



Financial Statements 2021

Contents

4	Strategic Report
14	Corporate Governance Statement 2021
22	Independent Auditor's Report to the Governors of Lancaster University
25	Statement of Principal Accounting Policies
32	Consolidated and University Statement of Comprehensive Income
33	Consolidated and University Statement of Financial Position
34	Consolidated and University Statement of Changes in Reserves
35	Consolidated Statement of Cash Flows
36	Notes to the Financial Statements





Strategic Report

for the year ended 31 July 2021

Objectives and strategy

Strategic Plan

The 2020/21 year marked the transition to a refreshed Strategic Plan for the University to 2026 with a theme of delivering transformative change. This has been against the backdrop of a very volatile world with the pandemic bringing global, national and local challenges but also opportunities for new thinking and approaches to pedagogy, operations and future priorities. The Strategy that has emerged is not a change of direction, but looks to build on Lancaster's growing strengths in this new context.

Our vision is for Lancaster to be a university that is globally significant – a sector leader and innovator that delivers the highest quality research, teaching and student experience, and that engages locally, nationally and internationally. The University's purpose is to advance knowledge, wisdom and understanding through the excellence of its teaching and research. By engaging with others, we will use collective intellectual and wider capabilities as a force for good, creating positive economic, cultural, societal and environmental change.

The overarching goals driving the strategy are threefold. Firstly, to be recognised as a global leader amongst universities, secondly to advance our strong national profile and thirdly to accelerate our transformative impact in the communities in which we operate.

There were high levels of engagement throughout the development of the Strategy with staff, students, governors and other external stakeholders. The importance of recognising not just what we want to achieve but how we would do so was acknowledged. As a result, core underpinning values of respect, building strong communities and creating positive change were identified and adopted. It was also important that the strategy is a tangible touchpoint in guiding day-to-day business and activities. Six thematic cross-cutting activities designed to enable and support the delivery of the strategy were identified. These are: ensuring efficiency and financial sustainability; the excellence of our people; re-imagining our campuses; embracing digital technology; developing our global campus network; and innovating for excellence. Further information can be found on the University's webpages.

A key priority for 2020/21 in the context of the pandemic was to maintain strong financial control and cashflow management in the face of considerable uncertainty. Practical steps included putting in place additional standby liquidity support with a £30M increase to an existing revolving credit facility. The capital programme was restricted with delays to approved new capital projects put in place whilst finalising those projects already on-site and long-planned to support the student experience and key areas of academic development. Other revenue budget restrictions were put in place and closely monitored throughout the year. Alongside departments and divisions curtailing

expenditure where possible, individual staff contributed in many ways including making unrestricted donations to the University, deferring increments and promotions for a period and by purchasing additional annual leave.

Further to the emergency measures taken in spring 2020 with the first national lockdown, during 2020/21 further actions were needed to support the safe maintenance of operations and delivery across all our activities in the UK and overseas as far as restrictions would allow. For much of the year, a university-level team continued to co-ordinate responses to immediate and emerging priorities such as necessary changes to teaching delivery and examination, practical access to testing, quarantine, vaccination, additional pastoral support and pivoting to increased digital access to services.

Student recruitment for 2020/21 was impacted by the pandemic, although with many students already committed to Lancaster through the recruitment cycle, this was less significant than feared. Whilst many students were not able to attend the Bailrigg campus as planned for the full year, some attended part-year and others entirely maintained their studies from afar. The successful work and dedication of academic colleagues in pivoting to on-line delivery and ensuring a strong teaching experience has been borne out by strong student retention and recent National Student Survey results. Further information on the financial impact follows in this report.

Well before the pandemic, the Council had been mindful of a changing risk environment for the Higher Education sector and had been active in seeking mitigations for key evolving risks. To help mitigate the impact of Brexit on future EU-domiciled student and staff recruitment, a campus in Leipzig in Germany opened in September 2020 to offer Lancaster degree programmes to domestic and international students and to provide a potential gateway to access future EU research funding. With an eye to the delivery of the Strategy in this evolving risk context, the Council and Executive undertook a risk appetite exercise in the latter part of the year. Revised statements of risk appetite in key areas of strategic delivery are now under development and will help support decision-making in the first phase of strategy delivery.

The government response to the Post-18 Education Review on Higher Education funding (the 'Augar review') and specifically any impact on the future funding levels for different categories of Home undergraduate students still remains uncertain in the current political and economic context. In respect of the USS pension scheme, the 2020 valuation has just been completed and a new schedule of contributions, effective from 1 October 2021, has now been implemented. Employer and Employee contribution rates have increased to 21.4% and 9.8% from 21.1% and 9.6% respectively. Consultation with staff members of USS on changes to the scheme is scheduled to take place from November 2021 to January 2022 and industrial action is possible. Further detail on the scheme is given in Note 25.

The Council continues to review these and other significant risks regularly. The latest risk register also highlights risks around cyber-security threats, the maintenance of high levels of student satisfaction and retention and ensuring the University's pipeline applicant pool strengthens further in a competitive market. It also notes potential challenges in meeting stretching strategic plan targets around research grant capture. The Council has agreed updated key performance indicators to track Lancaster's progress against its strategic goals.

Financial Strategy

The University's financial strategy is designed to support the University to achieve its strategic objectives, alongside maintaining financial health and flexibility. It also provides for some headroom and the opportunity for adjustment to deal with unexpected events.

In common with the whole sector, changes in the Higher Education Statement of Recommended Practice (HE SORP) were fully implemented for 2015/16 accounts. As expected, since then additional volatility around income recognition for capital grants and non-cash items (such as pension changes) has resulted and the 2020/21 accounts again reflect substantial movements for the Lancashire County Pension Fund. This means that focus on surplus achievement as a proxy for cashflow generation continues to be ineffective for understanding underlying financial performance – either during the year or at year-end.

The University Council has therefore adopted the measure of Adjusted Net Operating Cashflow (ANOC) as our key financial indicator¹. This measure is readily comparable over time and importantly focusses on cash generated rather than income earned (but maybe not converted into cash). Our target is to achieve an ANOC in the 9-11% range of income (3-year rolling average).

Beneath the headline measure we monitor a range of underlying indicators around liquidity, cost base and gross and net debt.

In approaching our budget setting for 2020/21 and the prospect of an immediate and substantial loss of fee and accommodation income in the pandemic context, a budget was set which achieved a minimal level of ANOC (at ca. 2.1%) such that existing banking covenants would not be breached. The budget assumed loss of revenue income of £66M (ca. 20%) to be offset in cashflow terms by revenue savings of £44M and capital programme reductions of £22M. The revenue savings were targeted equally against both payroll and non-payroll costs, representing 15% of previously forecast payroll and 33% of non-payroll. Additional approval measures were put in place across all expenditure headings and a voluntary severance scheme was offered to staff.

The ongoing impact of the Government's response to Covid-19 on wider society and the University's operations throughout the year has been significant. Alongside the pivoting to online teaching and ongoing remote campus operations where practical, many students were delayed in returning to campus accommodation in line with government guidance. Many students remained off-campus and overseas throughout the year. Four separate goodwill payments totalling £3.2M were made to reduce rents for students in university managed accommodation. These not only recognised the challenges students faced, but these steps, amongst many others, assisted in maintaining relationships with students and stakeholders during a period of significant uncertainty for many.

The University Planning and Resources Group, chaired by the Vice-Chancellor, oversaw the operational financial response throughout the year, with additional focus on payroll expenditure via a Vacancy Control Panel. Regular reports and updates were taken to the University's Finance and General Purposes Committee and Council. A detailed review was undertaken at mid-year which indicated that the position had improved substantially from the baseline budget, due to higher student recruitment and retention alongside tight cost control, such that the University could expect to achieve its ANOC target range. As a consequence, the level of required in-year savings targets was eased. All areas were asked to reforecast spend levels, though the uncertainty of national lockdowns and other pandemic related constraints made this more difficult than usual.

The final position exceeded this target, owing to improved revenue performance and a net positive movement in working capital balances (i.e. debtors and creditors). Reported figures for ANOC for the year moved up to the 17% level as a result of the above impacts. Without the impact of working capital, the 3 year rolling average metric would have been lower at 10.9%, but within our target range.

The improved financial outcome will be helpful in providing increased resilience ready for the uncertainties of 2021/22 and the ongoing impact of the pandemic. The underlying trading position will continue to require close attention in light of rising cost pressures.

Major initiatives underway during 2020/21 are shown in Table 1. Inevitably some plans were delayed or paused for re-assessment due to the impact of the pandemic. Many of the initiatives progressed, when taken together with Lancaster's high standing provide a strong platform for future financial performance even in uncertain times.

¹ Adjusted Net Operating Cashflow = Net cash inflow from operating activities *plus* cash received from investment income *plus* endowment cash received *less* cash paid on interest on borrowings.

Strategic Report

for the year ended 31 July 2021

Table 1:

Major Initiative Progressed	Strategic Plan Link	Timeframe
Development of Health Innovation Campus (Phase 1)	Teaching and research excellence; Engagement; Sustainability and support for growth.	Phase 1 completed in August 2020. Alongside space for a growing Medical School, it has provided a vaccination centre for the local community.
Expansion of Medical School	Teaching and research excellence; Engagement; Sustainability and support for growth.	Growing medical school intake with a full cohort projected to rise to 680 by 2024/25 (from 444 in 2020/21).
Redevelopment of the Management School and associated growth plan	Teaching and research excellence; Engagement; Sustainability and support for growth.	New-build extension completed in January 2021.
Expansion of Engineering department and associated growth plan	Teaching and research excellence; Engagement; Sustainability and support for growth.	Plans approved in January 2020 but paused due to the pandemic. Project is being re-presented for approval by the Council in November 2021.
University Academy 92 Ltd (UA92) education project in Manchester	Teaching excellence; Sustainability and support for growth.	Registration with OfS achieved. Third cohort admitted in September 2021.
REF 2021 planning and support for strategic research grant applications	Global significance; Research excellence.	Submission made in March 2021 with outcome due in April 2022.
New Leipzig campus	Global significance; Teaching and research excellence; Sustainability and support for growth.	Second cohort admitted in September 2021 on LU accredited UG programmes.
Lancaster Institute for Contemporary Arts (LICA) growth plan	Teaching and research excellence; Engagement; Sustainability and support for growth.	Second cohort of students undertaking new architecture courses in 2020/21; specialist facilities delivered and next phase of expansion under review.
New Sports Hall	Sustainability and support for growth.	Completed in June 2020 and used as Covid testing centre in 2020/21.
400-seat lecture theatre	Sustainability and support for growth.	Completed November 2020.
Library extension	Sustainability and support for growth.	Completed February 2021.
Declaration of climate emergency	Sustainability	Net zero target for Scope 1 & 2 emissions by 2030 ² . Net zero target for Scope 3 (travel and procurement) emissions by 2035.
Equality, Diversity and Inclusion	Values and behaviours	Race Equality Charter signed
Reimagining Working Practices and Estates Spatial Strategy	Sustainability and support for growth	Ongoing discussions informing future plans.

² Scope 1 covers direct emissions from owned or controlled sources. Scope 2 covers indirect emissions from the generation of purchased electricity, steam, heating and cooling.

Financial Highlights (consolidated)

	2020/21	2019/20	Change
Total Income (as reported)	£325.6M	£323.5M	+0.7%
Total Income ³ (excluding capital grant income)	£319.1M	£310.8M	+2.7%
Average Number of Staff (FTE)	3,189	3,236	-1.5%
Staff Costs ⁴ as % of Income ³	54%	56%	-2.0%
Adjusted Net Operating Cashflow	£54.3M	£35.5M	+53.0%
Adjusted Net Operating Cashflow as % of Income ³	17.0%	11.4%	+5.6%
Net Debt	£21.6M	£58.2M	-62.9%
Current Asset Ratio	1.5	1.4	+0.1

Review of the financial year

2020/21 has ended as a solid financial year for the University despite the negative and unpredictable effects of the Covid-19 pandemic which placed substantial pressure on normal operations and required significant mitigation throughout. Due to the combined efforts of all staff to deliver activity in challenging circumstances, final income ended the year ahead of expectation, whilst costs were constrained, due in part to the delay in returning to normal campus operations. This outcome highlights the University's continued responsiveness and resilience in exceptionally challenging times.

Effective focus on delivery to a growing cohort of enrolled students, including many studying overseas through the full-year due to pandemic restrictions, meant that tuition fee income rose 7.0% year on year. In addition, delayed research activity from 2019/20 was recovered and the level of deferral against planned 2020/21 grant delivery was lower than expected such that year on year research grants and contracts income grew by ca. 12.4%. These increases were mostly offset by commercial and accommodation income losses. Overall, total income increased by 0.7%, or 2.7% excluding capital grant income whilst expenditure, excluding non-cash pension adjustments⁵, decreased by 1.0% from the prior year.

Performance against our key financial metric, Adjusted Net Operating Cashflow, benefitted from the better than expected out-turn, careful liquidity management and positive working capital movements, despite the additional risks around debt collection in the context of the pandemic.

³ Income excluding capital grants and non-cash donations is calculated as follows:

	2020/21	2019/20	Change
Total income (as reported)	£325.6M	£323.5M	+0.7%
Funding body capital grants	(£4.6M)	(£2.6M)	
Research capital grants	(£1.9M)	(£0.8M)	
Other capital grants	-	(£9.3M)	
Total income (excluding capital grants)	£319.1M	£310.8M	+2.7%

⁴ Staff costs excluding non-cash pension adjustments are calculated as follows:

	2020/21	2019/20	Change
Staff costs (as reported)	£180.6M	£138.0M	+31.0%
Non-cash pension adjustments:			
USS triennial valuation	-	£41.1M	
Movement on the USS provision	(£0.8M)	£1.5M	
Movement on Lancashire County Pension Fund provision	(£9.0M)	(£8.0M)	
Total non-cash pension adjustments	(£9.8M)	£34.6M	
Staff costs (excluding non-cash pension adjustments)	£170.8M	£172.6M	-1.1%

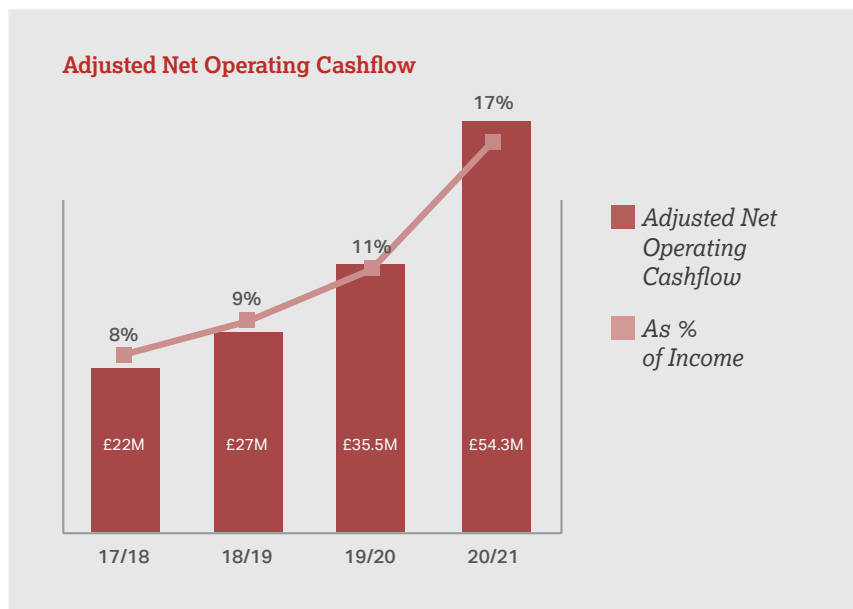
⁵ Expenditure excluding non-cash pension adjustments is calculated as follows:

	2020/21	2019/20	Change
Total expenditure (as reported)	£310.1M	£269.1M	+15.2%
Non-cash pension adjustments within:			
Staff costs	(£9.8M)	£34.6M	
Interest and other finance costs	(£1.9M)	(£2.4M)	
Total expenditure (excluding non-cash pension charges)	£298.4M	£301.3M	-1.0%

Strategic Report

for the year ended 31 July 2021

Key Financial Metric



Adjusted Net Operating Cashflow is used as our key financial metric to provide a common baseline each year to understand the financial performance of the University.

