Oxford. Seamus Heaney's family were amongst those in attendance at the lecture.

Culture and COVID-19

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

A university virtual events series was also developed in response to the pandemic. Liverpool Responds has highlighted the role University of Liverpool researchers are playing in tackling the pandemic and has also considered a wide range of social and economic impacts of lockdown, from the effects on the environment and the Liverpool City Region economy to the return of football and the ways in which the University is preparing for the return of students to campus.

Although many other scheduled face-to-face events were initially cancelled, many were moved online, not least the latest Liverpool Literary Festival which took place in October 2020.


UNIVERSITY OF LIVERPOOL
WELCOME BACK
WE'VE MISSED YOU!
THE WELCOMING RED BRICK

FINANCIAL REVIEW

Nicola Davies, Director of Finance

Executive summary

This year we have felt the hugely significant impact of the pandemic across all aspects of University life. The financial impact will largely be apparent in future years, however there has been some impact in 2019/20. In particular commercial and residential income reduced following the closure of large areas of campus and the decision to refund residential fees for those students who wished to return home. The income shortfalls of c£10m have been offset in part by savings measures that we put in place across the institution, including a freeze on all non-essential non-pay expenditure, a pause on capital expenditure where possible, ceasing of all travel and a pause on staff recruitment. These measures remain in place as we move into 2020/21. In addition, we accessed the Coronavirus Job Retention Scheme in order to support the University to protect jobs where possible. Finally, we launched a voluntary severance scheme in order to help reduce pay costs in future years as we face the expected significant income shortfalls in 2020/21 and beyond.

In spite of these challenges, our underlying financial performance this year has been steady, with positive operating cash generation of 9.3% (£54.1m) and an underlying EBITDA of 10.3%. Underlying operating surplus (excluding non-cash pension adjustments) however is low at 0.2% of turnover as we continued to invest in the early part of the year in strategic initiatives. We incurred c£11.2m exceptional costs in the year relating to the planned closure of our London campus and voluntary severance which further depressed operating surplus this year, for which the financial benefit will be seen in 2020/21 results onwards. Our longer term strategy is to achieve an underlying operating surplus of 4% in order to enable continued investment in strategic priorities. This strategy remains in place, and although we expect continued financial shortfalls in the coming years, we are planning and working towards recovery and achieving our 4% operating surplus over the next five year period. Our year end cash (and cash deposits) at £163.5m are strong, and will provide support for us as we navigate this difficult period, however our ongoing cost saving measures are critical as we face such financial uncertainty, in particular in relation to overseas student demand.

Pension costs

The results for this year and the previous year have been materially impacted by changes in our Universities Superannuation Scheme (USS) pension provision. This provision relates to our obligation to fund the University share of the past deficit on USS, calculated for 2019/20 based on the USS 2018 valuation. The provision has reduced by £57.9m to £76.2m at 31 July 2020. This follows an increase in the provision in the previous year which was based on the 2017 valuation. 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.

A valuation based on 31 March 2020 is in progress, and early indications are that the overall USS deficit will increase further given the deterioration in economic conditions since the 2018 valuation.

Our University pension scheme, the University of Liverpool Pension Fund (ULPF) reported a surplus of £23.1m at year end. Historically we have not recognised the surplus in our financial statements, however this year for the first time we have recognised the full £23.1m surplus on our balance sheet, and have restated the prior year to include the 2018/19 surplus of £58.0m. This is due to the University utilising a small element of the surplus in order to retain contribution levels for both employees and employers at existing levels (16% employer contributions), and therefore under accounting standards the surplus must now be recognised.

Financial key performance indicators (KPIs)

Our financial KPIs that we report internally in order to assess longer term financial sustainability include EBITDA (earnings before interest, tax, depreciation and amortisation) and closing cash. For 2020/21 onwards we will move to operating surplus as our key performance measure with a target of 4%, alongside cash generation and cash holdings.

Current year EBITDA as a % of income is 12.6%, which is below our in year 13% KPI. Year on year EBITDA has reduced from 14.4%, largely due to a reduced operating surplus for 2019/20.

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

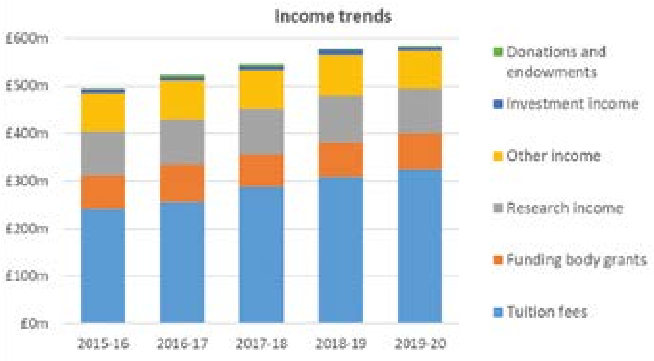
EBITDA	**2019/20**	2018/19 As restated
Total comprehensive income for the year	**36.9**	(18.5)
add back tax	**-**	0.1
add back interest	**11.0**	11.1
add back depreciation and amortisation	**48.6**	38.6
USS pension adjustment	**(57.9)**	86.2
ULPF pension adjustment	**34.9**	(34.1)
EBITDA exc. USS pension adjustment	**73.5**	83.4
EBITDA as a % of income	**12.6%**	14.4%
Less		
Capital income	**12.1**	10.7
(Losses)/gains on investment	**(0.1)**	8.3
Share in joint ventures and associates	**1.6**	0.8
Underlying EBITDA	**59.9**	63.6
Underlying EBITDA as a % of income	**10.3%**	11.0%

Underlying EBITDA as a % of income is 10.3%, and the drop compared with 11.0% in prior year is as expected, reflecting a lower forecast operating surplus. This drop in underlying EBITDA is expected to continue into 2020/21 as we face the ongoing impact of COVID-19 and as as we continue to invest in priority areas, however over the longer term our strategy is to increase our underlying EBITDA level through a combination of further diversification of our income with a focus on surplus generation, and improving efficiency across our cost base.

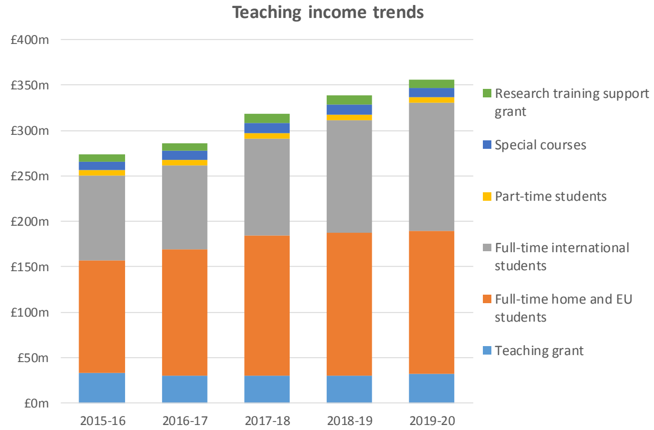
Closing cash and current (liquid) investments of £163.5m are up from £120.4m in prior year. This includes the divestment of £22m equities in order to reduce our risk as we move into a period in which we may need to utilise our cash balances to help offset expected income shortfalls. The remaining £21m increase in cash is due to delays in capital expenditure while some sites were closed during the period, and working capital movements.

Income

Total income at £583.5m, whilst impacted by the pandemic, is up £7.9m (1.4%) year on year, reflecting strong student recruitment.

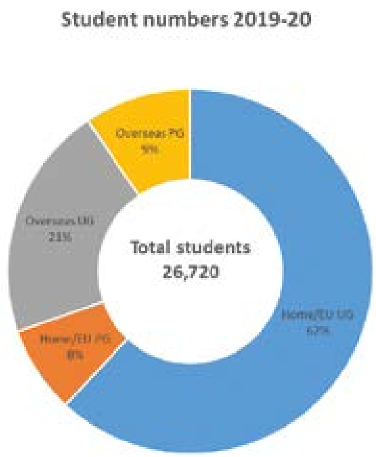


Tuition fee income of £324.3m is up £15.3m (5.0%) year on year.



This increase is due to strong overseas student recruitment in 2019/20 which contributed to overall student numbers increasing by 636 (2.4%) to 26,720. The proportion of overseas students has increased from 29.2% to 30.3%, both undergraduate and postgraduate.

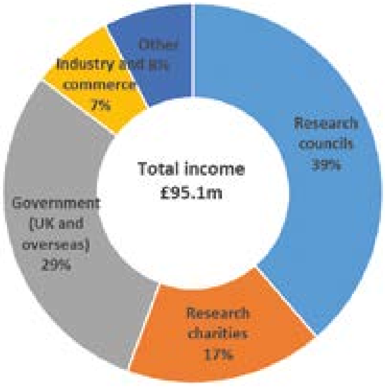
Overseas student recruitment has been particularly impacted by the pandemic, and although the full extent of the impact is still uncertain, we will see a reduction in overseas undergraduate and postgraduate intake over the coming years. Home student demand has been strong following the changes to A level results, exceeding expectations for 2020/21 entry.



Funding body grants are up £5.0m to £76.2m, due to a £1.8m increase in teaching grant and £3.2m in research grants from OfS and UKRI. £1.8m is due to a change in the profile of payments in order to support the sector with the impact of the pandemic, with the remainder being additional funding.

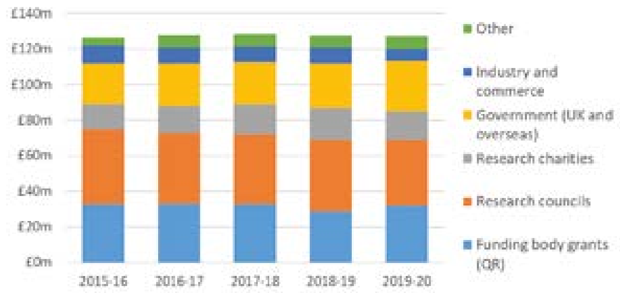
Research income of £95.1m is down £3.6m (3.6%) year on year. This largely relates to Research Councils, Charities and Industry, down by 7.8% to £36.8m, 11% to £16.1m and 24.7% to £6.7m respectively. Government grants are up 12.8% to £28.2m year on year. Research Council funding is the largest source of research funding at 38.7% (2018/19: 40.4%).

Research income 2019-20



The reduction in research income is broadly in line with expectations given the ongoing pandemic and related drop in activity. Research awards are up significantly in 2019/20 at c£130m, and income from these awards will be seen in future years which supports our ambition for growth in this area. Recent award successes are noted in the in the Research and Impact section on page 12.

Research income trends



Other income is down £8.6m (10.0%) to £77.7m, due on the whole to a reduction in student residential fees in 2019/20 following the decision to refund those students who chose to return home for semester three. Although plans have been significantly impacted by the pandemic, we remain committed to our strategic aim to improve diversification of income in order to reduce reliance on particular areas, and to better enable keeping pace with and exceeding pay inflation in particular.

Investment income is down £1.5m year on year to £7.0m. This includes a £0.6m increase in the net return relating to the University of Liverpool Pension Fund (ULPF), along with lower returns on our investment portfolio due to the impact of the pandemic during the year.

Donations and Endowments are up £1.3m to £3.2m. Gifts are recognised when the University is entitled to the funds, so some year on year volatility is expected. Our fundraising and engagement activity during the period is detailed on page 24.

Expenditure

Staff costs of £269.7m are down £120.4m (30.9%) year on year. Current year costs include a £60.1m credit in respect of the USS pension provision (prior year: £85.2m cost), and £6.4m compensation payments (prior year: £2.0m). Excluding these amounts, the underlying increase in staff costs is £20.5m or 6.8%. Pay inflation and incremental drift during the year was in the region of 3.2% (£6.8m), and USS pension contributions increased from 19.5% to 21.1% from October 2019, resulting in a £2.9m increase in cost during the period. The remaining increase in cost is due to an increase in staff FTEs of 164, 3%, as we continued to invest in priority areas.

Staff costs (excluding pension adjustment and any compensation payments) as a % of income are 55.4%, an increase compared with prior year at 52.4%. This increase reflects in part our investment in additional staff in certain areas, alongside reduced income levels partly due to the pandemic, but also linked to the low/zero inflationary nature of many of our income streams (home student fees have only increased by 2.8% since they were introduced in 2012, and much research funding does not keep pace with inflation). The nature of our income and costs introduces a significant sustainability challenge, demonstrated by this increase in pay costs as a % of income.

To support greater control of our pay costs, we have in place an institutional level pay oversight group in order to ensure a consistent approach to investment across all areas. We also introduced a voluntary severance scheme in 2019/20, which will result in savings in future years.

Other operating expenses are down £8.1m (3.9%) to £197.3m. Income shortfalls have been mitigated in part by savings measures brought in as part of our response to COVID-19. Particular areas of saving include travel and subsistence costs, and catering costs.

Capital

Overall the value of tangible fixed assets is down 1.3% to £781.1m, due in part to the disposal of Royal Hospital lease and partial impairment of fixtures and fittings at our London campus. Capital expenditure of £46.9m included £35.0m relating to improvements to the academic estate, £7m in relation to student residences (largely the Greenbank Student Village development), and £4.9m in relation to equipment and IT investment. The investment in student residences is now largely complete, with the future focus of the Capital Masterplan being on the academic estate, and improving the public realm areas.

Treasury

Our **fixed asset investments** include a portfolio of £193.7m which is managed by external fund managers. Our revised medium term investment strategy was implemented during the year. The impact of this was to reduce equity holdings with the released funds invested in property and diversifying assets, this resulted in two new fund managers being appointed. The equity holding at 31 July 2020 was

40.5% compared with 81.7% at 31.2.2019. This is slightly less than the allocation in the investment strategy of 45% in order to reduce risk at this uncertain time, and to support the potential need to utilise a proportion of investments while managing the ongoing financial impact of COVID-19.

The reduction in equities took place before the market was hit by COVID-19 providing an element of protection and minimising the movement in market value for the year to a loss of £0.3m (after fees). Further movement of funds into longer term diversifying assets will take place in the coming financial year.

Cash and cash equivalents were £93.4m and **current asset investments** were £70.1m at year end, giving a total of £163.5m relatively liquid assets, in excess of the University treasury management policy minimum cash holding of £60m. In the current financial environment generation of significant returns is challenging, and our focus is on minimising risk in relation to these funds while generating returns greater than base rate through the use of money market funds.

Pension asset and liability

The USS pension provision at £76.2m is included in the accounts based on the 2018 USS valuation. This provision relates to the obligation to fund the University share of the past deficit on USS.

A pension asset in respect of the University of Liverpool Pension Fund at £23.1m is included in the accounts. This asset relates to the surplus in the Fund at the year end.

Risk and financial sustainability

The University is in a relatively strong financial position with healthy cash balances, however, given the likely impact of COVID-19 on our financial plans, it is critical that we continue to monitor our financial results including our cost base. During 2019/20 we appointed two academic leads for planning (Executive Pro Vice Chancellor for Humanities and Social Sciences and the Pro Vice Chancellor for Education) and set up a Pay Oversight Group at institutional level to closely monitor pay costs and vacancy management, which will continue to highlight any issues at an early stage.

The impact of COVID-19 on international student demand is a significant financial risk and we have developed a range of planning scenarios in order to set out the potential impact and agree a range of mitigating actions. There is much uncertainty as we move into 2020/21, and we are closely monitoring student registrations and arrivals onto campus. We have brought in a hybrid model for education, however local lockdowns and other measures may limit our ability to deliver some aspects of face to face teaching.

