

Financial Statements for the year ended 31 July 2020

Council membership

1 August 2019 to 31 July 2020

Chair of Council and Pro-Chancellor

John Mills (until 31 December 2019)
Sir Keith O’Nions (from 1 January 2020)

Vice-Chair of Council

Nora Senior

Members ex-Officio

Pro-Chancellor

Dr Hamid Mughal OBE

President and Vice-Chancellor:

Professor Shearer West

Provost and Deputy Vice-Chancellor

Professor Andy Long

Treasurer:

Stephen Walton (until 31 December 2019)
Ian Kenyon (from 1 January 2020)

Pro-Vice-Chancellors

Professor Sarah O’Hara
Professor Dame Jessica Corner

Members of Staff

Professor Clive Roberts

Professor Jo Lymn (from 16 September 2019)

Dr Rachel Gomes

Dr Gabriele Neher

Professor Kevin Lee

External members appointed by the Council

Simon Amess

Carolyn Morgan

Vicky Bailey

Trevor Moss

Lynette Eastman

Richard Newsome

Sonya Leydecker

Sir Keith O’Nions (until 31 December 2019)

Sherry Madera

David Tilly

Appointed by the Union of Students

(From 1 August 2019 to 30 June 2020)

James Pheasey (President)

Cassie Ulrich (Education Officer)

(From 1 July 2020 to 31 July 2020)

Madeleine Fox (Union Development Officer)

Rebecca Craven (Education Officer)

Other senior officers of the University

The Chancellor

Baroness Young of Hornsey OBE

The Registrar

Dr Paul Greatrix (Secretary to Council)

Pro-Vice-Chancellors

Professor Graham Kendall

Professor Nick Miles OBE

Professor Sarah Sharples

Professor Robert Mokaya

Faculty Pro-Vice-Chancellors

Professor John Atherton

Professor Jeremy Gregory

Professor Todd Landman

Professor Sam Kingman

Professor Kevin Shakesheff

Chief Financial Officer

Margaret Monckton

Chief Digital Officer

David Hill

Director of Human Resources

Jaspal Kaur

Foreword by the Vice-Chancellor

It has been a challenging year for all of us – a year without precedent in the last century. However, amidst all the uncertainty and stress of the last few months, I feel proud of the way staff and students have adapted to ever-changing circumstances and the huge commitment they have shown to maintain our missions of education and research in hugely difficult circumstances.

At the University of Nottingham, this has been a year of two distinct halves, divided along the fault line of the coronavirus (COVID-19) pandemic. While the year began as we prepared for more familiar issues – Brexit, new regulatory demands, potential reforms to student fees and increasing global competition – it ended with a challenge on an altogether different scale, as we adapted to operating during a global pandemic.

This was uncharted territory for everyone involved. Moving to a ‘blended’ teaching model on a COVID-secure campus was an enormous task and I would like to put on record again my thanks for the hard work of the staff who made it possible. Against a background of significant financial losses and voluntary redundancies, it has been a truly remarkable demonstration of the spirit, talent, ingenuity and dedication of our university community.

Despite all the difficulties of the year, we have made many positive steps for the future. Our new University Strategy articulates the vision, values and goals that are shared across our global community and will guide our research, teaching and operations over the long term. It was the result of an extensive consultation with staff and students on all our campuses, providing us with an ambitious and positive direction of travel in these testing times.

The strategy includes a pledge to support the city of Nottingham in its ambition to become carbon-neutral by 2028, underlined by our own Estates Development Framework which will help to cut carbon outputs and increase energy efficiency across all our operations.

That spirit of collaboration underpins our new civic agenda – Universities for Nottingham – which will harness the collective will of the county’s biggest institutions to deliver economic, social, health and environmental benefits to residents. On campus, we seek to foster equality, diversity and inclusion with a new action plan to help dismantle structural racism in our systems and institutions. A new Access and Participation Plan will help to support and nurture potential in the undergraduates of the future.

Of course, our research has been at the forefront of the battle against COVID-19 this year. From working towards a vaccine, to assessing the societal impact of the disease and helping to inform the public, our scholars continue to bring their expertise to bear.

The pandemic has left its mark on 2020 in the most profound ways, touching almost every aspect of our lives. But all over the world we are learning to live with it, and the experiences of our campuses in China and Malaysia have demonstrated different ways of adapting to the constraints that we must endure to keep ourselves safe.

The process of recovery will pose health, social and economic challenges and it is likely to change things we took for granted, such as the way we travel for business, pleasure and for trade. The virus will also change the context in which we address issues that previously preoccupied us, like climate change, sustainable food and tackling modern slavery.

A resilient approach means we will be ready for whatever turn the pandemic takes, and I commend my colleagues for the outstanding job they have done this year in adapting to a fast-changing situation that has led to us living and working in an entirely different way. I know we will all continue to play our parts in preparing the next generation of leaders, our students, as they in turn prepare to shape the future.

Professor Shearer West

President and Vice-Chancellor

Strategic and Operational Review

Solving Problems and Improving Lives

The University's research programme has a well-deserved reputation for helping to address some of the biggest problems facing our planet today. Across a range of disciplines, and with a global network of partnerships, Nottingham is at the heart of real progress in shaping the future and changing peoples' lives for the better.

Headlines in 2020 have been dominated by the fight against COVID-19, and Nottingham researchers and graduates have been at the forefront of that battle. The University has been involved in nearly all the major national clinical trials for COVID-19 and with much other research, including the national sequencing project and various national vaccine projects. An in-house testing service was specifically designed to tackle asymptomatic transmission amongst students and staff, supporting efforts to control outbreaks amongst university communities.

A range of non-clinical projects have studied the wider health, social and economic impacts of the pandemic, while a donation of £12 million of equipment to Lighthouse Labs is helping to support the national diagnostic effort. The University also played its part to support the NHS in this most critical year, by ensuring that graduating medics and nursing students could complete their studies early to join the NHS frontline. It was a fitting way to mark a double milestone at the University: the 50th anniversary of the start of medical training, and the 30th anniversary of the first nursing training.

More information on the University's COVID-19 research work can be found on page 10 of this review.

Beyond the coronavirus, Nottingham researchers have continued their outstanding work in a wide range of other fields, helping to solve problems and improve lives on a global scale.

A new type of wearable brain scanner is revealing new possibilities for understanding and diagnosing mental illness, allowing the whole brain to be scanned with millimetre accuracy. Researchers believe the new scanner could be significantly better than anything that currently exists, more flexible and significantly cheaper.

Another team won £1.8 million to develop the world's first contactless three-dimensional body scanner to aid early detection of diseases such as cancer. Using infrared light as a non-invasive imaging tool, the scanner will be able to provide clearer diagnostic information than any of the established technologies. It has the potential to produce faster disease diagnoses and treatment for patients – as well as considerable cost savings to the NHS.

A new technique to speed up quantum computing could pave the way for huge leaps forward in computer processing power. Employing a new experimental approach which utilises trapped Rydberg ions, the technique could allow quantum computers to be scaled up to sizes where they are far more useful in solving the problems of everyday life.

In the School of Life Sciences, a breakthrough in understanding how malaria is transmitted from mosquitoes to humans could prove to be an important step in eradicating the disease. For the first time, researchers were able to pinpoint the importance of a protein that drives cell division, and thus controls parasite multiplication and transmission to humans. Their findings could mean a way to prevent the malaria parasite being transmitted.

A blood test developed as part of pioneering research at the University offers new hope for increasing survival rates from lung cancer by significantly enhancing the early detection of the disease. An NHS study found that taking the EarlyCDT-Lung blood test resulted in a 36% reduction in late stage lung cancer compared to standard clinical practice – a statistically significant reduction compared to the current NHS standard of care.

Biomedical engineers have developed a new material that can be 3D-printed to create tissue-like structures, indicating that key parts of human tissues and organs could be replicated in the laboratory. Using a protein to replicate the structure of arteries and veins could help in the development of safer and more efficient drugs, meaning new treatments reach patients more quickly.

Supporting Potential

The University is committed to equality in all its activities. Equality of opportunity for students and staff; equality in recruitment, reward and progression. But there is still much more that needs to be done to fulfil that commitment – and a need for further action to challenge the systems, practices, cultures and attitudes that perpetuate inequality.

That knowledge spurred the creation in 2020 of a new action plan tackling racial inequality at the University, combining work already in progress with brand new projects designed to help dismantle structural racism wherever it exists.

Responding to the issues raised by staff and students during the Black Lives Matter protests, the University has pledged to set measurable targets to increase the diversity of staff, improve the reporting of hate crime and halve the awarding gap that sees students from Black or other Minority Ethnic (BME) backgrounds receive a disproportionately smaller number of upper second and first class degrees compared to their white counterparts.

Developed in consultation with the BAME Staff Network and the University's Black student societies, work so far includes:

- a new 'report and support' package for students reporting hate crime, harassment, discrimination and microaggressions
- developing a staff training package on hate crime, harassment and bystander intervention
- creating a 'stronger together' learning pack for staff to use during student inductions
- building in equality, diversity and inclusion as core elements of curriculum design
- developing a corporate social responsibility procurement strategy, including a commitment to anti-racism

The Pro-Vice-Chancellor for Equality, Diversity and Inclusion and People, said: "By committing to the actions detailed in a comprehensive plan, and making our progress on those actions public, we are making ourselves visibly accountable to act on our promises.

"Black staff and students have shared their experiences with us and guided the University on what our response should be. This plan wouldn't exist without their honesty, patience and generosity in sharing their knowledge and experiences. I ask you all to track our progress, give us your feedback, and work with us to improve the working and learning environment for our Black staff and students."

This year also saw the start of a new chapter in widening participation at the University. Approved by the Office for Students in August 2019, the Access and Participation Plan (APP) Steering Group has been formed to ensure the targets are embedded across the University and to monitor the progress. The Widening Participation Vision and Mission cement the direction of outreach and

access work and to accompany the newly approved Access and Participation Plan (APP), which will guide activity over the next five years.

The University has two aims in widening participation: first, to enrol and retain, on all UK-based courses, UK students who are currently under-represented at the University; secondly, to contribute to regional and national efforts to raise aspirations, attainment and progression to higher education.

The University's expenditure on widening participation and access in 2019/20 is as follows:

£'000	Total	Staff costs	Other costs
Access investment	1,865	1,254	611
Financial support provided to students in the financial year (such as bursaries, scholarships, etc.).	13,146	339	12,807
Support for disabled students	1,275	1,060	215
Research and evaluation related to access and participation	59	45	14
Totals	16,345	2,698	13,647

The staff costs are included within the totals in note 8. The activities supported above are consistent with the University's Access and Participation Plan, which can be viewed online: [UoN Access and Participation Plan](#)

Campus Life

The University's campuses are among its greatest assets. With an abundance of green space and huge diversity in terms of landscape, planting and architecture, the physical estate is a key part of what makes Nottingham special – as well as being home to more than 4,000 people in halls of residence and staff accommodation.

Students and staff past and present have a strong emotional connection with the campuses on which they were taught, and an affinity with how they will be developed in the future. It is a connection that is valued highly at the University and a huge amount of work is being done to preserve and enhance that legacy for future generations of scholars.

This approach underpins the new Estates Development Framework (EDF) unveiled this year: a clear, dynamic and viable long-term vision for the University's campuses. The framework sets out the principles by which the institution should plan future development, re-modelling and management of its estate, under the guiding principle of 'evolution without a carbon footprint'. It dovetails into the new University Strategy, which has sustainability at its heart.

Developments on campus continued through 2020 and include the unveiling of the Monica Partridge Building, a teaching and learning facility in the heart of campus. The newest building on University Park Campus honours the University's first female professor and was renamed this year after a University-wide vote to mark International Women's Day, which saw more than 2,500 staff and students take part.

Professor Partridge joined Nottingham University College's Department of Slavonic Languages as a tutorial assistant in 1947 and became Chair and Head of Department in 1967. She established close links with universities in Slovenia and Croatia, paving the way for Nottingham students to study in Ljubljana and Zagreb. Meena Alexander and Helena Dowson – the two other names

shortlisted for the vote – will have the Performing Arts Studio and the Lecture Theatre in the building named in their honour.

A major expansion of the Centre for Biomolecular Sciences was completed this year, allowing a number of different research groups to come together under the same roof for the first time. This includes groups in stem cell biology and regenerative medicine, cancer science, respiratory genetics and pharmacology who were previously spread across six different locations. Elsewhere on University Park Campus, the East Midlands Conference Centre underwent a comprehensive overhaul including a full refurbishment of all atrium and circulation spaces as well as new audio visual and refurbishment of conference rooms.

On Jubilee Campus, a new £13.5 million research facility is set to become a global centre of excellence in power electronics, machines and control. The 5,400 m² development is part of the Faculty of Engineering's growing research cluster, which has also seen the addition of the Advanced Manufacturing Building and the Research Accelerator Demonstrator building in recent years. The Power Electronics and Machines Centre provides office accommodation, laboratory, workshop space, meeting rooms and ancillary spaces for one of Nottingham's world-leading research groups.

At Sutton Bonington Campus, the North Laboratory underwent an extensive refurbishment and extension which included the second phase of the STEM Lab project funded by the Higher Education Funding Council for England.

Every project is designed to allow students and staff to excel, whether in the laboratory or the library, in the lecture theatre or on the sports pitch. And athletic achievement was another hallmark of 2020, as the University was named the best university in the UK for sport according to The Times and Sunday Times Good University Guide.

It is the second time in three years that Nottingham has won this honour – a testament to the drive, talent and hard work of a new generation of sporting stars.

Sustainable Development

The University has earned an excellent reputation for its commitment to sustainability over many years, cutting carbon outputs and blazing a trail in architectural design, energy use, transport, food and waste recycling. But this commitment has never been as forthright as it is in the new University Strategy – nor has the bar ever been set so high.

The new strategy puts sustainability at the heart of goals that will take the institution forward, tying into a new Estates Development Framework. Indeed, 2020 was a landmark year for the University as it joined the UK government, Nottingham City Council, many universities and other organisations in their declaration of a climate emergency. Joining in the declaration underlines an institutional commitment to research, teaching and campus activity directed towards a lasting, positive impact on our global environment.

It means the University will meet the enormous challenge of global warming head on in everything it does – from the way buildings are designed to a new zero-waste shop set up by students.

At a regional level, the University committed its support to Nottingham's ambition to become the UK's first carbon neutral city by 2028. It will follow through on this commitment with a blend of energy demand reduction, system efficiency gains, investment in low or zero carbon energy generation, and carbon capture and offsetting. Investment to date includes increasing the thermal performance of buildings, upgrading engineering services and investing in renewable technologies such as solar photovoltaic panels and heat pumps.

Renewable technologies are used for both electricity generation and to contribute towards the heating requirements of buildings. Notably, Jubilee Campus is designed holistically with sustainable principles in mind and as such has a diverse mix of on-site generation. Current technologies include photovoltaic panels, biomass boilers, a biomass combined heat and power system, and ground, lake and air source heat pumps.

Work like this has helped to create a downward trend in energy consumption and carbon emissions across the institution, which is even more significant when set against increases in campus size, student numbers and the reliance on energy intensive technology. The last decade has seen:

- year-on-year reductions in carbon dioxide emissions: a total reduction of 36% since 2009/10
- renewable energy installations on campus which generate 950,000 kWh each year
- sustainable transport between campuses carrying more than one million passengers each year
- divestment from all fossil fuel investment

However, despite investment in on-site renewables they still only account for 1% of energy demand, and the overall growth of the University's estate has reduced the impact of efficiency gains in buildings. To meet targets, the University must continue to invest in these areas at an increased rate and look to invest in carbon capture and other technologies in future.

This knowledge is at the heart of the new Estates Development Framework, which aims to eradicate direct consumption of fossil fuel and generate more renewable energy on site under the banner of 'Evolution without a carbon footprint'. The University is also committed to working with partners in China and Malaysia to improve sustainability within their regions.

