

[www.lboro.ac.uk](http://www.lboro.ac.uk)



Loughborough  
University

---

# Annual Review and Financial Statements 2018/19

---





# CONTENTS

OUR UNIVERSITY	03
<b>STRATEGIC REPORT</b>	
OUR STRATEGY	04
REVIEW OF THE YEAR 2018/19	05
PROFILE AND REPUTATION	05
TEACHING AND LEARNING	06
STUDENT EXPERIENCE	07
RESEARCH	08
ENTERPRISE	09
SPORT	10
STAFF	11
CAMPUS DEVELOPMENT AND FACILITIES	12
RISKS AND UNCERTAINTIES	13
FINANCIAL REVIEW	14
DELIVERY OF PUBLIC BENEFIT	16
STATEMENT OF CORPORATE GOVERNANCE	20
STATEMENT OF THE RESPONSIBILITIES OF COUNCIL	23
INDEPENDENT AUDITOR'S REPORT	24
FINANCIAL STATEMENTS 2018/19	27



## OUR UNIVERSITY

Loughborough University is renowned for its excellence in research, teaching and enterprise; the unique contribution it makes to the world of sport and the links it holds with business, industry and policymakers ensures that the University and its activities have a tangible positive impact on issues worldwide.

Since its inception in 1909, the University has grown significantly and now operates across two sites – the main campus in Loughborough and Loughborough University London, a postgraduate campus located on the Queen Elizabeth Olympic Park.

The University offers undergraduate, postgraduate taught and postgraduate research programmes, across a wide range of disciplines. Both sites also offer access to a range of student support services and amenities, as well as one of the best students' unions in the country, Loughborough Students' Union.

The University's diverse student community, across both the Loughborough and London campuses, is made up of over 18,400 students from over 140 countries.

Supporting this community is a workforce of over 3,800 employees, including teaching and research staff and staff that provide a range of support, professional and technical services.

Loughborough is a research-intensive institution that contributes at the very highest levels to new knowledge and understanding, helping business and industry to compete more effectively, shaping public policy and, ultimately, helping to improve the quality of people's lives.

Loughborough University also owns and manages Loughborough University Science and Enterprise Park (LUSEP), an established, dynamic innovation community of organisations and business start-ups.

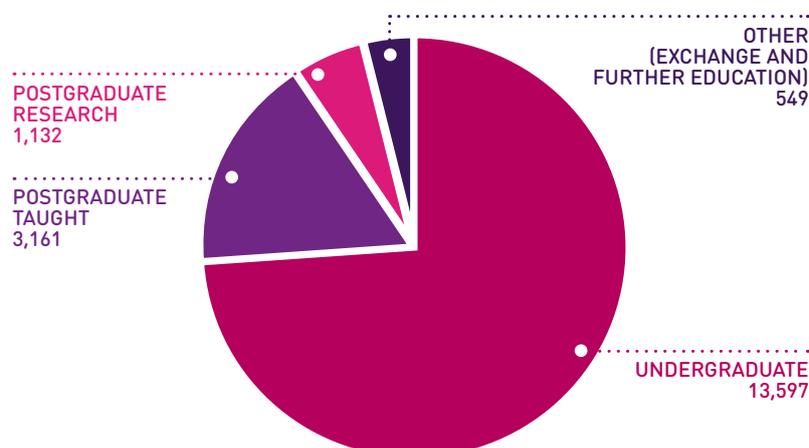
### Our mission

- To further knowledge and understanding through internationally-recognised research.
- To provide a high quality, comprehensive educational experience that prepares our graduates for their future lives and the global workplace.
- To influence the economic and social development of individuals, businesses, professions and communities.
- To shape national and international policy and practice.

### Our values

- Respect each other and celebrate our diversity.
- Recognise and reward excellence in our staff for their contribution and commitment.
- Be inclusive and value the views of our staff, students, alumni and partners.
- Respect the communities and environments in which we operate.
- Work together as a team with professionalism and integrity.
- Take pride in being the very best we can be.

### STUDENT NUMBERS 2018/19 TOTAL 18,439



# OUR STRATEGY

The success Loughborough enjoys is built on the hard work and high standards achieved by our staff and students. These high standards stem from our ambitious outlook, which is reflected in our Building Excellence strategy.

## Our ambitions

The Building Excellence strategy outlines that over the course of the strategy we will have achieved the following as an institution:

- A distinctive international reputation for excellence.
- A life-shaping student experience.
- Outstanding partnerships to deliver social, economic and cultural prosperity.
- A culture of delivering excellence in all that we do.
- One outstanding university: two vibrant campuses.

Monitoring the University's performance in delivering Building Excellence is a primary responsibility of Council. Council considers a suite of over 30 key performance indicators (KPIs) aligned to the five ambitions set out above, together with an overarching measure of financial sustainability and an overall assessment of institutional performance. These KPIs are kept under constant review, as is our benchmark for success which continues to rise in line with our performance expectations. Key performance indicators are reflected in the graphics and statistics that appear throughout this strategic report.

## Our drivers

The strategy is built upon four central themes which act as drivers to support us in achieving our ambitions – with research, teaching, enterprise and sport embedded in each.

- **Investing in our staff** – We will be an outstanding employer; supporting our staff to achieve their full potential and recognising excellence and achievement. We will maintain a strong staffing profile to enhance our centres of research excellence and provide a dynamic learning environment for our students.
- **Educating for success** – We will develop our students as creative, confident and adaptable individuals who will make a significant contribution to global society.
- **Growing capacity and influence** – We will grow capacity in key areas of teaching, research and enterprise by investing strategically and developing international partnerships and collaborations, with policymakers, business, industry and the community.
- **Raising standards and aspirations** – We will build on our strengths and focus on developing the activities we do well, such as internationally excellent research and a high quality student experience.

## Sector changes and challenges

The higher education environment is continuously evolving. Our strategy supports us in anticipating and responding to change so that we remain in a strong position. Current sector challenges include:

- **Raised student expectations** – A rise in tuition fees has generated greater expectations from students regarding the experience they receive.
- **Frozen fees** – With tuition fees currently frozen but costs rising, the sustainability equation becomes increasingly difficult to balance.
- **Uncertainty around overseas recruitment** – Changes to the student immigration policy and visas, as well as the impact of the EU Referendum result make realistic recruitment targets difficult to set.
- **Rising pension and national insurance costs** – Changes to both national insurance contributions and the provision of pensions, which continue to increase, puts pressure on employment costs.
- **Increased competition** – The removal of the student numbers cap in 2015 and an increasing number of alternative and private providers has contributed towards growing competition in the sector.
- **Higher Education and Research Act 2017** – Adding to the above, the most significant sector legislation in 25 years has now been passed. Although legislation has been delayed until 2020, under the Act, new rules and regulations will make teaching quality transparent and up the value students get for their money. It will also increase competition further by making it simpler and quicker for innovative and specialist providers to set up, award degrees and compete alongside existing institutions. It will place students at the heart of higher education regulation through the creation of a single regulator.
- **Research** – Under the same Act the seven existing Research Councils are being brought together into a single body. There are some concerns that this could lead to the loss of the close relationships between specialist funding bodies and research groups that have created a system of effective funding that nurtures world-class research.
- **Reduction in teaching grant to universities** – During the Autumn Statement in 2015 it was announced that the teaching grant to universities would be reduced by £120m by 2019/20.
- **Augar Review** – This review of Post-18 Education and Funding could have significant implications for higher education.

# REVIEW OF THE YEAR 2018/19

## PROFILE AND REPUTATION

### Current position

Loughborough University has established itself as a top 10 ranked institution with areas of world-class excellence. Our distinctive achievements in research, teaching, enterprise and sport place us in an outstanding position, and we continue to develop our international standing and profile.

### Progress in 2018/19

#### League tables

A major award added to the buzz and excitement on campus at the start of the 2018/19 academic year when Loughborough was named University of the Year by The Times and Sunday Times Good University Guide 2019. The University also rose two places to 5th in the guide's annual league table, our highest ever ranking in this table.

Just one month later, the University matched this position in the Times Higher Education (THE) 'Table of Tables' 2019.

The first half of 2019 also proved to be successful for Loughborough in the league tables, as we retained 4th for the second year running in the 2020 Guardian University Guide and 8th in the Complete University Guide 2020.

#### High profile visitors

Visits from influential people allow us to showcase the University to those who can support our endeavor and speak positively about Loughborough.

In September 2018 we were delighted to welcome their Royal Highnesses The Duke and Duchess of Sussex to campus for the Coach Core apprenticeship scheme awards ceremony, to celebrate achievements in sports coaching.

In March 2019, Chris Skidmore MP, Minister of State for Universities, Science, Research and Innovation, visited the University to learn more about Loughborough's pioneering STEM facilities.

A month later, Loughborough MP and now cabinet minister, Nicky Morgan championed "homegrown innovation" during a tour of the University's engineering labs where she was shown a new rail track switch technology which aims to end points failure delays in Britain.

Minister for Africa, Harriett Baldwin, also visited the University in April 2019 to launch a major Loughborough-led UK aid research project to find innovative, clean and modern alternatives to biomass fuels, such as charcoal and wood. Further details can be found on page 08.

#### Overseas visits

Over the last 12 months, Vice-Chancellor Professor Robert Allison has made a series of trips overseas to build strategic partnerships and engage with our global alumni community. In October 2018 he travelled to the Sultanate of Oman for an alumni reception and several meetings – which included discussions about increasing the number of scholarships for Omani students coming to Loughborough.

From here, the Vice-Chancellor flew to Kazakhstan to sign

an agreement to provide scholarships for Kazak students to study at Loughborough too. Partnerships like this reinforce our reputation as an inclusive, diverse, multi-national community.

In addition, the Vice-Chancellor visited Australia, Zambia, the United States of America, Switzerland and Sweden.

#### Reputation campaign

In June 2019 the University launched its Loughborough Game Changers campaign, which has been developed to raise the profile of the innovative work happening on campus. This new campaign is showcasing research and initiatives that are making a real difference in society, as well as the impact Loughborough's staff, students and alumni are having on the world.

An example from the campaign is TOXI-triage – an EU funded project looking to revolutionise the way emergency services tackle chemical, biological, radioactive or nuclear incidents. The project, which is led by Loughborough, has brought together some of the strongest teams in Europe to deliver innovative technology that was tested in two successful field trials overseas – once again showing the global appeal of our research.

#### Influencers

The expertise of our academics is regularly called upon to contribute towards discussions with government. In the last 12 months Loughborough academics have been invited to Westminster to launch a new paper that champions UK solar expertise, and present research on subjects such as sport and physical activity for children in care and modern methods of construction.

Loughborough students are also providing guidance to the country's major decision-makers. Earlier this year, third year politics student Roy Sefa-Attakora – who is a member of the Youth Justice Board (YJB) and its young people advisory panel – was invited to the Youth Violence summit at Downing Street to discuss how the country should tackle violent youth crime with then Prime Minister, Theresa May.

### Moving forwards

We will continue to grow our media profile and social sharing opportunities through a combination of media, influencer, public affairs and stakeholder activity.



THE TIMES AND SUNDAY  
TIMES GOOD UNIVERSITY  
GUIDE 2019  
UNIVERSITY OF THE YEAR



GUARDIAN UNIVERSITY  
GUIDE 2020  
RANKED 4TH

# TEACHING AND LEARNING



THE COMPLETE  
UNIVERSITY GUIDE 2020  
ONE MEMBER OF  
ACADEMIC STAFF FOR  
EVERY 13.4 STUDENTS



NATIONAL STUDENT  
SURVEY 2019  
OVER 90% OF  
STUDENTS ARE HAPPY  
WITH THEIR COURSE

## Current position

Teaching and learning directly impact the lives of all our students. We continue to provide inspiring taught programmes which prepare students for future success. We are also focused on ensuring the delivery of these programmes is enhanced by the provision of the latest and most appropriate technologies necessary for students completing their degrees in a digital world.

Loughborough remains a popular choice amongst prospective students at all levels. Recruitment for the 2018/19 academic year was excellent, with over 50,000 applications received for our undergraduate and postgraduate courses.

## Progress in 2018/19

### Student satisfaction

In the 2019 National Student Survey Loughborough was ranked the top university in England (third in the UK) for overall student satisfaction with over 90% of students happy with their course\*, compared to the national average of 84%.

*\*For Q27 Overall Satisfaction, based on all Mainstream UK Universities in the NSS2019*

### World-class delivery

In early 2019 the University was named the best university in the world for sports-related subjects for the third year running in the QS World University Rankings by Subject. The University was also ranked in the global top 50 for other subjects, including top 10 in the world for Library and Information Management, top 30 for Art and Design and top 50 for Communication and Media Studies.

