

Lancaster
University



Financial Statements 2020



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Strategic Report

for the year ended 31 July 2020

Objectives and strategy

Strategic Plan

As the University reached the end of its current Strategic Plan to 2020, it has reflected on its achievements and looked forward to the next phase of development. The strategy has been based on three priorities – research, teaching and engagement – and five underpinning dimensions to provide a platform for delivery, these being ‘the best staff’, ‘an international university’, ‘ensuring sustainability’, ‘creating a great place to study and work’ and ‘a digitally innovative university’. Our vision has been to become a university that is globally significant – a leader in higher education that provides the highest quality research and teaching, as well as engaging locally and internationally on the issues and debates of the day and future. Driven by research, and stimulating learning, the globally significant university informs and changes practice and thinking worldwide.

A mid-point review of the strategy in 2016/17 had concluded that, whilst successful on many aspects, we needed to increase our engagement with third parties, enhance further our reputation and continue to grow in scale. Measures were put in place to achieve these objectives and additional progress has been achieved in consequence. Our final quantitative and qualitative assessment of progress against all measures will conclude shortly and be reported to Council at its November 2020 meeting.

In the period since January 2020 we have been reviewing and updating this strategy against the backdrop of a very volatile world. The pandemic has brought global, national and local challenges but also opportunities for new thinking and approaches to pedagogy, operations and future priorities. Widespread consultation involving staff, students, governors and stakeholders has been undertaken and will help ensure a well-informed final plan that speaks to the shared ambitions of our staff and students. From discussions to date it is clear that the direction of travel will not radically change as a result of this process. However areas for additional emphasis are likely to include maintenance of a top-10 positioning, renewed thinking on delivery of an excellent student experience (in particular a focus to improve student satisfaction with assessment and feedback) and initiatives to further increase research intensity. On the people side, values and culture will feature more prominently and our commitment to engagement locally nationally and internationally will continue. At the time of writing this work is being drawn together for final consideration and we plan to publish a revised strategy in early 2021.

Original priorities for 2019/20 included progressing an approved major phase of our capital programme to support both the student experience and key areas of academic development. These were progressing well. Student growth was very strong, with the largest ever intake in autumn 2019 and the largest population of students both on the Lancaster campus and at our overseas partnerships. However, the onset of the Covid-19 pandemic in spring 2020 and the resulting national lockdown required a rapid emergency planning response, agile working and significant challenges across the full range of activities – student-facing, externally facing and operational support services. An urgent re-assessment of the in-year financial position was required and mitigating actions were put in place. The University community came together to meet all these challenges to leave the year in a secure position and well-prepared for an ambiguous operating context to continue. Further information on the financial impact follows in this report.

Even 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. Although the impact of Brexit still remains uncertain, particularly for future student recruitment from the EU and EU academic staff recruitment and retention, practical steps have been taken to strengthen Lancaster’s position overseen by a group led by the Deputy Vice-Chancellor. A campus in Leipzig in Germany opened to its first students 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.

The implementation of all or any part of 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 long-term funding position remains unresolved and has become more difficult still in respect of emerging information on the 2020 valuation. Further detail is given in Note 24.

The Council continues to review these and other significant risks regularly and, to maintain Lancaster’s positioning, the new strategic plan will need to facilitate agility and fresh-thinking. The innovative, creative and collaborative approaches unleashed throughout the pandemic so far shows that Lancaster is well placed to meet these challenges. The recent appointment of the Right Hon. Alistair Burt as Pro-Chancellor and Chair of the Council will be key in supporting the University in achieving its goals throughout the next strategic planning period.

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 2019/20 accounts reflect substantial movements for both the USS Pension Scheme and the Lancashire County Pension Fund. The changes have meant that our previous focus on surplus achievement as a proxy for cashflow generation continues to be ineffective for understanding our underlying financial performance – either during the year or at year-end.

As highlighted previously, the University Council engaged in an active debate around the best means to manage and monitor our financial performance in this context. The outcome was the adoption of the measure of Adjusted Net Operating Cashflow 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). After a period of rapid investment, we set ourselves the challenge to achieve an Adjusted Net Operating Cashflow 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 2019/20, the level of performance acceptable for the year was debated in the context of increasing cost pressures, with a focus on achieving an Adjusted Net Operating Cashflow closer to our established target, whilst ensuring sufficient resources to ensure progression towards our strategic goals.

As such the University Council was satisfied that the best course for the University would be to actively progress its strategic plans, budgeting for a 2019/20 financial performance which would show some modest improvement over the previous year but below the long-term target indicator. The approved Adjusted Net Operating Cashflow for 2019/20 as a percentage of total income² was therefore set at 8.0% (7.9% on a 3 year rolling average).

The impact of the government's response to Covid-19 on society and therefore the University's operations from late March 2020 was significant. Substantial work was undertaken to confirm the likely impact on income with losses of commercial (conferences/sport/retail etc), summer term accommodation charges and other income streams (summer schools etc). The University Planning and Resources Group, chaired by the Vice-Chancellor, oversaw the initial financial response to this unanticipated pressure, targeting additional savings from moving close to vacancy freeze for all posts not funded externally, utilising the government Job Retention Scheme for allowable groups of staff and targeting non-payroll savings. In summary, the aim was to stabilise the revenue position by offsetting potential income losses of ca. £16M with targeted revenue savings alongside ca. £8M of capital expenditure savings reductions, giving an in-year required target performance at 8.3%.

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 Adjusted Net Operating Cashflow for the year moved up to the 11% 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 8.7%, ahead of the in-year budget but below the long-term target.

The improved financial outcome was helpful in providing maximum resilience ready for the uncertainties of 2020/21 and the ongoing impact of the pandemic. The underlying trading position will continue to require close attention in light of rising cost pressures.

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

². Excludes the impact of income from capital grants.

Strategic Report

for the year ended 31 July 2020

Major initiatives underway during 2019/20 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 and when taken together with Lancaster's high standing provide a strong platform for future financial performance even in uncertain times:

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
Expansion of Medical School	Teaching and research excellence; Engagement; Sustainability and support for growth	Successful expansion to 150 students for 2020 intake (from 125)
Redevelopment of the Management School and associated growth plan	Teaching and research excellence; Engagement; Sustainability and support for growth	Phase 1 substantially complete and due for occupation in winter 2020.
Expansion of Engineering department and associated growth plan	Teaching and research excellence; Engagement; Sustainability and support for growth	Plans approved in January 2020 but capital investment currently paused.
University Academy 92 Ltd (UA92) education project in Manchester	Teaching excellence; Sustainability and support for growth	Supporting infrastructure and facilities complete and operational. Second cohort admitted in September 2020.
REF 2021 planning and support for strategic research grant applications	Global significance; Research excellence	Ongoing. Submissions deadline March 2021 with outcome in April 2022.
New Leipzig campus	Global significance; Teaching and research excellence; Sustainability and support for growth	First cohort admitted in September 2020 on LU accredited UG programmes
Lancaster Institute for Contemporary Arts (LICA) growth plan	Teaching and research excellence; Engagement; Sustainability and support for growth	First students undertaking new architecture courses in 2020/2021; major E3 (Expanding Excellence in England) grant secured and specialist facilities are currently under development.
New Sports Hall	Sustainability and support for growth	Completed in June 2020.
400-seat lecture theatre	Sustainability and support for growth	Due for completion in October 2020.
Library extension	Sustainability and support for growth	Due for completion in November 2020.

Many of these projects have necessitated up front support, pending returns to follow, and the financial performance for 2019/20 needs to be considered in this context.

Financial Highlights (consolidated)

	2019/20	2018/19	Change
Total Income (as reported)	£323.5M	£319.4M	+1.3%
Total Income ³ (excluding capital grant income)	£310.8M	£296.2M	+4.9%
Average Number of Staff (FTE)	3,236	3,223	+0.4%
Staff Costs ⁴ as % Income ³	56%	55%	+1.0%
Adjusted Net Operating Cashflow	£35.5M	£26.8M	+32.5%
Adjusted Net Operating Cashflow as % of Income	11.4%	9.1%	+2.3%
Net Debt	£58.2M	£51.6M	+12.9%
Current Asset Ratio	1.4	1.4	0.0

Review of the financial year

2019/20 has been a solid financial year for the University despite the negative effects of the Covid-19 pandemic. Our underlying performance ended the year closely in line with planned expectation and highlights the University's responsiveness in challenging times.

Focus on our priorities of teaching, research and engagement and strengthening reputation is demonstrated by an increase in 14% in tuition fees and education contracts, and a 15% increase in funding body grants. These increases were offset by income losses owing to the pandemic. Despite this, total income still increased 1%, or 5% excluding capital grant income.

Reported total expenditure has decreased by 24% as the result of a non-cash pension adjustment credit of £35M. Excluding non-cash pension adjustments, total expenditure has increased by 3%⁵, with a reduction in other operating expenses owing to cost control implemented to mitigate the negative impacts of the pandemic offset by continued investment in staff.

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

	2019/20	2018/19	Change
Total income (as reported)	£323.5M	£319.4M	+1.3%
Funding body grants	(£2.6M)	(£2.6M)	
Research grants and contracts	(£0.8M)	(£1.2M)	
Other income	(£9.3M)	(£11.5M)	
Donations and endowments	-	(£8.0M)	
Total income (excluding capital grants and non-cash donations)	£310.8M	£296.2M	+4.9%

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

	2019/20	2018/19	Change
Staff costs (as reported)	£138.0M	£220.9M	-37.5%
Non-cash pension adjustments	£34.6M	(£59.5M)	
Staff costs (excluding non-cash pension adjustments)	£172.6M	£161.4M	+6.9%

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

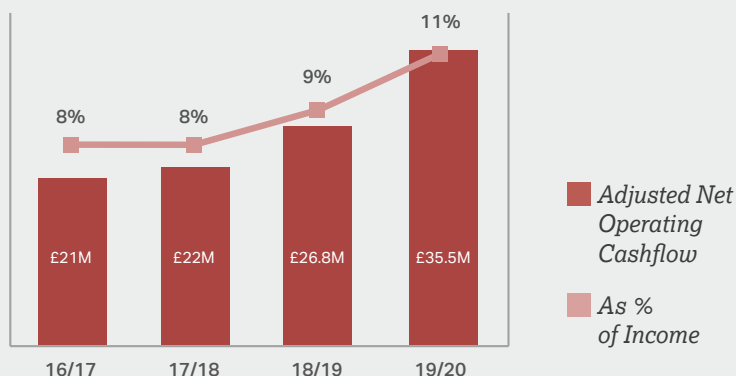
	2019/20	2018/19	Change
Total expenditure (as reported)	£269.1M	£353.9M	-24.0%
Non-cash pension adjustments - Staff costs	£34.6M	(£59.5M)	
Non-cash pension adjustments - Interest and other finance costs	(£2.4M)	(£1.4M)	
Total expenditure (excluding non-cash pension charges)	£301.3M	£293.0M	+2.8%

Strategic Report

for the year ended 31 July 2020

Key Financial Metric

Adjusted Net Operating Cashflow



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.