Alongside this activity, a global research programme is supporting a more sustainable planet in developing renewable sources of energy, green propulsion systems, climate-resistant crops and a sustainable food supply. Significant carbon reduction research is conducted at the University's Ningbo campus while the Malaysia campus provides a world-leading field laboratory for research into environmental protection.

New research and new partnerships – to invest in energy infrastructure and change behaviour – promise to provide fresh, impactful solutions to the challenge of reducing energy consumption and carbon emissions across the institution as a whole.

Embedding Collaboration

An historic agreement between Nottingham's two universities became the first of its kind in the country when it was launched this year.

The Universities for Nottingham Civic Agreement harnesses the collective will of the city and county's biggest institutions to deliver economic, social, environmental and healthcare benefits to the people of Nottingham and Nottinghamshire. This pioneering initiative combines the strength and civic missions of Nottingham's two world-class universities to strengthen collaboration and help change the city and county for the better.

Bringing together the city and county's local authorities, hospitals and the Local Enterprise Partnership with the two universities, the agreement will see more than a dozen initiatives in its inaugural year. Activity taking place under the banner of Universities for Nottingham covers five broad themes: economic prosperity, educational opportunity, environmental sustainability, health and wellbeing, and unlocking the universities.

Development of the agreement was accelerated in response to the coronavirus pandemic, with a focus on helping to drive economic revival and protect jobs. Over the first three years of the agreement, the universities will continue to work in collaboration with the D2N2 Local Enterprise Partnership, both councils and other partners to deliver enterprise programmes aligned to local COVID-19 recovery plans – supporting more than 2,000 businesses and creating over 1,000 new jobs.

Early initiatives included joint work to ensure the safe return of students to Nottingham from September 2020, and the development of a longer-term student living and regeneration strategy which both recognises the vital role they play in supporting businesses and jobs, as well as the importance of building stronger relationships between students and local residents.

Combined, the University of Nottingham and Nottingham Trent University already have a huge impact on the city, the region and the UK as a whole. Their joint contributions include:

- £2.1 billion to the local economy in East Midlands
- £3.8 billion to the UK economy every year
- support for 25,000 jobs across Nottingham and Nottinghamshire
- in combination, they are the third largest employer in the region
- working with 35,000 young people from 150 schools
- spending £33 million to get more people into university and support them there

Professor Shearer West, President and Vice-Chancellor of the University of Nottingham, said: “This agreement demonstrates our commitment to working with our city and regional partners to bring about positive change for the people who live, work or visit Nottingham.

“We are at a critical point in global history with our communities experiencing the devastating social and economic repercussions of the pandemic. Now, more than ever, we need to work together to drive local recovery and renewal. We acknowledge the integral link between our universities and the city and county we are proud to call home. We are bound by a shared vision to enhance prosperity, opportunity, sustainability, health and wellbeing for current and future generations in our region.”

The inaugural Civic Agreement was signed by both vice-chancellors and the leaders of six other major organisations in the city and county, including both local authorities and NHS organisations.

At a time when the world faces the challenge of a global pandemic, working together has never been more important. Collaboration is underlined in the University’s new strategy and will become ever more crucial as the UK navigates its future position in a changing world.

The inauguration of a new Nottingham Institute for Policy and Engagement this year will help to meet this need by forming partnerships and networks between the University’s world-class research and the people and organisations it can help. By putting University of Nottingham experts, research and thought leadership at the forefront of shaping public policy and debate, the Institute will help to improve public policy and have a positive societal impact.

The coronavirus (COVID-19)

In a year dominated by COVID-19, the University has made a significant contribution on a wide variety of fronts – from testing and vaccine research, to studying the impact of the disease, supporting our students and helping the NHS to shoulder the burden imposed by surging patient numbers.

Nottingham researchers are at the forefront of work to develop a COVID-19 vaccine, to find new treatments and look beyond this outbreak to identify future threats. They have been involved in

nearly all the major national clinical trials for COVID-19 and with much other research, including the national sequencing project and various national vaccine projects. The involvement of active clinicians means ideas and inventions can be rapidly progressed to help prevent and treat current and future virus outbreaks. By bringing together researchers from across disciplines – the immunologists, virologists and health professionals who are developing novel testing systems for antibody detection – the University has made a major contribution to understanding of the virus.

To support efforts to control outbreaks amongst University communities and help control the hidden spread of the virus, an in-house testing service was set up. This followed the success of two pilot schemes run by the University over the spring and summer looking at both scientific innovations in the testing process as well as providing asymptomatic testing for the University's School of Veterinary Medicine and Science. Researchers worked with local public health bodies, Sherwood Forest Hospitals NHS Foundation Trust, the NIHR Nottingham Biomedical Research Centre and NHS Test and Trace to develop the service.

Experts at the Centre for Research on Global Virus Infections are also looking to the years ahead, assessing the risk for future pandemic events.

Researchers have also studied the wider social and economic impacts of the pandemic on different aspects of society, revealing that working-class women were the worst affected by the spring lockdown. Another study found that levels of stress, anxiety and depression had significantly increased – with women and young people the worst affected. Further studies have explored the effects of the pandemic on modern slavery survivors, those with hearing loss and the risks faced by BAME healthcare staff.

The University's donation of £12 million of equipment to the government Lighthouse Labs network is helping to support the national diagnostic effort. Lighthouse Labs was established to dramatically increase the number of coronavirus tests that can take place each day to support the national effort against COVID-19.

The pandemic has shone a spotlight on the crucial role of the NHS this year, and the University has played its part to support our hospitals by ensuring that graduating medicine and nursing students could complete their studies early to join the NHS frontline. The University qualified a whole year cohort of medical students many months early to enter the workplace well before planned as junior doctors and sent student nurses on extended placements to help the NHS in its hour of need.

It was a fitting way to mark a double milestone at the University: the 50th anniversary of the start of medical training, and the 30th anniversary of the first nursing training.

The University also helped local hospitals by releasing trained clinical academics to work full time in the NHS, provided equipment and supplies and gave NHS partners use of much of its specialised space and facilities during the COVID-19 emergency.

The partnership between University and NHS has been vital in helping to deal with COVID-19 both locally and nationally.

Governance

Responsibilities of the University's Council and structure of corporate governance

The University is a corporation formed by Royal Charter and is an educational charity, with exempt status, regulated by the Office for Students (OfS). The Council is the University's governing body and, amongst other matters, it is responsible for overseeing the administration and management of the affairs of the University and is required to present audited financial statements for each financial year.

The University is committed to best practice in corporate governance. The Council notes the UK Corporate Governance Code and the OfS Accounts Direction requirements and has due regard to the Charity Commission guidance on public benefit when exercising its powers and duties. In addition, the University works to align its governance approach and processes with the Higher Education Code of Governance (the Code) published by the Committee of University Chairs (CUC). In response to the Code and in accordance with overall good governance the Council periodically reviews the role of the Council and its effectiveness. The most recent review of the Council's effectiveness concluded in January 2016 and confirmed that governance arrangements were well aligned with the **mandatory aspects** of the Code. A Council self-assessment process was undertaken in 2019/20 and recommendations resulting from outputs of the process are due to be made in early 2020/21, prior to the initiation of an effectiveness review.

Statement of the role and primary powers and responsibilities of University Council

Role

University Council is the governing body of the University. It is responsible for overseeing the University's activities, determining its future direction and developing and sustaining an environment in which its mission is achieved and learning is fostered. Council's work is directed to supporting the success and performance of the University.

The Council is responsible for ensuring compliance with the charter, statutes and ordinances regulating the University and its governance framework. Subject to these it makes all final decisions on matters of fundamental concern to the University.

In 2019/20 the Council of the University comprised the President and Vice-Chancellor, 14 external members, two student and eight academic persons appointed under the University's Statutes, the majority of whom are non-executive. The role of Chair of Council is separated from the role of the University's Chief Executive, the President and Vice-Chancellor. The matters specifically reserved to the Council for decision are set out in the University's Statutes. By custom and under the OfS' Regulatory Framework, the Council is responsible for the University's ongoing strategic direction, approval of major developments and receiving regular reports from Executive Officers on the day-to-day operations of its business and its subsidiaries. The Council meets five times during the year and has several committees, all of which are formally constituted with terms of reference. The key committees are noted below.

Finance Committee

Which meets five times a year, *inter alia* recommends to the Council the University's annual revenue and capital budgets and monitors performance in relation to the approved budgets. The committee also reviews major investment decisions prior to final approval by the Council.

Nominations Committee

Considers nominations for vacancies in the Council membership in accordance with Statute 6.

Audit and Risk Committee

Comprises only external members and advisors and meets at least four times annually. All meetings are attended by the appointed External Auditor to discuss audit findings, and with the Internal Auditors to consider internal audit reports and recommendations for the improvement of the University's systems of risk management, internal control and governance framework.

Incorporated into the internal audit reports are management's response and implementation plans. The Director of Planning, Performance and Strategic Change attends these meetings to consider the University Risk Register and the effectiveness of the mitigations to the main risks affecting the activities of the University. The Committee also receives and considers reports from the OfS as they affect the University's business. It considers the form of the annual report on Corporate Governance together with the accounting policies and reviews the implementation of risk management within the University. Whilst senior executives attend meetings of the Audit and Risk Committee as necessary, the President and Vice-Chancellor attending all meetings in 2019/20, they are not members of the Committee, and the Committee meets with the External and Internal Auditors on their own for independent discussions.

Remuneration Committee

Which comprises six senior external members, determines the salaries of senior staff of the University. The salary of the President and Vice-Chancellor is determined by the external members of the Committee. The Committee also reviews retention and recruitment policies relating to professorial and other senior staff.

Health and Safety Committee

Comprises 24 representatives from academic schools and central professional service departments, two members for University of Nottingham Malaysia (UNM) and University of Nottingham Ningbo Campus (UNNC), two members from the Students' Union and one Council member. Its terms of reference are to formulate safety and environmental policies to ensure that the University meets all legislative requirements and best practice standards, and to promote and monitor effective implementation of those policies.

Senate

Membership of which includes senior academics from across the University (in the UK, Malaysia and China) as well as student members, meets three times a year. *Inter alia*, it has the power, subject to the statutes and ordinances, to oversee teaching, education and research and is responsible for the academic quality and standards of the University.

University Executive Board

Day-to-day management of the University is via the University Executive Board, comprising the President and Vice-Chancellor, the Provost and Deputy Vice-Chancellor, the Pro-Vice-Chancellors, the Faculty Pro-Vice-Chancellors, the Chief Financial Officer, the Registrar, the Chief Digital Officer and the Director of Human Resources. University Executive Board acts as an executive committee and normally meets monthly, to consider the strategic and financial direction of the University. The President and Vice-Chancellor is the principal academic and administrative officer of the University. The Provost and Deputy Vice-Chancellor and the Pro-Vice-Chancellors have specific responsibilities for major policy areas, whilst responsibility for professional services is largely shared between the Registrar and the Chief Financial Officer. Both Council and Senate are kept informed of the key decisions and discussions of the University Executive Board via formal statements presented by the President and Vice-Chancellor.

Response to COVID-19

During the pandemic, the University's governance mechanisms have responded and flexed to meet strategic and operational requirements. Council convened monthly to receive updates from the Executive Board on the University's response to the crisis and received copies of regular staff communications. The Executive Board met weekly and initiated interim groups to manage the University's planning and response such as gold and silver incident management groups, Emergency Finance Group and Recovery Board.

The Recovery Board has overseen comprehensive planning for the phased re-opening of the University campuses from July onwards. Senate update sessions were held where the activity of the Education and Student Experience COVID-19 Planning Group was reported, and members updated on the wider picture.

The Finance Committee considered the impact of COVID-19 and the impact on the financial performance of the University at each of its meetings following the country's lockdown in March and held an additional meeting in July.

A Council Emergency Finance Group was established to enable the University to respond swiftly to finance related matters.

Audit and Risk Committee considered the impact of COVID-19 across several areas, especially with regard to risk management at its scheduled meeting in May 2020. The Chair has met with the Registrar and the Chief Financial Officer to receive an update specifically in relation to the Committee's business in order to determine whether there were areas upon which the Committee would need to seek additional assurance. In addition, a planned 'deep dive' exercise took place at the Committee's meeting in September 2020.

Statement of internal control

The Council as the governing body of the University has responsibility for ensuring that a sound system of internal control is maintained which supports the achievement of policies, aims and objectives, while safeguarding the public and other funds and assets for which it is responsible, in accordance with the responsibilities assigned to the Council in the Charter and Statutes.

These controls cover the period to the date the financial statements are approved.

The system of internal control and risk management is based on an ongoing process designed to identify the principal risks to the achievement of policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. **The system of internal control and risk management is designed to manage rather than eliminate risk.**

The internal control environment includes system controls, delegations, policies as well as planning and budgetary processes, governance structures and management reporting. The scheme of delegation has been reviewed in year and formally approved by Council, and senior management receive financial performance information monthly.

The Audit and Risk Committee receives regular reports from the Director of Internal Audit, together with recommendations for improvement. This includes the annual Internal Audit Opinion on the adequacy and effectiveness of the institution's systems of risk management, internal control, and governance. Reports are also received from the external auditors as part of their year-end work. During the year the Internal Audit Service identified a number of weaknesses as a result of their normal audit programme. These were reported to the University's Audit and Risk Committee and are being acted upon by management with regular updates being provided to the Committee

Some internal controls have been identified as areas for improvement and there is a need to strengthen and tighten processes surrounding some aged systems which will be reviewed in the

coming year. As a result of this, internal controls have been deemed partially effective, though changes made in response to COVID-19 have been identified as fit for purpose during the pandemic response.

Risk and risk management

An organisation-wide risk management framework, which implements the University's Risk Management Policy, is maintained, and considered regularly by the University Executive Board (UEB). The Audit and Risk Committee considers the effectiveness of the mitigations of the main risks to achieving the University's activities, including those reported through the University Risk Register. Risk considerations form part of the annual budgeting and planning cycle and inform the work undertaken by Internal Audit. The annual Internal Audit Opinion identified risk management within the University to be effective.

To facilitate risk management in a complex, international university and particularly at this time of unprecedented change in the sector, nationally and across the world, the University's Risk Management Framework continues to include:

- a University Risk Register articulating risks which affect the international, tri-campus University
- risk registers articulating risks affecting each country campus
- risk registers articulating risks affecting each faculty, school or professional service and major initiatives

This structure is designed to provide clarity, transparency and direct accountability of risk management activities. It enables escalation and cascade of risks where appropriate, as well as an internal means to challenge and check alignment of risks across the University.

A UEB member has responsibility for managing each of the enterprise-level risks, supported by a dedicated member of staff. Risks are formally reviewed four times a year, and any risk which is red-rated is formally reviewed each month. A summary of changes following these reviews is reported to the Planning and Resource Committee, University Executive Board and the Audit and Risk Committee which keeps them informed of changes and provides initial assurance on risk management activities.

Principal risks and uncertainties

Risk is the effect of uncertainty on activities. Risk management is important for anyone whose role includes supporting the University to achieve its objectives. Good risk management enables activities which create opportunities; it is a source of competitive advantage.

The below articulates the significant risks currently facing the University at a global (enterprise) level. It is a dynamic reflection and is updated regularly; it is formally reviewed annually by the UEB. Given the pandemic and the impact on risks, this has come under intensive scrutiny this year.

It is a resource for risk-based strategic and operational planning and decision making. It also provides an insight into the considerations behind decisions about priorities.

Risk appetite

Risk appetite is "the amount and type of risk that an organisation is willing to take in order to meet their strategic objectives". Risk appetite will vary for different risks and types of risk and may change over time. This is kept under regular review as above.