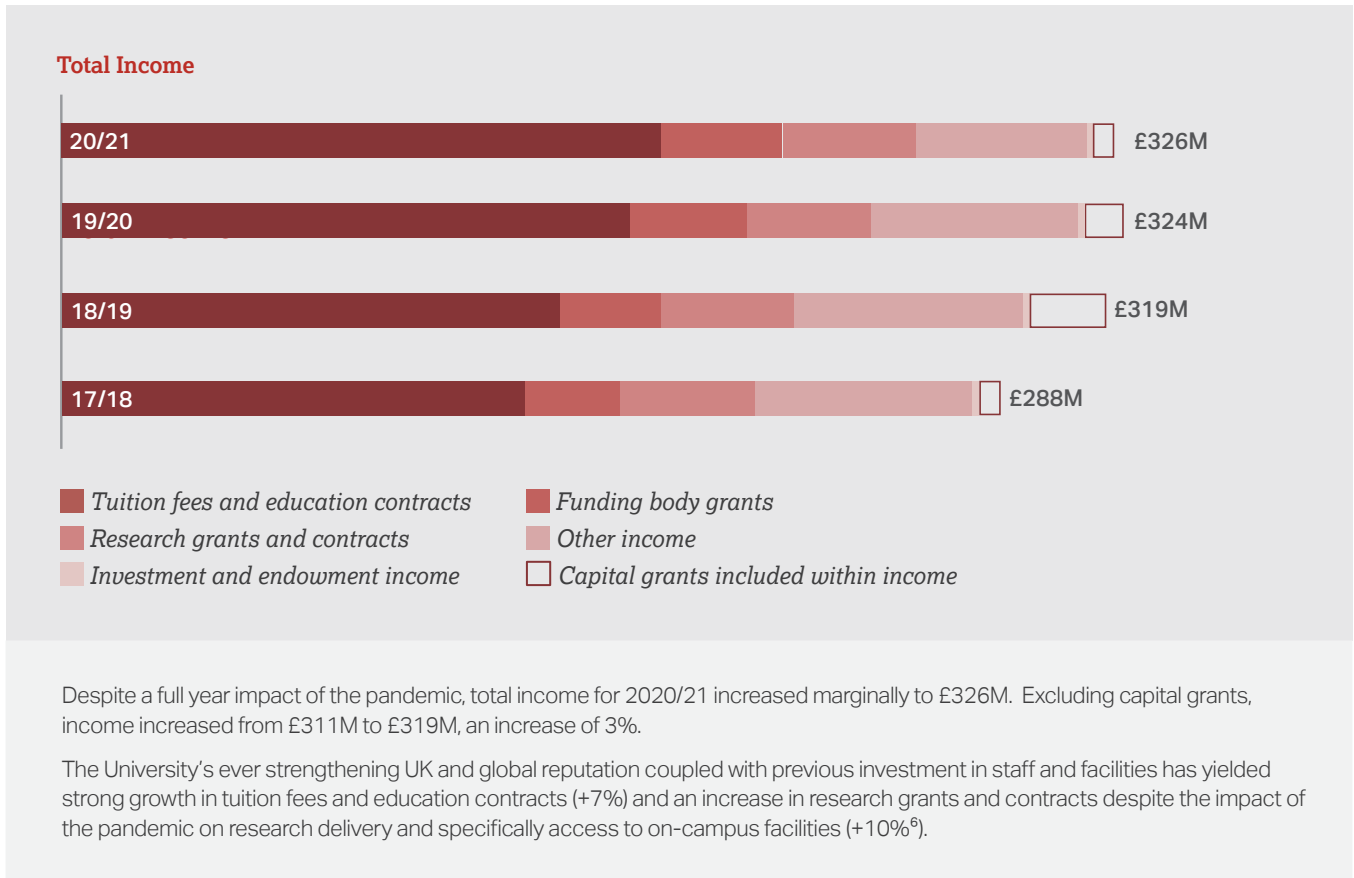
This year's improvement of £18.8M includes a positive net movement on working capital balances. If this movement is excluded then the metric would be £47.6M, representing 15% of income. Both were beyond our target range. The response to the pandemic required exceptional levels of cost control throughout the year, whilst final income earnings were stronger than forecast.

8

Adjusted Net Operating Cashflow is calculated as follows:

	2020/21	2019/20
Net cash inflow from operating activities	£58.5M	£38.9M
Investment income	£0.2M	£0.5M
Endowment income	£0.7M	£1.0M
Interest paid	(£5.1M)	(£4.9M)
Adjusted Net Operating Cashflow	£54.3M	£35.5M
Three year rolling average	12.5%	9.4%

Income



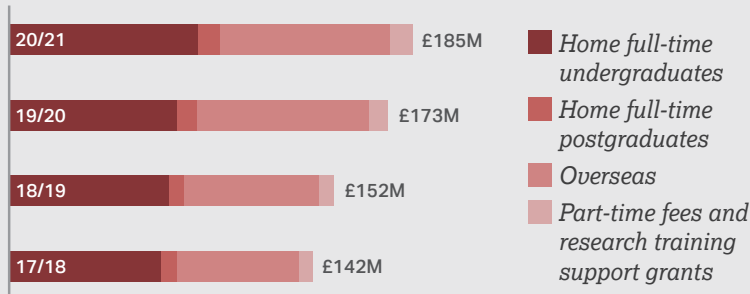
⁶ Excludes the impact of income from capital grants.

Strategic Report

for the year ended 31 July 2021

Income (continued)

Tuition fees and education contracts

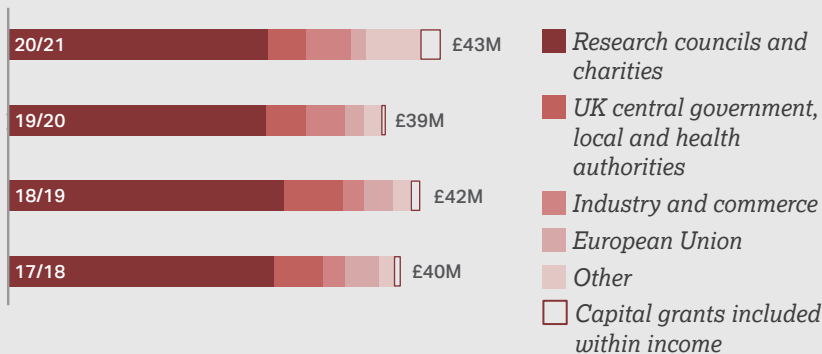


Tuition fee and education contracts have increased by 7% to £185M with steady growth achieved across all fee categories.

Our total student population increased by 6% in 2020/21, reflecting a growing cohort and success in retaining students' engagement with their studies throughout the challenges of the pandemic.

Numbers of students based at our international teaching partnerships in Malaysia, Ghana and China also continue to increase, with an overall growth of 9% this year.

Research grants and contracts

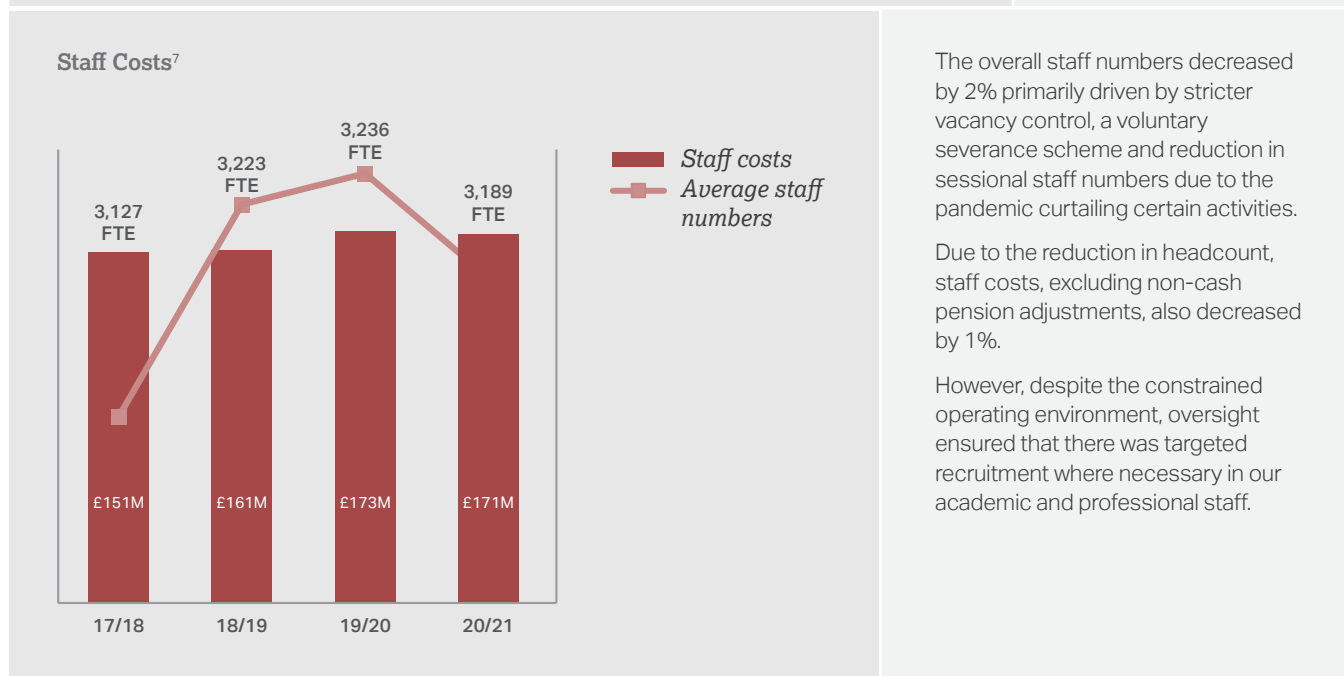
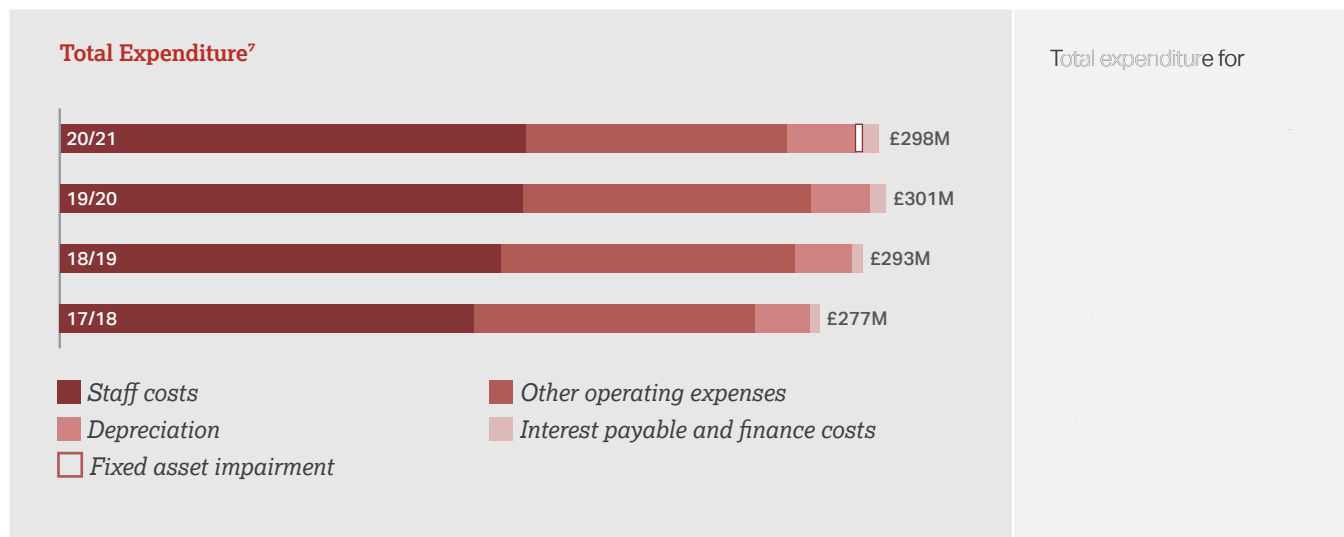


Research grants and contracts income for 2020/21 was £43M which represents an increase of 12%, or 10% excluding the impact of capital grants.

The increase is despite the impact on research delivery as a result of the Covid-19 pandemic, which suspended or paused elements of research activity.

2020/21 was another successful year in terms of the value of awards granted (£53M), the benefit of which will roll forward into future periods.

Expenditure



Other Items

Pensions

The two principal pension schemes for the University's staff are the Universities Superannuation Scheme (USS) and the Lancashire County Pension Fund (LCPF). Details of both schemes can be located within the Statement of Accounting Policies and Note 25 to the Financial Statements.

Taxation

Taxation mainly represents amounts payable in respect of overseas partnership arrangements.

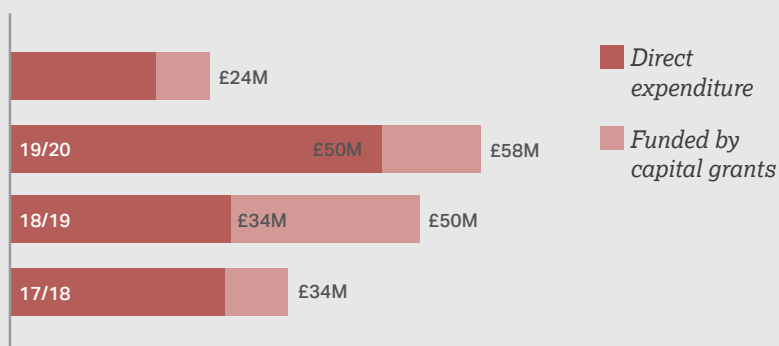
⁷ Excludes non-cash pension adjustments.

Strategic Report

for the year ended 31 July 2021

Statement of Financial Position

Capital Programme

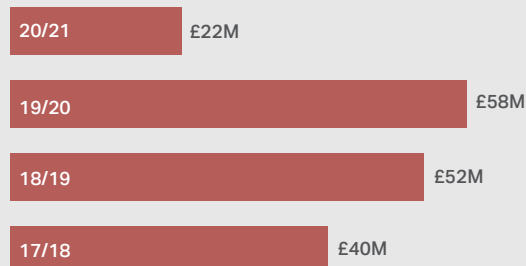


Capital additions in 2020/21 were £24M, the lowest for many years. Due to the pandemic, the capital programme was constrained to completion of projects already on site and other essential works.

Projects completed in the year were mainly student focused, including an extension to the Management School building, additional Library facilities and a new 400-seat lecture theatre.

Future plans are being reviewed in the context of post-pandemic working and the University's carbon commitments.

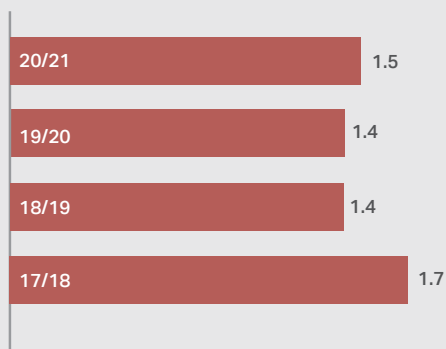
Net Debt



Net Debt has decreased by ca. £36M in the year and positive cash-flows allowed us to repay the full outstanding balance of £35M of our revolving credit facility, half of which had been drawn prior to the previous year-end.

In September 2020 we had obtained a £30M extension to the existing £60M revolving credit facility. This extension provides the University with additional liquidity if required whilst operating in an uncertain financial environment. At the 2021 year-end, the full £90M facility remained undrawn.