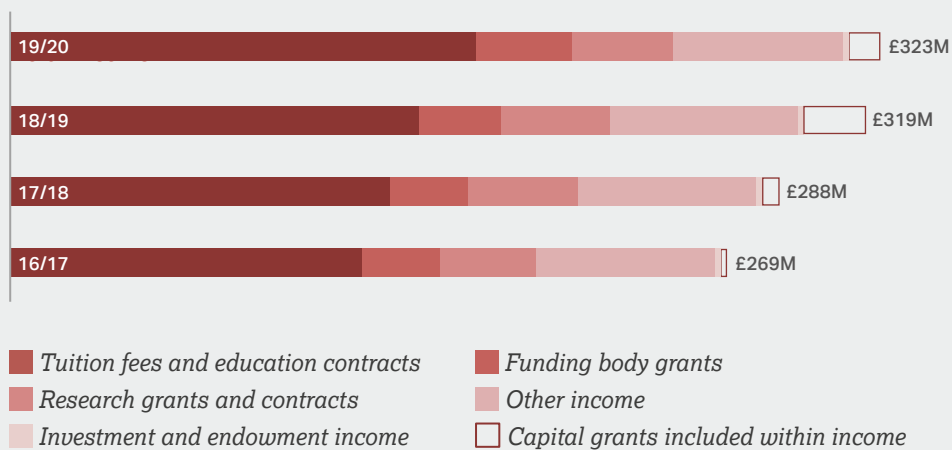
This year's improvement of £8.7M includes a positive net movement on working capital balances. If this movement is excluded then the metric would be £32M, representing 10% of income.

This metric continues to require close attention in light of rising cost pressures, as well as the likely negative financial impact of the Covid-19 pandemic.

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Income

Total Income

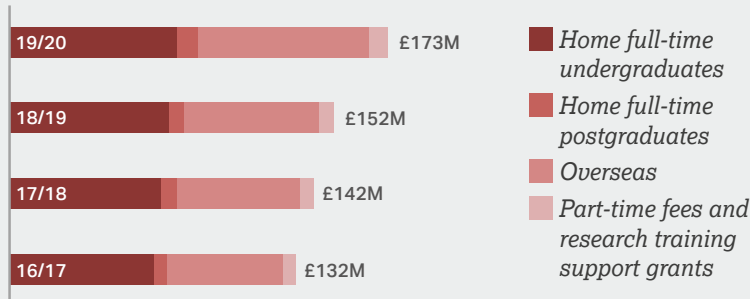


Total income for 2019/20 has increased to £323M which represents an increase of 1% as reported, or 5% excluding the impact of capital grants.

The University's ever strengthening UK and global reputation coupled with targeted investment in staff and facilities has yielded strong growth in tuition fees and education contracts (+14%), offset slightly by a reduction in Research grants and contracts representing the impact of the pandemic on research delivery (-7%⁵).

⁵ Excludes the impact of income from capital grants.

Tuition fees and education contracts

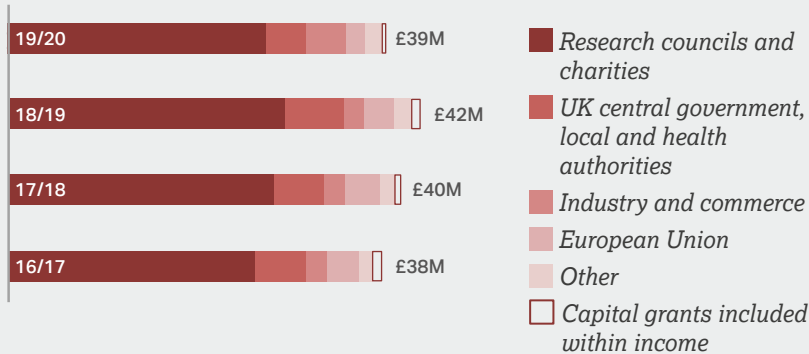


Tuition fee and education contracts have increased by 14% to £173M with steady growth achieved across all fee categories.

Our total student population increased by 7% in 2019/20, highlighting the University's efforts to retain our 'Triple Top 10' UK status and improved global ranking.

Numbers of students based at our international teaching partnerships in Malaysia, Ghana and China also continue to increase, with an overall growth of 10% this year.

Research grants and contracts



Total income for 2019/20 was £39M which represents a decrease of 8%, or 7% excluding the impact of capital grants.

The reduction represents the impact on research delivery as a result of the Covid-19 pandemic, which suspended or paused elements of research activity. A significant award of £2.5M (E3) was classified in accordance with the terms of the funder as funding body grants.

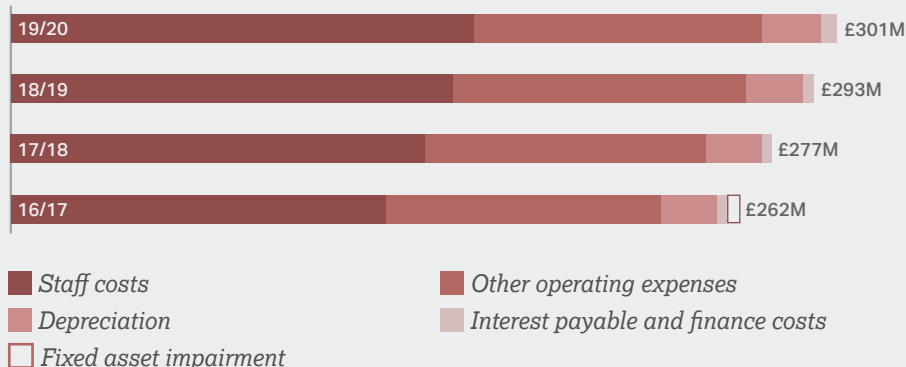
As such, 2019/20 was another successful year in terms of the number and value of applications made and awards granted, the benefit of which will roll forward into future periods.

Strategic Report

for the year ended 31 July 2020

Expenditure

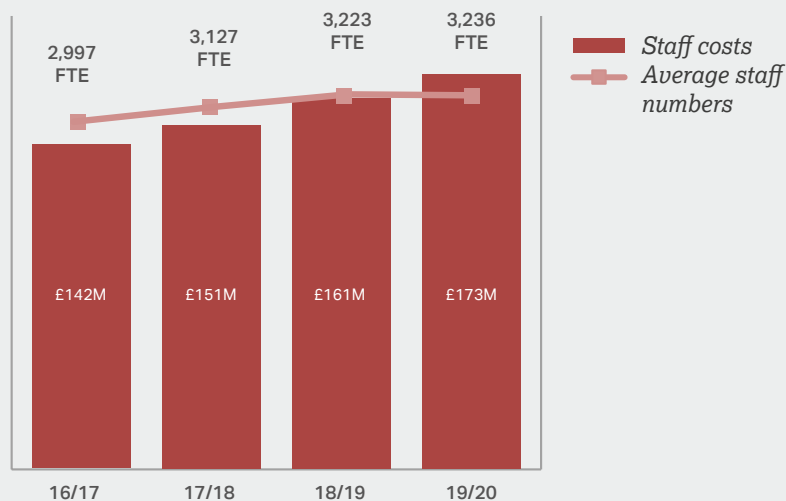
Total Expenditure⁶



Total expenditure for 2019/20 has decreased by 24% to £269M. Excluding non-cash pension adjustments, expenditure is £301M, an increase of 3%.

Other operating expenses reduced by 5% owing to cost control measures implemented owing to the onset of the Covid-19 pandemic.

Staff Costs⁶



Underlying staff costs increased by 6.9%. This increase reflects continued inflationary pressures, including an increase to the USS employer pension contribution from 19.5% to 21.1% in October 2019.

Despite a constrained operating environment, we continue to ensure that there is targeted recruitment where necessary in our academic and professional staff.

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

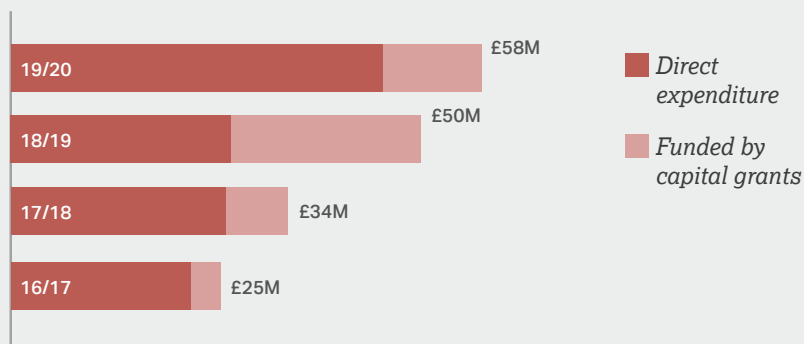
Taxation mainly represents amounts payable in respect of overseas partnership arrangements.

⁶ Excludes non-cash pension adjustments.

Statement of Financial Position

Pension provisions have increased by £8M reflecting the latest valuation of the Universities Superannuation Scheme (USS) and the Lancashire County Pension Fund (LCPF), with two significant in-year valuation movements netting off. Further details can be found in Note 25 to the Financial Statements.

Capital Programme

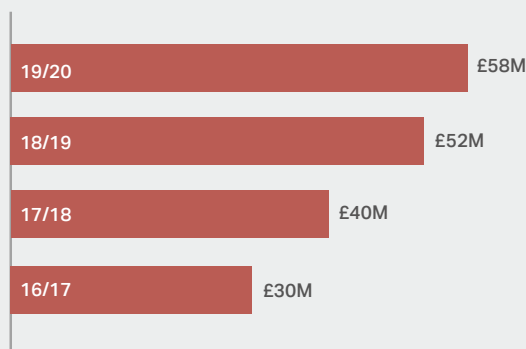


Capital additions in 2019/20 were £58M.

Two of our largest projects in the year were in the delivery phase, namely the Health Innovation Campus (Phase 1 completed in August 2020) and the Phase 1 Management School redevelopment (completion expected in November 2020).

There have been a number of revisions to our capital programme owing to operational and financial challenges presented by the Covid-19 pandemic. Future investment will be given careful consideration to ensure a balance between developing our campus offerings in the light of the pandemic and assuring our financial sustainability.

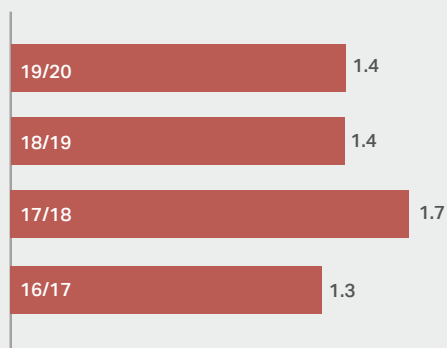
Net Debt



Net Debt has increased by ca.£6M in the year, primarily driven by a £17.5M drawing on our revolving credit facility offset by a £10M increase in cash and cash equivalents.