The University works to a four-point scale for risk appetite, defined as follows:

- A – a strong preference for avoidance of risk; and for ultra-safe delivery options
- B – a preference for delivery options which have low degree of inherent risk

- C – a willingness to consider all options which provide an acceptable level of reward and value for money even where these involve a higher degree of risk
- D – an area where we're keen to be innovative and therefore willing to accept solutions with a significant degree of risk where these offer potentially higher reward.

Risk Register

Risk theme	Risk description	Mitigation
The coronavirus (COVID-19)	The longer-term impact of actions taken to manage COVID-19 in the University locally, nationally and internationally impacts on the ability of the University to resume and continue operations in a timely manner	A Recovery Board was established very quickly in response to COVID-19 impacts. This allowed us to oversee risks and agree numerous actions for a safe return to campus including a prompt initial move to online teaching; the building reopening plan; the School of Veterinary Medicine and Science reopening with a testing pilot in place; the University's Curriculum Delivery Plan for 2020-21; timetabling to capture remote and on-campus teaching; various processes and policies introduced to facilitate a safe and early return for teaching and students; and a regularly updated health and safety guide
Teaching	Our teaching activity and management preparations for the Teaching Excellence and Student Outcomes Framework (TEF) are insufficient to achieve our TEF expectations	Teaching and Learning Strategic Delivery Plan developed; Digital learning delivery plan developed; identified core professional competencies for employability
Student recruitment	External factors impact on our ability to recruit to targets (quality and quantity) for 2020 entry and beyond	A new size and shape strategy and student recruitment strategy is being developed, recognising impacts of the pandemic
Research and knowledge exchange	Research and Knowledge Exchange (KE) elements of the University Strategy are not achieved because of external changes on research and KE funding and our ability and capacity to deliver world leading research and KE	Actions taken included those to address the impact of COVID-19 on capacity of funding and researcher capacity; sector wide discussion with HM Treasury on sustainability; development of a Knowledge Exchange Strategic Delivery Plan; development of strategic advisory groups; Brexit planning

Risk theme	Risk description	Mitigation
Staff morale	Low staff morale undermines our ability to achieve a culture which supports high performance/to recover effectively from the impact of COVID-19 on the University operations	Staff engagement survey results and Staff Engagement Hub communicated, which has paved the way for Engagement Champions to support the resurrection of engagement conversations. Comprehensive and appropriate response to COVID-19 in place to include actions such as: staff communication structure; clear response to furloughing plans; Return to operations support; appropriate learning and development support in place
Leadership and management	Poor leadership and management capability leading to a failure to deliver University objectives at the pace required	Actions developed from staff engagement surveys; development of EDI strategic development plan; enhancement of performance management and employment relations process and approach to enable leaders to develop and empower staff effectively
Digital	We fail to keep pace with and realise the benefits of increasing digitisation	Improved governance and risk management through the Digital Strategy Committee (a committee of the University Executive Board) and enhanced governance within the IT function
Information and data security	The University does not manage its information, data and knowledge assets or IT systems and resilience sufficiently to protect them from or prevent a major loss, theft, or breach in line with General Data Protection Regulations (GDPR)	Strengthened governance structure for information security; new security policies; improved network security; and assurance programme developed
Organisation	Our structures and culture inhibit our ability to make decisions and implement them at the appropriate pace	Greater transparency of decision making through an enhanced governance structure and ongoing activity to better empower senior leaders
Governance	Our governance structures, roles and responsibilities are inadequate or do not support delivery of the University Strategy	Continued monitoring, development and improvements will be made to ensure that governance structures remain appropriate

Risk theme	Risk description	Mitigation
University reputation	The volatility of the external environment and the higher level of media scrutiny increases the challenge of enhancing and protecting the University's reputation	Reputation campaigns across all campuses, including China and Malaysia, continue active management of negative traditional and social media coverage with proactive media campaigning
Financial sustainability	We are unable to respond quickly enough to the financial challenges of multiple external influences including COVID-19, and an uncertain and increasingly competitive HE environment	Review of the Medium Term Financial Plan and several actions implemented to address the significant impact of COVID-19 across the University
UK legislative and statutory compliance	(UK campuses only) The University does not comply with relevant legislative, professional, statutory, or regulatory requirements, resulting in potential for reputation damage, financial loss, loss of life or other legal penalties	The governance and assurance structure has been formed and a standard approach to identify, monitor, and track compliance with key legal and statutory obligations is being implemented
Health and safety compliance	The University fails to manage and prioritise health and safety and therefore fails to create a positive culture, that together safeguards the safety and health of our entire University community (staff, students, and visitors)	A review of the University's approach to health and safety has been conducted and an improvement plan has been agreed. Progress toward completion of this plan has been delayed due to the need to ensure that the University campus and operations meeting the COVID-Secure health and safety requirements

Financial review

Chief Financial Officer's introduction

The University is in a strong financial position – it has relatively low levels of debt, a history of delivering annual surpluses and access to good levels of cash through the use of a revolving credit facility. In addition, the University sets a medium-term financial plan and has robust governance in place to ensure that it consistently delivers against this plan. The University regularly benchmarks its financial performance and uses this to identify opportunities for further improvement. There is also a rigorous process in place for prioritising investment versus the strategy ensuring that it allocates resources to the activities that add value.

This means that the University has been able to respond quickly and decisively to the impact of COVID-19. The moment COVID-19 struck, the University lost income (commercial and research during 2019/20) and a potential multi-year impact became apparent in the future due to the very likely negative impact on international student recruitment and research, in particular.

To address this, the University invoked emergency financial controls and formed an emergency finance group to take quick actions to offset the impact of these income and cash reductions. Actions taken were a pause on investment (with the exception of anything that is health and safety related), spend controls were put in place, plans to reduce the cost base of the University from 2020/21 were developed and agreed, we utilised the Job Retention Scheme, additional headroom was sought via the government Coronavirus Large Business Interruption Loan (CLBIL) scheme (which completed in October 2020) and a voluntary redundancy scheme was launched and delivered. All these actions not only mean that we have ended 2019/20 delivering an operating surplus (excluding non-cash staff adjustment in relation to pensions) of £9. million and protecting our cash position, but that we go into next year with a balanced budget.

The University has also agreed a revised medium term financial plan that takes into account the impact of the coronavirus but also ensures the delivery of the new University Strategy, enabling the University to see through the current crisis and emerge stronger and financially fit for the future.

As a result of the pandemic, the going concern of some universities may be questioned. This is not the case for the University of Nottingham. As stated previously, prior to the onset of COVID-19, the University was in a strong financial position and the revised medium term financial plan demonstrates how this strength can be maintained and built upon – the University plans to maintain its levels of debt, whilst improving its efficiency to enable continued investment in its strategy. Market data tells us that the home student demand will grow significantly over the coming years with the predicted increase in 18-year olds (after a number of years where it has dipped), whilst competition will remain for overseas students. The University has a strong leadership team, a good reputation and significant asset base – all reasons to be confident about the financial sustainability of the University and reinforced by the outcome of the annual Standard & Poor's review that has confirmed the University's A+ credit rating, stating that the University is well placed to deal with the impact of COVID-19.

There are challenges and opportunities ahead in particular in relation to the ongoing consultation for the Universities Superannuation Scheme (USS) pension scheme, focusing on giving students the very best education and experience while COVID-19 is still with us and winning back the trust and confidence of our international students (so badly damaged by the perception of the UK's response to COVID-19) and really driving our investment in research to ensure the very best outputs and impact.

The vision of the University is to be a university without borders, where we embrace the opportunities presented by a changing world, and where ambitious people and a creative culture will enable us to change the world for the better.

The University is confident that it will emerge from the last few months well placed and strong to make this vision a reality.

Preparation of financial statements

These financial statements are prepared on a consolidated basis and include the financial results of the University and its subsidiary companies in full. The associated undertakings are consolidated on the basis of percentage ownership – this includes the campuses in both Ningbo, China and Seminyeh, Malaysia.

These 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 and other relevant accounting standards and in line with the terms and conditions of the Memorandum of Assurance and Accountability agreed between the Office for Students (OfS) and the Council of the University.

2019/20 financial performance

Consolidated key highlights

	2020 £ million (m)	2019 £ million (m)
Tuition fees and education contracts	389.0	356.6
Funding body grants	98.6	90.9
Research grants and contracts	105.0	124.3
Other income	117.8	129.4
Total income	710.4	701.2
Surplus/(deficit) for the year	94.4	(83.4)
Operating surplus (excl. USS non-cash adjustment within staff costs)	9.4	26.6
EBITDA	64.9	72.8
Total net assets	463.0	390.9
Cash generated from operating activities	38.3	41.0
Capital investment	41.6	54.0
Staff costs (incl. USS adjustment)	317.4	475.3
Staff costs (excl. USS adjustment)	402.4	365.3
Research awards	138.9	164.1

Surplus/deficit for the year

The inclusion of USS into the financial statements of the University continues to create volatility in the reported financial results. Including the adjustment for USS the surplus has increased to £94.4 million from a deficit of £83.4 million reported in 2018/19. The operating surplus (excluding non-cash adjustments within staff costs made in relation to USS) stands at £9.4 million, a significant fall from that reported in 2018/19 (2018/19: £26.6 million). The balance sheet remains strong with net assets increasing by 18.3% to £463.0 million (2018/19: £390.9 million).

Although recognising through a provision for our proportion of the USS deficit recovery plan within staff costs in these financial statements, in accordance with the SORP, the financial commentary will exclude the impact of this, as the movement is for accounting purposes and therefore does not denote cash

coming in or leaving the University and is not representative of the underlying financial performance of the University.

The University has delivered an operating surplus (excluding the non-cash impact of USS costs within staff costs) of £9.4 million (2018/19: £26.6 million). This is a positive result given the impact of COVID-19 in the second half of the year. The year started with strong student recruitment but in March 2020, when COVID-19 hit and the resulting lockdown ensued, commercial and research income were impacted immediately and significantly. Pre-COVID-19, the University had forecast in January 2020 to deliver total income of £733.8 million, this has reduced to £710.4 million, a net reduction of £23.4 million due to the impact of COVID-19.

Financial performance

The operating surplus (excl. non-cash adjustment for USS) has fallen to £9.4 million (2018/19: £26.6 million) and is representative of the impact COVID-19 has had on the financial position of the University.

Summary income and expenditure	2019/20 £ million (m)	2018/19 £ million (m)
Total income	710.4	701.2
Total expenditure (excl. movement in USS pension provision in year)	(701.5)	(682.0)
Other gains and losses	0.5	7.4
Operating surplus	9.4	26.6
Exceptional USS pension provision movement	85.0	(110.0)
Actuarial loss in respect of pension schemes (non=cash)	(22.4)	(20.6)
Total comprehensive income/expenditure for the year	72.0	(104.0)

Income

Total income has risen by 1.3% in year to £710.4 million (2018/19: £701.2 million) in spite of the pandemic. Income growth in tuition fees and educational contracts and funding body grants has exceeded the income reductions through research grants and contracts, commercial and other income, and on the face of it understates the impact of COVID-19 on the University finances.

The estimated total impact of COVID-19 on budgeted income is £42.8 million and is broken down as follows:

	2019/20 £ million (m)
Research income	24.6
Accommodation and catering	9.4
Commercial income (Incl. hotels and conferencing)	8.8
Total COVID-19 impact	42.8
Offset by above budgeted other income*	19.3
Total net income reduction	23.5

*This is offset by above budgeted cost – as we budget on margin, rather than income and cost separately. The additional unbudgeted cost incurred that supports this income stands at £16.6 million, delivering a margin of £2.7m

In response to the expected impact on income and cash, steps have been taken to manage expenditure in year, with the prioritisation of essential spend; the success of this can be seen through a fall of 5.6% in

the amount of non-pay spend incurred in year, to £299.1 million (2018/19: £316.7 million). Although there is only a marginal increase in student numbers, tuition fees and educational contracts increased by £32.4 million in year to £389.0 million (2018/19: £356.6 million) as a result of a planned increase in international student mix. The international student population rose to 21.9% of the total student population (2018/19: 21.3%).

Student numbers	2019/20	2018/19	Difference
Undergraduate			
Home/EU	21,695	20,567	1,128
International	3,278	3,142	136
Postgraduate taught			
Home/EU	2,123	2,376	(253)
International	3,233	3,061	172
Postgraduate research			
Home/EU	1,726	1,910	(184)
International	885	945	(60)
Other	765	1,521	(756)
Total	33,705	33,521	184

Grant income received from OfS and Research England has increased to £98.7 million (2018/19: £90.9 million) through a combination of additional capital grants and the accelerated QR funding from Research England of £3.1 million.

Research income has been severely impacted because of COVID-19, showing a decline in year of £19.3 million to £105.0 million (2018/19: £124.3 million). The initiation of lockdown has meant that much of the on-site research work was paused from March and, although re-opening on-site research (adhering to government guidelines) has been prioritised where possible, this has only been feasible from July onwards. Due to the nature of research funding, it is anticipated that the impact of COVID-19 will manifest over a longer time period as the awards portfolio turns over; delays in new calls and awards being confirmed by funders and a predicted decline in industry and charity funding takes effect.

As a result of the pandemic and the resulting lockdown, students vacated their halls of residence in March and continued their studies online at home. The University made the decision to forego the resultant term three accommodation and catering charges at a cost of £13 million. In addition, the University's hotels, and conferencing facilities as well as sports centres were also closed in March in line with government guidelines, this has resulted in further income loss of £9.5 million.

Expenditure

Spend (excluding the non-cash movement within staff costs in relation to USS) rose to £701.5 million this year (2018/19: £682 million), a rise of just 2.9%. This marginal increase is a direct result of the success of additional spend controls put in place early in March for the remainder of the financial year to assist the University in managing this crisis.

Staff costs have risen by £37.1 million to £402.4 million (2018/19: £365.3 million), a rise of 10.2%. The University made the decision to continue to pay all staff 100% of their salary through the COVID-19 crisis, in spite of some being furloughed, but also elected to enter the government Job Retention Scheme, of which £6.5 million has been claimed between March and July 2020. In addition, as COVID-19 will have a multi-year impact, the University launched a voluntary redundancy scheme, which completed in July at a cost of £13.8 million. This cost also sits within staff costs.

Other operating expenses have fallen by 10.0% to £243.6 million (2018/19: £270.5 million) as a direct result of COVID-19 cost control measures being put in place and the lockdown of the physical campuses. Areas of most significant cost reduction include equipment purchases (£2.4 million),

consumables (£7.1 million), travel (£7.3 million), conference fees (£11.8 million) and repairs and maintenance (£1.8 million). However, the University continues to invest in the financial support of students and spent £23.2 million on scholarships and bursaries in the year (2018/19: £22.1 million), of which £50,000 related to additional hardship funds in support of those students in need as a result of COVID-19.

Depreciation has increased by 16.7% to £48.2 million (2018/19: £41.3 million) because of the University's ongoing investment programme, though COVID-19 has resulted in investment being paused, except those projects relating to essential health and safety work. All University investment is subject to a rigorous prioritisation process and it is expected that paused projects will re-commence when it is appropriate to do so. Spend on capital projects in year totals £41.6 million (2018/19: £54 million). The depreciation total is inclusive of an asset impairment for the Campus Solutions CRM module, totalling £2.7 million, as the University has successfully tendered for a replacement CRM system in year.

Pensions

The University operates two defined benefit pension schemes, the University of Nottingham Contributory Pension and Assurance Scheme (CPAS) and Universities Superannuation Scheme (USS). As at 31 July 2020, both schemes were in the process of undertaking their triennial valuations and both schemes have had a significant impact on the financial results of the University.

The CPAS scheme closed to new members in 2006 and remains open to future accrual, therefore existing members continue to pay into the scheme to receive their pensions upon retirement. In the financial year ending July 2020, the growth in the scheme's liabilities (the present value of the future pension payments) exceeded the growth in the assets (contributions into the scheme plus a growth or decline in market conditions), resulting in an actuarial loss for the University totalling £22.4 million. This liability is recognised as a provision on the balance sheet of the University and is taken through the income and expenditure account as a non-cash adjustment within the gains and losses section.

