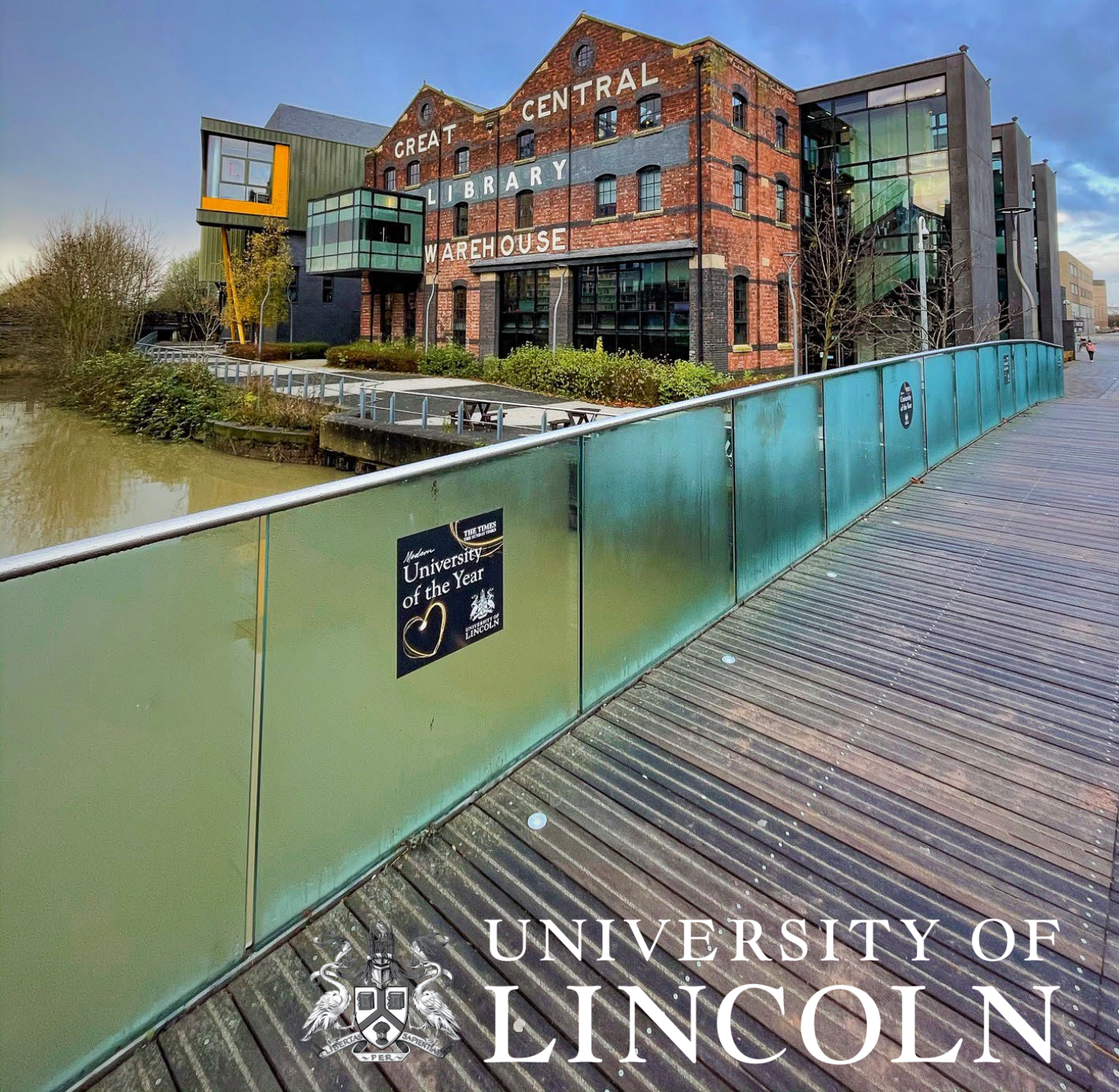


Financial Statements 2019/20



UNIVERSITY OF
LINCOLN

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Key highlights

for the year ended 31 July 2020

Strategic Plan

The University's vision is that by 2021:

'The University of Lincoln will be a global 'thought leader' for 21st Century higher education. We will be known for addressing the opportunities and challenges presented by the changing world by developing a new approach to education and knowledge development'.

Financial Highlights	2020 £'000	2019 £'000
Total income	174,395	165,801
Statutory surplus for the year	698	564
Operating (deficit)/surplus*	(1,377)	5,730
Operating surplus* excluding impact of COVID-19**	6,280	-
Net cash generated from operations	21,086	20,169
Capital expenditure	23,392	8,909
Net debt	50,226	56,462

* Excludes certain items due to their one-off or non-operational nature (see page 20 for further information)

** Financial impact of COVID-19 can be found on page 7

Capital investment in
2019/20

£23.4m

Sustained income
growth – total income
increased to £174.4m

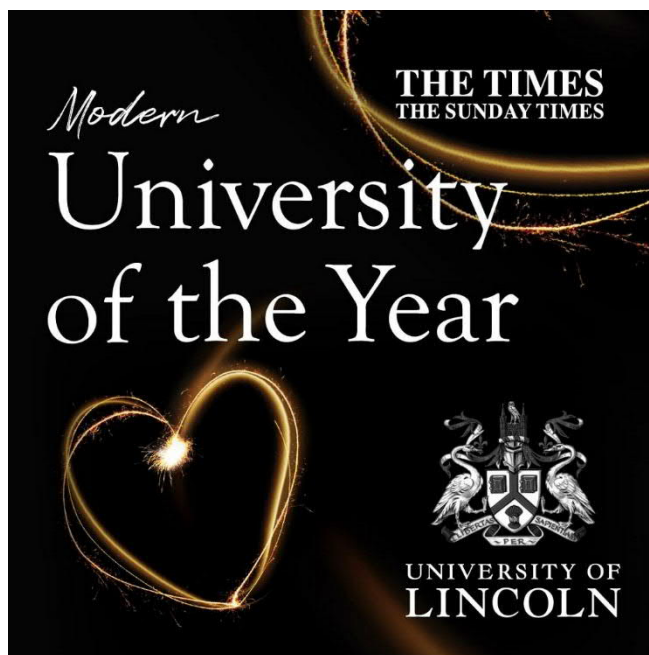
↑ £8.6m

Net cash generated from
operations

£21.1m



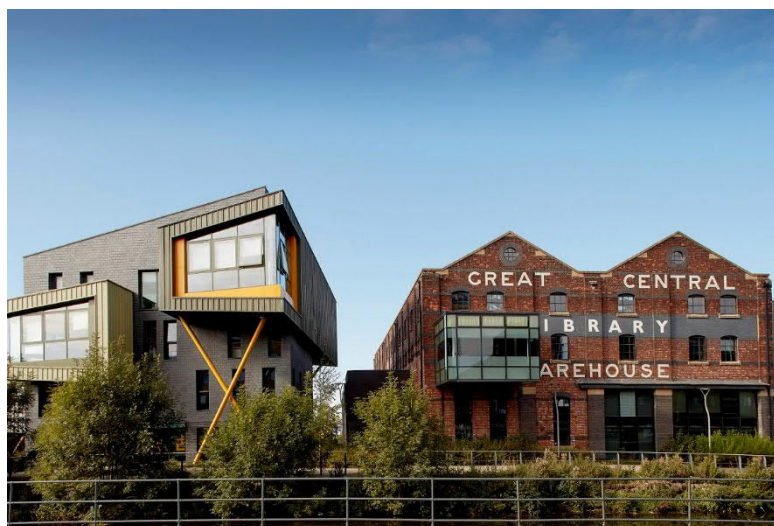
Key highlights
for the year ended 31 July 2020



Ranked 45th
in The Times' Good
University league tables

**World's first Centre
for Doctoral Training**
in Agri-Food Robotics

**National
Student Survey**
**14th for student
satisfaction**



**Medical
School**

First full cohort of
students welcomed
in September 2019

**Over 800 new high quality
University-managed student
bedrooms**
Delivered in collaboration with 3rd party
developers



COVID-19 impact and mitigations report for the year ended 31 July 2020

As the impact of the COVID-19 pandemic unfolded and swept the globe in the early part of 2020, University teams reacted quickly across all operations, and have subsequently put firm plans in place for managing the situation during the 2020/21 academic year and into the future. This section summarises the major impacts of the pandemic and the immediate and ongoing actions taken.

Teaching and Learning

Programme teams responded rapidly at the start of the COVID-19 pandemic to move all teaching online. Support was provided by professional service teams to enable this delivery from a technical and pedagogical perspective.

In the two weeks preceding lockdown, the Lincoln Academy of Learning and Teaching (LALT) Digital team ran multiple online workshops briefing academics on the use of the core digital tools, such as Blackboard Collaborate and Microsoft Teams. A core web resource was also quickly developed to back up these sessions. Semester B teaching was completed through a combination of synchronous and asynchronous delivery, with student support for this new way of learning being provided via tutors and digital student life content. Teams were incredibly innovative in their approaches and shared practice locally and more widely to ensure the student experience was maintained.

Alongside the new ways of working and teaching for our students, teams also had to rapidly develop online assessment formats and gain formal approval for these changes to modules. A core team from the Office of Quality, Standards and Partnerships (OQSP), LALT and colleagues from all Colleges led this piece of work, rewriting regulations in consultation with our Students' Union and developing new online assessment approaches. Two main approaches were utilised – Time Constrained Assessments and Short Format Assignments. Liaison with regulatory bodies was essential as the situation evolved. A 'Safety Net' was also designed to try to ensure no student outcomes were negatively impacted by the pandemic, which included changes to Extenuating Circumstances and necessitated the input of colleagues from Planning and Business Intelligence (PBI), Student Administration and College teams. Our students' voices were essential in these discussions, and our Student Leaders sought feedback to inform and influence new regulations and policy. All examination boards were held online with external examiners attending remotely.



Our thoughts then quickly turned to the 2020/21 academic year, and in light of the continuation of the pandemic a set of principles for a blended delivery approach was developed, with input from colleagues from across the University. The Engaged Agile Blended Learning Experience (EnABLE) aims to ensure our teaching and learning seamlessly blends online and face-to-face approaches, given the constraints that social distancing is placing on the campus and facilities. The ability to move online and offline was embedded within this to enable reaction to future lockdowns. The LALT Digital Team supported this through further training and development, and a workshop process called ADAPT (Activity Development and Agile Planning for Teaching) has been delivered across all Colleges, helping colleagues to develop their plans for the new year.

Throughout all of this, our first priority has been maintaining the student experience and students have formed a key part of our discussions and future plans. Students have been involved in detailed discussions during the ADAPT process, and further student feedback is being sought through Student Experience Panels, which are an opportunity for teams to share plans and obtain structured, reflective feedback from students outside of their discipline.

COVID-19 impact and mitigations report for the year ended 31 July 2020

Research

The COVID-19 pandemic has provided a number of challenges to the University in terms of research. During the lockdown we suspended all research activities involving travel, face-to-face contact or facilities usage, other than strategically-vital and COVID-19 related research. Subsequently, we have reopened facilities and put in place additional risk control processes to allow research work to resume, while minimising the possibility of COVID-19 transmission. This has required developing specific standard operating procedures for each of our research facilities, including social distancing and other control measures, and the development of rigorous timetabling and records keeping to facilitate “track and trace” processes. There is inevitably a reduction in overall capacity, which we are addressing by operating “three R” (replace, reduce, refine) principles to minimise load on facilities while continuing our research. The lockdown has led to delays in some research projects, and the University has negotiated project extensions with funders, and has been grateful that UKRI has provided funding to allow some badly-affected projects to reschedule.

There has also been impact on some postgraduate research students, particularly those close to completion of PhDs and relying on further experimental work or affected by home circumstances. The University has reacted by funding extensions to effected students who are funded through University bursaries. University researchers have also responded to the challenge of COVID-19 by repurposing existing or generating new lines of research. Among many exciting lines of research enquiry are our Geographers’ work on modern urbanisation and the spread of infectious diseases, Bioscientists working on inflammatory responses and control mechanisms, and Engineers working on advanced materials for effective viral filtering in face masks.



Careers and Employability

The challenges posed by the COVID-19 pandemic and subsequent lockdown didn’t faze the Careers and Employability team, who were determined to adapt their services to meet the needs of all their stakeholders. The speed at which the service transferred all its central events online, whilst continuing to provide an excellent service to students, graduates, academics and employers, is testament to the dedication and commitment of the service to support those who needed them. At a time when students and graduates were having offers of employment and placements withdrawn, it was more important than ever that we were accessible to all those affected.

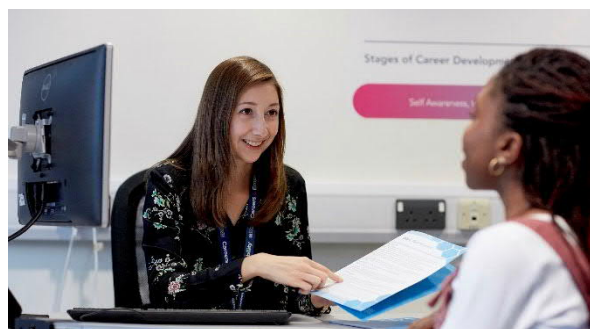
Our central events, including school-based curriculum sessions and employer events, continued to take place digitally. We delivered a large proportion of our activity through live webinars, recording sessions where we were permitted to do so thus providing a range of pre-recorded workshops. All advice and guidance appointments were offered remotely, and the team delivered these using a variety of methods including phone calls, video and email exchange. The Lincoln Award continued online, and students took the opportunity to develop their skills further by taking part in our ‘Employability Booster Activities’: a programme of activities specifically introduced as a result of lockdown. This included the promotion of our online digital skills assessment tool, where students could identify areas of strength and improvement and were then signposted to an online employability package put together using LinkedIn learning materials to further enhance their skills. We continued to deliver our mock assessment centres remotely and in partnership with employers, thus ensuring students could complete their Lincoln Award. We even continued with our annual ‘Lincoln Award Celebration event’, only this time it was delivered online. More than 50 students attended to share in the success of completing their awards and shared photographs of themselves proudly displaying their certificates.

COVID-19 impact and mitigations report for the year ended 31 July 2020

During the 20/21 academic year, students will be able to visit the Careers and Employability Centre or access support virtually, depending on their need. All events will be delivered remotely, and employers have been invited to engage with students by choosing from a range of remote activities including pre-recorded videos, live webinars, live question and answer sessions and a virtual careers fair. The team has fully embraced the development of digital resources and continue to upskill themselves offering support to one another in a bid to ensure our sessions are engaging. The introduction of the accessibility guidelines for digital resources introduced another challenging element, but one which we adopted to ensure our resources are accessible for all our student population. We have introduced additional features to support the safety of our staff and students including an online booking system for a 15-minute appointment which will replace the drop in, and a facility to upload documentation such as CVs, personal statements and cover letters to reduce any risk of spreading the virus. All our paper-based resources have been turned into digital files, and our website now has a live chat function and a search option to support our stakeholders to locate the information they need.

Campus Jobs remain open supporting students to access work opportunities on campus, and right to work checks have been carried out digitally in line with government guidelines. The development of virtual internships has provided an opportunity for students to gain valuable work experience and skills development and our CareerLinc jobsite continues to attract vacancies which we highlight via a regular job update to students and graduates.

The OfS Graduate Skills Builder projects were transferred online and were successfully delivered virtually. The plan is to continue to provide projects for students and these will be offered virtually where it is necessary to do so.



People

The impact of the COVID-19 pandemic has presented unprecedented challenges on the people agenda at the University of Lincoln. The impact is probably best addressed by tracking through the stages of the global crisis and understanding the consequences on the workforce in respect of productivity, wellbeing and financial constraints.

Upon the country going into lockdown mid-March, the University immediately switched to staff working from home. This presented several immediate challenges that fortunately had already been progressed as part of the agile organisation project. Ensuring that working space was adequate, technologies were sufficient, managers were able to adapt their management style and flexible working approaches were in place were needed immediately. As part of adapting at this initial stage a number of actions were taken, including the following examples:

- All onsite activities were “frozen” with development sessions cancelled, recruitment vacancies stalled, business travel ceased and service desks switched to remote operations.
- An online provision, ‘HomeHub’, was created to support all aspects of wellbeing for colleagues working from home.
- An internal set of web pages were created to provide employees and managers with up-to-date guidance based on Government communications combined with guidance on home working.

Home working has created extremities in respect of workforce engagement. For some, the removal of commuting, more flexibility on the timings of work and the ability to spend more time with family have been incredibly motivating. For others, working from home has resulted in increased anxieties of trying to balance work and dependent care, loneliness, and a disconnection from the workforce. To support this increased wellbeing agenda, a number of additional measures were introduced to support HomeHub including virtual financial wellbeing sessions, virtual staff social groups including a running club, walking club and quizzes; an increased Employee Assistance programme; and online development programmes.

COVID-19 impact and mitigations report for the year ended 31 July 2020

As the pandemic progressed, additional measures have been taken as part of the resilience stage and to support the remote workforce. Support was increased with the training of an additional 12 Mental Health First Aiders, and a survey was carried out to understand the successes and challenges of home working.

Recognising the greater risk of COVID-19 to BAME staff members, additional working groups have been created, and actions informed by the Equality Impact Assessment have included the introduction of an anonymous Hate Crime reporting line.

The pandemic has had unprecedented financial and people impacts upon the University resulting in a total revision of annual priorities and the acceleration of pieces of work to support the changing working practices. Throughout, the workforce has demonstrated a real resilience to ensuring that operations continue, and we will continue to learn and develop as the situation unfolds into the new financial year. The re-imagining of what exactly the “new norm” will look like, means the impact of COVID-19 is likely to result in many permanent changes that will need to be reflected in changing HR practices, examples of which include:

- (a) More remote and flexible working requiring changes to management style, communications and engagement strategies.
- (b) Changing wellbeing trends, notably the “hidden impact” of assessing mental health when individuals are not in the workplace.
- (c) Revisions to all HR processes to reflect virtualisation including recruitment, service desks and development sessions.
- (d) Staff informed policies to ensure that agile working is embraced and supported sufficiently to allow the positives of well-motivated and productive staff to be a part of the future people plans.

Campus and Capital Projects

At the start of lockdown, the Estates team undertook a managed shutdown of the majority of the University’s buildings, leaving a small number open for critical use. Student accommodation buildings remained open for those students who were unable to return home. All buildings were maintained to ensure compliance with statutory requirements (fire safety, water hygiene etc.) and to allow them to reopen quickly when required.

During lockdown plans were developed and put in place for a phased reopening of buildings for a critical core of research and student supporting activities. All buildings were assessed for safe use in advance of this reduced occupation.

In parallel with this, building risk assessments were carried out for the planned start of the new academic year. Social distancing signage has been installed across the campus, ventilation systems have been set to maximise fresh air in accordance with statutory guidance, hand sanitisation stations have been installed, appropriate personal protection equipment for staff and students has been purchased and enhanced cleaning regimes are in place. Additional teaching facilities have been created and existing facilities reconfigured to allow social distancing during face to face teaching.

At the outset of the initial COVID-19 restrictions, our construction contractors paused work briefly to assess their national and local responses. Our main capital projects: the Medical School, Holbeach Centre of Excellence and the Old Hall Riseholme all restarted within days with reduced workforces, social distancing, and hygiene measures in place. The number of staff working on sites quickly increased to a high percentage of that originally planned.

Work on residential accommodation by third party developers at 179 High Street and St. Marks has also continued after the initial pause.

Revised programmes have been agreed, and our project management team is working closely with our contractors to mitigate potential material delays and labour shortages.



COVID-19 impact and mitigations report for the year ended 31 July 2020

Financial As with every organisation across the globe, COVID-19 has had a significant effect on the University's financial result for the year, along with the operations and strategy moving forward.

Estimated Income and Expenditure

The impact of the pandemic on the University finances in 2019/20 saw an estimated reduction in income and additional costs incurred compared to the pre-COVID-19 financial forecasts, as shown in the table:

	£'000
Loss of term 3 residential income	4,672
Loss of research income (net of expenditure)	976
Loss of other commercial income (net of expenditure)	527
Purchase of ICT equipment for staff and students	498
Additional works to re-open campus	984
Financial impact of COVID-19	7,657

Action was quickly taken to mitigate the above and manage the cash position by tightening financial controls. Measures taken included:

- Staff recruitment was put on hold where possible, with only recruitment to essential positions.
- A detailed review and removal of all non-pay expenditure for the remainder of the financial year where deemed 'non-essential', with a focus on student-facing services.
- Reduced authority limits for budget holders, with all purchases over £2,000 being reviewed and approved by the Chief Financial Officer.