Current Asset Ratio

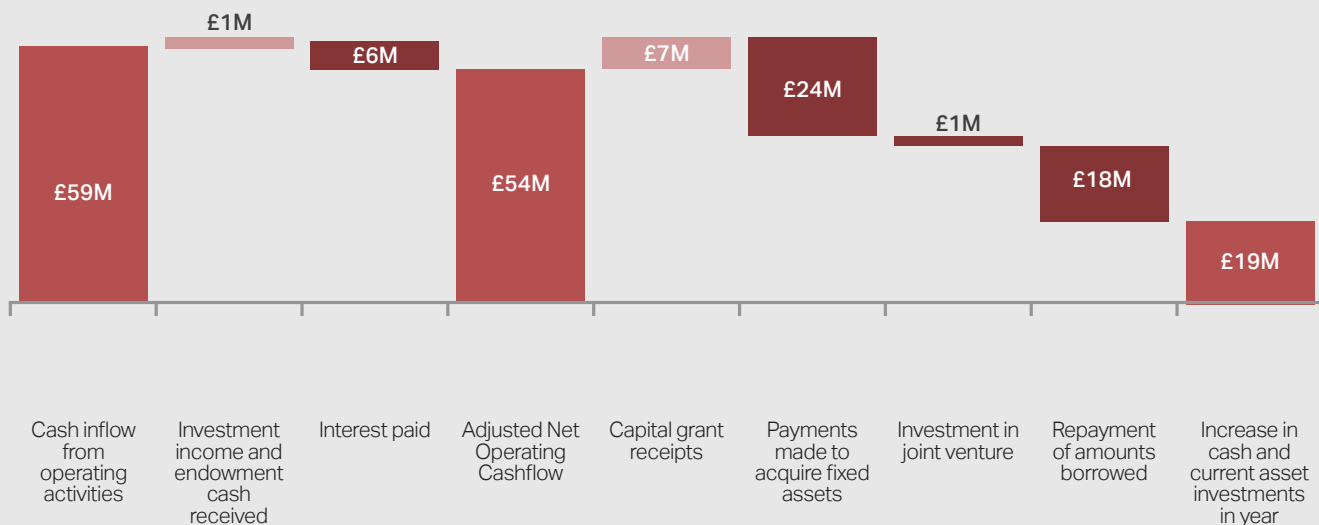


The current asset ratio has improved to 1.5 with cash, cash equivalents and short-term investments increasing by £19M to £96M.

The University adheres to a treasury policy which is used to identify, manage and control treasury risk, manage daily cash balances and ensure compliance with financial covenants.

Cashflow and current asset investments

The following graph highlights key movements in cash and current asset investments during the year.



Conclusion and Outlook

The backdrop of the pandemic throughout the financial year has brought significant challenges across all our activities, as it has for the wider higher education sector. Since the first lockdown in March 2020 the university community has risen to these challenges with dedication and determination to ensure the best possible support for students and to deliver on other commitments to funders and other stakeholders.

The robust financial result for 2020/21 has secured the University's position at this difficult time. It provides a solid basis from which we can respond to the opportunities identified within our Strategic Plan to 2026 in an uncertain external context.

Professor A. J. Schofield
Vice-Chancellor
and Accountable Officer

Mrs Sarah J. Randall-Paley
Director of Finance

26 November 2021

Corporate Governance Statement 2021

The following Statement of Corporate Governance and Statement of Internal Control covers the 2020/21 financial year and period up to the date of approval of the audited financial statements of the University and its subsidiaries by Council on 26 November 2021.

The University is dedicated to maintaining the highest standards of corporate governance and is satisfied that it complies with the Committee of University Chairs (CUC) Higher Education Code of Governance's stated principles and precepts. This view is supported by activity conducted during the year. Over the period, the Council has successfully appointed a new Pro-Chancellor, the Rt. Hon. Alistair Burt, to succeed Lord Roger Liddle, after his seven years of service, during a period of significant change, innovation and success for the University. The transition to this new leadership of the Council coincided with a review of the University's strategy and values, and the subsequent development of a new strategic plan. This plan will steer the University through to 2026 and the continued achievement of its purpose 'to advance knowledge, wisdom and understanding through the excellence of our teaching and research'.

Other governance activity to maintain and enhance standards included a thematic review conducted by Council into its role and assurance regarding institutional culture, its re-evaluation of its framework for succession planning of governors including increasing the diversity of its lay membership, an end of year appraisal review of members and effectiveness reviews of a number of its sub-committees. Committees subject to review over the period were the Audit Committee and Equality, Diversity and Inclusion Committee, and an external review of governance arrangements for health and safety was also undertaken, which is due to report to the Committee for Safety, Health and Wellbeing early in the new academic year. 2021/22 will see the quinquennial Council Effectiveness Review undertaken.

In addition, the University complies with the Public Interest Governance Principles required by the Office for Students (OfS) as the sector regulator, and this compliance was assessed as part of our formal registration with the sector regulator in 2018. Since its publication in September 2020, the University has continued to give due consideration to the revised CUC Code of Governance, in addition to its other codes of practice specific to its sub-committees.

The University is an independent corporation, formed by Royal Charter. It is an educational charity with exempt status regulated by the OfS. Committed to work for public benefit, its objectives, powers and framework of governance are set out in Charter and Statutes, as approved by the Privy Council. Underlying the Charter and Statutes there are other governing documents including Ordinances, committee terms of reference, and delegation schedules that provide for sub-committees and allocated role holder responsibilities and decision-making.

The University operates from its Bailrigg campus in Lancaster, UK, as well as through collaboration and partnership, in other locations both regionally and internationally.

The Charter and Statutes require the University to have two separate bodies, the Council and the Senate, both with clearly defined functions and responsibilities, to oversee and manage its activities alongside executive management.

The Council is the governing body, responsible for the finance, property investments and general business of the University and for setting the general strategic direction of the institution. The Council has adopted a Statement of Primary Responsibilities in accordance with the principles contained within the CUC's Code, which was last reviewed in November 2020 in light of the publication of the latest edition of the Code in September 2020. In addition, other underpinning documentation has been reviewed during the year, including lay member role descriptions and standing orders for sub-committees reflecting the completion of recommendations from the Council Effectiveness Review undertaken during 2016/17. All these actions are designed to further enhance the current corporate governance arrangements of the University and to ensure continuous improvement.

The Council formally met seven times in 2020/21 (with two extraordinary meetings established to respond to the need for more rapid decision-making in response to the effects of the pandemic), held two Away Days and met once for a joint meeting with the Senate regarding the development of a new University strategy and related values. These meetings have predominately used digital modes of working and the Council has continued to conduct a more significant amount of business by correspondence (primarily concerning decision-making directly connected to the Covid-19 pandemic). In July 2021, the Council withdrew a number of temporary governance measures agreed at the start of the pandemic to ensure that effective governance and oversight could be maintained throughout, indicating a return to usual practices for quoracy and decision-making. However, in 2021/22 Council and its sub-committees will be continuing to innovate and develop their approach to digital working and decision-making and embed new practices as business as usual where appropriate.

The Council is formally composed of 22 members, the majority of members, including the Pro-Chancellor (the Chair), being drawn from outside the University (lay members). The remaining membership includes members drawn from the Executive, staff and student groupings. None of the lay members receive any payment for the work they do for the University, apart from the reimbursement of travel and subsistence expenses which amounted to a total of £1,712 in 2020/21 (compared with a total of £5,379 2019/20). This figure continues to reflect the fact that the vast majority of meetings continue to be held online.

Much of the Council's detailed work is initially handled by sub-committees, covering a range of responsibilities; in particular, the Finance and General Purposes Committee, the Audit Committee, the Estates Committee, the Council Safety, Health and Wellbeing Committee and the Nominations Committee. The Nominations Committee is responsible for making recommendations to the Council in relation to Council and sub-committee membership. The successful transition of the Chair of Council to a new Pro-Chancellor, was concluded on 1 October 2020, with the appointment of the Rt. Hon. Alistair Burt.

The Council also has a Remuneration Committee, a Strategic Reward Committee and a Redundancy Committee. The Remuneration Committee is responsible for reviewing and determining the remuneration of the Vice-Chancellor, whereas the Strategic Reward Committee covers remuneration of other executive and senior members of staff, balancing the needs of the University in a competitive environment with the appropriate use of funds. The governance arrangements for the remuneration of senior staff follows the CUC Higher Education Senior Staff Remuneration Code. Remuneration of the Vice-Chancellor, as Accountable Officer, is through the Council's Remuneration Committee to ensure separation of membership and consideration of the Vice-Chancellor's remuneration from that of other executive and senior staff. The Remuneration Committee is chaired by a lay member of Council, and the Pro-Chancellor (Chair of Council) is a member, but the Vice-Chancellor is not a member of that Committee. The Pro-Chancellor chairs the Strategic Reward Committee, and the Vice-Chancellor is a member of that Committee.

All Council sub-committees are formally constituted with terms of reference and specified membership, including lay members. The decisions and recommendations of all these committees are formally reported to the Council. During 2020/21 the final implementation of recommendations identified by the Effectiveness Review of Council sub-committees during 2018/19 has been concluded, as well as the specific reviews of Audit Committee and Equality, Diversity and Inclusion Committee being conducted. The former review was to meet the revised CUC Audit Committee Code of Practice requirements and the latter to better support the University's strategic intent with regards to delivery of EDI objectives.

The Deputy Chief Executive (Operations) and Secretary acts as Secretary to the Council. Any enquiries about the constitution and governance of the University should be addressed to her.

The University maintains a Register of Interests, which may be consulted by arrangement with the Deputy Chief Executive (Operations) and Secretary.

Attendance at the Council meetings held during the financial year (1 August 2020 to 31 July 2021):

Name of member	Eligible to Attend	Actually Attended	Start or end of appointment
* Liddle, Lord R. J. (Pro-Chancellor)	2	2	to 30.09.2020
* Burt, The Rt. Hon. A. J. H. (Pro-Chancellor)	5	4	from 01.10.2020
* Neville-Jones, Baroness L. P. (Deputy Pro-Chancellor)	7	7	
* Ritchie, Professor E. (Deputy Pro-Chancellor)	7	7	
Schofield, Professor A. J. (Vice-Chancellor)	7	7	
Bradley, Professor S. (Deputy Vice-Chancellor)	7	7	
* Barron, Mr D. J.	7	6	
* Burgess, Ms H.	7	7	
* Carey, Mr A.	7	7	
* Diamond, Professor Sir I. D.	7	6	
* Georghiou, Ms R. S.	7	7	
Ghosh, Mr A.	2	2	from 06.02.2021 to 25.06.2021
Guy, Professor S. C.	7	7	
* Johnson, Mr I.	7	7	
Jones, Professor K. C.	7	6	
Morgan, Ms B.	4	4	to 05.02.2021
Mullan, Ms A. M.	7	7	
* Price, Lord M. I.	5	3	to 31.03.2021
* Reid-Fotheringham, Ms M.	5	5	from 01.10.2020
* Reynolds, Mr S. N.	1	0	to 20.09.2020
Robinson, Mr O.	7	7	
Shewani, Ms G.	1	1	from 26.06.2021
* Sycamore, His Hon. P.	7	6	
* Young, Mrs V.	7	7	

* Denotes Lay Member

Corporate Governance Statement 2021

The Senate is responsible for the academic work of the University and the welfare of students and draws its membership from the academic and professional support staff and the students of the institution. The Senate and Council hold joint meetings periodically during the year to support effective communication and sharing of the two bodies' perspectives. The Senate is supported by sub-committees covering a range of responsibilities and reflecting the academic work of the University. There are two joint committees of the Council and the Senate to promote connectivity and accountability between the corporate responsibilities of the University and the academic work and life of the University. These are the Equality, Diversity and Inclusion Committee, and the Student Experience Committee. An internal effectiveness review of Senate was undertaken during 2018/19, which concluded that Senate was operating effectively.

Transparency

In addition to the Statement of Corporate Governance, the University ensures transparency about its corporate governance arrangements, in particular, through publication of these arrangements on its website. This includes publication of the Charter, Statutes and Ordinances, committee terms of reference and memberships, delegation arrangements, minutes of Council and Senate meetings, a register of interests, and biographical information for members of Council. In addition, there is access to broader information about the University's arrangements, including policies and procedures through the Publication Scheme.

Work is scheduled to be undertaken in 2021/22 to update both the Council's and Senate's Schedule of Delegations and the Faculty Constitutions to ensure that these are fully aligned and provide sufficient clarity and transparency to support effective decision-making.

Adequacy and effectiveness

The adequacy and effectiveness of arrangements for corporate governance, risk management and oversight of any statutory and other regulatory responsibilities, including compliance with the OfS's ongoing conditions of registration and any terms and conditions of funding, are kept under regular review to ensure that they remain fit-for-purpose. This is achieved through a range of review mechanisms including those undertaken internally, by external parties, and by the internal and external auditors. The outcomes are reported to relevant committees and changes are approved and implemented where required. Council is ultimately responsible for ensuring the adequacy and effectiveness of these arrangements but will discharge detailed review and monitoring to sub-committees, in particular, the Audit Committee and the Finance and General Purposes Committee.

These arrangements also allow for the University to ensure regularity and propriety in the use of public funding. This is

achieved through the operation of frameworks and policies which are regularly tested by internal and external audit or other internal monitoring with appropriate reports through to the Council after consideration by sub-committees as appropriate. Examples include the Schedule of Delegations, the Financial Regulations and linked policies and procedures such as the Expenses Policy, the Remuneration and Reward policies, and wider procurement procedures. An annual report on Value for Money across the organisation is also prepared annually for review by the Audit Committee.

Senior officers and executive management

The Vice-Chancellor has a general responsibility to the Council for maintaining and promoting the efficiency and good order of the University. Under the OfS terms and conditions, the Vice-Chancellor is the Accountable Officer of the University.

As Chief Executive of the University, the Vice-Chancellor exercises considerable influence upon the development of institutional strategy and values, the identification and planning of new developments and the shaping of the institutional ethos. The Deputy Vice-Chancellor, the Deputy Chief Executive (Operations), the Pro-Vice-Chancellors, the Faculty Deans, and the senior Professional Service Directors all contribute in various ways to this aspect of the work, but the ultimate responsibility for what is done rests with the Council.

In December 2020, to support the Vice-Chancellor, a new University Executive Board (UEB) was established (to replace the University Management Advisory Group) which meets regularly to consider and advise the Vice-Chancellor on key strategic and operational aspects of the University's work. This is complemented by regular joint meetings with the Professional Services Executive Group and the Students' Union. In addition, during the Covid-19 pandemic, the Vice-Chancellor has also had the support of emergency response teams and structures, as well as a Pandemic Institutional Response Group (PIPR) to support recovery and business continuity. The PIPR Group has now been stood down as the University returns to a more normal operating model.

Remuneration of the Vice-Chancellor

Over the last 5 years the overall remuneration of the University's incumbent Vice-Chancellor has remained below or around the median for the sector and the University's comparator group, based on UCEA and Korn Ferry Hay Group benchmarking of Pre-92 HEIs with similar turnover, student numbers, etc. The remuneration package of the current Vice-Chancellor, appointed on 1 May 2020, is below the median for the sector based on UCEA and Korn Ferry Hay Group reporting.

The University has sustained a strong performance during this period culminating in the University becoming the Times and Sunday Times International University of the Year in 2020

and consistently achieving top ten positions in the majority of national league tables, at the same time as meeting its widening participation aims.

Despite this sustained performance, the remuneration of the Vice-Chancellor has remained closely aligned and relative to:

- (a) the institution's overall pay ratio and reward strategy; and
- (b) the appropriate sector median and benchmarks.

On an annual basis the Pro-Chancellor (Chair of Council) undertakes a robust appraisal of the Vice-Chancellor's performance and also proposes forward-looking performance objectives for the next year. A detailed report is prepared, with support from the University's Director of People and Organisational Effectiveness, as clerk to the Remuneration

Committee, and is then presented to the University's Remuneration Committee along with the latest Committee of University Chairs (CUC), University and Colleges Employers Association (UCEA) and other salary/overall remuneration benchmarking information. Where appropriate, independent specialist advice is also sought from the institution's external advisors (currently the Korn Ferry Hay Group).

The University and its Remuneration Committee use pay ratios as part of the data considered to ensure there is an equitable, robust and transparent way of calibrating the Vice-Chancellor's remuneration relative to the overall University workforce. As the Vice-Chancellor was new in role on 1 May 2020, the first annual review of his salary took place in September 2021 alongside consideration of the Vice-Chancellor's future objectives and development.