The political uncertainty with USS remains. In 2018/19 the application of the 2017 USS valuation resulted in the University's element of the deficit recovery plan standing at £110.0 million. This non-cash adjustment was charged to staff costs and resulted in a significant deficit being recorded in the financial statements. Since then, the agreement of the 2018 USS actuarial valuation has meant this year having to apply an updated deficit recovery plan, which has resulted in a part reversal of the £110.0 million recorded last year. The total impact within staff costs this year is positive by £85.0 million.

The ongoing uncertainty surrounding USS has resulted in industrial action this financial year as discussions and negotiations continue between Universities UK and UCU.

Net assets

Total net assets of the University have grown by 18.4% in year to £463.0 million (2018/19: £390.9 million) which is in most part due to the reduction in the pension deficit as a result of USS. The value of the University's fixed assets fell marginally to £1,058.4 million (2018/19: £1,064 million) as a result of the pause in capital investment driven by COVID-19 – capital investment in year being lower than the depreciation charge.

Investments and endowments

COVID-19 has also had an impact on the value of the University's investment portfolio, though the post-lockdown recovery has been significant, resulting in a marginal fall in the value of investments to £77.1 million (2018/19: £79.5 million) as a result of capital depreciation of the assets which exceeded investment income retained within the fund. Investment income of £2.8 million was recognised in year (2018/19: £2 million) of which the University expended £1 million.

The total cash received from donations in the year was £7.5 million of which £4.9 million (65% of the total) came from 31 gifts in excess of £25,000 and £1.7 million (22% of the total) came from legacy bequests.

Cash and liquidity

The cash and cash equivalents balance at 31 July 2020 was £40 million (2018/19: £6 million). In the 2019/20 financial year the University restructured its credit facilities to increase its available headroom. The previous 25-year amortising revolving credit facility was replaced by a private placement of £100 million over 30-year term with a single investor. In addition, an £80 million, 10-year revolving credit facility was agreed to provide additional headroom.

The introduction of the private placement during the financial year with a US based investor has resulted in the need to value the facility at fair value, which is calculated as the present value of committed cash flows as at 31st July 2020. The fair value adjustment totals £5 million and is a non cash adjustment, therefore the total private placement is recorded as debt of £105 million on the balance sheet. The additional £5m charge is recorded in the statement of comprehensive income within gains and losses.

The contractual cash payments arising from the private placement remain unchanged

Plans have been in place to further increase the University's cash headroom as a COVID-19 mitigation. The University completed a £60 million CLBILS revolving credit facility in October 2020.

Independent auditor's report to the members of Council of the University of Nottingham

Report on the audit of the financial statements

Opinion

In our opinion, the financial statements of The University of Nottingham (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 and University Statements of Comprehensive Income;
- the Consolidated and University Statements of Changes in Reserves;
- the Consolidated and University Statement of Financial Position;
- the Consolidated Cash Flow Statement;
- Statement of Principal Accounting Policies; and
- the related notes 1 to 34.

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 Council's use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the Council 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 Council 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 Council

As explained more fully in the Statement of the role and primary powers and responsibilities of University Council, the Council is responsible for the preparation of the financial statements that give a true and fair view, and for such internal control as the Council 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 Council 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 Council 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 the notes 2 and 3 to the accounts, has been materially misstated; or
- the provider's expenditure on access and participation activities for the financial year, as disclosed in the Operational Review 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 Council in accordance with the Accounts Direction issued by the Office for Students dated 25 October 2019. Our audit work has been undertaken so that we might state to the Council 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 Council of the University as a body, for our audit work, for this report, or for the opinions we have formed.

The logo for Deloitte LLP, written in a cursive, handwritten style.

Deloitte LLP
Statutory Auditor
Newcastle upon Tyne, United Kingdom
13 January 2021

Statement of Principal Accounting Policies

1. Accounting convention

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with both the Statement of Recommended Practice on Accounting for Further and Higher Education 2019 (HEFE SORP) and Financial Reporting Standard 102 (FRS102). They conform to the guidance published by the Office for Students.

The University is a public benefit entity and has applied the public benefit entity requirements of FRS102. The functional currency of the University is Pounds Sterling, as the United Kingdom is the primary economic environment in which the University operates.

These policies have been reviewed by the Audit and Risk Committee and are considered appropriate to the University's activities. They have been applied consistently in the current and prior year.

Having made appropriate enquiries, Council considers that the University and group has adequate financial resources to continue in operational existence for the foreseeable future, being not less than twelve months from the date of signing the financial statements. Accordingly, they continue to adopt the going concern basis in preparing the financial statements. In doing so, the University has regard to the elements of current assets and current liabilities, the availability of cash via the University's banking arrangements and the expectation that grants will continue to be received into the foreseeable future.

2. Basis of consolidation

The consolidated financial statements consolidate the financial statements of the University and its subsidiary undertakings for the financial year to 31 July. The consolidated Statement of Comprehensive Income includes the Group's share of the comprehensive income of associated undertakings and the consolidated balance sheet includes the investment in associated undertakings at the Group's share of their underlying net tangible assets (the 'equity method'). Associated undertakings are those in which the Group has a significant, but not dominant, influence over their commercial and financial policy decisions. The consolidated financial statements do not include those of the University of Nottingham Students' Union as it is a separate body in which the University has no financial interest and no control or significant influence over policy decisions.

As permitted under FRS102 the University has taken advantage of the disclosure exemptions available to it in respect of a university only cashflow statement.

3. Recognition of income

Transactions with commercial substance are credited to income at the fair value of consideration receivable net of any discounts. Where the provision of services is incomplete at the financial year end the percentage completion will be determined in a way appropriate to each contract, and any funds received in advance held as deferred income. Tuition fee income is therefore credited to income over the period in which students are studying and Funding Council grants are accounted for in the period to which they relate.

Other key income streams of this type are consultancy, accommodation, catering and conference, sales of goods and services, royalties and research income from commercial sources.

University funded bursaries and scholarships are accounted for gross as both income and operating expenses where the transaction does not represent a discount.

Donations and endowment transactions are assessed to determine whether performance related conditions, restrictions on expenditure, both or neither applies. The income is recognised in the Statement of Comprehensive Income as follows:

Where performance related conditions exist, income is recognised in line with the performance criteria being met.

Where restrictions exist, income is recognised when it is receivable and taken to a temporarily restricted reserve, expenditure is then recognised as restricted expenditure and charged to the restricted reserve over time to reduce it to nil as the fund is fully used. Endowments where the donor has specified that the capital sum can be spent are treated in this way.

Where there are neither performance related conditions nor restrictions income is recognised when it is receivable. Endowments are recognised as income on entitlement and then held in the permanently restricted reserve where the donor has specified that the capital sum cannot be spent.

Endowment and investment income is credited to the income and expenditure account on a receivable basis. Gains or losses on investment are recorded in the capital element of the fund to which it relates and recognised in income as 'gain or loss on investments'.

4. Employee benefits

The three principal pension schemes for the University's staff are the Universities Superannuation Scheme (USS), the University of Nottingham Contributory Pension and Assurance Scheme (CPAS) and the University of Nottingham Contributory Retirement Savings Plan (CRSP). USS and CPAS are defined benefit schemes, which are externally funded and contracted out of the State Second Pension.

The Funds are valued every three years by professionally qualified independent actuaries using the projected unit method, the rates of contribution payable being determined by the trustees on the advice of the actuaries. In the intervening years, the actuaries review the progress of the Schemes. Pension costs are assessed in accordance with the advice of the actuaries, based on the latest actuarial valuations of the Schemes. A small number of staff remain in other pension schemes.

The USS scheme is a multi-employer scheme and is accounted for on a defined contribution basis as it is not possible to identify the assets and liabilities of the scheme which are attributable to the group. A liability is recorded within provisions for the University's contractual commitment to fund past deficits as determined by the scheme management. Movements in the provision are charged/credited to the Statement of Comprehensive Income.

CRSP is a defined contribution scheme and the amount charged to Staff Costs is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

CPAS is a defined benefit scheme. For the defined benefit scheme, the amounts charged to Staff Costs are the current service costs and gains and losses on settlements and curtailments. The interest cost and the expected return on assets are shown within Interest and Other Finance Costs. Actuarial gains and losses are recognised immediately in the Statement of Comprehensive Income. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high-quality corporate bond of equivalent currency and term to the scheme liabilities. The resulting defined benefit asset or liability is presented separately after other net assets on the face of the balance sheet.

5. Foreign currencies

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are

translated into Sterling either at year end rates or, where there are related forward foreign exchange contracts, at contract rates. Non-monetary items held at historical cost are translated into Sterling using the exchange rate of the date of the transaction. Non-monetary items held at fair value are translated into Sterling at the exchange rates on the date the fair value was determined. The resulting exchange differences are dealt with in the Statement of Comprehensive Income for the financial year.

6. Leases

A lease is treated as a finance lease if the substance of the lease is that it transfers substantially all the risks and rewards of ownership of the asset. Fixed assets held under finance leases and the related lease obligations are recorded in the Balance Sheet at the lower of the fair value of the leased assets at the inception of the lease or the present value of the minimum lease payments. The excess of lease payments over recorded lease obligations are treated as finance charges which are amortised over each lease term to give a constant rate of charge on the remaining balance of the obligations. Assets held under finance leases are depreciated over their useful economic lives in the same way as other property, plant and equipment. Where there is no certainty that ownership of the asset will pass to the University at the end of the lease the asset will be fully depreciated by the end of the lease term.

Rental costs under operating leases are charged to expenditure in equal annual amounts over the periods of the leases. Lease incentives are similarly spread on a straight-line basis over the lease term.

7. Carbon Reduction Commitment Allowances

Carbon Reduction Commitment Allowances are recognised as an asset at cost until such time as prescribed by government policy that the allowances are offset against carbon emitted or sold. Liabilities are accrued during the year as energy is consumed. This is a multiyear scheme and as such all activity is appropriately recognised in the balance sheet and amortised accordingly.

8. Goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration over the fair value of the identifiable assets and liabilities acquired is capitalised and written off on a straight line basis over its useful economic life. Useful economic life is assessed separately for each business acquired, depending on the nature of that business. Where a reliable estimate of the useful life of goodwill cannot be made, the life shall not exceed five years. Provision is made for any impairment.

9. Land and buildings

Land is stated at deemed cost using the valuation as at 31 July 2014. The valuation of land was undertaken during 2012/13 by Fisher Hargreaves Proctor Ltd, Property Consultants. Commercially held land is valued on a triennial basis by suitably qualified chartered surveyors, the last valuation was as 31 July 2020. The basis of valuation being open market value on an existing use basis. Land, with the exception of the Arts Centre and DH Lawrence Pavilion land, which are held on a long lease, is held freehold and is not depreciated as it is considered to have an indefinite useful life.

Buildings are stated at cost, other than those held as investments. Buildings are depreciated over their expected useful lives generally between 50 and 100 years, with certain specific buildings depreciated over a longer period where appropriate. Major refurbishments are depreciated over their estimated life, normally 15 years. Leasehold land is depreciated over the life of the lease.

Assets in the Course of Construction are recognised at cost less impairment and are not depreciated.

At each reporting date all property is reviewed for indications of impairment.

Borrowing costs are recognised as an expense within the Statement of Comprehensive income and are not separately identified and capitalised.

10. Plant and equipment

Plant and equipment, including computers and software, costing less than £30,000 per individual item or group of related items is written off in the year of acquisition (unless specified by a grant condition). All other equipment is capitalised.

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

- IT Equipment – three to five years
- IT Software – three years
- Configured IT systems – useful economic life up to a maximum of 10 years
- Telephone equipment – seven years
- Motor vehicles and other general equipment – 3-10 years
- Equipment acquired for specific research projects – project life (generally three years)

Each major component of capitalised plant and equipment is reviewed separately. Where major components have a significantly different useful economic life they are depreciated separately.

Heritage Assets are recorded at cost and not depreciated.

At each reporting date all plant and equipment is reviewed for indications of impairment.

Borrowing costs are recognised as an expense within the Statement of Comprehensive income and are not separately identified and capitalised.

11. Government grants

Government grants are recognised based on the accrual model and are measured at the fair value of the asset received or receivable. Grants are classified as either capital or revenue in nature.

Capital grants are recognised over the expected useful life of the asset, and revenue grants are recognised in income over the period in which the related costs are recognised.

Where part of a grant is deferred, it is held as deferred income on the Balance Sheet.

12. Investment properties

Investment properties are initially included in the Balance Sheet at their fair value at the balance sheet date on the basis of a triennial professional valuation. Mixed use investment property is separated between investment properties and property, plant and equipment. Changes in the fair value of investment properties are recognised immediately within the Statement of Comprehensive Income. The investment properties were revalued in 2018/19. Investment property owned by one group company which is leased to another group company is treated as an investment property in the owner's individual financial statements.

13. Investments and endowments

Fixed asset investments are shown at historical cost less any provision for impairment in their value except where there is a ready market for the investments when they are shown at fair value with and changes in value being taken to the Statement of Comprehensive Income.

Endowment Asset Investments are included in the Balance Sheet at fair value, with changes taken to the Statement of Comprehensive Income. Cash held as part of the endowment portfolio is treated as

an investment, as it is held as part of the portfolio in accordance with the University's strategy and is therefore not considered as free cash.

Investments in subsidiaries and associates in the University's separate financial statements are recorded at cost less impairment.

Current Asset Investments are valued at the lower of cost and selling price less costs to sell.

14. Financial instruments

The provisions of both section 11 and 12 of FRS102 will be applied in full. Basic financial instruments are held at amortised cost using the effective interest rate method or cost and are subject to an annual impairment review.

Complex financial instruments are held at fair value, with changes in fair value taken directly to the Statement of Comprehensive Income.

15. Stocks

The inventories are stores, coal and oil held by the estates office, stores held centrally for some academic schools, food and catering supplies, and farm livestock, produce and consumables. They are valued at the lower of cost and selling price less costs to sell.

16. Short Term Investments

Short Term Investments comprise money on short-term deposit with a maturity date less than 90 days at the date of inception. Investments that are short-term and readily convertible to cash at an insignificant risk of changes in value will be reported as 'cash equivalents' in the cashflow statement.

17. Maintenance of premises

The University has a five-year rolling maintenance plan, which is reviewed on an annual basis. The costs of maintenance are charged to the Statement of Comprehensive Income as incurred. Expenditure that is expected to provide incremental future benefits to the University is capitalised and added to the carrying value of the premises. If it is a replacement item, the carrying amount relating to those parts replaced is derecognised and debited to expenditure at the date of disposal.

18. Taxation status

The Institution is an exempt charity within the meaning of schedule three of the Charities Act 2011 (formerly schedule two of the Charities Act 1993) and is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the Institution is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 287 CTA2009 and sections 471, and 478-488 CTA 2010 (formerly s505 of ICTA 1988) 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.

Certain activities undertaken by the Institution are subject to Corporation Tax. These are primarily handled through subsidiary companies with taxable profits gift aided to the University or off-set against taxation losses.

The Institution receives no similar exemption in respect of Value Added Tax. Irrecoverable VAT on inputs is included in the costs of such inputs. Any irrecoverable VAT allocated to tangible fixed assets is included in their cost.