Since the year-end we obtained a £30M extension to our existing £60M revolving credit facility. This extension provides the University with additional liquidity if required whilst operating in an uncertain financial environment.

Current Asset Ratio



The current asset ratio has remained stable, with an increase in current assets offset by a corresponding increase in current liabilities.

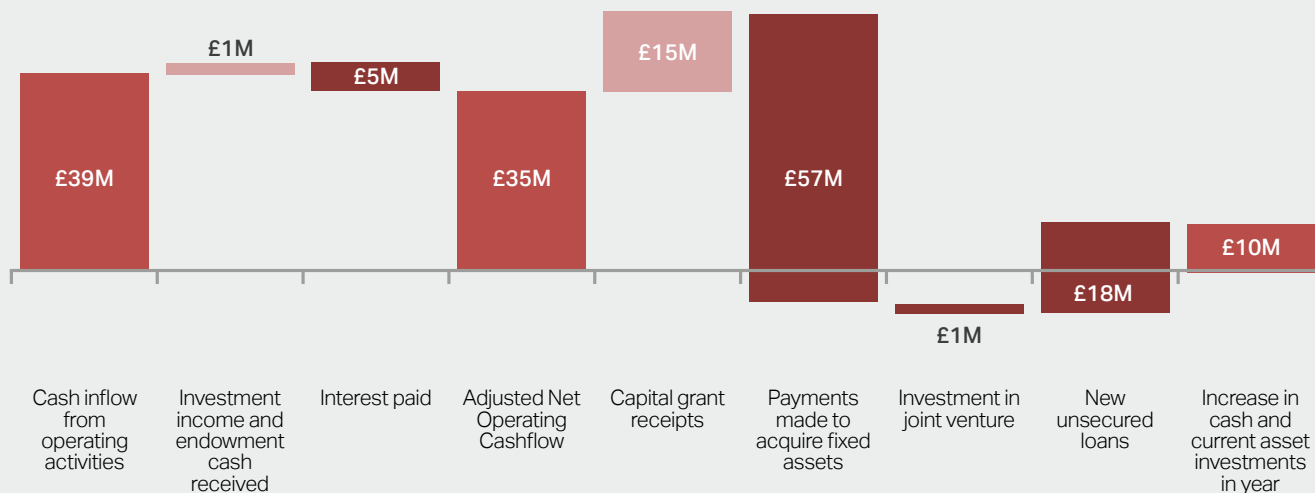
The University adheres to a treasury policy which is used to identify, manage and control treasury risk, manage daily cash balances and ensure compliance with financial covenants.

Strategic Report

for the year ended 31 July 2020

Cashflow and current asset investments

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



Conclusion and Outlook

Prior to the pandemic, the initiatives progressed by the University in 2019/20 were designed to build upon existing high performance and reputational strength. Our TEF Gold status alongside the accolade of 'International University of the Year 2020' and the University's UK triple top 10 ranking, have positioned us well to attract increasing numbers of well-qualified students and world-leading academic staff.

The unprecedented pressures from the pandemic has brought its challenges this year but the University community has risen to them with courage and creativity. The financial result for 2019/20 is a testimony to hard work across all areas of the University to manage the impact and to secure the University's position in advance of the uncertainties of 2020/21.

Professor A. J. Schofield
Vice-Chancellor

Mrs Sarah J. Randall-Paley
Director of Finance

Corporate Governance Statement 2020

The following Statement of Corporate Governance and Statement of Internal Control covers the 2019/20 financial year and period up to the date of approval of the audited financial statements of the University and its subsidiaries by Council on 20 November 2020.

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; a position supported by a review of Council effectiveness undertaken during 2016/17 and further supported by annual internal reviews of compliance and effectiveness reviews of its sub-committees conducted in 2018/19. 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. Early in 2020, Council actively engaged with the consultation regarding the development of a revised CUC Higher Education Code of Governance which has been subsequently published in September 2020.

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 2018. A review of Council effectiveness was undertaken during 2016/17, which concluded that the University has an effective governing body but provided some recommendations to enhance further the current arrangements, which the University has subsequently addressed or are part of continuous improvement. With the publication of the new CUC Higher

Education Code of Governance there is now the intention to further review practices.

The Council formally met ten times in 2019/20 and, in addition, held an Away Day. The Council met more frequently in 2019/20 than the usual six scheduled meetings, including 4 extraordinary meetings and also conducted a more significant amount of business both via digital platform and by correspondence, primarily as a direct consequence of the Covid-19 pandemic. From March 2020, the Council approved a number of temporary measures to ensure that effective governance and oversight could be maintained throughout the Covid-19 pandemic; this included a rapid transition to digital modes of conducting Council and sub-committee business.

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), but the membership also includes representatives of both staff and students. None of the lay members receive any payment, apart from the reimbursement of travel and subsistence expenses which amounted to a total of £5,379 in 2019/20 (a total of £10,930 in 2018/19), for the work they do for the University. This reduction in expenses is as of a direct consequence of the move to online meetings.

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. In 2019/20, the University has been conducting a search for a new Pro-Chancellor and this work has been successfully undertaken by a Search Committee with a new Pro-Chancellor, the Right Hon. Alistair Burt, taking office on the 1 October 2020.

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. On the 30 September 2019 Professor M. E. Smith stepped down from his role as Vice-Chancellor to take up a similar position at another University. The Council appointed Professor S. Bradley, (the existing Deputy Vice-Chancellor), to act as an Interim Vice-Chancellor throughout the Council's search. Professor Bradley stepped down following a successful search process with Professor A. J. Schofield appointed as Vice-Chancellor of Lancaster University from 1 May 2020.

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 2019/20 recommendations identified by the Effectiveness Review of Council sub-committees during 2018/19, have been implemented.

The Deputy Chief Executive (Operations) and Secretary acts as Secretary of 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 2019 to 31 July 2020):

Name of member	Eligible to Attend	Actually Attended	Start or end of appointment
* Liddle, Lord R. J., Pro-Chancellor	10	9	
Smith, Professor M. E., Vice-Chancellor	1	1	(to 30.09.19)
Bradley, Professor S., Interim Vice-Chancellor	6	6	(from 01.10.19 to 30.04.20)
Schofield, Professor A. J., Vice-Chancellor	3	3	(from 01.05.20)
Bradley, Professor S., Interim Deputy Vice-Chancellor	3	2	(from 01.05.20)
* Barron, Mr D. J.	3	2	(from 01.06.20)
* Diamond, Professor Sir I. D.	10	7	
* Georghiou, Ms R. S.	10	9	
Guy, Professor S. C.	10	9	
* Johnson, Mr I.	10	10	
Jones, Professor K. C.	10	8	
Hatch, Ms V.	1	1	(from 01.05.20 to 30.06.20)
Morgan, Ms B. T.	10	10	
Mullan, Ms A. M.	10	8	
* Neville-Jones, Baroness L. P.	10	8	
Nuttall, Mr G. S.	7	7	(to 01.05.20)
* Price, Lord M. I.	10	8	
* Reynolds, Mr S. N.	10	8	
* Ritchie, Professor E.	10	10	
Robinson, Mr O.	2	2	(from 01.07.20)
* Sycamore, His Hon P.	10	8	
* Young, Mrs V.	10	10	

* Denotes Lay Member

Corporate Governance Statement 2020

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 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 which 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. Recommendations from this review to further enhance the arrangements have been implemented during 2019/20. In addition, the Audit Committee has reviewed its effectiveness against the new CUC Code of Practice for Audit Committees (May 2019) with changes taking effect from 2020/21, and the Council and Senate considered their respective effectiveness in operating digitally as a consequence of the pandemic resulting in greater resilience being built into both bodies operations.

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.

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 from management 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.

To support the Vice-Chancellor, a University Management Advisory Group (UMAG) meets regularly to consider and advise the Vice-Chancellor on key strategic and operational aspects of the University's work. Due to the Covid-19 pandemic, throughout 2020 the Vice-Chancellor has also had the support of emergency response teams and structures, as well as a Pandemic Institutional Planning & Response (PIPR) group to support recovery and business continuity.

Remuneration of the Vice-Chancellor

Over the last 5 years the overall remuneration of the University's 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's performance has improved rapidly during this period culminating in the University becoming the Times and Sunday Times University of the Year in 2018 and consistently being in the top 10 nationally, at the same time as meeting our widening participation aims. Other successes have included achieving gold within the Teaching Excellence Framework (TEF) and third overall within

the sector for graduate employment prospects. 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 Human Resources and Organisational Development/clerk to the Remuneration Committee and is then presented to the University's Remuneration Committee, along with the latest CUC, UCEA and other salary/overall remuneration benchmarking information. Where appropriate independent specialist advice is also sought from the institution's external advisers (currently the Korn Ferry 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. In calculating the remuneration for the Interim Vice-Chancellor (01.10.19 to 30.04.20) the Committee considered benchmarking information from the sector; the data points used to determine the salary were (a) the upper quartile for Deputy Vice-Chancellors in the sector and (b) the lower quartile for recently appointed Vice-Chancellors in the sector. On 1 May 2020, the University appointed a new Vice-Chancellor. As part of the recruitment process consideration was given to the remuneration for the role with the University's Remuneration Committee on 18 November 2019 agreeing the remuneration package.

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

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

Including sessional:	Vice-Chancellor 01.08 to 30.09.19	Interim Vice-Chancellor 01.10.19 to 30.04.20	Vice-Chancellor 01.05 to 31.07.20	Vice-Chancellor 2018/19
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	7.7	5.3	6.3	8.6
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.	8.1	5.1	6.5	9.6

Excluding sessional	Vice-Chancellor 01.08 to 30.09.19	Interim Vice-Chancellor 01.10.19 to 30.04.20	Vice-Chancellor 01.05 to 31.07.20	Vice-Chancellor 2018/19
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	7.7	5.3	6.3	7.8
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.	7.9	4.9	6.3	8.5

Consequently, as the Vice-Chancellor was new in role on 1 May 2020, there was no annual review of salary in July 2020; this will resume in July 2021.

The Remuneration Committee has agreed a number of initial objectives for the Vice-Chancellor and future objectives and development which will form the basis of the next pay review are to be set in light of the appointment of the new Pro-Chancellor from 1 October 2020.

Corporate Governance Statement 2020

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. For example, during the year the opportunity was taken to review the approach to managing the risks around cyber security and those associated with emergency response and incidents. With regards to the latter, the University undertook an institutional exercise regarding its response to a global flu pandemic in November 2019. This was fortuitous and has assisted the University in its preparedness for the Covid-19 pandemic.