### Personal Best

At the start of the academic year the University launched Personal Best – a bespoke development programme designed specifically for students. The web-based programme was developed following consultation across the University and graduate employers.

The programme allows students to enhance their skills and stand out to future employers through building up a portfolio of activities and achievements. This will act as an invaluable resource when seeking employment, as well as a foundation for their professional development throughout their career.

### A digital experience

A new module feedback system has been rolled out, making it easier for students to comment on their taught modules. The results have shown a higher response rate than in previous years and staff have been able to respond to the feedback in a timelier manner.

The installation of a new in-class voting system has also enhanced student engagement in the classroom, facilitating interactive learning.

## Arts and Humanities Review

The arts and humanities have been an integral part of Loughborough's subject mix since the University's earliest days. With increasing competition and a changing student demographic, the University needs to make certain that we can sustain and enhance the numbers of high-quality students we are able to attract to these areas.

From August 2019, English and Publishing will move to the School of Social Sciences, which will be renamed the School of Social Sciences and Humanities. Drama and the School of Arts will come together with Loughborough Design School, to create the School of Design and Creative Arts. Drama-related undergraduate programmes will be phased out and replaced by new programmes that build on our strengths in the performing arts.

## Degree-level apprenticeships

In March, the University joined the Midlands Universities Apprenticeship Network (MUAN), a collaborative group providing apprenticeships to help support employers in the region. During 2018/19, the University offered two Degree Apprenticeships within the School of Business and Economics: the MSc Strategic Leadership and the Executive MBA. These programmes are work-based and can be flexible to meet the needs of an organisation to develop leadership talent. For 2019/20, the Wolfson School of Mechanical, Electrical and Manufacturing Engineering is offering an MSc in Systems Engineering under the scheme.

## Ofsted outstanding for teaching training

In late 2018, Teacher Education at Loughborough was graded as 'outstanding' – the best possible category – in all four areas considered by the Office for Standards in Education (Ofsted). The University has a history of successfully producing teachers who are in great demand, which is due to the quality of our course offering and those that deliver it.

## Moving forwards

We shall continue to develop our student systems to support learning and teaching, particularly the development of additional learning analytics to both support and aid student progression through their degree programmes.

Several new degree programmes will be offered, including enhanced delivery on the London campus. Personal Best will be embedded within the curriculum for all new undergraduate students, and we will undertake a pilot of a postgraduate version on the London campus.

We will continue to enhance and update the curriculum to ensure that we provide an inclusive environment such that all students can achieve to their full potential.

In respect of physical infrastructure, we will open a new large lecture theatre facility on the East Midlands campus and undertake some refurbishment on the London campus to both increase capacity and enhance current facilities.



STUDENTCROWD  
2018  
BEST STUDENTS'  
UNION



WHATUNI? STUDENT  
CHOICE AWARDS 2019  
1ST FOR  
ACCOMMODATION

# STUDENT EXPERIENCE

## Current position

Loughborough's student experience is renowned. We consistently appear at the top of all student experience rankings, many of which are voted for by students themselves. Our community spirit and vast range of societies and sports clubs are unrivalled. The key to our success is a longstanding collaboration with Loughborough Students' Union (LSU) which allows us to understand the needs of our students and deliver an all-round experience that enriches lives.

## Progress in 2018/19

### Student support

As part of our ongoing commitment to continually enhance the Loughborough experience for every student, this year a cross-University project team looked at the way in which we support students with disabilities and long-term health conditions. The team carried out a wide-scale review of the support we provide and have since put in place some systems and processes that will ensure our students are supported at every stage of their experience. This includes an online portal that allows prospective students to provide details of their disability or health condition, so that staff are aware of the adjustments that need to be put in place for each student prior to their arrival.

### Awards

LSU was named the best students' union in the UK by online review platform StudentCrowd. The website also named Loughborough as the best campus and accommodation.

Elements of our student experience were recognised at the Whatuni? Student Choice Awards for 2019, when we came 1st for Accommodation and 2nd in the Students' Union, University Facilities and Clubs and Societies categories.

The University's Careers Network, which provides an essential service within our overall student experience, was voted 2nd in the UK by Student Hut after the website analysed over 68,000 student reviews.

### Honest views

Loughborough became the first university in the UK to feature authentic student reviews on its website. Working with the StudentCrowd, an independent student review service, the University now has a direct feed to pull through ratings and comments about the University from its site, so that those thinking of coming to Loughborough get honest and authentic feedback.

## Sharing our experience

As a University we are also keen to share the benefits of our student experience with others. In July, Loughborough University London welcomed students from DePaul University in Chicago to campus on a study exchange. A key part of the exchange was a hack to look at a business challenge, which saw students from both institutions working together to help a local company.

## Benefitting from the experience

Loughborough University London alumna Zamira Abassova was recently named Young Woman of the Year 2019 at the Women on the Move Awards, for her work with The Entrepreneurial Refugee Network (TERN). Zamira studied Entrepreneurship and Innovation Management as a Chevening scholar and graduated in 2018. During her studies, Zamira was introduced to TERN through the Careers and Employability team and became a buddy to a refugee. This experience made her realise she wanted to use her education in entrepreneurship to contribute to a sustainable cause such as social enterprises.

## Something sweet

LU Arts organised the first-ever Great Halls Bake Off – encouraging students to put their baking skills to the test. Previous Great British Bake Off (GBBO) winner and Loughborough alumna, Frances Quinn, was involved in launching and judging the competition and ran a Q&A session to talk about her time on GBBO and share some practical tips and advice.

## Volunteering overseas

Kinchbus, Loughborough's bus company that connects the town with the University, sponsored six Loughborough students to head out to Zambia in the Summer to join volunteering project Volunteer Zambia. The project engages, educates and empowers thousands of young people in Zambia and helps the volunteers boost their sports coaching and development. Kinchbus's funding helped the students to pay for kit, training, equipment, travel and living costs during their six-week placement.

## Moving forwards

Over the next year significant work will be done to reshape our student-facing services to give students easier, less complicated access to services. This includes enhancing the support we offer in relation to mental health and sexual violence by bringing in a dedicated duty team of advisers. An online tool making it easier for students to report incidents of concern and get support around these will also be introduced.

# RESEARCH



OVER £55 MILLION  
SECURED IN RESEARCH  
GRANTS AND CONTRACTS



ALMOST 300  
PHD AWARDS  
CONFERRED

## Current position

As a university we are renowned for the quality and impact of our research. We shape public policy, make business and industry more competitive and improve lives around the world.

We have five Research Beacons, which are the broad strengths of the University: Built Environment, Communication and Culture, High Value Manufacturing, Sport and Exercise, and Transport Technologies. The Beacons are complemented by our Global Challenges: Changing Environments and Infrastructure, Energy, Health and Wellbeing, and Secure and Resilient Societies, which bring together research capabilities to develop multi-disciplinary solutions to society's biggest problems.

## Progress in 2018/19

### Our best year yet

The University's new research awards in 2018/19 exceeded £55.0m, making it our best year yet for securing funding.

Recruitment has been strong, with over 330 new doctoral students joining us – our highest figure for five years. We also conferred almost 300 PhD awards – including the first PhD awards from our London campus.

Attraction of new doctoral centres will support future recruitment.

Loughborough University London was announced as a member of one of just ten new Arts and Humanities Research Council Doctoral Training Partnerships. TECHNE is a consortium of universities in London and the South East exploring innovative, interdisciplinary and creative approaches across the arts and humanities.

In October 2018, the Natural Environment Research Council (NERC) announced over £100m of investment in its Doctoral Training Partnerships (DTP) programme to support environmental science PhD training and the University will benefit as a partner in the Central England NERC Training Alliance 2 (CENTA2) DTP.

In February 2019, the University was confirmed as a partner in four Engineering and Physical Sciences Research Council (EPSRC) Centres for Doctoral Training (CDT) in Energy Resilience and the Built Environment, Water and Waste Infrastructure Systems, Sustainable Hydrogen, and Future Propulsion and Power. The CDTs will train engineers and scientists with the skills, knowledge and confidence to tackle evolving issues and challenges.

### A year of impact

In December 2018, Universities UK named the University's work to establish the Living Wage concept (the minimum income needed to support a basic lifestyle) as one of the UK's most important academic accomplishments, in a list of discoveries, innovations and social initiatives that have had a positive impact on people's lives.

A two-month programme was delivered in April 2019 to celebrate research tackling some of the most challenging areas of climate change, ecology, sustainability, technology and renewable energy. These included industrial carbon capture, stopping pollutants from factories being released into the atmosphere and transforming the CO<sub>2</sub> into green fuels and useful chemicals; and a five-year programme – worth £40m – to prevent premature deaths in the developing world and counter climate change by switching to electricity to cook rather than charcoal and wood.

During the same month, the University was also named alongside the universities of Nottingham and Birmingham, as partners in a £1.6m EPSRC project to create new technologies to improve the energy efficiency of buildings.

### Key priorities

Transport Technologies is a strategic research priority at Loughborough and autonomous vehicles feature prominently in our work. These vehicles have the potential to affect mobility in both good and bad ways. This year Loughborough was named as a partner in two large collaborative projects that will address both sides.

Firstly, the £5.7m Levitate project will help European cities assess the impact of driverless transport on infrastructure and society. Loughborough University will lead a three-year EU (Horizon 2020) funded programme which aims to assess the impacts of connected and autonomous vehicles (CAVs) on mobility, safety, environment and society, enabling cities and regions to make the right policy decisions.

Loughborough will also join forces with research centres at Queensland University of Technology, Australia and Tongji University, Shanghai, to create an International Research Centre that will study the effects of CAVs on Vulnerable Road-Users (VRUs) like pedestrians, cyclists and child occupants. This collaboration will prevent injuries and save lives by providing the evidence-base for manufacturers and regulators to understand exactly how CAVs and VRUs will interact.

### International collaboration

In November, the University's School of Arts, English and Drama was awarded a £250,000 grant by the Arts and Humanities Research Council (AHRC), to work with Tongji University in Shanghai to examine the ways in which urban heritage is communicated through graphic objects that inform and embellish the heritage experience from the past, present and future.

In early 2019, the University's Institute of Advanced Studies (IAS) opened its new home on campus, International House, providing the team with a central location to support collaborations with world-leading academic visitors to the University.

### New facilities

Work has almost been completed on the National Centre for Combustion and Aerothermal Technology which will be the UK's hub for future low-emission aero-engine combustion technologies.

### CALIBRE Awards

This year the University launched the CALIBRE Awards to recognise the breadth of our excellent research. The Awards celebrate the new methods, theories, frameworks, data and discoveries at the heart of our research across all disciplines.

## Moving forwards

The Research Excellence Framework (REF) submission is due in November 2020, meaning that a major programme of work to prepare the submission is currently underway.

The University will also continue to develop our plans to work with The Defence and National Rehabilitation Centre as it builds its new home on the Stanford Hall Estate just outside of Loughborough.

The Institute of Advanced Studies expects to welcome 43 visitors from 15 countries, while issuing its first call for residential fellowships for 2020/21.

# ENTERPRISE

## Current position

Enterprise is widely integrated into the University's activities. This includes extensive opportunities for organisations to tap into our expertise and collaborate with our academics; inspiring our students to be enterprising and to nurture new graduate businesses; and providing an outstanding base for businesses to grow through Loughborough University Science and Enterprise Park (LUSEP).

## Progress in 2018/19

### Loughborough Area of Innovation

In late 2018 the University and local partners launched the Loughborough Area of Innovation – an ambitious vision for University-led growth aligned to the Government's Industrial Strategy.

The Industrial Strategy sets out a long-term plan to boost productivity and people's earning power across the UK through investment in skills, industries and infrastructure. This shared local vision outlines how Loughborough and the wider region can maximise current and future initiatives to contribute to nationwide economic growth.

Discussions with industry leaders and opinion formers have since taken place addressing how the five foundations within the Industrial Strategy relate to Loughborough and the surrounding areas. Building on this, a short Action Plan will be published at end of 2019.

### LUSEP expansion

In February work began on a new 10,000 sqm, four-storey office building project on behalf of Leicestershire County Council for leading software company The Access Group. The expansion will create over 500 new jobs and generate £1.6m a year for vital front-line county council services. Work is expected to be completed by July 2020. The expansion, which is believed to be the largest single-occupier office deal in the county this century, signals strong confidence in the potential for economic growth in the Loughborough area.

### Enterprising graduates

Businesses based at LUSEP continue to thrive. This includes Loughborough graduates Alex Nash (Alcuris) and Chris Ruddock (INCUS Performance) whose high tech start-ups are attracting skilled alumni back to Loughborough and providing great placements for undergraduate students. In the last two years they have collectively raised £2m+ investment and created 25 technical jobs, rising to 32 by the end of 2019.