19. Provisions, contingent liabilities, and contingent assets

Provisions are recognised in the financial statements when:

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

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

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

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

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

Consolidated and University Statement of Comprehensive Income

For the Year Ended 31 July 2020

	Note	Consolidated		University	
		2020 £m	2019 £m	2020 £m	2019 £m
Income					
Tuition fees and education contracts	2	389.0	356.6	389.0	356.6
Funding body grants	3	98.6	90.9	98.6	90.9
Research grants and contracts	4	105.0	124.3	105.0	124.3
Other income	5	109.3	125.1	102.3	116.7
Investment income	6	2.8	2.0	3.0	2.2
Donations and endowments	7	5.7	2.3	5.7	2.3
Total income		710.4	701.2	703.6	693.0
Expenditure					
Staff costs excluding movement in USS pension liability	8	402.4	365.3	397.6	360.9
Movement in USS pension liability	27	(85.0)	110.0	(85.0)	110.0
Total Staff Costs		317.4	475.3	312.6	470.9
Other operating expenses	9	243.6	270.5	240.6	266.7
Depreciation	14	48.2	41.3	48.0	41.1
Interest and other finance costs	10	7.3	4.9	7.3	4.9
Total expenditure		616.5	792.0	608.5	783.5
Surplus/(deficit) before other (losses)/gains and share of operating surplus in associates		93.9	(90.8)	95.1	(90.5)
Gain on disposal of fixed assets		0.4	0.1	0.4	0.1
(Loss)/gain on investments		(10.5)	5.7	(9.0)	3.8
Share of profits in associated companies	16	10.6	1.6	0.0	1.0
Surplus / (deficit) for the year		94.4	(83.4)	86.5	(85.6)
Actuarial (Loss) in respect of pension schemes	27	(22.4)	(20.6)	(22.4)	(20.6)
Total comprehensive income / (loss) for the year		72.0	(104.0)	64.1	(106.2)
Represented by:					
Endowment comprehensive (loss)/income for the year		(0.7)	4.5	(0.7)	4.5
Restricted comprehensive income/(loss) for the year		2.2	(0.3)	2.2	(0.3)
Revaluation reserves comprehensive income for the year		0.0	0.3	0.0	0.3
Unrestricted comprehensive income/(loss) for the year		70.5	(108.5)	62.6	(110.7)
		72.0	(104.0)	64.1	(106.2)

The consolidated income is attributable to the University and its subsidiaries, there is no non controlling interest. All income and expenditure of the University and its subsidiaries relate to continuing operations, except for the operations of Ambitious Futures Limited which will cease to operate in the 2020/21 financial year (note 33).

Consolidated and University Statement of Changes in Reserves
For the Year Ended 31 July 2020

Consolidated	Note	Income and expenditure account			Revaluation reserve	Total
		Endowment	Restricted	Unrestricted	Unrestricted	
		£m	£m	£m	£m	£m
Balance at 1 August 2018		58.5	6.5	426.1	3.6	494.7
Unrestricted surplus/(deficit) from the income and expenditure statement		0.0	0.0	(111.9)	0.0	(111.9)
Income from investment of the endowment portfolio	6	2.0	0.0	0.0	0.0	2.0
New endowments, donations and grants (including research)	21/22	0.1	2.2	0.0	0.0	2.3
Release of restricted funds spent in year	21/22	(1.4)	(2.5)	3.9	0.0	(0.0)
Unrealised appreciation of endowments, investments and investment properties	21/22	3.8	0.0	0.0	0.0	3.8
Transfers between revaluation and income and expenditure reserve		0.0	0.0	(0.4)	0.4	0.0
Total comprehensive income/(loss) for the year		4.5	(0.3)	(108.3)	0.4	(103.7)
Balance at 31 July 2019		63.0	6.2	317.8	4.0	391.0
Unrestricted surplus from the income and expenditure statement		0.0	0.0	70.5	0.0	70.5
Income from investment of the endowment portfolio	6	2.7	0.0	0.0	0.0	2.7
New endowments, donations and grants (including research)	21/22	0.3	4.7	0.0	0.0	5.0
Release of restricted funds spent in year	21/22	(1.1)	(2.5)	0.0	0.0	(3.6)
Unrealised appreciation of endowments, investments and investment properties	21/22	(2.6)	0.0	0.0	0.0	(2.6)
Transfers between revaluation and income and expenditure reserve		0.0	0.0	0.0	0.0	0.0
Total comprehensive (loss)/income for the year		(0.7)	2.2	70.5	0.0	72.0
Balance at 31 July 2020		62.3	8.4	388.3	4.0	463.0


University	Note	Income and expenditure account			Revaluation reserve	Total
		Endowment	Restricted	Unrestricted	Unrestricted	
		£m	£m	£m	£m	£m
Balance at 1 August 2018		58.5	6.5	395.7	3.6	464.3
Unrestricted surplus/(deficit) from the income and expenditure statement		0.0	0.0	(118.0)	0.0	(118.0)
Income from investment of the endowment portfolio	6	2.0	0.0	0.0	0.0	2.0
New endowments, donations and grants (including research)	21/22	0.1	2.2	0.0	0.0	2.3
Release of restricted funds spent in year	21/22	(1.4)	(2.5)	3.9	0.0	0.0
Unrealised appreciation of endowments, investments and investment properties	21/22	3.8	0.0	4.0	0.0	7.8
Transfers between revaluation and income and expenditure reserve		0.0	0.0	(0.4)	0.4	(0.0)
Total comprehensive income/(loss) for the year		4.5	(0.3)	(110.5)	0.4	(105.9)
Balance at 31 July 2019		63.0	6.2	285.2	4.0	358.4
Unrestricted surplus from the income and expenditure statement		0.0	0.0	62.6	0.0	62.6
Income from investment of the endowment portfolio	6	2.7	0.0	0.0	0.0	2.7
New endowments, donations and grants (including research)	21/22	0.3	4.7	0.0	0.0	5.0
Release of restricted funds spent in year	21/22	(1.1)	(2.5)	0.0	0.0	(3.6)
Unrealised appreciation of endowments, investments and investment properties	21/22	(2.6)	0.0	0.0	0.0	(2.6)
Transfers between revaluation and income and expenditure reserve		0.0	0.0	0.0	0.0	0.0
Total comprehensive (loss)/income for the year		(0.7)	2.2	62.6	0.0	64.1
Balance at 31 July 2020		62.3	8.4	347.8	4.0	422.5

Consolidated and University Statement of Financial Position

As at 31 July 2020

	Note	Consolidated		University	
		2020 £m	2019 £m	2020 £m	2019 £m
FIXED ASSETS					
Fixed assets	14	935.4	941.7	929.0	938.2
Heritage assets	14	1.1	1.1	1.1	1.1
Investments	15	77.1	79.5	77.5	79.9
Investments in associates	16	50.0	41.7	11.1	11.6
		<u>1,063.6</u>	<u>1,064.0</u>	<u>1,018.7</u>	<u>1,030.8</u>
CURRENT ASSETS					
Stock		1.7	1.7	1.3	1.3
Trade and other receivables	17	116.1	97.8	120.2	100.7
Short term investments		0.2	0.2	0.2	0.2
Cash and cash equivalents		40.0	6.0	36.9	0.4
		<u>158.0</u>	<u>105.7</u>	<u>158.6</u>	<u>102.6</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	18	(226.8)	(215.5)	(223.0)	(211.7)
NET CURRENT LIABILITIES		<u>(68.8)</u>	<u>(109.8)</u>	<u>(64.4)</u>	<u>(109.1)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		994.8	954.2	954.3	921.7
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	19	(282.4)	(258.8)	(282.4)	(258.8)
Provisions	20	(249.4)	(304.5)	(249.4)	(304.5)
TOTAL NET ASSETS		<u>463.0</u>	<u>390.9</u>	<u>422.5</u>	<u>358.4</u>
RESTRICTED RESERVES					
Income and expenditure reserve - endowment reserve	21	62.3	63.0	62.3	63.0
Income and expenditure reserve - restricted reserve	22	8.4	6.2	8.4	6.2
		<u>70.7</u>	<u>69.2</u>	<u>70.7</u>	<u>69.2</u>
UNRESTRICTED RESERVES					
Income and expenditure reserve - unrestricted		388.3	317.7	347.8	285.2
Revaluation reserve		4.0	4.0	4.0	4.0
		<u>392.3</u>	<u>321.7</u>	<u>351.8</u>	<u>289.2</u>
TOTAL RESERVES		<u>463.0</u>	<u>390.9</u>	<u>422.5</u>	<u>358.4</u>

The financial statements on pages 35 to 52 were approved by Council on 8 January 2021 and signed on its behalf by:


 PROFESSOR SHEARER WEST
 Vice Chancellor


 IAN KENYON
 Treasurer and Chairman of Finance
 Committee

Consolidated Cashflow Statement

For the Year Ended 31 July 2020

	Notes	2020 £m	2019 £m
Cash flow from operating activities			
Surplus for the year		94.4	(83.4)
Adjustment for non-cash items			
Depreciation	13 / 14	48.2	41.3
Loss / (gain) on investments		10.5	(5.7)
Decrease / (increase) in stock		0.0	0.0
Decrease / (increase) in debtors	17	(18.3)	(11.1)
Increase / (decrease) in creditors	18 / 19	8.6	6.7
Increase / (decrease) in pension provision	20	(77.4)	110.0
Share of operating (surplus) / deficit in associate	16	(10.6)	(1.6)
Surrender of carbon dioxide emission allowances	12	0.0	0.7
Adjustment for investing or financing activities			
Investment income	6	(0.1)	0.0
Investment income on endowments	6	(2.7)	(2.0)
Interest payable	10	2.0	0.9
Endowment income		(0.3)	(0.1)
(Profit) / loss on the sale of fixed assets		(0.4)	(0.1)
Capital grants released to income		(15.6)	(14.5)
Net cash inflow from operating activities		38.3	41.0
Cash flows from investing activities			
Proceeds from sales of fixed assets		0.0	0.1
Capital grants receipts		10.3	24.8
Disposal of non-current asset investments		1.6	0.6
Proceeds on sale of endowment investments		3.3	3.8
Investment income on endowments		2.7	2.0
Investment income		0.1	0.0
Payments made to acquire fixed assets		(41.6)	(54.0)
Payments to acquire endowment investments		(4.1)	(8.0)
New non-current asset investments		(0.5)	(2.8)
New deposits of endowment investments		0.3	(1.4)
Total cash flows from investing activities		(27.9)	(34.9)
Cash flows from financing activities			
Interest paid		(2.0)	(0.9)
Endowment cash received		(0.3)	1.4
Private placement		100.0	0.0
New unsecured loans		79.2	300.0
Repayments of amounts borrowed		(153.3)	(306.4)
Total cash flows from financing activities		23.6	(5.9)
Increase in cash and cash equivalents in the year		34.0	0.2
Cash and cash equivalents at beginning of the year		6.0	5.8
Cash and cash equivalents at end of the year		40.0	6.0

As permitted under FRS102, the University has taken advantage of the disclosure exemptions available to it in respect of a University-only cashflow statement

Notes to the Financial Statements

For the Year Ended 31 July 2020

1. Critical accounting judgements and key areas of estimation uncertainty

In the application of the University's accounting policies, judgements, estimations and assumptions are required about the carrying value of assets and liabilities that are not readily apparent from other sources. These estimates and assumptions are applied consistently in both the current and prior year, and are reviewed on an ongoing basis, taking into account historical experience and other relevant factors. The judgements and estimations which are considered to have the most significant effect on the financial statements relate to the incorporation of the University's commitments to the USS recovery plan, the CPAS pension scheme, the estimation of the value of the accrual for holiday pay, estimation of the value of the IT Operating Model provision, and the fair value of the private debt placement.

To determine the appropriate values for the USS pension recovery plan the University has applied an accounting model and suggested discount rate developed by the British Universities Finance Director's Group (BUFDG) in conjunction with USS after conducting appropriate review of the recovery plan documentation and the bond market to ensure the model and rates were reasonable and appropriate. The liability for the plan is £84.5m (2019: £166.8m). This use of this model enables the University to reduce the level of uncertainty regarding the amount of the liability and is a model which is used by Universities across the board.

To determine the appropriate values for the CPAS pension recovery plan the scheme's independent trustees carry out a formal actuarial valuation on a yearly basis using a number of assumptions that are deemed to be reasonable and appropriate. The liability for the plan is £147.6m (2019: £128.1m). The use of independent trustees in carrying out a formal actuarial valuation reduced the level of estimation involved in determining the liability for the plan.

To determine an appropriate accrual for holiday pay contractually earned but not yet taken a sample of data was taken from holiday records using data within an internally-developed recording system. This data was used to generate a percentage value of staff costs which was then extrapolated to cover all staff. The detailed estimation technique will be periodically re-run. The accrual at 31st July 2020 stands at £13.4m (2019: £12.8m).

To determine an appropriate value of the provision for the multi-year project to re-design the IT Operating Model, a cost model using the expertise of external advisors was used. The calculated overall cost over the next three years consists of a number of elements such as training, transformation, contracts and restructuring. The cost model has not changed in the year, however, management has judged that it is now appropriate to include expected restructuring costs of £7.8m into the provision. Further to the decision by Council in 2018/19, in October 2019 a detailed plan for the operating model and associated restructuring was communicated to the affected staff members, creating the constructive obligation which did not exist at the prior year end. The provision therefore now totals £17.8m as little has been utilised in the year. Management considers it appropriate at this stage to include in the provision calculation both the costs of internal restructuring and those to be incurred in conjunction with the chosen transformation partner. Management's detailed review of the cost model prepared by external advisors resulted in no significant change to the estimated future costs of the programme. However, as the programme develops, management will review and update estimates of the future costs.

In determining a fair value for the private placement, management discounted expected future cash flows to present value using an appropriate discount rate which reflected the University's credit risk (note 28 refers). The resulting valuation is highly sensitive to changes in the discount rate applied, with a 0.1% reduction in discount rate increasing present value of the liability by around £2m.

2. Tuition fees and education contracts

	Consolidated 2020	2019	University 2020	2019
	£m	£m	£m	£m
Full-time credit bearing courses - home fees	212.5	198.9	212.5	198.9
Full-time credit bearing courses - international fees	147.7	124.7	147.7	124.7
Part-time credit bearing courses	5.8	5.8	5.8	5.8
Other teaching contracts	3.9	9.1	3.9	9.1
Non credit bearing courses and other fees	19.1	18.1	19.1	18.1
	<u>389.0</u>	<u>356.6</u>	<u>389.0</u>	<u>356.6</u>

3. Funding body grants

	Consolidated 2020	2019	University 2020	2019
	£m	£m	£m	£m
Recurrent grants from OFS	93.7	86.2	93.7	86.1
Specific grants from OFS	0.2	0.0	0.2	0.0
Deferred capital grants released in year				
Buildings	4.3	4.3	4.3	4.3
Equipment	0.4	0.4	0.4	0.4
	<u>98.6</u>	<u>90.9</u>	<u>98.6</u>	<u>90.9</u>

4. Research grants and contracts

	Consolidated 2020	2019	University 2020	2019
	£m	£m	£m	£m
Research councils	43.0	54.9	43.0	54.9
UK based charities	8.9	12.5	8.9	12.5
UK central/local government, health and health authorities	23.4	24.7	23.4	24.7
UK industry, commerce and public corporations	10.0	8.4	10.0	8.4
EU government and other sources	14.4	18.6	14.4	18.6
Other grants and contracts	5.3	5.2	5.3	5.3
	<u>105.0</u>	<u>124.3</u>	<u>105.0</u>	<u>124.3</u>

5. Other operating income

	Consolidated 2020	2019	University 2020	2019
	£m	£m	£m	£m
Residences, catering and conferences	34.9	46.5	28.3	36.5
Other services rendered	24.5	24.6	22.8	22.9
Health authorities	11.0	10.5	11.0	10.5
Released from deferred capital grants	4.1	9.8	4.1	9.8
Other income	34.8	33.7	36.1	37.0
	<u>109.3</u>	<u>125.1</u>	<u>102.3</u>	<u>116.7</u>

6. Investment Income

	Consolidated 2020	2019	University 2020	2019
	£m	£m	£m	£m
Investment income on endowments (Note 21)	2.7	2.0	2.7	2.0
Other interest receivable	0.1	0.0	0.3	0.2
	<u>2.8</u>	<u>2.0</u>	<u>3.0</u>	<u>2.2</u>

7. Donations and endowments

	Consolidated 2020	2019	University 2020	2019
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	£m	£m	£m	£m
New endowments (Note 21)	0.3	0.1	0.3	0.1
Donations with performance conditions	0.6	0.4	0.6	0.4
Donations with restrictions (Note 22)	4.2	1.7	4.2	1.7
Unrestricted donations	0.6	0.1	0.6	0.1
	<u>5.7</u>	<u>2.3</u>	<u>5.7</u>	<u>2.3</u>

8. Staff

	Consolidated 2020	2019	University 2020	2019
	£m	£m	£m	£m
Staff costs:				
Gross pay	319.5	291.7	315.0	287.7
Social security costs	30.4	28.8	30.1	28.5
Other pension costs (Note 27)	52.5	44.8	52.5	44.7
Movement on USS pension provision (Note 20) and interest costs	(85.0)	110.0	(85.0)	110.0
	<u>317.4</u>	<u>475.3</u>	<u>312.6</u>	<u>470.9</u>

	2020 £000	2019 £000
Emoluments of Vice-Chancellor Professor Shearer West		
Basic salary	275	276
In lieu of pension contributions	10	0
Remuneration	<u>285</u>	<u>276</u>
Employers pension contributions	41	51
Total cost	<u>326</u>	<u>327</u>

University pension contributions to USS are paid at the same rate as for other academic staff.