By taking the swift action to manage the situation, the University has achieved a small statutory surplus for the year.

Cash

Cash has been monitored closely, with rolling forecasts being prepared on a monthly basis. This, along with the mitigating action taken above, ensured positive cash balances were maintained.

Balance Sheet

The key areas impacted as a result of the pandemic are:

- Fixed assets – lower capital expenditure resulting from initial delays to a number of projects. In addition a full and detailed review of assets was undertaken, with some impairments identified.
- An increase in the pension provision from £40.3m to £65.1m. This followed receipt of the actuarial report for the Local Government Pension Scheme, which saw a reduction in bond yields (used to discount future liabilities) and a fall in value of scheme assets.
- An increase in property and other provisions, which included the university's obligation to put in place appropriate measures across the campus in readiness for the safe return of students and staff in the new academic year.

In looking forward to 2020/21, a set of new short-term strategic financial principles were rapidly put into place to provide the necessary focus to ensure the University averted an immediate financial crisis, and to create a platform for financial sustainability as we moved into the 'new world'. These included:

- A relentless focus on cash generation and maintaining liquidity levels to ensure all liabilities can be met as they fall due.
- Maintaining a robust focus on cost control through retaining a more centralised approach to budgeting and financial decision-making.
- Retaining our existing borrowings and ensuring the University generates sufficient cash to service the capital and interest repayments.
- Seeking new borrowing facilities only for the purposes of maintaining our liquidity position.
- Committing to complete our existing, contracted and committed capital projects, with any additional capital expenditure beyond this being focused on business-critical activities and legal/regulatory compliance.

Strategic report
for the year ended 31 July 2020

Strategic Direction

Strategic Plan

The University’s priorities and strategic direction over the next five year period of our development will build on our significant progress to date. The vision is that, by 2021:

‘The University of Lincoln will be a global ‘thought leader’ for 21st Century higher education. We will be known for addressing the opportunities and challenges presented by the changing world by developing a new approach to education and knowledge development’.

Core Principles:

In order to deliver this and ensure that the University remains focused, the plan is based around five core principles.

These are:

- Teaching Excellence and a Great Student Experience;
- Graduate Success;
- Research with Impact;
- Strong Partnerships and Employer Engagement; and
- Dynamic, Engaged People.

Key Supporting Themes:

We believe that each of these principles lie at the heart of the success of the University. Supporting these key principles are five themes, which we believe encapsulate our needs in the environment that will shape our world over the lifetime of the plan.

These are:

- Resilience and Sustainability;
- Ambition, Global Recognition and Growing our Reputation for Innovation;
- Creating an Inclusive Community;
- Enabling Technologies, Excellent Research and Teaching Spaces;
- A New Vision for Education

We believe that focusing our ambitions and activities around these elements will take the University forward successfully. We aim to deliver the outcomes of our plan by each year making progress on those parts of our plan articulated in the strategic objectives.



Strategic report
for the year ended 31 July 2020

External Environment

Political Environment:

As the University grows and develops, we continue to be aware of the regulatory environment in which we operate. The Office for Students (OfS) is now firmly established, and implementing changes to reporting and teaching to ensure that every student, whatever their background, has a fulfilling HE experience that enriches their lives and careers.

Research funding is administered by UK Research and Innovation (UKRI), which brings together the seven Research Councils, Innovate UK and Research England.

These changes continue to create a number of challenges and opportunities for the University, which in turn continues to focus our efforts on diversifying income streams.

Reputation:

The University's external reputation continues to grow, with a strong reputation for leadership and innovation, particularly focused on partnership work with employers.

The University continues to be recognised for teaching quality and student experience with our award of TEF Gold status and named 'Modern University of the Year'.

In the 2021 national league tables, Lincoln ranked 45th in the Times and Sunday Times Good University Guide, 50th in the Complete University Guide, and 52nd in the Guardian League Table.

Internationally, we ranked 146th in THE World Young University league table whilst in THE World Ranking we placed in the 501-600 band. In the QS Rankings, we were placed in the 801-1000 band. This year we have also ranked in the Shanghai League Table.

External Environment

Competition:

The University's key UCAS competitors continue to be located mainly in major UK cities.

The makeup of this competitor set is, however, changing as the University moves up the league tables and our profile and portfolio changes.

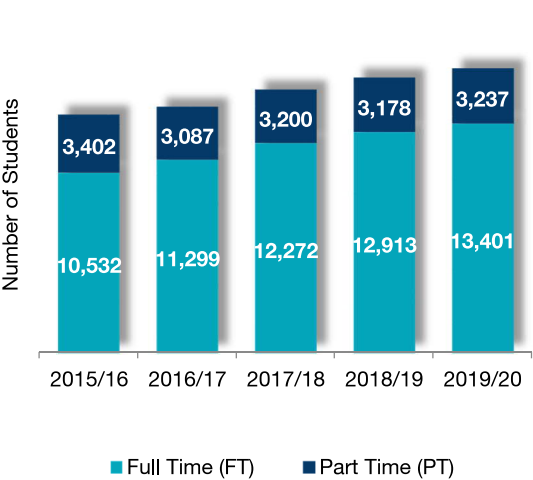
Demand:

The University continues to make to meet targets on recruitment and retention. Demand for places at Lincoln remains high, and we continue to see a year on year increase in student numbers due to both growth in existing subject areas and the development of new subject areas, particularly in STEM provision.

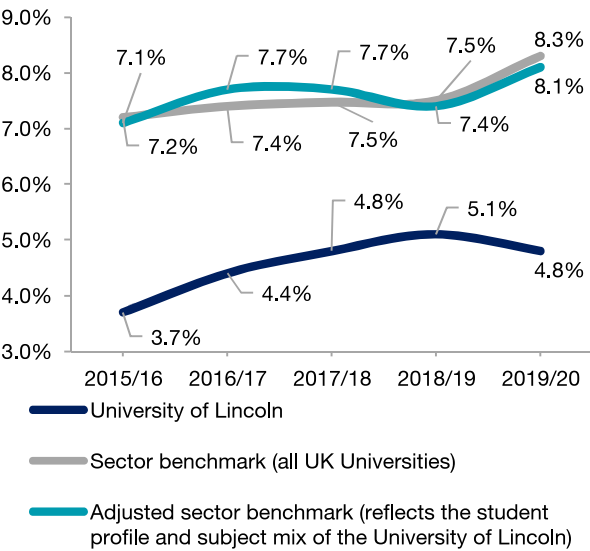
The University also continues to perform strongly in retaining students, scoring significantly better than the sector benchmark in the Office for Student Performance Indicators relating to student retention.

The graphs below demonstrate the demand trends.

Student Number Headcount by Mode of Attendance Year Ended 31 July 2014 to 2020



Non-Continuation of full time first degree students



Strategic report for the year ended 31 July 2020

Review of the Year

Teaching Excellence and a Great Student Experience

Students are at the heart of everything we do. The University is now into its fourth year at Gold status in the Teaching Excellence Framework (TEF). The TEF is a national independent assessment of teaching quality, student support and graduate success in higher education. Almost 300 higher education providers took part in the assessment, results of which were announced by the Higher Education Funding Council for England.

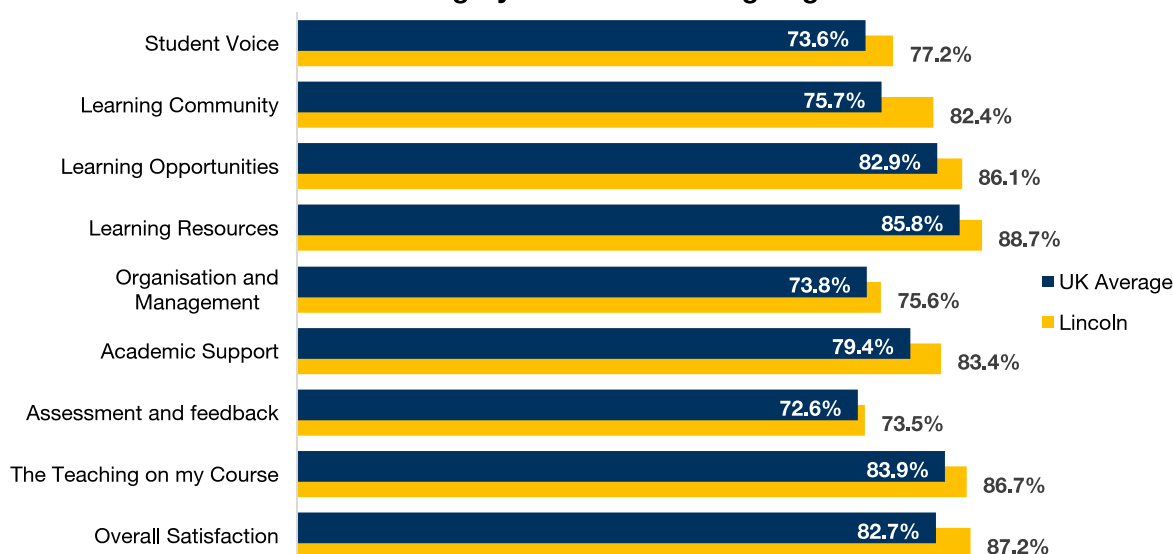
Determined by an independent panel of experts, including academics, students and employer representatives, our Gold award means the University has achieved the highest grade for teaching quality found in the UK. The University of Lincoln is one of 77 higher education providers of the total 290 entering the TEF to be awarded Gold.



Teaching
Excellence
Framework

In terms of student satisfaction, Lincoln was ranked 14th in the UK out of 129 league table institutions according to analysis of the 2020 National Student Survey. The University of Lincoln scored higher than the sector average in all of the nine categories within the survey, which is completed by final year undergraduate students across the UK. Lincoln ranks in the top 20 for Learning Opportunities, Academic Support and Learning Community and top 40 for teaching on my Course, Organisation and Management, Learning Resources and Student Voice. Several of the University of Lincoln's courses were rated number one in the UK for their subject areas, including Economics, Biochemistry, Human Geography and Zoology, with Sociology ranking 3rd.

2020 NSS Category Overall Percentage Agree Scores



Aligned to the strategic plan is the University's teaching and learning implementation plan, which has been designed to provide a clear framework for the next five years to ensure that our teaching and digital ambitions are achieved. We have set ambitious goals around our student experience, which include developments on campus, in the digital support we offer, in the breadth of our degree range, and in the innovation we bring to learning and teaching.

On quality assurance, during the last academic year the University's Office for Quality, Standards and Partnerships (OQSP) has continued to work hard to maintain and enhance the University's robust quality control systems. Alongside this, the University continues to develop its use of data to create success and improve and enhance its programme development and student experience.

Strategic report

for the year ended 31 July 2020

Case Study: College of Science Teaching Excellence

Academic skills development is an important component in ensuring that students from diverse backgrounds can make a successful transition to higher education and is a key part of the work of the Science Foundation Year teaching team. Studies of foundation year alumni performance as they progress to their main degree programmes reveals that, rather than subject content, it is academic skills development that the primary benefit to these students from their foundation year, having an overall positive impact on their future attainment and achievement.

Using research insight and direct feedback obtained from a series of student engagement opportunities, the team have introduced a “skills for success programme”, which takes a more holistic approach to the educational development of learners. The programme includes the normal academic skills development and consolidation activities, but also supplements these with a rich range of life and personal skills.

Working with colleagues in other colleges and Student Support and Wellbeing, students in the Science Foundation Year can access information on topics such as confidence building, time management, stress resilience, organisation and goal setting, alongside emotional intelligence, mental health awareness, relationship skills and the value of sleep, nutrition and physical activity to academic activity.

The student response to the skills for success programme has been overwhelmingly positive, with not only reported increased motivation, focus and organisation, but also marked improvements in subsequent student performance compared with previous years, as well as a greater equality of attainment across groups of students with protected characteristics under the Equality Act.



Our estate continues to provide a top-quality learning environment for our staff and students. The new Medical School building project is well underway. It is due to be completed in March 2021 and will be the most sustainable building the University has built to date. The aim is for the development to be carbon neutral, whilst providing cutting edge facilities including a new library.

The Residential Accommodation Strategy continues to make progress in order to meet the demand of our student numbers growth. Developer-led schemes operated and managed by the University, including 179 High Street and St. Marks, have phased openings which started in Autumn 2020.

Our Holbeach and Riseholme campuses are increasingly an area of focus. The University is the anchor tenant on the new Food Enterprise Zone (FEZ) in Holbeach. Construction work is underway on the development of a £7m Centre of Excellence for our National Centre of Food Manufacturing. The University was also successful in a funding bid to create the Lincolnshire Institute of Technology. This will see new facilities being built across the county with partner Further Education institutions in addition to a new building on the University FEZ site in Holbeach. Design and tendering work is underway for this facility.

At Riseholme, a new partnership agreement is in place between the University and Bishop Burton College. New farm and equine facilities have been delivered and are now in use. The Lincoln Institute for Agri-food Technology has been successful in securing high-profile research funding. To support this, projects are underway to create new agri-robotic research facilities and staff space in the central zone of the campus, including work to our Grade II listed Old Hall.



Strategic report

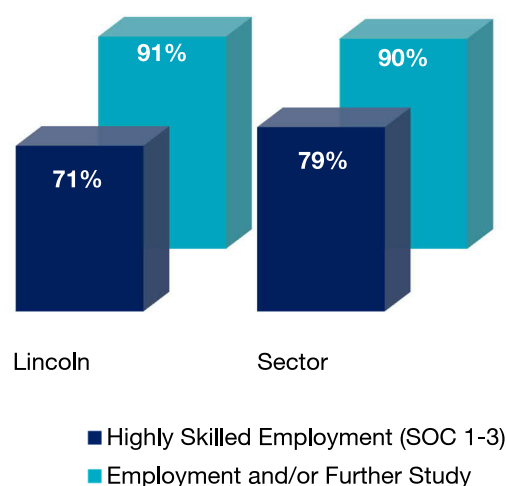
for the year ended 31 July 2020

Graduate Success

Our ambition to create confident, knowledgeable graduates whose reputation makes them sought after by employers across the globe is key to our future impact and success. The economic climate continues to provide challenging employment conditions for all graduates. Despite this, our students continue to have great employment prospects.



2020 Graduate Outcomes - 2017-18 leavers



The Graduate Outcomes Survey is the new survey that has replaced the previous Destinations of Leavers in Higher Education Survey (DLHE) and assesses graduates' activity 15 months after graduation by way of a survey conducted by HESA. This is the first publication of the data and relates to students who graduated in 2017-18. The University has 91% of students in Employment and/or Further Study.

Of those in employment, 71% of students were in Highly Skilled Employment.

Comparisons with previous years is not possible due to the differences in the surveys.

The Careers and Employability Team continues to provide an employer-led and informed service both centrally and within the distinct curriculum areas. International and national employers from the top 300 graduate recruiters, including the BBC, Sky, Google and Teach First took part in our successful 'How to get a graduate job with...' series, which delivered information and advice to students on their student and graduate opportunities. Employers including PwC and Phaidon further supported students to complete their Lincoln Award by delivering activities in our mock assessment centres, resulting in record numbers of students successfully completing their award.

The team has also seen the launch of the new 'Graduate Skills Builder': an OfS funded project aimed at supporting local graduates to secure graduate roles in the Greater Lincolnshire LEP region. This project is widely acknowledged by all stakeholders and the OfS evaluation team as making a positive impact on the regional High Skills and graduate retention strategies. The team continues to remain focused and responsive to the needs of our whole student population, seeking out the student voice and responding with programmes such as 'Breaking Barriers' and our online mentoring platform 'Lincoln Connect', both introduced in support of the University's Access and Participation Plan. We continue to offer employers a variety of opportunities to engage with our students, not least through our CareerLinc jobs site which advertised in excess of 3,000 vacancies including placements and internships in 19/20. Working closely with the Business Incubation and Growth unit ensures that entrepreneurship and self-employment is increasingly seen as a viable graduate destination.

Strategic report

for the year ended 31 July 2020

Research with Impact

The University of Lincoln is producing world-leading research across many subject areas. More than half (53%) of the research submitted by the University to the national Research Excellence Framework 2014 was rated as internationally excellent or world leading.

The University's academic staff includes more than 75 substantive professors who support a thriving research culture and a high-quality student experience. There are more than 40 research centres and research groups, investigating subjects ranging from vision engineering and autonomous systems to conservation and cultural heritage. Major research projects from the University benefit society in areas as varied as agri-food technology, medical imaging for cancer diagnosis, anti-microbials, heritage, treatment of insomnia and global contamination of water.

A multi-disciplinary approach ensures many projects involve experts from across the University's different Schools and Colleges.

Case Study: - Agri-Robotics

Agricultural robotics research at the University is at the forefront of addressing critical technology needs for transformation of the food chain – "Transforming Food Production: from Farm to Fork". Multi-disciplinary collaboration between two of the University's leading research groups, Lincoln Centre for Autonomous Systems and Lincoln Institute of Agri-food Technology in partnership with leading world universities and industry partners, is enabling robust robot operation through core robotic techniques including navigation, fleet co-ordination and intelligent perception to deliver dynamic changes in the agricultural domain. Topological representations for navigation and multi-robot coordination have enabled rapid deployment of robotic fleets in agricultural environments and adoption into commercial agricultural robots manufactured by Saga Robotics Ltd.

Furthermore, the team's advances in machine learning for 3D vision have enabled the robust and real-time operation of vision-guided agricultural machinery. The presented outcomes are the result of numerous EU and UK funded projects presented in top venues in the area (e.g. IEEE Transactions, Journal of Field Robotics).

Excellence in the area of agri-robotics has contributed to the UK government's investment to establish a Lincoln Agri-Robotics centre of excellence and EPSRC CDT (Centre for Doctoral Training) in Agri-Food Robotics.

Through its numerous deployments in real agricultural applications, the University's research brings many positive economical, societal and environmental impacts.



The future of UK and International farming and food production

The University of Lincoln, as part of a consortium – through the Lincoln Institute for Agri-food Technology (LIAT) – will be leading the academic contribution to the development of 'Robot Highways' with funding from Innovate UK. It is widely agreed that robotics will transform the food and farming industries in the coming years, as producers adapt to meet significantly increased global demand.



Strategic report

for the year ended 31 July 2020

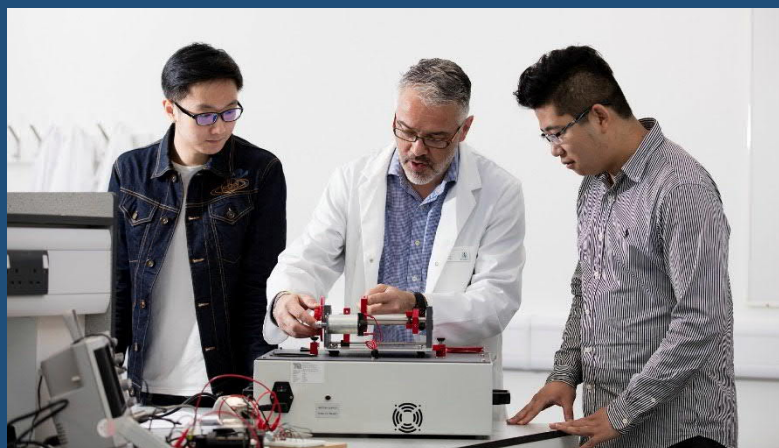
Strong Partnerships and Employer Engagement

Lincoln is internationally recognised for our innovative approach to industrial partnership (public, private and third sector). This has previously been highlighted through the Government's Wilson and Witty reviews, and the publication of the 'Mind the Gap' report examining how universities across the sector can best support industrial collaboration.

Our successful relationship as one of Siemens' global principal partners continues to flourish with their international training centre co-located in the School of Engineering, on the Brayford Pool campus, a growing research portfolio and nearly 50 engineering graduates employed in the local business unit. Building on the success of our partnership with Siemens, we have launched six new schools of STEM in the last seven years, all co-designed with industry. Our partnerships continue to develop with organisations like the Lincolnshire Co-operative, particularly as the Lincoln Science & Innovation Park continues to grow. The Boole Technology Centre on the Innovation Park is filling faster than we anticipated and is increasing levels of industrial co-location, driving even higher and wider levels of collaboration.