### Enterprising students

A new focal point that aims to support entrepreneurial students to develop their businesses was officially opened in October 2018 by alumnus Andrew Fisher, OBE who has led the successful growth of several technology-focused enterprises including Shazam. Part of Loughborough Enterprise Network (LEN), the Start-Up Lab is a vibrant space that encourages co-working and creativity, made possible thanks to the generosity of Santander Universities.

Since its launch, more than 550 students have been supported in Loughborough and over 65 on our London campus.

### Enterprise in the Capital

In February, houseware brand Joseph Joseph founder and Loughborough alumnus Richard Joseph launched the Loughborough Enterprise Network in London.

The London enterprise team also delivered the UK's biggest Venture Crawl; taking 300 students from 14 different universities on a unique entrepreneurial tour of the capital to visit creative hubs and meet industry leaders.

664 London postgraduates engaged in the Collaborative Entrepreneurial Project, working in teams to project briefs from 19 mostly private-sector partners.

### Enterprise Awards 2019

In May, over 130 guests celebrated the best of the University's entrepreneurial and enterprising academics and graduates at our bi-annual Enterprise Awards. The far-reaching impacts of the businesses we work with was clear from the 5,000 public votes cast to decide the winners. Many of the guests were from local and global organisations that the University works in partnership with – partnerships that are fundamental to so much of what we do.

### Enterprise with impact

Enterprise funding was awarded to commercialise 41 projects across every academic school. Examples of this funding included:

- Industry-first technology to slash NOx emissions, hailed by Autocar as 'nothing less than a new lease of life for modern diesel engines'
- A real-time, street-level flood prediction system to save lives and livelihoods
- Rail track switch technology with the potential to prevent 90% of delays caused by points failure
- A new system for measuring blind spots in trucks that will save 500+ lives/year in Europe.

## Moving forwards

Over the next 12 months the University will continue to play an active role in the delivery of the Industrial Strategy, developing collaborative projects with local partners to drive economic growth, through the Loughborough Area of Innovation and as an active partner in the Local Industrial Strategy for the Leicester and Leicestershire Enterprise Partnership (LLEP). We will also focus on expanding the number of start-up and spin-outs at LUSEP.



167% INCREASE IN  
STUDENT ENTERPRISE  
ENGAGEMENT IN FOUR  
YEARS



300% INCREASE IN  
KNOWLEDGE TRANSFER  
PARTNERSHIPS OVER THE  
LAST 12 MONTHS

# SPORT

## Current position

Loughborough's global reputation is built on a long and successful sporting heritage. Over 100 years ago our Principal, Herbert Schofield, made educating the mind and the body central to his student welfare philosophy and saw sport as crucial to this.

Today, Loughborough Sport plays host to many of the highest performing student athletes and teams in the country and our campus-wide opportunities allow all our students the chance to enjoy life-shaping experiences through sport regardless of ability or interest.

## Progress in 2018/19

### Winning ways

In July 2019, the University was crowned British Universities and Colleges Sport (BUCS) champion for the 40th consecutive year. The extraordinary achievement was made possible by all 4,500 students that make up Loughborough's Athletic Union and the support network that surrounds them. Loughborough finished the latest season with over 6,000 points for the second year running – almost 900 points clear of the university that placed 2nd.

Loughborough athletes also maintained their winning ways, taking an outstanding 15 medals at the European Championships in August 2018. Five of those medals were won by current Loughborough University students. The championships, held in Glasgow and Berlin, also saw Adam Peaty – who trains at Loughborough – win four gold medals and deliver a world record breaking 100m swim.

Less than a year later, Peaty became the first man to swim the 100m breaststroke in under 57 seconds as he won his semi-final at the World Championships in South Korea.

In May, a new record was also set on campus when Sophie Hahn broke the T38 100m world record at the Loughborough International Athletics competition.

### Senior appointments

Nik Diaper was appointed as Head of Para Sport. Not only is this role a new position for Loughborough, it is the first of its kind within higher education. Nik will be responsible for defining strategic direction for para sport and for developing a new disability sport offer.

### Sponsorship

Loughborough Swimming announced a major performance swimwear manufacturer as its new main sponsor. The three-season deal will see all 60 Loughborough elite student athletes kitted out in the sponsor's performance race suits for competitions and with swimsuits and swim aids for training.



QS WORLD UNIVERSITY  
RANKINGS BY SUBJECT 2019  
BEST UNIVERSITY IN THE  
WORLD TO STUDY SPORTS-  
RELATED SUBJECTS



BRITISH UNIVERSITIES  
AND COLLEGES SPORT  
CHAMPIONS  
40 YEARS IN A ROW

## New facilities

This year the University officially opened the Elite Athlete Centre and Hotel and carried out extensive refurbishment work to the Powerbase Gym. Further information on both can be found in the 'Campus development and facilities' section of this report.

## Sport in focus: Tennis

Last year, the University was named as one of only two National Academies for tennis in the UK, a major milestone in the development of the Lawn Tennis Association's ten-year Performance Strategy for British Tennis. In support of this, work has continued this year to develop the Tennis Centre ready for the first intake of players in September 2019.

Loughborough Sport Tennis also celebrated a record year, including a 227% increase in its student participation programme. Over the past four years, the number of those playing tennis has grown from an average of 199 players per week to over 650 participants per week in the 2018/19 academic year.

Figures also show that 14 local primary schools have engaged in free coaching sessions, which equates to an average of 389 students per week involved in the centre's thriving mini tennis initiative.

## Volunteering

This year Loughborough Sport hit record levels of volunteering – with over 56,000 hours logged by over 420 volunteers.

The University's Coach and Volunteer Academy also supported 164 students to qualify as coaches and provided over £11,000 in bursaries to support this. 64 students were supported in completing their officiating qualifications, one of whom went on to officiate at Wimbledon. The Academy also offers voluntary opportunities in media, marketing and communications. This year, volunteers in this area saw 15 of their rugby match reports published in national newspapers. Over 150 student and community volunteers also supported the delivery of several world-class events, logging 2,200 event hours between them.

Six students spent the summer in Zambia as part of the Wallace Group's long standing international sport development project 'Volunteer Zambia'.

Based in Lusaka and working alongside Sport in Action, the students volunteered as Sport Development Officers within one of the four key sports of netball, basketball, football and volleyball – helping to build capacity and sustainability by up-skilling and supporting over 20 new Zambian volunteers.

## Reputation

The University's reputation for sport is one of the strongest in higher education. All the above are just some examples of why. This year our reputation was recognised outside of higher education, when then Prime Minister, Theresa May, commented on the positive impact Loughborough University is having on sport.

## Moving forwards

With over 70 students, alumni and Loughborough-based athletes preparing for the Games, Tokyo 2020 will be a key focus for the next 12 months.

# STAFF



PEOPLE STRATEGY  
LAUNCHED



90% OF STAFF THINK  
THE UNIVERSITY IS A  
GOOD PLACE TO WORK

## Current position

Our staff are central to our ongoing success. Their hard work, dedication and commitment have helped us to achieve the many accolades and honours we have received so far.

We invest in the professional growth and wellbeing of our employees and have created a vibrant culture and community across both our campuses, in which people enjoy working and can perform at their best.

## Progress in 2018/19

### People Strategy

In order to establish ourselves as one of the world's leading higher education institutions we need the very best staff, who have the opportunities, environment and culture to achieve the highest standards.

This year we launched our People Strategy, which pulls together our existing practices and introduces new initiatives to further enhance our reputation as a great place to work.

In support of making this a key priority for the University, there have been several crucial recruitments within the Human Resources department, including a Director of Human Resources and Organisational Development and a Director of Organisational Development.

### Support for staff

In June 2019, Loughborough became the first university to support the Where's Your Head At? workplace manifesto – a campaign dedicated to protecting and supporting mental health in the workplace. The University joins other organisations from across the UK as well as 18 MPs, including Loughborough MP and current Secretary of State for Digital, Culture, Media and Sport, Nicky Morgan.

### Recruitment

The latest phase of our Excellence 100 academic recruitment campaign launched in February 2019, with opportunities for professors, readers, senior lecturers and lecturers across many of our academic disciplines.

The campaign began two years ago to help the University attract academics who share our commitment to delivering excellence in all that we do and has proved very successful with significant numbers of staff recruited.

## Staff numbers for 2018/19

Administrative services	644
Management and specialist	643
Operational services	1,020
Specialist and supporting academic	474
Research, teaching and enterprise	873
Technical services	215
<b>Total number</b>	<b>3,869</b>

*Total headcount as of December 2018*

## Awareness and celebration

This year there have been several celebrations and initiatives that have shown what it is like to be part of the diverse and welcoming community here at Loughborough.

In late 2018 the University's Black and Minority Ethnic Staff Network was relaunched, with a special event to celebrate both the achievements of black staff at all levels and the progress the University is making in addressing racial inequality across our community.

In February 2019 – as part of LGBT+ History Month – LU Arts organised an exhibition which featured 15 portraits of staff and students from various backgrounds, with different identities and roles at the University who are united in the community provided by the University's LGBT+ Association.

A month later, to mark International Women's Day (IWD) in March, over 60 inspiring women from across the University created a profile to showcase their achievements and what IWD means to them – a campaign that was Highly Commended by the global IWD organisation.

## Moving forwards

Following the launch of the People Strategy our focus over the next 12 months will be based on the strategy's five priorities:

- Professional growth, talent management and leadership excellence
- Creating a diverse, respectful and inclusive culture
- Developing an engaging and sustainable reward and recognition programme
- Workload, wellbeing and resilience
- Developing an outstanding candidate and new employee experience

Work is underway on each of these priorities and outcomes are anticipated from early 2020 onwards.

## Trade Union Facility Time Data

Section 13 of the Trade Union Act 2016 has introduced a new requirement on public sector employers to publish data on facility time. The University's data for 1 April 2018 - 31 March 2019 is as follows:

Trade Union Representatives	19
FTE Trade Union Representatives	17.5
Hours spent on paid facility time	5695
Hours spent on paid trade union activities	0
Percentage of total paid facility time hours spent on paid TU activities	0%
Total cost of facility time	£165,891
Percentage of pay spent on facility time	0.11%

## Distribution of working hours

0% of working hours	0
1 – 50% of working hours	18
51 – 99% of working hours	1
100% of working hours	0

## Number of TU reps at LU

0% of working hours	0
1 – 50% of working hours	18
51 – 99% of working hours	1
100% of working hours	0

# CAMPUS DEVELOPMENT AND FACILITIES



GREEN FLAG AWARD  
ONE OF THE NATION'S  
BEST GREEN SPACES



WHATUNI? STUDENT  
CHOICE AWARDS 2019  
2ND FOR UNIVERSITY  
FACILITIES

## Current position

Loughborough University has two campuses. In the East Midlands, our stunning 440-acre green campus offers great facilities for every aspect of student life, with plenty of open space, gardens and sports areas, interspersed with academic buildings and student accommodation.

Loughborough University London, our dedicated postgraduate campus, is situated at the heart of the Queen Elizabeth Olympic Park, which was the home of the London 2012 Olympic and Paralympic Games.

## Progress in 2018/19

### Village Park

Almost £50m has been invested in the University's Village Park. This includes the newest halls of residence, Claudia Parsons, which was officially opened in June 2019 and will welcome students from September 2019. In addition to providing over 480 student bedrooms, the halls also incorporate the UK's first Active Campus, with outstanding recreation facilities and fitness opportunities – providing Loughborough students with an exceptional environment to study, relax, socialise and support their wellbeing.

The large investment on this part of campus also included the creation of the Elite Athlete Centre and Hotel, which was officially opened in late 2018 by University Chancellor Lord Sebastian Coe. The facility was developed in partnership with UK Sport, Sport England and the English Institute of Sport and offers a holistic support environment for individuals and teams at both elite professional and dedicated amateur levels.

The building includes 44 four-star bedrooms; 20 of which have the capacity to adjust climatic altitude conditions, and a specialist nutrition room to meet athletes' complex dietary requirements.

Managed by the University's conference, hotel and events subsidiary, Imago Venues – the facility offers something unique within the UK and will reinforce our position as the country's leading university for sport.

[www.eliteathletecentre.co.uk](http://www.eliteathletecentre.co.uk)

### National Centre for Combustion and Aerothermal Technology (NCCAT)

Significant progress has been made on the build and development of the new NCCAT facility, which is due to open later in 2019. The facility will act as the UK's primary hub for research and development of future low-emission aero gas turbine combustion technologies – putting Loughborough at the heart of UK aerospace engineering and technology development.