Vice-Chancellor Professor Shearer West is entitled to receive a salary of £286,000 however as at 31 July 2020 her effective salary was £240,000 which reflects her voluntary reduction in salary from May 2020 onward due to the Covid-19 pandemic. In addition to her direct salary reduction Professor West has chosen to donate £1,000 per month to a fund for student hardship which means she has seen an overall reduction of 20% during the pandemic.

The Vice-Chancellor's salary has been determined according to a number of factors including, but not limited to:

- the depth of the Vice-Chancellor's leadership, management and academic experience within the higher education section;
- the breadth of leadership responsibilities for one of the UK's largest universities consisting of more than 46,000 students and 7,000 staff based in campuses across the UK, China and Malaysia; as well as a global community of 270,000 alumni in more than 200 countries;
- the financial responsibilities for an institution with an annual turnover of over £700 million; and which contributes more than £1 billion to the national economy, £677 million to the regional economy, and supports 18,000 jobs; and
- the accountability for sustaining a TEF Gold-ranked educational experience for our students; and a world-leading research portfolio worth £600 million devoted to solving some of the most pressing global challenges, to the benefit of society in the UK and around the world.

Salaries for the Vice-Chancellor and senior staff are set by the Remuneration Committee - part of the University's Council, its governing body - which comprises independent external members of Council, who possess commercial and public sector pay knowledge and expertise. Objectives for the Vice-Chancellor are set annually by the Chair of Council and performance and progress against them reported to and assessed by the Remuneration Committee.

The Vice-Chancellor is not a member of the Remuneration Committee and has no role in determining remuneration for herself or those under her line management. She does not attend meetings of the Remuneration Committee unless specifically invited to discuss the performance of senior staff under her line management.

Details of the membership and terms of reference of the Remuneration Committee can be found here:

<https://www.nottingham.ac.uk/governance/universitycommittees/remunerationcommittee/remunerationcommittee.aspx>

Details of the Vice-Chancellor's salary have been published on the University website here: <https://www.nottingham.ac.uk/about/vice-chancellor/remuneration.aspx> since she took office in October 2017.

Professor Shearer West was employed for the full financial year. Her voluntarily reduced basic salary was 7.89 times the median basic pay of staff, where the median pay is calculated on a full time equivalent basis for the salaries paid by the University to its staff excluding agency staff. Were the figure to be calculated on the salary that Professor West was entitled to receive, it would be 8.22 times the median basic pay of staff (2019: 8.07).

Her total remuneration was 7.19 times (2019: 8.03 times) 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.

	2020 £000	2019 £000
Compensation for loss of office paid (or payable) to employees of the University	<u>15,249</u>	<u>1,704</u>
Number of employees of the University where compensation has been paid (or is payable)	544	163

During the year the University ran a voluntary redundancy scheme in order to realign its cost base following the challenges posed by the Covid-19 pandemic.

	2020 £000	2019 £000
Compensation for loss of office paid (or payable) to employees of subsidiaries of the University	<u>601</u>	<u>0</u>
Number of employees of subsidiaries of the University where compensation has been paid (or is payable)	82	0

	2020 FTE	2019 FTE
Average staff numbers by major category:		
Teaching and Research	3,337	3,260
Technical	579	596
Administrative, Professional and Managerial	2,565	2,417
Other, including manual	993	984
	<u>7,474</u>	<u>7,257</u>

Higher paid staff

This lists the number of staff (full time equivalent) with a basic salary, ie excluding employer's pensions contributions, of over £100,000 per annum, broken down into bands of £5,000. It does not include staff who left part way through a year but who would have received salary in these bands for a full year. Where a proportion of the salary is reimbursed by the NHS or Research Council for example, only the portion paid by the institution is disclosed.

In each band, the number of University Executive Board members is indicated as a subset of the total in that band, The membership of the Executive Board can be seen here: <https://www.nottingham.ac.uk/about/structure/university-executive-board/university-executive-board.aspx>

Basic salary per annum	Number (FTE) of staff 2019-20	Of which, University Executive Board members (FTE)	Number (FTE) of staff 2018-19	Of which, University Executive Board members (FTE)
£100,000 - £104,999	25.5		19.1	0.0
£105,000 - £109,999	6.6		22.8	0.0
£110,000 - £114,999	24.6		9.9	0.0
£115,000 - £119,999	10.8		8.6	0.0
£120,000 - £124,999	12.1	1.0	15.1	3.0
£125,000 - £129,999	5.0	2.0	0.8	0.0
£130,000 - £134,999	1.5		2.8	2.0
£135,000 - £139,999	3.7	2.0	4.0	4.0
£140,000 - £144,999	5.0	2.0	2.0	0.0
£145,000 - £149,999			3.0	3.0
£150,000 - £154,999	4.9	4.0	0.9	0.0
£155,000 - £159,999	0.2		0.5	0.0
£160,000 - £164,999			1.0	1.0
£165,000 - £169,999			1.0	1.0
£170,000 - £174,999	3.0	2.0	1.0	0.0
£175,000 - £179,999	1.2	1.0	2.8	2.0
£180,000 - £184,999	1.0	1.0	0.0	0.0
£275,000 - £279,999			1.0	1.0
£280,000 - £284,999			0.0	0.0
£285,000 - £289,999	1.0	1.0	0.0	0.0
£290,000 - £294,999			0.0	0.0
£295,000 - £299,999			0.0	0.0

University Council

Expenses paid to Council members who are not staff or students (as listed within these financial statements) totalled £4,356 (2019 £10,941).

Members of the University's Council are the University's Trustees. The University does not remunerate its external lay members of the University Council. Reasonable travel and subsistence expenses incurred in attending meetings relating to the work of the Council and associated charitable events in members' official capacity are reimbursed upon request, as supported by appropriate evidence of expenditure. The salaries of members of the staff of the University who serve on the Council do not include any element specific to their trusteeship, but are determined following an agreed process.

Key management personnel

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the University. The University's Executive Board are determined as having the appropriate level of authority to meet this definition. Staff costs include compensation paid to key management personnel. Compensation consists of salary and benefits excluding employer's pension contribution. The Vice-Chancellor sits as part of the Executive Board. Her remuneration is disclosed separately above and is thus excluded here.

At 31st July 2020 there were 17 members (2019: 17 members).

	2020 £m	2019 £m
Compensation paid to key management personnel	2.7	2.6

9. Other operating expenses

	Consolidated 2020	2019	University 2020	2019
	£m	£m	£m	£m
Purchase, hire and repair of equipment	26.1	28.5	25.9	28.3
Consumables and laboratory expenditure	13.8	20.9	13.6	20.6
Published materials	8.7	8.7	8.7	8.7
Travel and subsistence	8.4	15.7	8.3	15.6
Professional and other fees	62.9	74.7	61.2	72.1
Fellowships, scholarships and prizes	57.5	56.3	57.5	56.3
Catering supplies	4.6	6.9	3.9	5.8
Repairs and general maintenance	11.1	12.9	9.7	11.2
Heat, light, water and power	15.7	15.9	15.9	16.0
Rent, rates and insurance	13.8	9.1	14.0	9.3
Grants to University of Nottingham Students Union	2.4	2.6	2.4	2.6
Auditor's remuneration	0.3	0.2	0.2	0.2
Training	1.9	2.3	1.9	2.2
Advertising	1.1	1.7	1.0	1.7
Other expenses	15.3	14.1	16.4	16.0
	<u>243.6</u>	<u>270.5</u>	<u>240.6</u>	<u>266.6</u>

10. Interest and Other Finance Costs

	Consolidated 2020	2019	University 2020	2019
	£m	£m	£m	£m
Bank interest on loans	2.0	0.9	2.0	0.9
Finance costs for CPAS pension scheme (Note 27)	2.6	2.9	2.6	2.9
Finance costs in relation to USS pension scheme provision	2.7	1.1	2.7	1.1
	<u>7.3</u>	<u>4.9</u>	<u>7.3</u>	<u>4.9</u>

11. Analysis of Expenditure By Activity

Consolidated

	Staff Costs £m	Dep'n £m	Other Operating Expenses £m	Interest Payable £m	2020 Total £m	2019 Total £m
Academic departments	220.3	4.5	63.2	0.0	288.0	281.9
Research grants and contracts	49.4	4.7	31.1	0.0	85.2	95.3
Total teaching and research	269.7	9.2	94.3	0.0	373.2	377.2
Academic services	26.8	3.8	36.4	0.0	67.0	66.4
Administration	55.9	9.7	51.0	0.0	116.6	115.4
Premises	11.7	21.9	30.5	0.1	64.2	61.9
Residences, catering and conferences	13.3	3.3	20.5	0.0	37.1	35.6
Other expenses	(60.0)	0.3	10.9	7.2	(41.6)	135.4
Total per income and expenditure account	317.4	48.2	243.6	7.3	616.5	792.0

Auditor's remuneration includes:

	Consolidated		University	
	2020 £000	2019 £000	2020 £000	2019 £000
Audit Services	181.5	117.8	151.3	71.9
Other assurance	69.5	13.5	69.5	13.5
Non audit services (tax advisory)	0.0	24.9	0.0	24.9
	251.0	156.2	220.8	110.3

University

	Staff Costs £m	Dep'n £m	Other Operating Expenses £m	Interest Payable £m	2020 Total £m	2019 Total £m
Academic departments	220.3	4.5	63.5	0.0	288.3	282.2
Research grants and contracts	49.4	4.7	31.1	0.0	85.2	95.3
Total teaching and research	269.7	9.2	94.6	0.0	373.5	377.5
Academic services	26.8	3.8	36.4	0.0	67.0	66.6
Administration	55.9	9.7	51.1	0.0	116.7	115.5
Premises	11.7	21.7	32.8	0.1	66.3	64.1
Residences, catering and conferences	9.0	3.3	17.0	0.0	29.3	27.3
Other expenses	(60.5)	0.3	8.7	7.2	(44.3)	132.5
Total per income and expenditure account	312.6	48.0	240.6	7.3	608.5	783.5

Other operating expenses includes USS pension adjustment of £85m (2019: (£110m)).

12. Intangible assets

	Consolidated and University	
	2020 £m	2019 £m
Carbon dioxide emission allowances	0.0	0.0

13. Goodwill

	Consolidated £m
Cost	
At 1 August 2019 and at 31 July 2020	2.1
Amortisation	
At 1 August 2019	2.1
Charge for the year	0.0
At 31 July 2020	<u>2.1</u>
Net book value	
At 31 July 2020	<u>0.0</u>
At 31 July 2019	<u>0.0</u>

Goodwill arises on consolidation and does not exist within the Balance Sheet of the University.

14. Tangible fixed assets and heritage assets

	Consolidated						
	Land and buildings			Equipment £m	Assets in course of construction £m	Total £m	Heritage assets £m
	Freehold £m	Long leasehold £m	Investment properties £m				
Cost / deemed cost							
At 1 August 2019	949.1	15.0	4.5	273.8	38.7	1,281.1	1.1
Additions at cost	2.1	0.0	0.0	12.3	27.5	41.9	0.0
Transfers	19.3	0.0	0.0	4.9	(24.2)	0.0	0.0
Disposals	0.0	0.0	0.0	(0.5)	0.0	(0.5)	0.0
At 31 July 2020	970.5	15.0	4.5	290.5	42.0	1,322.5	1.1
Depreciation							
At 1 August 2019	173.2	3.5	0.0	162.7	0.0	339.4	0.0

Charge for year	19.5	0.1	0.0	28.6	0.0	48.2	0.0
Eliminated on disposals	0.0	0.0	0.0	(0.5)	0.0	(0.5)	0.0
At 31 July 2020	192.7	3.6	0.0	190.8	0.0	387.1	0.0

Net book value

At 31 July 2020	777.8	11.4	4.5	99.7	42.0	935.4	1.1
At 31 July 2019	775.9	11.5	4.5	111.1	38.7	941.7	1.1

University

	Land and buildings				Assets in course of construction	Total	Heritage assets
	Freehold £m	Long leasehold £m	Investment properties £m	Equipment £m	£m	£m	£m

Cost / deemed cost

At 1 August 2019	949.1	15.0	4.5	269.6	38.4	1,276.6	1.1
Additions at cost	2.1	0.0	0.0	10.4	26.3	38.8	0.0
Transfers	19.3	0.0	0.0	4.9	(24.2)	0.0	0.0
Disposals	0.0	0.0	0.0	(0.5)	0.0	(0.5)	0.0
At 31 July 2020	970.5	15.0	4.5	284.4	40.5	1,314.9	1.1

Depreciation

At 1 August 2019	173.2	3.5	0.0	161.7	0.0	338.4	0.0
Charge for year	19.5	0.1	0.0	28.4	0.0	48.0	0.0
Eliminated on disposals	0.0	0.0	0.0	(0.5)	0.0	(0.5)	0.0
At 31 July 2020	192.7	3.6	0.0	189.6	0.0	385.9	0.0

Net book value

At 31 July 2020	777.8	11.4	4.5	94.8	40.5	929.0	1.1
At 31 July 2019	775.9	11.5	4.5	107.9	38.4	938.1	1.1

Included in both consolidated and University within freehold land and buildings is £237.9m (2019: £238.1m) of land which is not being depreciated.

Property valuations were made by senior management using the July 2014 report of Savills (L&P) Ltd and commercial land has been valued by Shouler and Son as at 31 July 2020, both firms of Chartered Surveyors, the basis of valuation being open market value taking groups of properties together for this purpose.

15. Investments

	Consolidated 2020	2019	University 2020	2019
	£m	£m	£m	£m
Subsidiary companies	0.0	0.0	0.4	0.4
Investments	14.8	16.5	14.8	16.5
Investments as part of the endowment asset portfolio	62.3	63.0	62.3	63.0
	77.1	79.5	77.5	79.9

Included within investments are amounts invested in University collaborations and spin out companies. Investments in non listed companies are recognised at fair value using a % of their estimated net book value. As the companies that are invested in are at early stage of development there is a degree of financial uncertainty attached to them. The cost of such investments are £7.9m (2019: £9.1m) with an impairment provision of £3m (2019: £2.5m). The University is also a member of EMMAN Limited, The Manufacturing Technology Centre Limited, CIELivestock Limited, all of which are companies limited by guarantee for which the University's potential liability is limited to £1 each.