The following further detail is provided using the prescribed OfS formulas for determining pay ratios:

Including sessional:	Vice Chancellor 2020/21	Comparative Figure for 2019/20
<p>Basic Salary How many times more the Vice-Chancellor's basic salary is compared to the median pay of staff where the median pay is calculated on a full-time equivalent basis for the salaries paid by the institution to its staff, casual workers and contractors.</p>	6.1	6.3
<p>Total Remuneration How many times more the Vice-Chancellor's total remuneration is compared to the median total remuneration of staff, where the median total remuneration is calculated on a full-time equivalent basis for the total remuneration by the provider of its staff, casual workers and contractors.</p>	6.5	6.5

Excluding sessional	Vice Chancellor 2020/21	Comparative Figure for 2019/20
<p>Basic Salary How many times more the Vice-Chancellor's basic salary is compared to the median pay of staff where the median pay is calculated on a full-time equivalent basis for the salaries paid by the institution to its staff.</p>	6.1	6.3
<p>Total Remuneration How many times more the Vice-Chancellor's basic salary is compared to the median total remuneration of staff where the median total remuneration is calculated on a full-time equivalent basis for the total remuneration by the provider of its staff.</p>	6.3	6.3

Corporate Governance Statement 2021

Statement of internal control

As the governing body of Lancaster University, the Council has responsibility for ensuring that a sound system of internal control is maintained, and for reviewing the effectiveness of these arrangements, which includes the arrangements for the prevention and detection of corruption, fraud, bribery and other irregularities. This includes identifying and evaluating the principal risks to the University (covering strategic, business, operational, compliance and financial arrangements) and ensuring they are managed through the concomitant systems of internal control. Risk assessment and internal control are embedded in ongoing operations and processes, in particular risk management arrangements, due diligence activity, review and audit work, to ensure the delivery of organisational objectives. The Council contributes to the achievement of the University's strategic goals by ensuring that: risks are identified and assessed; assets, including public funds, are safeguarded; and liabilities are recorded and managed.

Council receives regular reporting on internal control and risk, including through direct reporting or via sub-committees with particular expertise, or responsibility. The reporting can result from a range of issues and approaches, such as emerging risks through to periodic monitoring. Notably, detailed review and monitoring of the system of internal control and risk is carried out on behalf of the Council by the Audit Committee throughout the year, from which it receives an annual report and opinion on the adequacy of the arrangements, as well as periodic reports on the efficiency of internal controls and the management of principal risks. Council, therefore, reviews the effectiveness of internal control and related arrangements on an ongoing basis and recognises its responsibility and the importance of doing so.

During the year, a review of the Council's approach to managing risk and its risk appetite across twelve risk domains the University is exposed to was undertaken. The exercise considered both the current risk appetite and the perceptions of an ideal risk appetite. This activity will now inform the revision of the overall Resilience at Lancaster: Risk Management Framework and be used as a lens in strategic decision making. The Council, with the support of its Audit Committee, reviewed its approach to managing risks associated with internationalisation after the publication of new guidance from the UUK, *Managing Risks in Internationalisation: Security Related Issues*, October 2020. The University's activity, policies and procedures has been audited against the framework to assess alignment and identify areas for future focus. The Audit Committee has also continued to keep a watching brief on matters relating to cyber security and the Council regarding the consequences of the pandemic, including regarding admissions and student experience.

As the University has continued to operate under the extraordinary conditions of a pandemic with variable Government restrictions and guidelines throughout the year, the University did not undertake any institutional emergency exercises in 2020/21; these are planned to resume in 2022.

The review of the effectiveness of the system of internal control is supported by internal and external auditing, which is provided by PricewaterhouseCoopers (PwC) and BDO respectively, operating to standards defined in the OfS Audit Code of Practice. The internal auditors submit regular reports to the Audit Committee, in accordance with an approved annual plan, including the internal auditors' independent opinion and recommendations. During 2020/21, nine internal audit reviews were undertaken and based upon this work, the internal auditors' annual opinion for 2020/21 was that 'governance, risk management and control, and value for money arrangements in relation to business-critical areas are generally satisfactory'. It noted that improvements were required in those areas where recommendations had been raised during the course of the year. Audit Committee was satisfied with the management responses to these recommendations.

There were nine internal audit reviews resulting in no overall classifications rated as either 'high' or 'critical' and additional advisory work undertaken as and when requested. The external auditors' report to the Audit Committee as a minimum annually and their annual opinions are provided elsewhere in the Financial Statements. The work of the internal and external auditors plays an important role in assisting the University in improving the internal control environment and performance in the delivery of value for money through the provision of independent review and assurance and where appropriate through recommendations to enhance arrangements.

The University operates an enhanced risk management process under the Resilience at Lancaster Risk Management Framework and Policy which encompasses emergency response and business continuity and includes a periodic review of the institutional risk appetite.

The Council regularly receives and considers a report on the Risk Register. The Risk Register provides a summary assessment of the principal risks identified, an evaluation of the level of risk posed and the mitigations/management responses to manage the risk. The Audit Committee also receives regular reports and is responsible for providing an annual opinion to Council on the adequacy and effectiveness of the University's arrangements for risk management control and governance. Over this period, the Council considered the register more frequently than in previous years as there was an ongoing process of identifying, and mitigating where possible, the many risks arising from the uncertainty surrounding the Covid-19 pandemic and the consequences of EU transition and Exit. The intention is that the outcomes of the Risk Appetite Review will now inform a substantial review of the Risk Register in particular regarding risk realisations, for consideration by Council in November 2021.

The University's overarching Risk Register, along with local variants within Faculties and professional services, which inform the implementation of the University's risk policy, are considered by the University Executive Board (UEB): the overarching register quarterly and all through the annual review process. Executive managers have responsibilities for the development and maintenance of risk-based internal control frameworks. Cyber security remains one of the University's highest-rated risks with a number of UK universities and other large organisations experiencing attacks during 2020/21. The University has continued to strengthen its risk mitigations in this area, introducing a number of University-wide enhancements to IT security in addition to those based on its learnings from the 2018/19 cyber-attack.

Financial control

The Council ensures that there are adequate and effective arrangements in place to ensure public funds are managed appropriately in line with conditions of grant and the principles of regularity, propriety and value for money, and to protect the interests of taxpayers and other stakeholders. This also applies to any funds passed to another entity for the provision of facilities or learning and teaching, or for research to be undertaken. The Audit Committee explicitly considers and reports on value for money on an annual basis.

The Council is responsible for the administration and management of the financial position of the University and is required to prepare audited financial statements for each financial year.

The Council keeps proper accounting records which disclose with appropriate accuracy at any time the financial position of the University and enable it to ensure that the financial statements are prepared in accordance with the University's Charter and Statutes, and in accordance with United Kingdom Accounting Standards, including Financial Reporting Standard 102 (FRS 102), the Statement of Recommended Practice for Further and Higher Education (2019 edition) and the latest OfS Accounts Direction. The Council, through its Accountable Officer, prepares financial statements for each financial year which give a true and fair view of the state of affairs of the University. The Council is responsible for the maintenance and integrity of the University and group's financial statements. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In the preparation of the financial statements, the Council has ensured that:

- suitable accounting policies are selected and then applied consistently;
- judgements and 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;
- financial statements are prepared on the going concern basis unless it is inappropriate to presume that the University will continue in operation. The Council 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 for the preparation of the financial statements.

The Council has taken reasonable steps to:

- ensure that funds from whatever source administered by the University are used only for the purposes for which they have been given and managed in accordance with relevant legislation;
- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- safeguard the assets of the University and prevent and detect fraud;
- secure the economical, efficient and effective management of the University's resources.

The key elements of the University's system of internal financial control, which are designed to enable the Council 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, as set out in a Scheme of Council Delegations and the Financial Regulations;

- a comprehensive medium and short-term planning and resource process;
- monthly reviews of income and expenditure involving variance reporting and updates of forecast outturns;
- clearly defined and formalised requirements for approval and control of expenditure;
- a formalised treasury management policy;
- comprehensive financial regulations detailing financial controls and procedures; and
- a professional internal audit team whose annual programme is approved by the Audit Committee.

Corporate Governance Statement 2021

Statement on fundraising

To support its objectives and in line with its commitment to public good, the University seeks, stewards and accepts benefactions. The work is led by the Director of Philanthropy, Alumni and Supporter Engagement and does not use either external professional fundraisers or commercial agents and an Annual Report is received by the Council. Work is informed by the Principles of Practice for Fundraising Professionals at Educational Institutions as approved by the Council for Advancement and Support of Education's Board of Trustees and the University is confident that it meets all expectations of personal integrity, confidentiality and public trust and is proactive in ensuring that vulnerable people and other members of the public are protected from inappropriate fundraising behaviour as specified in the Charities (Protection and Social Investment) Act 2016. The University received no complaints about its fundraising in 2020/21.

Public Benefit Statement

As an educational charity with exempt status the University is responsible for ensuring that its work provides public benefit. The members of the Council, as trustees, take regard of the guidance on public benefit, as published by the Charity Commission, in exercising their powers and duties.

The University's commitment to public benefit is reflected in its objective, as stated in its Charter: "to advance knowledge, wisdom and understanding by teaching and research and by the example and influence of its corporate life". This is manifest in its Council approved strategic priorities: (1) research that transforms practice and thinking; (2) teaching that transforms people's lives and society; and (3) engage actively with our communities to transform wider society. In March 2021, and after widespread consultation with its staff, students and wider stakeholders, Council approved a new University Strategy for the next five years.

Through its work the University is committed to ensuring outcomes that achieve real value, either directly or indirectly: people are developed to contribute to the society and economy; knowledge and physical assets are shared to innovate, inform and inspire and ensure that the benefits are fully realised; businesses and communities are engaged in partnership regionally, nationally and internationally; public policies are informed and developed to enable improved circumstances; local economies are stimulated; and international connections are built.

Notable examples of how the University seeks to make a difference include:

- Its continued response to the Covid-19 pandemic with staff and students from across the institution supporting the national and local management of, and recovery from, the Coronavirus outbreak. This has included: the University hosting both local testing facilities and a community NHS vaccination centre at its Health Innovation facility, HiOne; Lancaster academics investigating potential treatments for Covid-19 through an agile drug testing platform and developing a nasal vaccine; Lancaster academics serving on the Specific Pandemic Influenza Modelling Group (SPI-M) sub-group of the UK government's SAGE group; and the Management School's 'Business Model Innovation' programme delivering support to regional business managers to review their business models and ensure they can flex and adapt when the need arises.
- Ensuring that all its students receive a high-quality educational experience that enables them to ultimately lead productive and fulfilled lives.
- A strong and longstanding commitment to widening access to and participation in higher education and raising aspirations of individuals who may have limited experience of university or experience barriers to entering. This is reflected in the University's Access and Participation Plan approved by the OfS and its membership of 'Realising Opportunities', a collaboration of leading research-intensive universities, working together to promote fair access and social mobility of students from groups underrepresented in higher education. Work in this area has included the University's commitment to achieving University of Sanctuary status to support students and academics who are asylum seekers, refugees and those who have humanitarian protection to work and study at Lancaster. This has included the establishment of scholarships and fellowships in addition to tailored support.
- The University's Climate Emergency Declaration in November 2020 and its plans to become carbon neutral by 2035. This includes plans for the University to generate more low carbon electricity to further extend its sector leading position: the University was the first to secure its own wind turbine.
- Lancaster's academics have continued to highlight the need for global action with presentations at the COP 24 Global Climate Conference in Paris on emissions and critical research activity including participation in an €8M EU Horizon 2020 funded project considering global ocean ecosystem tipping points and more locally the H2H project evaluating how Heysham Power Station can generate low carbon, low-cost hydrogen for the local community.

- Support and expertise from the University's Beyond Imagination Team to local residents and the Lancaster City Council to re-envisage 1960s social housing and create once-in-a-generation proposals to rejuvenate and redevelop the Lancaster Mainway Estate. In addition, the University's Lancaster Arts has worked with the Lancaster City Council to secure a £86K grant from Historic England to create and deliver a four-year cultural programme for the city and a Heritage Action Zone.
- The opening of the University of Lancaster School of Maths, in Preston with Cardinal Newman College, to provide specialist maths education and a regional centre of excellence for delivering Mathematics teaching at A-Level and which received its first cohort of students in September 2020.
- Undertaking research that seeks to address and have a positive impact on real-world challenges, for example:
 - In a consortium with other notable Universities, Lancaster's Environment Centre through the GroundsWell Project, is developing innovative approaches to work with communities where there are high levels of health inequalities. Communities and professionals working in those communities will be key partners to develop and implement ways to improve health inequalities and prevent a range of chronic illnesses through harnessing the positive impact of nature.
 - Work in partnership with the University of British Columbia on a study to explore the diverse range of impacts the Covid-19 pandemic has had on adolescent mental health.
 - Our researchers have been exploring threats to global food security and the potential future effects of climate change and overfishing on the oceans. The Micronutrient supply from global marine fisheries under climate change and overfishing research projected the consequences of this for people in countries around the world and their increased risks of malnutrition.
 - Lancaster is a partner in the Unite4TB project which is aiming to develop new, safe and affordable treatments for Tuberculosis, still one of the World's top ten causes of death.
 - The University is the academic lead in the Manchester-based Digital Innovation and Security Hub (DISH). This collaborative project seeks to identify digital security threats and innovative responses to them with the ambition for Greater Manchester to become a top five European digital city region.
 - On a local level, the University has partnered with local companies, colleges, Lancaster City Council, Lancashire County Council, and a group of leading Universities led by Lancaster, to form Bay Fusion and nominate Heysham as the potential site location for the Government's Spherical Tokamak for Energy Production (STEP). STEP is an ambitious programme to build the World's first prototype fusion energy plant (a low carbon energy source), generating electricity for the grid by 2040.

- In June 2021, our academics from the Lancaster University Management School advised the G7 Summit Economic Resilience Panel on the perspectives of small and medium sized businesses when building collective economic resilience and how productivity should be at the heart of the UK's economic recovery from the Covid-19 pandemic.
- Our academics have provided evidence and advised the UK Parliament Defence Committee regarding the Royal Navy's role in securing a Global Britain and a significant influencer on the World stage.

The University's excellent reputation is backed by strong quantitative measures including:

- being placed in the top 10 of UK universities in the Times' and Guardian's national league tables and 11th in the Complete University Guide 2022 and was named The Times and Sunday Times Good University Guide International University of the Year for 2020,
- being ranked 132nd out of more than 1,000 universities in the QS World University Rankings 2022 (a rise of 3 places on 2021 and placing it 20th out of the 90 UK universities included), and 136th in the Times Higher Education (THE) World University Rankings 2021, placing Lancaster 17th out of the 101 UK universities included in the THE table;
- the fact that, in the 2021 National Student Survey (NSS), 83% of Lancaster University students are satisfied overall with the quality of their course, compared with a national average of 75%. Ranked against comparable universities, this puts Lancaster 6th in England;
- its submissions to the Research Excellence Framework (REF) exercise. In the 2014 REF Lancaster ranked 13th of 128 for the proportion of world leading research and it has recently submitted to the REF'21 with outcomes expected early in 2022;
- its performance in the Knowledge Exchange Framework published April 2021. The framework measures how well universities perform in areas from business support to local regeneration. Lancaster was in the top twenty or thirty percent in five out of seven assessment areas, when compared to 135 English Higher Education Institutions. Lancaster was ranked in the top 20% for its work on Working with Business, Working with the Public & Third Sector, and Local growth & Regeneration; and
- being named National Education Opportunities Network Higher Education Institution of the Year for its key achievements in key achievements in the widening access sector.

Independent Auditor's Report to the Governors of Lancaster University

Opinion on the financial statements

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 2021 and of the Group's and the University's income and expenditure, gains and losses, changes in reserves and of the Group's and University's cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities Act 2011.

We have audited the financial statements of Lancaster University ("the University") and its subsidiaries ("the Group") for the year ended 31 July 2021 which comprise Consolidated and University Statement of Comprehensive Income, Consolidated and University Statement of Financial Position, Consolidated and University Statement of Changes in Reserves and Consolidated Statement of Cash Flows 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).

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group and the 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the board members' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and University's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the board members with respect to going concern are described in the relevant sections of this report.

Other information

The board is 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 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 governance statement and strategic report 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.
- Funds provided by the OfS, UK Research and Innovation (including Research England), the Education and Skills Funding Agency and the Department for Education have been applied in accordance with the relevant terms and conditions
- The requirements of the OfS 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.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matter where the Charities Act 2011 requires us to report to you if, in our opinion:

- the information in the Trustee’s Annual Report is inconsistent in any material respect with the financial statements; or
- sufficient accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the board

As explained more fully in the responsibilities of the board of governors statement set out on page 14, the board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the 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 board 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.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Based on our understanding of the Group and the sector in which it operates, we identified that the principal risks of non-compliance with laws and regulations related to their registration with the Office for Students, and we considered the extent to which non-compliance might have a material effect on the Group Financial Statements or their continued operation. We also considered those laws and regulations that have a direct impact on the financial statements such as compliance with the Accounts Direction OfS 2019.41 and tax legislation.

We evaluated management’s incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial results and management bias in accounting estimates.

The audit procedures to address the risks identified included:

- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud, including direct representation from the Accountable Officer.
- Reviewing minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC, OfS and Research England to identify any actual or potential frauds or any potential weaknesses in internal control which could result in fraud susceptibility.