## Refurbishment work

The University's elite level Powerbase Gym underwent a significant rebrand. Its new look showcases and celebrates the ethos of the Loughborough Sport brand – fitter, stronger, faster.

The work included the installation of state-of-the-art flooring, covering over 1,000 sq. metres, laid by international athletic flooring specialist PLAE.

Powerbase has become an iconic facility in the high-performance system in the UK where Olympians, Paralympians and Loughborough University's elite squads train every day. The refurbishment work has been pivotal to its ongoing development, as both an elite and a student facility.

Extensive refurbishment work has also been completed, or is nearing completion, in several teaching spaces on campus. This includes the Wavy Top building and an investment of over £40m on West Park which has delivered extensive refurbishment to both the S Building and the Sir David Davies building.

## Moving forwards

The next 12 months will see the refurbishment work on West Park completed, including the work on the S building and Sir David Davies building and the highly anticipated National Centre for Combustion and Aerothermal Technology.

The growth of Loughborough University Science and Enterprise Park continues to be an area of focus for future strategy with several plans in progress, all supported by government investment, for the surrounding road infrastructure.

New artificial surfaces will continue to be installed at several sports pitches, with the recently completed replacement of the stadium pitch allowing greater usage. The Lawn Tennis Association Centre will also continue to be developed.

A key priority will be long-term maintenance to retain the condition of our estate whilst we plan for our next major capital projects, which include a new Arts development to replace the existing facilities and a new Students' Union building.

Significant work will be done this year to plan future facilities and strategic direction. Facilities Management and Estates will present for approval a flexible and adaptable Estate Strategy looking as far forward as 2040.

Other elements of longer-term planning will include the improvement of the campus public realm – creating spaces for all to enjoy.

# RISKS AND UNCERTAINTIES

As in prior years, our financial strategy facilitates investment in excellence while managing risk in an environment of continuing uncertainty.

## Overview

Financial uncertainty prevails, notably the potential impact of Brexit and the extent to which government will enact change to the student finance regime following publication of the Augar review.

In a diverse sector the University remains well placed, consolidating our place as a top 10 university in every domestic league table and having been named 2019 University of the Year by The Times/Sunday Times. Our pipeline of student applications and admissions continues to enable us to budget with confidence, reasonable certainty around income in the short term protects investment in our staff and infrastructure without recourse to student number growth.

The inflationary squeeze caused by flat or falling income and growing costs is unlikely to let up. As a result, we continue to review our cost base and operational efficiency with a view to enhancing our net operating cash inflow. It is key that we remain cash generative as that gives us options to respond to a changing environment.

## Student fee income

The government's review of funding for post-18 education (the Augar review) was published earlier this year. However, it remains unclear to what extent government will implement the recommendations of the review.

We have modelled numerous scenarios in preparation for any change. Inflationary pressures could ultimately impact on the delivery of the excellent student experience for which Loughborough is renowned, but it would be adverse policy decisions regarding student fees that would have the most immediate and material impact on our financial sustainability. A material change to the structure of the fee regime or subject funding could trigger a fundamental review of the size and shape of an institution such as ourselves. Loughborough has a large UK/EU undergraduate population and delivers a significant proportion of teaching in high-cost subject areas around science, technology, engineering and mathematics (STEM) disciplines.

We have resisted the sector trend to tackle financial uncertainty through a plan to grow student numbers, other than planned growth at Loughborough University London. Rather we have been able to focus on entry requirements and sustained delivery of an unrivalled student experience. Sector behaviour, including factors such as the use of unconditional offers, means that there is intense competition to attract students. We are clear in our strategy and continue to invest in excellence.

## Changes to the profile of our student population

We are pleased that student diversity in terms of nationality and subject area continues to improve, reducing the exposure to volatility in international student recruitment, particularly at Loughborough University London. We are nevertheless increasing our international student population from a historically low base and concerns prevail regarding immigration

issues post-Brexit. We are mindful of price sensitivity and the impact of currency fluctuations on international student recruitment, most notably from China.

A material change to the international student population could result in a significant loss of income to the University. In response, we continue to plan prudently. Student recruitment for the 2019/20 academic year has been strong and our income contingency can again be redeployed to support the strategic ambitions of the University or to enhance our cash reserves.

## Brexit

We have highlighted risks associated with the UK's exit from the European Union in past statements and these matters remain unresolved. Access to EU funding streams for research and to support activities such as student placements overseas remain undecided and it remains the case that a significant number of our academic and non-academic staff are EU (non-UK) nationals. We are pleased, however, that our strong performance and reputation means that we are still able to attract excellent staff to the University as we continue to invest in our academic staff base.

## Pensions

Pension arrangements in higher education remain an attractive element of overall remuneration. However, deficits resulting from the valuation of defined benefit schemes currently drive uncertainty for the sector, both in financial terms and in terms of possible industrial action.

The 2018 valuation of the Universities Superannuation Scheme (USS) has now been concluded resulting in increases to both employer and employee contributions while maintaining current benefits. These cost increases are fully reflected in our financial forecasts and changes to the rate of deficit recovery contributions has resulted in a significant liability movement that is reflected in these Financial Statements. The conclusion of the valuation cycle has not, however, removed the chance for further industrial action in the sector and a further valuation in 2020 is expected.

We continue to support the work of the Joint Expert Panel in seeking to arrive at a long-term sustainable pension scheme. The University is also monitoring the latest valuation cycle for the Local Government Pension Scheme (LGPS) but does not have any material exposure to the Teachers' Pension Scheme (TPS).

## Macro-Economic Risks

As in previous years we highlight that our financial sustainability is dependent on a strong domestic economy. Students' ability to live and study away from home in a campus environment such as Loughborough may be impacted by macroeconomic factors such as inflation and interest rates. We contribute to and benefit from a strong local, regional and national economy by working closely with industrial partners, both to offer placements of value to our students but also to advance our research and enterprise activity. As such any threats to the economy continue to present an ongoing risk to the success and sustainability of the University.

# FINANCIAL REVIEW

The University is pleased to report a net cash inflow from operating activities of £31.9m, 10.2% of income. The cash position remains strong with a Balance Sheet total of cash and short-term deposits of £70.2m.

## Cash flow

The net cash inflow from operating activities totalled £31.9m (2017/18: £23.5m).

Payments to acquire tangible fixed assets totalled £51.6m (2017/18: £78.9m), including the continuation of significant capital projects commenced in previous years.

These movements combine to deliver a net decrease in cash and short-term deposits of £15.6m and a consolidated Balance Sheet total of cash and short-term deposits of £70.2m (2017/18: £85.8m).

The University continues to pursue a low-risk approach to managing investments and liquidity. In balancing risk against return, the University is more concerned to avoid risk than to maximise return. The Treasury Management Policy determines the limits in terms of the credit ratings of institutions used for investments and on the sums placed with any one provider. The counter-party list is regularly reviewed and approved by Finance Committee.

## Balance sheet

Consolidated net assets decreased by £56.2m (18.1%) to £255.0m, significantly impacted by provision changes across the USS and LGPS pension schemes; total pension provisions increased by £70.0m to £160.1m.

The USS provision increased by £49.6m, to £79.6m, due to a change to the deficit recovery plan following the conclusion of the 2017 valuation by the USS trustees. Deficit reduction contributions of 5% of salary are now to be paid until 2034 (previously 2.1% and 2031 respectively).

The LGPS provision increased by £20.5m, to £78.5m, driven by further increases in the cost of providing pension benefits for employee service in the current year as well as changes in actuarial assumptions during the year.

Fixed assets increased by £18.9m (4.1%) to £483.9m. This continues to be driven by investment in the campus infrastructure and equipment with no material revaluations or accounting adjustments in the year. Major capital expenditure during the year was focussed on continuation of significant investment projects which were commenced in previous years. The largest of these were the continued refurbishment of our science and engineering estate (£13.4m), completion of the construction of a new hall of residence and adjacent Elite Athlete Centre & Hotel (£19.5m) and continuing construction of the National Centre for Combustion & Aerothermal Technology (NCCAT) (£2.4m).

Long term loans decreased to £114.2m (2017/18: £119.7m) as a result of capital repayments on existing loans of £5.5m during the year. The University maintains significant headroom on its bank covenants and almost all long-term debt continues to be subject to fixed rate agreements.

## Income and expenditure

In 2018/19 total income increased £11.0m (3.7%) to £311.8m.

This increase was driven principally by increased tuition fee income, which grew by 7.7% to £163.8m (2017/18: £152.1m). Tuition fees now represent 52.5% of total income (2017/18: 50.6%).

Fees from Home/EU students of £104.8m exceeded £100m for the first time (2017/18: £99.4m), accounting for 33.6% of the total income of the University and 64.0% of total tuition fees (2017/18: 33.0% and 65.3% respectively). Fees from International students totalled £52.6m (2017/18 £46.3m). This represents a 13.5% increase underpinned by continued growth at Loughborough University London.

Grants from funding bodies decreased £2.0m (5.2%) to £36.1m, mainly as a result of lower capital grants and the conclusion of some specific grants from HEFCE.

Research grants and contracts income decreased by £3.0m (7.1%) to £38.9m. Year-on-year comparison is made difficult by the uneven cycle of grant awards and activity. We continue to have a strong application pipeline through the University.

The recognition of grants relating to NCCAT are now expected to be recognised early in the 2019/20 financial year due to commissioning of the facility taking longer than originally anticipated.

Total expenditure increased by 20.5% to £356.2m.

As in previous years, the majority of expenditure (62.1%) relates to staff cost, which increased by £59.9m (37.1%) to £221.3m, largely due to a revaluation of the USS provision (£50.2m) to reflect the new deficit recovery plan discussed above. Removing the impact of this and other non-cash pension adjustments, underlying staff costs have increased 5.2% as a result of increased employer contribution to USS, general staff inflation and the full year impact of continued investment in new staff through Excellence 100.

Other operating expenditure has decreased £3.3m (3.2%) to £100.9m as a result of strong budgetary control and the continued realisation of efficiencies to secure funds for innovation and investment. Depreciation increased £4.2m (17.6%) to £28.2m, resulting from sustained investment in campus infrastructure including buildings and equipment.

A further, one-off, gain of £1.1m was recognised from a long-term lease on the Science and Enterprise Park. This relates to a partnership with Leicestershire County Council to develop a building which will serve as the headquarters of a major software group.

### Future financial outlook

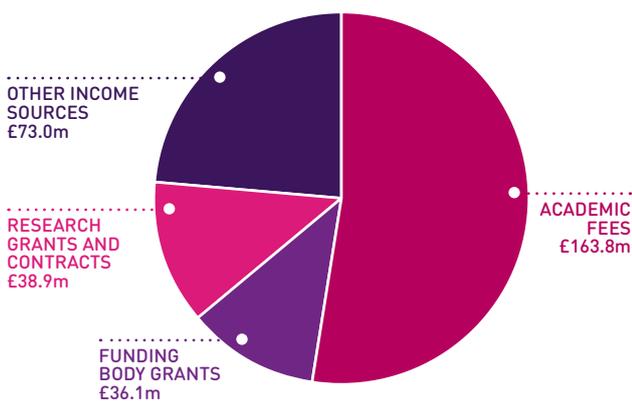
The outlook for the sector remains challenging, with the key uncertainties of Brexit, the Universities Superannuation Scheme and the future tuition fee regime all to some extent remaining unanswered.

However, the University has consolidated its position in the top 10 of all major league tables and continues to attract high calibre students across both campuses.

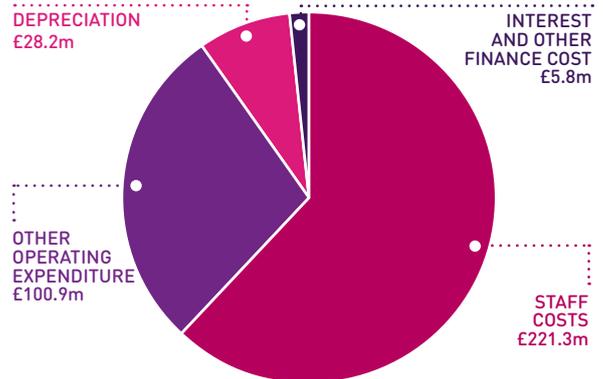
We will continue to invest in our campuses but at levels facilitated by our operating cash generation, ensuring that our cash reserves are available to seize targeted investment opportunities when they arise.

Our strategic planning is based upon challenging but sensible assumptions, with stress testing applied. We therefore continue with our "Building Excellence" strategy from a strong academic and financial platform but ready to react to risks or opportunities.