The University is also a member of the Lachesis Fund, a Limited Liability Partnership, where the University's potential liability stands at £150k.

	Spin out Investments	Medium Term Endowments	Total
	£m	£m	£m
Cost / deemed cost			
At 1 August 2019	9.1	9.9	19.0
Additions at cost	0.5	0.0	0.5
Revaluation	(0.4)	0.1	(0.3)
Disposals	(1.3)	(0.1)	(1.4)
Write off	0.0	0.0	0.0
Market Value Appreciation	0.0	0.0	0.0
At 31 July 2020	7.9	9.9	17.8
Provisions for impairment			
At 1 August 2019	(2.5)	0.0	(2.5)
Impairment	(0.5)	0.0	(0.5)
Reversal of past impairment	0.0	0.0	0.0
Disposals	0.0	0.0	0.0
At 31 July 2020	(3.0)	0.0	(3.0)
Carrying Value at 31 July 2020	4.9	9.9	14.8

Investments in spin out companies are structured such that the University does not have voting rights, and as such does not control nor have significant influence over the spin out company. As such, the investments listed below are not consolidated or equity accounted. Rather a share of net assets is included in investments.

Investment	Type of business	Country of Incorporation	% Holding	
Texture Jet Limited	Innovative surfacing solutions	United Kingdom	60%	Private Limited by Shares
Blueskeye AI Limited	Artificial Intelligence	United Kingdom	50%	Private Limited by Shares
BioCity Group Limited	Accommodation (biotechnology and health companies)	United Kingdom	50%	Limited by Guarantee
Trent Basin ESCO Limited	Community energy scheme	United Kingdom	50%	Private Limited by Shares
Taraz Metrology Limited	Optical metrology	United Kingdom	49%	Private Limited by Shares

The Thinking Pod Innovations Limited	Sustainable transport and energy systems	United Kingdom	45%	Private Limited by Shares
Platelet Solutions Limited	Platelet function testing	United Kingdom	44%	Private Limited by Shares
Nottingham University Architecture and Urban Design Limited	Architectural and design activities	United Kingdom	37%	Private Limited by Shares
Ticketing Network East Midlands Limited	Ticket services	United Kingdom	25%	Private Limited by Shares
N U Vision Biotherapies Limited	Human health activities	United Kingdom	24%	Private Limited by Shares
M4 Technologies Limited	Research and development	United Kingdom	24%	Private Limited by Shares
Promeathean Particles Limited	Inorganic nanoparticle dispersion manufacture	United Kingdom	22%	Private Limited by Shares
Surepulse Systems Limited	Heart rate measuring technology	United Kingdom	21%	Private Limited by Shares
Added Scientific Limited	3D printing	United Kingdom	20%	Private Limited by Shares
FAHRAS Limited	Health related software	United Kingdom	18%	Private Limited by Shares
PBD Biotech Limited	Diagnosis of Bacterial Infections	United Kingdom	15%	Private Limited by Shares
Evocell Limited	Research and development	United Kingdom	12%	Public Limited by Shares
Exonate Limited	Specialist Pharmaceutical	United Kingdom	10%	Private Limited by Shares
Staff Roster Solutions Limited	Software development and application	United Kingdom	10%	Private Limited by Shares
Cheesecake Energy Limited	Thermal & compressed air energy system development	United Kingdom	10%	Private Limited by Shares
Locate Bio Ltd	Research and development	United Kingdom	10%	Private Limited by Shares
Footfalls and Heartbeats (UK) Limited	Research and development	United Kingdom	10%	Private Limited by Shares
Azotic Technologies Limited	Research and development	United Kingdom	8%	Private Limited by Shares
EventMAP Limited	Software development and application	United Kingdom	8%	Private Limited by Shares
One Third Stories Limited	Education	United Kingdom	5%	Private Limited by Shares
Oncimmune Holdings Plc	Research and development	United Kingdom	1%	Public Limited by Shares
Scancell Holdings Plc	Research and development	United Kingdom	0%	Public Limited by Shares
Walkin Ltd	Mobile app	United Kingdom	1%	Private Limited by Shares
Appolomics Inc	Biopharmaceutical	United States of An	0%	Private Limited by Shares
Novacyt SA Limited	Research and development	France	0%	Public Limited by Shares
Yoop Tech Limited	Web and mobile app	United Kingdom	0%	Private Limited by Shares

The Group owns 100% of the issued share capital of the following companies which are registered in England and operating in the UK:

Company Name	No of £1 Ordinary Shares
Nottingham University Industrial and Commercial Enterprise Limited (NOTICE)	100,000
East Midlands Conference Centre Limited	100
UNIP Management Limited	2
Ambitious Futures Limited	1
Eminate Limited	1
Nottingham Technology Ventures Limited	2

NOTICE Limited is a provider of services, such as consultancy and power supplies. East Midlands Conference Centre Limited is a provider of facilities for conference and other events. UNIP Management Limited provides rental and property services. Eminate Limited develops products for the food and pharmaceutical sectors. Ambitious Futures Limited operates a training programme for graduates in the higher education sector. Nottingham Technology Ventures Limited manages the University's spin out portfolio.

The consolidated results of the Group incorporate the above 100% owned companies and the results of University of Nottingham Foundation (Hong Kong) Limited, a company granted charitable status in April 2003 in Hong Kong, and Nottingham Technologies Asia Limited (a company registered and operating in Hong Kong), both wholly owned subsidiaries.

The University acts as a guarantor and provides financial support, by the way of loans on an arms length basis and by formal agreement, to the subsidiary and associate companies in order that they can meet their financial obligations.

16. Investment in associated companies

	Consolidated £m	University £m
At 1 August 2019	41.7	11.6
Share of retained profits	10.6	
Exchange movements	(1.8)	
University of Nottingham Malaysia impairment adjustment	(0.5)	(0.5)
At 31 July 2020	<u>50.0</u>	<u>11.1</u>

The University owns 37.5% (2019 37.5%) of the University of Nottingham Ningbo, China, a co-operative joint venture established in China. It has a financial year end of 31 December in accordance with Chinese regulations. The consolidated financial statements of the University reflects a carrying value of £35.9m (2019 £33.5m) equal to 37.5% of the net assets, excluding intellectual property, as at 31 July.

The University owns 29.9% (2019 29.9%) of the ordinary share capital of the University of Nottingham, Malaysia, a company incorporated in Malaysia. It has a financial year end of 31 December in common with its majority shareholder. The consolidated financial statements of the University reflects a carrying value of £14.2m (2019 £8.2m) equal to 29.9% (2019 29.9%) of the net assets, excluding intellectual property, as at 31 July.

Academic quality in both China and Malaysia is controlled by The University of Nottingham.

17. Trade and other receivables

	Consolidated 2020 £m	2019 £m	University 2020 £m	2019 £m
Amounts falling due within one year:				
Trade receivables	71.3	47.0	69.3	45.9
Amounts due from subsidiaries	0.0	0.0	7.3	4.5
Amounts due from associates (note 25)	7.2	5.8	7.2	5.8
Prepayments and accrued income relating to research grants	18.5	20.8	18.5	20.8
Prepayments and accrued income	<u>14.0</u>	<u>17.2</u>	<u>12.8</u>	<u>16.7</u>
	111.0	90.8	115.1	93.7
Amounts falling due after more than one year:				
Prepayments and accrued income	<u>5.1</u>	<u>7.0</u>	<u>5.1</u>	<u>7.0</u>
	5.1	7.0	5.1	7.0
Total trade and other receivables	<u><u>116.1</u></u>	<u><u>97.8</u></u>	<u><u>120.2</u></u>	<u><u>100.7</u></u>

18. Creditors: amounts falling due within one year

	Consolidated 2020 £m	2019 £m	University 2020 £m	2019 £m
Bank loans (note 19)	0.0	3.2	0.0	3.2
Payments received in advance	1.5	3.3	0.8	2.6
Trade payables	26.8	30.6	26.6	30.1
Social security and other taxation payable	1.1	0.9	1.1	0.5
Amounts due to subsidiaries	0.0	0.0	0.4	0.9
Accruals and deferred income	<u>197.4</u>	<u>177.5</u>	<u>194.1</u>	<u>174.4</u>
	<u>226.8</u>	<u>215.5</u>	<u>223.0</u>	<u>211.7</u>

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

	Consolidated 2020 £m	2019 £m	University 2020 £m	2019 £m
Donations	0.5	0.8	0.5	0.8
Research grants received in advance	98.9	75.7	98.9	75.7
Deferred capital grants	<u>10.8</u>	<u>5.5</u>	<u>10.8</u>	<u>5.5</u>
	<u>110.2</u>	<u>82.0</u>	<u>110.2</u>	<u>82.0</u>

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

	Consolidated 2020 £m	2019 £m	University 2020 £m	2019 £m
Bank loans	0.0	70.5	0.0	70.5
Hefce loans	0.5	0.9	0.5	0.9
Private funding placement	105.0	0.0	105.0	0.0
Deferred capital grants	<u>176.9</u>	<u>187.4</u>	<u>176.9</u>	<u>187.4</u>
	<u>282.4</u>	<u>258.8</u>	<u>282.4</u>	<u>258.8</u>

During the reporting year the University's borrowing facilities were restructured to ensure certainty over the longer term, and reduce interest rate risk by having a mixture of fixed and variable rate debt. The two revolving credit facilities which were in place at 31st July 2019 with HSBC and the Royal Bank of Scotland) were cancelled and replaced with a £100m Private Placement to secure long term funding at a fixed rate and supplemented by a new non-amortising £80m revolving credit facility to manage cash fluctuations and create additional flexibility. The University has maintained, not increased, its net debt position by the year end 31st July 2020 as a result of these new facilities. As at the balance sheet date, total available borrowing is made up of the following facilities:

Private Placement

In November 2019, an unsecured fixed-rate Private Placement was issued (via MetLife Investment Management) for £100 million over a 30 year term at a coupon rate of 2.47%, with the Private Placement repayable 2nd January 2050.

Other unsecured facilities

In November 2019, an £80 million revolving credit facility was agreed with NatWest Group at a variable rate of LIBOR plus 0.4%, to replace the £110 million amortising facility. The new facility has a term of 10 years. The University has the ability to repay and redraw against the facility over the period of the loans and utilises this facility to manage its cash requirements. As at 31 July 2020 this facility was undrawn.

The multi-option facility (an overdraft) with NatWest Group is for £15 million and is reviewable annually by the bank.

The HEFCE loan does not have a fixed repayment profile, repayments being dependent on the individual project.

The University does not currently hold any finance lease arrangements.

After the balance sheet date, and as part of COVID-19 planning, Finance Committee formally approved the University entering into a new additional £60 million Coronavirus Large Business Interruption Loan Scheme (CLBILS) Revolving Credit Facility (RCF) with NatWest Group with a margin of LIBOR plus 0.12% over a three year term, with the ability to draw down and repay as often as required. In addition to margin there is a periodic fee payable quarterly in arrears of 0.5% of the total facility in year 1, increasing to 1.0% in years 2 and 3.

20. Provisions

	Consolidated and University				Total £m
	Obligation to fund USS deficit £m	CPAS deficit £m	Pension Total £m	Other £m	
At 1 August 2019	166.8	128.2	295.0	9.5	304.5
Utilised in year	(82.3)	0.0	(82.3)	(0.1)	(82.4)
Additions in year	0.0	19.5	19.5	7.8	27.3
At 31 July 2020	84.5	147.7	232.2	17.2	249.4

The obligation to fund the past deficit on the Universities Superannuation Scheme (USS) arises from the contractual obligation with the USS to pay 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 are set out below and further information is provided in note 27.

The adoption of the new deficit recovery plan following the 2018 actuarial valuation cause a significant decrease in the deficit provision, from £166.8 million to £84.5 million. £82.3 million of this decrease is attributable to the change in the deficit contributions contractual commitment. More details on the 2018 actuarial valuation are set out in note 27. Significant one-off pension costs or gains are also reported in note 8.

The University of Nottingham Contributory Pension and Assurance Scheme (CPAS) is a closed scheme. The detail behind the assessment of the deficit is described in note 27.

At the year-end the University holds a provision of £17.8m in respect of a multi-year project to re-design the IT Operating Model. The expected amount was calculated with reference to a cost model prepared by external advisors, reviewed and updated by management during the year. Expected costs of restructuring have been included at the year-end, the affected staff having been notified during the year. Management expect to incur costs against the provision through to the 2023 year-end. Although delayed due to the impact of Covid-19, it remains management's intent to carry out the programme, incurring costs against the full value of the provision. It is however possible that the timing and scope of the programme will be altered, to take account of the University's financial recovery from Covid-19. Senior management continues to closely monitor, and the provision will be reviewed and updated as necessary.

21. Endowments

	Consolidated and University			2019 Total £m
	2020 Restricted Expendable £m	2020 Restricted Permanent £m	2020 Restricted Total £m	
Balance as at 1 August 2019	4.9	58.1	63.0	58.5
Additions	0.0	0.3	0.3	0.1
Transfers	0.0	0.0	0.0	0.0
Appreciation of endowment asset investments	0.0	(2.6)	(2.6)	3.8
Income for the year	0.1	2.6	2.7	2.0
Expenditure for the year	(0.4)	(0.7)	(1.1)	(1.4)
Balance as at 31 July 2020	4.6	57.7	62.3	63.0

Represented by:

Capital value	4.6	52.5	57.1	58.2
Accumulated income	0.0	5.2	5.2	4.8
	4.6	57.7	62.3	63.0

Analysis by type of purpose:

Academic staff	0.3	32.2	32.5	32.9
Prizes, scholarships and student support	2.3	14.7	17.0	17.3
Subject specific	2.0	1.8	3.8	4.0
Research	0.0	2.7	2.7	2.7
Other	0.0	6.3	6.3	6.1
	4.6	57.7	62.3	63.0

Analysis by asset

		2020	2019
Current and non-current asset investments		62.3	63.0
		62.3	63.0

The University has no unrestricted permanent endowments. All endowments are recorded within investments, including holdings of endowment cash in accordance with the accounting policy.

22. Restricted reserves

	Consolidated and University			2019 Total £m
	2020 Research £m	2020 Donations £m	2020 Restricted Total £m	
Balance as at 1 August 2019	1.4	4.8	6.2	6.5
New grants	0.4	0.0	0.4	0.6
New donations	0.0	4.3	4.3	1.6
Expenditure	(0.5)	(2.0)	(2.5)	(2.5)
Balance as at 31 July 2020	1.3	7.1	8.4	6.2

Analysis by type of purpose

Prizes, scholarships and student support			3.4	2.6
Subject specific			2.2	1.9
Research			2.5	1.4
Other			0.3	0.3
			8.4	6.2

23. Operating lease commitments

	Consolidated		University	
	2020	2019	2020	2019
	£m	£m	£m	£m
Minimum lease payments in respect of equipment:				
Within one year	1.9	3.3	1.9	3.3
Between two and five years	3.7	6.8	3.7	6.8
Over five years	0.0	0.0	0.0	0.0
	<u>5.6</u>	<u>10.1</u>	<u>5.6</u>	<u>10.1</u>

24. Capital Commitments

	Consolidated		University	
	2020	2019	2020	2019
	£m	£m	£m	£m
Commitments contracted at 31 July	<u>7.6</u>	<u>23.2</u>	<u>7.4</u>	<u>23.2</u>

The reduction in capital commitments reflects the lower levels of capital spend in 2019/20 compared to recent years. This is a result of a change to the University's strategic priorities to refurbish and redevelop existing assets instead of expanding the physical footprint of the campuses, as well as the impact of Covid-19 on the ability to progress in flight projects.