Home student recruitment has remained strong for 2020/21, however remains a risk for future years.

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

- Funding for the USS pension scheme continues to be a significant risk, and each 1% increase in employer contributions carries an annual cost of £1.7m. USS pension contributions have risen by 3.1% in recent years and are expected to increase by a further 2.6%, to 23.7%, from October 2021 in line with the recent 2018 valuation. Early indications are that the 2020 valuation will result in an increased deficit which is a risk for the sector.
- Home student fees are a significant proportion of University income, and in recent years have seen no inflationary increase. This is a financial risk given that the cost base of the University carries inherent inflation, in particular pay costs through cost of living, incremental progression and increasing pension costs.
- The post-18 education funding review was published during the previous year, however implementation or otherwise of the recommendations is still uncertain. Given the impact of Covid on international student demand, it seems less likely that a significant reduction on home student fees would be implemented at least in the shorter term, however it remains a risk.
- As Brexit has become more certain and we approach 31 December, we have planned for the exit although there remains uncertainty around the full impact. Supply chains have been closely reviewed and in many cases suppliers have put in place measures to minimise the impact of transition. A University EU working group, chaired by the Executive Pro-Vice-Chancellor for Humanities and Social Sciences, meets regularly as we approach the exit date.

Going concern

Given the risks outlined above and in particular due to COVID-19, we have developed a range of planning scenarios and stress tested various assumptions. Our plausible downside planning scenario includes significant shortfalls in international student fee income, research income and commercial income (including residential) over the next two financial years 2020/21 and 2021/22. We have also stress tested assumptions around other key risks, including the potential significant increase in USS pension contributions from October 2021.

Although this scenario shows significant potential loss of income, we will mitigate in part through cost savings, and our cash balances are such that we are able to continue to fund the remaining shortfall over the next two years. We are satisfied that the University is a going concern and the accounts are prepared on that basis.

KEY PERFORMANCE INDICATORS

The University monitors progress towards the ambitions set out in Strategy 2026 through a suite of Key Performance Indicators. Aligned to the refresh of the Strategy we have adjusted these indicators to reflect more accurately 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 2019/20 performance in key measures is provided below.

Strategy 2026 refresh

During the period, as we approach the half way point of our Strategy 2026, we have taken the opportunity to revisit the strategy and supporting KPIs, taking into account the changing environment. Our overarching vision and strategic goals remain relevant, however we have strengthened some areas, in particular our global intent and our ambition to make an impact in relation to sustainability.

Research and Impact

The outcomes of the 2019 outputs assessment programme show that the University has achieved its milestone target for 2021 and almost achieved its target for 2026, with growth in world-leading outputs being seen across all three Faculties. This was also supported by the performance seen in highly cited papers in the top 10% of the world for their field. The number of these highly cited papers published between 2014 and 2018 grew by 8.7% compared to the previous five-year period. The field-weighted citation index also increased, improving the University's performance to 12th in the Russell Group.

Research income at £95.1m is below the £98.7m achieved last year predominantly due to Covid-19 impacting on the ability to conduct research as well as pressure on various funding streams.

Education

The sector has changed its approach to monitoring graduate employment and further study and this year we received the first experimental results from it. The employment rate of our graduates was 97%, comparing favourably against the sector. Liverpool also exceeds the sector and Russell Group average for the percentage of graduates in further study at 22%. The focus on providing increased opportunities for students has led to the proportion of final year students undertaking an internship or placement rising from 32% to 36%.

Good progress has been made across all areas of the Education Strategy Action Plan. The proportion of staff with a teaching qualification has increased from 62.3% to 68.4%. Student satisfaction, as measured by the National Student Survey, was 84% overall and showed improvement for 14 subject areas, 9 of which improved by more than 5%. The pick of these is Medicine which improved by 21% from 2019. The University also showed improvement in seven of the thematic areas including the teaching on my course and learning opportunities. These improvements have resulted in the University being ranked first in the Russell Group for student voice, and second in the Russell Group for assessment and feedback.

The University has an ambition to attract a diverse student body, including a strong international student population. As part of this, we are keen to ensure that our international recruitment is not over-reliant on any one country. The proportion of students from a single country increased in 2019/20, following an improvement in this metric last year. This is being addressed with portfolio developments aligned to demand from a range of countries that began to come on-stream this year.

Strategy objectives

The refreshed Strategy 2026 vision is to be a connected, global university at the forefront of knowledge leadership, recognised as being among the top 20 UK universities worldwide. The University has maintained or seen small improvements in academic reputation surveys including those used by the Times Higher Education World University Rankings and we have seen an associated rise in this latter ranking to 163. However, the international higher education sector remains highly competitive and the ambition to achieve UK top 20 rank in an international league table is challenging. It will require further step changes in performance in order to be delivered by 2026.

Strategy Aims and Linked Indicators

Strand		Progress
Strategy Objectives	To achieve a UK top 20 worldwide ranking in a recognised international league table by 2026	Progress needed
	To achieve a UK top 20 position as measured by international outlook (based on the THE combined measure of international staff, students and research) by 2026	Progress needed
Research and Impact	To achieve top quartile positions in all our units in terms of proportion of world-leading outputs within the next two REF cycles	On track
	To improve the alignment of partnership projects with our overall Research and Impact priorities and objectives with a view to establishing two further strategic partnerships (cf Unilever) by 2026	On track
Education	To increase the satisfaction of our students as measured by the NSS, PTES and PRES to a consistently upper quartile sector position by 2026	On track
	Graduate level employment in top 20 sector position	On track
	To achieve an internationally diverse student body across all disciplines, ensuring that by 2026 no more than 55% of our overseas student population derives from any one country (57% by 2021)	On track
Professional Services	Staff satisfaction - those who agree that the University is a good place to work. Target is 95%	On track
	To generate an average earnings before interest, tax, depreciation and amortisation (EBITDA) over a five year period (last two years actual, next three years forecast) of 13%, while maintaining cash balances in excess of £60m.	Progress needed
	Through our research and improvements to our operations, we will achieve a net zero carbon campus by 2035	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 how colleagues can strive for success. The most recent review of risks resulted in 13 Strategic Risks and Opportunities, both internal and external, being listed on the Strategic Risk Register.

Woven through all these risks are the consequences of the COVID-19 global pandemic, which impacts on the near-term operation and finances of the University. These are due to state-of-emergency changes to UK and international policy that have: curtailed the scale of people movement, thus constraining the University's on-campus delivery model; adjusted the market through reducing the desire and ability of overseas students to come and study at Liverpool; and increased the cost of operation, amongst other things. Working closely with sector bodies, national and regional contacts and partners, the University modelled a series of scenarios to understand the potential impact and develop further contingencies in its Strategic Risks.

Strategic Risk Management

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

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

The Political and Funding Landscape also continues to be assessed and the risks posed by changes in government policy and funding frameworks are monitored closely. Mitigating activities include: routinely carrying out environment scans of the current policy environment; monitoring government interest in Augar recommendations relating to HEU/UG fees; reviewing our reliance on fee-based income; and continuing to explore a diverse set of income streams. Due to the potential scale of impact, this is a key area discussed internally and by the University's governance bodies and considered as part of ongoing planning and monitoring processes.

During the 2019/20 academic year, we added cyber security as an additional external risk. This new risk reflects the technical world we are now inhabiting and reviews the risk posed to business operations in the event of a cyber-attack to University Systems. This includes the risk of cyber-attackers taking advantage of technical vulnerabilities. Mitigations include: investing in critical infrastructure and applications to identify cyber security related vulnerabilities; a communications campaign including training material, staff articles and senior management briefings; the establishment of an Information Governance Committee which oversees areas of risk in relation to information security; and continued investment in training resources to empower staff with the ability to improve digital capability and competency.

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

RISK	MITIGATION
Research and Impact Quantity and Quality Quantity and quality of the University's research and its impact as measured by UK Research Excellence Framework and world ranking measures	• Enhancement of an environment that supports world-leading research and alignment of support to maximise impact from our research • Capture and presentation of research and impact activity, including promotion of Open Access and Open Data Research and Impact Quantity and Quality • Advisory Groups to coordinate and support institutional responses to key opportunities such as Global Challenges Research Funding, Industrial Strategy and institutional research themes • In light of the recent pandemic, two COVID-19 related groups have been created for research related activity: the Health and Life Sciences rapid response/command and control group and the Institutional COVID-19 strategy group. In addition, we have been engaging with relevant bodies to provide opportunities for wider collaboration relating to COVID-19 research • A task and finish group has also aligned its focus to COVID-19 income re-forecasting and scenario planning • A focus on equality and diversity in the research environment • Development of the Research Finance Forecasting Tool • Investment in Peer Review College and research development expertise.
Student Recruitment Ability to recruit high quality students and achieve planned numbers	• Implementation of a Student Intake Strategy, taking into account demographic changes and the competitive global higher education environment, is underway • Enhancements to the University's Portfolio to attract and retain a diverse and high quality student body, aligned to student and employer demand • Student Number Parameters set as part of the Planning and Performance Cycle, and aligned to the Student Intake Strategy, to ensure realistic and strategic planning in line with institutional ambitions • Continued maintenance and development of major recruitment pathways • Continued roll out of the 'Original Redbrick' campaign to promote the University of Liverpool to prospective students • Confirmation and Clearing strategy designed to ensure that quality is maximised in light of COVID-19.
Student Satisfaction and Wellbeing Ability to meet the needs of students and deliver a competitive student experience	• Close partnership working with our Guild of Students and multiple partners beyond the sector who share mental health and wellbeing as a strategic priority, with increased flexibility to respond to students who have had to work remotely due to COVID-19 • Investment in wellbeing provision for students • Implementation of Curriculum 2021 to improve active engagement of students with their learning • Continuing the KnowHow programme to help students succeed in their studies along with the development of alternative arrangements in response to COVID-19 • Implementation of the Education Strategy and action plan to address areas of low student satisfaction • The development of a Staff 'When to Refer Guide' provides staff with guidance on what they should do and when to refer to specialist services • Investment in physical and virtual teaching facilities to maximise student experience. Resources aligned to requirements to effectively move online in response to COVID-19.
Reputation Alignment of the University's local, national and global reputation with its strategic ambitions	• Strategic communication with students, media, alumni, staff, researchers, public figures and other stakeholders • Strengthening our collaborative and strategic relationships with local bodies, including the Knowledge Quarter, Liverpool City Region, local authorities and NHS partners • Development of a new brand narrative and strategy for digital content and marketing, including the implementation of a new strategy and roadmap to enhance user experience • Overseas engagement through alumni, recruitment and other activities that strengthen our global reputation and advocacy • Continuing to develop social media channels, including work surrounding the improved use of Chinese social media • Increased engagement with alumni including focus on graduates of the last decade and international alumni associations.

Compliance Ability to comply with statutory and/or legislative requirements	• Ongoing governance oversight of processes to ensure compliance with statutory requirements including health and safety, GDPR, information security (through the Information Governance Committee) and data assurance, research ethics and integrity and safeguarding our students • Cross-institutional activities to address new or changing requirements including Office for Students conditions • Continued use of internal reviews and audits to improve practice and compliance in key areas, and developing action plans • The development of a new University of Liverpool policy on imposing academic sanctions for non-academic debts • In light of COVID-19, assessing the current way in which our programmes are delivered, and how students are safeguarded both physically and in terms of wellbeing.
Culture and Ambition A culture which enables institutional change in support of strategic ambitions	• Management of a Strategic Change portfolio fostering a culture of inclusiveness, engagement and ownership • Use of a benefits realisation framework to ensure delivery and return on our investment and key independent scrutiny around our plans and projects • Applying a clear project management methodology across the University • Independent scrutiny panel to regularly review budgets, benefit realisation and return on investment • Work within the Strategic Change Team is re-prioritised to focus on supporting strategic priorities specifically COVID-19 recovery and future scenario planning and implementation • Developing a change-readiness culture supported by leadership, sponsorship, community building and developing strong relationships • Governance arrangements ensure regular review of investment, benefits realisation and return on investment.
Staff recruitment, retention, satisfaction and wellbeing Ability to recruit and retain excellent staff	• Strategies to retain and attract international staff following Brexit • Use of staff survey and focus groups to understand levels of employee engagement and identify areas of excellent, best and poor practice, developing and monitoring action plans where required • Continued support for the Employee Assistance Programme to provide staff with a range of support services • Communicating with staff about the impact of financial sustainability plans on recruitment • Continuing to address staff training and development needs.
Reliance on key partnerships Reliance on key partnerships for delivery	• Partnership groups in operation to review opportunities relating to existing key partnerships • Investment in the international recruitment team to enhance brand overseas and a collaborative approach to setting up new partnerships • Research and impact partnership strategies aligned to research themes and major research bids • Opportunities to develop new partnerships as part of the Prosper project, which will develop early postdoctoral talent • Investment in the International Recruitment team to boost awareness of brand for global recruitment • There has also been consideration given to how to work with international markets and agents during and post COVID-19.
Financial sustainability Generating the required surplus for investment in our strategic priorities	• A Dedicated Task and Finish Group considering actions to increase research income in the short and long term • Financial scenario planning being undertaken to estimate impact in the medium-term environment and the impact of major changes in the environment such as pensions and the outcome of the Post-18 review • Undertaking targeted work to increase income through new education portfolio development and growth of research awards • Undertaking a detailed review of high cost areas in order to improve cost efficiency and value for money, including the assessment of estate requirements and ‘transactional’ activities that do not directly align to the University’s Strategic Plan • Alignment with the planning and performance cycle, including setting budgetary parameters for each cycle and the development of a spectrum of initiatives and savings options to address the uncertainty in impact. This includes the completion of both budgeting and forecast reports • In response to COVID-19, controls on non-pay, capital spend and staff recruitment have been actioned.

EQUAL OPPORTUNITIES AND ETHICAL INVESTMENT AND RESERVES POLICY

Diversity and Equality of Opportunity Policy

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

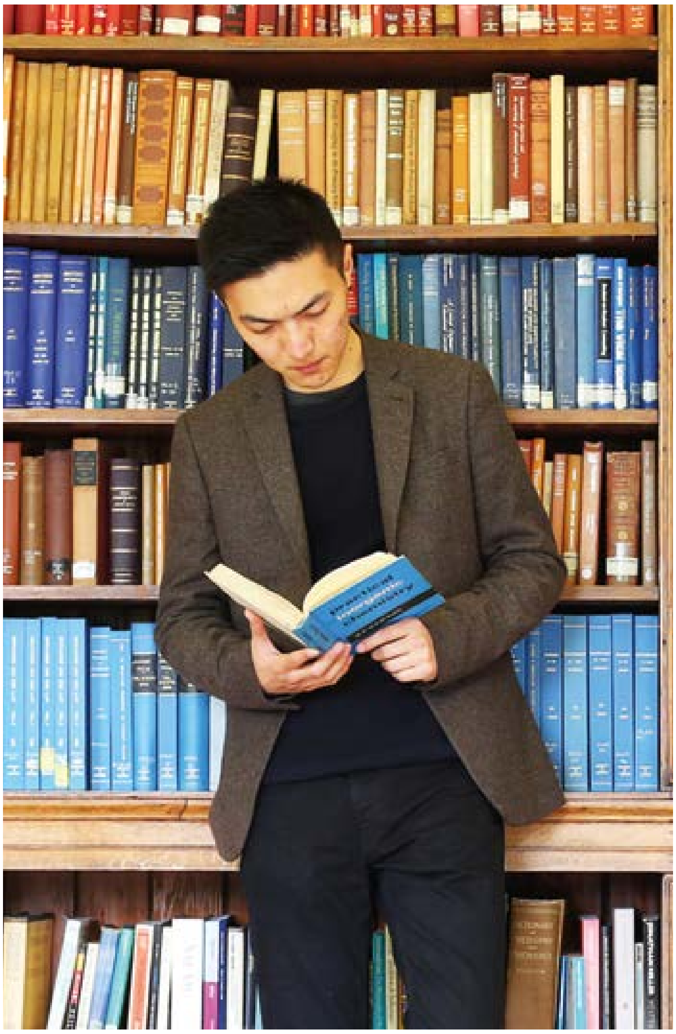
The University has diversity and equality embedded within our Values and Ethics and at the heart of Strategy 2026. Our vision is to be a University where diversity, equality and inclusion are embedded in everything that we do. We want to build a strong and lasting culture which:

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

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

In progressing this work, this year the University has:

- Established a new task and finish group to respond to the Equality and Human Rights Commission's report into racial harassment in Higher Education, and published a new set of commitments and actions
- Committed to signing up to Advance HE's Race Equality Charter
- Implemented the Real Living Wage for all relevant pay grades
- Improved the physical accessibility of the campus by: opening its first ever Changing Places Toilet for individuals with significant physical disabilities; re-commissioning AccessAble to provide building accessibility information for the public; commissioning a programme of building technical accessibility audits; and completing accessibility works on a number of buildings
- Provided comprehensive support and guidance for managers regarding the potential diversity and equality related implications of changes to working practices arising from the COVID-19 pandemic
- Published its third Gender Pay Gap analysis, as well as its disability, ethnicity and sexuality pay gaps.