**TOTAL INCOME 2018/19**  
£311.8m



**TOTAL EXPENDITURE 2018/19**  
£356.2m



# DELIVERY OF PUBLIC BENEFIT

Loughborough University is an independent corporation established by Royal Charter and has exempt charity status.

This information describes how the University has delivered activity for the benefit of the public, taking into consideration the guidance on public benefit, as set out in the Charities Act 2011. Due regard has also been given to the University's responsibilities as a charitable body, which is regulated by the Office for Students (OfS).

## What we seek to achieve

The University – its staff, tenants and students – deliver public benefit in several ways, including by contributing to:

- knowledge and understanding across all sectors at the highest level
- the drive to make education accessible to everyone by removing all barriers
- industry and economic growth at both a local and national level
- the level of talent and excellence in industry
- Loughborough's economy, community and social environment.

## Our strategy

Public benefit is embedded across our strategic aims, ambitions and drivers. This section presents our delivery of public benefit in two main areas:

- **Academic** – our core charitable objects of providing higher education (teaching, research and enterprise)
- **Corporate** – our approach to social responsibility: how we run our business; the way we work with external organisations, including suppliers; and the impact our actions have on the local community and economy.

## Academic benefit

### Research

We aim to conduct research that has real-world relevance – helping business and industry to compete effectively; shaping public policy; and addressing contemporary social challenges, ultimately, improving everyone's quality of life.

This year, in collaboration with partners worldwide, we have launched international exercise guidelines, based on gold-standard practices, for adults with a spinal cord injury. The project's success lies in its multinational team from across the continuum of sport, exercise and rehabilitation. Together, they have delivered interventions co-produced with people with disabilities rather than for them – helping them to lead more active and fulfilling lives.

In June 2019, the University announced that a new research centre will be established within the University's Mathematics Education Centre (MEC) to focus on improving the way mathematics is taught in schools and colleges. The Centre for Mathematical Cognition (CMC) will ensure the next generation has the STEM skills of the future.

Further examples of our research and its benefits for local, national and international communities can be found in Research and Enterprise sections of this report.

## Teaching and learning

### Access to education

We are committed to supporting students throughout their educational career, helping them to reach their full potential. We strive for teaching excellence and work to ensure that all learning opportunities are accessible to all.

### Recruitment

As part of our Admissions Policy, we welcome applications from students irrespective of race, nationality, ethnic origin, gender, marital status, disability, religious or political beliefs, age, sexual orientation and socioeconomic background.

As well as weekly campus tours, we offer twice yearly University-wide open days. These visits provide everyone considering the University with an insight into student life and the development opportunities available to them.

The open days attract large numbers of prospective students. In 2018, we welcomed over 31,000 people.

The 2019 events proved even more popular, drawing over 33,580 individuals: an increase of 9% on the 2018 events. In June 2019, we surpassed 10,000 visitors attending a single open day event for the first time. In September 2019 we boosted this number further, welcoming almost 12,000 people to campus and celebrating our biggest single open day event on record.

The School and College Liaison team also contributed to our recruitment activity through their involvement in and delivery of over 500 events and initiatives, reaching 40,586 people.

### Widening participation to higher education

We want to inspire individuals with little family history of progression to higher education to study with us. Part of this drive is our programme of targeted activities to prospective applicants from areas of low HE participation or non-traditional backgrounds.

This is coordinated by our School and College Liaison team who work in conjunction with colleagues across the institution to deliver a variety of engaging initiatives. In 2018/19, the team delivered 169 widening participation events, including the award-winning HE Unboxed initiative and various mentoring opportunities, which reached over 8,175 individuals from disadvantaged backgrounds.

HE Unboxed (formerly, Subject in a Box) helps teachers across the country to inform and excite their students about the post-18 options available to them. During 2018/19, the initiative reached 2,370 students from across 58 schools. The initial success of Subject in a Box has enabled the team to expand the initiative to include three new boxes: Success in a Box, Skills in a Box and Subject in a Box Global – which will be a key area of development in the year ahead.

For the second year running, in partnership with Loughborough-based charity Baca, the team ran its mentoring programme for young refugees. The programme matches individuals supported by the charity with undergraduate student mentors from the University who tutor them in English and Maths (Foundation to GCSE level). This year, of 14 tutees, 8 completed the programme with 7 seeing a marked improvement in their English or Maths level.

Following the project's successful first year, the team expanded its remit to support Year 11 students from widening participation backgrounds with GCSE Maths and English. This year, they worked alongside two local academies, providing 12 students mentors to support 32 students.

The impact of our work in this area is monitored and evaluated through our membership of the East Midlands Widening Participation Research and Evaluation Partnership (EMWPREP). The EMWPREP database allows us to record our activity and track participants' progress into higher education. The EMWPREP collaboration of regionally based HE providers jointly fund the service that is based at Loughborough University.

#### **Inspiring STEM studies**

The School and College Liaison team also manages a series of events, encouraging the take up of STEM subjects. Key events in this programme include the Year 10 Girls into STEM residential, supported by the Ford Fund, and the STEM Community Day. Both events offer fun learning activities, inspiring participants to consider studies in this area and reveal the range of career opportunities these subjects unlock.

#### **Financial support**

In addition to raising the aspirations of individuals, the University also works to widen access to higher education by ensuring that finance is not a barrier.

During 2018/19, the Loughborough Scholarship Programme awarded over £4.7m in bursaries and tuition fee waivers – providing support to a total of 2,322 undergraduate students. Of these students, 2,135 received a bursary. The other 187 were either EU students, on placement or both, therefore eligible for fee waivers only. The total amount awarded through the programme in bursaries was almost £4.0m, with an average award per student of £1,858. A further £0.8m was awarded in tuition fee waivers, providing support to 404 students.

An additional 185 students benefited from a further £1.0m, awarded in bursaries through other support programmes including our Development Trust Scholarships, Elite Sports FY Bursaries, PGCE Travel Bursaries, Ford Blue Oval Scholarships and bursaries for unpaid placement.

At postgraduate level, 854 students based on our Loughborough campus received scholarships totalling more than £2.4m. These figures only include the amount funded by the University.

A total of 363 scholarships were offered to students starting

at our London campus in September 2019 – including UK, EU, and international, full-time and part-time students – through a range of scholarships with a combined value of over £1.5m.

Continuing our support at postgraduate level, 211 new postgraduate research students received a full or partial scholarship funded by the Doctoral College in 2018/19. The annual investment is £9.0m, distributed across UK/EU and international researchers. In support of widening access to postgraduate education, the Doctoral College also advertised 239 funded studentships.

#### **Development opportunities**

Central to the Loughborough experience are the wide range of curricular and extra-curricular opportunities we offer, helping our students to achieve their full potential; professionally, personally and academically. Encouraging them to get involved in development activities also benefits many other people.

#### **Employable graduates**

These development opportunities build on our students' skills and knowledge to improve their employability, ultimately influencing the businesses and organisations they work for as well as their contribution to society.

Loughborough is ranked number one in the UK for employer-student connections (QS Graduate Employability Rankings 2020) and – according to leading national press league tables – we are consistently amongst the top 10 in the UK for graduate prospects.

#### **Work placements**

The University offers all undergraduate students, as part of their studies, the chance to complete a year's work placement in industry. During the 2018/19 academic year, over 1,770 students did so, working with more than 1,140 companies.

A variety of other work-related opportunities are available to undergraduate and postgraduate students not able to complete a full year's placement.

Our central Employer Engagement team continues to extend the range of services for businesses designed to deliver positive outcomes and proactive relationships across the University.

#### **Enterprise**

Enterprise enhances the impact and delivery of public benefit within both our research and teaching, by connecting the work we do with the outside world across industry, public bodies and charities. The impact can be localised but significant, linking to global issues such as reducing pollution and improving human health.

#### **Students in enterprise**

Opportunities to engage in enterprise are embedded within our teaching curriculum as well as the student experience. These opportunities prepare students for the workplace, enhancing their employability and supporting them in starting their own business – ultimately, boosting the economy.

After launching on our East Midlands campus in October 2017, the Loughborough Enterprise Network (LEN) – a unique partnership between Loughborough Students' Union and the University that delivers student and graduate activities – was launched on our London campus in early 2019.

The Start-up Lab opened in 2018 and has already helped more than 550 students (Loughborough) and 67 start-ups (London). Its combination of workshops, talks, coaching and funding support the development of new student businesses.

The introduction of initiatives like this, that allow students to hone their entrepreneurial skills, have contributed to a 167% increase in student enterprise engagement over the past four years.

#### **Staff in enterprise**

Our academic staff's engagement in enterprise allows external organisations to tap into relevant expertise and supports opportunities for knowledge exchange. Enterprise collaborations enrich our academics' research and allows them to add real-world relevance to their teaching, enhancing our students' learning experience.

This year, our engagement with external organisations via Knowledge Transfer Partnerships has increased by 300% – delivering lasting impact for the businesses, University and the economy.

#### **Our business in enterprise**

Loughborough University Science and Enterprise Park (LUSEP) offers businesses, from start-ups to global organisations, an unrivalled opportunity to join a dynamic innovation community with a world-class research base and graduate recruitment pipeline. As the UK's largest University Science Park, LUSEP continues to grow and is home to more than 75 companies, employing over 2,200 people – a 27% increase since 2015.

## **Corporate benefit**

### **Corporate social responsibility**

The University is committed to acting in a socially responsible way that maximises its positive impacts. Our strategy confirms this commitment with a promise to embed sustainability and social responsibility in all our processes, operations and developments whilst working closely with local partners to enhance the social, cultural and economic wellbeing of the communities around us.

## **Sustainability**

In providing high-quality educational, research and workplace facilities, we recognise that many of our activities have environmental impacts. We take our responsibility for the environment seriously and understand the need to respond to the challenges faced globally including climate change; human wellbeing; and food, water and energy security. We seek to respond to these opportunities by building on our research and enterprise activities, and aspire to make our campuses living laboratories that demonstrate, operationally, our mission to provide sustainable working and learning environments.

### **Biodiversity**

Our 440-acre Loughborough campus is one of our greatest assets. The green spaces we enjoy contribute to this fact just as much as the incredible facilities we have created, and the campus was awarded the Green Flag award in 2018. Biodiversity is a key element in maintaining this and is an area that staff, students and members of the community are actively encouraged to be involved in. Many of our green spaces are open for everyone to enjoy, and the Sustainability team run a variety of innovative schemes and creative events for the public – including seasonal Fruit Routes programme – which contribute towards the sustainability of our campus.

### **Recycling and waste**

Recycling continues to be a high priority. Currently, more than 75% of our waste is recycled. In October 2018, the University's Sustainability team and Loughborough Students' Union launched the Eco-Friendly Box (EFB) to help tackle campus waste. In the last academic year, over 150,000 single-use takeaway meal boxes were used in our student dining halls. The EFB is now on sale across campus in a bid to reduce this number. The initiative will also save the significant sum of money previously spent on single-use boxes. All savings will be reinvested in improving food provision on campus.

The University is also tackling the issue of single-use disposables with the Let's Ditch the Disposable campaign. This included the introduction of the Loughborough Cup and more recently the rCup which has reduced the number of disposable cups we use on campus every year by 400,000.

In July 2019, with support from Campus Services and LSU's Environmental and Ethical Network, the Sustainability team delivered its first ever Give 'n' Go scheme which encouraged students to donate unwanted items to charity rather than putting them in the general waste. The scheme generated 298 bags of clothes, shoes and accessories which were given to the British Heart Foundation. It also collected 160 duvets, 115 pillows and 50 boxes of kitchen crockery for the Arches and East Midlands Dog Rescue. In addition, 29 crates of food were given to Shepshed Food Bank, along with other donations to a range of local charities and organisations.

### **Travel and transport**

Our Travel Plan continues to promote the health and wellbeing of staff, students and tenants. In February 2019, we launched a new Cycle to Work scheme, giving employees the opportunity to purchase a new bike and cycling equipment at a significantly reduced rate.

## Community

### Staff volunteering

As part of our aim to strengthen relationships with the local community, our employer-supported volunteering policy encourages University employees to get involved within the community and with charitable organisations.

### Community Donations Fund

Each year, the University sets aside a budget for its Community Donations Fund to provide financial support to community groups and organisations. During 2018/19, over £23,900 was donated to 36 projects in Charnwood and East London.

This included the remaining funding needed to build Grange Park Centre, a community facility in the Shelthorpe Ward of Loughborough, which has never had a dedicated community facility like this. The space will provide residents with a venue to access a range of activities including counselling, advice, IT training for older people, parent and toddler groups, fitness and gardening classes, youth clubs and private events.

### Student-led activity

#### LSU Rag and Action

Our students are renowned for their volunteering and fundraising efforts. This year, over 1,474 students were involved in volunteering activity through the LSU's Action group. They completed over 23,500 hours of work for the benefit of local communities. The Rag team raised £1.0m for good causes – the tenth year in a row that more than £1.0m has been raised.