Independent Auditor's Report to the Governors of Lancaster University

- Reviewing items included in the fraud register as well as the results of internal audit's investigation into these matters.
- Challenging assumptions made by management in their significant accounting estimates in particular in relation to the defined benefit pension liabilities, provision against student and other debtors.
- In addressing the risk of fraud, including the management override of controls and improper income recognition, we tested the appropriateness of certain manual journals, reviewed the application of judgements associated with accounting estimates for the indication of potential bias and tested the application of cut-off and revenue recognition.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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 governors, as a body, in accordance with paragraph 154 of the Charities Act 2011. Our audit work has been undertaken so that we might state to the board 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 board as a body, for our audit work, for this report, or for the opinions we have formed.

Kyla Bellingall (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Birmingham

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

Statement of Principal Accounting Policies

for the year ended 31 July 2021

1. Basis of accounting

The Group and University financial statements have been prepared under the historical cost convention and in accordance with United Kingdom Accounting Standards, including Financial Reporting Standard 102 (FRS 102) and the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education (2019 edition) and the Office for Students (OfS) Accounts Direction published in (OfS 2019.14). The University is a public benefit entity and therefore has applied the relevant public benefit requirement of the applicable UK laws and accounting standards.

2. Going Concern

The University's activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic Report. The Strategic Report also describes the financial position of the University, its cash flows, liquidity position and borrowing facilities.

At the start of this financial year, and due to the considerable uncertainty over the impact of the Covid-19 pandemic on student numbers from both a tuition fee and residential income perspective, the University had set a £17M deficit budget for 2020/21. At that time, the University took immediate and significant steps to mitigate the impact on cash flow with detailed plans to constrain both revenue and capital expenditure accordingly. As well as these significant revenue and capital budget revisions, a £30M increase to the University's existing Revolving Credit Facility (RCF) was approved in September 2020. This facility runs to 2023, with potential extension for a further two years.

As reported in detail within the Strategic Report, the actual financial performance for 2020/21 has been significantly better than the approved budget, with a reported year-end surplus before tax of £15M. Cash balances have remained significantly in advance of budget with year-end balances totalling £96M and with the full £90M RCF being undrawn at 31 July 2021.

The Council has confirmed the University's key financial indicator as Adjusted Net Operating Cashflow as a percentage of income in the range of 9-11% in the updated University strategy to 2026. Supporting this, student numbers are planned to rise over the forecast period, with surpluses projected and liquidity remaining strong.

Therefore, from all of the aforementioned steps, the Council has a reasonable expectation that the Group and University has

adequate resources to continue in operational existence for the foreseeable future, which is a period of at least 12 months from the date of signing these financial statements. Thus, it continues to adopt the going concern basis of accounting in preparing the annual financial statements.

3. Exemptions under FRS 102

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

4. Basis of consolidation

The consolidated financial statements include the financial statements of the University and all its subsidiaries. The University accounts for its share of joint ventures using the equity method and accounts for its share of transactions from joint operations and jointly controlled assets in the Consolidated Statement of Comprehensive Income. A schedule of all subsidiaries, associates and joint ventures is shown within Note 30.

The results of subsidiaries acquired or disposed of during the period are included in the Consolidated Statement of Comprehensive Income from the date of acquisition or up to the date of disposal. Intra-group transactions are eliminated on consolidation.

Gains or losses on any intra-group transactions are eliminated in full. Amounts in relation to debts and claims between undertakings included in the consolidation are also eliminated. Balances between the University and its associates and joint ventures are not eliminated. Normal trading transactions that are not settled by the Statement of Financial Position date are included as current assets or liabilities.

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

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

Statement of Principal Accounting Policies

for the year ended 31 July 2021

5. Income recognition

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

Tuition Fee income is stated gross of any expenditure which is not a discount and credited to the Statement of Comprehensive Income 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.

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

Grant funding

Grant funding including OfS and Research England block grant, research grants from government sources and grants (including research grants) from non-government sources is 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 Statement of Financial Position and released to income as the conditions are met.

Donations and endowments

Non-exchange transactions without performance related conditions are donations and endowments. Donations and endowments with donor-imposed restrictions are recognised in income when the 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 or other restriction 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 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.

Donations of tangible assets are included within income. The income recognised is valued using a reasonable estimate of the gross value or the amount actually realised.

Donated tangible assets are valued and accounted for as tangible assets under the appropriate asset category.

Capital grants

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

6. Agency arrangements

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.

7. Accounting for retirement benefits

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

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

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

Defined Contribution Plan

A defined contribution plan is a post-employment benefit plan under which the University pays fixed contributions into a

separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

Multi-employer schemes

Where the University is unable to identify its share of the underlying assets and liabilities in a multi-employer scheme on a reasonable and consistent basis, it accounts as if the scheme were a defined contribution scheme.

Where the University has entered into an agreement with such a multi-employer scheme that determines how the University will contribute to a deficit recovery plan, the University recognises a liability for the contributions payable that arise from the agreement, to the extent that they relate to the deficit, and the resulting expense is recognised in expenditure.

Defined Benefit Schemes

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

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

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

Annually, independent actuaries are engaged to calculate the obligation for each scheme. The present value is determined by discounting the estimated future payments at a discount rate based on market yields on high quality corporate bonds denominated in sterling with terms approximating to the estimated period of the future payments.

The fair value of a scheme's assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the University's policy for similarly held assets. This includes the use of appropriate valuation techniques.

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

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

Further detail is provided on the specific pension schemes in note 25 to the accounts.

8. 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.

9. Service concession arrangements

Fixed assets held under service concession arrangements are recognised on the Statement of Financial Position at the present value of the minimum lease payments when the assets are brought into use with a corresponding financial liability.

Payments under the service concession arrangement are allocated between service costs, finance charges and financial liability repayments to reduce the financial liability to nil over the life of the arrangement.

10. Operating leases

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

Lease income from operating leases is recognised in income on a straight-line basis over the lease term.

Statement of Principal Accounting Policies

for the year ended 31 July 2021

11. Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in Surplus or Deficit.

12. Property, plant and equipment

Land and buildings

Land and building are capitalised at cost on initial recognition.

After initial recognition, land and buildings are subsequently measured at cost or deemed cost less accumulated depreciation and accumulated impairment losses. Certain items of land and buildings that had been revalued to fair value on or prior to the date of transition to FRS102, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation. This independent valuation was undertaken on 1 April 2015 by Gerald Eve.

Costs incurred in relation to land and buildings after initial purchase or construction are capitalised to the extent that they increase the expected future benefits to the University.

Freehold land is not depreciated as it is considered to have an indefinite useful life. Freehold buildings are depreciated on a straight-line basis over their expected useful lives ranging from 15-80 years.

Where an item of land and buildings comprise two or more major components with substantially different useful economic lives, each component is accounted for separately and depreciated over its individual economic life. Expenditure relating to subsequent replacement of components is capitalised as incurred.

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

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

Equipment

Equipment is capitalised at cost on initial recognition and then subsequently at cost less accumulated depreciation and accumulated impairment losses.

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

Capitalised equipment is stated at cost and depreciated over its expected useful life as follows:

Computer equipment:	5 years
Equipment acquired for specific research projects:	3-5 years
Other equipment:	10 years
Motor vehicles:	5 years

Where an item of equipment comprises two or more major components with substantially different useful economic lives, each component is accounted for separately and depreciated over its individual economic life. Expenditure relating to subsequent replacement of components is capitalised as incurred.

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

Internally Generated Software

Internally generated software development is capitalised where the costs exceed £25,000 and where a new asset has been created that will deliver future economic benefits.

Development expenditure will only be capitalised from the point at which the technical, commercial and financial viability of an individual project has been positively assessed to deliver future economic benefit and approved for development and implementation. This will therefore not include costs associated with the research phase of an internal software development project such as feasibility studies or market research which are expensed as incurred.

Development is deemed to end when the application is released into use and any other development expenditure is deemed to be continuous improvement and would not be capitalised unless it contributes to a significant increase in the economic value of the asset.

A review for impairment of software development costs is carried out if circumstances change and provision is made for any impairment.

Impairment

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

Borrowing costs

Borrowing costs which are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised. During the year, total borrowing costs capitalised amounted to £0.4M (2019/20 : £0.9M) at a capitalisation rate of 2.735% (2019/20 : 2.735%).

13. Heritage assets

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

Acquisitions valued at over £25,000 have been capitalised and recognised at the cost or value of the acquisition.

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

Where heritage assets have not been capitalised, details of the nature and age of these assets are disclosed.

14. Investments

Investments in jointly controlled entities, associates and subsidiaries are carried at cost less impairment in the University's separate financial statements and all investments are held as basic financial instruments on the Statement of Financial Position.

15. Stock

Building maintenance, catering, bars and central stationery stocks are held at the lower of cost or net realisable value. Consumable items are charged directly to the Statement of Comprehensive Income.

16. 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 (maturity being less than three months from the placement date), highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value.

17. Provisions, contingent liabilities and contingent assets

Provisions are recognised in the financial statements when:

- (a) the University has a present obligation (legal or constructive) as a result of a past event;
- (b) it is probable that an outflow of economic benefits will be required to settle the obligation; and
- (c) a reliable estimate can be made of the amount of the obligation.

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

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

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

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

18. Taxation

The University is an exempt charity within the meaning of Part 3 of the Charities Act 2011. It is therefore a charity within the meaning of Para 1 of schedule 6 to the Finance Act 2010 and accordingly, the University is potentially exempt from UK Corporation Tax in respect of income or capital gains received within categories covered by sections 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 expenditure (revenue and capital) is included in the costs of such expenditure. Any irrecoverable VAT allocated to fixed assets is included in their cost.

Statement of Principal Accounting Policies

for the year ended 31 July 2021

The University's subsidiary companies are subject to Corporation Tax and VAT in the same way as any commercial organisation.

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

Deferred tax is provided in full on timing differences that exist at the Statement of Financial Position date and that result in an obligation to pay more tax, or a right to pay less tax in the future. The deferred tax is measured at the rate expected to apply in periods in which the timing differences are expected to reverse, based on the tax rates and laws that are enacted or substantively enacted at the Statement of Financial Position date.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax assets and liabilities are not discounted.

19. Financial Instruments

The University has elected to adopt Sections 11 and 12 of FRS 102 in respect of the recognition, measurement, and disclosure of financial instruments.

Financial Assets

Basic financial assets include trade and other receivables, cash and cash equivalents. These assets are initially recognised at transaction price and are assessed for indicators of impairment at each Statement of Financial Position date. If there is objective evidence of impairment, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets carried at amortised cost, the impairment loss is the difference between the carrying amount of the asset and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate.

Other financial assets, including investments in equity instruments which are not subsidiaries, associates, or joint ventures are initially measured at fair value, which is typically the transaction price. These assets are subsequently carried at fair value and changes in fair value at the reporting date are recognised in the Statement of Comprehensive Income. Where the investment in equity instruments is not publicly traded and where the fair value cannot be reliably measured the assets are measured at cost less impairment.

Financial assets are de-recognised when the contractual rights to the cash flows from the asset expire or are settled or substantially all of the risks and rewards of the ownership of the asset are transferred to another party.

Financial Liabilities

Basic financial liabilities include trade and other payables, bank loans, and inter-group loans. These liabilities are initially recognised at transaction price and are subsequently carried at amortised cost using the effective interest rate method.

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest rate method.

Financial liabilities are de-recognised when the liability is discharged, cancelled, or expires.

Derivatives

Derivative financial instruments are recognised at fair value using a valuation technique with any gains or losses being reported in the Statement of Comprehensive Income. Outstanding derivatives at the reporting date are included under the appropriate category depending on the nature of the derivative.

The University holds derivative financial instruments in the form of a foreign currency forward contract. Derivatives are initially recognised at fair value on the date the derivative contract is entered into and are subsequently re-measured at their fair value at the Statement of Financial Position date. Changes in the fair value of derivatives are recognised in the surplus or deficit as appropriate.

The University does not apply hedge accounting to any derivatives.

20. Reserves

Reserves are classified as restricted or unrestricted. Restricted endowment reserves include balances which, through endowment to the University, are held as a permanently restricted fund which the University must hold in perpetuity.

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

21. Key estimates and judgements

Key sources of estimation uncertainty

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

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below.

Income recognition

Estimates and assumptions are made in determining the value and timing of certain income items to be recognised in the financial statements. This includes determining when performance related conditions have been met, and determining the revenues associated with partially delivered courses and training where the activities have not been fully completed at the reporting date.

In respect of research grants and contracts affected by the Covid-19 pandemic, the determination of when performance conditions have been met has been reassessed by reference to the level of activity being undertaken on those affected grants. At 31 July 2021, the amount of research grant income deferred as a result of Covid-19 was £2.3M (2019/20 : £2.9M).

Useful lives of Property, plant and equipment

Property, plant and equipment represent a significant proportion of the University's total assets. Therefore, the estimated useful lives can have a significant impact on the depreciation charged and the University's reported performance. Useful lives are determined at the time the asset is acquired and reviewed regularly for appropriateness. The lives are based on historical experience with similar assets as well as anticipation of future events. The carrying value of tangible assets (shown in Note 11) at 31 July 2021 was £474M (2019/20 £478M) and the annual depreciation charge for the year was £24.5M (2019/20 £22.4M).

Recoverability of debtors

The provision for doubtful debts is based on our estimate of the expected recoverability of those debts. Assumptions are made based on the level of debtors which have defaulted historically, coupled with current economic knowledge. The provision is based on the current situation of the customers, the age profile of the debt and the nature of the amount due. At 31st July 2021, the total provision for doubtful debts was £3.7M (31 July 2020 : £2.7M).

Retirement benefit obligations

The cost of defined benefit pension plans and other post-employment benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long-term nature of these plans, such estimates are subject to significant uncertainty. Further details are given in Note 25.

Management are satisfied that the Universities Superannuation Scheme (USS) meets the definition of a multi-employer scheme and has therefore recognised the discounted fair value of the contractual contributions under the funding plan in existence at the date of approving the financial statements.

As the University is contractually bound to make deficit recovery payments to USS, this is recognised as a liability on the Statement of Financial Position. The provision of £40.0M (31 July 2020 £38.9M) is currently based on the USS deficit recovery plan agreed after the 2018 actuarial valuation, which defines the deficit payment required as a percentage of future salaries. These contributions will be reassessed within each triennial valuation of the scheme. The provision is based on management's estimate of expected future salary inflations, changes in staff numbers and the prevailing rate of discount. Further details are set out in Note 25.

The LCPF scheme is accounted for as a defined benefit scheme and actuarial valuations are carried out annually, with formal actuarial valuations taking place every 3 years. A provision of £102.6M (31 July 2020 £100.7M) based on the latest actuarial valuation is recognised on the Statement of Financial Position.

Key sources of estimation uncertainty

There are no such judgements in either the current or prior year.

Consolidated and University Statement of Comprehensive Income

Year ended 31 July 2021

Income	Notes	Year Ended 31 July 2021		Year Ended 31 July 2020	
		Consolidated £000	University £000	Consolidated £000	University £000
Tuition fees and education contracts	1	185,155	185,155	172,982	172,982
Funding body grants	2	42,528	42,528	38,601	38,601
Research grants and contracts	3	43,432	43,432	38,656	38,656
Other income	4	53,286	51,545	71,748	69,773
Investment income	5	223	241	507	544
Donations and endowments	6	995	995	957	957
Total income		325,619	323,896	323,451	321,513
Expenditure					
Staff costs		180,577	179,943	179,092	178,834
Universities Superannuation Scheme revaluation		-	-	(41,136)	(41,136)
Total staff costs	7	180,577	179,943	137,956	137,698
Other operating expenses		94,858	93,913	101,404	100,179
Depreciation	11	24,489	24,386	22,406	22,303
Impairment of fixed assets	11	3,506	3,506	-	-
Total depreciation and impairment		27,995	27,892	22,406	22,303
Interest and other finance costs	8, 9	6,627	6,627	7,295	7,295
Total expenditure	9	310,057	308,375	269,061	267,475
Surplus before other gains and losses and share of operating deficit of joint venture		15,562	15,521	54,390	54,038
Gain on investments	13	757	757	90	90
Share of operating deficit in joint venture	14	(1,204)	-	(1,100)	-
Surplus before tax		15,115	16,278	53,380	54,128
Taxation	10	(469)	(469)	(431)	(431)
Surplus for the year		14,646	15,809	52,949	53,697
Actuarial gain / (loss) in respect of the Lancashire County Pension Fund	25	8,726	8,726	(40,281)	(40,281)
Total comprehensive income for the year		23,372	24,535	12,668	13,416
Represented by:					
Restricted comprehensive income for the year		582	582	283	283
Unrestricted comprehensive income for the year		22,790	23,953	12,385	13,133
		23,372	24,535	12,668	13,416

All items of income and expenditure relate to continuing operations.