Ethical Investment Policy

It is the role of the Council to set out the ethical platform on which the University's investments are managed. The Council instructs its investment managers, through the Investments Sub-Committee, to invest University funds only in those companies which meet its criteria for ethical investment. It is the role of the Investments Sub-Committee to monitor investment managers' adherence to the University's Ethical Investment Policy. Investment managers report regularly to the Investments Sub-Committee on actions they have taken relating to ethical investment. The University was in adherence to its ethical investment policy throughout 2019/20.

During the year, following an update of the investment strategy, we appointed new fund managers. A key aspect of the appointment process was confirmation that those managers were able to adhere to the ethical investment policy.

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

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

Reserves Policy

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

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

CORPORATE GOVERNANCE

The following is provided to enable readers of the financial statements to understand key aspects of the governance of the University. These aspects were all in place for the year ended 31 July 2020 and up to the date of the financial statements.

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

- In line with the relevant general ongoing conditions of registration that applied from the date the University was first registered with the Office for Students (OfS)
- In accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership)
- In compliance with the guidance on corporate governance which has been provided for the sector by the Committee of University Chairs (CUC), including the Higher Education Code of Governance first published in December 2014 and revised in June 2018. (In September 2020, the CUC published its new Code of Governance and a compliance mapping exercise against this new Code is currently underway.)

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

Legal Status

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

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

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

The Council

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

- Appoint a Chancellor, a President who shall act as Chairman of the Council and a Vice-President of the Council
- Appoint a Vice-Chancellor as chief executive, and to put in place suitable arrangements for monitoring his/her performance
- Delegate authority to the Vice-Chancellor, as chief executive, for the academic, corporate, financial, estate and human resource management of the institution. And to establish and keep under regular review the policies, procedures and limits within such management functions as shall be undertaken by and under the authority of the head of the institution
- Approve the mission and strategic vision of the institution, the long-term academic and business plans and key performance indicators, and to ensure that these meet the interests of stakeholders
- Ensure that processes are in place to monitor and evaluate the performance and effectiveness of the institution against the plans and approved key performance indicators, which should be – where possible and appropriate – benchmarked against other comparable institutions
- Ensure the establishment and monitoring of systems of control and accountability, including financial and operational controls and risk assessment, and procedures for handling internal grievances and for managing conflicts of interest
- Be the employing authority for all staff in the institution and be responsible for establishing a human resources strategy
- Oversee the academic endeavours of the University to ensure that there is an effective framework in place to manage the quality of learning and teaching and to maintain academic standards; and to ensure that the welfare of students is secured

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

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

The Council meets four times per year and unreserved minutes of its meetings are usually published on the University's website. The formal business meetings are supplemented by two away days. Since March 2020 and the arrival of the COVID-19 pandemic, these have been augmented by regular informal briefing sessions held virtually. Emails sent by the Senior Leadership Team to all staff have also been circulated to Council members to ensure they are kept abreast of ongoing developments in response to the pandemic.

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

Independent reviews of the Council's effectiveness are conducted every four years, supplemented by 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 2017 by Professor Ella Ritchie OBE, former Deputy Vice-Chancellor of Newcastle University. Professor Ritchie concluded that: 'On the basis of the evidence available to the reviewer the conclusion is that the University of Liverpool has a strong and effective governing body that meets the 2014 Code of Governance and adds value to the University'. In addition, members' opinions on the effectiveness of the Council are sought regularly, including through annual meetings held between individual members, the President of the Council and the Clerk to the Council.

Committees of the Council

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

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

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

Audit Committee

The responsibilities of the Audit Committee are as follows:

- To advise the Council on the effectiveness of the University's management and control systems for ensuring value for money, propriety, regularity, economy, efficiency and accountability
- To monitor the implementation of approved recommendations relating both to internal and external audit reports and management letters
- To initiate reports and investigations as it sees fit, having the right of access to all minutes, books, documents or any other information maintained by the University

- To monitor the effectiveness of the external and internal audit services, and their relationship with each other
- To advise the Council on the arrangements in place for identifying, evaluating and controlling risks, and to monitor such arrangements
- To review the annual financial statements before they are presented to the Council, focusing on accounting policies, compliance with accounting standards, and the findings of the external auditors, including significant audit adjustments
- To approve the annual statement of risk and compliance
- To oversee matters relating to fraud and irregularity
- To provide an annual opinion on the adequacy and effectiveness of the University's arrangements for each of the following: risk management, control and governance; economy, efficiency and effectiveness; and the management and quality assurance of data submitted to the Higher Education Statistics Agency, the Student Loans Company, the OfS, Research England and other bodies
- To prepare an annual report for submission to the Council
- To approve the long term and annual plans for internal audit and monitor results as presented in internal audit's annual report
- To review, consider and advise upon reports made by the internal audit service, as to the financial affairs of the University and the functioning, maintenance and development of its financial control systems
- To advise the Council on the appointment and remuneration of the internal audit service and the external auditors and the scope of their work
- To have oversight of any non-audit services provided by the internal auditors
- To communicate with the external auditor on the audit approach, reporting timetables and findings
- To approve the external audit strategy and planning memorandum.

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

The Audit Committee received the Audit Plan and Strategy from the external auditors in March 2020. The Committee has considered and discussed the risks identified within this document during its meeting held in March and further in meetings of the Committee held in October and November. The Independent Auditor's Report from KPMG starting on page 48 of this document provides further information on KPMG's audit approach and findings for the period.

Nominations Committee

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

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

Planning and Resources Committee

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

- On behalf of the Council, oversee the governance and management of the University's affairs
- Be responsible to the Senate and the Council for all strategic academic and non-academic planning, including financial and human resources, and value for money, and to advise the Senate and the Council thereon
- Formulate institutional budgets, activity plans, and frameworks for the management of human resources, and to recommend them for approval to the Council
- Monitor the achievement of strategic plans and institutional budgets
- On behalf of the Council, oversee the University's capital programme, with authority to approve capital schemes of a value up to £5m.

Remuneration Committee

The Remuneration Committee has the following remit:

- To be responsible, on behalf of the Council, for setting the policy for, and agreeing remuneration and reward for, members of the senior leadership team
- To consider and determine the emoluments of the Vice-Chancellor. The Vice-President of Council (or another lay member of the Committee) takes over the chair from the President when considerations are taking place regarding the Vice-Chancellor, who is not present for discussions of her salary
- To receive reports concerning non-clinical professorial and equivalent Professional Services senior management staff (Grade 10) remuneration and reward

- To approve proposals for voluntary severance or the early retirement of senior staff (the determination of such matters with regard to the Vice-Chancellor shall be restricted to the lay members of the Committee)
- To approve policy on the outside earnings of senior staff (professorial and Grade 10)
- To receive reports on actions taken by the Vice-Chancellor to approve retention awards for senior staff
- To review and note remuneration trends across the University, including reports on the relationship between graded structure and senior staff, equality and risk assessment issues
- To have oversight of the University's remuneration, reward and promotion (RRP) processes and, subject to any conditions set by the Council, establish the conditions for the RRP Review in any one year and to receive a report on the outcome of the RRP Review, including appeals
- To make recommendations to the Planning and Resources Committee on the affordability and acceptability of national pay agreements
- To report to the Senate on academic promotions and to the Council on all matters
- To ensure compliance with the CUC Higher Education Senior Staff Remuneration Code.

The annual report of the Remuneration Committee submitted to the Council in November 2020 is available at: **www.liverpool.ac.uk/governance/university-committees/remuneration-committee/**

Senate

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

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

As a result of the COVID-19 pandemic, since March 2020 the University's Committees, including those referred to above, have met virtually. Where appropriate, agendas have been pared down and some of the more routine business has been dealt with via correspondence.

Leadership

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

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

Senior Leadership Team

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

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

Internal Control

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

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

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

The Committee receives regular reports from the University's internal auditors, PwC, which provide an independent opinion on the adequacy and effectiveness of the University's arrangements for internal control, risk management, governance, and securing value for money, together with recommendations for improvement where appropriate and timescales for implementation. PwC's methodology is aligned to the requirements of the OfS's Terms and Conditions for Funding. The University's external auditors are KPMG who provide assurance on the financial statements and the regularity and propriety in the use of public funding.

The Council's review of the effectiveness of the system of internal control for the year ended 31 July 2020 and up to the date of approval of the audited financial statements is informed by the Audit Committee, the work of the internal auditors, the work of the senior managers who have responsibility for the development, maintenance and continual review of the internal control framework and comments made by the external auditors in their management letter and other reports. There were no significant internal control weaknesses or deficiencies identified in the year.

Risk Management

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

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

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

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

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

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

PwC construct their internal audit plan in consultation with management in order to ensure that it is based on the University's strategic risk register so that assurances can be gained that risks are properly managed, and to allow the auditors to fulfil their responsibility to give the 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 2020 and up to the date of the approval of the audited financial statements.

Public Interest

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

Register of Interests

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

Financial Control

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

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

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

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

The Council is also responsible for ensuring that:

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

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

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

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

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

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

The Council is satisfied that the system of internal financial control described above has been in place throughout the year ended 31 July 2020 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 63.

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

1. Our opinion is unmodified

We have audited the financial statements of the University of Liverpool ("the University") for the year ended 31 July 2020 which comprise the Consolidated and University Statement of Comprehensive Income and Expenditure, the Consolidated and University Balance Sheet, the Consolidated and University Statement of Changes in Reserves and the Consolidated Cash Flow and the related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the University's affairs as at 31 July 2020, and of the Group's and the University's income and expenditure, gains and losses and changes in reserves, and of the Group's cash flows, for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland;* and with the 2019 Statement of Recommended Practice – Accounting for Further and Higher Education; and
- Meet the requirements of the Accounts Direction dated 25 October 2019 issued by the Office for Students.

Basis for opinion

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

We were first appointed as auditor by Council on 10 November 2010. The period of total uninterrupted engagement is for the 10 financial years ended 31 July 2020. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to public interest entities. No non-audit services prohibited by that standard were provided.

Overview

Materiality: Group financial statements as a whole	£5.75m (2019: £5.45m) 1% (2019: 0.9%) of Group total income	
Coverage	99.4% (2019: 99.4%) of Group total income	
Key audit matters		**vs 2019**
Recurring risks	The impact of uncertainties due to the UK exiting the European Union on our audit	◀▶
	Subjective valuation of the University's Superannuation Scheme provision and University of Liverpool Pensions Fund	◀▶
	Group and University Income: 2018/19 / 2019/20 undergraduate and post-graduate income	◀▶
	Group and University Income: 2018/19 / 2019/20 research grants and contracts income	◀▶
Event driven	**New:** Overall financial position and going concern	▲

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

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

	The risk	Our response
Group and University: The impact of uncertainties due to the UK exiting the European Union on our audit *Refer to page 33 (financial review) and page 36 (risk management).*	**Unprecedented levels of uncertainty:** Unprecedented levels of uncertainty: All audits assess and challenge the reasonableness of estimates, in particular as described in the key audit matters on the 'Overall financial position and going concern' and 'Subjective valuation of the University's Superannuation Scheme provision and University of Liverpool Pension Fund' below, and related disclosures and the appropriateness of the going concern basis of the preparation of the financial statements. All of these depend on assessments of the future economic environment and the group's future prospects and performance. Brexit is one of the most significant economic events for the UK and at the date of this report, its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown.	We developed a standardised firm-wide approach to the consideration of the uncertainties arising from Brexit in planning and performing our audits. Our procedures included: • **Our Brexit knowledge:** We have considered the Council's assessment of Brexit-related sources of risk for the group's business and financial resources compared with our own understanding of the risks. We considered the Council's plans to take action to mitigate the risks. • **Sensitivity analysis:** When addressing the key audit matter on the *Subjective valuation of the University's Superannuation Scheme provision and University of Liverpool Pension Fund*, we compared the Council's analysis to our assessment of the full range of reasonably possible scenarios resulting from Brexit uncertainty and, where forecast cash flows are required to be discounted, considered adjustments to discount rates for the level of remaining uncertainty. • **Assessing transparency:** We considered all of the Brexit related disclosures together, including those in the *Review of the Year and Financial Statements to 31 July 2020*, comparing the overall picture against our understanding of the risks. However, no audit should be expected to predict the unknowable factors or all possible future implications for an organisation and this is particularly the case in relation to Brexit.

<table>
<tr><th></th><th>The risk</th><th>Our response</th></tr>
<tr>
<td>Overall financial position and going concern

Refer to page 33 (financial review), page 46 (corporate governance) and page 63 (accounting policy).</td>
<td>Disclosure quality

The financial statements explain how the Council has formed a judgement that it is appropriate to adopt the going concern basis of preparation for the Group and University.

That judgement is based on an evaluation of the inherent risks to the Group’s and University’s financial plan and how those risks might affect the Group’s and University’s financial resources or ability to continue operations over a period of at least a year from the date of approval of the financial statements.
The risks most likely to adversely affect the Group’s and University’s available financial resources over this period were:
A significant reduction in UK and international student numbers due to Covid-19;
A significant reduction in research income due to Covid-19; and
A significant reduction in commercial income due to Covid-19.
There are also less predictable but realistic second order impacts, such as the impact of Brexit and the erosion of customer or supplier confidence, which could result in a rapid reduction of available financial resources.