#### Festive spirit

In December, staff, students and members of the community rallied together to donate over 700 toys to Toys on the Table – a charity that ensures Leicestershire children, who would otherwise receive nothing, have presents to open on Christmas Day. Surpassing the initial target of 500 gifts, Operation Jingle Bells set a record for the largest number of toys donated in one campaign. Almost £300 was also raised and used to purchase further gifts.

Meanwhile, Action organised a Christmas food drive, which generated over 12,000 items of food, unwanted clothing and toiletries for Leicestershire charities.

### Charity across campus

Charitable initiatives are important to our partners on campus too. In January 2019, Intelligent Energy, the fuel cell engineering company based on LUSEP, launched their new Charitable Trust and has since donated over £56,000 to charitable groups and organisations in the Charnwood area.

### Awareness raising

#### Lumps and Bumps

In March 2019, the University, LSU and charity CoppaFeel! joined forces to teach 1,157 people self-checking techniques in a bid to improve early detection rates of breast and testicular cancers. The 12-hour event delivered training sessions at various locations across campus.

This event continued previous years' activities which saw staff and students give their time to help save lives, through the Spit Happens and Heart 2 Heart campaigns.

### Recognition in return

In August 2018, at the National Student Fundraising Awards, last year's Valentine's Day event, Heart 2 Heart, was recognised for its incredible success. It was named Campaign of the Year. The highly sought-after national award recognised the effort that went in to training more than 1,000 people in CPR to raise awareness of the British Heart Foundation's vital work and bring the East Midlands' cardiac arrest survival rate of 1/18 in line with the national average of 1/10.

### Economic impact

Based on external evaluation, the University's impact on the economy is around 1.0bn and supports approximately 14,400 full-time equivalent (FTE) jobs.

### Procurement

During 2018/19 the University's other operating expenditure was £100.9m, further highlighting the impact the University has on both the regional and national economy.

We ensure that our procurement processes do not create unnecessary barriers for small and medium-sized enterprises which may deter or inhibit them when our contract opportunities are advertised. In addition, we regularly deliver presentations at local and regional supplier events, explaining how we do business and where to find contract opportunities.

We also work towards sustainable procurement where wider social, economic and environmental benefits can be gained through our procurement contracts. We are committed to ensuring our practices do not support organisations or individuals who engage in slavery and human trafficking.

# STATEMENT OF CORPORATE GOVERNANCE

The following statement is given to assist readers of the Financial Statements to obtain an understanding of the governance procedures applied by the University Council (Council).

The Royal Charter sets out the objectives which form the University's charitable purpose:

*"to advance knowledge, wisdom, understanding and professional competence through teaching, research and collaboration with industrial and other bodies and to develop the character of its students by virtue of its corporate life"*.

The University is committed to observing good practice in all aspects of Corporate Governance. Council last undertook a review of its own effectiveness in 2016/17 and during 2017/18 made a number of changes to its operations, in particular to enhance the quality of information available to Council members. Council initiated an effectiveness review of the Senate in 2017/18 which enabled it to satisfy itself that arrangements for academic governance were generally in good health. A number of specific recommendations for further enhancement of Senate's operations arising from the review were implemented in 2018/19.

The University has continued to keep its compliance with the Higher Education Code of Governance published by the Committee of University Chairs (CUC) in December 2014 (revised 2018) under review, along with CUC's guidance in relation to senior staff remuneration (published June 2018).

Prior to the outcomes of the 2016/17 effectiveness review of Council, this report noted that the size of Council exceeded the number of members recommended in the CUC Code on the grounds that this enabled greater involvement, particularly by staff. However, as part of the follow up discussions to that review, Council concluded on balance that a smaller size would bring benefits without a substantial negative impact. Proposals for a reduction in its size to 23 members, in line with the CUC Code, were agreed in principle during 2017/18. Work has since been initiated in 2018/19 to formalise this reduction in size through amendments to the University's Charter, Statutes and Ordinances. As part of this work, the opportunity has also been taken to modernise, simplify and update the Statutes and Ordinances relating to both Council and Senate. These various amendments have been approved in principle by Council and Senate and will be submitted to the Privy Council for formal approval in 2019/20. In addition, the members of Council, i.e. the trustees of the University, have had due regard to the Charity Commission's guidance on charitable purpose and public benefit.

## The University's Structure of Corporate Governance

The operation of the University is governed by its Charter, Statutes, Ordinances and Regulations.

The Council, the governing body of the University, comprises independent (lay), academic staff, non-academic staff and student members appointed or elected under the Statutes and Ordinances of the University, the majority of whom are non-executive. The role of Chair of the Council is separated from the role of the University's chief executive, the Vice-Chancellor.

In accordance with the CUC Code (2014, revised 2018), Council has published a list of its primary responsibilities and these include the ongoing strategic direction of the University and approval of major developments. With the implementation of the Higher Education and Research Act (2017) the University has undertaken the process for full registration as a higher education provider with the Office for Students. Along with its own governing instruments, this means that final decision-making on certain key matters is specifically reserved for Council. Council meets at least four times a year and is advised by the Senate on academic issues.

The University also has the status of an exempt charity. This means that members of Council have the responsibilities of charity trustees in relation to ensuring the institution's work is for the public benefit and that it complies with Charity Commission expectations.

Both Council and Senate conduct their routine business through a committee structure; some of the committees are jointly composed. This structure is kept under regular review and the sub-committees reflect regularly on their own effectiveness.

The financial management of the University rests with the Operations and Finance committees. The Operations Committee, comprising executive officers, has responsibility for the integration of academic, financial and physical planning and the allocation of resources to academic Schools and Professional Services. The Operations Committee monitors the budget holders on a regular basis. Finance Committee is responsible for advising Council on both the University's financial strategy and treasury management; the Committee is chaired by the Vice-Chancellor and comprises executive officers and lay members of Council.

The external auditors address their report on the Financial Statements to Council through the Audit Committee which comprises lay (independent) members of Council, who are not otherwise involved in the management of the University, and other independent persons appointed by Council. Both internal and external auditors report to the Audit Committee on a regular basis. The Committee considers their detailed reports together with any recommendations on the systems and controls in operation. The operation of the Committee pays due regard to the terms of the University's registration with the Office for Students. The Committee appoints the internal auditors whilst Council appoints the external auditors.

Both internal and external auditors have direct access to the Chair of Council, the Chair of Audit Committee and the Vice-Chancellor at any time.

The Nominations Committee of Council is chaired by the Chair of Council and includes lay members, academic members and the Vice-Chancellor with lay members in the majority. Its role is to make recommendations to Council on the appointment of senior lay officers (excluding the Chair of Council) and on the appointment of other lay members of Council as well as advise on other matters related to lay contributions to the governance of the University.

The Remuneration Committee of Council, which is composed of lay members and is chaired by the Chair of Council, determines the remuneration of professorial and senior administrative staff. The Deputy Chair of Council takes the chair for consideration of the Vice-Chancellor's remuneration. The Committee's operations were reviewed carefully in light of the additional CUC guidance on senior staff remuneration issued in June 2018.

## Internal control and management of risk

The Council, as the governing body of Loughborough University, has responsibility for maintaining a sound system of internal control that supports the achievement of strategic objectives, whilst safeguarding the public and other funds and assets for which it is responsible, in accordance with the responsibilities assigned to the governing body in the Charter, Statute XIII and the terms of registration with the Office for Students.

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

The system of internal control is based on an ongoing review 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. This process has been in place for the year ended 31 July 2019 and up to the date of approval of the Financial Statements, and accords with the Office for Students guidance.

The University maintains a strategic risk register which is aligned with the University strategy Building Excellence.

Risk management processes and procedures continue to evolve with input from our internal auditors with all work being overseen by the Audit Committee.

Council, both directly and through its committees, is responsible for ensuring the delivery of value for money, defined as economical, effective and efficient use of resources.

Council is responsible for the safeguarding of assets and oversight of systems to prevent and detect fraud.

The system of internal control provides for a comprehensive financial planning process, assessment of income, expenditure, capital and cash flow budgets during the year and periodic review of management information including the reporting of material variances and the projection of out-turn for the year.

On behalf of Council, the Audit Committee monitors the effectiveness of control, governance, the management of risk and gains assurance on the University's arrangements to secure value for money and data quality. It receives regular reports from the internal auditors, and where relevant, the external auditors. Periodic reports concerning internal control are received by Council from the Audit Committee.

Reports on the progress on key projects and regular reports from senior management on the steps they are taking to manage risks in their area of responsibility are received by the Council and its principal committees.

## Going concern

Council is satisfied that the University and its subsidiary companies have adequate resources to continue in operation for the foreseeable future and for a period of not less than twelve months from the date of this report. The Operations Committee, Finance Committee and Council have reviewed the University's financial forecast for the period to November 2020 and have a reasonable expectation that the University has adequate resources to continue operations for its foreseeable future.

Following a review of our corporate structure, the decision was taken to reduce the number of subsidiary companies. Consequently, the Financial Statements for Loughborough University Development Trust have been prepared on the basis other than that of a going concern. The Financial Statements of the University, the remaining subsidiaries and the consolidated group have been prepared on a going concern basis.

## The Visitor

**Visitor**

Paul Michell

## Officers of the University

The University's formal principal officer is its Chancellor, who has responsibility for conferring Loughborough's academic awards at congregations and plays an important role in the advancement of the University. The Lord Coe CH KBE (Sebastian Coe), formerly a Pro-Chancellor, was installed as Chancellor in July 2017.

The Senior Pro-Chancellor, Sir Peter Bonfield, serves as the Chair of Council and also chairs the Nominations and Remuneration Committees.

The day-to-day running of the University is the responsibility of the Vice-Chancellor and President, who is the academic and executive head and the accountable officer to the Office for Students.

<b>The Chancellor</b>	Lord Sebastian Coe
<b>The Senior Pro Chancellor (Chair)</b>	Sir Peter Bonfield
<b>The Pro Chancellors</b>	Alan Hughes Ann Greenwood
<b>Honorary Treasurer</b>	Alan Hughes
<b>The Vice-Chancellor</b>	Professor Robert Allison
<b>Deputy Vice-Chancellor &amp; Provost</b>	Professor Chris Linton
<b>Pro Vice-Chancellor (Teaching)</b>	Professor Rachel Thomson
<b>Pro Vice-Chancellor (Research)</b>	Professor Steve Rothberg
<b>Pro Vice-Chancellor (Enterprise)</b>	Professor Tracy Bhamra
<b>Chief Operating Officer</b>	Richard Taylor
<b>Director of Finance</b>	Andy Stephens

## Chairs of Key Committees

<b>Council</b>	Sir Peter Bonfield
<b>Senate</b>	Professor Robert Allison
<b>Remuneration Committee</b>	Sir Peter Bonfield <i>For matters relating to the Vice-Chancellor's remuneration the committee is chaired by Alan Hughes</i>
<b>Finance Committee</b>	Professor Robert Allison
<b>Audit Committee</b>	Ann Greenwood

## Members of the University Council

*who served during 2018/19 and up to 21 November 2019*

<b>The Chancellor</b>	Lord Sebastian Coe
<b>The Senior Pro Chancellor (Chair)</b>	Sir Peter Bonfield
<b>The Pro Chancellors</b>	Alan Hughes <i>(Deputy Chair)</i> Ann Greenwood
<b>Honorary Treasurer</b>	Alan Hughes
<b>The Vice-Chancellor</b>	Professor Robert Allison
<b>Provost</b>	Professor Chris Linton
<b>Appointed by the Alumni Association</b>	Paul Drummond <i>(until 31 July 2019)</i> Oliver Sidwell <i>(from 1 August 2019)</i>
<b>Appointed by the Students' Union</b>	Salomé Doré <i>(from 1 August 2019)</i> Darcey Dunne <i>(from 1 August 2019)</i> Rahul Mathasing <i>(until 31 July 2019)</i> Rory Pears <i>(until 31 July 2019)</i>

## Members of the University Council (continued)

<b>Elected by the Senate</b>	Dr Alexandre Zagoskin Professor Sergey Saviliev <i>(until 31 July 2019)</i> Professor Claudia Eberlein <i>(from 1 August 2019)</i>
<b>Elected by the General Assembly</b>	Professor Eleonora Belfiore Professor Marsha Meskimmon Professor Heike Jons <i>(until 31 July 2019)</i>
<b>Other elected members</b>	Jane McCormack <i>(until 31 July 2019)</i> Pauline Matturi <i>(from 1 August 2019)</i>
<b>Co-opted members</b>	John Sinnott Jean Tomlin <i>(until 11 October 2018)</i> Peter Saraga Tony Williams Sally-Ann Hibberd Jane Tabor Steve Varley Paul Hodgkinson Jennifer Maxwell-Harris Andrew Fisher <i>(from 1 April 2019)</i>

## Key Advisers

<b>External auditor</b>	KPMG LLP
<b>Internal auditor</b>	PwC LLP

# STATEMENT OF THE RESPONSIBILITIES OF COUNCIL

The University Charter establishes Council as the Governing Body of the University, subject to other terms of the Charter and the Statutes, and its responsibility for:

1. General control over the University and all its affairs, purposes and functions.
2. The management and administration of the revenue and property of the University.
3. The custody and use of the Common Seal of the University.