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 Deloitte 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. Based on the work undertaken during the year, the internal auditors' annual opinion for 2019/20 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 two internal audit reviews resulting in an overall classification of 'high', but none rated 'critical'. The external auditors report to the Audit Committee as a minimum annually and their annual opinion is provided elsewhere in the Financial Statements. The work of the internal and external auditors plays an important role in assisting the University to improve 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.

In early 2020, the Audit Committee led a procurement exercise for the tendering of both internal and external audit services. The Council at its meeting of 13 March 2020, appointed Binder Dijker Otte (BDO) to be the University's External Auditors for three years starting with the accounts for 2020/21 (replacing Deloitte) and PwC were reappointed as Internal Auditors for three years starting in 2020/21.

The University operates an enhanced risk management process under a 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. During this period, there has been an ongoing process of identifying and mitigating where possible the many risks arising from the uncertainty surrounding the Covid-19 pandemic. A new approach has been developed to interweave Covid-19 risks and related mitigations into the main Register. This has been welcomed by Audit Committee and Council and this approach will be applied similarly to other thematic risks such as those arising from EU transition and exit.

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 maintained and considered by UMAG. 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 2019/20. The University has continued to strengthen its risk mitigations in this area introducing a number of University-wide enhancements to IT security based on its learnings from the 2018/19 cyber-attack.

The challenging risk environment demands that the University continues to maintain an effective risk management process which is fit for purpose and has the ability to adapt quickly and effectively in response to evolving situations. Factors which have influenced and impacted on risk and which were considered during the course of the 19/20 year included:

- Health and safety considerations and risk in relation to pandemic management and the campus operating environment, including the associated reputational risks in operating in this environment;
- The economic impacts of the pandemic which have caused the UK to fall into recession and the contraction of the global economy which will negatively impact disposable income and hence student recruitment;
- EU exit and the increasing uncertainty and instability due to a lack of clarity (partially caused by the ongoing pandemic) and impacts arising from a potential no deal at the end of the transition period;
- As a result of Covid-19 and EU exit, student recruitment and research and development income are increasingly uncertain;
- Continued global political uncertainty impacting income streams through research and student recruitment;
- A continued period of industrial action relating to a dispute on USS pensions; and
- USS 2017, 2018 and 2020 valuations and related cost pressures and industrial relations.

Financial control

The Council ensures that there are adequate and effective arrangements in place to ensure public funds are managed appropriately, in line with the 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, the Statement of Recommended Practice on Accounting for Further and Higher Education Institutions (SORP 2019 Edition), and other relevant accounting standards, and the 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.

Corporate Governance Statement 2020

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.

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 changes practice and thinking; (2) teaching that transforms people's lives and society; and (3) engage actively with students, businesses and our communities. During the latter end of 2019/20, the University has been consulting with its staff, students and wider stakeholders to develop a new strategy for implementation in 2021.

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 response to the Covid-19 pandemic with academics, staff and students from across the institution supporting the national and local management of, and recovery from, the Coronavirus outbreak. Medical students graduated early to work on the frontline in the NHS, Lancaster academics have contributed to the UK government's Scientific Advisory Group for Emergencies (SAGE) Committee, the Management School has delivered specialist survival programmes for small business and students and staff manufactured visor masks. Lancaster's statisticians have been involved in developing treatments and drug testing platforms, and the University is now leading a Medical Research Council funded project which will offer insights into how Covid-19 patients living in UK care homes were looked after as the pandemic unfolded. This research will play a key role in helping us understand the impact on the care sector and prepare for future crises;
- 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

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 Development and Alumni Relations 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 2019/20 akin to the previous year (0 complaints in 2018/19).

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.

promote fair access and social mobility of students from groups underrepresented in higher education. Lancaster's Access and Participation Plan can be read at:

<https://www.lancaster.ac.uk/widening-participation/our-strategy-and-approach/access-and-participation-plans/>

Work in this area has included creating educational support packs and sourcing IT equipment for disadvantaged local children and young people during the pandemic, to ensure they could continue to access their education, and by facilitating mentoring support within the community. In addition, the University has committed to the Armed Forces Covenant and will be committing to the Care Leavers' Covenant;

- undertaking research that seeks to address and have a positive impact on real-world challenges, for example:
 - three of our researchers won prestigious UKRI Future Leaders Fellowships. This highly competitive programme supports researchers as they transition to an independent research career. Between them, these fellowships (each over £1M) will undertake transformative research focusing on food insecurity, our approach to tackling climate change at an individual and community level, and addressing the challenges and opportunities arising from the growth of complex technology;
 - Future Places: utilising our expertise in computing and combining two of our prestigious interdisciplinary research institutes (Data Science Institute and Institute for Social Futures). This £3M Engineering and Physical Sciences Research Council project, with additional external partner support, will look at how as a society we can design, develop and live in the ever-changing world around us. This ground-breaking project will focus on three areas: the natural environment (looking in particular at the North West coastal area); the built environment (through initiatives like Healthy New Towns); and healthy living (looking at the relationship between where we live, and our mental and physical wellbeing). Through this landmark project, we will gain a better understanding of our local area, which will offer far-reaching benefit to the UK as a whole;
- to engage with society, to respond to its needs, and ensure that the work of the University ultimately contributes to enhanced experiences and provides benefits for broader groups, for example the University continues to be a major partner in the proposed 'Eden North' development on Morecambe sea front. During 2019/2020 work has been undertaken to develop the Morecambe Curriculum: a wide-reaching set of educational activities which focus on the unique natural environment of the Bay and is envisaged as providing local people with the skills

the future local workforce will need, aligned to the Eden Project itself and with the emerging local industrial strategy.

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

- placed in the top 10 of UK universities in all three national league tables and named The Times and Sunday Times Good University Guide International University of the Year for 2020, following the 2018 success in being named UK University of the Year in the same publication;
- ranked 7th in Europe for teaching excellence, and =135th out of more than 1000 universities in the QS World University Rankings in 2021, placing it within their top 14% and is 139th in the Times Higher Education World University Rankings in 2020;
- achieved the highest classification of gold in the inaugural Teaching Excellence Framework (TEF) exercise;
- in the 2014 Research Excellence Framework ranked 13th of 128 for the proportion of world leading research;
- is third in the UK for graduate prospects in the Times and Sunday Times Good University Guide 2020 and Complete University Guide 2021 with 89% of Lancaster students going into professional work or further education after graduation; and
- a Quality Assurance Agency review (2015) confirmed that the University meets UK expectations for academic quality, standards and enhancement.

Independent Auditor's Report to the Members of Council of Lancaster University

Opinion

In our opinion the financial statements of Lancaster University (the 'university') and its subsidiaries (the 'group'):

- give a true and fair view of the state of the group's and the university's affairs as at 31 July 2020 and of the group's and the university's income and expenditure, gains and losses and changes in reserves and cash flows for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Statement of Recommended Practice: Accounting for Further and Higher Education.

We have audited the financial statements which comprise:

- the consolidated statement of comprehensive income;
- the consolidated and university statement of financial position;
- the consolidated statement of cash flows;
- the consolidated and university statement of changes in reserves; and
- the related notes 1 to 31.

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) and the Statement of Recommended Practice: Accounting for Further and Higher Education (2019).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the university in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

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

We have nothing to report in respect of these matters.

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information 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 respect of these matters.

Responsibilities of the governing body

As explained more fully in the governing body's responsibilities statement, the governing body is responsible for the preparation of the financial statements that give a true and fair view, and for such internal control as the governing body determines 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 governing body is responsible for assessing the group's 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 governing body either intends to liquidate the group or the university or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Office for Students (OfS)

Regulatory Advice 9: Accounts Direction" In our opinion, in all material respects:

- funds from whatever source administered by the university for specific purposes have been applied to those purposes and managed in accordance with relevant legislation;
- funds provided by the OfS and 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; and
- the requirements of the OfS's accounts direction have been met.

Matters on which we are required to report by exception

Under the OfS Regulatory Advice 9: Accounts Direction, we are required to report in respect of the following matters if, in our opinion:

- the provider's grant and fee income, as disclosed in note 6 to the accounts, has been materially misstated; or
- the provider's expenditure on access and participation activities for the financial year, as disclosed in note 29 to the accounts, has been materially misstated.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the governing body in accordance with the charter and statutes of the university.

Our audit work has been undertaken so that we might state to the governing body those matters we are required to state to it 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 board of governors as a body, for our audit work, for this report, or for the opinions we have formed.

Deloitte LLP Statutory
Auditor Leeds, United
Kingdom
18 December 2020

Statement of Principal Accounting Policies

for the year ended 31 July 2020

1. General information

Lancaster University is registered with the Office for Students in England. The address of the registered office is University House, Bailrigg, Lancaster, LA1 4YW.

2. Statement of Compliance

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

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

3. Basis of preparation

The Consolidated and University financial statements have been prepared under the historical cost convention.

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. During the year, in response to the onset of the Covid-19 pandemic, the University took immediate and significant steps to quantify the potential financial impact in the current and future financial years, to constrain both in-year and future revenue and capital expenditure plans, to assess forecast liquidity under different scenarios with external advice and to consider what additional flexibility might be sensible to put in place. As well as significant revenue and capital budget revisions, a £30M increase to the University's existing Revolving Credit Facility was approved in September 2020. This facility runs to 2023, with potential extension for a further two years.

Therefore, from all of the aforementioned steps, the Council has a reasonable expectation that the University has adequate resources to continue in operational existence for the foreseeable future. Thus, it continues to adopt the going concern basis of accounting in preparing the annual financial statements.

4. 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.

5. Basis of consolidation

The consolidated financial statements include the financial statements of the University and all its subsidiaries together with the share of the results of associates and joint ventures for the financial year to 31 July 2020. 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.

6. Income recognition

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

Tuition Fee income is stated gross of any expenditure which is not a discount and credited to the Consolidated Statement of Comprehensive Income over the period in which students are studying. Where the amount of the tuition fee is reduced by a discount 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 Consolidated Statement of Comprehensive Income on a receivable basis.

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

Grant funding

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

7. Accounting for retirement benefits

The two principal pension schemes for University 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 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.

Statement of Principal Accounting Policies

for the year ended 31 July 2020

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.

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.

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

Exchange differences arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised in the surplus or deficit for the individual financial statements and other comprehensive income for the consolidated financial statements.

12. Property, plant and equipment

Land and buildings

Land and buildings 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 the 2015 FE HE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

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.

Intangible assets

Intangible assets, excluding goodwill, are measured at cost less any accumulated amortisation and any accumulated impairment losses. Internally developed software is amortised, once it becomes available to use, over the expected useful life of that software up to a maximum of five years. Purchased software is amortised over the shorter of five years or the agreed license period.

A review for impairment of an intangible asset is carried out if circumstances change and provision is made for any impairment.

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.

Statement of Principal Accounting Policies

for the year ended 31 July 2020

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

Impairment

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

Borrowing costs

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

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.