The risk for our audit was whether or not those risks were such that they amounted to a material uncertainty that may have cast significant doubt about the ability to continue as a going concern. Had they been such, then that fact would have been required to have been disclosed.</td>
<td>Our procedures included:
Historical comparison: Assessing the Council’s track record of forecasting their year-end outturn by comparing their outturn position to their forecast position for the last two financial years.
Sensitivity analysis: Considering sensitivities over the level of available financial resources indicated by the Group’s financial forecasts taking account of plausible (but not unrealistic) adverse effects that could arise from these risks individually and collectively. This included challenging the Council’s stress testing of the identified critical factors, including requesting the Council to apply more severe but plausible downside assumptions for some sensitivities, including an increase in USS pension contributions
Our Higher Education experience: Critically assessed the key assumptions in the Council’s downside scenarios in relation to specific risks using our own sector knowledge and experience.
Assessing transparency: Considering whether the going concern disclosure in note 1 to the financial statements gives a full and accurate description of the Council’s assessment of going concern, including the identified risks.
Our results
We found the going concern disclosure in note 1 without any material uncertainty to be acceptable.</td>
</tr>
</table>

	The risk	Our response

Group and University:
 	
Pension provisions
 	
(ULPF Retirement benefit asset £23.1 million; 2019 - £58.0 million)
 	
USS pension provision £76.2 million; 2019: £134.1 million)
 	
Refer to pages 64 and 65 (accounting policy) and pages, 83, 87 to 93 and 97 to 98 (financial disclosures).
	Subjective valuation of the Universities Superannuation Scheme provision and University of Liverpool Pension Fund:
	
	The Group is a member of the Universities Superannuation Scheme (USS), as well as enrolling members of staff in the University's own pension scheme (University of Liverpool Pension Fund (ULPF)).
	
	Assumptions used in the valuation of scheme assets, the defined benefit obligation and the value of the pension provision include highly judgemental or complex assumptions and small variations may give rise to material movements in the balances. It is therefore critical that the assumptions reflect the profile of the Group's employees and are based on the most recent actuarial valuation and that assumptions are derived on a consistent basis year-to-year.
	
	The effect of these matters is that, as part of our risk assessment, we determined that the valuation of the USS and ULPF pension provision has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. The financial statements (note 33) disclose the sensitivity estimated by the University.
		Our procedures included:
		• **Control design:** Assessing the control framework regarding monitoring of the pension provision;
		• **Benchmarking:**
		  • Challenging, with the support of our own actuarial specialists, the key assumptions applied in the valuation of the ULPF, being the discount rate, inflation rate and mortality/life expectancy against externally derived data;
		  Challenging with the support of our own actuarial specialists, the key assumptions applied in the valuation of the USS provision, being the discount rate, against externally derived data.
		Test of details
		  • Agreeing the assets held in the ULPF at the year-end to third party confirmations as well as performing our own valuation procedures to gain comfort over the valuation.
		  • Agreeing the inputs from the University into the calculation of the ULPF valuations to supporting payroll information.
		  • Agreeing the inputs included within the University's ULPF projected cash flow to supporting information.
		  • Assessing the inputs from the University into the calculation of the USS provision.
		• **Historical comparison:** Evaluating the track record of key assumptions applied in the valuation of the USS provision, being future salary inflation and staff numbers, against historic accuracy of forecasts used in the calculation.
		• **Assessing transparency:** Considering the adequacy of the disclosures in respect of the sensitivity of the pension obligations to these assumptions.
		• **Our pensions expertise:**
		  • Evaluating the competency and objectivity of the ULPF actuary to assess the adequacy of their qualifications and the basis for their calculations.
		  • Assessing the methodology used by the ULPF actuary with the use of a KPMG actuary
		
		Our results:
		• We found the valuation of the USS and ULPF pension obligation to be acceptable (2019 result: acceptable).

	The risk	Our response

Group and University Income: Undergraduate student and post-graduate income
 	
(£324.3 million; 2019: £309 million)
 	
Refer to page 64 (accounting policy) and page 71 (financial disclosures).
	2018/19 / 2019/20 undergraduate and post-graduate income
	
	There is a significant risk over the completeness and accuracy of income due from undergraduate students.
	
	In addition, there is a significant risk that income from post-graduate students is not recognised in the correct year of the financial statements due to the timing of course dates.
		Our procedures included:
		• **Control design:** Assessing the design and effectiveness of controls established to record student details in the student records system.
		
		• **Data Comparisons:**
		  • Assessing the completeness and accuracy of data through the testing of the reconciliation between the University's financial system, which inputs to the financial statements, with the student records system.
		  • Comparing the Student Loan Company Statement as at 31 July 2020, which details all payments made in year by the Student Loan Company in relation to home and EU students accessing student finance, to entries in the general ledger at year-end.
		  • Using data analytics to recalculate the fee income details held within the general ledger using information contained within the student records system and the fee rules held in the University fee schedule. Any mismatches between the general ledger and the recalculated values were then tested on a sample basis and agreed back to source documentation, such as application forms and fees schedules, to confirm that the correct income had been recorded.
		• **Tests of detail:**
		  • For a sample of individual students that made up the tuition fee balance, assessing whether their tuition fee income had been accurately recognised in the student ledger.
		  • Assessing the completeness and accuracy of data and information in relation to the programmes crossing year-end to assess whether income had been accurately recorded in the correct period.
		  • For a sample of post-graduate and distance learning students, assessing whether the related income had been recorded in the correct year with reference to supporting documentation, including application forms, award letters and fee schedules.
		• **Our results:**
		  • We found the recognition of income from undergraduate and post-graduate students to be acceptable (2019 result: acceptable)

	The risk	Our response
Group and University Income: Research grants and contracts (£95.1 million; 2019: £98.7 million) *Refer to page 64 (accounting policy) and page 71 (financial disclosures).*	**2018/19 / 2019/20 research grants and contracts income** There is a significant risk that research income has not been accurately recognised due to the inappropriate recognition associated with overhead recovery and non-standard contracts. There is a related significant risk that non-compliance with grant terms and conditions, for example claiming for ineligible spend, results in income not being recognised in line with the University's accounting policies or relevant accounting standards. Noncompliance with grant terms and conditions may also result in clawback of funding by research funders.	Our procedures included: • **Control design:** Assessing the design and effectiveness of the controls established to set-up and monitor research projects and research grants and contracts income. **Test of details** • Analysing research project data to identify projects with income, expenditure, debtor or creditor balances meeting certain criteria (such as value, length of project, start and end dates) during the year and considering whether the accounting treatment for those projects is in line with accounting standards by reference to grant agreements and other supporting documentation. • For a sample of research projects, testing whether expenditure was in line with the terms and conditions of the relevant contract. • For a sample of research projects, testing whether income was included in the correct period and accounted for in accordance with the requirements of the relevant grant agreement and accounting standards. • Assessing the outcomes of inspection visits by research funders to identify potential clawback of funds recognised in year. **Our results:** • We found the recognition of income from research grants and contracts to be acceptable (2019 result: acceptable)

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

The materiality for the Group financial statements as a whole was set at £5.75m (2019: £5.45m), determined with reference to a benchmark of Group total income of £583.5m (2019: £577.7m), of which it represents 1% (2019: 0.9%).

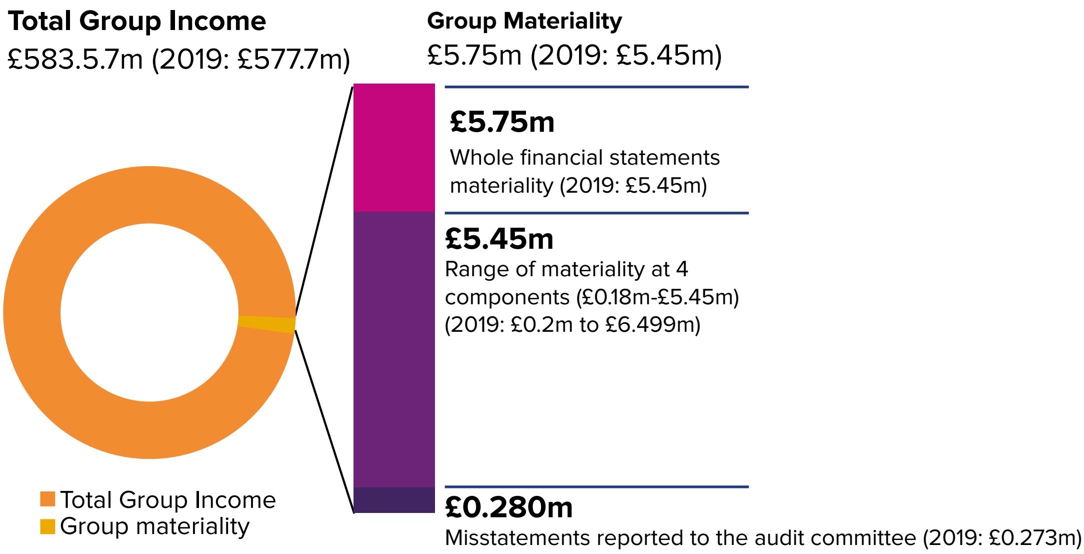
The materiality for the University financial statements was set at £5.45m (2019: £5.4m), determined with reference to a benchmark of University income of £584.7m (2019: £577.7m), of which it represents 0.9% (2019: 0.9%).

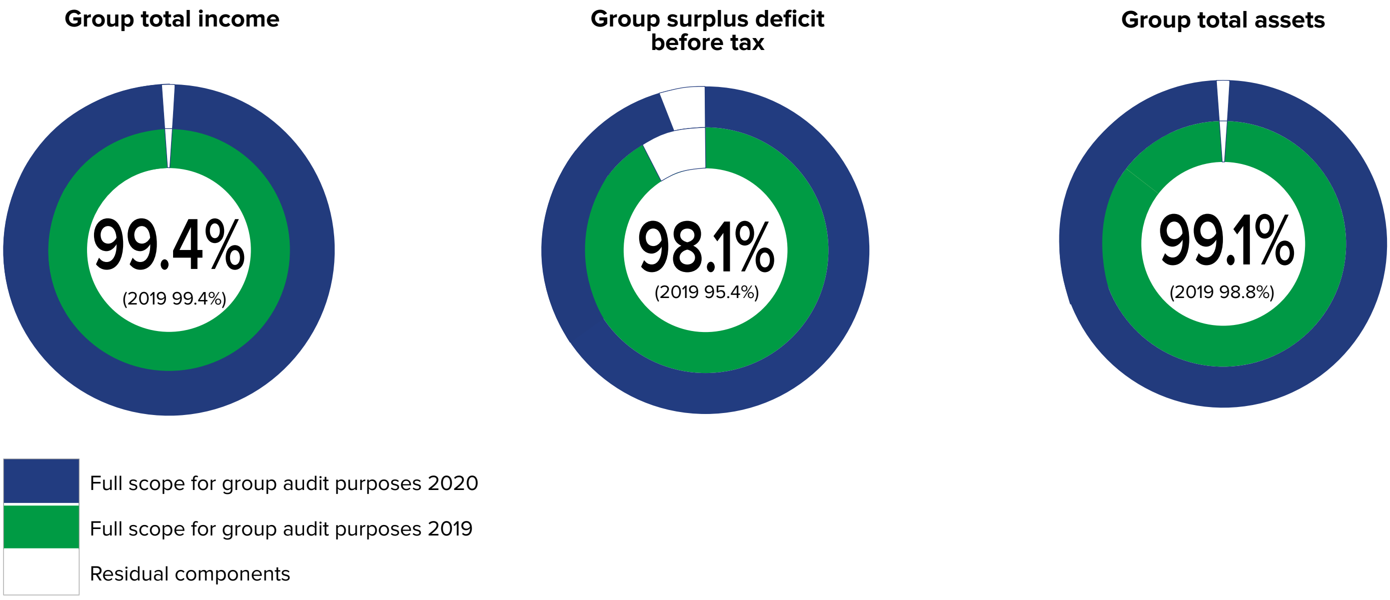
We consider total income, rather than a surplus related benchmark, to be the most appropriate benchmark as the Group is a not-for-profit organisation, therefore the focus is on income and any surplus generated is variable and reinvested.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.280m (2019: £0.273m), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's 10 (2019: 10) reporting components, we subjected 4 (2019: 4) to audits for Group reporting purposes. These audits accounted for 99.4% (2019: 99.4%) of Group total income, 98.1% (2019: 95.4%) of Group surplus/deficit before tax and 99.1% (2019: 99.1%) of Group total assets

The Group team completed the audit of the 4 reporting components subject to audit for group reporting purposes, including the parent organisation. The component materialities ranged from £0.18m to £5.45m (2019: £0.2m to £5.4m), having regard to the mix of size and risk profile of the Group across the components. None of the other components individually represented more than 5% of total group income, or total group assets. For the residual components, we performed analysis at an aggregated group level to re-examine our assessment that there were no significant risks of material misstatement within these components.





4. We have nothing to report on going concern

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

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

We identified going concern as a key audit matter (see section 3 of this report). Based on the work described in our response to that key audit matter, we are required to report to you if:

- We have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements.

We have nothing to report in this respect.

5. We have nothing to report on other information in the *Review of the Year and Financial Statements to 31 July 2020*

The Council is responsible for the other information, which comprises the Review of the Year, Corporate Governance Statement and Responsibilities of the Council of the University. Our opinion on the financial statements does not cover the other information, and accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in those reports.

6. Respective responsibilities

Council Responsibilities

As explained more fully in their statement set out on pages 42 and 43, the Council is responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the University or to cease operations, or have no realistic alternative but to do so.

Auditor Responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Irregularities – ability to detect

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our sector experience, through discussion with Council and senior management (as required by auditing standards), and from inspection of the University's regulatory and legal correspondence and discussed with the Council and senior management] the policies and procedures regarding compliance with laws and regulations. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

The group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, and taxation legislation, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Whilst the group is subject to many other laws and regulations, we did not identify any others where the consequences of non-compliance alone could have a material effect on amounts or disclosures in the financial statements.

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

7. Report on other legal and regulatory requirements

We are required to report on the following matters by the Accounts Direction dated 25 October 2019 issued by the Office for Students ('the Accounts Direction').

In our opinion, in all material respects:

- funds from whatever source administered by the Group and the University for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- income has been applied in accordance with the University's Statutes; and
- funds provided by the Office for Students, 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 relevant terms and conditions.

8. Matters on which we are required to report by exception

We are required by the Accounts Direction to report to you where the University has an access and participation plan that has been approved by the Office for Students' director of fair access and participation and the results of our audit work indicate that the Group's and the University's expenditure on access and participation activities for the financial year disclosed in Note 10b has been materially misstated.

We are also required by the Accounts Direction to report to you where the results of our audit work indicate that the Group's and the University's grant and fee income, as disclosed in note 10b to the financial statements has been materially misstated.

We have nothing to report in these respects.