Institute of Technology

Institutes of Technology are unique collaborations between employers, higher, and further education providers who specialise in delivery higher-level technical skills. The Institute in Lincolnshire, with the University taking the lead, specialises in agri-tech, food manufacturing, energy, digital and engineering, helping to provide our young people with the skills they need to succeed, close skills gaps and improve productivity across the county.



Case Study: Following Young Fathers Further

One of Lincoln's Associate Professors in Sociology holds a prestigious UKRI Future Leaders Fellowship for her research into young fatherhood. Based in the School of Social and Political Sciences, her research has broadly focused on men's care responsibilities and support needs, particularly in low-income families. Previous funders have included the Leverhulme Trust.

The Future Leaders Fellowship project, 'Following Young Fathers Further' (FYFF) will extend existing longitudinal evidence concerning the parenting trajectories and support needs of young men (aged 25 and under) and implement and evaluate a novel social intervention that aims to promote father-inclusive and gender-equal parenting.

Establishing a new collaboration between national UK charities (including NSPCC, Coram Family Childcare and YMCA Lincolnshire) and international academic partners in Sweden, FYFF represents the most significant investment in research and support for young parents in several years.

Strategic report

for the year ended 31 July 2020

Dynamic Engaged People

The University's people element of the strategic plan continues to highlight the collaborative efforts between the relevant university teams, the Students' Union, and the wider university community in support of the overall university strategic agenda.

Our workforce continues to grow as the University develops further, with 2019 experiencing overall growth of 6% in our core workforce. Our increasing establishment sees a number of employees potentially affected by the UK's imminent departure from the EU. As such, new information has been developed to offer additional support and guidance.

Never more so has the People Agenda been at the heart of our ability to deliver towards our strategic plan. Attracting and retaining talent is therefore an important factor, and the University welcomed a marked increase in the number of applications received through staff recruitment activity and, despite Brexit, also saw an increase in the number of international academic applications and subsequent offers made. We also welcomed appointments to our new Medical School, as well as a number of world-leading, research-focussed Global Professors, who will be pivotal as we continue our research advancement and reputation both nationally and internationally.

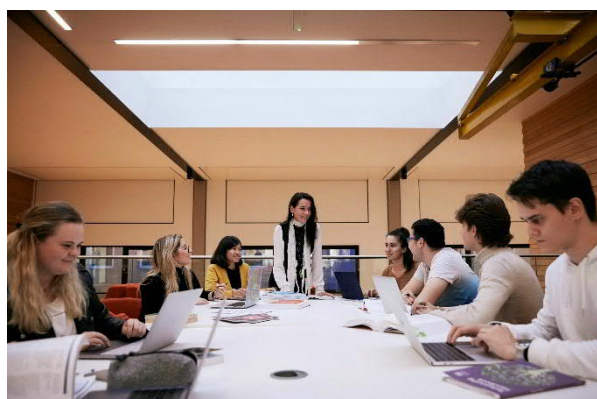
As the Brexit scene and plan of action evolved throughout the year, the University continued to support and inform staff along each step of the way. A change in government policy meant that the need for financially supporting employees with Settled Status application fees was removed. However the focus now turns to assessing the impact of removal from the EU on recruitment, immigration and processing activities as we move towards exiting the transition period and the introduction of the Points Based Immigration System.

Campus Jobs continued to see an increase in student engagement levels and provides opportunities for our students to develop new skills and work alongside their studies. At the same time, high levels of compliance were maintained with a recording process introduced to support Tier 4 visa monitoring of working hours.



Providing flexible reward and recognition is another vital element of the strategy to support our staff. Our Linc-On reward platform gained external recognition through a number of national awards for employee engagement and the use of technology in reward. The lifestyle benefits platform continued to see new benefits launched for employees in a wide range of areas to support our staff health and wellbeing agenda. There was also a focus on diversifying the financial savings vehicles to reflect short term savings needs and assist with money management. Other important elements, such as a review of our maternity and adoption leave provision, took place to ensure that new parents are supported, and the University continues its aim as a flexible and supportive employer.

A number of staff and student social clubs were established as an important part of our 'One Community' ethos. It was another successful year for the Uni Imps partnership with Lincoln City Football Club, where a series of collaborations were introduced. These included student placements, guest lectures, a community fan zone, archiving projects and links through to the Business School.



The final offer made as part of the National Pay Award was a base pay uplift of 1.8% on all pay spines effective from 1 August 2019. As with many other Universities in the sector, Lincoln continued to track the national voluntary living wage as set by Living Wage Foundation rates. The horizon continues to be very challenging for pension reform, with turbulent times for the sector pension schemes, which saw increases to employee and employer contributions and further associated costs for the defined benefit schemes.

Strategic report
for the year ended 31 July 2020

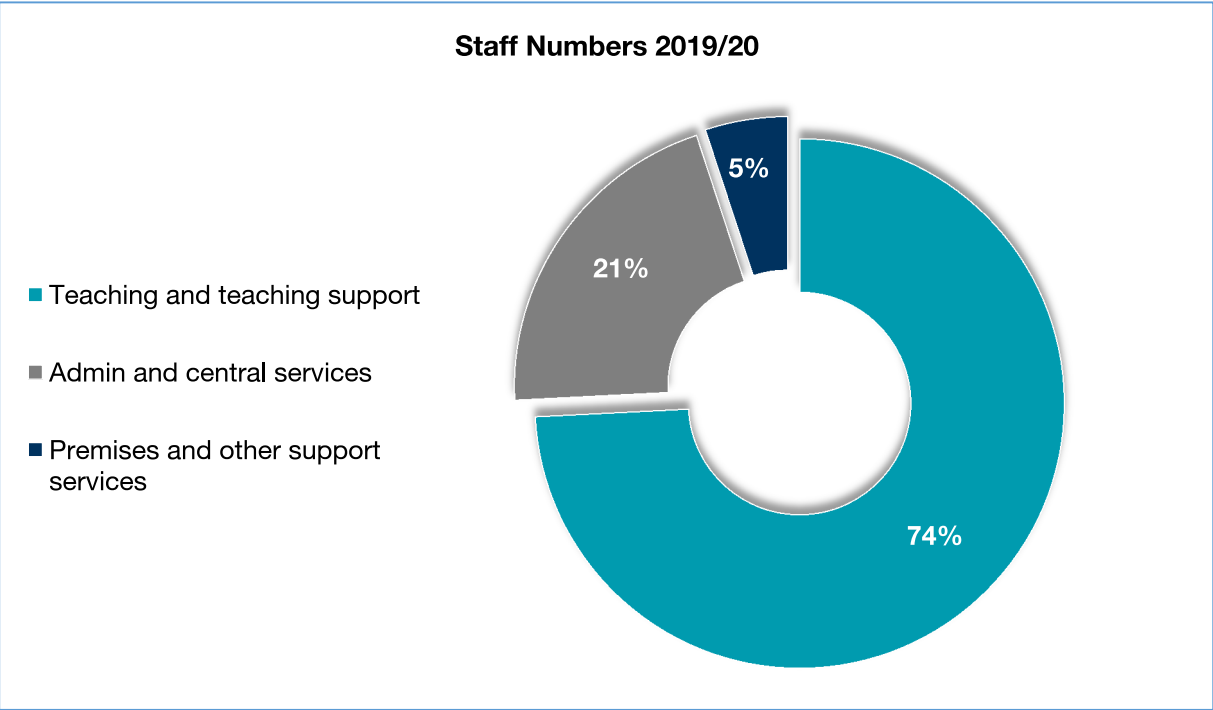
Staff recognition continues to play a key part of University life with exceptional performance and behaviours acknowledged and commended. The flagship event remains the annual celebration of Individual Merit and Team Achievement. More than 120 staff members were recognised for their individual performance, and entries surpassed previous levels for the team submissions. A further highlight saw nine individuals receiving Teaching Excellence Awards and six acknowledged through Research and Community Impact Awards.



Professional development for staff continues to be pivotal within our People Strategy, with key areas of focus including leadership development; staff apprenticeships (including postgraduate level for senior leaders, and the academic professional apprenticeship); development of a career pathways framework; and the continuation of blended learning through our online provision. The University also continued to move its equality and diversity agenda beyond compliance and legal requirements. With focus on culture and values as well as inclusion that is embedded in everyday activities, analysis and development of the Race Equality Charter action plan continued. During the last 12 months, activities have also been carried out in support of the Gender Pay Gap action plan, taking positive steps to ensure fair processes are in place and improvements continue to be identified and actioned.



The University continues to progress a proactive approach to employee wellbeing activities, underpinning them with education. The approach focuses on the five themes of physical, mental, financial, social and environmental, with workplace initiatives to raise awareness and encourage a healthy workforce.



Strategic report

for the year ended 31 July 2020

Key Performance Indicators

The University has adopted a range of Key Performance Indicators (KPIs) through which we monitor our activities and measure our success, taking appropriate actions to rectify any areas of concern.

They are aligned to the core principles of the strategic plan, as set out below, and have challenging targets across the plan period based on our increasing expectations.

Core Principles of Strategic Plan	Objective	Measure of Success
External positioning	Improve external rankings position	League table position
		World rankings position
Excellent teaching and a great student experience	Improve National Student Survey (NSS) results	NSS Q22 – overall satisfaction
	Increase student participation through the Widening Participation Agenda	Young full-time degree entrant from state schools of colleges
		Students from low participation neighbourhoods
	Ensure high levels of completion benchmarked against the sector	Students completing their study year
		Non-continuation students
Graduate success	Increase our levels of graduate employment / progression to further study	Students in to employment and further study
		Students in to graduate employment
Excellent research with impact	A further step change improvement in the Research Excellence Framework (REF)	Staff eligible to be submitted to the REF
	Increase numbers of research outputs, repository depositions and citations	Average number of citations per year
Strong partnerships and employer engagement	Increase the number of programmes delivered with external partners	Increase the number of students by headcount
	Increase the number of start-ups / enterprises	Number of start-ups / enterprises
		Number of sustainable start-ups / enterprises still existing after three years
Dynamic engaged people	Continue to develop excellence in teaching	Annual recognition for excellence / innovation in teaching
		Number of case studies per year of excellence / innovation in teaching
	Continue to develop excellence in research	Number of case studies per year of excellent research
	Continue to improve in service excellence	Number of case studies per year of innovation within our Professional Services
		Internal customer satisfaction survey scores
Financial environment	Ensure financial resilience and sustainability of the University	Total income
		Cash flow as a % of total income
		Ratio of net debt to net assets

Strategic report
for the year ended 31 July 2020

Future Prospects

The University, like most Higher Education institutions, is continually reviewing how it operates its business in response to the challenges of the current economic and political climate. Government policy, particularly with regards to student funding streams, immigration and COVID-19, continues to create uncertainty. In addition to this, the impact of Brexit is still not yet fully understood. Movements in the financial markets and the uncertainty of sterling post-Brexit is already putting upward pressure on costs. The University monitors the operating environment and manages these changes to take advantages of opportunities arising and to continue to grow in a challenging climate.

The University has five-year forecast plans that ensure sufficient surpluses and cash are generated for investment in research, development strategies and the physical and technological infrastructure. In order to maintain our financial stability, we will need to continue to grow and diversify our income streams, while planning and controlling cost pressures. We need to do this whilst enhancing our reputation, continuing to build on our successes, and ensuring that we continue to invest in our strategic objectives. We recognise that, in the current economic climate, we need to develop innovative partnerships and find creative funding solutions, and we will continue to seek out such opportunities.



During the financial year 2019/20, we have consolidated our investment in new schools and programmes, across all Colleges. It has been another successful year, with sustained income growth and good levels of cash generation, despite the COVID-19 pandemic, allowing us to invest further in the infrastructure of the University.

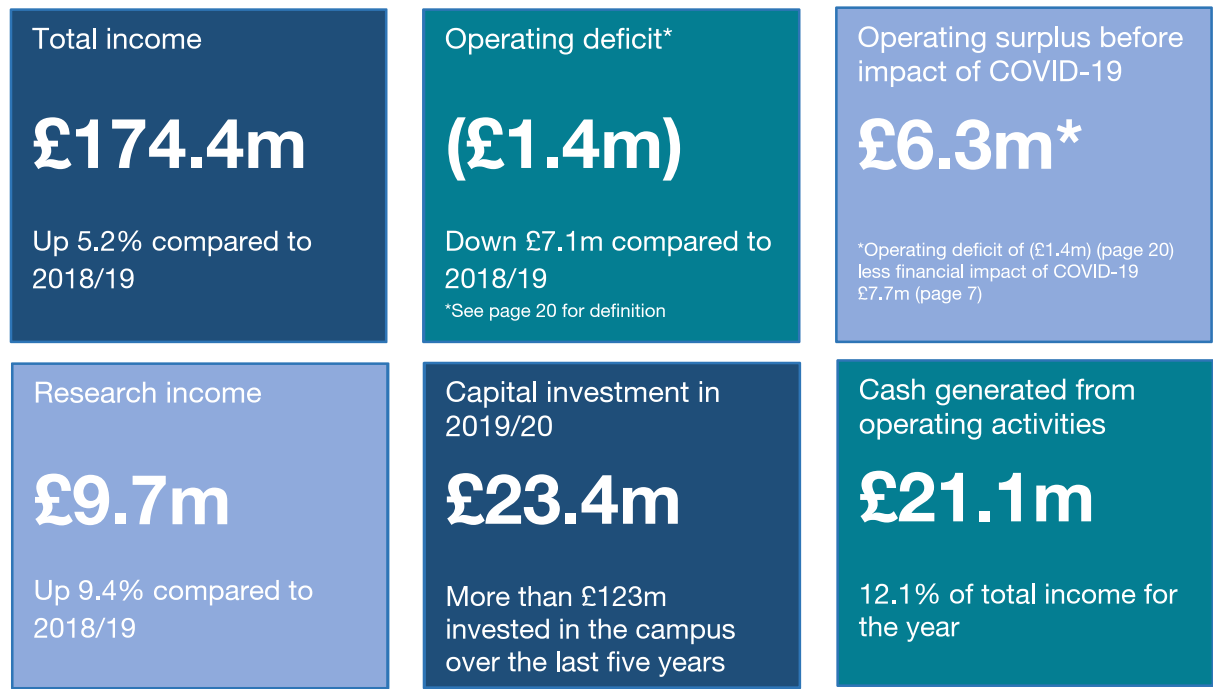
With the continued success in our position in the national league tables, our appearance in the THE Young and World league table and QS World league table it is anticipated that this will bolster demand and create opportunities for us to grow income and invest further in teaching, facilities, and the overall student experience.

Overall, the future prospects of the University are exciting in this ever-changing and challenging environment. The next phase of the campus development will see completion of our purpose-built Medical School facilities to support the training of future doctors for the Lincolnshire area, with a commitment to current and future communities to develop sustainable healthcare, education, research and growth across the region. This will enable current and future generations of students to benefit from the latest equipment and laboratories, supporting the University’s distinctive student experience and engagement agenda, delivering an excellent platform for the future.

Financial review
for the year ended 31 July 2020

Summary and Financial Highlights

Summary The year proved to be extremely challenging with the uncertainty surrounding the COVID-19 pandemic. Despite this, the University’s result for 2019/20 shows another year of sustained progress, with income growth and strong cash generation demonstrating the financial strength and sustainability of the University.



Financial review

for the year ended 31 July 2020

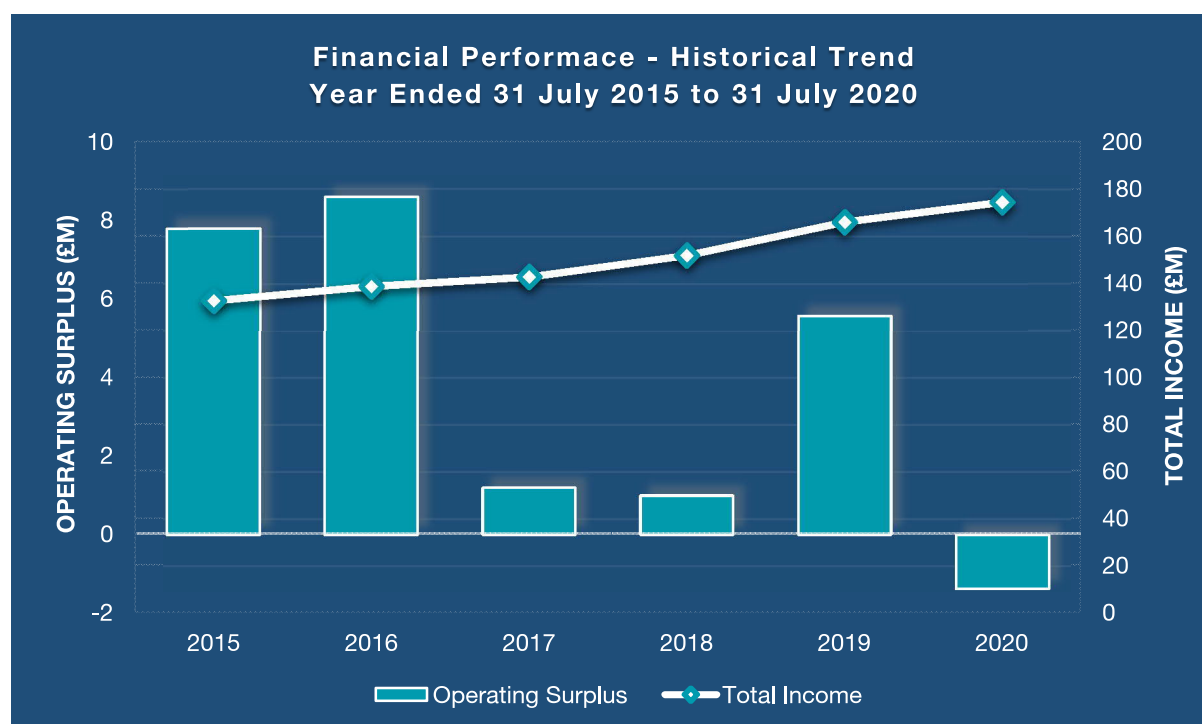
Consolidated statement of comprehensive income and expenditure

Operating Surplus

As a consequence of the transition to FRS102 in 2015/16, the statutory reported 'Surplus before tax' is much more volatile and less comparable, both over time and across the sector.

The table below sets out the University's view of its underlying operating surplus, along with an adjusted earnings before interest, tax, depreciation and amortisation (EBITDA). We consider that these measures give a more useful view of underlying financial performance of the University.