Investments are held on the Statement of Financial Position as basic financial assets and are measured in accordance with accounting policy Note 20.

15. Stock

Building maintenance, catering, bars and central stationery stocks are brought into the accounts at cost price. Neither consumable materials held in academic departments nor library books are included in stock.

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. Accounting for joint operations, jointly controlled assets and jointly controlled operations

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.

19. Taxation

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

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.

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

20. 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.

Statement of Principal Accounting Policies

for the year ended 31 July 2020

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.

21. 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.

22. Critical accounting estimates and judgements

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

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

Income recognition

Judgement is applied 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.

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. Details of the carrying values of tangible assets are shown in Note 11.

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.

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 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 based on the latest actuarial valuation is recognised in the Statement of Financial Position.

Impairments

Management makes judgements as to whether any indicators of impairments are present for any of the University's assets.

Provisions

Management apply judgement to arrive at the best estimate for any obligation required. The amount recognised as a provision is management's best estimate of the amount required to settle the obligation.

Consolidated Statement of Comprehensive Income

Year ended 31 July 2020

Income	Notes	Year ended 31 July 2020		Year ended 31 July 2019	
		Consolidated £000	University £000	Consolidated £000	University £000
Tuition fees and education contracts	1	172,982	172,982	152,193	152,193
Funding body grants	2	38,601	38,601	34,003	34,003
Research grants and contracts	3	38,656	38,656	42,041	42,041
Other income	4	71,748	69,773	81,809	80,272
Investment income	5	507	544	696	747
Donations and endowments	6	957	957	8,678	8,678
Total income		323,451	321,513	319,420	317,934
Expenditure					
Staff costs		179,092	178,834	166,190	165,965
USS revaluation		(41,136)	(41,136)	54,758	54,758
Total staff costs	7	137,956	137,698	220,948	220,723
Other operating expenses		101,404	100,179	106,871	105,975
Depreciation	9,11	22,406	22,303	21,091	20,981
Interest and other finance costs	8	7,295	7,295	5,031	5,031
Total expenditure	9	269,061	267,475	353,941	352,710
Surplus / (deficit) before other gains and losses and share of operating deficit of joint venture		54,390	54,038	(34,521)	(34,776)
Gain on investments	13	90	90	165	165
Share of operating deficit in joint venture	14	(1,100)	-	(900)	-
Surplus / (deficit) before tax		53,380	54,128	(35,256)	(34,611)
Taxation	10	(431)	(431)	(325)	(325)
Surplus / (deficit) for the year		52,949	53,697	(35,581)	(34,936)
Actuarial loss in respect of the Lancashire County Pension Fund	25	(40,281)	(40,281)	(14,333)	(14,333)
Total comprehensive income for the year		12,668	13,416	(49,914)	(49,269)
Represented by:					
Restricted comprehensive income for the year		283	283	7,934	7,934
Unrestricted comprehensive income for the year		12,385	13,133	(57,848)	(57,203)
		12,668	13,416	(49,914)	(49,269)

All items of income and expenditure relate to continuing operations.

Consolidated and University Statement of Financial Position

As at 31 July 2020

	Notes	As at 31 July 2020		As at 31 July 2019	
		Consolidated £000	University £000	Consolidated £000	University £000
Non-current assets					
Fixed assets	11	478,117	476,853	442,445	441,078
Heritage assets	12	9,000	9,000	9,000	9,000
Investments	13	4,563	13,944	3,211	12,571
Investment in joint venture	14	435	4,250	811	3,526
		<u>492,115</u>	<u>504,047</u>	<u>455,467</u>	<u>466,175</u>
Current assets					
Stock	15	588	588	604	604
Trade and other receivables	16	30,969	35,962	33,987	38,912
Investments	17	10,000	10,000	11,000	11,000
Cash and cash equivalents	18	67,424	67,392	56,584	56,569
		<u>108,981</u>	<u>113,942</u>	<u>102,175</u>	<u>107,085</u>
Less: Creditors: amounts falling due within one year	19	76,969	87,012	72,278	82,356
Net current assets		<u>32,012</u>	<u>26,930</u>	<u>29,897</u>	<u>24,729</u>
Total assets less current liabilities		<u>524,127</u>	<u>530,977</u>	<u>485,364</u>	<u>490,904</u>
Less: Creditors: amounts falling due after more than one year	20	136,144	136,135	118,204	118,134
Provisions					
Pension provisions	22	141,001	141,001	133,120	133,120
Other provisions	23	1,809	1,809	1,535	1,535
Total net assets		<u>245,173</u>	<u>252,032</u>	<u>232,505</u>	<u>238,115</u>
Restricted Reserves					
Endowments and donations reserve	24	14,228	14,228	13,945	13,945
Unrestricted Reserves					
Income and expenditure reserve		230,945	237,804	218,560	224,170
Total Reserves		<u>245,173</u>	<u>252,032</u>	<u>232,505</u>	<u>238,115</u>

The financial statements were approved by the Council and signed on its behalf on 18 December 2020 by:

Mrs Valerie Young
Chair of Finance and
General Purposes Committee

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 2020

Consolidated	Income and expenditure reserve		
	Endowments and Donations	Unrestricted Reserves	Total
	£000	£000	£000
Balance at 1 August 2018	6,011	276,408	282,419
Surplus / (deficit) from the Statement of Comprehensive Income	8,798	(44,379)	(35,581)
Actuarial loss in respect of the Lancashire County Pension Fund	-	(14,333)	(14,333)
Release of restricted funds spent in the year	(864)	864	-
Total comprehensive income for the year	7,934	(57,848)	(49,914)
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 31 July 2020	14,228	230,945	245,173

University	Income and expenditure reserve		
	Endowments and Donations	Unrestricted Reserves	Total
	£000	£000	£000
Balance at 1 August 2018	6,011	280,757	286,768
Surplus / (deficit) from the Statement of Comprehensive Income	8,798	(43,734)	(34,936)
Actuarial loss in respect of the Lancashire County Pension Fund	-	(14,333)	(14,333)
Release of restricted funds spent in the year	(864)	864	-
Total comprehensive income for the year	7,934	(57,203)	(49,269)
Gift aid from subsidiary companies	-	616	616
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 31 July 2020	14,228	237,804	252,032

Consolidated Statement of Cash Flows

Year ended 31 July 2020

	Notes	Year ended 31 July 2020 £000	Year ended 31 July 2019 £000
Cash flow from operating activities			
Surplus / (deficit) for the year		52,949	(35,581)
Adjustment for non-cash items			
Depreciation	11	22,406	21,091
Amortisation of finance costs		31	31
Non-cash donation		-	(4,500)
Gain on investments	13	(90)	(165)
Share of loss in joint venture	14	1,100	900
Decrease / (increase) in stock		16	(69)
Decrease / (increase) in debtors		387	(6,372)
Increase in creditors		3,449	10,672
(Decrease) / increase in pension provisions		(32,400)	60,770
Increase in other provisions		274	4
Adjustment for investing or financing activities			
Investment income	5	(507)	(696)
Interest payable	8	4,941	3,646
Endowment income	24	(957)	(678)
Capital grant income included within the surplus / (deficit)		(12,687)	(18,757)
Net cash inflow from operating activities		38,912	30,296
Cash flows from investing activities			
Capital grants receipts		15,236	17,521
Investment income		544	765
Payments made to acquire fixed assets		(56,617)	(51,093)
Purchase of heritage asset		-	(3,500)
Investment in joint venture	14	(474)	(1,421)
Loan to joint venture	14	(250)	-
Disposal of current investments		1,000	48,000
		(40,561)	10,272
Cash flows from financing activities			
Interest paid		(4,954)	(4,979)
Endowment cash received		957	678
New unsecured loans		17,500	-
Repayment of amounts borrowed		(1,014)	(982)
		12,489	(5,283)
Increase in cash and cash equivalents in the year		10,840	35,285
Cash and cash equivalents at beginning of the year		56,584	21,299
Cash and cash equivalents at end of the year		67,424	56,584

Notes to the Financial Statements

for the year ended 31 July 2020

	Notes	Year ended 31 July 2020		Year ended 31 July 2019	
		Consolidated £000	University £000	Consolidated £000	University £000
1. Tuition fees and education contracts					
Full-time home and EU students		87,544	87,544	82,351	82,351
Full-time international students		77,949	77,949	62,877	62,877
Part-time students		6,060	6,060	5,419	5,419
Research training support grants		1,429	1,429	1,546	1,546
		172,982	172,982	152,193	152,193
2. Funding body grants		£000	£000	£000	£000
Recurrent grants					
Office for Students and Research England		30,003	30,003	27,247	27,247
Capital grants		2,603	2,603	2,624	2,624
Specific grants					
Higher Education Innovation Fund		3,506	3,506	4,132	4,132
Research England		2,489	2,489	-	-
		38,601	38,601	34,003	34,003
3. Research grants and contracts		£000	£000	£000	£000
Research councils and charities		26,928	26,928	29,091	29,091
UK central government, local and health authorities		3,958	3,958	5,906	5,906
Industry and commerce		4,172	4,172	2,105	2,105
European Union		2,097	2,097	3,248	3,248
Other		1,501	1,501	1,691	1,691
		38,656	38,656	42,041	42,041
4. Other income		£000	£000	£000	£000
Colleges and Residences		27,095	27,095	32,062	32,062
Other services rendered		15,407	15,407	15,771	15,771
Other capital grant		9,268	9,268	11,467	11,467
Other income		19,978	18,003	22,509	20,972
		71,748	69,773	81,809	80,272
Included within Other income is £3.1M from the Coronavirus Job Retention Scheme (2019: £nil)					
5. Investment income		£000	£000	£000	£000
Investment income on endowments	24	57	57	61	61
Other investment income		450	487	635	686
		507	544	696	747

6. Donations and endowments	Year ended 31 July 2020		Year ended 31 July 2019	
	Consolidated £000	University £000	Consolidated £000	University £000
New donations and endowments	957	957	8,678	8,678

New donations in 2019 included a cash donation of £3.5 million and a non-cash donation of £4.5 million in respect of an acquisition of a heritage asset.