The Council has identified a number of primary responsibilities arising from these general duties under the Charter, which are consistent with the functions of Council noted in Section 6 of Statute XIII:

1. To approve the mission and strategic vision of the University, long-term academic and business plans and key performance indicators, and to ensure that these meet the interests of stakeholders.
2. To approve the annual budget and Financial Statements, to ensure the establishment and monitoring of systems of control and accountability, including financial and operational controls and risk assessment, and procedures for handling internal grievances and for managing conflicts of interest.
3. To ensure processes are in place to monitor and evaluate the performance and effectiveness of the University against the plans and approved key performance indicators, which should be, where possible and appropriate, benchmarked against other comparable institutions.
4. To appoint the Vice-Chancellor as chief executive and principal Academic and Administrative Officer of the University, in accordance with paragraph 7 of the Charter, and to put in place suitable arrangements for monitoring his/her performance.
5. To delegate authority to the Vice-Chancellor for the appointment of University nominees to the boards of public bodies, limited companies and other institutions.
6. To establish processes to monitor and evaluate the performance and effectiveness of Council itself.
7. To conduct its business in accordance with best practice in higher education, corporate governance and with the principles of public life drawn up by the Committee on Standards in Public Life.
8. To safeguard the good name and values of the University.
9. To appoint the Secretary to Council, and to ensure that, if he/she has managerial responsibilities in the University, there is an appropriate separation in the lines of accountability.
10. To be the employing authority for all staff in the University and to be responsible for establishing a human resources strategy.
11. To be the principal financial and business authority of the University, to ensure that proper books of account are kept, and to have overall responsibility for the University's assets, property and estate.
12. To be the institution's legal authority and, as such, to ensure that systems are in place for meeting all the institution's legal obligations, including those arising from contracts and other legal commitments made in the institution's name.
13. To make such provision as it thinks fit for the general welfare of students, in consultation with Senate.
14. To ensure that the University's Charter, Statutes and Ordinances are followed at all times and that appropriate advice is available to enable this to happen.

It follows from the above that Council is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the University and its subsidiary companies and enable it to ensure that the Financial Statements are prepared in accordance with the relevant parts of the Royal Charter, company law, the Statement of Recommended Practice on Accounting for Further and Higher Education and other Accounting Standards.

In addition, within the terms and conditions of funding for higher education institutions between the Office for Students and the terms and conditions of Research England Grant the University, through its accountable officer, is required to prepare Financial Statements for each financial year which give a true and fair view of the state of affairs of the University and its subsidiary companies and of the surplus or deficit and cash flows of the University and its subsidiary companies for that year.

In preparing the Financial Statements, Council has to ensure that:

- suitable accounting policies are selected and applied consistently
- judgements and estimates are made that are reasonable and prudent
- applicable Accounting Standards have been followed
- the going concern basis is used unless it is inappropriate to presume that the University will continue in operation.

Council has taken reasonable steps to:

- ensure that funds from the Office for Students (OfS) and Research England are used only for the purposes for which they have been given and in accordance with the terms of conditions of funding for higher education institutions and the terms and conditions of Research England Grant respectively, and any other conditions which OfS/Research England may from time to time prescribe
- ensure that income from the Department for Education is applied for the purpose for which it has been received and in accordance with the funding agreement with the Department
- ensure that income from the Education & Skills Funding Agency and research councils is applied for the purpose for which it has been received and in accordance with the funding agreement with the relevant body
- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources
- safeguard the assets of the University and its subsidiary companies and prevent and detect fraud, and
- secure the economical, efficient and effective management of the resources and expenditure of the University and its subsidiary companies.

**21 November 2019**  
**Sir Peter Bonfield**  
**Chair of Council**

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE COUNCIL OF LOUGHBOROUGH UNIVERSITY

## Report on the audit of the Financial Statements

### Opinion

We have audited the Financial Statements of Loughborough University ("the University") for the year ended 31 July 2019 which comprise the Consolidated and University Statement of Comprehensive Income and Expenditure, the Consolidated and University Statement of Changes in Reserves, the Consolidated and University Balance sheet, the Consolidated Cash Flow Statement and related notes, including the Statement of Principal Accounting Policies.

In our opinion the Financial Statements:

- give a true and fair view of the state of the Group's and the University's affairs as at 31 July 2019, and of the Group's and the University's income and expenditure, gains and losses and changes in reserves, and of the Group's cash flows, for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, and with the 2015 *Statement of Recommended Practice – Accounting for Further and Higher Education*; and
- meet the requirements of the Accounts Direction dated 19 June 2018 issued by the Office for Students.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the Financial Statements. All audits assess and challenge the reasonableness of estimates made by the directors and related disclosures and the appropriateness of the going concern basis of preparation of the Financial Statements. All of these depend on assessments of the future economic environment and the Group's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the Group's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for an association and this is particularly the case in relation to Brexit.

### Going concern

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

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the Financial Statements. In our evaluation of the Council's conclusions, we considered the inherent risks to the Group's business model, including the impact of Brexit, and analysed how those risks might affect the Group and the University's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group or the University will continue in operation.

### Other information

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

Our responsibility is to read the other information and, in doing so, consider whether, based on our Financial Statements audit work, the information therein is materially misstated or inconsistent with the Financial Statements or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

## Council responsibilities

As explained more fully in their statement set out on page 23, the Council is responsible for: the preparation of the Financial Statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent 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 it either intends to liquidate the Group or the parent University or to cease operations, or has no realistic alternative but to do so.

## Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

## Report on other legal and regulatory requirements

We are required to report on the following matters under the Office for Students and Research England Audit Codes of Practice issued under the Further and Higher Education Act 1992.

In our opinion, in all material respects:

- funds from whatever source administered by the Group or the University for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- funds provided by the Office for Students and Research England have been applied in accordance with these conditions and the terms and conditions attached to them.

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

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

**Mark Dawson**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*  
 One Snow Hill  
 Snowhill Queensway  
 Birmingham  
 B4 6GH



---

# Financial Statements 2018/19

---

# STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

## 1. General information

Loughborough University is an independent corporation established by Royal Charter and has the status of an exempt charity which is regulated by the Office for Students (OfS).

## 2. Statement of compliance

These Financial Statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education (2015) and in accordance with Financial Reporting Standard 102 (FRS102). They have also been prepared in accordance with the 'carried forward' powers and duties of previous legislation (Further and Higher Education Act 1992 and the Higher Education Act 2004) and the new powers of the Higher Education and Research Act 2017 during the transition period to 31 July 2019, the Royal Charter, the Accounts Direction issued by the Office for Students (OfS), the terms and conditions of funding for higher education institutions issued by the Office for Students and the terms and conditions of Research England Grant.

The University is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS102.

## 3. Basis of preparation

The Financial Statements are prepared in accordance with the historical cost convention (modified by the revaluation of certain fixed assets and derivative financial instruments).

The Financial Statements are prepared in sterling which is the functional currency of the group and rounded to the nearest £'000.

## 4. Exemptions under FRS102

The University meets the definition of a qualifying entity under FRS102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate Financial Statements. Exemption has been taken in these separate company Financial Statements in respect of presentation of a cash flow statement.

## 5. Basis of consolidation

The consolidated Financial Statements combine the Financial Statements of the University and all its subsidiary undertakings for the financial year to 31 July 2019. Intra-group transactions are eliminated on consolidation. Gains or losses on any intra-group transactions are eliminated in full. Amounts in relation to debts and claims between undertakings included in the consolidation are also eliminated.

The consolidated Financial Statements do not include the accounts of Loughborough Students' Union, as it is a separate body over which the University does not exert control and nor does it have dominant influence over policy and operational decisions.

## 6. Recognition of income

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

### Tuition fees

Tuition fee income is recognised over the period of study to which the fee relates. Where the amount of the tuition fee is reduced by a discount, income receivable is shown net of the discount. Bursaries and scholarships are accounted for gross as expenditure and not deducted from income.

### Grant funding

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

Capital grants are recognised in income when the University is entitled to the funds and any performance related conditions have been met.

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

### Other income

Income, from trading activities, is recognised when the goods or services are supplied to the customers or the terms of the contract have been satisfied. Investment income is recognised on a receivable basis.

### Donations and endowments

Resources received from non-government bodies as part of a non-exchange transaction will either be treated as a donation, or as an endowment in the event the donor either wishes an endowment fund to be established, or places sufficiently large restrictions on expenditure such that the funds will need to be retained over an extended period.

Donations are recognised as income when the University is entitled to the funds and any performance related conditions have been met. Where income is received in advance of performance related conditions being met, it is recognised as deferred income within creditors on the Balance Sheet and released to income as the conditions are met.

Where a donor imposes restriction on the use of the donated resources, income is retained within a restricted reserve until such time as expenditure is incurred in accordance with the restrictions. Donations with no restrictions are recognised in income when the University is entitled to the funds.

Endowment income is recognised on entitlement to the income. The income is retained within an endowment reserve until such time as expenditure is incurred in accordance with the restrictions of the endowment. Endowments are classified as either a permanent endowment, when the donor specifies that the capital is to be retained for the benefit of the institution, or as an expendable endowment where no such requirement exists.

Investment income received on endowments and restricted funds is recorded as income in the year in which it arises, and is held in the restricted or endowment reserve to the extent it has not been spent in line with restrictions of the donation

or endowment. Investment gains and losses on endowment funds invested for the longer term are recognised in surplus or deficit and are credited/debited to the capital portion of the endowment reserve.

## 7. Pension schemes

The University participates in the Universities Superannuation Scheme (USS), the Local Government Pension Scheme (LGPS) and the Teachers' Pensions Scheme (TPS).

The USS scheme is a hybrid pension scheme, providing defined benefits (for all members), as well as defined contribution benefits. The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the assets are not attributed to individual institutions and a scheme-wide contribution rate is set. The institution is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. As required by Section 28 of FRS 102 "Employee benefits", the institution therefore accounts for the scheme as if it were a wholly defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme. Since the institution has entered into an agreement (the Recovery Plan) that determines how each employer within the scheme will fund the overall deficit, the institution recognises a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and therefore an expense is recognised.

The TPS is a multi-employer defined benefit scheme for which it is not possible to identify the assets and liabilities attributable to University members and therefore is accounted for as a defined contribution retirement benefit scheme. Contributions made are recognised as an expense in surplus or deficit in the periods during which services are rendered by employees. TPS is valued every five years by the Government Actuary. It is an unfunded scheme and contributions are made at the rate set by the Government Actuary.

The LGPS is a defined benefit scheme which is externally funded.

### Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

### Multi-employer schemes

Where the Institution is unable to identify its share of the underlying assets and liabilities in a multi-employer scheme on a reasonable and consistent basis, it accounts as if the scheme were a defined contribution scheme. Where the Institution has entered into an agreement with such a multi-employer scheme that determines how the Institution will contribute to a deficit recovery plan, the Institution recognises a liability for the contributions payable that arise from the agreement, to the extent that they relate to the deficit, and the resulting expense is recognised in expenditure.

### Defined benefit schemes

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

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

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

Annually the Institution engages independent actuaries to calculate the obligation for each scheme. The present value is determined by discounting the estimated future payments at a discount rate based on market yields on high quality corporate bonds denominated in sterling with terms approximating to the estimated period of the future payments. The fair value of a scheme's assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the Institution's policy for similarly held assets. This includes the use of appropriate valuation techniques. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as actuarial gains and losses.

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

## 8. Employment benefits

Short term employment benefits such as salaries and compensated absences are recognised as an expense in the year in which the employees render service to the University.

Any unused benefits are accrued and measured as the additional amount the University expects to pay as a result of the unused entitlement.

## 9. Finance leases

Leases in which the University assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Leased assets acquired by way of finance lease and the corresponding lease liabilities are initially recognised at an amount equal to the lower of their fair value and the present value of the minimum lease payments at the inception of the lease.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability.