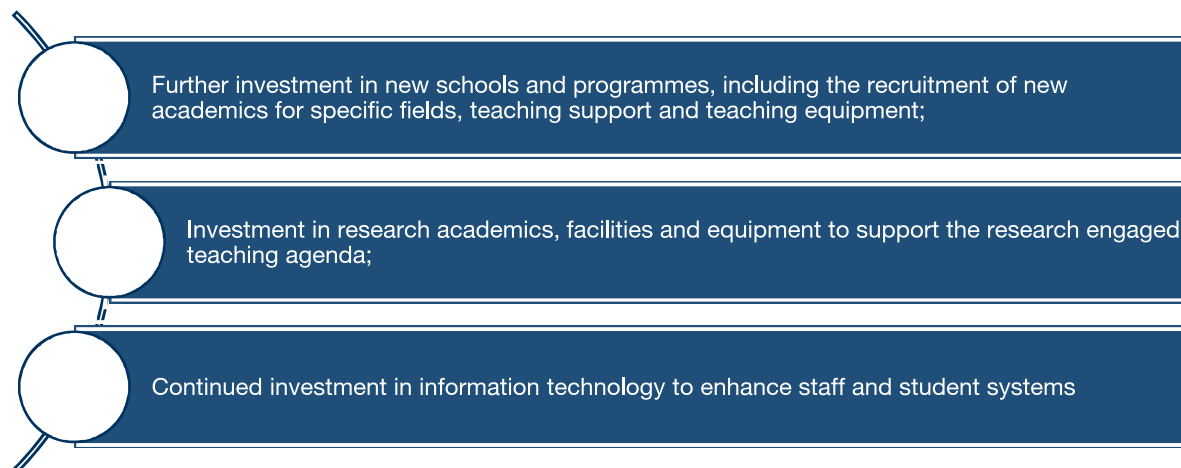
Operating Surplus	2020 £000	2019 £000	2018 £000	2017 £000	2016 £000	2015 £000
Surplus Before Tax	698	564	811	2,459	7,707	10,485
Less capital grants recognised in year	(1,045)	(1,330)	(1,317)	(1,700)	(5,965)	(3,524)
Add net interest charge on pension schemes	853	380	1,231	1,179	1,402	1,519
Add impact of LGPS one-off past service adjustments	-	512	-	-	-	-
Add/less fair value loss/(gain) on financial instruments	(64)	(64)	31	(1,180)	4,895	(2,712)
Add staff restructuring costs	238	1,180	366	553	303	1,042
Add provision for property obligations	-	1,705	-	-	-	-
Add reduction in value of share in jointly controlled entity	303	-	-	-	-	-
Less/add USS deficit recovery (credit)/charge	(2,360)	2,783	(138)	(148)	237	1,017
Operating (Deficit)/Surplus	(1,377)	5,730	984	1,163	8,579	7,827
Depreciation, amortisation and impairment	11,247	9,762	9,645	8,420	7,595	6,962
Interest payable on bank loans	3,152	3,304	3,441	3,358	2,738	2,529
Interest received on bank deposits	(384)	(370)	(294)	(385)	(356)	(274)
Adjusted EBITDA	12,638	18,426	13,776	12,556	18,556	17,044



Financial review

for the year ended 31 July 2020

Primarily as a result of the pandemic, the operating surplus/deficit has decreased from £5.8m to (£1.8m). Further information on this can be found on page 7. This is a low level compared to both the sector benchmark, and sector recognised sustainability KPI (MSI; the Margin for Sustainability and Investment). Despite this, the University continues to reinvest to develop facilities and enhance the student experience. This includes:



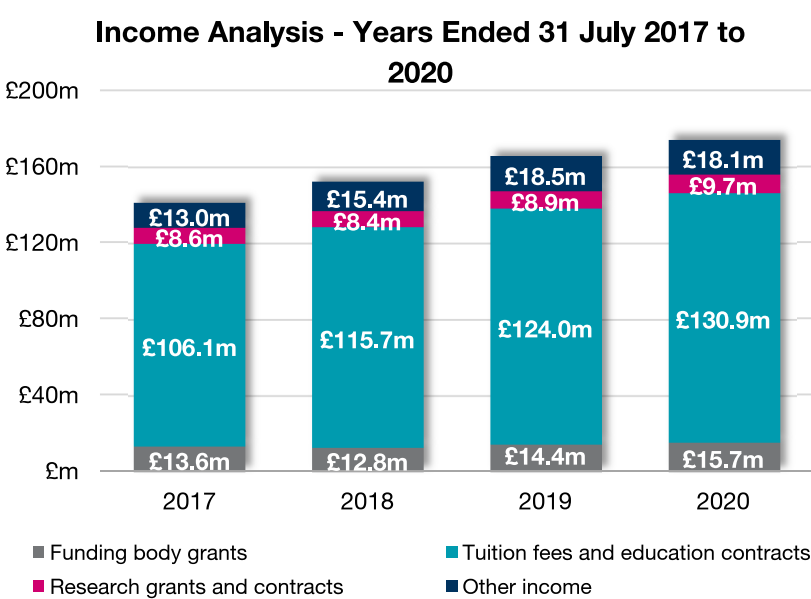
Non-Operating Items

Certain items have been excluded from the operating result set out above due to either their treatment under FRS102 or their non-operational nature, as explained below.

- The table on page 20 starts at the 'Surplus before tax' as set out on the Consolidated and University statement of comprehensive income and expenditure on page 44. This therefore excludes the market adjustments, being the change in fair value of investment property and the actuarial gains and losses on the pension scheme. These are non-operational and, to a significant extent, out of the University's control;
- In accordance with FRS102, capital grants are recognised within income once any associated performance criteria have been met. These grants can therefore be both large and sporadic and have been excluded from the operating result;
- The interest charge on the pension schemes has been excluded. This mainly comprises a charge related to the net deficit in the Local Government Pension Scheme and is considered to be non-operational;
- The reduction in the share of the jointly controlled entity has been excluded from the operating result on the basis that it reflects the downward revaluation of an investment property. For the University, this would be a non-operational item falling below the surplus
- The gain or loss on financial instruments have been excluded. This is driven by changes in the financial markets and is outside of the University's control;
- Whilst staff restructuring is an ongoing activity of any organisation, these costs have also been excluded from operating surplus for comparability, due to their varying size;
- The property and other provisions are for one-off events and considered non-operational;
- The USS pension scheme recovery plan was formally approved in 2014/15, which resulted in a one-off charge to the Consolidated and University statement of comprehensive income and expenditure. The 2018 valuation has been finalised resulting in new contribution rates and a plan to eliminate the deficit in 8 years. This adjustment has been excluded on the basis that it was a one-off material item, as has the annual charge due to changes to the discount rate, which is outside the University's control.

Financial review
for the year ended 31 July 2020

Income The University’s income is derived principally from tuition fees, grants, research and other activities, as set out below:



Tuition fees and educational contracts includes both Home/EU and international students. Full-time international tuition fee income accounts for 10.5% of the total tuition fees (2018/19: 9.2%). This increase has been achieved despite the increasing competition in the global market and the challenges faced in attracting international students.

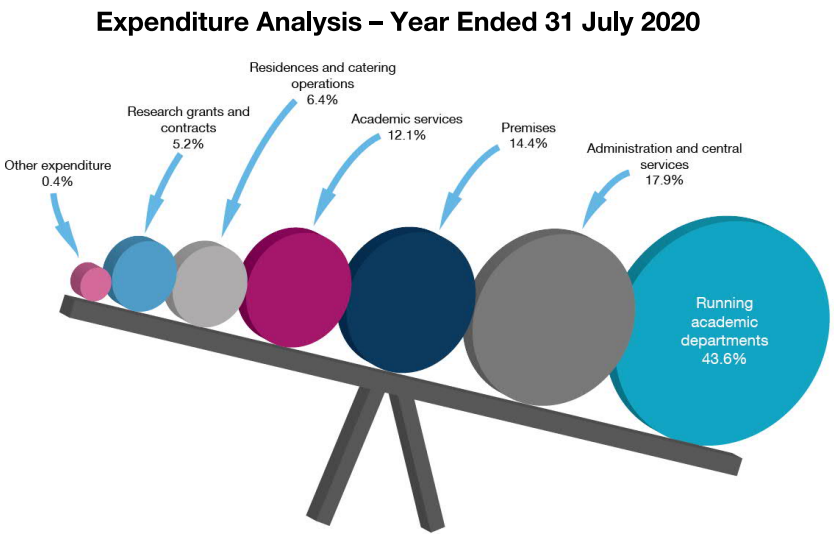
The full-time Home/EU market remains the largest proportion of tuition fees and education contracts and has continued successful growth, with a 5.1% year-on-year increase.

Funding body grants comprises of: OfS teaching funding £6.6m, UKRI research funding £4.1m, Skills Funding Agency (SFA) £2.6m, Higher Education Innovation Fund (HEIF) £1.0m and other small amounts of £0.4m. Also included, is £1.0m (2018/19: £1.3m) in respect of capital funding received and recognised in the year. This was from the OfS and UKRI to support the development of teaching and research at the University.

Other income includes revenues from residences, catering, conferences, property rental, consultancy and other sundries.

Expenditure The graphic below sets out the profile of the University’s major expenditure items.

The University’s total expenditure, excluding depreciation, amortisation, interest and other finance costs, increased by 3.9% between 2018/19 and 2019/20. All costs have been closely monitored and controlled with the income from tuition fees invested primarily in improving the student experience and student facilities. Substantial investment has been made in the Colleges supporting the research-led teaching agenda, along with significant levels of bursaries and scholarships.



Academic expenditure accounts for 55.7% (2018/19: 55.2%) of total expenditure. This includes student support services such as the library and student IT systems.

Financial review for the year ended 31 July 2020

Balance Sheet

Total Net Assets Total net assets are £153.6m, which is a decrease of £24.0m compared to the prior year. The decrease is primarily due to the increased deficit in respect of the Local Government Pension Scheme (further detail on the pension deficit is set out later in this section).

Fixed assets

Fixed and intangible assets have increased to £297.0m (2019: £283.8m), with capitalised expenditure during the year of £23.4m. Key capital investments include:

- Continued investment in the new Medical School building;
- Reconfiguration and adaptation works to existing buildings to enhance teaching and research space;
- The continued substantial investment in information technology as part of a multi-year programme to renew multiple key business systems;
- Ongoing work towards the Food Enterprise Zone at Holbeach.

In addition, the University continues to invest in the overall quality and attractiveness of the physical estate and the technological environment.

Our capital expenditure programme over the years has been sustained through strong cash generation from operations and capital grant assistance, balanced with considered and responsible external borrowings.

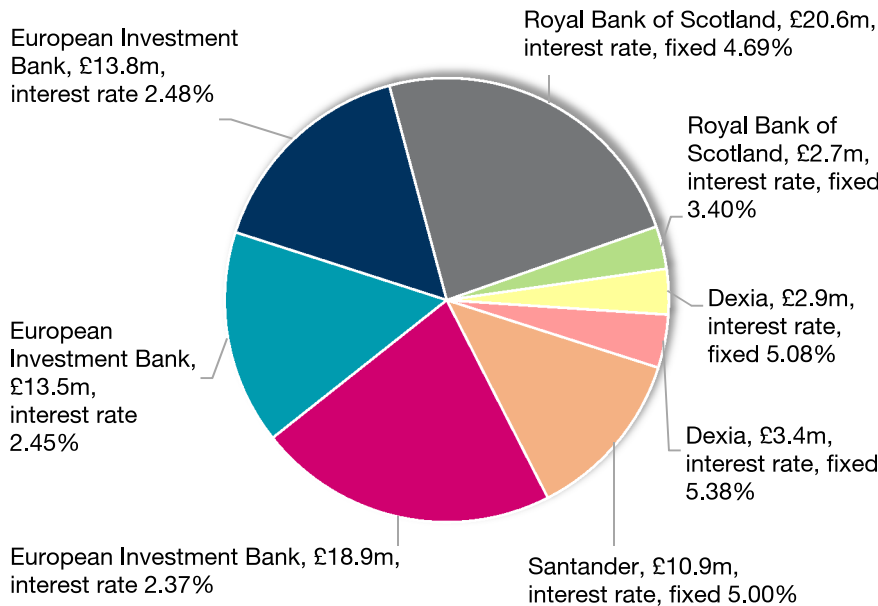
Net current assets

Net current assets have reduced to £2.4m (2019: £15.5m). Whilst cash balances have increased; a large increase in creditors primarily reflects capital grants received which have not yet been recognised in income.

Cash and current asset investments (bank deposit accounts) of £36.4m have increased from the prior year by £1.9m. This increased cash position will support the capital building programme as works progress on a new Medical School building and further revenue investment to develop facilities and enhance the student experience.



Loans by Lender - as at 31 July 2020



Long-term liabilities

The University's long-term liabilities primarily comprise of bank borrowings. As at 31 July 2020, borrowings amounted to £86.6m (2019: £90.9m).

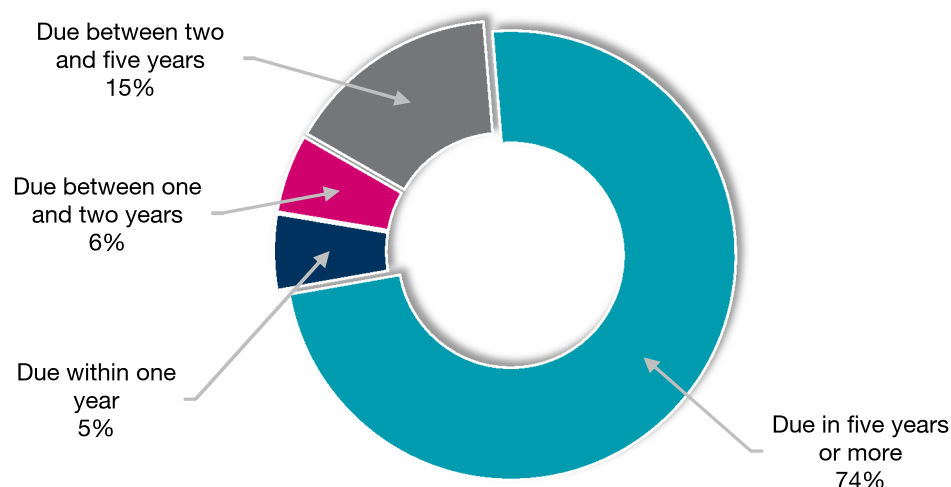
The graph to the left sets out further detail on the composition of borrowings by lender, interest rate, and repayment profile.

As at 31 July 2020, the University had fixed the interest rate on all borrowings.

Financial review

for the year ended 31 July 2020

Drawn Loans by Repayment Period - as at 31 July 2020



None of the University's borrowings are repayable on demand, providing that all loan terms are complied with and no financial covenant breached. There have been no breaches of any of the University's loan covenants during the year, and none are expected in the next 12 months.

Pension liability

The overall pension liability has increased from £40.3m to £65.1m. The pension provision on the balance sheet reflects the University's net liability in respect of the Local Government Pension Scheme (LGPS), along with the University's contractual commitment to fund past deficits within the Universities Superannuation Scheme (USS).

LGPS

The LGPS net liability has increased to £62.8m (2019: £35.7m). The provision is based on assumptions recommended by the University's actuary in accordance with FRS102.

The funding position has worsened during the year primarily as a result of a change in financial assumptions in the latest actuarial report and weak asset performance.

The provision relates to the shortfall of assets in the scheme required to fund future pension liabilities and does not relate to any significant payment liability arising in the short or medium term.

The University's employer contribution rate is 25.3%. This comprises of 19.9% in respect of the future service rate and 5.4% deficit recovery repayment. The deficit recovery repayment is based on the recovery plan updated by the latest full formal actuarial valuation, 31 March 2019.

The University does not anticipate making lump sum payments in to the scheme and will endeavour to reduce the deficit through increased contribution rates, which have been factored in to the University's long term financial plans.

USS

The USS liability has reduced from £4.6m to £2.3m. This reduction in provision relates to an estimate of the University's share of the USS deficit, based on the USS 2018 valuation, which has showed an improved position from the USS 2017 valuation.

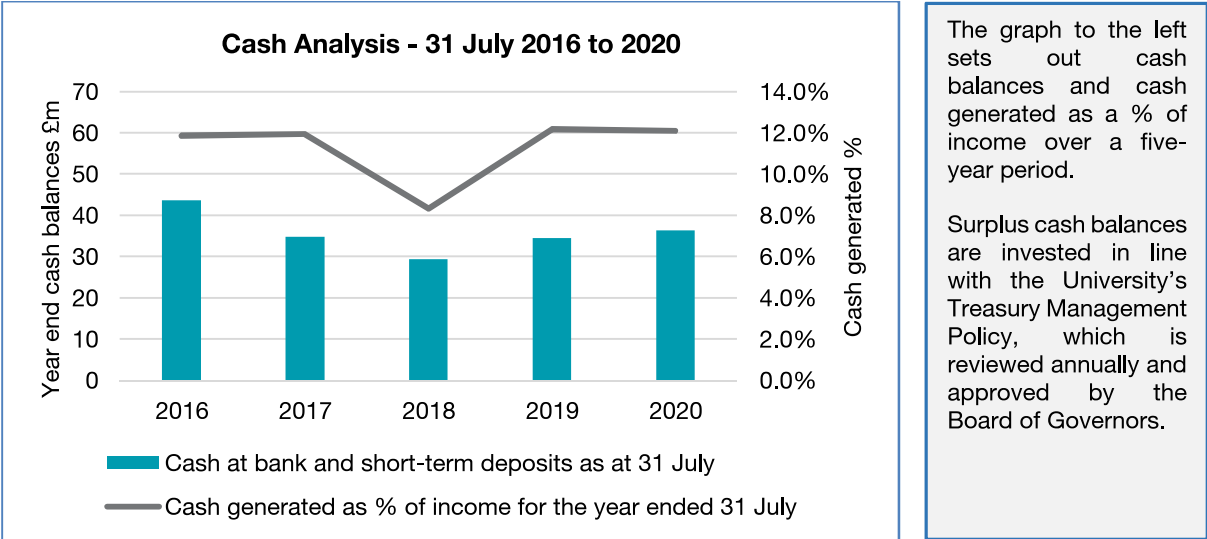
Financial review
for the year ended 31 July 2020

Cashflow

Cash
Generated
and Cash
Balances

The consolidated cashflow statement shows the net cash inflow during the year from operating activities was £21.1m (2019: £20.2m). Cash at bank and short-term deposits increased from £34.5m to £36.4m.

Cash generated from operating activities was 12.1% of total income (2019: 12.2%).



As at 31 July 2020, 32% (2019: 5%) of cash, cash equivalents and short-term investments were deposited with UK banks and building societies. These banks and building societies met the three major credit rating agencies (Moody's, Standard & Poor's and Fitch) minimum ratings as determined by the Treasury Management Policy. The remaining 68% (2019: 95%) was invested in sterling money market funds, which are AAA-rated by both Standard & Poor's and Fitch.

Financial review
for the year ended 31 July 2020

Treasury Management and Financial Instruments

Treasury Management

The University’s treasury operations are managed within parameters formally defined and regularly reviewed by the Board of Governors (the Treasury Management Policy).

The University’s treasury activity is reported annually to the members of the Board of Governors and is subject to review by the internal auditors. The Board of Governors also review and approve the Treasury Strategy at the start of each financial year.



Financial Instruments

The University’s financial instruments comprise cash at bank, deposits repayable on demand, fixed-term deposits, and fixed-rate loans repayable to banks. The sole purpose of these financial instruments is to provide finance for the University’s operations.

The main risks arising from the University’s financial instruments are interest rate, security and liquidity. The risk is considered to be effectively managed through the University’s Treasury Management Policy.

As previously noted, as at 31 July 2020, the University has fixed the interest rate on all borrowings. All interest rate fixes are arranged directly with the lender.

Further analysis of the University’s borrowings at 31 July 2020 is set out in note 19 of these financial statements.

The University does not have any other hedges or derivatives.



Going Concern and Liquidity

The University ended the year with cash resources of £36.4m and bank borrowings of £86.6m, leaving net debt standing at £50.2m. All of the University’s external funding is long term in nature, with 94.6% repayable beyond one year, and 73.5% repayable beyond five years. In November 2020, the University took out a three year £20m revolving credit facility to provide further access to cash.

The University has recently updated its five year financial forecasts, taking into account the uncertainty of the COVID-19 pandemic, which were reviewed and approved by the Board of Governors. Full details of these forecasts are included in the Accounting Policies note on page 36.

On this basis, the Board of Governors considers that the University has adequate resources to continue in operational existence for the foreseeable future and for at least 12 months from the date of signature of these financial statements.

Charitable status and public benefit: The University as a charity for the year ended 31 July 2020

Public Benefit: The University as a Charity

Mission

'A University looking to the future' where we serve and develop our local, national and international communities by creating purposeful knowledge and research, confident and creative graduates, and a dynamic and engaged staff team.

In formulating the Strategic Plan for 2016-2021, staff and students across the University reflected on and debated the statement above. They concluded that it clearly articulated the mission of the University of Lincoln. The Strategic Plan commits to building on our reputation for excellent student engagement, which prepares our graduates for their future, and to working closely with our communities to ensure valuable impact from our research to make a meaningful contribution to our world.

The University is committed to developing and supporting research that enhances our futures, is purposeful and leads to improvements in society. We will also address research challenges from our locale that have global significance such as, but not exclusively, personalised health, agri-food technology, creativity, digital arts and digital archives, and rural communities. We aim to help our students develop into highly engaged, employable and creative-thinking graduates who contribute to the development of society and the economy.



Charitable Status

The University of Lincoln is a Higher Education Corporation and, as such, is an exempt charity with the charitable objects of providing higher education and further education, and of carrying out research and publishing the results.

The University is regulated by the Office for Students as the principal regulator of the English HEIs as charities. The members of the Board of Governors are the trustees of the charity. The role of the Board and the responsibilities of the Governors are described in the statement of corporate governance and internal control later in this section. In exercising these responsibilities, the Governors have had due regard to guidance issued by the Charity Commission.

Charitable status and public benefit: The University as a charity for the year ended 31 July 2020

Delivery of Charitable Objectives

The charity's direct beneficiaries are the students enrolled to the University's awards and those who benefit from the research undertaken at the University. The Strategic Plan provides a number of examples of how the delivery of our institutional objectives contribute to the wider public benefit, including in the areas of engagement with businesses and the community; contribution to the local economy, working with partners including charities and the health service; stimulating and supporting enterprise and graduate employability; and focusing on our own environmental footprint.