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

Note	£000	£000	£000	£000
Grant income from the OfS	9,253	9,253	9,222	9,222
Grant income from other bodies	29,348	29,348	24,781	24,781
Fee income for taught awards	160,720	160,720	140,715	140,715
Fee income for research awards	48,949	48,949	51,266	51,266
Fee income from non-qualifying courses	1,969	1,969	2,253	2,253
Total grant and fee income	250,239	250,239	228,237	228,237

7. Staff costs	£000	£000	£000	£000
Staff Costs:				
Salaries	136,429	136,171	128,732	128,559
USS triennial valuation	(41,136)	(41,136)	54,758	54,758
Social security costs	12,372	12,372	12,076	12,057
Employer pension costs	23,471	23,471	20,616	20,583
Movement on USS provision	(1,459)	(1,459)	(1,194)	(1,194)
LCPF provision movement	7,954	7,954	5,899	5,899
Restructuring costs	325	325	61	61
	137,956	137,698	220,948	220,723

Notes to the Financial Statements *(continued)*

for the year ended 31 July 2020

	Consolidated and University	
	Year Ended 31 July 2020	Year Ended 31 July 2019
	£000	£000
Total remuneration of the Vice-Chancellor:		
Professor Mark E. Smith 01/08/19-30/09/19		
Salary	46	276
Taxable benefits	2	5
Non-taxable benefits	-	9
Pension contributions to USS	9	51
Total	57	341
Professor S. Bradley 01/10/19-30/04/20		
Salary	111	-
Pension contributions to USS	14	-
Total	125	-
Professor A.J. Schofield 01/05/20-31/07/20		
Salary	56	-
Pension contributions to USS	12	-
Total	68	-

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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. In 2019, the benefits related to the same accommodation and associated utility costs, but under the tax legislation applicable in 2019, part of the accommodation benefit was deemed to be a non-taxable benefit.

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	7.7	8.6
Based on total remuneration	8.1	9.6
Professor S. Bradley 01/10/19-30/04/20		
Based on basic salary	5.3	N/A
Based on total remuneration	5.1	N/A
Professor A.J. Schofield 01/05/20-31/07/20		
Based on basic salary	6.3	N/A
Based on total remuneration	6.5	N/A

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	7.7	7.8
Based on total remuneration	7.9	8.5
Professor S. Bradley 01/10/19-30/04/20		
Based on basic salary	5.3	N/A
Based on total remuneration	4.9	N/A
Professor A.J. Schofield 01/05/20-31/07/20		
Based on basic salary	6.3	N/A
Based on total remuneration	6.3	N/A

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 2020	Year Ended 31 July 2019
Remuneration of other higher paid staff, excluding employer's pension contributions	Number	Number
£100,000 - £104,999	13	13
£105,000 - £109,999	7	11
£110,000 - £114,999	8	8
£115,000 - £119,999	7	6
£120,000 - £124,999	8	4
£125,000 - £129,999	3	1
£130,000 - £134,999	1	4
£135,000 - £139,999	1	3
£140,000 - £144,999	5	2
£150,000 - £154,999	2	-
£155,000 - £159,999	-	1
£160,000 - £164,999	1	-
£165,000 - £169,999	3	3
£175,000 - £179,999	-	1
£180,000 - £184,999	2	-
£185,000 - £189,999	1	-
£225,000 - £229,999	-	2
£230,000 - £234,999	2	-
	64	59
Average staff numbers by major category: (expressed as full-time equivalents)	Number	Number
Academic and professional	1,927	1,872
Clerical and related	725	738
Technical	102	94
Operational	272	273
Sessional	210	246
	3,236	3,223
Compensation payable for loss of office:	£000	£000
Compensation payable	344	126
	Number	Number
Number of staff	61	52

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 2020

7. Staff costs (continued)

	Consolidated and University Year Ended 31 July 2020	Year Ended 31 July 2019
Key management personnel	£000	£000
Key management personnel remuneration	2,731	2,730

Key management personnel comprise of all members of the University's Management Advisory Group 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 19 (2019: 18).

Council Members

The University's Council members are the trustees for charitable law purposes. Due to the nature of the University's operations and the composition of the Council, being drawn from public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the Council may have an interest. All transactions involving organisations in which a member of Council may have an interest are conducted at arm's length and in accordance with the University's Financial Regulations and usual procurement procedures.

No Council member has received any remuneration/waived payments from the Group during the year (2019 - none).

The total expenses paid to or on behalf of 8 lay members of Council was £5k (2019 - £11k to 11 lay members of Council). This represents travel and subsistence expenses incurred in attending Council and other committee meetings.

	Year ended 31 July 2020		Year ended 31 July 2019	
	Consolidated £000	University £000	Consolidated £000	University £000
8. Interest and other finance costs				
Loan interest	4,941	4,941	3,646	3,646
Net charge on pension schemes	2,354	2,354	1,385	1,385
	7,295	7,295	5,031	5,031

9. Analysis of total expenditure by activity

	£000	£000	£000	£000
Academic departments	163,306	163,306	156,284	156,284
Vice and Pro-Vice-Chancellors' portfolios	11,926	11,926	11,081	11,081
Facilities	39,423	39,884	41,011	41,412
Interest payable	4,941	4,941	3,646	3,646
Depreciation and impairment	22,406	22,303	21,091	20,981
Professional Services	43,038	43,038	44,318	44,318
Library	6,149	6,149	6,678	6,678
Other expenses	8,215	8,215	7,462	7,462
University companies	1,944	-	1,522	-
(Credit) / additional charge re pension schemes	(32,287)	(32,287)	60,848	60,848
	269,061	267,475	353,941	352,710
Other operating expenses include:				
External auditor's remuneration in respect of audit services	89	68	86	66

	Year ended 31 July 2020		Year ended 31 July 2019	
	Consolidated	University	Consolidated	University
10. Taxation	£000	£000	£000	£000
Overseas taxation re international partnerships	431	431	325	325

11. Fixed assets

	Freehold Land and Buildings	Plant and Machinery	Fixtures, Fittings and Equipment	Assets in the Course of Construction	Total
Consolidated	£000	£000	£000	£000	£000
Cost or valuation					
At 1 August 2019	330,784	92,980	83,097	39,022	545,883
Additions	9,648	2,319	4,640	41,471	58,078
Transfers	36,850	8,016	1,711	(46,577)	-
At 31 July 2020	377,282	103,315	89,448	33,916	603,961
Consisting of valuation as at:					
31 July 2014	248,579	63,118	-	-	311,697
Cost	128,703	40,197	89,448	33,916	292,264
	377,282	103,315	89,448	33,916	603,961
Depreciation					
At 1 August 2019	30,372	19,697	53,369	-	103,438
Charge for year	8,060	4,535	9,811	-	22,406
At 31 July 2020	38,432	24,232	63,180	-	125,844
Net Book Value at 31 July 2020	338,850	79,083	26,268	33,916	478,117
Net Book Value at 31 July 2019	300,412	73,283	29,728	39,022	442,445

At 31 July 2020, freehold land and buildings included £31.6M (2019 - £31.6M) in respect of freehold land and is not depreciated. The Exchequer interest within fixed assets and within Investment within joint venture (note 14) is £25.0M (2019 - £29.0M) 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 2020

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 2019	330,784	90,946	83,012	39,022	543,764
Additions	9,648	2,319	4,640	41,471	58,078
Transfers	36,850	8,016	1,711	(46,577)	-
At 31 July 2020	377,282	101,281	89,363	33,916	601,842
Consisting of valuation as at:					
31 July 2014	248,579	63,118	-	-	311,697
Cost	128,703	38,163	89,363	33,916	290,145
	377,282	101,281	89,363	33,916	601,842
Depreciation					
At 1 August 2019	30,372	19,031	53,283	-	102,686
Charge for year	8,060	4,432	9,811	-	22,303
At 31 July 2020	38,432	23,463	63,094	-	124,989
Net Book Value at 31 July 2020	338,850	77,818	26,269	33,916	476,853
Net Book Value at 31 July 2019	300,412	71,915	29,729	39,022	441,078

12. Heritage assets

Consolidated and University	2020 £000	2019 £000	2018 £000	2017 £000	2016 £000
Heritage assets held at deemed cost	9,000	9,000	1,000	1,000	1,000

The Heritage assets relate to a work of art previously acquired by the University (£1 million) and the Whitehouse Ruskin Collection (£8 million).

This Collection is the largest collection of paintings, photographs, manuscripts and books relating to the pioneering Victorian writer and artist, John Ruskin (1819-1900) and his circle. The policy for the acquisition, preservation, management and disposal of heritage assets is in line with the National Heritage Memorial Fund and the Arts Council England International University Museum accreditation and requires full public access to the Collection and a programme of exhibitions and events.

13. Non-current investments

	Subsidiary companies £000	Other fixed assets investments £000	Total £000
Consolidated			
At 1 August 2019		3,211	3,211
Additions		1,262	1,262
Revaluation		90	90
At 31 July 2020		4,563	4,563
University	£000	£000	£000
At 1 August 2019	9,360	3,211	12,571
Additions	21	1,262	1,283
Revaluation	-	90	90
At 31 July 2020	9,381	4,563	13,944

Other non-current investments consist of:

	Consolidated and University £000
Endowment assets managed by Cazenove Capital Management at market value	1,787
Equity investment in CVCP Properties at cost	37
Equity investments managed by Brooks Macdonald at market value	1,445
Forward exchange contract	1,294
	4,563

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
At 1 August 2019	811	3,526
Additions	474	474
Loan to joint venture	250	250
Share of loss in joint venture	(1,100)	-
At 31 July 2020	435	4,250

During the year, the University acquired a further tranche of share capital in 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 first year's trading position as reported within the accounts of University Academy 92 Limited.

	Year Ended 31 July 2020		Year Ended 31 July 2019	
	Consolidated £000	University £000	Consolidated £000	University £000
15. Stock				
General consumables	588	588	604	604

Notes to the Financial Statements *(continued)*

for the year ended 31 July 2020

	Year ended 31 July 2020		Year ended 31 July 2019	
	Consolidated £000	University £000	Consolidated £000	University £000
16. Trade and other receivables				
Amounts falling due within one year				
Research grants receivables	8,302	8,302	8,916	8,916
Other trade receivables	15,717	15,442	15,097	14,745
Prepayments and accrued income	6,950	6,702	9,974	9,737
Amounts due from subsidiary companies	-	5,516	-	5,514
	30,969	35,962	33,987	38,912
17. Current investments	£000	£000	£000	£000
Short term deposits	10,000	10,000	11,000	11,000

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 2020 the weighted average interest rate of these fixed rate deposits was 0.55% 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.

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	At 1 August 2019 £000	Cash Flows £000	At 31 July 2020 £000
18. Cash and cash equivalents			
Consolidated			
Cash and cash equivalents	56,584	10,840	67,424
University			
Cash and cash equivalents	56,569	10,823	67,392

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.

	Year ended 31 July 2020		Restated Year ended 31 July 2019	
	Consolidated £000	University £000	Consolidated £000	University £000
19. Creditors				
Amounts falling due within one year				
Unsecured loans	791	791	1,015	1,015
Trade payables	5,452	6,347	7,134*	7,099*
Payments received on account	1,312	1,231	1,083	1,083
Social security and other taxation payable	6,630	6,618	6,336	6,317
Accruals and deferred income	62,784	61,165	56,710	56,013
Amounts owed to subsidiary companies	-	10,860	-	10,829
	76,969	87,012	72,278	82,356

* £8.8M of project balances have been reclassified from Trade payables to Accruals and deferred income.