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

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

Clare Partridge
(Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1, Sovereign Square, Sovereign Street, Leeds, LS1 4DA

30 November 2020

ANNUAL FINANCIAL STATEMENTS

for the year ended 31 July 2020

Consolidated and Institution Statement of Comprehensive Income and Expenditure - Year Ended 31 July 2020

	Notes	Year ended 31 July 2020 Consolidated	Year ended 31 July 2020 Institution	Year ended 31 July 2019 Consolidated (Restated *)	Year ended 31 July 2019 Institution (Restated *)
		£m	**£m**	£m	£m
Income					
Tuition fees and education contracts	2	**324.3**	**323.0**	309.0	307.6
Funding body grants	3	**76.2**	**76.2**	71.2	71.2
Research grants and contracts	4	**95.1**	**95.1**	98.7	98.7
Other income	5	**77.7**	**75.3**	86.3	83.9
Investment income	6	**7.0**	**11.9**	8.5	12.3
Donations and endowments	7	**3.2**	**3.2**	1.9	1.9
Total income		**583.5**	**584.7**	575.6	575.6
Expenditure					
Staff costs	8	**323.4**	**321.6**	302.9	301.2
Restructuring costs	8, 10a	**6.4**	**6.4**	2.0	2.0
Staff element to USS pension adjustment	8	**(60.1)**	**(60.1)**	85.2	85.2
Total staff costs	8	**269.7**	**267.9**	390.1	388.4
Other operating expenses	10	**197.3**	**197.7**	205.4	206.4
Depreciation and amortisation	12,13	**43.8**	**41.9**	38.6	36.7
Impairment of fixed assets	13	**4.8**	**4.8**	-	-
Interest and other finance costs	9	**13.2**	**12.4**	11.1	10.3
Total expenditure	10a	**528.8**	**524.7**	645.2	641.8
Surplus / (Deficit) before other gains losses and share of operating surplus of joint ventures and associates		**54.7**	**60.0**	(69.6)	(66.2)
Gain on disposal of fixed assets		**11.0**	**11.0**	4.3	4.1
(Loss) / Gain on investments	15	**(0.1)**	**(0.1)**	8.3	8.3
Share of operating surplus in joint ventures and associates	16	**1.6**	**-**	0.8	-
Surplus / (Deficit) before tax		**67.2**	**70.9**	(56.2)	(53.8)
Taxation	11	**-**	**-**	(0.1)	-
Surplus / (Deficit) for the year		**67.2**	**70.9**	(56.3)	(53.8)
Other comprehensive income					
Actuarial (loss) / gain in respect of University of Liverpool Pension Fund	32	**(30.3)**	**(30.3)**	37.8	37.8
Total comprehensive income / (expenditure) for the year		**36.9**	**40.6**	(18.5)	(16.0)
Represented by:					
Endowment comprehensive (expenditure) / income for the year		**(3.4)**	**(3.4)**	4.8	4.8
Unrestricted comprehensive income / (expenditure) for the year		**40.3**	**44.0**	(23.3)	(20.8)
		36.9	**40.6**	(18.5)	(16.0)

All items of income and expenditure relate to continuing activities. The accompanying notes and policies on pages 62 to 98 form part of these financial statements.
* Refer to Note 37

Consolidated and Institution Statement of Financial Position - Year Ended 31 July 2020

	Notes	As at 31 July 2020 Consolidated	As at 31 July 2020 Institution	As at 31 July 2019 Consolidated (Restated *)	As at 31 July 2019 Institution (Restated *)
		£m	£m	£m	£m
Non-current assets					
Intangible assets	12	**1.8**	**1.6**	2.0	1.9
Fixed assets	13	**781.1**	**765.6**	791.1	772.5
Heritage assets	13/14	**17.0**	**17.0**	17.0	17.0
Investments	15	**195.5**	**195.5**	217.4	217.4
Investment in subsidiaries	15	**-**	**3.8**	-	3.8
Investment in joint ventures and associates	16	**8.7**	**-**	8.4	-
Retirement benefit asset in University of Liverpool Pension Fund	32	**23.1**	**23.1**	58.0	58.0
		1,027.2	**1,006.6**	1,093.9	1,070.6
Current assets					
Stock	17	**1.4**	**1.0**	1.4	1.1
Trade and other receivables	18	**65.8**	**73.2**	68.5	79.2
Investments	19	**70.1**	**70.1**	79.3	79.3
Cash and cash equivalents	24	**93.4**	**91.8**	41.1	37.8
		230.7	**236.1**	190.3	197.4
Less: Creditors: amounts falling due within one year	20	**(134.2)**	**(138.4)**	(139.7)	(146.6)
Net current assets		**96.5**	**97.7**	50.6	50.8
Total assets less current liabilities		**1,123.7**	**1,104.3**	1,144.5	1,121.4
Creditors: amounts falling due after more than one year	21	**(300.2)**	**(285.2)**	(300.0)	(285.0)
Provisions					
Pension provisions	22	**(76.2)**	**(76.2)**	(134.1)	(134.1)
Other provisions	22	**(0.5)**	**-**	(0.5)	-
Total net assets		**746.8**	**742.9**	709.9	702.3
Restricted reserves					
Income and expenditure reserve - endowment reserve	23	**168.3**	**168.3**	171.7	171.7
Unrestricted reserves					
Income and expenditure reserve - unrestricted		**578.5**	**574.6**	538.2	530.6
Total reserves		**746.8**	**742.9**	709.9	702.3

* Refer to note 37

The financial statements were approved by the Council on 24 November 2020 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 2020

Consolidated		**Income and expenditure account**		**Total**
		Endowment	Unrestricted	
		£m	£m	£m
At 1 August 2018 as previously reported		**167.1**	**537.4**	**704.5**
Impact of restatement		-	23.9	23.9
At 1 August 2018 as restated *		**167.1**	**561.3**	**728.4**
Surplus / (deficit) from the income and expenditure statement (restated *)		4.8	(61.1)	(56.3)
Other comprehensive income (restated *)		-	37.8	37.8
Release of restricted funds in the year		(0.2)	0.2	-
Total comprehensive income for the year		**4.6**	**(23.1)**	**(18.5)**
At 1 August 2019 as restated*		**171.7**	**538.2**	**709.9**
(Deficit) / Surplus from the income and expenditure statement		(3.4)	70.6	**67.2**
Other comprehensive income	32	-	(30.3)	**(30.3)**
Total comprehensive income for the year		**(3.4)**	**40.3**	**36.9**
Balance at 31 July 2020		**168.3**	**578.5**	**746.8**

Institution		**Income and expenditure account**		**Total**
		Endowment	Unrestricted	
		£m	£m	£m
At 1 August 2018 as previously reported		**167.1**	**527.3**	**694.4**
Impact of restatement		-	23.9	23.9
At 1 August 2018 as restated *		**167.1**	**551.2**	**718.3**
Surplus / (deficit) from the income and expenditure statement (restated *)		4.8	(58.6)	(53.8)
Other comprehensive income (restated *)		-	37.8	37.8
Release of restricted funds in the year		(0.2)	0.2	-
Total comprehensive income for the year		**4.6**	**(20.6)**	**(16.0)**
Balance at 1 August 2019 as restated*		**171.7**	**530.6**	**702.3**
(Deficit) / Surplus from the income and expenditure statement		(3.4)	74.3	70.9
Other comprehensive income	32	-	(30.3)	(30.3)
Total comprehensive income for the year		**(3.4)**	**44.0**	**40.6**
Balance at 31 July 2020		**168.3**	**574.6**	**742.9**

* Refer to note 37

Consolidated Statement of Cash Flows - Year Ended 31 July 2020

	Notes	Year ended 31 July 2020	Year ended 31 July 2019 (Restated *)
		£m	£m
Cash flow from operating activities			
Surplus / (deficit) for the year before tax		**67.2**	(56.2)
Adjustment for non-cash items			
Depreciation	13	**43.0**	37.9
Impairment	13	**4.8**	-
Amortisation of intangibles	12	**0.8**	0.7
Loss / (Gain) on investments	15	**0.1**	(8.3)
Increase in stock	17	**-**	(0.2)
Increase in trade and other receivables	18	**(1.9)**	(4.6)
(Decease) / increase in creditors < 1 year	20	**6.1**	(7.0)
(Decrease) / Increase in pension provision	22	**(55.6)**	89.9
Increase in other provisions	22	**-**	0.1
Share of operating surplus in joint ventures and associates	16	**(2.0)**	0.4
Adjustment for investing or financing activities			
Investment income	6	**(1.9)**	(2.1)
Interest payable	9	**13.2**	11.1
Endowment investment income	6	**(3.9)**	(5.8)
Profit on sale of fixed assets		**(10.9)**	(4.3)
Capital grant income	3	**(4.9)**	(10.7)
Cash flows from operating activities		**54.1**	40.9
Taxation		**-**	(0.1)
Net cash inflow from operating activities		**54.1**	40.8
Cash flows from investing activities			
Proceeds from sales of fixed assets		**1.2**	5.1
Capital grants receipts	20	**13.4**	8.2
Capital receipts	20	**-**	2.8
Disposal of non-current asset investments	15	**164.2**	57.6
Disposal of current investments		**94.8**	20.0
Investment income (including joint venture and associates net investment income)	6	**3.5**	2.1
Endowment investment income	6	**3.9**	5.8
Payments made to acquire fixed assets	13	**(43.2)**	(80.1)
Payments made to acquire intangible assets	12	**(0.6)**	(0.3)
New non-current asset investments	15	**(156.1)**	(52.1)
New current investments		**(85.3)**	(25.3)
		(4.2)	(56.2)
Cash flows from financing activities			
Interest paid	9	**(11.1)**	(11.1)
Non-current investment cash inflow / (outflow)	15	**13.4**	(6.3)
Repayments of amounts borrowed	21	**-**	(0.2)
Capital element of finance lease	21	**0.1**	-
		2.4	(17.6)
Increase / (decrease) in cash and cash equivalents in the year		**52.3**	(33.0)
Cash and cash equivalents at beginning of the year	24	**41.1**	74.1
Cash and cash equivalents at end of the year	24	**93.4**	41.1

* Refer to note 37

NOTES TO THE ACCOUNTS

for the year ended 31 July 2020

Notes to the Accounts for the year ended 31 July 2020

1 Statement of Principal Accounting Policies

a General information

The University of Liverpool is registered with the Office for Students in England. The address of the registered office is the Foundation Building, 765 Brownlow Hill, Liverpool, L69 7ZX.

b Statement of compliance

The Group and parent University 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 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.

c 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 Group and parent University'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 financial statements have been prepared on a going concern basis which the Council consider to be appropriate for the following reasons.

The Council has prepared cash flow forecasts for the period up to 31 July 2022. After reviewing these forecasts the Council is of the opinion that, taking account of severe but plausible downsides, including the anticipated impact of COVID-19 the Group and parent University will have sufficient funds to meet their liabilities as they fall due over the period of 12 months from the date of approval of the financial statements (the going concern assessment period).

Four going concern scenarios were considered, covering optimistic, realistic, pessimistic and worst case outcomes. As parameters have tightened the extremes covered by the optimistic and worst case scenarios have significantly reduced in probability so represent the outer bounds of likelihood. The high level assessment covered associated risks under the following headings:

- Customer perspective - risks to student fee income
- Supply chain perspective - risks to research funding
- Supply chain perspective - risks to partnerships
- Supply chain perspective – risks to infrastructure and maintenance services suppliers
- Employees – access to right quality and numbers of staff
- Financing
- Regulation

Tuition fee, research and commercial income were all subject to stress testing, as well as the impact of COVID-19 on both pay and non-pay expenditure. Under our *pessimistic scenario with mitigations,* cash remains above our own treasury minimum of £60m. Consequently the Council is confident that the Group and parent University will have sufficient funds to continue to meet liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

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

d 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.

e Basis of consolidation

The consolidated financial statements include the financial statement 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 2020. The results of subsidiaries acquired or disposed of during the period are included in the Consolidated Statement of Comprehensive Income and Expenditure from the date of acquisition or up to the date of disposal. Intra-group transactions are eliminated on consolidation.

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 control or have a 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.

f Income recognition

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

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

Education contracts are recognised when the 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 and Expenditure 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 funding council block grant, 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 Balance Sheet and released to income as the conditions are met.

Donations and endowments

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

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

1. Restricted donations - the donor has specified that the donation must be used for a particular objective.
2. Unrestricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of the 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.

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

Universities Superannuation Scheme

The Universities Superannuation Scheme is a multi-employer scheme, providing defined benefits (for all members), as well as defined contribution benefits. The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the assets are not attributed to individual institutions and a scheme-wide contribution rate is set. The 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 and Expenditure 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 and Expenditure.

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 now 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. As a result the prior year comparatives as at 31 July 2019 have been restated to include the surplus in the University of Liverpool Pension Fund. Note 37 summarises the impact on the Consolidated and Institution's financial statements.

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

h 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.

i 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.

j Operating leases

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Any lease premiums or incentives are spread over the minimum lease term with the exception of the lease for Finsbury Square which was held at the transition date to FRS 102 for which the rent free period is spread over the period to the first rent review.

k 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.

l 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.

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 Balance Sheet.

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

Impairment

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

Repairs and maintenance

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

Borrowing costs

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

m 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 and Expenditure in the year it is incurred.

Heritage assets are not depreciated as their long economic life and high residual value mean that any depreciation would not be material. The assets are subject to an annual impairment review in accordance with applicable accounting standards.

n Intangible assets

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

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

Intangible assets are subject to periodic impairment reviews as appropriate.

o 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.

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

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

p Stock

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

q 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.

r Provisions, contingent liabilities and contingent assets

Provisions are recognised in the financial statements when:

(a) the Institution has a present obligation (legal or constructive) as a result of a past event;

(b) it is probable that an outflow of economic benefits will be required to settle the obligation; and

(c) a reliable estimate can be made of the amount of the obligation.

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

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

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

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

s Accounting for joint ventures and associates

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

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

Comprehensive Income and Expenditure.

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.

t Taxation

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

The 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.

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.

u Derivatives

Derivatives are held on the Balance Sheet at fair value with movements in fair value recognised in arriving at the surplus.

v 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.

w Financial instruments

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

The 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 and Expenditure.

All other investments are measured at cost less impairment.

Short term debtors and creditors

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

Loans

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

x Significant 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 significant estimates and judgements used in the preparation of the financial statements are as follows:

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. 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 included to account for the increased risk. The Institution deems the provision to be adequate based on the aged profile of debt and the nature of the underlying discussions around recovery.

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 Institution has updated its approach to setting RPI and CPI inflation assumptions in light of the RPI reform proposals published on the 4 September 2019 by the UK Chancellor and UK Statistics Authority. The Institution continued to set RPI inflation in line with the market break-even. For CPI, the Institution reduced the assumed difference between the RPI and CPI by 0.35% to an average of 0.55% per annum. The estimated impact of the change in the methodology is approximately a £16.4m increase in the defined benefit obligation in respect of the University of Liverpool Pension Fund.

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

As the Institution is contractually bound to make deficit recovery payments to USS, this is recognised as a liability on the Statement of Financial Position. The provision is currently based on the USS deficit recovery plan agreed after the 2018 actuarial valuation, which defines the deficit payment required as a percentage of future salaries until 2028. These contributions will be reassessed within each triennial valuation of the scheme. The provision is based on management's estimate of expected future salary inflation, changes in staff numbers and the prevailing rate of discount.