25. Related party transactions

Due to the nature of the University's operations and the composition of the Council (being drawn from commerce, industry and the public sector) and senior management team, it is inevitable that transactions will take place with organisations in which a member of the Council or the senior management team may have an interest. All transactions involving organisations in which a member of Council or the senior management team may have an interest are conducted at arm's length and in accordance with the University's financial regulations and usual procurement procedures. Total expenses paid direct to members of the University's Council, who are also the University's Trustees, are shown at note 8. Transactions with wholly owned subsidiaries which have been consolidated in the Group financial statements are not disclosed below, in accordance with the exemption given in FRS102 Section 33 (Related Party Disclosures).

The University continued a sponsorship arrangement with NOVA Education Trust. No payments were made during the year (2019: £0.1m). NOVA Education Trust is a multi-academy trust which took over the business of NUSA (Nottingham University Samworth Academy) and NUAST (Nottingham University Academy of Science and Technology).

Relevant significant relationships held by members of Council or the senior management team are:

- 1) Professor Sarah O'Hara is a Member of NOVA Education Trust. As noted above, the University entered into a sponsorship agreement in 2017/2018 with NOVA Education Trust.
- 2) John Mills, an external member of the University Council during the year, and Margaret Monckton, Chief Financial Officer and member of University Executive Board, are trustees of the NOVA Education Trust.

The University of Nottingham owns a 29.9% (2019 29.9%) stake in the University of Nottingham, Malaysia, a 37.5% (2019 37.5%) stake in the University of Nottingham, Ningbo China both of which are accounted for as associated entities (see note 16).

Academic quality in both China and Malaysia is controlled by The University of Nottingham, for which it receives management fees and certain members of staff are seconded to both overseas campuses for periods of up to 3 years. In addition certain costs incurred by the University are rechargeable between each associate and the University in accordance with signed agreements.

	2020	2020	2019	2019
	Malaysia	China	Malaysia	China
	£m	£m	£m	£m
Net charges by the University:				
Costs	0.4	1.1	0.6	1.2
Management fee	2.3	7.0	1.6	7.0
Owed to the University at 31 July	<u>2.3</u>	<u>4.9</u>	<u>0.5</u>	<u>5.3</u>

All transactions with spin out companies are undertaken on a commercial basis and are not material to the Group.

Note 8 sets out the grants paid to the University of Nottingham Student's Union. Two senior elected Officers of the Student's Union are also members of the University Council.

26. Cash and cash equivalents

	At	Cash Flows	At
	At 1 August 2019		At 31 July 2020
	£m	£m	£m
Consolidated			
Cash and cash equivalents	<u>6.0</u>	<u>34.0</u>	<u>40.0</u>

27. Pension Schemes

The two principal pension schemes for the University's staff are the Universities Superannuation Scheme (USS) and the University of Nottingham Contributory Pension and Assurance Scheme (CPAS). USS provides benefits for academic and related employees of some UK universities and some other employers. CPAS provides similar benefits for other staff of the University. The University also operates a defined contribution scheme, The University of Nottingham Contributory Retirement Savings Plan (CRSP).

The total pension charge for the University and its subsidiaries was:

	2020	2019
	£m	£m
Contributions to USS	44.8	37.7
USS deficit recovery adjustment	(85.0)	110.0
Charge to I&E account re CPAS	3.3	3.1
Contributions to Other Pension Schemes	<u>4.4</u>	<u>4.0</u>
Total Pensions Cost (Note 8)	<u>(32.5)</u>	<u>154.8</u>

USS

The institution participates in the Universities Superannuation Scheme (USS). The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the assets are not attributed to individual institutions and a scheme-wide contribution rate is set. The institution is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. As required by Section 28 of FRS102 'Employee Benefits', the institution therefore accounts for the scheme as if it were a wholly defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme. Since the institution has entered into an agreement (the Recovery Plan) that determines how each employer within the scheme will fund the overall deficit, the institution recognises a liability for contributions payable that arise from the agreement (to the extent that they relate to the deficit) with related expenses being recognised through the income and expenditure account.

The total cost charged to the income and expenditure account is £44.8m (2019: £37.7m)

Deficit recovery contributions due within one year for the institution are £3.9m (2019: £11.4m).

The latest available complete actuarial valuation of the scheme was 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 the scheme's 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 scheme under the new 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 provision was £67.3 billion indicating a shortfall of £3.6 billion and a funding ratio of 95%.

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

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

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

Mortality base table:

Male members mortality	Pre retirement: 71% of AMC00 (duration 0); Post retirement: 97.6% of SAPS S1NMA "light"
Female members mortality	Pre retirement: 112% of AFC00 (duration 0); Post retirement: 102.7% of RFV00

The current life expectancies on retirement at age 65 are:

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

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

	2020	2019
Discount rate	0.73%	2.44%
Pensionable salary growth	n/a	n/a

Management have applied a sensitivity analysis to the assumptions used to calculate the provision, which would result in the following estimated adjustments if applied at the year-end.

	Increase / (decrease) in provision, £m
0.5% pa decrease in discount rate	2.0
0.5% pa increase in salary inflation over duration	1.6
0.5% pa increase in salary inflation year 1 only	0.4
0.5% increase in staff headcount over duration	1.6
0.5% increase in staff headcount year 1 only	0.4
1% increase in employer's deficit contributions over duration	(3.8)

CPAS

The University sponsors the University of Nottingham Contributory Pension and Assurance Scheme, a funded defined benefit pension scheme in the UK. The Scheme is a separate trust independent of the University and is supervised by independent trustees. The Trustees are responsible for ensuring that the correct benefits are paid, that the Scheme is appropriately funded and that the Scheme assets are appropriately invested.

Active members of the Scheme pay contributions at the rate of 7.5% of salary and the University pays the balance of the costs as determined by regular actuarial valuations. The Trustees are required to use prudent assumptions to value the liabilities and costs of the Scheme whereas the accounting assumptions must be best estimates.

A formal actuarial valuation was carried out as at 31 July 2017. The results of that valuation have been projected to 31 July 2020 with an allowance for cash flows during the period and using the assumptions set out below. The figures in the following disclosure were measured using the Projected Unit Method.

Under the current Recovery Plan the University has agreed to make annual contributions in accordance with the Schedule of Contributions dated October 2015, payable in equal monthly instalments. The University expects to contribute £8.5m to the Scheme during the year ended 31 July 2020 to address the funding shortfall and cost of accrual. On top of this the University will pay an amount equal to the aggregate contributions that would otherwise have been payable by those members who have elected to pay their contributions by salary sacrifice. In addition to these contributions the University will pay the cost of early retirement strains and all Scheme expenses attributable to the University under the terms of the Operating Costs protocol, including the cost of death-in-service benefits.

CPAS - FRS102 Disclosure

The amounts recognised in the balance sheet are as follows:	2020	2019
	£m	£m
Present value of funded obligations	(402.8)	(366.2)
Fair value of Plan assets	255.2	238.1
Deficit	<u>(147.6)</u>	<u>(128.1)</u>

The amounts recognised in staff costs and comprehensive income are as follows:	2020	2019
	£m	£m
Service cost (recognised in staff costs)		
Current service cost	3.7	3.3
Gains on curtailments, settlements and business combinations.	0.0	2.5
Net interest expense/(credit)	2.6	2.8
Operating charge/(credit)	<u>6.3</u>	<u>8.6</u>
Experience gains and losses	(34.7)	(36.5)
Expected return on plan assets	12.3	16.0
Actuarial gain / (loss) recognised as comprehensive income	<u>(22.4)</u>	<u>(20.6)</u>
Total defined benefit (credit)/charge	<u>(16.1)</u>	<u>(12.0)</u>

The return on plan assets was:	2020	2019
	£m	£m
Interest income	5.0	5.8
Return on plan asset (excluding amount included in net interest)	12.3	16.0
Actual return on plan assets	<u>17.3</u>	<u>21.8</u>

Reconciliation of scheme assets and liabilities

	2020	2020	2020
	Assets	Liabilities	Total
	£m	£m	£m
At 1 August 2019	238.1	(366.2)	(128.1)
Benefits paid	(9.7)	9.7	0.0
Administration expenses	(0.1)	0.1	0.0
Current service cost	0.0	(3.7)	(3.7)
Employer contribution	9.2	0.0	9.2
Employee contribution	0.3	(0.3)	0.0
Interest income / (expense)	5.0	(7.8)	(2.8)
Return on assets (excluding amount included in net interest)	12.4	0.0	12.4
Actuarial gains / (losses)	0.0	(34.7)	(34.7)
Gain / (loss) on plan introductions and changes	0.0	0.0	0.0
At 31 July 2020	<u>255.2</u>	<u>(402.9)</u>	<u>(147.7)</u>

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

	2020	2019
Liability discount rate	1.55%	2.10%
Inflation assumption - RPI	2.90%	3.20%
Inflation assumption - CPI	2.20%	2.20%
Rate of increases in salaries	2.20%	2.20%
Revaluation of deferred pensions:		
benefits accrued prior to May 2003	2.20%	2.20%
benefits accrued after May 2003	2.90%	3.20%
Increases for pensions in payment		
benefits accrued prior to May 2003	3.50%	3.50%
benefits accrued after May 2003	2.80%	3.20%
Proportion of employees opting for early retirement	0.00%	0.00%
Proportion of employees commuting pension for cash	80.00%	80.00%
Expected age at death of current pensioner at age 65:		
Male aged 65 at year end:	87.8	87.5
Female aged 65 at year end:	89.7	89.4
Expected age at death of future pensioner at age 65:		
Male aged 45 at year end:	89.5	89.2
Female aged 45 at year end:	91.5	91.3

The major categories of scheme assets are as follows:

	2020	2019
	£m	£m
Return Seeking Assets	135.4	130.6
Bonds	35.7	54.0
Diversified Alternatives	43.2	22.2
Index Linked	35.3	25.1
Insured annuities	4.7	4.5
Cash	0.8	1.6
Total market value of assets	<u>255.2</u>	<u>238.1</u>

The Scheme has no investments in the Company or in property occupied by the University

Amounts for the current and previous four periods are as follows:

	31 July 2020	31 July 2019	31 July 2018	31 July 2017	31 July 2016
	£m	£m	£m	£m	£m
Defined benefit obligation	(402.8)	(366.2)	(323.5)	(340.3)	(326.2)
Plan assets	255.2	238.1	215.7	201.7	186.6
Deficit	<u>(147.6)</u>	<u>(128.1)</u>	<u>(107.8)</u>	<u>(138.6)</u>	<u>(139.5)</u>
Experience adjustments on plan liabilities	(34.7)	(36.5)	25.0	(10.7)	50.4
Experience adjustments on plan assets	12.3	16.0	4.3	10.6	14.9

CRSP

Following the closure of CPAS to new entrants on 1 September 2006, the University engaged Legal & General to operate a defined contribution pension scheme for the benefit of members. The Contributory Retirement Savings Plan (CRSP) is designed as the primary pension plan for members of staff who are not already in another pension scheme, but all members of staff can join CRSP. The University makes contributions equivalent to twice the employee's contribution, up to a maximum of 10%. As at 31 July 2020 the University owed £361,142 in respect of contributions to the scheme (2019: £344,920).

28. Financial Instruments

Financial Assets	Consolidated		University	
	2020 £m	2019 £m	2020 £m	2019 £m
Measured at fair value through income and expenditure				
Investments (including endowments) (note 15)	77.1	79.5	77.5	79.9
Short term investments	0.2	0.2	0.2	0.2
Measured at undiscounted amount receivable				
Trade and other receivables (note 17)	71.4	47.1	69.2	45.9
	<u>148.7</u>	<u>126.8</u>	<u>146.9</u>	<u>126.0</u>
Financial Liabilities				
Measured at fair value through income and expenditure				
Private placement (note 19)	(105.0)	0.0	(105.0)	0.0
Measured at undiscounted amount payable				
Trade payables (note 18)	(26.9)	(30.6)	(26.7)	(30.0)
Amounts due to subsidiaries (note 18)	0.0	0.0	(0.4)	(0.9)
Bank loans (note 18,19)	0.0	(73.7)	0.0	(73.7)
HEFCE loan (note 19)	(0.5)	(0.9)	(0.5)	(0.9)
	<u>(132.4)</u>	<u>(105.2)</u>	<u>(132.6)</u>	<u>(105.5)</u>

The financial statements have been prepared on the historical cost basis, except for certain financial assets and liabilities which are carried at fair value or amortised cost as appropriate.

Fair value measurements are, to the extent possible, based on are quoted prices in active markets for identical assets or liabilities that the entity can access. Where quoted prices are not available the University - also to the extent possible - uses observable market data for the asset or liability, either directly or indirectly. All other fair value measurements and based on unobservable inputs for the asset or liability. Further details are provided in the accounting policies.

At period end, the University recorded a fair value loss of £5m on the discounted value of the future payments arising from the £100m private debt placement (note 19 refers).

The change in fair value arose entirely from movements in the rate used to discount future payments to present value. The discount rate applied was determined by management with reference to average 30-year UK gilt yields for the previous financial year, adjusted upwards to reflect an assessment of the University's credit risk.

The contractual cash payments arising from the private placement remain unchanged. As per note 19, these are bi-annual payments of a coupon rate of 2.47% on the principal debt of £100m, with the principal repaid in 2050.

In obtaining the private placement, management has considered the impact on financial risks. It is considered that credit risk has not been increased, as the debt issued replaced existing facilities. Management considers that liquidity risk has been reduced by the placement. Market risk only applies to the extent that the discount rate applied by management is determined by prevailing market bond yields. The discount rate applied has no effect on the cash payments or the substance of the bond.

29. Access Funds

Funding Council grants are available solely for students: the University acts only as paying agent. The grants and related disbursements are therefore excluded from the Income and Expenditure Account.

	2020 £m	2019 £m
Balance at 1 August	(1.0)	(1.0)
Funding Council Grants	0.0	0.0
Interest Earned	0.0	0.0
	<u>(1.0)</u>	<u>(1.0)</u>
Disbursed to Students	0.0	0.0
Balance Unspent at 31 July	<u>(1.0)</u>	<u>(1.0)</u>

30. Connected Charitable Institutions

The following charities are linked to the University and fall within paragraph (w) of Schedule 2 of the Charities Act 1993, and are consolidated within the Group.

Children's Play Activities Trust Fund	2020 £m	2019 £m
Reserves		
Balance as at 1 August	0.4	0.3
Balance as at 31 July	<u>0.4</u>	<u>0.4</u>
Non-Operating Charities		
JH Tomlin Scholarship Fund		
The Dean Moore Scholarship Fund		
The AF Bird Memorial Award		

31. Sport England grant

Sport England has granted the University funds to provide opportunities for students to take part in sport and activity. £10,963 (2019 £8,126) has been spent, in collaboration with Nottingham Trent University.

32. Guaranteed Minimum Pension

The University's defined benefit pension schemes will be affected by the ultimate resolution of the equalisation of benefits for men and women in relation to Guaranteed Minimum Pension provisions. The method of equalisation may ultimately increase the University's pension liabilities in respect of the CPAS and the USS schemes and in doing so increase the pension deficit carried on the balance sheet. As both the final legal position and the method of equalisation are still unclear it is not possible to estimate the amount of any potential increase in pension liabilities.

33. Discontinued operations - Ambitious Futures Limited

On 21st April 2020 the University decided to cease the operations of Ambitious Futures Ltd, a subsidiary which ran a graduate programme to recruit highly talented graduates with the potential to rise to leadership positions in higher education. Trading will cease in February 2021. Revenue for the year to 31 July 2020 was £249k (2019: £227k) with loss before tax of (£2k) (2019: (£9k)). The net assets of the company at 31 July 2020 are (£12k) (2019: (£10k)). The net assets of the company will be nil when the company ceases trading.

34. Contingent Liability - North Laboratory

At the reporting date the University had a possible obligation to resolve a contract dispute with the main contractor for the North Laboratory refurbishment. At the date of signing the accounts, a reliable estimate of the likely cost was not available. The future liability is estimated at between £1m - £2m and the matter is likely to be settled in early 2021.