19. Creditors (continued)

Deferred income

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

	Year ended 31 July 2020		Year ended 31 July 2019	
	Consolidated £000	University £000	Consolidated £000	University £000
Research grants received on account	31,374	31,374	26,847	26,847
Project income received on account	8,994	8,994	8,766	8,766
	40,368	40,368	35,613	35,613

20. Creditors

	£000	£000	£000	£000
Amounts falling due after more than one year				
Deferred income	9	-	70	-
Unsecured loans	134,873	134,873	118,134	118,134
Forward contract	1,262	1,262	-	-
	136,144	136,135	118,204	118,134
Analysis of unsecured loans:				
Due within one year (Note 19)	791	791	1,015	1,015
Due between one and two years	734	734	791	791
Due between two and five years	19,941	19,941	2,319	2,319
Due in five years or more	114,198	114,198	115,024	115,024
Due after more than one year	134,873	134,873	118,134	118,134
Total unsecured loans	135,664	135,664	119,149	119,149

Included in loans are the following:

Lender	Amount £000	Term Years	Interest rate %
Banks:			
National Westminster Bank Plc	44,676	19	5.99
Santander UK	17,500	3 to 5	1.03
Scottish Widows	9,145	10	5.23
Private Placement:			
Massachusetts Mutual Life	32,500	28	2.70
Legal & General	32,500	38	2.77
Other:			
Office for Students	98	1	0.00
Borrowing costs	(755)		
	135,664		

Borrowing costs of £755k (2019: £784k) have been offset against the outstanding borrowings and are being amortised over the lives of the facilities.

Notes to the Financial Statements *(continued)*

for the year ended 31 July 2020

21. Consolidated reconciliation of net debt	At 1 August 2019 £000	Cash Flows £000	Non-cash changes £000	At 1 July 2020 £000
Cash and cash equivalents	56,584	10,840	-	67,424
Current asset investments	11,000	(1,000)	-	10,000
Forward exchange asset	-	-	1,292	1,292
Debt due within one year	(1,015)	224	-	(791)
Debt due greater than one year	(118,134)	(16,708)	(31)	(134,873)
Forward exchange liability	-	-	(1,262)	(1,262)
	(51,565)	(6,644)	(1)	(58,210)

22. Pension provisions	Obligations to fund deficit on USS pension £000	Pension enhancements on termination £000	Defined benefit obligations (LCPF) £000	Total pensions provisions £000
Consolidated and University				
At 1 August 2019	80,218	1,417	51,485	133,120
Utilised	(183)	(113)	-	(296)
(Credited) / charged to the Statement of Comprehensive Income	(41,136)	70	49,243	8,177
At 31 July 2020	38,899	1,374	100,728	141,001

The payment profiles of the pension provisions are as follows:

Less than 1 year	1,712	112	486	2,310
Between 1 and 2 years	4,557	112	499	5,168
Between 2 and 5 years	16,887	336	1,497	18,720
Over 5 years	15,743	814	98,246	114,803
	38,899	1,374	100,728	141,001

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	Other provisions	Total
	£000	£000	£000
At 1 August 2019	1,300	235	1,535
Utilised	(178)	(109)	(287)
Charged to the Statement of Comprehensive Income	561	-	561
At 31 July 2020	1,683	126	1,809

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 2020 are in respect of a property related lease.

Notes to the Financial Statements *(continued)*

for the year ended 31 July 2020

24. Endowments and donations reserve	Restricted permanent endowments	Restricted donations	2020 Total	2019 Total
Consolidated and University	£000	£000	£000	£000
Balances at 1 August 2019				
Capital	1,753	-	1,753	1,694
Accumulated income	732	11,460	12,192	4,317
	2,485	11,460	13,945	6,011
New endowments and donations	-	957	957	8,678
Investment income	33	24	57	61
Expenditure	(65)	(596)	(661)	(864)
	(32)	(572)	(604)	(803)
Decrease / increase in market value of investments	(70)	-	(70)	59
At 31 July 2020	2,383	11,845	14,228	13,945
Represented by:				
Capital	1,683	-	1,683	1,753
Accumulated income	700	11,845	12,545	12,192
	2,383	11,845	14,228	13,945
Analysis by type of purpose:				
Lectureships	1,296	88	1,384	1,469
Scholarships and bursaries	6	682	688	662
Research support	-	999	999	686
Prize funds	694	136	830	889
Student support	136	161	297	344
General	251	1,779	2,030	1,895
Heritage asset	-	8,000	8,000	8,000
	2,383	11,845	14,228	13,945
Analysis by asset				
Non-current asset investments			1,787	1,858
Current investments			4,441	4,087
Heritage asset			8,000	8,000
			14,228	13,945

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 £30 million, analysed as follows:

	Year ended 31 July 2020			Year ended 31 July 2019		
	Employer contributions £000	Provision movement £000	Total £000	Employer contributions £000	Provision movement £000	Total £000
USS	18,280	(1,459)	16,821	15,779	(1,194)	14,585
LCPF	5,041	7,954	12,995	4,725	5,899	10,624
Legal and General	9	-	9	4	-	4
NHS	141	-	141	108	-	108
Total pension costs (Note 7)	23,471	6,495	29,966	20,616	4,705	25,321

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 Consolidated Statement of Comprehensive Income represents the contributions payable to the scheme. Since the institution has entered into an agreement (the Recovery Plan) that determines how each employer within the scheme will fund the overall deficit, the institution recognises a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) with related expenses being recognised through the Consolidated Statement of Comprehensive Income.

The total cost charged to the Consolidated Statement of Comprehensive Income is £16.8 million (2019: £14.6 million).

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

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

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

Notes to the Financial Statements *(continued)*

for the year ended 31 July 2020

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:

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

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

	2020	2019
Discount rate	0.73%	1.59%
Pensionable salary growth	3.16%	3.6%

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 2020	Approximate adverse impact on deficit £000
0.5% p.a. decrease in discount rate	955
0.5% p.a. increase in salary inflation over duration	930
0.5% increase in salary inflation year 1 only	192
0.5% increase in staff changes over duration	965
0.5% increase in staff changes year 1 only	204
1% increase in deficit contributions from April 2020	7,143

Notes to the Financial Statements *(continued)*

for the year ended 31 July 2020

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) of pension provision 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 13.4% (2019: 13.4%) with additional contributions towards the deficit recovery plan of £397k (2019: £520k).

Assumptions

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

	At 31 July 2020 % p.a.	At 31 July 2019 % p.a.
Price Inflation (CPI)	2.3	2.2
Rate of increases in salaries	3.8	3.7
Rate of increase of pensions in payment for LCPF members	2.4	2.3
Discount rate	1.6	2.2

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.

Post retirement mortality assumptions (normal health)	Beginning of year		End of year	
Non-retired members	S2PA CMI_2015_(1.5%) (98% males, 89% females)		S3PA CMI_2018_(1.75%) (110% males, 94% females)	
Retired members	S2PA CMI_2015_(1.5%) (99% males, 93% 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	22.8	25.5	22.3	25.0
Non Pensioner (currently aged 45)	25.1	28.2	23.8	26.8

Scheme assets and expected rate of return for the Lancashire County Pension Fund

The expected return on assets has been derived as the weighted average of the expected returns from each of the main asset classes (i.e. equities and bonds). The expected return for each asset class reflects a combination of historical performance analysis, the forward looking views of the financial markets (as suggested by the yields available) and the views of investment organisations.

25. University pension schemes (continued)

Lancashire County Pension Fund (continued)

The assets in the scheme (of which the University's share is estimated at 1.9%) and the expected returns were:

	Fair value as at:		
	31 July 2020 £000	31 July 2019 £000	31 July 2018 £000
Equities	4,189,728	4,158,122	3,418,493
Government bonds	-	-	264,758
Other bonds	633,972	139,184	46,722
Property	1,249,568	765,512	716,404
Cash	165,384	156,582	70,083
Other *	2,949,348	3,479,600	3,270,540
	9,188,000	8,699,000	7,787,000

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

	Consolidated and University	
	Year Ended 31 July 2020 £000	Year Ended 31 July 2019 £000
Analysis of the amount shown in the statement of financial position for the Lancashire County Pension Fund		
Scheme assets	174,252	175,984
Scheme liabilities	(274,979)	(227,469)
Deficit in the scheme recorded within pension provisions (Note 21)	(100,727)	(51,485)
Analysis of the operating charge		
	£000	£000
Current service cost	(11,824)	(8,862)
Administration expenses	(199)	(157)
Total operating charge	(12,023)	(9,019)
Analysis of the amount charged to interest payable		
	£000	£000
Expected return on assets	3,897	4,412
Interest on pension liabilities	(4,975)	(5,226)
Net charge to other finance costs	(1,078)	(814)
Analysis of other comprehensive income		
	£000	£000
(Loss) / gain on assets	(8,077)	17,655
Experience loss on liabilities	(32,204)	(31,988)
Total other comprehensive income	(40,281)	(14,333)

Notes to the Financial Statements *(continued)*

for the year ended 31 July 2020

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 2020	Approximate favourable / (adverse) impact on deficit £000
0.1% p.a. increase in discount rate	5,557
0.1% p.a. increase in salary inflation	(5,668)
0.1% increase in inflation	(740)
1 year increase in life expectancy	(8,636)
1% increase in 2019/20 investment returns	1,792
1% decrease in 2019/20 investment returns	(1,792)

History of experience gains and losses	31 July 2020	31 July 2019	31 July 2018	31 July 2017	31 July 2016
Difference between actual and expected return on scheme assets:					
Amount (£M)	(8,077)	17,655	8,311	6,831	15,815
% of assets at end of year	(4.6)	10.0	5.5	5.0	12.6
Experience (losses) / gains on scheme liabilities:					
Amount (£M)	(32,204)	(31,988)	11,410	(2,992)	(25,611)
% of liabilities at end of year	(11.7)	(14.1)	6.3	(1.7)	(15.2)

25. University pension schemes (continued)

Lancashire County Pension Fund (continued)

	Consolidated and University	
	Year Ended 31 July 2020	Year Ended 31 July 2019
	£000	£000
Analysis of movement in the deficit for the Lancashire County Pension Fund		
Deficit at beginning of year	(51,485)	(30,551)
Contributions or benefits paid by the University	5,041	4,725
Current service cost	(11,824)	(8,862)
Curtailments	(92)	-
Past service cost	(809)	(1,493)
Administration expenses	(199)	(157)
Other finance charge	(1,078)	(814)
Loss recognised in other comprehensive income	(40,281)	(14,333)
Deficit at end of year	(100,727)	(51,485)
Analysis of movement in the present value of scheme liabilities		
	£000	£000
Present value at start of year	(227,469)	(181,755)
Current service cost (net of member contributions)	(11,824)	(8,862)
Interest on scheme liabilities	(4,975)	(5,226)
Curtailments	(92)	-
Actual member contributions (including notional contributions)	(2,041)	(1,938)
Past service cost	(809)	(1,493)
Actuarial loss	(32,204)	(31,988)
Actual benefit payments	4,435	3,793
Present value of the Lancashire County Pension Fund liabilities at end of year	(274,979)	(227,469)
Analysis of movement in the fair value of scheme assets		
	£000	£000
Fair value of assets at start of year	175,984	151,204
Expected return on assets	3,897	4,412
(Loss) / gain on assets	(8,077)	17,655
Actual contributions paid by the University	5,041	4,725
Actual member contributions	2,041	1,938
Administration expenses	(199)	(157)
Actual benefit payments	(4,435)	(3,793)
Fair value of scheme assets at end of year	174,252	175,984