In September 2019, the University opened the Lincoln Medical School, in partnership with the University of Nottingham. Lincoln Medical School will respond directly to the needs of the county that has particular healthcare challenges with its rural geography and ageing population. Within a few years, the School will be delivering first-class medical training to around 400 students.

The University has pledged to support the City of Lincoln Council in enhancing the city through a Civic University Agreement, alongside Bishop Grosseteste University. The council will work in partnership with both universities, with a pledge by the universities to support pressing issues in the city, ranging from helping businesses adapt to technical change, to boosting the health of local people. In signing this Civic University Agreement with the City of Lincoln Council, both universities will:

- Build on their own institutional strengths and current civic activities
- Reflect the priorities of the people of Lincoln, and what they want from their universities
- Work with other local institutions, businesses and community organisations, local authorities and plans to deliver a unified vision for the city
- Develop a clear set of priorities, collaborating and aligning resources and activities with each other and with the City of Lincoln Council, the Greater Lincolnshire Local Enterprise Partnership ('GLLEP'), and the NHS
- Articulate a clear plan of action for the five-year period 2020–2025

The full document can be viewed on the University's website at:

<https://www.lincoln.ac.uk/home/media/responsive2017/documents/the-new-civic-university-university-of-lincoln.pdf>

Charitable status and public benefit: The University as a charity for the year ended 31 July 2020

Admissions Policy and Student Support

The University welcomes difference and diversity among its students and seeks to help each one to flourish academically and personally through its programmes. Our admissions policy is therefore governed by two principles: the applicant's ability to benefit from the chosen course, and fair and equal treatment for all applicants.

In common with other HEIs in England, the University of Lincoln charges tuition fees which, for UK/EU students, are subject to statutory regulation through the Office for Students (OfS). For the academic year 2019/20, the standard fee for all new full-time undergraduate UK/EU students was set at £9,250, in line with the majority of English universities. Most of these students are eligible for UK government funding to pay their tuition fees via a tuition fee loan and for maintenance support, based on a means tested assessment.

The level of tuition fees charged by the University for 2019/20, which was approved through the OfS, was linked to the provision of the University of Lincoln Support Package for students from low income backgrounds for every year of study. This package of support meant that all eligible students (approximately one in two of the University's 2019/20 entrants) received direct financial support for the first year of their course, with the same support being available throughout their course for future years.

The Vice Chancellor's Scholarship and the University Excellence Scholarships are provided in addition to the OfS scholarships and bursaries noted above. The wide range of support packages are designed to ensure, as far as possible, that all students can benefit from higher education, regardless of background or financial circumstance. Our aim is that nobody should be deterred from applying to the University of Lincoln, or consider leaving their course, due to financial worries.

The University is committed to putting policies and processes in place that provide members of under-represented groups with opportunities to gain access to our academic programmes, including providing appropriate support where necessary. We will ensure that students from lower socio-economic backgrounds are given support to aid their social mobility.

The University offers its students a comprehensive support package, including academic study skills, careers guidance, advice, financial support, sports and exercise facilities as well as mental health, wellbeing and counselling services, and specialist assessment and support for students with disabilities.

Trustees' Expenses

No members of the Board receive any payment for the work they do as Governors or as trustees, but reasonable expenses (chiefly for travelling and subsistence, and attendance at conferences and specialist training events or other external meetings on behalf of the Board) are reimbursed. For the academic year 2019/20, a total amount of £3,000 was paid in respect of claims made by two Governors. This figure represents the reimbursement of out-of-pocket expenses by the trustees as members of the University governing body in attending meetings and other events, primarily travelling costs. Hotel accommodation, meals and associated costs relating to Board meetings are organised centrally by the University Secretariat, and such costs are not included.

The governing body includes members of the University staff who are paid as employees but who receive no supplementary payment for trusteeship. There were no payments in the financial year 2019/20 to any Governor for services provided to the University. Note 8 to these financial statements summarise relevant transactions between the University and organisations in which members of the Board of Governors have or may have an interest.

Statement of corporate governance and internal control for the year ended 31 July 2020

The statements below relate to the period from 1 August 2019 to 31 July 2020 and up to the date of approval of the audited financial statements.

The University of Lincoln is an independent institution, established as a higher education corporation under the terms of the Education Reform Act 1988 and the Further and Higher Education Act 1992. Its objects, powers and framework of governance are set out in its Instrument and Articles of Government. The Board of Governors is the University of Lincoln's governing body, responsible for matters including the finance, property and staffing of the University. It is specifically required to determine the educational character and mission of the University and to set its general strategic direction.

The Board has a majority of independent members, chosen in accordance with the criteria contained in the legislation. The chair is elected from among the independent members. The Board also includes co-opted members and members appointed from the University's staff and the student body. The Vice Chancellor of the University, Professor Mary Stuart, is a member of the Board. Ms Di Lees CBE became Chair of the Board of Governors on 1 August 2018, having been appointed to that office by the Board of Governors at its meeting on 25 April 2018. More information about the Board and its members can be found on the University's website: <http://lincoln.ac.uk/home/abouttheuniversity/governance/>.

Responsibilities of the Board of Governors

The Higher Education Code of Governance, published by the Committee of University Chairs (CUC), states that the governing body of a university must be unambiguously and collectively accountable for institutional activities, taking all final decisions on matters of fundamental concern within its remit. The governing body role is set out in more detail in a Statement of Primary Responsibilities of the Board of Governors, based on the Articles of Government and on guidance from the CUC, which is published on the University's website.

Subject to the overall responsibility of the Board of Governors, the Academic Board has oversight of the academic affairs of the institution and draws its membership entirely from the staff and the students of the University. It is particularly concerned with issues relating to the learning, teaching and research work of the University, to academic quality and standards, and to the student experience.

Corporate Governance

The University endeavours to conduct its business in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership). The Vice Chancellor, as chief executive, is the head of the University and has a general responsibility to the Board of Governors for the organisation, direction and management of the institution. This includes the development and delivery of the institutional strategy, the identification and planning of new initiatives and the shaping of the institutional ethos. The Deputy Vice Chancellors and the senior academic and professional staff all contribute in essential ways to these aspects of the work, but the ultimate responsibility for approval of the strategic direction, institutional character and financial sustainability rests with the Board of Governors.

The Board has adopted the CUC's Higher Education Code of Governance and, following detailed consideration at a Strategy Day in July 2016, is assured that the University's governance structures and procedures fulfil the seven primary elements set out in the Code.

Between 1 August 2019 and 31 July 2020, the Board of Governors met on seven occasions. It also held a Strategy Session, together with the Senior Management Team, which considered the role and intent of the University from 2020/21 and beyond.

The Board also has sub-committees and task-and-finish groups:

- The Nominations Committee, whose primary role is to make recommendations to the Board about the appointment and reappointment of members of the Board and its committees, met on two occasions during 2019/20. Conscious of the need for succession planning and refreshment of its membership, the Nominations Committee recommended the appointment of one new independent member, who was appointed from 1 January, bringing fresh talent to the governance of the University, as well as the reappointment of two members from 1 August 2020 for second terms of office.
- The Remuneration Committee, whose responsibilities include reviewing the performance and determining the remuneration of the most senior staff, including the Vice Chancellor, met three times during 2019/20, giving detailed consideration to Senior Remuneration, as well as action progressing to reduce relevant pay gaps.

Statement of corporate governance and internal control for the year ended 31 July 2020

Corporate Governance (cont.)

- The Audit Committee met four times during 2019/20. Its role includes the consideration of detailed reports from internal auditors, with recommendations for the improvement of the University's systems of internal control, together with management responses and implementation plans. It also receives and considers the annual financial statements and external auditors' formal opinion, prior to their presentation to the Board of Governors. The University's external and internal auditors attend Audit Committee meetings, and during the year the Committee meets the auditors on their own for private discussions.
- The Board of Governors' Further Education & Higher Education Apprenticeships Oversight Group met twice during 2019/20.

Internal Control

The Board of Governors of the University of Lincoln has responsibility for maintaining and reviewing the effectiveness of a sound system of internal control that supports the achievement of corporate strategies, while safeguarding the public and other funds and assets for which they are responsible. Such a system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The approach to internal control is risk-based, including an evaluation of the likelihood and impact of risks becoming a reality. Review procedures cover risk in the following areas: business, operational, reputational, compliance and financial. The system represents an ongoing process designed to: identify the principal risks to the achievement of the University's aims and objectives; to evaluate the nature and extent of those risks; and to anticipate and manage them. This process has been in place for the period from 1 August 2019 to 31 July 2020 and up to the date of approval of the audited financial statements.

The role of the Board of Governors in relation to risk is at overview level, and Governors are not responsible for managing risk at operational level. The Audit Committee plays a key role in ensuring the fulfilment of the Board's responsibilities. On behalf of the Board, the Audit Committee monitors the effectiveness of risk management processes and policy development. The Board receives an annual report from the Audit Committee, which reviews and comments on: the adequacy and effectiveness of the University's risk management, control and governance arrangements; processes for promoting value for money through economy, efficiency and effectiveness; the management and quality assurance of data submitted to funding bodies; the work of the internal and external auditors; and other audit matters.

The University has a Risk Management Policy and Strategy that set out the approach to risk management; key elements of the process; and roles, responsibilities and reporting procedures relating to risk management in the academic Colleges and the professional service areas. In accordance with the Policy and Strategy, the Senior Leadership Team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the operational units and reinforced by risk awareness training. There is also a Risk Appetite Statement, approved by the Board of Governors.

At a corporate level, the University maintains a high level risk register (HLRR), which details the chief risks to the institution and the actions that the University has in place to mitigate them, incorporating a current articulation of the risks by the relevant risk owners as well as updates on improvement actions and progress to date. Reporting arrangements ensure that the Audit Committee, the Board of Governors and the Senior Leadership Team understand the strategic importance of managing these risks effectively. In response to the Covid-19 pandemic, the Senior Leadership Team has regularly reviewed the HLRR in the context of new and evolving challenges, and continues to look at the risks and opportunities for each of the elements affected.

The Audit Committee has continued its active oversight of University risk management, receiving reports from the Director of Planning and Corporate Strategy (the department with lead responsibility for risk management), following review and re-scoring of the HLRR by the Senior Leadership Team in November 2019, and regularly from March 2020 in light of the Covid-19 pandemic. As part of the risk review process, each risk area is further broken down into lower sub-risks representing contributing factors to the high level risks. This approach ensures that risk assessment and internal control are embedded in ongoing operations, and that monitoring at all levels is undertaken effectively.

Statement of corporate governance and internal control for the year ended 31 July 2020

Internal Control (cont.)

The Senior Leadership Team (SLT) regularly reviews the management of high level institutional risks. The high level risk register is reviewed in detail biannually via a re-scoring exercise where all members of the SLT consider and score all risks. These are then collated, with those with a wider distribution of scores being discussed in detail. This includes an assessment of each of the risk areas against the Strategic Plan, and a review of key risks identified within the local risk registers. Following the SLT reviews, the Audit Committee gave detailed consideration to the re-scored register in order to obtain assurance on the identification and management of risks to the University's strategic ambitions. The Committee commends these six-monthly reviews as assurance that the Executive is keeping the institutional risk profile under appropriate scrutiny and taking a proactive approach to risk management.

Review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the members of the Executive, who have responsibility for the development and maintenance of the internal control framework, and by comments made in the external auditors' annual report. The Audit Committee considers at least one report on risk management by the internal auditors each year. The Committee will discuss PwC's 2019/2020 internal audit review in November 2020.

The principal results of risk identification, risk evaluation and the management review of their effectiveness are reported to, and reviewed by, the Board of Governors. The Board received reports on risk management and the re-scoring of the high level risk register, in November 2019, and July 2020. Each November, the Board also considers the Annual Report of the Audit Committee, prior to the approval of the previous year's audited financial statements.

Statement of responsibilities of the Board of Governors for the year ended 31 July 2020

The Board of Governors is the principal financial and business authority of the University, charged with ensuring that proper books of account are kept, with approving the annual budget and financial statements, and with maintaining overall responsibility for the University's assets, property and estate. The Board approves financial statements for each financial year, prepared in accordance with the Education Reform Act 1988, the Statement of Recommended Practice: Accounting for Further and Higher Education Institutions, and other relevant accounting standards; and which give a true and fair view of the University's state of affairs and of the surplus or deficit and the cash flows for that year.

In the preparation of the Financial Statements the Board of Governors has ensured that:

- Suitable accounting policies are selected and applied consistently;
- Judgments and accounting estimates are made that are reasonable and prudent;
- Applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- The financial statements are prepared on the going concern basis unless it is inappropriate to presume that the University will continue in operation. The Board of Governors is satisfied that the University has adequate resources to continue in operation for the foreseeable future. For this reason the going concern basis continues to be adopted in the preparation of the financial statements.

The Board of Governors has taken reasonable steps to:

- Ensure that the funds from the Office For Students, Research England and the Education and Skills Funding Agency are used only for the purposes for which they have been given, in accordance with the terms and conditions of OfS funding and Research England grant, and with the funding agreements with the Education and Skills Funding Agency;
- Ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources; and
- Safeguard the assets of the University and to prevent and detect fraud and other irregularities;
- Secure the economical, efficient and effective management of the University's resources and expenditure.

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

- Clear definitions of the responsibilities of, and the authority delegated to, heads of academic and administrative departments;
- A comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets;
- Regular reviews of academic performance and monthly reviews of financial results involving variance reporting and updates of forecast outturns;
- Clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the Board of Governors;
- Financial Regulations, detailing financial controls and procedures, which have been approved by the Board of Governors; and
- A professional Internal Audit team operating to standards defined in the OfS Audit Code of Practice, whose annual programme is approved by the Audit Committee and whose head provides the Committee with regular reports on internal audit activity within the University, and independent opinions on the adequacy and effectiveness of the University's system of internal control, including internal financial control, together with recommendations for improvement.

DocuSigned by:

Diane Lees

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Ms D Lees CBE – Chair of the Board
28 January 2021

DocuSigned by:

Mary Stuart

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Professor M Stuart CBE – Vice Chancellor
28 January 2021

Independent auditor's report to the Board of Governors of the University of Lincoln for the year ended 31 July 2020

INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF GOVERNORS OF UNIVERSITY OF LINCOLN

Opinion

We have audited the financial statements of University of Lincoln ("the University") and its subsidiaries ("the Group") for the year ended 31 July 2020 which comprise the Consolidated Statement of Comprehensive Income and Expenditure, the Consolidated and University Statement of Changes in Reserves, the Consolidated and University Balance Sheets, the Consolidated Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the University's affairs as at 31 July 2020 and of the Group's and the University's income and expenditure, gains and losses, changes in reserves and of the group's and the University's cash flows for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Basis for opinion

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the governors's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the governors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the University's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The governors are responsible for the other information. Other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information including the Key Highlights, the Operating and Financial Review and the Corporate Governance Statement and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters required by the Office for Students ("OfS") and Research England

In our opinion, in all material respects:

- Funds from whatever source administered by the University for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation.

Independent auditor's report to the Board of Governors of the University of Lincoln for the year ended 31 July 2020

- Funds provided by the OfS and UK Research and Innovation (including Research England) have been applied in accordance with the relevant terms and conditions
- The requirements of the OfS's Accounts Direction (OfS 2019.41) have been met.

We have nothing to report in respect of the following matters in relation to which the OfS requires us to report to you if, in our opinion:

- The University's grant and fee income, as disclosed in the note to the accounts, has been materially misstated.
- The University's expenditure on access and participation activities for the financial year has been materially misstated.

Responsibilities of the governors

As explained more fully in the Board of Governor's responsibilities statement set out on page 33, the governors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the governors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the governors are responsible for assessing the Group and the 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 the governors either intend to liquidate the Group or the University or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

In addition, we also report to you whether income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the University have been properly applied only for the purposes for which they were received and whether income has been applied in accordance with the Statutes and, where appropriate, with the Terms and Conditions of Funding with the OfS and Research England.

Use of our report

This report is made solely to the University governors, as a body, in accordance with Section 75 of the Higher Education Research Act 2017. Our audit work has been undertaken so that we might state to the University's governors 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 governors as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP

Kyla Bellingall (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Birmingham
Date: 28 January 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Statement of accounting policies for the year ended 31 July 2020

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2019 and in accordance with Financial Reporting Standard (FRS) 102. The University is a public benefit entity and therefore has applied the relevant public benefit requirements of FRS102. The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of certain financial assets and liabilities at fair value.

Going Concern

The financial statements have been prepared on a going concern basis. The Board of Governors have considered this accounting policy in detail and have determined that it is appropriate for the reasons set out below.

The COVID-19 pandemic has created uncertainty for the global economy and the Higher Education sector. In response to this uncertainty the University has taken actions that will help to secure its immediate future as well as its long term sustainable financial position. Key actions already taken to secure the immediate future include the development of a set of Governor approved 'Short-Term Strategic Financial Principles' to supplement the 'Financial Strategy', the establishment of a Budget Control Group to have direct oversight of the University's performance against budget and expenditure control including all staff recruitment activity, and the restriction of all expenditure budgets for the 2020/21 financial year to essential and business critical activity only.

In planning for the future, the University has undertaken extensive financial modelling and scenario planning, as set out further below, to ensure that its financial position is not compromised.

In January 2021, the Board of Governors considered the Group's updated five-year financial forecasts, including detailed month-by-month cash flows, for the period up to, and including, the year ending 31 July 2025. The Board paid particular attention to the twelve month period from the date of signing of these financial statements; this being the going concern review period. The assumptions that underpin these forecasts have been carefully constructed and scrutinised to take account of the current economic uncertainty. The key assumptions were as follows;

- Tuition Fee Income – 2020/21 student numbers are based on the actual October 2020 intake and the number of Confirmation of Acceptance for Studies (CAS) issued for the February 2021 intake. 2021/22 has been based on the current UCAS and non-UCAS application data,
- Accommodation Income – 2020/21 was based on all properties being available and expected 95% occupancy rates. 2021/22 is based on an inflationary rental increase and consistent occupancy rates,
- Funding Council Grant Income – 2020/21 is based on the published OfS and UKRI grant allocations. 2021/22 is based on full time student numbers and potential government efficiencies,
- Research Income – 2020/21 is based on live projects and a 20% contingency slippage. 2021/22 is based on amounts agreed by the Senior leadership team and a 20% slippage contingency.

Scenario planning has included the modelling of a number of downside scenarios, including a very extreme, but potentially plausible, downside position which has been particularly focused on the key risks identified in the twelve month period from the date of signing of these financial statements. This scenario, which is considered to be at the very remote end of possibilities, includes the reduction in a number of income streams in 2020/21, additional costs related to COVID and the return to on-campus activity, and extreme reductions in student recruitment in 2021/22, together with the associated student accommodation vacancies. These downside scenarios represent severe but realistic conditions that may impact on the University's operating model. Even under the most extreme, but plausible, downside scenario, all existing bank loan covenants remain fully compliant for the immediate future and at least twelve months from the date of approval of the financial statements, with a manageable level of headroom available. It is not expected that any regulator reportable events will be triggered in respect of liquidity, lending covenants or any other matter of financial distress or concern.

In addition to the most extreme, but plausible, downside scenario, a further stress-test has been carried out which would see the University breach a lending covenant for the year ending 31 July 2021. The Board of Governors have specifically considered this 'breaking-point' scenario in detail and do not consider it to be a possibility.

Statement of accounting policies for the year ended 31 July 2020

Going Concern (cont.)

In November 2020, the University took out a three year £20 million revolving credit facility (RCF) with Santander to provide increased access to cash funds over short to the medium term. This facility includes an option to extend for a further two years. The primary purpose of this RCF is to provide additional liquidity in periods of low cash balances caused by the known impact of the irregular timing of cash receipts (primarily Student Loan Company funding), along with the unknown further impact of the COVID-19 pandemic. This facility is available for drawdown and will provide access to liquidity during the going concern review period and beyond. As part of the RCF application process, a credit rating assessment was carried out by an externally appointed credit rating agency. This assessment was satisfactorily completed and the University was issued with a private credit rating which was deemed acceptable to both Santander and the University. The credit rating further demonstrates the short term strength and resilience of the University, especially over the going concern review period.