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

Significant judgements

Impairments

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

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

If an impairment loss subsequently reverses, the carry 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 2020 Consolidated £m	Year Ended 31 July 2020 Institution £m	Year Ended 31 July 2019 Consolidated £m	Year Ended 31 July 2019 Institution £m
2 Tuition fees and education contracts					
Full-time home and EU students		**157.1**	**157.1**	156.8	156.8
Full-time international students		**141.6**	**140.3**	124.2	122.8
Part-time students		**6.2**	**6.2**	6.3	6.3
Special courses		**9.9**	**9.9**	10.9	10.9
Research Training Support Grant		**9.5**	**9.5**	10.8	10.8
		324.3	**323.0**	309.0	307.6
3 Funding body grants					
Recurrent grant					
Office for Students		**32.0**	**32.0**	30.1	30.1
Research England		**32.1**	**32.1**	28.8	28.8
Specific grants					
Capital Investment Funds		**4.5**	**4.5**	5.6	5.6
Higher Education Innovation Fund		**3.4**	**3.4**	3.4	3.4
Other specific grants		**4.2**	**4.2**	3.3	3.3
		76.2	**76.2**	71.2	71.2
4 Research grants and contracts					
Research councils		**36.8**	**36.8**	39.9	39.9
Research charities		**16.1**	**16.1**	18.1	18.1
Government (UK and overseas)		**28.2**	**28.2**	25.0	25.0
Industry and commerce		**6.7**	**6.7**	8.9	8.9
Other		**7.3**	**7.3**	6.8	6.8
		95.1	**95.1**	98.7	98.7
The source of grant and fee income, included in notes 2 to 4 is as follows:					
Grant and Fee income					
Grant income from the OfS		**34.2**	**34.2**	33.1	33.1
Grant income from other bodies		**137.1**	**137.1**	136.8	136.8
Fee income for research awards (exclusive of VAT)		**13.5**	**13.5**	12.2	12.2
Fee income from non-qualifying courses (exclusive of VAT)		**20.4**	**20.4**	22.8	22.8
Fee income for taught awards (exclusive of VAT)		**290.4**	**289.1**	274.0	272.6
		495.6	**494.3**	478.9	477.5
5 Other income					
Residences, catering and conferences		**22.0**	**22.0**	31.5	31.5
Health authorities		**10.7**	**10.7**	9.3	9.3
Other services		**24.7**	**22.2**	26.0	23.7
Other income		**20.3**	**20.4**	19.5	19.4
		77.7	**75.3**	86.3	83.9
6 Investment income				(Restated *)	(Restated *)
Investment income on endowments		**3.9**	**3.9**	5.8	5.8
Other investment income		**1.9**	**6.8**	2.1	5.9
Net return on pension scheme	32	**1.2**	**1.2**	0.6	0.6
		7.0	**11.9**	8.5	12.3

*Refer to note 37

	Year Ended 31 July 2020 Consolidated £m	Year Ended 31 July 2020 Institution £m	Year Ended 31 July 2019 Consolidated £m	Year Ended 31 July 2019 Institution £m
7 Donations and endowments				
New endowments	**2.0**	**2.0**	0.4	0.4
Unrestricted donations	**1.2**	**1.2**	1.5	1.5
	3.2	**3.2**	1.9	1.9
8 Staff costs				
Staff costs:				
Salaries	**248.4**	**247.0**	237.2	235.8
Social security costs	**24.2**	**24.0**	23.2	23.1
Movement on USS past service cost	**(60.1)**	**(60.1)**	85.2	85.2
Other pension costs	**50.3**	**50.1**	42.5	42.3
Movement on Annual Leave Provision	**0.5**	**0.5**	-	-
Sub-total	**263.3**	**261.5**	388.1	386.4
Restructuring costs	**6.4**	**6.4**	2.0	2.0
Total	**269.7**	**267.9**	390.1	388.4

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

During the year the Institution undertook significant restructuring which resulted in £6.4m in compensation for loss of office paid to 349 employees.

	Year Ended 31 July 2020 £'000	Year Ended 31 July 2019 £'000
Total remuneration of the Vice-Chancellor:		
Basic Salary	**300.5**	291.5
Performance related pay	**-**	57.3
Allowance in lieu of pension contribution	**51.9**	43.6
Total renumeration for the Vice-Chancellor	**352.4**	392.4
Taxable benefits:		
Accommodation expenses	**3.2**	2.7
Medical insurance	**2.1**	2.1
Non-taxable benefits:		
Accommodation expenses	**6.5**	12.8
Total remuneration including benefits	**364.2**	410.0

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 allowance in lieu of pension contributions increased year on year in line with the USS sector wide increase in pension contributions. This year, the Remuneration Committee considered and approved a request from the Vice-Chancellor to suspend any bonus payment or increase in her remuneration because of the impact that the COVID-19 pandemic was having on the Institution financial position. Additionally and as a consequence of the Covid–19 pandemic, the national employer negotiators (UCEA) have stated to the participating trade unions that employers cannot offer a pay award for the 2020-21 year and that this is their final position. There will, therefore, not be a national pay award applied to the Vice-Chancellor's salary for the year 2020-21.

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

- Director of the Board, The Russell Group of Universities
- Member of the Board of Trustees, British Council (finished 30 September 2020)
- Member of the Board, Universities UK (UUK)
- Vice-Chair of the Board, Xi'an Jiaotong-Liverpool University
- Council Member, Arts and Humanities Research Council (gross payment £6,850; net amount donated to University INTO Project)
- Advisor on Higher Education for Liverpool City Region Metro Mayor
- Director, Liverpool Science Park Ltd
- Director, N8 Ltd
- Director, Liverpool Health Partners Ltd
- Chair, Knowledge Quarter Liverpool Board
- Chair, Sciontec Liverpool Board
- Member, Liverpool City Region LEP Board

Head of Provider Pay Multiple	**Year ended 31 July 2020**		**Year ended 31 July 2019**	
	Basic Pay	**Total Pay**	**Basic Pay**	**Total Pay**
	£'000	**£'000**	**£'000**	**£'000**
Staff Pay Median	36.5	41.5	35.2	40.4
Vice-Chancellor Pay	300.5	364.2	291.5	410.0
Pay Multiple	8.2	8.8	8.3	10.1

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

	Year ended 31 July 2020 **No.**	Year ended 31 July 2019 No.
£100,000-£104,999	**59**	57
£105,000-£109,999	**22**	40
£110,000-£114,999	**36**	8
£115,000-£119,999	**5**	5
£120,000-£124,999	**11**	9
£125,000-£129,999	**8**	5
£130,000-£134,999	**3**	1
£145,000-£149,999	**1**	2
£150,000-£154,999	**3**	6
£155,000-£159,999	**3**	2
£160,000-£164,999	**1**	-
£165,000-£169,999	**2**	1
£175,000-£179,999	**1**	1
£185,000-£189,999	**-**	1
£195,000 - £199,999	**1**	-
£215,000-£219,999	**1**	-
£220,000-£224,999	**1**	1
£230,000-£234,999	**-**	1
£235,000-£239,999	**1**	-
£255,000-£259,999	**1**	1
	160	141

	Year ended 31 July 2020	Year ended 31 July 2019
Average staff numbers by major category	**Full time equivalent**	Full time equivalent
Academic	**1,893**	1,809
Research	**814**	808
Technical	**611**	615
Professional Services	**2,474**	2,396
	5,792	5,628

2019 staff numbers have increased by 30 to that reported last year following the inclusion of all major categories.

Severance payments
During the year the Institution undertook significant restructuring which resulted in £6,424k in compensation for loss of office being paid to 349 employees.

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

	£'000	£'000
Compensation payable to staff recorded within staff costs	**6,424**	1,984
Number of staff in receipt of compensation payments	**349**	149

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 & Director of Legal & Governance, the Director of People & Services and the Director of Finance.

	Year ended 31 July 2020	Year ended 31 July 2019
Number	**10**	**9**
Staff costs - £'000	**2,300**	**2,094**

The year on year increase of 9.8% is due to the increase in membership of the team from October 2019, from 9 members to 10. Excluding this, the year on year increase in cost is 2.2%.

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

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

		Notes	Year Ended 31 July 2020 Consolidated £m	Year Ended 31 July 2020 Institution £m	Year Ended 31 July 2019 Consolidated £m	Year Ended 31 July 2019 Institution £m
9	**Interest and other finance costs**					
	Loan interest		**11.0**	**10.2**	10.0	9.2
	Net charge on USS pension scheme	22	**2.2**	**2.2**	1.1	1.1
			13.2	**12.4**	11.1	10.3
10a	**Analysis of total expenditure by activity**					
	Academic and related expenditure		**263.1**	**262.2**	249.3	248.3
	Administration and central services		**14.6**	**14.6**	11.7	11.7
	Premises		**76.1**	**75.6**	74.4	74.5
	Residences, catering and conferences		**22.7**	**22.5**	17.7	17.6
	Research grants and contracts		**73.7**	**73.7**	77.0	77.0
	Net (credit) / charge on USS pension scheme provision	8, 9	**(57.9)**	**(57.9)**	86.2	86.2
	Other expenses		**136.5**	**134.0**	128.9	126.5
			528.8	**524.7**	645.2	641.8

		2020 £'000	2019 £'000
External auditors remuneration in respect of audit services	Institution	**89.2**	79.2
	Subsidiaries	**36.4**	37.9
External auditors remuneration in respect of non-audit services			
	Grant assurance	**52.4**	57.8
	Other Assurance Services	**10.7**	15.5
Restructuring costs		**11.2**	2.0

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

In 2020 bond interest has been classified as 'Residences', previously it was included within 'Premises'. The prior year figures have been reclassified resulting in a £7.3m movement between 'Premises' and 'Residences'.

10b	**Access and Participation**	**Year Ended 31 July 2020 £'000**
	Access investment	**1,381**
	Financial support	**10,836**
	Disability support	**542**
	Research and evaluation	**197**
		12,956

Of the above costs, £1,897k are intrinsic to the delivery of the access and participation activities and these costs are already included in the overall staff costs figures included in note 8. Cost apportionment methodologies have been used when preparing the note in relation to the allocation of staff costs (£1,897k) and recruitment costs (£21k).

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

11 Taxation

	Year Ended 31 July 2020		Year Ended 31 July 2019	
	Consolidated	**Institution**	Consolidated	Institution
	£m	**£m**	£m	£m
Recognised in the Statement of Comprehensive Income and Expenditure				
Deferred tax				
Origination and reversal of timing differences	**-**	**-**	0.1	-
Deferred tax expense	**-**	**-**	0.1	-

12 Intangible assets

Software

	Year Ended 31 July 2020		Year Ended 31 July 2019	
	Consolidated	**Institution**	Consolidated	Institution
	£m	**£m**	£m	£m
At 1 August 2019	**2.0**	**1.9**	2.4	2.3
Additions in the year	**0.6**	**0.4**	0.3	0.3
Amortisation charge for the year	**(0.8)**	**(0.7)**	(0.7)	(0.7)
At 31 July 2020	**1.8**	**1.6**	2.0	1.9

13 Fixed assets

Consolidated

	Freehold land and buildings	Leasehold land and buildings	Finance lease	Infrastructure	Equipment	Assets in the course of construction	Heritage assets	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Cost								
At 1 August 2019	707.1	86.5	-	81.5	203.2	106.1	17.0	1,201.4
Additions	1.8	-	0.1	(0.8)	4.9	40.9	-	46.9
Transfers	58.5	0.2	-	41.6	5.2	(105.5)	-	-
Disposals	(5.8)	(24.3)	-	-	(0.3)	-	-	(30.4)
At 31 July 2020	**761.6**	**62.4**	**0.1**	**122.3**	**213.0**	**41.5**	**17.0**	**1,217.9**
Depreciation								
At 1 August 2019	191.5	32.9	-	16.3	152.6	-	-	393.3
Charge for the year	19.6	2.3	0.1	7.6	13.4	-	-	43.0
Transfers	(0.2)	-	-	0.2	-	-	-	-
Impairment	-	4.8	-	-	-	-	-	4.8
Disposals	(5.8)	(15.2)	-	-	(0.3)	-	-	(21.3)
At 31 July 2020	**205.1**	**24.8**	**0.1**	**24.1**	**165.7**	**-**	**-**	**419.8**
Net book value								
At 31 July 2020	**556.5**	**37.6**	**-**	**98.2**	**47.3**	**41.5**	**17.0**	**798.1**
At 31 July 2019	515.6	53.6	-	65.2	50.6	106.1	17.0	808.1

Institution

	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 2019	710.2	86.5	-	81.5	164.8	110.3	17.0	1,170.3
Additions	1.8	-	0.1	(0.8)	4.9	42.2	-	48.2
Transfers	66.5	0.2	-	41.6	4.3	(112.6)	-	-
Disposals	(5.8)	(24.3)	-	-	(0.3)	-	-	(30.4)
At 31 July 2020	**772.7**	**62.4**	**0.1**	**122.3**	**173.7**	**39.9**	**17.0**	**1,188.1**
Depreciation								
At 1 August 2019	191.5	32.9	-	16.3	140.1	-	-	380.8
Charge for the year	19.6	2.3	0.1	7.6	11.6	-	-	41.2
Transfers	(0.2)	-	-	0.2	-	-	-	-
Impairment	-	4.8	-	-	-	-	-	4.8
Disposals	(5.8)	(15.2)	-	-	(0.3)	-	-	(21.3)
At 31 July 2020	**205.1**	**24.8**	**0.1**	**24.1**	**151.4**	**-**	**-**	**405.5**
Net book value								
At 31 July 2020	**567.6**	**37.6**	**-**	**98.2**	**22.3**	**39.9**	**17.0**	**782.6**
At 31 July 2019	518.7	53.6	-	65.2	24.7	110.3	17.0	789.5

At 31 July 2020, freehold land and buildings included £44.8m (2019 - £44.8m) in respect of freehold land that is not depreciated.

At 31 July 2020, leasehold land and buildings included £1.3m (2019 - £1.3m) in respect of leasehold land that is not depreciated.

Included in the cost of fixed assets is aggregated interest capitalised of £6.6m (2019 - £6.3m). There is no amount included in Consolidated and Institution net book value relating to assets held for resale (2019 - £Nil).

Additions include £0.3m (2019 - £1.2m) of borrowing costs capitalised in the year.

14 Heritage assets

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

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

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

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

An appropriately qualified assessor at Christies confirmed in 2013 that the double high auction estimate for this collection is £115.6m. The latest insurance valuation is £106.9m. Of the £115.6m, £34m relates to two items only, pictures by Freud and Turner at £14m and £20m respectively. Both of these paintings have been brought onto the balance sheet at one half of their insurance value (i.e. half of the double high auction estimate value) at £7m and £10m respectively, totalling £17m. During the reporting period 1 August 2019 to 31 July 2020 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 2019	-	45.7	171.7	217.4
Additions	-	25.4	130.7	156.1
Disposals	-	(44.2)	(120.0)	(164.2)
Cash movement	-	(2.8)	(10.7)	(13.5)
Change in market value	-	3.1	(3.4)	(0.3)
At 31 July 2020	**-**	**27.2**	**168.3**	**195.5**
Institution				
At 1 August 2019	3.8	45.7	171.7	221.2
Additions	-	25.4	130.7	156.1
Disposals	-	(44.2)	(120.0)	(164.2)
Cash movement	-	(2.8)	(10.7)	(13.5)
Change in market value	-	3.1	(3.4)	(0.3)
At 31 July 2020	**3.8**	**27.2**	**168.3**	**199.3**

The losses on investments in the Consolidated Statement of Comprehensive Income and Expenditure also includes gains on current assets £0.2m (2019 - £1.2m) giving total investment losses of £0.1m (2019 - £8.3m). Change in market value is net of fees.

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

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

Non-current investments consist of:	Consolidated	Institution
	£'000	£'000
Quoted equities	79.8	79.8
Fixed interest bonds	11.1	11.1
Property and other investments	101.3	105.1
Cash and cash equivalents	3.3	3.3
	195.5	**199.3**

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	Senectus Therapetics Limited	16.7
Meta Additive Ltd	30.0	Nidor Diagnostics Ltd	16.3
Provexis IBD Limited	25.0	Porous Liquid Technologies	15.1
Q Technologies Limited	24.9	Liverpool Health Partners Limited	10.0
Polymer Mimetics Ltd	20.0	Pepsyn Limited	3.5
Aimes CIC Limited	20.0	CDDM Technology Limited	2.3
Intellihep Limited	18.0	CVCP Limited	1.3

16 Investment in joint ventures and associates

The Institution holds a 50% share of the issued ordinary capital of Xi'an Jiaotong-Liverpool University (XJTLU) which is registered in the People's Republic of China. This is a joint venture company owned equally by the University of Liverpool and Xi'an Jiaotong-Liverpool 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 25.0% interest in Liverpool Science Park Ltd and Sciontec Developments Ltd and a 20% interest in Laureate - University of Liverpool Ventures BV. The entities are treated as associates and accounted for using the equity method.