Notes to the Financial Statements *(continued)*

for the year ended 31 July 2020

	Consolidated and University	
	At 31 July 2020 £000	At 31 July 2019 £000
26. Capital and other commitments		
Provision has not been made for the following capital commitments at 31 July:		
Commitments contracted at 31 July	11,884	34,376

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 2020		Year ended 31 July 2019	
	Consolidated £000	University £000	Consolidated £000	University £000
Lease payments under operating leases recognised as an expense in the year	1,222	697	1,206	681
Outstanding commitments for future lease payments, falling due:				
Less than 1 year	1,231	706	1,214	689
Between 1 and 5 years	2,911	2,823	3,368	2,755
Over 5 years	22,736	22,736	22,969	22,969
	26,878	26,265	27,551	26,413

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

The University as lessor

	Year ended 31 July 2020		Year ended 31 July 2019	
	Consolidated £000	University £000	Consolidated £000	University £000
Rental income recognised in the year	1,925	1,507	2,120	1,702
Contracted with tenants for future lease payments falling due:				
Less than 1 year	1,386	968	1,457	1,039
Between 1 and 5 years	2,594	2,524	3,535	2,630
Over 5 years	17,908	17,908	17,902	17,902
	21,888	21,400	22,894	21,571

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 2020

29. Access and Participation

	31 July 2020 £000
Access	933
Financial support provided to students	3,742
Access and Financial support	4,675
Support for disabled students	733
Research and evaluation expenditure	49
	5,457

The total of the approved expenditure on Access and Financial support for the year ended 31 July 2020 was £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 £1.1M, and are already included in the overall staff cost figures included in Note 7 of the accounts.

In addition to the financial support expenditure noted above, £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.

As set out in the Accounts Direction (OfS 2019.41), no comparatives have been given as the prior year expenditure relates to the Widening Participation Plan and the amounts are not comparable.

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 University Business Enterprise Ltd	England	Exploitation of Intellectual Property	100*
Lancaster University Consultancy Services Ltd	England	Provision of consultancy services	100*
Lancaster University Energy Services Ltd	England	Provision of energy supplies	100*
Lancaster Leipzig GmbH	Germany	Provision of Higher Education	100
Lancaster University Network Services Limited	England	Provision of broadband internet connections	100
The Work Foundation Alliance Limited	England	Property rental	100*
Lancaster University Enterprises Ltd	England	Holding company	100
Lancaster University Developments Limited	England	Dormant	100
Landec Ltd	England	Dormant	100*
Pinecrest Developments Ltd	England	Dormant	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 Management Advisory Group (UMAG) 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.

Notes to the Financial Statements *(continued)*

for the year ended 31 July 2020

31. Related party transactions (continued)

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

	Payment 2019/20 £000	Receipt 2019/20 £000	Balance at 31 July 2020	
			Owed to University £000	Owed by University £000
All Party Parliamentary University Group	1	-	-	-
Association of Heads of University Administration (AHUA)	7	-	-	-
Blackburn College	42	829	-	-
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	-	-
Gleeds	14	-	-	-
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 (LEP) Board	-	8,965	159	-
Lancaster and Morecambe College	1	8	-	-
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	-	-
MEH Consultants Ltd.	4	-	-	-
N8 Ltd.	60	177	-	-
Nanjing University	10	5	-	-
North West Cancer Research	-	311	-	-
Office for Students	-	38,601	-	-
Plant Biosciences Ltd.	-	321	-	-
PricewaterhouseCoopers	95	16	-	-
Professional Higher Education Services (PHES)	21	-	-	-
Queen's University Belfast	-	6	-	-
The Manufacturing Technology Centre Ltd.	-	-	6	-
The New Phytologist	-	609	-	-
Tullie House Museum and Art Gallery	15	-	-	-
UK Research and Innovation (UKRI)	-	58,521	-	-
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	-	-
University of Manchester	1,358	1,677	-	-

31. Related party transactions (continued)

Comparative related party transactions for 2018/19 were as follows:

	Payment 2018/19	Receipt 2018/19	Balance at 31 July 2019	
			Owed to University	Owed by University
	£000	£000	£000	£000
Association of Heads of University Administration (AHUA)	1	-	-	-
British Academy	4	-	-	-
British Universities Finance Directors Group (BUFDG)	3	-	-	-
Centre for Ecology and Hydrology (NERC)	158	473	-	-
Chartered Association of Business Schools	17	1	-	-
Cumbria County Council	12	335	-	-
Deloitte LLP	86	-	-	86
Freshwater Biological Association	-	15	-	-
Goldsmith College	44	-	-	-
Graduate Prospects Board	1	2	-	-
Higher Education Careers Service Unit (HECSU)	-	2	-	-
Higher Education Statistics Agency (HESA)	96	-	-	-
JISC	699	214	44	31
Lancashire Care NHS Foundation Trust	433	79	-	-
Lancashire Enterprise Partnership Ltd.	-	5,672	1,845	-
Lancaster Girls' Grammar School	-	2	-	-
Lancaster Royal Grammar School	-	11	-	-
Lancaster University Students' Union	1,499	180	217	6
Liverpool University	781	472	-	-
Mirador	1	-	-	-
N8 Ltd.	60	183	42	-
Nanjing University	-	1	-	-
North West Universities Purchasing Consortium (NWUPC)	5	-	-	-
Office for Students	-	34,003	-	-
Plant Biosciences Ltd.	-	61	-	-
PricewaterhouseCoopers	125	1	-	-
Royal Society	34	76	-	4
Ruskin Foundation	-	13	-	-
The Conversation	16	-	-	-
The Lancaster University Chaplaincy Centre	-	3	-	-
The New Phytologist	-	565	-	-
Tullie House Museum and Gallery	9	-	-	-
UK Research and Innovation (UKRI)	-	58,759	-	-
Universities and Colleges Admissions Services (UCAS)	110	-	-	-
Universities and Colleges Employers Association (UCEA)	3	-	-	-
University Academy 92 Ltd.	-	154	-	-
Universities UK (UUK)	45	-	-	-
University Geneve	30	-	-	-
University Hospitals of Morecambe Bay NHS Foundation Trust	411	38	-	-
University of Central Lancashire (UCLAN)	464	247	-	-

Notes to the Financial Statements *(continued)*

for the year ended 31 July 2020

31. Related party transactions (continued)

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

Lord Liddle (Chair of Council to 30 September 2020) is a member of the Advisory Council of UCLAN, a member of Cumbria County Council and a member of the House of Lords and its European Union Select Committee. He is a Director and Co-Chair of the Policy Network and Communications Ltd. His wife Caroline Thomson is a Board member of the Conversation Trust and a Trustee of the Tullie House Museum and Gallery.

Professor A.J. Schofield (Vice-Chancellor from 1 May 2020) is a Director of N8 Limited (from 1 May 2020). He was a Director of The Manufacturing Technology Centre Ltd to 30 April 2020 and University of Birmingham Enterprise Ltd to 3 April 2020 and became a Director of University Academy 92 Limited and UA92 Old Trafford Limited from 4 August 2020.

Professor Steve Bradley (Interim Vice-Chancellor from 1 October 2019 to 30 April 2020 and Deputy Vice Chancellor from 1 May 2020) is a Chief External Examiner of Liverpool University (China Campus).

Professor Mark E. Smith (Vice-Chancellor until 30 September 2019) is the Chair of UCEA, HECSU and Graduate Prospects Ltd. He is a member of Universities UK, Higher Education Statistic Agency and JISC. He is a Trustee of HECSU, Higher Education Statistics Agency and JISC. He is a director of UCEA, Graduate Prospects Ltd. and EPSRC. He was a Director of University Academy 92 Limited and UA92 Old Trafford Limited (to 30 September 2019).

Ms. Nicola Owen (Deputy Chief Executive (Operations)) is a Chair of AHUA Executive Committee. A close family member is part of the Global Leadership Team of PricewaterhouseCoopers.

Professor Peter Atkinson (Dean, Faculty of Science and Technology) is a Trustee of The New Phytologist and an Editor-in-Chief of the Science of Remote Sensing.

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

Mr Paul Boustead (Director of Human Resources and Organisational Development) is a Non-Executive Director of The Bay Learning Trust, member of the Joint Negotiating Committee for Higher Education Staff (JNCHES) within UCEA, member of the Employers Pension Forum (EPF) of UUK and Chair of Universities HR (UHR).

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

Dr. Giles Carden (Director of Strategic Projects and Chief of Staff) is a Board advisor of the University Academy 92 Limited.

Professor Sir Ian Diamond (lay member of Council) is an observer of UK Research and Innovation (UKRI). He is a Lead Fellow of the British Academy.

Michelle Heath (Co-opted member of Council Safety, Health and Wellbeing Committee) is a Managing Director of MEH Consultants Ltd. and Business Management Consultant of Gleeds.

Professor Louise Heathwaite (Pro-Vice-Chancellor Research and Enterprise) is a member of Council of UK Research and Innovation. She 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 Group: UKRI ISCF Transforming Food Production.

31. Related party transactions (continued)

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 Sherry Kothari (appointed member of Commercialisation Sub-Committee) is a Board Member of North West Cancer Research.

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) is the President of the Chartered Management Institute.

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

Ms Marcia Reid Fotheringham (Co-opted member of Audit Committee) is a Trustee of the Tullie House Museum and Art Gallery

Dr Philip Richards (lay member of Estates Committee, Nominations Committee and Student Experience Committee, Chair of Council Safety, Health and Wellbeing Committee and Deputy Pro-Chancellor of Council) is a Director of JISC Services Limited and Chief Innovation Officer of JISC.

Professor Ella Ritchie (lay member of Student Experience Committee, Nominations Committee and Finance and General Purposes Committee, temporary Chair of Estates Committee and the Chair of Council Safety, Health and Wellbeing Committee. Ex-officio: Deputy Pro-Chancellor of Council) 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.

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.

Professor Jane Taylor (ex officio: University Dean for Academic Quality) is a member of Lancaster and Morecambe College and she received royalties on a patent assigned to Plant Biosciences Ltd.



Lancaster University, Bailrigg, Lancaster, LA1 4YW
T: +44 (0) 1524 65201
lancaster.ac.uk