The cash flows that were considered by the Board of Governors only include drawdown on the new Santander RCF in the most extreme, but plausible, downside scenario and the 'breaking-point' scenario. Even in these scenarios, the drawdown is outside of the going concern review period, indicating the strength of the University's short-term liquidity position. In both extreme scenarios, the RCF is sufficient to cover cash requirements over the five year period reviewed by Governors without the need for further funding.

Taking into account the above, the cash reserves and the undrawn credit facility, the Board believe that whilst uncertainty exists, this does not pose a material uncertainty that would cast doubt on the University's ability to continue as a going concern for the foreseeable future, which is a period of at least 12 months from the signing of the accounts and audit report. The Board therefore considers it appropriate for the accounts to be prepared on a going concern basis.

Basis of consolidation

The consolidated financial statements include the University and all its subsidiaries for the financial year to 31 July 2020. The results of subsidiaries newly incorporated, acquired or disposed of during the period are included in the consolidated statement of income and expenditure from the date of incorporation or acquisition and up to the date of disposal. Intra-group transactions are eliminated on consolidation.

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

Jointly controlled entities are accounted for using the equity method.

Income recognition

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

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

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

(a) Grant funding

Grant funding including funding council block grant, research grants from government sources and grants (including research grants) from non-government sources are recognised as income when the University is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

Statement of accounting policies for the year ended 31 July 2020

Income recognition (cont.)

(b) Donations and endowments

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

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

Investment income and appreciation of endowments is recorded in income in the year in which it arises and as either restricted or unrestricted income according to the terms and other restrictions applied to the individual endowment fund.

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

- Restricted donations - the donor has specified that the donation must be used for a particular objective.
- Unrestricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of the University.
- Restricted expendable endowments - the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and the University has the power to use the capital.
- 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.

(c) Capital grants

Capital grants are recorded in income when the University is entitled to the income subject to any performance related conditions being met.

Accounting estimates and judgements

The preparation of the financial statements requires management to use estimates and judgements that affect the reported carrying amounts of assets and liabilities.

(a) Pension costs (defined benefit pension schemes)

In determining the valuation of defined benefit pension schemes, the University makes assumptions in respect of inflation rates, life expectancy, discount rate and salary and pension growth rates. Details of the assumptions used are set out in note 28. Management consult with a qualified actuary in making these assumptions.

(b) Pension costs (Universities Superannuation Scheme)

FRS 102 makes the 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. 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 in the Consolidated Statement of Comprehensive Income and Expenditure in accordance with section 28 of FRS 102. The University is satisfied that Universities Superannuation Scheme meets the definition of a multi-employer scheme and has therefore recognised the discounted fair value of the contractual contributions under the recovery plan in existence at the date of approving these financial statements.

(c) Fixed asset and investment property revaluation

On the application of the 2015 FE HE SORP management revalued certain fixed assets and reassessed the remaining useful life of buildings. These assumptions were set based on the advice of a suitably qualified valuer. Assets which are classified as investment property are revalued at each reporting date based on advice from a suitably qualified valuer.

Statement of accounting policies for the year ended 31 July 2020

Accounting estimates and judgements (cont.)

(d) Employment benefits

Short term employment benefits such as salaries and compensated absences are recognised as an expense in the year in which the employees render service to the University. Any unused benefits are accrued and measured as the additional amount the University expects to pay as a result of the unused entitlement. The accrual requires management's best estimate of outstanding holiday balances based on a review of holiday records of a sample of academic and administrative staff.

(e) Dilapidation provision

Provision is made for the cost of dilapidations of certain of the University's buildings. This provision requires management's best estimate of the costs that will be incurred to settle a present obligation and management consult with a qualified valuer in making these assumptions.

(f) Derivatives

The University has reviewed the terms of the bank loan agreements and consider that those loans where there was a commitment at the balance sheet date to draw down further tranches of loan subsequent to the year end and the interest rate was fixed meet the definition of an 'other financial instrument' because there is perceived value in shielding the University from fluctuations in the market rate of interest up to the date we draw down the remaining tranches. For this reason, these instruments have been accounted for at fair value. The derivative financial liability represents the fair value at the balance sheet date calculated using estimated interest rates that could have been obtained for the same loans at the balance sheet date.

The estimated value of derivative transactions is the valuation at the balance sheet date and this valuation can change significantly even over a very short space of time. The valuation of derivative transactions is complex and such transactions can be calculated in a number of different ways and using a variety of methods. There are a number of factors that can affect the value of a transaction and which may not be taken into account in the valuation estimate provided. This may result in the transaction having an actual value which is higher or lower than the estimate included in these financial statements.

(g) Bad debt provision

The University makes an estimate of the recoverable value of debtors. When assessing the provision for bad debt required, consideration is given to the aged profile of debtors and historical experience.

(h) Dispute resolution

The University has been seeking a resolution to a dispute of the title of certain assets (land and buildings) for a number of years. As at the 31 July 2020, a signed legal agreement had been reached to settle the dispute although the University's legal obligations have not been settled in full. The provision made at 31 July 2019 in accordance with Section 21 of FRS102 ("Provisions and Contingencies") to reflect the terms of the legal agreement remains in place at 31 July 2020, until those legal obligations have been fully discharged. Whilst the terms of the agreement are binding, there still remains an element of uncertainty and estimation around the value of the economic benefits being transferred in order to settle the obligation.

Accounting for retirement benefits

The five principal pension schemes for the University's staff are the Universities Superannuation Scheme (USS), the Teachers Pension Scheme (TPS), the East Riding Pension Fund (ERPF), the Universities and Colleges Retirement Savings Scheme (UCRSS) and the NHS Pension Scheme (NHSPS). The TPS and ERPF are defined benefit schemes, the UCRSS and NHSPS are defined contribution pension schemes, and the USS is a hybrid scheme.

(a) Universities Superannuation Scheme (USS)

The University participates in the USS. The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the assets are not attributed to individual institutions and a scheme-wide contribution rate is set. The institution is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. As required by Section 28 of FRS 102 "Employee benefits", the institution therefore accounts for the scheme as if it were a defined contribution scheme.

Statement of accounting policies for the year ended 31 July 2020

Accounting for retirement benefits (cont.)

As a result, the amount charged to the profit and loss account 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.

(b) Teachers Pension Scheme (TPS)

The TPS is a multi-employer pension scheme and the University is unable to identify its share of the underlying assets and liabilities on a consistent and reasonable basis. The TPS is therefore accounted for as a defined contribution retirement benefit scheme. The scheme is unfunded, and contributions are made to the Exchequer. Contributions payable are recognised in the Consolidated Statement of Comprehensive Income and Expenditure as they are payable each year. The payments from the scheme are made from funds voted by parliament.

(c) East Riding Pension Fund (ERPF)

The University is able to identify its share of assets and liabilities of the ERPF and consequently accounts for this as a defined benefit scheme in accordance with FRS102. The University's net obligation in respect of the ERPF is calculated by estimating the present value of the future benefits that employees have earned in return for their service in the current and prior periods, less the fair value of plan assets.

The liability discount rate is the yield at the balance sheet date on high quality corporate credit rated bonds, denominated in sterling, and having maturity dates approximating to the terms of the Group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

(d) Universities and Colleges Retirement Savings Scheme (UCRSS)

The UCRSS is a defined contribution pension scheme. Contributions payable are recognised in the Consolidated Statement of Comprehensive Income and Expenditure as they are payable each year.

(e) NHS Pension Scheme (NHSPS)

The NHSPS is a multi-employer schemes for which it is not possible to identify the assets and liabilities of each organisation due to the mutual nature of the scheme and therefore it is accounted for as a defined contribution retirement benefit scheme.

Employment benefits

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

Apprenticeship levy

Payments made to HMRC under the Apprenticeship Levy represent a prepayment for training services and are held as an asset on the balance sheet to the extent that they are regarded as more likely that not that they will be recovered. When training services are received an appropriate expense is recognised in the Consolidated Statement of Comprehensive Income and Expenditure.

Leases

Leases in which the University assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Leased assets acquired by way of finance lease are stated 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, less accumulated depreciation and less accumulated impairment losses. 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.

Statement of accounting policies for the year ended 31 July 2020

Leases (cont.)

Costs in respect of operating leases are charged to the Consolidated Statement of Comprehensive Income and Expenditure on a straight-line basis over the lease term. In cases where lease payments are structured to increase with expected general inflation, costs are charged in line with the annual payments made. Any lease premiums or incentives are spread over the minimum lease term.

Foreign currency

Transactions in foreign currencies are translated to sterling at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to sterling at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the Consolidated Statement of Comprehensive Income and Expenditure. 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 sterling at foreign exchange rates ruling at the dates the fair value was determined.

Intangible assets

Intangible assets comprise software development costs. These are stated at cost less accumulated amortisation and accumulated impairment losses. Software development costs are amortised on a straight-line basis over their expected useful life to the asset, up to a maximum of 10 years. Amortisation methods, impairment losses, useful lives and residual values are reviewed at the date of preparation of each balance sheet.

Property, Plant and Equipment

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

Where parts of property, plant and equipment have different useful lives, they are accounted for as separate items.

(a) Land and buildings

Certain of the University's land and buildings were professionally revalued to their fair value on the date of transition to FRS102. Under the transitional rules of FRS102, the revalued amount at that date is stated as the deemed cost. Land and buildings acquired after the date of transition are stated in the balance sheet at cost. Costs incurred in relation to land and buildings after initial purchase or construction, and prior to valuation, are capitalised to the extent that they increase the expected future benefits to the University.

Freehold land is not depreciated as it is considered to have an indefinite useful life. Freehold buildings are depreciated on a straight-line basis over their expected useful life to the University of between 10 and 50 years. Leasehold land and buildings are depreciated over the life of the lease, up to a maximum of 50 years.

(b) Fixtures, fittings and equipment

Fixtures, fittings and equipment, including computers and software, costing less than £20,000 per individual item are charged to the Consolidated Statement of Comprehensive Income and Expenditure in the year of acquisition. All other fixtures, fittings and equipment, including motor vehicles, are capitalised at cost and depreciated on a straight-line basis over their expected useful life to the University of between 3 and 20 years.

(c) Assets in the course of construction

Assets in the course of construction are accounted for at cost and are not depreciated until they are available for use.

Borrowing costs which are directly attributable to the purchase and construction of fixed assets are not capitalised. Borrowing costs are recognised as an expense in the Consolidated Statement of Comprehensive Income and Expenditure in the period in which they are incurred.

Depreciation methods, impairment losses, useful lives and residual values are reviewed at the date of preparation of each Balance Sheet.

Statement of accounting policies for the year ended 31 July 2020

Investment Properties

Investment property is land and buildings held for rental income or capital appreciation rather than for use in delivering services. Investment properties are measured initially at cost and subsequently at fair value with movements recognised in the Consolidated Statement of Comprehensive Income and Expenditure.

Properties are not depreciated but are revalued or reviewed annually according to market conditions at each balance sheet date.

Financial instruments

Financial instruments treated as 'basic financial instruments' under the provisions of Section 11 of FRS102 comprise cash, deposits repayable on demand, fixed term deposits, investments in shares and loans payable.

There is a judgement in the classification of loans payable between 'basic financial instruments' and 'non basic financial instruments'. The two key judgements concern market disruption events and the possibility of payment of break gains by the Lender to the Borrower on termination of a loan and whether these meet the basic classification features.

Financial instruments treated as 'non basic financial instruments' under the provisions of Section 12 of FRS102 comprise certain elements of loans payable. These are held at fair value at each balance sheet date.

Fixed interest rate agreements on drawn loans, payable where the interest rate is fixed directly with the lender, are not separate stand-alone financial instruments. The loans payable are recognised at amortised cost at each balance sheet date.

Forward fixed interest rate agreements on undrawn borrowings are recognised as separate stand-alone financial instruments and are accounted for under the provisions of Section 12 of FRS102 (Other Financial Instrument Issues). These are held on the balance sheet at fair value. Movements in the fair value are recognised in the Consolidated Statement of Comprehensive Income and Expenditure and are included in the surplus or deficit for the year. Once the loan is drawn down the fair value of the related loan commitment is amortised over the term of the loan and there are no further fair value movements.

Investments

Non-current asset investments are held on the balance sheet at amortised cost less impairment.

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

Current asset investments are held at fair value with movements recognised in the Consolidated Statement of Comprehensive Income and Expenditure.

Jointly controlled entity

The University accounts for its share of jointly controlled entity using the equity method.

Stock

Stock is held at the lower of cost and net realisable value, and is measured using an average cost formula.

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

Provisions, contingent liabilities and contingent assets

Provisions are recognised in the financial statements when:

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

Statement of accounting policies for the year ended 31 July 2020

Provisions, contingent liabilities and contingent assets (cont.)

- it is probable that an outflow of economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

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

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

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

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

Taxation

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

The University receives no similar exemption in respect of Value Added Tax (VAT). Irrecoverable VAT on inputs is included in the costs of such inputs. Any irrecoverable VAT incurred on fixed assets is included in their cost.

The University's subsidiary companies operate as commercial organisations and certain of these are subject to taxation.

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

Reserves

Reserves are classified as restricted or unrestricted. Restricted endowment reserves include balances which, through endowment to the University, are held as a permanently restricted fund which the University must hold in perpetuity. Other restricted reserves include balances through which the donor has designated a specific purpose and therefore the University is restricted in the use of these funds.

Consolidated and University statement of comprehensive income and expenditure for the year ended 31 July 2020

	Note	2020 Consolidated £000	2020 University £000	2019 Consolidated £000	2019 University £000
Income					
Tuition fees and education contracts	1	130,882	130,882	123,967	123,967
Funding body grants	2	15,668	15,668	14,441	14,441
Research grants and contracts	4	9,709	9,709	8,876	8,876
Other income	5	17,395	17,570	17,942	18,020
Investment income	6	384	382	370	369
Total income before endowments and donations		174,038	174,211	165,596	165,673
Donations and endowments	7	357	357	205	205
Total Income		174,395	174,568	165,801	165,878
Expenditure					
Staff costs	8	101,537	91,923	94,936	91,069
Other operating expenses		56,835	66,947	57,535	61,577
Depreciation and impairment	12/13	11,247	11,247	9,069	9,069
Interest and other finance costs	9	4,035	4,035	3,715	3,715
Total expenditure	10a	173,654	174,152	165,255	165,430
Surplus before other gains/(losses) and share of surplus in joint ventures and associates		741	416	546	448
Share of operating (deficit)/surplus in jointly controlled entity	15	(18)	-	18	-
Loss on disposal of investment property		(25)	(25)	-	-
Surplus before tax		698	391	564	448
Taxation	11	-	-	-	-
Surplus for the year		698	391	564	448
Change in fair value of investment property	13b	(975)	(975)	7,071	7,071
Actuarial loss in respect of pension schemes	28	(23,730)	(23,730)	(22,502)	(22,502)
Gift Aid received		-	290	-	116
Total comprehensive income for the year		(24,007)	(24,024)	(14,867)	(14,867)
Represented by:					
Endowment comprehensive income for the year		24	24	86	86
Unrestricted comprehensive income for the year		(24,031)	(24,048)	(14,953)	(14,953)
		(24,007)	(24,024)	(14,867)	(14,867)
Surplus for the year attributable to:					
University		698	391	564	448
Total Comprehensive income for the year attributable to:					
University		(24,007)	(24,024)	(14,867)	(14,867)

All items of income and expenditure relate to continuing activities.

The notes on pages 48 to 67 form part of these financial statements.

Consolidated and University statement of changes in reserves for the year ended 31 July 2019

Consolidated	Income and expenditure account			Total Reserves £000
	Endowment £000	Restricted £000	Unrestricted £000	
Balance at 31 July 2018	362	-	192,113	192,475
Surplus/(deficit) from income and expenditure statement	86	-	(14,953)	(14,867)
Total comprehensive income for the year	86	-	(14,953)	(14,867)
Balance at 31 July 2019	448	-	177,160	177,608
Surplus/(deficit) from income and expenditure statement	24	-	(24,031)	(24,007)
Total comprehensive income for the year	24	-	(24,031)	(24,007)
Balance at 31 July 2020	472	-	153,129	153,601


University	Income and expenditure account			Total Reserves £000
	Endowment £000	Restricted £000	Unrestricted £000	
Balance at 31 July 2018	362	-	192,113	192,475
Surplus/(deficit) from income and expenditure statement	86	-	(14,953)	(14,867)
Total comprehensive income for the year	86	-	(14,953)	(14,867)
Balance at 31 July 2019	448	-	177,160	177,608
Surplus/(deficit) from income and expenditure statement	24	-	(24,048)	(24,024)
Total comprehensive income for the year	24	-	(24,048)	(24,024)
Balance at 31 July 2020	472	-	153,112	153,584

The notes on pages 48 to 67 form part of these financial statements.

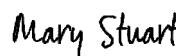
Consolidated and University statement of financial position as at 31 July 2020

	Note	2020 Consolidated £000	2020 University £000	2019 Consolidated £000	2019 University £000
Non-current assets					
Intangible assets	12	4,151	4,151	3,692	3,692
Tangible assets	13	299,312	299,312	289,005	289,005
Investments	14	40	40	40	58
Investment in jointly controlled entities	15	-	-	18	-
		303,503	303,503	292,755	292,755
Current assets					
Stock	16	95	95	88	88
Trade and other receivables	17	15,860	15,776	17,257	17,328
Cash and cash equivalents	23	36,388	36,109	34,469	34,214
		52,343	51,980	51,814	51,630
Creditors: amounts falling due within one year	18	(49,974)	(49,628)	(36,359)	(36,175)
Net current assets		2,369	2,352	15,455	15,455
Total assets less current liabilities		305,872	305,855	308,210	308,210
Creditors: amounts falling due after more than one year	19	(82,793)	(82,793)	(87,661)	(87,661)
Provisions					
Pension provisions	20	(65,147)	(65,147)	(40,301)	(40,301)
Other provisions	20	(4,331)	(4,331)	(2,640)	(2,640)
Total net assets		153,601	153,584	177,608	177,608
Restricted Reserves					
Income and expenditure reserve – endowment	22	472	472	448	448
Unrestricted Reserves					
Income and expenditure reserve – unrestricted		153,129	153,112	177,160	177,160
Total Reserves		153,601	153,584	177,608	177,608

The financial statements were approved by the Board of Governors on 28 January 2021 and signed on its behalf on that date by:

DocuSigned by:

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Ms D Lees CBE – Chair of the Board

DocuSigned by:

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Professor M Stuart CBE – Vice Chancellor

The notes on pages 48 to 67 form part of these financial statements.

Consolidated cash flow statement for the year ended 31 July 2020

	Note	2020 Consolidated £000	2019 Consolidated £000
Cash flow from operating activities			
Surplus for the year before taxation		698	564
Adjustment for non-cash items			
Depreciation	12/13	10,763	9,068
Other amounts written off tangible assets	12/13	483	-
Loss on disposal of investment property	13b	25	-
Increase in stock	16	(7)	(10)
Decrease/(increase) in debtors		1,357	(2,002)
Increase in creditors		3,248	4,294
Increase in pension provision	20	1,116	4,446
Increase in other provisions	20	1,691	2,400
Share of operating deficit/(surplus) in jointly controlled entity	15	18	(18)
Diminution in value of investment in jointly controlled entity	15	303	-
Adjustment for investing or financing activities			
Investment income	6	(290)	(275)
Interest payable	9	3,152	3,304
Amortisation of derivative asset	9	30	31
Amortisation of derivative liability	6	(94)	(96)
Endowment income	7	(357)	(205)
Capital grant income		(1,045)	(1,330)
Net cash inflow from operating activities before taxation		21,091	20,171
Taxation	11	(5)	(2)
Net cash inflow from operating activities after taxation		21,086	20,169
Cash flows from investing activities			
Proceeds from sales of investment properties		380	-
Capital grant receipts		8,607	1,896
Investment income		289	278
Payments made to acquire intangible and tangible assets		(21,050)	(11,008)
Payments made to acquire shares in jointly controlled entity		(303)	-
Net cash outflow from investing activities		(12,077)	(8,834)
Cash flows from financing activities			
Interest paid		(3,145)	(3,292)
Endowment cash received		357	205
Secured loans repayments received		15	25
Repayments of amounts borrowed		(4,317)	(3,122)
Net cash outflow from financing activities		(7,090)	(6,184)
Increase in cash and cash equivalents in the year		1,919	5,151
Cash and cash equivalents at beginning of the year	23	34,469	29,318
Cash and cash equivalents at the end of the year	23	36,388	34,469

The notes on pages 48 to 67 form part of these financial statements.