Consolidated and University Statement of Financial Position

As at 31 July 2021

	Notes	As at 31 July 2021		As at 31 July 2020	
		Consolidated £000	University £000	Consolidated £000	University £000
Non-current assets					
Fixed assets	11	474,141	472,980	478,117	476,853
Heritage assets	12	9,000	9,000	9,000	9,000
Investments	13	4,103	13,484	4,563	13,944
Investment in joint venture	14	231	5,250	435	4,250
		487,475	500,714	492,115	504,047
Current assets					
Stock	15	637	637	588	588
Trade and other receivables	16	33,129	38,834	30,969	35,962
Investments	17	41,251	41,251	10,000	10,000
Cash and cash equivalents	18	55,767	55,738	67,424	67,392
		130,784	136,460	108,981	113,942
Less: Creditors: amounts falling due within one year	19	86,858	97,125	76,969	87,012
Net current assets		43,926	39,335	32,012	26,930
Total assets less current liabilities		531,401	540,049	524,127	530,977
Less: Creditors: amounts falling due after more than one year	20	116,670	116,670	136,144	136,135
Provisions					
Pension provisions	22	144,154	144,154	141,001	141,001
Other provisions	23	2,032	2,032	1,809	1,809
Total net assets		268,545	277,193	245,173	252,032
Restricted Reserves					
Endowments and donations reserve	24	14,810	14,810	14,228	14,228
Unrestricted Reserves					
Income and expenditure reserve		253,735	262,383	230,945	237,804
Total Reserves		268,545	277,193	245,173	252,032

The financial statements were approved by the Council on 26 November 2021 and were signed on its behalf by:

The Rt. Hon. Alistair Burt
Pro-Chancellor

Professor A.J. Schofield
Vice-Chancellor and
Accountable Officer

Mrs Sarah J. Randall-Paley
Director of Finance

Consolidated and University Statement of Changes in Reserves

Year ended 31 July 2021

Consolidated	Income and expenditure reserve		
	Endowments and Donations	Unrestricted Reserves	Total
	£000	£000	£000
Balance at 1 August 2019	13,945	218,560	232,505
Surplus from the Statement of Comprehensive Income	944	52,005	52,949
Actuarial loss in respect of the Lancashire County Pension Fund	-	(40,281)	(40,281)
Release of restricted funds spent in the year	(661)	661	-
Total comprehensive income for the year	283	12,385	12,668
Balance at 1 August 2020	14,228	230,945	245,173
Surplus from the Statement of Comprehensive Income	1,136	13,510	14,646
Actuarial gain in respect of the Lancashire County Pension Fund	-	8,726	8,726
Release of restricted funds spent in the year	(554)	554	-
Total comprehensive income for the year	582	22,790	23,372
Balance at 31 July 2021	14,810	253,735	268,545

University	Income and expenditure reserve		
	Endowments and Donations	Unrestricted Reserves	Total
	£000	£000	£000
Balance at 1 August 2019	13,945	224,170	238,115
Surplus from the Statement of Comprehensive Income	944	52,753	53,697
Actuarial loss in respect of the Lancashire County Pension Fund	-	(40,281)	(40,281)
Release of restricted funds spent in the year	(661)	661	-
Total comprehensive income for the year	283	13,133	13,416
Gift aid from subsidiary companies	-	501	501
Balance at 1 August 2020	14,228	237,804	252,032
Surplus from the Statement of Comprehensive Income	1,136	14,673	15,809
Actuarial gain in respect of the Lancashire County Pension Fund	-	8,726	8,726
Release of restricted funds spent in the year	(554)	554	-
Total comprehensive income for the year	582	23,953	24,535
Gift aid from subsidiary companies	-	626	626
Balance at 31 July 2021	14,810	262,383	277,193

Consolidated Statement of Cash Flows

Year ended 31 July 2021

	Notes	Year Ended 31 July 2021 £000	Year Ended 31 July 2020 £000
Cash flow from operating activities			
Surplus for the year		14,646	52,949
Adjustment for non-cash items			
Depreciation and Impairment	9	27,995	22,406
Amortisation of finance costs		31	31
Gain on investments	13	(757)	(90)
Share of loss in joint venture	14	1,204	1,100
(Increase) / decrease in stock	15	(49)	16
(Increase) / decrease in debtors		(2,754)	387
Increase in creditors		8,792	3,449
Increase / (decrease) in pension provisions		11,880	(32,400)
Increase in other provisions		224	274
Adjustment for investing or financing activities			
Investment income	5	(223)	(507)
Interest payable	8	4,770	4,941
Endowment income	24	(745)	(957)
Capital grant income included within the surplus		(6,531)	(12,687)
Net cash inflow from operating activities		58,483	38,912
Cash flows from investing activities			
Capital grants receipts		7,019	15,236
Investment income		219	544
Payments made to acquire fixed assets		(23,629)	(56,617)
Investment in joint venture		-	(474)
Loan to joint venture	14	(1,000)	(250)
(Acquisition) / disposal of current investments		(30,034)	1,000
		(47,425)	(40,561)
Cash flows from financing activities			
Interest paid		(5,169)	(4,954)
Endowment cash received		745	957
New unsecured loans		-	17,500
Repayment of amounts borrowed		(18,291)	(1,014)
		(22,715)	12,489
(Decrease) / increase in cash and cash equivalents in the year	18	(11,657)	10,840
Cash and cash equivalents at beginning of the year		67,424	56,584
Cash and cash equivalents at end of the year	18	55,767	67,424

Notes to the Financial Statements

for the year ended 31 July 2021

	Notes	Year Ended 31 July 2021		Year Ended 31 July 2020	
		Consolidated £000	University £000	Consolidated £000	University £000
1. Tuition fees and education contracts					
Full-time home and EU students		96,124	96,124	87,544	87,544
Full-time international students		80,385	80,385	77,949	77,949
Part-time students		7,256	7,256	6,060	6,060
Research training support grants		1,390	1,390	1,429	1,429
		185,155	185,155	172,982	172,982
2. Funding body grants		£000	£000	£000	£000
Recurrent grants					
Office for Students and Research England		30,679	30,679	30,003	30,003
Capital grants		4,322	4,322	2,603	2,603
Specific grants					
Higher Education Innovation Fund		3,861	3,861	3,506	3,506
Research England capital grant		311	311	-	-
Research England revenue grant		3,355	3,355	2,489	2,489
		42,528	42,528	38,601	38,601
3. Research grants and contracts		£000	£000	£000	£000
Research councils and charities		30,037	30,037	26,928	26,928
UK central government, local and health authorities		5,168	5,168	3,958	3,958
Industry and commerce		2,387	2,387	2,097	2,097
European Union		4,648	4,648	4,172	4,172
Other		1,192	1,192	1,501	1,501
		43,432	43,432	38,656	38,656
4. Other income		£000	£000	£000	£000
Colleges and Residences		25,404	25,404	27,095	27,095
Other services rendered		14,585	14,585	15,407	15,407
Other capital grant		-	-	9,268	9,268
Other income		13,297	11,556	19,978	18,003
		53,286	51,545	71,748	69,773
5. Investment income		£000	£000	£000	£000
Investment income on endowments	24	34	34	57	57
Other investment income		189	207	450	487
		223	241	507	544

	Notes	Year Ended 31 July 2021		Year Ended 31 July 2020	
		Consolidated £000	University £000	Consolidated £000	University £000
6. Donations and endowments					
New endowments and restricted donations		745	745	957	957
New unrestricted donations		250	250	-	-
New donations and endowments		995	995	957	957

Note

The source of grant and fee income, included in notes 1 to 3 is as follows:

	£000	£000	£000	£000
Grant income from the OfS	11,848	11,848	9,253	9,253
Grant income from other bodies	30,680	30,680	29,348	29,348
Fee income for taught awards	172,026	172,026	160,720	160,720
Fee income for research awards	53,344	53,344	48,949	48,949
Fee income from non-qualifying courses	3,217	3,217	1,969	1,969
Total grant and fee income	271,115	271,115	250,239	250,239

7. Staff costs

		£000	£000	£000	£000
Staff Costs:					
Salaries		133,093	132,459	136,429	136,171
USS triennial valuation		-	-	(41,136)	(41,136)
Social security costs		12,430	12,430	12,372	12,372
Employer pension costs		23,778	23,778	23,471	23,471
Movement on USS provision	25	784	784	(1,459)	(1,459)
LCPF provision movement	25	9,021	9,021	7,954	7,954
Restructuring costs		1,471	1,471	325	325
		180,577	179,943	137,956	137,698

Notes to the Financial Statements *(continued)*

for the year ended 31 July 2021

7. Staff costs (continued)

	Consolidated and University	
	Year Ended 31 July 2021 £000	Year Ended 31 July 2020 £000
Total remuneration of the Vice-Chancellor:		
Professor Mark E. Smith 01/08/19-30/09/19		
Salary	-	46
Taxable benefits	-	2
Pension contributions to USS	-	9
Total	-	57
Professor S. Bradley 01/10/19-30/04/20		
Salary	-	111
Pension contributions to USS	-	14
Total	-	125
Professor A.J. Schofield from 01/05/20		
Salary	225	56
Pension contributions to USS	47	12
Total	272	68

38

The taxable benefits in 2020 relate to the value of accommodation made available to the Vice-Chancellor on the University campus and the cost of utilities for that accommodation.

Vice-Chancellor's salary as a ratio of the median pay of staff (including sessional staff):

Professor Mark E. Smith 01/08/19-30/09/19		
Based on basic salary	N/A	7.7
Based on total remuneration	N/A	8.1
Professor S. Bradley 01/10/19-30/04/20		
Based on basic salary	N/A	5.3
Based on total remuneration	N/A	5.1
Professor A.J. Schofield from 01/05/20		
Based on basic salary	6.1	6.3
Based on total remuneration	6.5	6.5

Vice-Chancellor's salary as a ratio of the median pay of staff (excluding sessional staff):

Professor Mark E. Smith 01/08/19-30/09/19		
Based on basic salary	N/A	7.7
Based on total remuneration	N/A	7.9
Professor S. Bradley 01/10/19-30/04/20		
Based on basic salary	N/A	5.3
Based on total remuneration	N/A	4.9
Professor A.J. Schofield from 01/05/20		
Based on basic salary	6.1	6.3
Based on total remuneration	6.3	6.3

Further details of the Vice-Chancellors remuneration are provided in the Statement of Corporate Governance on page 16.

7. Staff costs (continued)

	Consolidated and University	
	Year Ended 31 July 2021	Year Ended 31 July 2020
Remuneration of other higher paid staff, excluding employer's pension contributions	Number	Number
£100,000 - £104,999	16	13
£105,000 - £109,999	6	7
£110,000 - £114,999	8	8
£115,000 - £119,999	7	7
£120,000 - £124,999	7	8
£125,000 - £129,999	7	3
£130,000 - £134,999	1	1
£135,000 - £139,999	1	1
£140,000 - £144,999	4	5
£150,000 - £154,999	1	2
£160,000 - £164,999	-	1
£165,000 - £169,999	1	3
£170,000 - £174,999	3	-
£180,000 - £184,999	-	2
£185,000 - £189,999	-	1
£190,000 - £194,999	1	-
£225,000 - £229,999	1	-
£230,000 - £234,999	2	2
	66	64
Average staff numbers by major category: (expressed as full-time equivalents)	Number	Number
Academic and professional	1,927	1,927
Clerical and related	735	725
Technical	107	102
Operational	265	272
Sessional	155	210
	3,189	3,236
Compensation payable for loss of office:	£000	£000
Compensation payable	1,401	344
	Number	Number
Number of staff	83	61

Compensation payable applies to all instances of loss of office, including where it occurs at the end of a fixed-term contract.

Notes to the Financial Statements *(continued)*

for the year ended 31 July 2021

7. Staff costs (continued)

	Consolidated and University Year Ended 31 July 2021	Restated Year Ended 31 July 2020
	£000	£000
Key management personnel		
Key management personnel remuneration	2,296	2,276

Key management personnel comprise of all members of the University's Executive Board who have the authority and responsibility for planning, directing and controlling the activities of the University. The number of personnel in the Group during the year was 13 (2020:13 restated). Prior year figures have been restated following a reorganisation of the University's Senior Leadership Team.

Council Members

The University's Council members are the trustees for charitable law purposes.

No Council member has received any remuneration/waived payments from the Group during the year (2020: none).

The total expenses paid to or on behalf of 7 lay members of Council was £2k (2020: £5k to 8 lay members of Council). This represents travel and subsistence expenses incurred in attending Council and other committee meetings.

40

	Year Ended 31 July 2021		Year Ended 31 July 2020	
	Consolidated £000	University £000	Consolidated £000	University £000
8. Interest and other finance costs				
Interest payable	4,770	4,770	4,941	4,941
Net charge on pension schemes	1,857	1,857	2,354	2,354
	6,627	6,627	7,295	7,295

	Year Ended 31 July 2021		Year Ended 31 July 2020	
	£000	£000	£000	£000
9. Analysis of total expenditure by activity				
Academic departments	158,759	158,759	163,306	163,306
Vice and Pro-Vice-Chancellors' portfolios	12,311	12,743	11,926	11,926
Facilities	37,960	38,463	39,423	39,884
Interest payable	4,770	4,770	4,941	4,941
Depreciation and impairment	27,995	27,892	22,406	22,303
Professional Services	39,898	39,898	43,038	43,038
Library	6,147	6,147	6,149	6,149
Other expenses	8,041	8,041	8,215	8,215
University companies	2,514	-	1,944	-
Additional charge / (credit) re pension schemes	11,662	11,662	(32,287)	(32,287)
	310,057	308,375	269,061	267,475

Other operating expenses include:

External auditor's remuneration in respect of audit services	117	91	89	68
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	Year Ended 31 July 2021		Year Ended 31 July 2020	
	Consolidated	University	Consolidated	University
	£000	£000	£000	£000
10. Taxation				
Overseas taxation re international partnerships	469	469	431	431

11. Fixed assets

	Freehold Land and Buildings	Plant and Machinery	Fixtures, Fittings and Equipment	Assets in the Course of Construction	Total
	£000	£000	£000	£000	£000
Consolidated					
Cost or valuation					
At 1 August 2020	377,282	103,315	89,448	33,916	603,961
Additions	2,320	909	7,315	13,475	24,019
Transfers	32,306	9,120	3,044	(44,470)	-
Impairments	(3,766)	(283)	(59)	-	(4,108)
At 31 July 2021	408,142	113,061	99,748	2,921	623,872
Consisting of valuation as at:					
31 July 2014	248,579	63,118	-	-	311,697
Cost	159,563	49,943	99,748	2,921	312,175
	408,142	113,061	99,748	2,921	623,872
Depreciation					
At 1 August 2020	38,432	24,232	63,180	-	125,844
Charge for year	9,726	5,212	9,551	-	24,489
Impairments	(456)	(106)	(40)	-	(602)
At 31 July 2021	47,702	29,338	72,691	-	149,731
Net Book Value at 31 July 2021	360,440	83,723	27,057	2,921	474,141
Net Book Value at 31 July 2020	338,850	79,083	26,268	33,916	478,117

At 31 July 2021, freehold land and buildings included £31.6M (2020: £31.6M) in respect of freehold land and is not depreciated. The Exchequer interest within fixed assets and within Investment in joint venture (Note 14) is £21.3M (2020: £25.0M) and should assets funded from Treasury sources be sold, the University would either have to surrender the proceeds to the Treasury or use them in accordance with the terms and conditions of funding for higher education institutions.