	Year ended 31 July 2020						Year ended 31 July 2019				
	XJTLU*	**Sciontec Developments Ltd**	**Liverpool Science Park Ltd**	**Laureate - University of Liverpool Ventures B.V.**	**Sensor City**	**Total**	XJTLU*	Liverpool Science Park Ltd	Laureate - University of Liverpool Ventures B.V.	Sensor City	Total
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	£m	£m	£m	£m	£m
Income and expenditure account											
Income	63.0	-	0.5	1.6	0.1	**2.2**	59.4	0.4	1.5	0.2	2.1
Surplus/(deficit) before tax	**6.0**	**0.7**	**-**	**1.6**	**(0.7)**	**1.6**	3.8	(0.1)	1.5	(0.6)	0.8
Balance sheet											
Fixed assets	126.2	-	4.4	-	4.6	**9.0**	132.6	4.5	-	4.8	9.3
Current assets	25.7	0.8	0.2	-	0.2	**1.2**	31.7	0.1	-	0.5	0.6
	151.9	**0.8**	**4.6**	**-**	**4.8**	**10.2**	164.3	4.6	-	5.3	9.9
Creditors: amounts due within one year	(11.1)	(0.1)	(0.3)	-	(0.1)	**(0.5)**	(26.1)	(0.2)	-	(0.3)	(0.5)
Creditors: amounts due after more than one year	(134.8)	-	(1.0)	-	-	**(1.0)**	(138.7)	(1.0)	-	-	(1.0)
	(145.9)	**(0.1)**	**(1.3)**	**-**	**(0.1)**	**(1.5)**	(164.8)	(1.2)	-	(0.3)	(1.5)
Share of net assets / (liabilities)	**6.0**	**0.7**	**3.3**	**-**	**4.7**	**8.7**	(0.5)	3.4	-	5.0	8.4

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

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

* XJTLU reported accumulated net liabilities for the year ended 31 July 2019 and has not been consolidated for this year. This treatment is in accordance with FRS 102. The Institution's share of XJTLU's net assets as at 31 July 2020 was £6m. Following an impairment review which considered the uncertainties in relation to future cash flows which could support this valuation, the investment was impaired to a carrying value of £nil. The amounts reported for XJTLU are therefore solely a memorandum.

17 Stock

	Year ended 31 July 2020		Year ended 31 July 2019	
	Consolidated	**Institution**	Consolidated	Institution
	£m	**£m**	£m	£m
General consumables	**1.4**	**1.0**	1.4	1.1

18 Trade and other receivables

	Year ended 31 July 2020		Year ended 31 July 2019	
	Consolidated	**Institution**	Consolidated	Institution
	£m	**£m**	£m	£m
Amounts falling due within one year:				
Research grants receivables	**32.4**	**32.4**	32.8	32.8
Other trade receivables	**9.1**	**8.5**	13.3	12.6
Other receivables	**3.0**	**2.3**	3.8	1.9
Prepayments and accrued income	**21.3**	**21.0**	18.6	18.3
Amounts due from subsidiary companies	**-**	**9.0**	-	13.6
	65.8	**73.2**	68.5	79.2

19 Current investments

	Year ended 31 July 2020		Year ended 31 July 2019	
	Consolidated	**Institution**	Consolidated	Institution
	£m	**£m**	£m	£m
Short term investment in shares	**14.0**	**14.0**	14.4	14.4
Short term bonds and gilts	**1.0**	**1.0**	3.2	3.2
Short term deposits	**35.9**	**35.9**	45.2	45.2
Other short term investments	**19.2**	**19.2**	16.5	16.5
	70.1	**70.1**	79.3	79.3

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 2020 the weighted average interest rate of these fixed rate deposits was 0.37% per annum. The fair value of these deposits was not materially different from the book value.

20 Creditors: amounts falling due within one year

	Year ended 31 July 2020		Year ended 31 July 2019	
	Consolidated	**Institution**	Consolidated	Institution
	£m	**£m**	£m	£m
Trade payables	**12.9**	**12.7**	17.8	17.5
Amounts due to subsidiary companies	**-**	**10.0**	-	15.8
Social security and other taxation payable	**6.9**	**6.8**	7.5	6.6
Accruals and deferred income	**65.9**	**60.5**	77.4	69.7
Research grants received on account	**48.5**	**48.4**	37.0	37.0
	134.2	**138.4**	139.7	146.6

Deferred income

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

	Year ended 31 July 2020		Year ended 31 July 2019	
	Consolidated	**Institution**	Consolidated	Institution
	£m	**£m**	£m	£m
Grant income	**5.5**	**5.5**	7.2	7.2
Other income*	**27.4**	**26.9**	46.0	45.5
	32.9	**32.4**	53.2	52.7

*In 2018/19 Other Income included £18.8m relating to the disposal of a lease. The disposal took place in 2019/20.

21 Creditors: amounts falling due after more than one year

	Year ended 31 July 2020		Year ended 31 July 2019	
	Consolidated	**Institution**	Consolidated	Institution
	£m	**£m**	£m	£m
Obligations under finance leases	**0.1**	**0.1**	-	-
Unsecured loans	**300.0**	**285.0**	299.9	284.9
Other creditors	**0.1**	**0.1**	0.1	0.1
	300.2	**285.2**	300.0	285.0
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	**300.0**	**285.0**	299.9	284.9
Due after more than one year	**300.0**	**285.0**	299.9	284.9
Total unsecured loans	**300.0**	**285.0**	299.9	284.9
Bond repayable by 2055	**245.0**	**245.0**	244.9	244.9
Unsecured loans repayable by 2036	**40.0**	**40.0**	40.0	40.0
Unsecured loans repayable by 2028	**15.0**	**-**	15.0	-
	300.0	**285.0**	299.9	284.9

Included in loans are the following:

Lender	Amount	Term	Interest rate	Borrower
	£m		**%**	
Public bond	245.0	2055	3.375	Institution
Private placement	40.0	2036	4.99	Institution
	285.0			
Lloyds Bank	15.0	2028	4.975	Subsidiary
Total	**300.0**			

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

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

The 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%.

22 Provisions for liabilities

Consolidated	Notes	Obligation to fund deficit on USS Pension	Other provisions	Total
		£m	£m	£m
At 1 August 2019		134.1	0.5	134.6
Credited to the Statement of Comprehensive Income and Expenditure	8/9	(57.9)	-	(57.9)
At 31 July 2020		**76.2**	**0.5**	**76.7**

Institution		Obligation to fund deficit on USS Pension	Other provisions	Total
		£m	£m	£m
At 1 August 2019		134.1	-	134.1
Credited to the Statement of Comprehensive Income and Expenditure	8/9	(57.9)	-	(57.9)
At 31 July 2020		**76.2**	**-**	**76.2**

Obligation to fund deficit on USS pension

The obligation to fund the past deficit on the Universities Superannuation Scheme (USS) arises from the contractual obligation with the pension scheme for total payments relating to benefits arising from past performance. Management has assessed future employees within the USS scheme and salary payment over the period of the contracted obligation in assessing the value of this provision. Further information is provided in note 32 (i).

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

Other provisions

Other provisions comprise an obligation of £0.5m (2019 - £0.5m) for deferred tax payable on timing differences between accumulated depreciation and capital allowances.

23 Endowment reserves Institution and Consolidated

Restricted net assets relating to endowments are as follows:

		Restricted permanent endowments	Restricted expendable endowments	2020 Total	2019 Total
		£m	£m	£m	£m
Balances at 1 August					
Capital		118.3	30.5	**148.8**	146.6
Accumulated income		17.5	5.4	**22.9**	20.5
		135.8	35.9	**171.7**	167.1
New endowments		1.0	0.2	**1.2**	0.2
Investment income		3.1	0.8	**3.9**	5.8
Expenditure		(2.8)	(2.3)	**(5.1)**	(5.2)
(Decrease) / Increase in market value of investments		(2.7)	(0.7)	**(3.4)**	3.8
Total endowment comprehensive income for the year		(1.4)	(2.0)	**(3.4)**	4.6
Balances at 31 July		134.4	33.9	**168.3**	171.7
Represented by:					
	Capital	116.5	28.8	**145.3**	148.8
	Accumulated income	17.9	5.1	**23.0**	22.9
		134.4	33.9	**168.3**	171.7
Analysis by type:					
	Chairs	62.8	0.4	**63.2**	64.9
	Scholarships and Fellowships	43.3	15.2	**58.5**	58.8
	Prizes	4.3	1.1	**5.4**	5.4
	Lectureships	8.1	6.8	**14.9**	15.5
	Other	15.9	10.4	**26.3**	27.1
		134.4	33.9	**168.3**	171.7

		2020 Total	2019 Total
Analysis by asset:		£m	£m
	Current and non-current asset investments	**165.0**	157.7
	Cash and cash equivalents	**3.3**	14.0
		168.3	171.7

There were no accumulated income balances in deficit at 31 July 2020 (2019 - none).

24 Cash and cash equivalents

	At 1 August 2019 £m	Cash flows £m	At 31 July 2020 £m
Consolidated	**41.1**	**52.3**	**93.4**

25 Consolidated reconciliation of net debt

	At 31 July 2020 £m
Net debt 1 August 2019	**258.8**
Movement in cash and cash equivalents	52.3
New finance leases	0.1
Other non-cash changes	(104.5)
Net debt 31 July 2020	**206.7**
Change in net debt	**(52.1)**

Analysis of net debt:	At 31 July 2020 £m	At 31 July 2019 £m
Cash and cash equivalents	**93.4**	**41.1**
Borrowings: amounts falling due after more than one year		
Obligations under finance lease	0.1	-
Unsecured loans	300.0	299.9
	300.1	**299.9**
Net debt	**206.7**	**258.8**

26 Capital and other commitments

Provision has not been made for the following capital commitments at 31 July 2020:

	31 July 2020		31 July 2019	
	Consolidated £m	Institution £m	Consolidated £m	Institution £m
Commitments contracted for	**62.7**	**62.1**	65.8	65.4

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 twelve months from the date of approval of these financial statements.

28 Lease obligations University and Consolidated

Total rentals payable under operating leases:

	Land and buildings £m	Plant and machinery £m	31 July 2020 total £m	31 July 2019 £m
Payable during the year	**6.7**	**0.5**	**7.2**	6.9
Future minimum lease payments due:				
Not later than 1 year	**3.8**	**0.4**	**4.2**	7.0
Later than 1 year and not later than 5 years	**9.8**	**0.5**	**10.3**	26.1
Later than 5 years	**27.6**	**-**	**27.6**	46.5
Total lease payments due	**41.2**	**0.9**	**42.1**	79.6

29 Events after the reporting period University and Consolidated

In September 2020, the Trustee of the USS Pension Scheme (USS) launched a consultation with Universities UK on key aspects of the scheme's 2020 valuation. The scope of this exercise covers a wide range of potential outcomes, reflecting issues still to be resolved on employer support as well as uncertainties for the higher education sector and financial markets in general but, based on the proposals put forward, the Trustees have indicated that the fund's deficit at 31 March 2020 could range from between £9.8bn and £17.9bn.

This would represent a significant deterioration from the £3.6bn deficit established under the 2018 valuation (and against which the current recovery plan is set) and a return to the levels of shortfall experienced under the previous 2017 valuation (£11.8bn).

At this stage, an outcome is far from agreed and the USS Trustee has until 30 June 2021 to conclude the valuation. For the 2019-20 financial year, this is considered a non-adjusting event.

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 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 2019	Investment income and loss	Expenditure	As at 31 July 2020
	£m	£m	£m	£m
Agnes Lois Bulley Trust				
Investments	7.4	0.1	(0.2)	7.3

32 Pension schemes

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

• Universities Superannuation Scheme (USS)

• University of Liverpool Pension Fund (ULPF)

• National Health Service Pension Scheme (NHSPS)

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

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

The total pension cost for the University was:

		Year Ended 31 July 2020		Year Ended 31 July 2019
	Consolidated	**Institution**	Consolidated Restated *	Institution Restated *
	£m	**£m**	£m	£m
Statement of comprehensive income - net pension cost in year				
USS	**(24.5)**	**(24.7)**	115.1	114.9
ULPF including FRS 102 adjustments	**12.6**	**12.6**	10.8	10.8
Other pension schemes	**2.1**	**2.1**	1.8	1.8
	(9.8)	**(10.0)**	127.7	127.5
Other comprehensive income - actuarial (loss) / gain in respect of pension scheme				
ULPF including FRS 102 adjustments	**(30.3)**	**(30.3)**	37.8	37.8
Statement of Financial Position - Pension scheme asset				
ULPF including FRS 102 adjustments	**23.1**	**23.1**	58.0	58.0

* Refer to note 37

(i) The Universities Superannuation Scheme

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

The appointment of directors to the board of the trustee is determined by the Company's Articles of Association. Four of the directors are appointed by Universities UK; these are appointed by the Institution and College Union, of whom at least one must be a USS pensioner member; and a minimum of three and a maximum of five are independent directors appointed by the board. Under the scheme trust deed and rules, the employer contribution rate is determined by the trustee, acting on actuarial advice.

The total credited to the Consolidated Statement of Comprehensive Income and Expenditure is £24.5m (2019 - charge of £115.1m) as shown in note 8. Deficit recovery contributions due within one year for the Institution are £3.3m (2019 - £2.9m).

The latest available complete actuarial valuation of the Retirement Income Builder section of the scheme is at March 2018 (the valuation date), which was carried out using the projected unit method. A valuation as at 31 March 2020 is underway but not yet complete.

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

The 2018 valuation was the fifth valuation for the scheme under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £63.7 billion and the value of the scheme's technical provisions was £67.3 billion indicating a shortfall of £3.6 billion and a funding ratio of 95%.

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

Pension increases (CPI)	Term dependent rates in line with the difference between the Fixed Interest and Index Linked yield curves, less 1.3% p.a.
Discount rate (forward rates)	Years 1-10: CPI + 0.14% reducing linearly to CPI – 0.73% Years 11-20: CPI + 2.52% reducing linearly to CPI + 1.55% by year 21 Years 21+: CPI + 1.55%

The main demographic assumption used relates to the mortality assumptions. These assumptions are based on analysis of the scheme's experience carried out as part of the 2018 actuarial valuation. The mortality assumptions used in these figures are as follows:

	2018 valuation
Mortality base table	Pre-retirement: 71% of AMC00 (duration 0) for males and 112% of AFC00 (duration 0) for females Post retirement: 97.6% of SAPS S1NMA "light" for males and 102.7% of RFV00 for females
Future improvements to mortality	CMI_2017 with a smoothing parameter of 8.5 and a long term improvement rate of 1.8% pa for males and 1.6% pa for females

The current life expectancies on retirement at age 65 are:

	2018 valuation	2017 valuation
Males currently aged 65 (years)	24.4	24.6
Females currently aged 65 (years)	25.9	26.1
Males currently aged 45 (years)	26.3	26.6
Females currently aged 45 (years)	27.7	27.9

A new deficit recovery plan was put in place as part of the 2018 valuation, which requires payment of 2% of salaries over the period 1 October 2019 to 30 September 2021 at which point the rate will increase to 6%. The 2020 deficit recovery liability reflects this plan. The liability figures have been produced using the following assumptions:

	2020	2019
Discount rate	**2.59%**	2.44%
Pensionable salary growth	**4.20%**	2.11%

(ii) NHS Pension Scheme

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

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

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 2012. The Scheme Regulations have been changed to allow contribution rates to be set by the Secretary of State for Health, with the consent of HM Treasury, and consideration of the advice of the Scheme Actuary and appropriate employee and employer representatives as deemed appropriate. The contribution rate payable by the Institutions during the year ended 31 July 2020 was equal to 14.3% of the total pensionable in accordance with the conclusion of the Government Actuary's report on the scheme.