Notes to the financial statements

year ended 31 July 2020

1 Tuition fees and education contracts

	2020 Consolidated £000	2020 University £000	2019 Consolidated £000	2019 University £000
Full-time home and EU students	111,611	111,611	106,230	106,230
Full-time international students	13,706	13,706	11,381	11,381
Part-time students	4,655	4,655	5,201	5,201
Short courses and summer schools	498	498	687	687
Further education students	412	412	468	468
	<u>130,882</u>	<u>130,882</u>	<u>123,967</u>	<u>123,967</u>

2 Funding body grants

Recurrent grants

Office for Students (OfS)	6,583	6,583	6,055	6,055
UK Research and Innovation (UKRI)	4,129	4,129	3,684	3,684
Skills Funding Agency (SFA)	2,565	2,565	2,290	2,290

Specific grants

UKRI – Higher Education Innovation Fund	960	960	839	839
OfS – other specific grants	124	124	-	-
UKRI – other specific grants	299	299	277	277
OfS - capital grants	686	686	1,040	1,040
UKRI – capital grants	299	299	256	256
Other grants	23	23	-	-
	<u>15,668</u>	<u>15,668</u>	<u>14,441</u>	<u>14,441</u>

3 Grant and Fee Income

Grant from the OfS	7,679	7,679	7,292	7,292
Grant income from other bodies	18,610	18,325	16,025	16,025
Fee income for taught awards (exclusive of VAT)	127,651	127,651	120,591	120,591
Fee income for research awards (exclusive of VAT)	2,321	2,321	2,416	2,416
Fee income from non-qualifying courses (exclusive of VAT)	910	910	960	960
	<u>157,171</u>	<u>156,886</u>	<u>147,284</u>	<u>147,284</u>

Grant income from other bodies includes £911,526 (2019: £nil) in relation to Coronavirus Job Retention Scheme (University only 2020: £626,119, 2019: £nil), this is shown under note 5.

4 Research grants and contracts

	2020 Consolidated £000	2020 University £000	2019 Consolidated £000	2019 University £000
Research Councils	2,952	2,952	1,779	1,779
UK based charities	939	939	1,375	1,375
UK Central/Local Government/Health/Hospitals	3,320	3,320	2,673	2,673
Industry and commerce	668	668	812	812
European Union	1,514	1,514	1,851	1,851
Overseas	316	316	386	386
	<u>9,709</u>	<u>9,709</u>	<u>8,876</u>	<u>8,876</u>

Notes to the financial statements

year ended 31 July 2020

5 Other income

	2020 Consolidated £000	2020 University £000	2019 Consolidated £000	2019 University £000
Residences, catering and conferences	10,541	10,541	10,590	10,590
Other income generating activities	6,854	7,029	7,352	7,430
	17,395	17,570	17,942	18,020

6 Investment Income

Income from short term deposits	208	206	197	196
Amortisation of derivative liability	94	94	95	95
Other investment income	82	82	78	78
	384	382	370	369

7 Donations and endowments

Donations with restrictions	357	357	205	205
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8 Staff costs

Staff costs by type:

Salaries	77,587	69,283	70,017	66,665
Social Security costs	7,853	7,220	7,157	6,912
Movement on USS provision	(94)	(94)	(87)	(87)
USS deficit recovery	(2,266)	(2,266)	2,870	2,870
Other pension costs	18,219	17,542	13,799	13,529
Staff restructuring costs	238	238	1,180	1,180
	101,537	91,923	94,936	91,069

	2020 Consolidated Number	2020 University Number	2019 Consolidated Number	2019 University Number
Average staff numbers by major category:				
Teaching departments	1,256	1,155	1,256	1,200
Teaching support services	135	96	145	133
Other support services	47	29	63	48
Administration and central services	384	266	268	232
Premises	46	30	33	26
	1,868	1,576	1,765	1,639

Senior staff pay

	2020 Consolidated £000	2019 Consolidated £000
Remuneration package of the Vice-Chancellor:		
Basic salary	247	242
Performance related pay and other bonuses	-	5
Payments in lieu of pension contributions	46	40
Other taxable benefits (private medical insurance)	3	2
Non-taxable benefits (employer's contribution for life assurance)	5	5
	301	294

Notes to the financial statements

year ended 31 July 2020

8. Staff costs (cont.)

The Vice Chancellor role is formally evaluated based on the responsibilities and duties through the application of a recognised role evaluation methodology and benchmarked against local, sector, national and international data on an annual basis. The University's Remuneration Committee subsequently determine remuneration arrangements in line with the evaluation outcome alongside:

- the context within which the University operates;
- the expected contribution of the role;
- the attributes required to undertake the role; and
- the value added, based on a number of elements, delivered by the role holder through their performance against annually set objectives, in line with the strategic direction of the University.

Payment arrangements will demonstrate value for money whilst also being sufficient to recruit, retain and motivate the role holder or future prospective role holder in the context of the market for that role.

Pay ratio of Vice-Chancellor's remuneration to the median remuneration of all other employees:

	2020 Consolidated Pay ratio	2019 Consolidated Pay ratio
Basic salary ratio	7.3 times	6.7 times
Total remuneration ratio	8.9 times	6.9 times

Due to updated guidance notes from the Office for Students for 2020, pension contributions and payments in lieu of pension contributions have been included in the Vice Chancellor's total pay values. The updated guidance also specified that we are to include all people in our real-time information in our employee figures, so, for the first time, we have included casual claims individuals alongside 'core' staff and associate staff. If the 2019 pay ratios were calculated on the same basis as 2020, the basic salary ratio would have been 7.2 times, and the total remuneration ratio 8.6 times.

Other higher paid staff (with basic salary over £100,000 per annum):

	2020 Number	2019 Number
Basic salary per annum		
£100,000 to £104,999	6	4
£105,000 to £109,999	3	2
£110,000 to £114,999	2	4
£115,000 to £119,999	1	2
£120,000 to £124,999	4	2
£125,000 to £129,999	4	2
£130,000 to £134,999	1	1
£145,000 to £149,999	5	5

Key management personnel

Key management personnel are defined as the Senior Leadership Team, who have authority and responsibility for planning, directing and controlling the activities of the University. Key management personnel compensation includes all benefits provided by the Group in exchange for services rendered.

	2020 Consolidated £000	2019 Consolidated £000
Key management personnel compensation	2,862	2,768

Notes to the financial statements

year ended 31 July 2020

8. Staff costs (cont.)

Access and Participation

	2020 Consolidated £000	2019 Consolidated £000
Access Investment	266	266
Disability Support	325	187
Research and Evaluation	91	91
	<u>682</u>	<u>544</u>

OfS regulated institutions are required to report their access and participation expenditure (see note 10b).

Severance payments

During the year total severance payments amounting to £238,000 (2019: £1,230,000) were paid to 29 employees (2019: 120 employees) across the consolidated group. All amounts paid were in respect of loss of office.

Governing body

The University's Board of Governors are the trustees for charitable law purposes. Due to the nature of the University's operations and the compositions of the Board, being drawn, in part, from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the Board of Governors may have an interest. All transactions involving organisations in which a member of the Board of Governors may have an interest are conducted at arm's length and in accordance with the University's Financial Regulations and usual procurement procedures. All transactions greater than £10,000 are listed below:

- Transactions totalling £606,104 relating to associated service charges, building, furniture and equipment rental charges and supporting activity with Siemens Industrial Turbomachinery Ltd where Mr N Corner is the Managing Director.
- Transactions totalling £26,544 relating to placement opportunities, office rental and the related service charges with Epix Media Limited where Mrs Z King (Formerly Ms Z Easey) is Director.
- Transactions totalling £1,668,621 relating to block grant, rental charges and supporting activity with University of Lincoln Students' Union where C Coakley is chair.
- Transactions totalling to £907,602 relating to rental charges with Lincoln Science and Innovation Park where Professor M Stuart CBE is a Director.
- Transactions totalling £340,583 relating to EPSRC National Centre for Nuclear Robotics awards with University of Birmingham where Mr K Armour is a Professor.
- Transactions totalling £23,167 relating to contribution to LPAC Ambition for Excellence, venue hire and conferences with Lincoln Drill Hall where Dr K Savage is a Trustee.

No member of the Board of Governors has received any remuneration or waived payments from the group during the year (2019: £nil).

The total expenses paid to two members of the Board of Governors was £3,000 (2019: £4,000 to nine Governors). This figure represents the refunding of out-of-pocket expenses in attending meeting and other events, primarily travelling costs. Hotel accommodation, meals and associated costs relating to Board meetings are organised centrally by the University Secretariat and such costs are not included as these are borne directly by the University.

9 Interest and other finance costs

	2020 Consolidated £000	2020 University £000	2019 Consolidated £000	2019 University £000
Loan interest	3,152	3,152	3,304	3,304
Amortisation of derivative asset	30	30	31	31
Net charge on pension scheme	779	779	341	341
Unwinding of discounts on pension provisions	74	74	39	39
	<u>4,035</u>	<u>4,035</u>	<u>3,715</u>	<u>3,715</u>

Notes to the financial statements

year ended 31 July 2020

10a Analysis of total expenditure by activity

	2020 Consolidated £000	2020 University £000	2019 Consolidated £000	2019 University £000
Academic departments	75,497	75,497	70,906	70,906
Academic services	21,096	21,096	20,314	20,314
Administration and central services	31,067	31,565	28,147	28,147
Premises	25,067	25,067	24,831	24,831
Residences and catering operations	11,135	11,135	8,877	8,877
Research grants and contracts	9,067	9,067	7,891	7,891
Other expenditure	725	725	4,289	4,482
	173,654	174,152	165,255	165,448

Other operating expenses include:

External auditors remuneration in respect of:

Audit services	71	71	57	57
Non-audit services	5	5	5	5
Operating lease rentals:				
Land and buildings	2,904	2,904	1,639	1,639
Other	168	168	197	165

10b Access and Participation

	2020 Consolidated £000	2020 University £000
Access Investment	500	500
Financial Support	3,000	3,000
Disability Support	521	383
Research and Evaluation	168	168
	4,189	4,051

OfS regulated institutions are required to report their access and participation expenditure. The first year of this requirement is 2019/20 and comparatives for the prior year are not needed.

£682,000 of these costs are already included in the overall staff cost figures within the financial statements, see note 8.

Link to access and participation plan:

https://www.lincoln.ac.uk/t4media_2017/pdf/previousYearAccessAndParticipationPlans/UniversityofLincoln_APP_2019-2020_V1_10007151.pdf

Access Investment

- Many of the University's access activities have been developed jointly with a range of local and national partners. Specific partnerships target particular groups such as young audiences with low social mobility, children in care and children from IMD 1 and 2 backgrounds.
- The University sponsors a Multi-Academy Trust in an area with significant social and economic disadvantage and very low rates of participation in higher education.
- As part of the OfS Mental Health Challenge project the University has created a team to support students with the transition to University.

Financial Support

- The majority of the financial support provided to students is in the form of bursaries paid for each level of study in three instalments each year. The eligibility for this bursary is based on household income. All eligible students receive the bursary, it is not a finite resource and therefore the amount spent each year may vary from that predicted.
- Additionally there are bursaries for care experienced students.
- The University has a financial hardship fund which is widely promoted to ensure those in need are aware of it and able to access funding and financial management advice.

Notes to the financial statements

year ended 31 July 2020

10b Access and Participation (cont.)

Disability Support

- The University's Student Wellbeing Team provides core support to students with a declared disability. In 2019/20 this was 17.5% of the total student population a significant proportion of which related to mental health.
- The University has expanded its assistive technologies in the form of e-books and lecture capture technology and continues to provide individual specialist equipment relevant to a student's area of study.

Research and Evaluation

- The University is building research and evaluation into all of its access and participation activities. This is undertaken at individual activity level with guidance from the Lincoln Higher Education Research Institute (LHERI).
- LHERI facilitate the University's Community of Practice for colleagues involved with access and participation, undertake the annual evaluation of bursaries, monitor sector good practice and are active members of local and national access and participation networks.
- The University has developed dashboards to monitor the outcomes of access and participation activities and detailed reports are provided on a regular basis to relevant University committees, including the Access and Participation Monitoring Group and the Senior Leadership Team.

11 Taxation

	2020 Consolidated £000	2020 University £000	2019 Consolidated £000	2019 University £000
Recognised in the statement of comprehensive income				
Current tax				
Current tax expense for the year 19% (2019: 19%)	5	-	6	-
Adjustment in respect of previous years	-	-	-	-
Current tax expense	5	-	6	-
Deferred tax				
Origination and reversal of timing differences	(5)	-	(6)	-
Reduction in tax rate	-	-	-	-
Recognition of previously unrecognised tax losses	-	-	-	-
Deferred tax expense	(5)	-	(6)	-
Total tax expense	-	-	-	-

12 Intangible assets

Consolidated and University	Software £000
Cost	
At 1 August 2019	4,269
Written off	(19)
Additions	756
At 31 July 2020	5,006
Amortisation	
At 1 August 2019	(577)
Amortisation charge for the year	(278)
At 31 July 2020	(855)
Net book value	
At 31 July 2020	4,151
At 31 July 2019	3,692

Notes to the financial statements

year ended 31 July 2020

13 Tangible assets	2020	2020	2019	2019
	Consolidated	University	Consolidated	University
	£000	£000	£000	£000
Tangible assets comprise:				
Plant, Property and equipment	292,873	292,873	280,124	280,124
Investment Properties	6,439	6,439	8,881	8,881
	<u>299,312</u>	<u>299,312</u>	<u>289,005</u>	<u>289,005</u>

13a Property, plant and equipment	Assets in the	Freehold	Leasehold	Fixtures,	
Consolidated and University	course of	land and	land and	fittings and	Total
	construction	buildings	buildings	equipment	
	£000	£000	£000	£000	£000
Cost					
At 1 August 2019	5,794	267,845	25,638	20,717	319,994
Transfer to/from investment properties	-	1,058	-	-	1,058
Additions	21,768	129	-	739	22,636
Written off	(464)	-	-	(1,236)	(1,700)
Transfers	(2,112)	560	-	1,552	-
As at 31 July 2020	<u>24,986</u>	<u>269,592</u>	<u>25,638</u>	<u>21,772</u>	<u>341,988</u>
Depreciation					
At 1 August 2019	-	22,013	7,072	10,785	39,870
Transfer to/from investment properties	-	(4)	-	-	(4)
Charge for the year	-	5,243	1,434	3,286	9,963
Impairment	-	522	-	-	522
Written off	-	-	-	(1,236)	(1,236)
At 31 July 2020	<u>-</u>	<u>27,774</u>	<u>8,506</u>	<u>12,835</u>	<u>49,115</u>
Net book value					
At 31 July 2020	<u>24,986</u>	<u>241,818</u>	<u>17,132</u>	<u>8,937</u>	<u>292,873</u>
At 31 July 2019	<u>5,794</u>	<u>245,832</u>	<u>18,566</u>	<u>9,932</u>	<u>280,124</u>

On adoption of FRS102, certain exemptions are permitted under the transitional rules set out in section 35 of the standard. The University has taken advantage of the exemption permitted under paragraph 35.10(c) of FRS102 and has measured certain property, plant and equipment at their fair value on the date of transition, and used that fair value as deemed cost. The revaluation was carried out by an independent firm of chartered surveyors. As permitted by FRS102, the University has not adopted a policy of revaluations in the future.

At 31 July 2020, freehold land and buildings included £18,501,000 (2019: £18,401,000) in respect of freehold land which is not depreciated.

13b Investment property	Investment
Consolidated and University	Property
	£000
Fair value	
At 1 August 2019	8,881
Transfer to/from property, plant and equipment	(1,062)
Disposals	(405)
Net loss recognised in Consolidated Statement of Comprehensive Income and Expenditure	(975)
At 31 July 2020	<u>6,439</u>

Investment property is fair valued at each balance sheet date by an independent firm of chartered surveyors. The valuation is based on an existing use value (EUV) basis, with the market value considered to be equal to the EUV for all investment properties. Material uncertainty has been discussed with the valuer who has confirmed that there are no specific circumstances that lead to any material concerns in relation to the portfolio of assets held by University of Lincoln. On this basis management do not consider there to be a material uncertainty over the investment property valuation.

Notes to the financial statements

year ended 31 July 2020

14 Non-current investments

	2020 Consolidated £000	2020 University £000	2019 Consolidated £000	2019 University £000
Investment in subsidiaries (Note 14a)	-	-	-	-
Other investments (Note 14b)	40	40	40	40
Investment in jointly controlled entity (Note 15)	-	-	18	18
	40	40	58	58

14a Investment in subsidiaries

The University holds 100% of the ordinary share capital of UoL Services Limited, a company incorporated in England and Wales. The company was incorporated on 27 October 2017, with the nature of its business being the provision of non-academic professional service and support staff to the University of Lincoln.

The University holds 100% of the ordinary share capital of ULEX Limited, a company incorporated in England and Wales. The nature of its business is the provision of consultancy, training, conference and research facilities, although the company has not traded during the year.

The University holds 100% of the ordinary share capital of UL Learning Resources Limited, a charitable company incorporated in England and Wales. The nature of its business is the provision of learning resource facilities, although the company has not traded during the year. UL Learning Resources Limited is a connected institution within the definition of paragraph 28 of Schedule 3 to the Charities Act 2011 and is therefore exempt from registration with the Charity Commission. Net assets of the charity at 31 July 2020 were £1 (31 July 2019: £1).

The University holds 100% of the ordinary share capital in Riseholme Park Farms Limited, a company incorporated in England and Wales. The nature of its business is farming, although the company has not traded during the year.

14b Other investments

	2020 Consolidated and University £000	2019 Consolidated and University £000
At 1 August 2019 and at 31 July 2020	40	40
Other non-current investments consist of:		
	2020 Consolidated and University £000	2019 Consolidated and University £000
CVCP Properties plc	30	30
Metnano Limited	10	10
	40	40

CVCP Properties plc is a company owned by Universities UK and its member institutions. Metnano Limited is a company invested in to exploit intellectual property with a commercial partner.

The University holds no investment in the Lincolnshire Educational Trust Ltd, Lincoln University Technical College (UTC) and Lincolnshire Institute of Technology. These are companies limited by guarantee with the University's liability limited to a maximum to £10 in all cases.

Notes to the financial statements

year ended 31 July 2020

15 Investment in jointly controlled entity

The University has a joint venture agreement with Lincolnshire Co-operative Limited. The joint venture company, Lincoln Science and Innovation Park Limited (LSIP), is limited by shares. LSIP is jointly owned by the Lincolnshire Co-operative Limited, who hold 75% of the shares, and the University of Lincoln, who hold 25% of the shares. The arrangement is treated as a joint controlled entity and is accounted for using the equity method, such that 25% of the company's gross assets and liabilities are incorporated into the consolidated balance sheet of the University and 25% of its net income is reported in the University's consolidated statement of comprehensive income and expenditure.

The Group's share of the assets of the joint controlled entity is as follows:

	2020 £000	2019 £000
Consolidated		
At 1 August	18	-
Additions	303	-
Share of (loss)/profit retained by jointly controlled entity	(18)	18
Diminution in value of investment in jointly controlled entity	(303)	-
At 31 July	-	18

At 31 July 2020, the University's share of losses in the joint controlled entity exceed the carrying value of the University's investment. In accordance with FRS102, the University's interest of the joint controlled entity is reduced to zero and no further losses will be recognised as the University has no legal or constructive obligation nor has made any payments on behalf of the joint controlled entity.

16 Stock

	2020 Consolidated £000	2020 University £000	2019 Consolidated £000	2019 University £000
Goods for resale	27	27	20	20
Raw materials and consumables	68	68	68	68
	95	95	88	88

17 Trade and other receivables

Amounts falling due within one year:

Research grants receivable	1,698	1,698	2,262	2,262
Other trade receivables	6,019	6,019	7,085	7,085
Other receivables	768	752	1,050	1,121
Prepayments and accrued income	5,742	5,674	5,355	5,355
	14,227	14,143	15,752	15,823

Amounts falling due after more than one year:

Other receivables	1,440	1,440	1,434	1,434
Prepayments and accrued income	193	193	71	71
	15,860	15,776	17,257	17,328

Notes to the financial statements

year ended 31 July 2020

18 Creditors: amounts falling due within one year	2020 Consolidated £000	2020 University £000	2019 Consolidated £000	2019 University £000
Secured loans	2,242	2,242	2,130	2,130
Unsecured loans	2,466	2,466	2,187	2,187
Unamortised loan commitment liability	62	62	64	64
Trade payables	3,576	3,576	4,817	4,817
Other payables	3,045	2,944	3,381	3,197
Social security and other taxation payable	2,184	1,990	1,978	1,978
Accruals and deferred income	36,399	36,061	21,802	21,802
Amounts due to subsidiary companies	-	287	-	-
	49,974	49,628	36,359	36,175

The unamortised loan commitment liability represents the remaining element of the fair value of the derivative financial liability created when the University forward fixed the interest rate on certain of its borrowings with the European Investment Bank. The fair value of the liability was fixed at draw down and is amortised over the life of the related loan.