Notes to the Financial Statements *(continued)*

for the year ended 31 July 2021

11. Fixed assets (continued)

University	Freehold Land and Buildings £000	Plant and Machinery £000	Fixtures, Fittings and Equipment £000	Assets in the Course of Construction £000	Total £000
Cost or valuation					
At 1 August 2020	377,282	101,281	89,363	33,916	601,842
Additions	2,320	909	7,315	13,475	24,019
Transfers	32,306	9,120	3,044	(44,470)	-
Impairments	(3,766)	(283)	(59)	-	(4,108)
At 31 July 2021	408,142	111,027	99,663	2,921	621,753
Consisting of valuation as at:					
31 July 2014	248,579	63,118	-	-	311,697
Cost	159,563	47,909	99,663	2,921	310,056
	408,142	111,027	99,663	2,921	621,753
Depreciation					
At 1 August 2020	38,432	23,463	63,094	-	124,989
Charge for year	9,726	5,109	9,551	-	24,386
Impairment	(456)	(106)	(40)	-	(602)
At 31 July 2021	47,702	28,466	72,605	-	148,773
Net Book Value at 31 July 2021	360,440	82,561	27,058	2,921	472,980
Net Book Value at 31 July 2020	338,850	77,818	26,269	33,916	476,853

12. Heritage assets

Consolidated and University	2021 £000	2020 £000	2019 £000	2018 £000	2017 £000
Heritage assets held at deemed cost	9,000	9,000	9,000	1,000	1,000

The Heritage assets relate to a work of art (£1M) and the Whitehouse Ruskin Collection (£8M).

13. Non-current investments

	Subsidiary companies	Other fixed assets investments	Total
Consolidated	£000	£000	£000
At 1 August 2020		4,563	4,563
Revaluation		757	757
Transfer to Current Investments		(1,217)	(1,217)
At 31 July 2021		4,103	4,103
University	£000	£000	£000
At 1 August 2020	9,381	4,563	13,944
Revaluation	-	757	757
Transfer to Current Investments	-	(1,217)	(1,217)
At 31 July 2021	9,381	4,103	13,484

Other non-current investments consist of:

	Consolidated and University £000
Endowment assets managed by Cazenove Capital Management at market value	2,144
Equity investment in CVCP Properties at cost	37
Equity investments managed by Brooks Macdonald at market value	1,922
	4,103

The University's investment in subsidiary companies represents the share capital of those companies less any impairment.

14. Investment in joint venture

	Consolidated £000	University £000
Share Capital	4,000	4,000
Loan to Joint Venture	250	250
Share of losses	(3,815)	-
At 1 August 2020	435	4,250
Loan to Joint Venture	1,000	1,000
Share of losses	(1,204)	-
At 31 July 2021	231	5,250

During the year, the University advanced loans of £1M to support the working capital requirements of a joint venture, University Academy 92 Limited. The Academy delivers degree courses in media, business and sports and registered its first cohort of students in September 2019. The loss reflected above relates to the trading position as reported within the accounts of University Academy 92 Limited.

Notes to the Financial Statements *(continued)*

for the year ended 31 July 2021

	Year Ended 31 July 2021		Year Ended 31 July 2020	
	Consolidated £000	University £000	Consolidated £000	University £000
15. Stock				
General consumables	637	637	588	588

	Year Ended 31 July 2021		Year Ended 31 July 2020	
	Consolidated £000	University £000	Consolidated £000	University £000
16. Trade and other receivables				
Amounts falling due within one year				
Research grants receivables	8,564	8,564	8,302	8,302
Other trade receivables	16,794	16,581	15,717	15,442
Prepayments and accrued income	7,771	7,209	6,950	6,702
Amounts due from subsidiary companies	-	6,480	-	5,516
	33,129	38,834	30,969	35,962

	Year Ended 31 July 2021		Year Ended 31 July 2020	
	Consolidated £000	University £000	Consolidated £000	University £000
17. Current investments				
Short term deposits	40,034	40,034	10,000	10,000
Forward exchange contract	1,217	1,217	-	-
Totaled	41,251	41,251	10,000	10,000

Deposits are held with banks and building societies operating in the London market and licensed by the Financial Conduct Authority with more than three months maturity at the placement date.

At 31 July 2021 the weighted average interest rate of these fixed rate deposits was 0.24% per annum and the remaining weighted average period for which the interest rate is fixed on these deposits was 95 days. The fair value of these deposits was not materially different from the book value.

	At 1 August 2020 £000	Cash Flows £000	At 31 July 2021 £000
	18. Cash and cash equivalents		
Consolidated			
Cash and cash equivalents	67,424	(11,657)	55,767
University			
Cash and cash equivalents	67,392	(11,654)	55,738

Deposits are held primarily with banks operating in the London market and licensed by the Financial Conduct Authority. These deposits are either on-call or placed with a maturity date of less than three months.

19. Creditors	Year Ended 31 July 2021		Year Ended 31 July 2020	
	Consolidated £000	University £000	Consolidated £000	University £000
Amounts falling due within one year				
Unsecured loans	734	734	791	791
Trade payables	7,332	7,281	5,452	6,347
Payments received on account	772	772	1,312	1,231
Social security and other taxation payable	6,848	6,848	6,630	6,618
Accruals and deferred income	69,910	69,414	62,784	61,165
Amounts owed to subsidiary companies	-	10,814	-	10,860
Forward contract	1,262	1,262	-	-
	86,858	97,125	76,969	87,012

Deferred income

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

	Year Ended 31 July 2021		Year Ended 31 July 2020	
	Consolidated £000	University £000	Consolidated £000	University £000
Research grants received on account	35,867	35,867	31,374	31,374
Project income received on account	11,435	11,435	8,994	8,994
	47,302	47,302	40,368	40,368

Notes to the Financial Statements *(continued)*

for the year ended 31 July 2021

20. Creditors

	Year Ended 31 July 2021		Year Ended 31 July 2020	
	Consolidated £000	University £000	Consolidated £000	University £000
Amounts falling due after more than one year				
Deferred income	-	-	9	-
Unsecured loans	116,670	116,670	134,873	134,873
Forward contract	-	-	1,262	1,262
	116,670	116,670	136,144	136,135
Analysis of unsecured loans:				
Due within one year (Note 19)	734	734	791	791
Due between one and two years	773	773	734	734
Due between two and five years	2,570	2,570	19,941	19,941
Due in five years or more	113,327	113,327	114,198	114,198
Due after more than one year	116,670	116,670	134,873	134,873
Total unsecured loans	117,404	117,404	135,664	135,664

Included in loans are the following:

Lender	Amount £000	Term Years	Interest rate %
Banks:			
National Westminster Bank Plc	44,676	18	5.99
Scottish Widows	8,451	9	5.23
Private Placement:			
Massachusetts Mutual Life	26,100	27	2.70
Great West	6,400	27	2.70
Legal & General	32,500	37	2.77
Other:			
Borrowing costs	(723)		
	117,404		

Borrowing costs of £723k (2020: £755k) have been offset against the outstanding borrowings and are being amortised over the lives of the facilities.

21. Consolidated reconciliation of net debt

	At 1 August 2020 £000	Cash Flows £000	Non-cash changes £000	At 1 July 2021 £000
Cash and cash equivalents	67,424	(11,657)	-	55,767
Short-term investments	10,000	30,034	-	40,034
Forward exchange asset	1,292	-	(75)	1,217
Debt due within one year	(791)	57	-	(734)
Debt due greater than one year	(134,873)	18,234	(31)	(116,670)
Forward exchange liability	(1,262)	-	-	(1,262)
	(58,210)	36,668	(106)	(21,648)

22. Pension provisions

Consolidated and University	Obligations to fund deficit on USS pension £000	Pension enhancements on termination £000	Defined benefit obligations (LCPF) £000	Total pensions provisions £000
At 1 August 2020	38,899	1,374	100,728	141,001
Utilised	(1,476)	(111)	-	(1,587)
Charged to the Statement of Comprehensive Income	2,543	367	1,830	4,740
At 31 July 2021	39,966	1,630	102,558	144,154

The payment profiles of the pension provisions are as follows:

Less than 1 year	4,847	405	-	5,252
Between 1 and 2 years	5,662	109	-	5,771
Between 2 and 5 years	18,321	330	-	18,651
Over 5 years	11,136	786	102,558	114,480
	39,966	1,630	102,558	144,154

The obligation to fund the past deficit on the Universities Superannuation Scheme (USS) arises from the contractual obligation with the USS to make deficit payments in accordance with the deficit recovery plan. In calculating this provision, management have estimated future staff levels within the USS scheme for the duration of the contractual obligation and salary inflation. Key assumptions and further information are provided in Note 25.

The provision for pension enhancements on termination relate to enhanced benefits payable to retired members of both USS and the Lancashire County Pension Fund (LCPF).

The obligation to fund the past deficit on the LCPF 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 scheme and salary payments over the period of the contracted obligation in assessing the value of this provision.

23. Other provisions

Consolidated and University	International partnerships' development £000	Other provisions £000	Total £000
At 1 August 2020	1,683	126	1,809
Utilised	(129)	(126)	(255)
Charged to the Statement of Comprehensive Income	478	-	478
At 31 July 2021	2,032	-	2,032

The international partnerships' development provision represents a contractual obligation to retain a proportion of associated fee income to fund certain staff development programmes for members of staff from our overseas partners. The timings of these programmes are driven by the needs of the overseas partners and it is therefore not possible to construct an accurate payment profile for this provision.

Other provisions at 31 July 2021 are in respect of a property related lease.

Notes to the Financial Statements *(continued)*

for the year ended 31 July 2021

24. Endowments and donations reserve	Restricted permanent endowments	Restricted donations	2021 Total	2020 Total
Consolidated and University	£000	£000	£000	£000
Balances at 1 August 2020				
Capital	1,683	-	1,683	1,753
Accumulated income	700	11,845	12,545	12,192
	2,383	11,845	14,228	13,945
Endowments and donations	(42)	787	745	957
Investment income	27	7	34	57
Expenditure	(77)	(477)	(554)	(661)
	(50)	(470)	(520)	(604)
Increase / (decrease) in market value of investments	357	-	357	(70)
At 31 July 2021	2,648	12,162	14,810	14,228
Represented by:				
Capital	2,040	-	2,040	1,683
Accumulated income	608	12,162	12,770	12,545
	2,648	12,162	14,810	14,228
Analysis by type of purpose:				
Lectureships	1,548	91	1,639	1,384
Scholarships and bursaries	7	644	651	688
Research support	-	1,048	1,048	999
Prize funds	650	150	800	830
Student support	159	110	269	297
General	284	2,119	2,403	2,030
Heritage asset	-	8,000	8,000	8,000
	2,648	12,162	14,810	14,228
Analysis by asset				
Non-current asset investments			1,854	1,787
Current investments			4,956	4,441
Heritage asset			8,000	8,000
			14,810	14,228

25. University pension schemes

The University has two principal pension schemes, the Universities Superannuation Scheme (USS) and the Lancashire County Pension Fund (LCPF). In addition to the two main schemes, the University is also a member of the NHS pension scheme and contributes to a money purchase scheme with Legal and General. Total pension costs for the group were £33.6M, analysed as follows:

	Year Ended 31 July 2021			Year Ended 31 July 2020		
	Employer contributions £000	Provision movement £000	Total £000	Employer contributions £000	Provision movement £000	Total £000
USS	18,568	784	19,352	18,280	(1,459)	16,821
LCPF	5,018	9,021	14,039	5,041	7,954	12,995
Legal and General	3	-	3	9	-	9
NHS	189	-	189	141	-	141
Total pension costs (Note 7)	23,778	9,805	33,583	23,471	6,495	29,966

Universities Superannuation Scheme

The institution participates in the Universities Superannuation Scheme. The scheme is a hybrid pension scheme, providing defined benefits (for all members), as well as defined contribution benefits. The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the assets are not attributed to individual institutions and a scheme-wide contribution rate is set. The institution is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. As required by Section 28 of FRS 102 "Employee benefits", the institution therefore accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the Statement of Comprehensive Income represents the contributions payable to the scheme. Since the institution has entered into an agreement (the Recovery Plan) that determines how 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 Statement of Comprehensive Income.

The total cost charged to the Statement of Comprehensive Income is £19.4M (2020: £16.8M).

The latest available completed actuarial valuation of the Retirement Income Builder is at 31 March 2018 ("the valuation date"), which was carried out using the projected unit method. The valuation as at 31 March 2020 was completed in September 2021 and further details are provided in Note 32.

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 £63.7bn and the value of the scheme's technical provisions was £67.3bn indicating a shortfall of £3.6bn and a funding ratio of 95%.

Notes to the Financial Statements *(continued)*

for the year ended 31 July 2021

25. University pension schemes (continued)

Universities Superannuation Scheme (continued)

The key financial assumptions used in the 2018 valuation are described below:

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%
Pension increase (CPI)	Term dependent rates in line with the difference between the Fixed Interest and Index Linked yield curves, less 1.3% p.a.

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

	2018 valuation
Mortality base table	Pre-retirement: 71% of AMCO0 (duration 0) for males and 112% of AFC00 (duration 0) for females. Post-retirement: 97.6% of SAPS S1NMA "light" for males and 102.7% of RFV00 for females.
Future improvements to mortality	CMI_2017 with a smoothing parameter of 8.5 and a long term improvement rate of 1.8% p.a. for males and 1.6% p.a. for females.

The current life expectancies on retirement at age 65 are:

	2021 valuation	2020 valuation
Males currently aged 65	24.6	24.4
Females currently aged 65	26.1	25.9
Males currently aged 45	26.6	26.3
Females currently aged 45	27.9	27.7

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 2021 deficit recovery liability reflects this plan. The liability figures have been produced using the following assumptions.

	2021	2020
Discount rate	0.87%	0.73%
Pensionable salary growth	4.66%	3.20%

25. University pension schemes (continued)

Universities Superannuation Scheme (continued)

Sensitivity analysis

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

Change in assumptions at 31 July 2021	Approximate adverse impact on deficit £000
0.5% p.a. decrease in discount rate	811
0.5% p.a. increase in salary inflation over duration	788
0.5% increase in salary inflation year 1 only	195
0.5% increase in staff changes over duration	803
0.5% increase in staff changes year 1 only	195
1% increase in deficit contributions from October 2021	6,611

Notes to the Financial Statements *(continued)*

for the year ended 31 July 2021

25. University pension schemes (continued)

Lancashire County Pension Fund

The University operates a final salary defined benefit pension scheme that non-academic employees of the University can participate in, called the Lancashire County Pension Fund. The scheme is externally funded and is contracted out of the State Second Pension (S2P) and the last formal triennial actuarial valuation of the scheme was performed as at 31 March 2019 by a professionally qualified actuary.

During the accounting period, the University paid contributions to the pension scheme at the rate of 15.2% (2020: 13.4%) with no additional contributions towards the deficit recovery plan (2020: £397k).

Assumptions

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

	At 31 July 2021 % p.a.	At 31 July 2020 % p.a.
Price Inflation (CPI)	2.6	2.3
Rate of increases in salaries	4.1	3.8
Rate of increase of pensions in payment for LCPF members	2.7	2.4
Discount rate	1.6	1.6

The most significant non-financial assumption is the assumed length 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.

52

Post retirement mortality assumptions (normal health)	Beginning of year		End of year	
	Non-retired members	S3PA CMI_2018_(1.75%) (110% males, 94% females)		S3PA CMI_2018_(1.75%) (110% males, 94% females)
Retired members	S3PA CMI_2018_(1.75%) (103% males, 91% females)		S3PA CMI_2018_(1.75%) (103% males, 91% females)	
The current life expectancies (years) are:	Beginning of year		End of year	
	Male	Female	Male	Female
Pensioner	22.3	25.0	22.4	25.1
Non Pensioner (currently aged 45)	23.8	26.8	23.9	26.9

25. University pension schemes (continued)

Lancashire County Pension Fund (continued)

Scheme assets for the Lancashire County Pension Fund

The assets in the scheme (of which the University's share is estimated at 2.0%) were as follows:

	31 July 2021	Fair value as at: 31 July 2020	31 July 2019
	£000	£000	£000
Equities	5,062,120	4,189,728	4,158,122
Other bonds	531,272	633,972	139,184
Property	1,002,400	1,249,568	765,512
Cash	210,504	165,384	156,582
Other *	3,217,704	2,949,348	3,479,600
	10,024,000	9,188,000	8,699,000

* (Other, includes private equity, infrastructure, credit funds and property funds).