(iii) University of Liverpool Pension Fund (ULPF)

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

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

Assumptions

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

	At 31 July 2020 %pa	At 31 July 2019 %pa
Discount rate	**1.50**	2.10
Price Inflation (RPI)	**3.10**	3.50
Price Inflation (CPI)	**2.55**	2.60
Rate of increase in salaries	**2.55 (plus promotional salary scale)**	2.6 (plus promotional salary scale)
Allowance for revaluation of CARE benefit (for service for new joiners after 1 August 2011)	**2.55**	2.60
Allowance for revaluation of deferred pensions of CPI or 5% p. a. if less	**2.55**	2.60
Allowance for revaluation of deferred pensions of CPI or 2.5% p. a. if less	**2.50**	2.50
Allowance for pension in payment increases of CPI or 5% p. a. if less	**2.50**	2.60
Allowance for pension in payment increases of RPI or 2.5% p. a. if less	**2.10**	2.20
Allowance for pension in payment increases of CPI or 2.5% p. a. if less	**1.90**	1.90
Allowance for commutation of pension cash at retirement	**80% of Post A Day**	80% of Post A Day

The mortality assumptions adopted at 31 July 2020 and 31 July 2019 imply the following life expectancies:

	Life expectancy at age 60 (years)	Life expectancy at age 60 (years)
Male retiring in 2020 (2019)	**25.8**	25.8
Female retiring in 2020 (2019)	**27.9**	27.9
Male retiring in 2040 (2039)	**27.7**	27.7
Female retiring in 2040 (2039)	**29.9**	29.8

The best estimate of contributions to be paid by the University of Liverpool to the scheme for the year commencing 1 August 2020 is £7.2m.

Scheme assets and expected rate of return for ULPF

The assets in the scheme were:

	Fair value as at 31 July 2020 £m	Fair value as at 31 July 2019 £m	Fair value as at 31 July 2018 £m
Equities	**297.4**	271.9	253.2
Bonds	**97.9**	95.6	88.6
Property	**65.9**	69.7	69.2
Multi asset fund	**70.6**	68.6	65.5
Net current liabilities	**1.5**	1.3	(0.5)
Total	**533.3**	507.1	476.0

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

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

	Year Ended 31 July 2020 £m	Year Ended 31 July 2019 (Restated *) £m
Fair value of scheme assets	**533.3**	507.1
Present value of defined benefit obligation	**(510.2)**	(449.1)
Surplus in scheme	**23.1**	58.0
Unrecognised surplus	**-**	(58.0)
Impact of restatement - defined benefit asset to be recognised	**-**	58.0
Defined benefit asset recognised	**23.1**	58.0

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.

*Refer to note 37

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

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

Historically the Institution has not recognised the actuarial surplus in the University of Liverpool Pension Fund. 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, capitalised for the future active lifetime of the scheme. As a result the prior year comparatives as at 31 July 2019 have been restated to include the surplus in the University of Liverpool Pension Fund.

	Year Ended 31 July 2020 £m	Year Ended 31 July 2019 £m
Reconciliation of opening and closing balances of the defined benefit obligation		
Defined benefit obligation at the start of period	**449.1**	371.2
Current service cost	**11.8**	8.8
Past service cost	**0.1**	1.4
Expenses	**0.9**	0.9
Interest expense	**9.4**	9.9
Contributions by plan participants	**3.1**	3.0
Actuarial losses	**49.1**	66.7
Benefits paid and expenses	**(13.3)**	(12.8)
Defined benefit obligation at the end of period	**510.2**	449.1

	Year Ended 31 July 2020 £m	Year Ended 31 July 2019 £m
Reconciliation of opening and closing balances of the fair value of scheme assets		
Fair value of assets at the start of the year	**507.1**	476.0
Interest income	**10.6**	12.6
Actuarial gains	**18.8**	21.6
Contributions by the Institution	**7.0**	6.7
Contributions by plan participants	**3.1**	3.0
Benefits paid and expenses	**(13.3)**	(12.8)
Fair value of scheme assets at the end of the year	**533.3**	507.1

The actual return on the scheme assets over the period ended 31 July 2020 was £29.4m (2019 - £34.1m).

	As at 31 July 2020 £m	As at 31 July 2019 (Restated *) £m
Analysis of movement in surplus for ULPF		
Surplus at the beginning of the year (unrecognised)	**-**	-
Impact of restatement	**58.0**	23.9
Surplus at the beginning of the year recognised (as restated)	**58.0**	23.9
Contributions or benefits paid by the Institution	**7.0**	6.8
Current service cost	**(11.8)**	(8.8)
Past service cost	**(0.1)**	(1.4)
Expenses	**(0.9)**	(0.9)
Actuarial (losses) / gains	**(30.3)**	37.8
Net interest	**1.2**	0.6
Surplus at end of year recognised	**23.1**	58.0

Accounting for the ULPF pension scheme resulted in the recognition of an additional charge of £5.8m (2019 - £4.3m) to staff costs, a credit of £1.2m (2019 - £0.6m) to interest income and an actuarial loss of £30.3m (2019 - gain of £37.8m) being recognised in the Consolidated Statement of Comprehensive Income and Expenditure.

In 2019, the net interest cost included in the Consolidated Statement of Comprehensive Income and Expenditure of £0.6m is net of £2.1m interest on the unrecognised surplus of £80.9m. The interest on the unrecognised surplus is included within Other Comprehensive Income.

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, this year a 0.3% loading (£1.5m) has been applied to the liabilities to allow for the impact of liabilities from the GMP equalisation ruling.

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

(*Refer to note 37)

33 Accounting estimates and judgements

Universities Superannuation Scheme (USS) provision and scheme treatment

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

At the year end the Institution has recognised a provision of £76.2m (2019 - £134.1m) 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 2018 valuation, which requires payment of 2.0% of salaries over the period 1 October 2019 to 30 September 2021 at which point the rate will increase to 6%. The 2020 deficit recovery liability reflects this plan. Details of this provision, which has been discounted at a rate of 0.74% as at 31 July 2020, 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 2020 the assumption values were as follows:

Discount rate	0.74% (1.62% 2019)
Salary growth	1.4% for 2021 and 2022 (3.1% 2020), 2.4% for years 2023 to 2025 and 3.4% thereafter
Member growth	(3.8)% 2021, 2.0% 2022, 0.9% 2023, 1.2% 2024, 1.6% 2025, 1% thereafter

However, there is a significant risk that the year end provision as calculated will not reflect the position following the final outcome of negotiations, potentially by a very significant amount depending upon what is finally agreed as regards future deficit contributions and their duration. The Institution expects to have greater clarity in this respect during the next financial year. Based on the inputs to the model, the following sensitivity analysis outlines the potential impact on the existing liability of £76.2m (assuming the same discount rate of 0.74%).

Sensitivity analysis

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

	As at 31 July 2020	
	Revised provision value	Difference to provision recognised
	£m	£m
0.5% pa decrease in discount rate	78.1	1.9
0.5% pa increase in salary inflation over duration	78.0	1.8
0.5% pa increase in salary inflation year 1 only	76.6	0.4
0.5% increase in staff changes over duration	78.0	1.8
0.5% increase in staff changes year 1 only	76.6	0.4
1% increase in deficit contributions from October 2021	88.2	12.0
1 year increase in deficit recovery term	88.8	12.6

University of Liverpool Pension Fund

The Institution has updated its approach to setting RPI and CPI inflation assumptions in light of the RPI reform proposals published on the 4 September 2019 by the UK Chancellor and UK Statistics Authority. The Institution continued to set RPI inflation in line with the market break-even. For CPI, the Institution reduced the assumed difference between the RPI and CPI by 0.35% to an average of 0.55% per annum. The estimated impact of the change in the methodology is approximately a £16.4m increase in the defined benefit obligation in respect of the University of Liverpool Pension Fund.

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 2020 is £3.0m (2019 - £1.9m). 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 with related parties:

	Individual Trustree or Key Management	Income	Expenditure	Balances at 31 July 2020 due to/(from) the Institution
		£m	£m	£m
British Council	Professor Dame Janet Beer	-	0.5	-
Liverpool College	Mr Johannes Van Mourik Broekman	0.1	-	-
Liverpool Guild of Students	Mr Adnan Hussain	2.9	5.0	0.3
Liverpool Health Partners Limited	Professor Dame Janet Beer Professor Louise Kenny	-	0.2	-
Liverpool Science Park	Professor Dame Janet Beer	-	0.2	-
Liverpool Women's Hospital	Professor Louise Kenny	0.8	0.2	0.5
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	-	0.5	-
Sciontec	Professor Dame Janet Beer Dr Carol Costello	-	-	0.2
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
Universities UK (UUK)	Professor Dame Janet Beer	-	0.1	-
Xi'an Jiaotong-Liverpool University	Professor Dame Janet Beer Professor Gavin Brown Ms Nicola Davies	0.9	-	0.2

Nature of transactions

Liverpool College
The majority of income from Liverpool College is for accommodation fees.

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

Expenditure relates to the support grant made by the Institution to the Guild.

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

Expenditure paid to Liverpool Health Partners was the agreed contribution towards Liverpool Health Partners' activities for the year to 31 July 2020.

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.

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 2019 to 31 July 2020.

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
The balance due to the Institution of £0.2m represents costs incurred by the Institution in relation to the formation of Sciontec, which are rechargeable to Sciontec.

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 balance due to the Institution of £0.1m represents costs incurred by the Institution to assist the University of Liverpool Mathematics School cash flow whilst in the set up stage. The costs are rechargeable to the University of Liverpool Mathematics School.

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

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

35 Trustees expenses

Expenses of £1,958.30 were paid to Trustees during the year.

There were no payments made for serving as a Trustee.

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

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 2020, 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 reviewed the credit opinion for the Institution in December 2019, whereby the rating remaining unchanged as Aa3 negative.

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. Due to the low interest rate environment most of the Institution cash deposits at the 31 July 2020 are on-call or notice accounts as these offer a competitive rates of return whilst offering liquidity. Such deposits have limited re-investment risk.

Financial instruments – fair values

		Year ended 31 July 2020		Year ended 31 July 2019	
	Note	**Consolidated**	**Institution**	Consolidated	Institution
		£m	**£m**	£m	£m
Financial assets					
Measured at fair value through income and expenditure					
Non-current investments	15	**195.5**	**199.3**	217.4	221.2
Measured at undiscounted amount receivable					
Trade and other receivables	18	**12.1**	**10.8**	17.1	14.5
Amounts due from subsidiary undertakings	18	**-**	**9.0**	-	13.6
Measured at amortised cost					
Short term investment in shares	19	**14.0**	**14.0**	14.4	14.4
Short term bonds and gilts	19	**1.0**	**1.0**	3.2	3.2
Short term deposits	19	**35.9**	**35.9**	45.2	45.3
Other short term investments	19	**19.2**	**19.2**	16.5	16.5
		277.7	**289.2**	313.8	328.7

	Note	Year ended 31 July 2020 Consolidated £m	Year ended 31 July 2020 Institution £m	Year ended 31 July 2019 Consolidated £m	Year ended 31 July 2019 Institution £m
Financial liabilities					
Measured at undiscounted amount payable					
Trade and other payables	20 & 21	**19.9**	**19.6**	25.4	24.2
Amounts due from subsidiary undertakings	20	**-**	**10.0**	-	15.8
Measured at amortised cost					
Unsecured loans	20 & 21	**300.0**	**285.0**	299.9	284.9
Obligations under finance leases	21	**0.1**	**0.1**	-	-
		320.0	**314.7**	325.3	324.9

37 Prior year adjustment

Historically the Institution has not recognised the actuarial surplus in the University of Liverpool Pension Fund. However, as the current service cost has been greater than the employer contributions, under FRS102, a proportion of the surplus is now 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. As a result the prior year comparatives as at 31 July 2019 have been restated to include the surplus in the University of Liverpool Pension Fund. The following tables summarise the impact on the Consolidated and Institution's financial statements.

Consolidated

Statement of Financial Position at 31 July 2019

	As previously reported £m	Adjustments £m	As restated £m
Non-current assets	1,035.9	58.0	1,093.9
Current assets	190.3	-	190.3
Less: Creditors: amounts falling due within one year	(139.7)	-	(139.7)
Net current assets	50.6	-	50.6
Total assets less current liabilities	1,086.5	58.0	1,144.5
Creditors: amounts falling due after more than one year	(300.0)	-	(300.0)
Provisions	(134.6)	-	(134.6)
Total net assets	**651.9**	**58.0**	**709.9**
Restricted reserves			
Income and expenditure reserve - endowment reserve	171.7	-	171.7
Unrestricted reserves			
Income and expenditure reserve - unrestricted	480.2	58.0	538.2
Total reserves	**651.9**	**58.0**	**709.9**

Statement of Comprehensive Income and Expenditure for the period 1 August 2018 to 31 July 2019

	As previously reported	Adjustments	As restated
	£m	£m	£m
Investment income	10.6	(2.1)	8.5
Deficit for the year	(54.2)	(2.1)	(56.3)
Other comprehensive income			
Actuarial gain in respect of University of Liverpool Pension Fund	-	37.8	37.8
Movement in University of Liverpool Pension Fund	1.6	(1.6)	-
Total comprehensive income / (expense) for the year	**(52.6)**	**34.1**	**(18.5)**

Institution

Statement of Financial Position at 31 July 2019

	As previously reported	Adjustments	As restated
	£m	£m	£m
Non-current assets	1,012.6	58.0	1,070.6
Current assets	197.4	-	197.4
Less: Creditors: amounts falling due within one year	(146.6)	-	(146.6)
Net current assets	50.8	-	50.8
Total assets less current liabilities	1,063.4	58.0	1,121.4
Creditors: amounts falling due after more than one year	(285.0)	-	(285.0)
Provisions	(134.1)	-	(134.1)
Total net assets	**644.3**	**58.0**	**702.3**
Restricted reserves			
Income and expenditure reserve - endowment reserve	171.7	-	171.7
Unrestricted reserves			
Income and expenditure reserve - unrestricted	472.6	58.0	530.6
Total reserves	**644.3**	**58.0**	**702.3**

Statement of Comprehensive Income and Expenditure for the period 1 August 2018 to 31 July 2019

	As previously reported	Adjustments	As restated
	£m	£m	£m
Investment income	14.4	(2.1)	12.3
Deficit for the year	(51.7)	(2.1)	(53.8)
Other comprehensive income			
Actuarial gain in respect of University of Liverpool Pension Fund	-	37.8	37.8
Movement in University of Liverpool Pension Fund	1.6	(1.6)	-
Total comprehensive income / (expense) for the year	**(50.1)**	**34.1**	**(16.0)**

Copies of the report can be accessed at:

www.liverpool.ac.uk

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