Deferred income

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

	2020 Consolidated £000	2020 University £000	2019 Consolidated £000	2019 University £000
Research grants received on account	7,116	7,116	3,696	3,696
Grants	6,647	6,647	567	567
Donations	1,445	1,445	635	635
Other income	7,600	7,600	5,578	5,578
	22,808	22,808	10,476	10,476

19 Creditors: amounts falling due after more than one year

Secured loans	27,283	27,283	29,525	29,525
Unsecured loans	54,623	54,623	57,089	57,089
Unamortised loan commitment liability (note 18)	683	683	745	745
Accruals and deferred income	204	204	302	302
	82,793	82,793	87,661	87,661

Secured and unsecured loans are repayable as follows:

Due within one year on demand	4,708	4,708	4,317	4,317
Due between one and two years	4,884	4,884	4,708	4,708
Due between two and five years	13,335	13,335	14,090	14,090
Due in five years or more	63,687	63,687	67,816	67,816
	86,614	86,614	90,931	90,931
Due within one year or on demand	(4,708)	(4,708)	(4,317)	(4,317)
Due after more than one year	81,906	81,906	86,614	86,614

Notes to the financial statements

year ended 31 July 2020

19 Creditors: amounts falling due after more than one year (cont.)

An analysis of the Group's borrowings is set out below:

Lender	Amount £000	Term	Interest Rate %	Borrower
Dexia	2,863	2023	5.08	University
Dexia	3,360	2028	5.38	University
Santander	10,875	2035	5.00	University
Royal Bank of Scotland	20,609	2037	4.69	University
Royal Bank of Scotland	2,693	2037	3.40	University
European Investment Bank	18,942	2041	2.37	University
European Investment Bank	13,513	2042	2.45	University
European Investment Bank	13,759	2042	2.48	University
Total borrowings	86,614			

All borrowings are held at amortised cost.

20 Provisions for liabilities

	Obligation to fund deficit on USS pension £000	Defined benefit obligations £000	Total pension provisions £000	Onerous contracts and other £000	Total other £000
Consolidated and University					
As at 1 August 2019	4,608	35,693	40,301	2,640	2,640
Provided in year	-	-	-	1,691	1,691
Utilised in year	(94)	(5,085)	(5,179)	-	-
Net pension charge	(2,266)	8,487	6,221	-	-
Actuarial loss on ERPF	-	23,730	23,730	-	-
Unwinding of USS discount	74	-	74	-	-
As at 31 July 2020	2,322	62,825	65,147	4,331	4,331

Obligations to fund deficit on USS Pension

The obligation to fund the past deficit on the University's Superannuation Scheme (USS) arises from the contractual obligation with the pension scheme for total payments relating to benefits arising from past performance. Management have assessed future employees within the USS scheme and salary payment over the period of the contracted obligation in assessing the value of this provision and have discounted the expected deficit recovery payments.

The provision is calculated based on the recovery plan agreed after the March 2018 actuarial valuation of the scheme. The March 2020 actuarial valuation of USS has been undertaken but this has not yet been formally completed. As such management consider it appropriate to continue to account for the past deficit obligation in accordance with the previously agreed recovery plan.

Defined benefit obligations

Defined benefit obligations are set out in further detail in note 28.

Onerous contracts and other

Onerous contracts and other include:

- Property provision relating to the estimated liabilities in respect of onerous contractual obligations arising from certain property transactions, which are due to be settled within one year from the balance sheet date.

Notes to the financial statements

year ended 31 July 2020

20 Provisions for liabilities (cont.)

- Campus reopening costs relating to the costs that have been committed to be incurred before October 2020 to ensure that staff and students are safe on campus during the COVID-19 pandemic.

Other matters relating to costs where a constructive obligation to settle a liability has been created before the year end and will be settled within the one year from the balance sheet date. All borrowings are held at amortised cost.

21 Financial Instruments

The carrying values of the Group and University's financial assets and liabilities are summarised by category below:

Financial Assets	Note	2020 Consolidated £000	2020 University £000	2019 Consolidated £000	2019 University £000
Debt instruments measured at amortised cost					
Long-term loans receivable		1,682	1,682	1,697	1,697
Measured at undiscounted amount receivable					
Trade and other receivables		10,266	10,182	12,373	12,366
Equity instruments measured at cost less impairment					
Non-current asset investments in unlisted equity instruments	14	40	40	40	40
		11,988	11,904	14,110	14,103
Financial Liabilities					
Measured at fair value through income and expenditure					
Unamortised loan commitment liability	18,19	745	745	810	810
Measured at amortised cost					
Loans payable	18,19	86,614	86,614	90,931	90,931
Measured at undiscounted amount payable					
Trade and other creditors		22,601	22,255	21,804	21,620
		109,960	109,614	113,545	113,361
Interest income and expense					
Total interest income for financial assets at amortised cost	6	384	382	370	369
Total interest expense for financial assets at amortised cost	9	(3,152)	(3,152)	(3,304)	(3,304)
		(2,768)	(2,770)	(2,934)	(2,935)

Notes to the financial statements

year ended 31 July 2020

22 Endowment Reserves

Restricted net assets relating to endowments are as follows:

Consolidated and University

	Restricted permanent endowments £000	Unrestricted permanent endowments £000	Restricted expendable endowments £000	Total 2020 £000	Total 2019 £000
Balances at 1 August 2019					
Capital	-	-	448	448	362
Accumulated income	-	-	-	-	-
	-	-	448	448	362
 New endowments	-	-	357	357	205
Expenditure	-	-	(333)	(333)	(119)
	-	-	24	24	86
 Increase in market value of investments	-	-	-	-	-
 At 31 July 2020	-	-	472	472	448
 Represented by:					
Capital	-	-	472	472	448
Accumulated income	-	-	-	-	-
	-	-	472	472	448
 Analysis by type of purpose:					
Scholarships and bursaries	-	-	177	177	71
General Academic	-	-	225	225	306
Research support	-	-	2	2	2
Prize funds	-	-	68	68	69
	-	-	472	472	448
 Analysis by asset:					
Current and non-current asset investments	-	-	-	-	-
Cash and cash equivalents	-	-	472	472	448
	-	-	472	472	448

23 Cash and equivalents

	At 1 August 2019 £000	Cash Flows £000	At 31 July 2020 £000
Consolidated			
Cash and cash equivalents	34,469	1,919	36,388

24 Consolidated reconciliation of net debt

	2020 £000
Net debt as at 1 August 2019	(56,462)
Increase in cash and cash equivalents	1,919
Repayments of amounts borrowed	4,317
Net debt as at 31 July 2020	(50,226)

Notes to the financial statements

year ended 31 July 2020

24 Consolidated reconciliation of net debt (cont.)	2020	2019
	£000	£000
Analysis of net debt		
Cash and cash equivalents	36,388	34,469
Borrowings: amounts falling due within one year		
Secured loans	(2,242)	(2,130)
Unsecured loans	(2,466)	(2,187)
	<u>(4,708)</u>	<u>(4,317)</u>
Borrowings: amounts falling due after more than one year		
Secured loans	(27,283)	(29,525)
Unsecured loans	(54,623)	(57,089)
	<u>(81,906)</u>	<u>(86,614)</u>
Net debt	<u>(50,226)</u>	<u>(56,462)</u>

25 Capital and other commitments

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

Consolidated and University

Commitments contracted for	4,198	2,317
Authorised but not contracted for	21,707	28,867
	<u>25,905</u>	<u>31,184</u>

26 Lease obligations

Total rentals payable under operating leases:

	Land and Buildings	Other	Total 2020	Total 2019
	£000	£000	£000	£000
Consolidated and University				
Payable during the year	2,925	168	3,093	1,836
Future minimum lease payments due:				
Not later than 1 year	5,772	171	5,943	4,113
Later than 1 year and not later than 5 years	38,465	95	38,560	30,711
Later than 5 years	176,090	-	176,090	150,675
Total lease payments due	<u>220,327</u>	<u>266</u>	<u>220,593</u>	<u>185,499</u>

27 Post Balance Events

Due to the ongoing economic uncertainty caused by the COVID-19 pandemic, the University entered into negotiations with prospective lenders to secure a loan facility in order to provide access to additional liquidity in the short to medium term. In November 2020, the University took out a £20 million revolving credit facility with Santander. The facility includes an option to extend for a further two years.

Notes to the financial statements

year ended 31 July 2020

28 Pension schemes

The University's employees principally belong to four pension schemes, East Riding Pension Fund (ERPF), Teachers' Pensions (TPS), the Universities Superannuation Scheme (USS) and the Universities and Colleges Retirement Savings Scheme (UCRSS). The total pension cost for the year was:

	2020 £000	2019 £000
ERPF including FRS102 adjustments	7,621	6,848
TPS contributions payable	8,703	5,689
USS contributions (excluding provision movements)	1,194	4,015
UCRSS contributions	678	260
NHS Contributions	23	4
	18,219	16,816

ERPF

The ERPF is a funded, defined benefit scheme, available to non-academic staff, with the assets held in separate trustee administered funds.

ERPF is valued every three years by professionally qualified independent actuaries using the projected unit method, the rates of contribution payable being determined by the trustees on the advice of the actuaries. In the intervening years, the ERPF actuary reviews the progress of the ERPF scheme.

The pension scheme assets are held in a separate trustee-administered fund to meet long-term pension liabilities to past and present employees. The trustees of the fund are required to act in the best interests of the fund's beneficiaries. The appointment of trustees to the fund is determined by the scheme's trust documentation. The trustees are responsible for setting the investment strategy for the scheme after consultation with professional advisers.

The total contribution made for the year ended 31 July 2020 was £6,291,000 of which employers' contribution totalled £4,943,000 and employees' contributions totalled £1,348,000. The employer's contribution rate was 25.3% throughout the year. The employees' contribution rate is based on earnings per annum and ranges from 5.5% to 12.5%.

The University also provides ex-gratia pension benefits to certain former employees who could not join the pension scheme at the time. Ex-gratia payments have ceased accruing for all such employees. The University paid ex-gratia pensions of £142,000 during the year end 31 July 2020 (2019: £140,000). These liabilities are not separately funded.

Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2019, updated to 31 July 2020 on an FRS102 basis by a qualified independent actuary.

The financial assumptions used to calculate the scheme liabilities under FRS102 are:

	2020 %	2019 %
Price Inflation (RPI)	2.7	3.1
Price Inflation (CPI)	1.7	2.1
Rate of increase of salaries	1.9	2.3
Rate of increase of pensions in payment for ERPF members	1.7	2.1
Discount rate	1.4	2.1

The most significant non-financial assumption is the assumed level of longevity. The table below shows the life expectancy assumptions used in the accounting assessments based on the life expectancy of male and female members at age 65:

Notes to the financial statements

year ended 31 July 2020

28 Pension schemes (cont.)

	2020 Years	2019 Years
<i>Current pensioners</i>		
Males	20.9	20.8
Females	23.3	23.3
<i>Future pensioners (currently aged 45)</i>		
Males	21.9	22.0
Females	24.8	24.9

Scheme assets

The fair value of the assets in the ERPF were:

	2020 £000	2019 £000	2018 £000
Equities	98,929	112,042	103,598
Bonds	25,873	21,786	18,705
Property	18,264	17,118	17,266
Cash	9,132	4,668	4,317
Total fair value of assets	152,198	155,614	143,886

The following amounts at 31 July 2020 were measured in accordance with the requirements of FRS102.

Analysis of the amount shown in the balance sheet for ERPF and ex-gratia pensions	2020 £000	2019 £000
Scheme assets	152,198	155,614
Scheme liabilities	(215,023)	(191,307)
Deficit in the scheme – net pension liability recorded within pension provisions (Note 20)	(62,825)	(35,693)

Analysis of the amount charged to staff costs within operating surplus

Current service cost	7,708	6,249
Past service cost	-	512
	7,708	6,761

Analysis of the amount charged to interest and other finance costs

Interest income on plan assets	(3,304)	(4,076)
Interest cost on defined benefit obligation	4,083	4,417
Interest on net deficit	779	341

Analysis of other comprehensive income for ERPF and ex-gratia pensions

Remeasurements		
- Changes in demographic assumptions	(1,498)	2,245
- Changes in financial assumptions	(18,020)	(28,846)
- Other experience	5,330	36
- Return on assets excluding amounts included in net interest	(9,542)	4,063
Actuarial loss	(23,730)	(22,502)

History of experience gains and losses for ERPF and ex-gratia pensions

Difference between the expected and actual return on assets:	2020	2019	2018	2017	2016
Amount (£000)	(9,542)	4,063	9,135	10,573	7,691
% of assets at end of year	(6.3%)	2.6%	6.3%	8.3%	7.0%

Notes to the financial statements

year ended 31 July 2020

28 Pension schemes (cont.)

Experience gains/(losses) on scheme liabilities:	2020	2019	2018	2017	2016
Amount (£000)	(5,330)	36	93	117	1,989
% of scheme liabilities at end of	(2.5%)	0.02%	0.1%	0.1%	1.3%

	2020 £000	2019 £000
Cumulative actuarial losses/(gains) recognised as other comprehensive income for ERPF and ex-gratia pensions		
Cumulative actuarial losses/(gains) recognised at the start of the year	9,513	(12,989)
Cumulative actuarial losses recognised at the end of the year	33,243	9,513

Analysis of movement in deficit for ERPF and ex-gratia pensions:

Deficit at beginning of year	(35,693)	(11,567)
Contributions or benefits paid by the University	5,085	5,478
Current service cost	(7,708)	(6,249)
Past service cost	-	(512)
Other finance charge	(779)	(341)
Losses recognised in other comprehensive income	(23,730)	(22,502)
	(62,825)	(35,693)

Analysis of movement in the present value of ERPF and ex-gratia liabilities

Present value of ERPF and ex-gratia liabilities at the start of the year	191,307	155,453
Current service cost	7,708	6,249
Past service cost	-	512
Interest cost	4,083	4,417
Actual members contributions	1,348	1,416
Actuarial loss	14,188	26,565
Actual benefit payments	(3,611)	(3,305)
Present value of ERPF and ex-gratia liabilities at the end of the year	215,023	191,307

Analysis of the movement in the fair value of scheme assets

Fair value of assets at start of the year	155,614	143,886
Expected return on assets	3,304	4,076
Actuarial (loss)/gain on assets	(9,542)	4,063
Actual contributions paid by University	5,085	5,478
Actual member contributions	1,348	1,416
Actual benefit payments	(3,611)	(3,305)
Fair value of assets at end of the year	152,198	155,614

ERPF assets do not include any of the institution's own financial instruments, or any property occupied by the institution.

Notes to the financial statements

year ended 31 July 2020

28 Pension schemes (cont.)

	2020	2019
	£000	£000
Actual return on scheme assets		
Expected return on scheme assets	3,304	4,076
Asset (loss)/gain	(9,542)	4,063
	<u>(6,238)</u>	<u>8,139</u>

Estimated University contributions for ERPF for the year ended 31 July 2021 are £4,962,000.

Sensitivity Analysis

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Change in assumptions at 31 July 2020:	Approximate increase to Defined Benefit Obligation	Approximate monetary amount
		£000
0.5% decrease in Real Discount Rate	12%	25,897
0.5% increase in Salary Increase Rate	1%	2,626
0.5% increase in the Pension Increase	11%	22,846

TPS

TPS is valued every five years by the Government Actuary. Contributions are paid by the institution at the rate specified. The Scheme is unfunded and contributions are made to the Exchequer. The payments from the Scheme are made from funds voted by Parliament. The contribution rate payable by the employer is 16.48% of pensionable salaries to 31 August 2019 then increased to 23.68% (2019: 16.48%) of pensionable salaries. The employees' contribution rate is based on earnings per annum and ranges from 7.4% to 11.7%.

USS

The total cost charged to the profit and loss account is £1,194,000 (2018: £4,015,000).

Deficit recovery contributions due within one year for the institution are £108,000 (2019: £94,315).

The latest available complete actuarial valuation of the Retirement Income Builder is at 31 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 (defined benefit) 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% per annum
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Notes to the financial statements

year ended 31 July 2020

28 Pension schemes (cont.)

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%
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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	<u>Pre-retirement:</u> 71% of AMC00 (duration 0) for males and 112% of AFC00 (duration 0) for females <u>Post retirement:</u> 97.6% of SAPS S1NMA "light" for males and 102.7% of RFV00 for females
Future improvements to mortality	CMI_2016 with a smoothing parameter of 8.5 and a long term improvement rate of 1.8% per annum for males and a 1.6% per annum for females

The current life expectancies on retirement at age 65 are:

	2020 Years	2019 Years
Males currently aged 65	24.4	24.6
Females currently aged 65	25.9	26.1
Males currently aged 45	26.3	26.6
Females currently aged 45	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 pension recovery liability reflects this plan. The provision figures have been produced using the following assumptions:

	2020	2019
Discount rate	0.73%	1.60%
Pensionable salary growth	2.00%	2.11%

UCRSS

The UCRSS is a defined contribution pension scheme, introduced for employees during the year ended 31 July 2018. Contributions payable are recognised in the Consolidated Statement of Comprehensive Income and Expenditure as they are payable each year. The total cost charged to the profit and loss account is £678,000 (2019: £260,000).

The contribution rate payable by the employer is 7% to 10% (capped) of pensionable salary dependent on the employees' contribution. The employees' contribution rate is flexible from a minimum of 2% of pensionable salary to a maximum of 100% of pensionable salary.

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.

Notes to the financial statements

year ended 31 July 2020

28 Pension scheme (cont.)

The NHS Pension Scheme is a defined benefit public service pension scheme, which operates on a pay-as-you-go basis. A newly 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 20.6% of the total pensionable salaries, in accordance with the conclusion of the Government Actuary's report on the scheme.

The governing body and officers 2019/20

The Governors who served in the period from 1 August 2019 were as follows:

Ms D Lees (Chair)
 Professor K Armour (from 1 August 2019)
 Mr A Barratt (until 13 July 2020)
 Ms C Coakley (Student Member from 25 July 2019)
 Mr N Corner (Deputy Chair from 1 August 2019)
 Sir G Davies
 Ms M Dawes
 Professor D French (Staff Member until 24 October 2019)
 Mr N Gray
 Mr N Herbert
 Professor J Ker
 Mrs Z King
 Mr S Morris (from 1 January 2020)
 Mr J Raine CMG OBE
 Ms J Reeves
 Dr K Savage (Staff Member)
 Professor M Stuart CBE (Vice Chancellor)

Clerk to the Board of Governors: Mr C Spendlove

The officers (Senior Leadership Team) who served in the period from 1 August 2019 were as follows:

Professor M Stuart CBE	Vice Chancellor
Mr J Free CBE	Deputy Vice Chancellor
Professor A Hunter	Deputy Vice Chancellor
Professor E Mossop	Deputy Vice Chancellor
Mr S Parkes	Deputy Vice Chancellor
Professor T Wilkinson	Deputy Vice Chancellor
Professor M Cragoe	Pro Vice Chancellor (until 1 October 2019)
Professor D French	Pro Vice Chancellor
Professor E John	Pro Vice Chancellor
Professor C Marsh	Pro Vice Chancellor
Professor A Woods	Pro Vice Chancellor (from 4 May 2020)
Professor H Gross	Acting Head of College (from 1 October 2019, until 4 May 2020)
Mr D Braham	Chief Finance Officer
Ms A Dowdy	Director of Estates
Ms C Low	Director of Planning and Corporate Strategy
Ms R Simpson	Director of Human Resources
Mr C Spendlove	University Registrar/Secretary

The University's principal advisors were:

Lloyds Bank plc	Bankers
BDO LLP	External Auditor
Pricewaterhouse Coopers LLP	Internal Auditor