	Consolidated and University Year Ended 31 July 2021	Year Ended 31 July 2020
	£000	£000
Analysis of the amount shown in the statement of financial position for the Lancashire County Pension Fund		
Scheme assets	201,298	174,251
Scheme liabilities	(303,856)	(274,979)
Deficit in the scheme recorded within pension provisions (Note 22)	(102,558)	(100,728)
Analysis of the operating charge	£000	£000
Current service cost	(13,767)	(11,824)
Administration expenses	(197)	(199)
Total operating charge	(13,964)	(12,023)
Analysis of the amount charged to interest payable	£000	£000
Expected return on assets	2,813	3,897
Interest on pension liabilities	(4,386)	(4,975)
Net charge to other finance costs	(1,573)	(1,078)
Analysis of other comprehensive income	£000	£000
Gain / (loss) on assets	22,149	(8,077)
Experience loss on liabilities	(13,423)	(32,204)
Total other comprehensive income	8,726	(40,281)

Notes to the Financial Statements *(continued)*

for the year ended 31 July 2021

25. University pension schemes (continued)

Lancashire County Pension Fund (continued)

Sensitivity analysis

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

Change in assumptions at 31 July 2021	Approximate favourable / (adverse) impact on deficit £000
0.1% p.a. increase in discount rate	6,122
0.1% p.a. increase in salary inflation	(6,246)
0.1% increase in inflation	(700)
1 year increase in life expectancy	(9,974)
1% increase in 2019/20 investment returns	2,062
1% decrease in 2019/20 investment returns	(2,062)

History of experience gains and losses	31 July 2021	31 July 2020	31 July 2019	31 July 2018	31 July 2017
Difference between actual and expected return on scheme assets:					
Amount (£M)	22,149	(8,077)	17,655	8,311	6,831
% of assets at end of year	11.0	(4.6)	10.0	5.5	5.0
Experience (losses) / gains on scheme liabilities:					
Amount (£M)	(13,423)	(32,204)	(31,988)	11,410	(2,992)
% of liabilities at end of year	(4.4)	(11.7)	(14.1)	6.3	(1.7)

25. University pension schemes (continued)

Lancashire County Pension Fund (continued)

	Consolidated and University	
	Year Ended 31 July 2021	Year Ended 31 July 2020
	£000	£000
Analysis of movement in the deficit for the Lancashire County Pension Fund		
Deficit at beginning of year	(100,727)	(51,485)
Contributions or benefits paid by the University	5,018	5,041
Current service cost	(13,767)	(11,824)
Curtailments	(38)	(92)
Past service cost	-	(809)
Administration expenses	(197)	(199)
Other finance charge	(1,573)	(1,078)
Gain / (loss) recognised in other comprehensive income	8,726	(40,281)
Deficit at end of year	(102,558)	(100,727)
Analysis of movement in the present value of scheme liabilities		
	£000	£000
Present value at start of year	(274,979)	(227,469)
Current service cost (net of member contributions)	(13,767)	(11,824)
Interest on scheme liabilities	(4,386)	(4,975)
Curtailments	(38)	(92)
Actual member contributions (including notional contributions)	(2,031)	(2,041)
Past service cost	-	(809)
Actuarial loss	(13,423)	(32,204)
Actual benefit payments	4,768	4,435
Present value of the Lancashire County Pension Fund liabilities at end of year	(303,856)	(274,979)
Analysis of movement in the fair value of scheme assets		
	£000	£000
Fair value of assets at start of year	174,252	175,984
Expected return on assets	2,813	3,897
Actuarial gain / (loss) on assets	22,149	(8,077)
Actual contributions paid by the University	5,018	5,041
Actual member contributions	2,031	2,041
Administration expenses	(197)	(199)
Actual benefit payments	(4,768)	(4,435)
Fair value of scheme assets at end of year	201,298	174,252

Notes to the Financial Statements *(continued)*

for the year ended 31 July 2021

	Consolidated and University	
	At 31 July 2021 £000	At 31 July 2020 £000
26. Capital and other commitments		
Provision has not been made for the following capital commitments at 31 July:		
Commitments contracted at 31 July	1,006	11,884

Capital commitments relate to a range of internally and externally funded new build and refurbishment projects on the University's campus. These projects are expected to be completed within the next three years.

27. Service concession arrangements

In September 2003, the University entered into a contract with UPP (Lancaster) Ltd for the provision and maintenance of certain residential properties providing accommodation to circa 4,350 students. The contract end date is September 2051. Under the agreement, the University has no minimum guaranteed payment and therefore neither an asset nor a liability is recognised on the Statement of Financial Position.

28. Operating lease arrangements

The University as lessee

	Year Ended 31 July 2021		Year Ended 31 July 2020	
	Consolidated £000	University £000	Consolidated £000	University £000
Lease payments under operating leases recognised as an expense in the year	1,121	727	1,222	697
Outstanding commitments for future lease payments, falling due:				
Less than 1 year	723	723	1,231	706
Between 1 and 5 years	2,823	2,823	2,911	2,823
Over 5 years	22,347	22,347	22,736	22,736
	25,893	25,893	26,878	26,265

Operating lease payments represent rentals payable by the University for certain office and residential properties.

The University as lessor

	Year Ended 31 July 2021		Year Ended 31 July 2020	
	Consolidated £000	University £000	Consolidated £000	University £000
Rental income recognised in the year	1,766	1,507	1,925	1,507
Contracted with tenants for future lease payments falling due:				
Less than 1 year	789	789	1,386	968
Between 1 and 5 years	2,456	2,456	2,594	2,524
Over 5 years	17,606	17,606	17,908	17,908
	20,851	20,851	21,888	21,400

Operating lease income arises from a number of commercial businesses and start-up companies located within certain University properties.

Notes to the Financial Statements *(continued)*

for the year ended 31 July 2021

	Year Ended 31 July 2021 £000	Year Ended 31 July 2020 £000
29. Access and Participation		
Access	1,046	933
Financial support provided to students	3,780	3,742
Access and financial support	4,826	4,675
Support for disabled students	863	733
Research and evaluation expenditure	60	49
	5,749	5,457

The total of the approved expenditure on Access and financial support for the year ended 31 July 2021 was £4.9M (2020 : £5.3M). Our total spend for the year was less than the approved spend because a number of activities did not take place as originally planned owing to the impact of the Covid-19 pandemic.

Details of the approved plan can be found at www.lancaster.ac.uk/widening-participation/our-strategy-and-approach/access-and-participation-plans/.

Staff costs intrinsic to the delivery of access and participation activities totalled £1.3M (2020 : £1.1M), and are already included in the overall staff cost figures in Note 7.

In addition to the financial support expenditure noted above, £0.4M (2020 : £0.9M) of rent rebates were given to students with a household income of less than £25,000 owing to the impact of the Covid-19 pandemic.

30. Interests in subsidiary and joint venture companies

The following information relates to the University's interests in the subsidiary companies consolidated in the financial statements. All companies have a financial year-end of 31 July.

Name of company	Country of registration	Nature of business	Percentage of voting rights held by University
Lancaster Leipzig GmbH	Germany	Provision of Higher Education	100
Lancaster University Business Enterprise Ltd	England	Exploitation of Intellectual Property	100*
Lancaster University Consultancy Services Ltd	England	Dormant	100*
Lancaster University Developments Limited	England	Dormant	100
Lancaster University Energy Services Ltd	England	Provision of energy supplies	100*
Lancaster University Enterprises Ltd	England	Holding company	100
Lancaster University Network Services Limited	England	Provision of broadband internet connections	100
Landec Ltd	England	Dormant	100*
Pinecrest Developments Ltd	England	Dormant	100
The Work Foundation Alliance Limited	England	Property rental	100*
University Academy 92 Limited	England	Provision of Higher Education	50

* The companies marked with an asterisk are wholly owned by Lancaster University Enterprises Limited.

31. Related party transactions

Due to the nature of the University's operations and the composition of the Council and the University's key committees, (including members drawn from public and private sector organisations) it is inevitable that transactions will take place with organisations in which a member of the Council (or key committee) may have an interest and these are reported as required in each case via the Register of Interests that is annually updated.

All transactions involving organisations in which members may have an interest are conducted at arm's length and in accordance with the University's financial regulations and normal procurement procedures. For the purpose of this related party transactions note, the key committees are Finance and General Purposes, Audit and Estates. Members of the University's Executive Board (UEB) are also included within this note.

The Institution has taken advantage of the exemption within FRS 102 and has not disclosed transactions with other group entities where it holds 100% of the voting rights.

Transactions taking place with related parties during the year were as follows:

	Payable 2020/21	Receivable 2020/21	Balance at 31 July 2021	
			Owed to University	Owed by University
	£000	£000	£000	£000
Association of Heads of University Administration (AHUA)	1	-	-	-
British Academy	18	-	-	-
Centre for Ecology and Hydrology (NERC)	331	283	-	-
Chartered Management Institute	104	-	-	-
Community Interest Company	2	-	-	-
Department of Environment, Food and Rural Affairs (Defra)	-	184	-	-
JISC	1,061	147	32	15
Lancaster City Council	304	142	3	2
Lancaster University Students' Union	1,082	73	30	-
Lancaster University Students' Union Housing Limited	-	23	-	-
Lancaster University Students' Union Services Company Limited	1	101	9	-
Liverpool University	1,465	1,335	364	86
N8 Ltd.	60	44	-	-
National Physics Laboratory	18	-	-	-
Office for Students	-	8,391	-	-
Professional Higher Education Services (PHES)	12	-	-	-
The New Phytologist	-	571	-	-
Unite the Union	3	-	-	-
UK Research and Innovation (UKRI)	-	32,922	3	-
Universities and Colleges Admissions Services (UCAS)	135	-	-	-
University Hospitals of Morecambe Bay NHS Foundation Trust	208	31	3	17
University Academy 92 Ltd.	-	179	84	-

Notes to the Financial Statements *(continued)*

for the year ended 31 July 2021

31. Related party transactions (continued)

Comparative related party transactions for 2019/20 were as follows:

	Payable 2019/20	Receivable 2019/20	Balance at 31 July 2020	
	£000	£000	Owed to University £000	Owed by University £000
All Party Parliamentary University Group	1	-	-	-
Association of Heads of University Administration (AHUA)	7	-	-	-
British Academy	16	-	-	-
Centre for Ecology and Hydrology (NERC)	163	342	-	-
Chartered Association of Business Schools	16	-	-	-
Chartered Management Institute	83	-	-	-
Cumbria County Council	12	131	-	-
Deloitte LLP	90	-	-	-
Elsevier	669	12	-	-
Freshwater Biological Association	-	4	-	-
Graduate Prospects Board	3	5	-	-
Higher Education Careers Service Unit (HECSU)	-	5	-	-
Higher Education Statistics Agency (HESA)	97	-	-	-
Hybrid Instruments Ltd.	23	8	-	-
JISC	906	182	111	10
Lancashire Enterprise Partnership Ltd.	-	8,965	159	-
Lancaster City Council	236	82	15	3
Lancaster Girls' Grammar School	-	1	-	-
Lancaster Royal Grammar School	-	16	-	-
Lancaster University Students' Union	1,317	123	73	2
Lancaster University Students' Union Housing Limited	2	33	-	-
Lancaster University Students' Union Services Company Limited	8	119	-	-
Liverpool University	978	646	-	-
N8 Ltd.	60	177	-	-
Nanjing University	10	5	-	-
Office for Students	-	8,097	-	-
PricewaterhouseCoopers	95	16	-	-
Professional Higher Education Services (PHES)	21	-	-	-
The Manufacturing Technology Centre Ltd.	-	-	6	-
The New Phytologist	-	609	-	-
Tullie House Museum and Gallery	15	-	-	-
UK Research and Innovation (UKRI)	-	34,884	-	-
Universities and Colleges Admissions Services (UCAS)	124	-	-	-
Universities and Colleges Employers Association (UCEA)	12	-	-	-
Universities UK (UUK)	4	-	-	-
University Academy 92 Ltd.	-	232	-	-
University Hospitals of Morecambe Bay NHS Foundation Trust	303	14	-	-
University of Central Lancashire (UCLAN)	455	352	-	-

31. Related party transactions (continued)

For the related party transactions reported, the following interests exist:

Professor Andy Schofield (Vice-Chancellor) is a Director of University Academy 92 Ltd, UA92 Old Trafford Ltd and N8 Ltd. He is a Council Member of UKRI-STFC and an Honorary Fellow of the Manufacturing Technology Centre.

Professor Steve Bradley (Deputy Vice-Chancellor) is the Chief External Examiner of Liverpool University (China Campus).

Ms. Nicola Owen (Deputy Chief Executive (Operations)) is the Chair of AHUA Executive Committee.

Professor Pete Atkinson (Dean, Faculty of Science and Technology) is a Trustee of The New Phytologist.

Professor Sir Ian Diamond (lay member of Council) is an observer for UK Research and Innovation (UKRI). He is a Lead Fellow for the British Academy and is a NetZero Advisory Board Member for the National Physical Laboratory.

Professor Louise Heathwaite (Pro-Vice-Chancellor) is a fellow of the Centre for Ecology and Hydrology. She is the President of the Freshwater Biological Association and a member of the Advisory Board: UKRI ISCF Transforming Food Production. From 1 July 2021 she is the Chair of the Science Advisory Council for the Department of Environment, Food and Rural Affairs (Defra)

Mr. Ian Johnson (lay member of Council, Audit Committee, Council Safety, Health and Wellbeing Committee, Redundancy Committee and Chair of the Health Innovation Campus Development Board) is the Chairman of University Hospitals of Morecambe Bay NHS Foundation Trust.

Professor Kevin Jones (appointed member of Council) is a Senior Research fellow of the Centre for Ecology and Hydrology (NERC). He is a Visiting Professor in Nanjing University.

Professor Malcolm Joyce (appointed member of Finance and General Purposes Committee) is a Technical Director of Hybrid Instruments Ltd. He is an Editor at Progress Nuclear Energy for Elsevier.

Professor Angus Laing (Dean, Lancaster University Management School) is a Director of the Chartered Association of Business Schools.

Lord Mark Price (lay member of Council until March 2021) was the President of the Chartered Management Institute

Mrs. Sarah Randall-Paley (Director of Finance) is a Co-opted Member and Chair of UCAS Audit Committee and the Chair of the British Universities Finance Directors' Group (BUFDG). She is a Trustee of Lancaster Girls' Grammar School.

Ms Marcia Reid Fotheringham (Co-opted member of Audit Committee and lay member of Council) is a Trustee of the Tullie House Museum and Art Gallery and a Patron of a Community Interest Company.

Dr Philip Richards (lay member of Estates Committee) is a Director of JISC Services Limited and the Chief Innovation Officer of JISC.

Professor Ella Ritchie (Deputy Pro-Chancellor) is, on behalf of the Office for Students, an Adviser on widening access for The National College of Humanities.

Mr Oliver Robinson (President of Lancaster University Students' Union) is a Director and Chair of Lancaster University Students' Union and City Councillor of Lancaster City Council. He is a member of Unite the Union.

His Honour Judge Phillip Sycamore (lay member of Council, Nominations Committee and Redundancy Committee) is a member of the governing body of Lancaster Royal Grammar School.

Mr. Nigel Birkett is a lay member of Finance and General Purposes Committee. His wife is a partner at Deloitte LLP.

Mr Roderick Burgess (lay member of Estates Committee) is a Trustee of Lancaster Royal Grammar School and associated Charities.

Lord Little (Chair of Council to 30 September 2020), member of the Advisory Council of UCLAN, member of Cumbria County Council. His wife Caroline Thomson was a Board member of the Conversation Trust and a Trustee of the Tullie House Museum and Gallery.

Professor Mark E. Smith (Vice-Chancellor until 30 September 2019), Chair of UCEA, HECSU and Graduate Prospects Ltd., member of Universities UK, Lancashire Enterprise Partnership Ltd, Higher Education Statistic Agency, All Party Parliamentary University Group and JISC, Trustee of HECSU, Higher Education Statistics Agency and JISC, director of UCEA, N8 Ltd, Graduate Prospects Ltd., EPSRC., University Academy 92 Limited and UA92 Old Trafford Limited.

Notes to the Financial Statements *(continued)*

for the year ended 31 July 2021

32 Post balance sheet event

On 28 September 2021, The Trustee board of the Universities Superannuation Scheme (USS) confirmed a new Schedule of Contributions following a consultation period with Universities UK (UUK). As a result, the employer contribution rate increased to 21.4% with effect from 1 October 2021 and the deficit recovery period has been extended to March 2038. The impact of these changes is an increase in the total USS pension provision to £127M from £39M. The new Schedule of Contributions is now subject to a period of wider consultation and if this position is confirmed, this adjustment will be reflected in the University's Financial Statements for the year ended 31 July 2022.



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