The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

## 10. Service concession arrangements

Fixed assets held under service concession arrangements are recognised on the Balance Sheet at the present value of the minimum lease payments when the assets are brought into use with a corresponding financial liability. The assets are depreciated over the life of the arrangement.

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

## 11. Operating leases

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

## 12. Land and buildings

Land held at 31 July 2014 is stated at deemed cost which is equivalent to the market value on this date. Land additions since 31 July 2014 are stated at cost.

Buildings are capitalised at cost on initial recognition or, in the case of buildings acquired as a result of the merger with Loughborough College of Art & Design, at valuation: the basis of valuation is depreciated replacement cost and the valuation on 31 July 1998 was performed by GVA Grimley, International Property Advisors. Improvements to buildings and long-term maintenance projects with a value in excess of £50,000 are capitalised, to the extent that they increase the expected future benefits to the Institution.

After initial recognition land and buildings are subsequently measured at cost/deemed cost less accumulated depreciation and accumulated impairment losses.

Freehold land is not depreciated as it is considered to have an indefinite useful life. Freehold buildings are depreciated on a straight-line basis over their expected useful lives as follows:

- Freehold buildings between ten and sixty years depending on the method of construction used.
- Leasehold land and buildings – lifetime of the lease up to a maximum of sixty years.

No depreciation is charged on assets in the course of construction. Depreciation is charged from the year of completion and is calculated based on the remaining life of the improved building or building related plant. Where an item of land and buildings comprise two or more major components with substantially different useful economic lives (UELs), each component is accounted for separately and depreciated over its individual UEL. Expenditure relating to subsequent replacement of components is capitalised as incurred.

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

## 13. Fixtures, fittings, plant and equipment

All such items, where the cost is less than £20,000 per individual item or group of related items, are recognised as an expense in the year of acquisition. All other items are capitalised.

Items are stated at cost and depreciated over their expected useful life, as follows:

- Computer equipment – between 4 and 7 years
- Equipment acquired for specific research projects – project life (generally 3 years)
- Motor vehicles and other equipment – 4 years
- Plant, furniture and fixtures – between 5 and 25 years

## 14. Borrowing costs

Borrowing costs are recognised as expenditure in the period in which they are incurred.

## 15. Heritage assets

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

Works of art and other valuable artefacts valued at over £10,000 have been capitalised and recognised at the cost or value of the acquisition, where such a cost or valuation is reasonably obtainable. Heritage assets are not depreciated since their long economic life and high residual value mean that any depreciation would not be material. The assets are subject to an annual impairment review in accordance with applicable accounting standards.

## 16. Investment properties

Investment property is land or a building, or part of a building, or both held for rental income and/or capital appreciation rather than for use in delivering services. Mixed use property is separated between investment property and property, plant and equipment

Investment properties are initially measured at cost and then subsequently at fair value at the end of each reporting date, with changes in fair value recognised immediately in the Surplus or Deficit for the year.

## 17. Stocks

Stocks of goods are stated at the lower of cost and net realisable value.

## 18. Cash and cash equivalents

Cash includes cash in hand and deposits repayable on demand. Deposits are repayable on demand if they are in practice available within 24 hours without penalty.

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

## 19. Foreign currency transactions

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 at year-end rates.

The resulting exchange differences are recorded in surplus or deficit for the financial year.

## 20. Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial liabilities are classified according to the substance of the contractual arrangements entered into.

### (i) Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through surplus or deficit, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction.

If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the following conditions are subsequently measured at amortised cost using the effective interest method:

- a) The contractual return to the holder is (i) a fixed amount; (ii) a positive fixed rate or a positive variable rate; or (iii) a combination of a positive or a negative fixed rate and a positive variable rate.
- b) The contract may provide for repayments of the principal or the return to the holder (but not both) to be linked to a single relevant observable index of general price inflation of the currency in which the debt instrument is denominated, provided such links are not leveraged.
- c) The contract may provide for a determinable variation of the return to the holder during the life of the instrument, provided that
  - i. the new rate satisfies condition (a) and the variation is not contingent on future events other than (1) a change of a contractual variable rate; (2) to protect the holder against credit deterioration of the issuer; (3) changes in levies applied by a central bank or arising from changes in relevant taxation or law; or
  - ii. the new rate is a market rate of interest and satisfies condition (a).
- d) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.
- e) Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in levies applied by a central bank or arising from changes in relevant taxation or law.

- f) Contractual provisions may permit the extension of the term of the debt instrument, provided that the return to the holder and any other contractual provisions applicable during the extended term satisfy the conditions of paragraphs (a) to (c).

Debt instruments that are classified as payable or receivable within one year on initial recognition and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

Other debt instruments not meeting these conditions are measured at fair value through surplus or deficit.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Group transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Group, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires.

### (ii) Investments

Investments in non-convertible preference shares and nonputtable ordinary or preference shares (where shares are publicly traded or their fair value is reliably measurable) are measured at fair value through surplus or deficit. Where fair value cannot be measured reliably, investments are measured at cost less impairment.

In the University Balance Sheet, investments in subsidiaries and associates are measured at cost less impairment.

### (iii) Derivative financial instruments

The Group uses derivative financial instruments to reduce exposure to interest rate movements. The Group does not hold or issue derivative financial instruments for speculative purposes.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in surplus or deficit.

### (iv) Fair value measurement

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

## 21. Provisions, contingent liabilities and contingent assets

Provisions are recognised in the Financial Statements when:

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

The amount recognised as a provision is determined by discounting the expected future cash flows at a pre-tax rate that reflects risk 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 Balance Sheet but are disclosed in the notes.

## 22. Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each Balance Sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

### Non-financial assets

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

### Financial assets

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

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

## 23. Taxation status

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

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

The University's subsidiaries are liable to Corporation Tax in the same way as any other commercial organisation.

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

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

## 24. Reserves

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

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

## 25. Critical accounting judgements and key sources of estimation uncertainty

In the application of the University's accounting policies, which are described in points 1 to 21 above, it is necessary to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### Critical judgements in applying the University's accounting policies

The following are the judgements, apart from those involving estimations (which are dealt with separately below), that have been taken in the process of applying the University's accounting policies and that have the most significant effect on the amounts recognised in the Financial Statements.

#### Revenue recognition

In the operating of performance model for government grants and non-exchange transactions, agreements with funders are evaluated for performance conditions, and revenue is recognised when these conditions are judged to have been met.

#### Investment property

The University has reviewed all rental generating properties in line with the accounting policy for investment properties. As part of this process management has evaluated whether an asset is held for the furtherance of the University's enterprise objectives (which form part of the University's core operations), or whether it is held primarily for the generation of rental income (and so represents an investment property).

### Service concession arrangements

In determining which operations involving third party operators should be accounted for as service concession arrangements, the agreements with the third party operators are reviewed to identify those that meet the relevant conditions outlined in section 34 of FRS102.

### Key sources of estimation uncertainty

The following are the key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

#### Pensions – USS

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

USS is valued every three years by professionally qualified independent actuaries, and a liability is recorded within provisions for any contractual commitment to fund past deficits within the USS scheme. During the year, the 2017 valuation was completed and details of the outcome of this are included in notes 19 and 23 to the Financial Statements. As part of the 2017 valuation outcome the deficit recovery plan enacted as part of the 2014 actuarial valuation was amended, with employers now required to contribute 5.0% (2014 scheme: 2.1%) of salaries towards repairing the deficit over the period to 2034 (2014 plan period to 2031). Details of this provision, which has been discounted at a rate of 1.62% (2018: 2.21%) as at 31 July 2019, are included in note 23 to the Financial Statements.

The sensitivity of the principal assumptions used to measure the USS deficit provision are set out below:

#### Change to current position at 31 July 2019

0.5% pa decrease in discount rate	£3.4m
0.5% pa increase in salary inflation over duration	£3.4m
0.5% pa increase in salary inflation year 1 only	£0.4m
0.5% increase in staff changes over duration	£3.5m
0.5% increase in staff changes year 1 only	£0.4m
1% increase in deficit contributions from April 2020	£15.6m
1 year increase in term	£4.8m

In addition to the conclusion of the 2017 valuation, during the year USS have commenced a further 2018 actuarial valuation which had not concluded at the date of these Financial Statements. Further details of the progress and potential impact of this valuation are given in note 30 to the Financial Statements.

### Pensions – LGPS

The LGPS deficit is sensitive to the actuarial assumptions used. The assumptions are set following advice received from a qualified actuary. The following table highlights the sensitivities regarding the principal assumptions used to measure the scheme liabilities. The carrying value of the net defined benefit obligation in respect of the scheme at 31 July 2019 is £76.5m (2018: £58.m).

Change in assumptions at 31 July 2019	Approximate increase in scheme liabilities	
	%	£'000
0.5% decrease in Real Discount Rate	11	29,096
0.5% increase in Salary Increase Rate	1	3,081
0.5% increase in Pension Increase Rate	9	22,557

### Market value of investment properties

In determining the market value of the University's investment properties, valuations have been performed by professionally qualified valuers using assumptions determined using market standard methodology. However should any of these assumptions be incorrect this could have a significant impact on the valuation of these properties.

### Useful lives of tangible fixed assets

Tangible fixed assets represent a significant proportion of the University's total assets (31 July 2019: 80%, 2018: 76%). Therefore the estimates of the useful lives over which these assets are depreciated could have a significant impact on the University's financial performance. The useful lives and residual values of the University's assets are determined at the time the asset is acquired or construction is completed, and these are based on historical experience with similar assets as well as anticipation of future events which may impact their life such as expiry of leases. Historically, disposal of assets at the end of their lives has not resulted in material loss on disposal charges.

# CONSOLIDATED AND UNIVERSITY STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE

Year ended 31 July 2019

	Notes	Year ended 31 July 2019		Year ended 31 July 2018	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>Income</b>					
Tuition fees and education contracts	1	163,832	163,832	152,130	152,130
Funding body grants	2	36,076	36,076	38,050	38,050
Research grants and contracts	3	38,927	38,927	41,892	41,892
Other income	4	70,473	62,182	67,018	58,884
Investment income	5	621	606	574	538
<b>Total income before donations and endowments</b>		<b>309,929</b>	<b>301,623</b>	299,664	291,494
Donations and endowments	6	1,887	1,801	1,146	1,023
<b>Total income</b>		<b>311,816</b>	<b>303,424</b>	300,810	292,517
<b>Expenditure</b>					
Staff costs	7	221,281	217,005	161,369	157,305
Other operating expenses		100,868	98,064	104,158	102,028
Depreciation	11	28,174	27,220	23,949	23,176
Interest and other finance costs	8	5,830	5,830	6,023	6,023
<b>Total expenditure</b>	9	<b>356,153</b>	<b>348,119</b>	295,499	288,532
<b>Surplus before other gains and losses</b>		<b>(44,337)</b>	<b>(44,695)</b>	5,311	3,985
Gain on disposal of fixed assets		837	837	154	154
(Loss)/gain on investments		521	225	(23)	(48)
Gain on sale of subsidiary		-	-	762	683
<b>Surplus before tax</b>		<b>(42,979)</b>	<b>(43,633)</b>	6,204	4,774
Taxation	10	(261)	-	(54)	-
<b>Surplus for the year</b>		<b>(43,240)</b>	<b>(43,633)</b>	6,150	4,774
Actuarial (loss)/gain in respect of pension schemes	23	(12,937)	(12,937)	16,305	16,305
Gift aid received from subsidiaries		-	1,575	-	-
Transfer of reserves from subsidiary		-	86	-	2,120
<b>Total comprehensive income for the year</b>		<b>(56,177)</b>	<b>(54,909)</b>	22,455	23,199
Represented by:					
Endowment comprehensive income for the year		70	70	349	349
Restricted comprehensive (expenditure)/income for the year		1,276	1,276	(2,231)	(732)
Unrestricted comprehensive income for the year		(57,523)	(56,255)	24,337	23,582
		<b>(56,177)</b>	<b>(54,909)</b>	22,455	23,199

All items of income and expenditure relate to continuing activities.

## CONSOLIDATED AND UNIVERSITY BALANCE SHEET

as at 31 July 2019

	Notes	as at 31 July 2019		as at 31 July 2018	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>Non-current assets</b>					
Fixed assets	11	483,942	469,949	465,020	452,011
Heritage assets	12	1,165	1,165	1,165	1,165
Investments	14	22,103	41,514	21,637	41,203
		<u>507,210</u>	<u>512,628</u>	<u>487,822</u>	<u>494,379</u>
<b>Current assets</b>					
Stock		610	562	566	527
Trade and other receivables	15	30,267	31,675	33,777	33,401
Investments	16	2,500	2,500	20,000	20,000
Cash and cash equivalents		67,741	66,079	65,835	63,554
		<u>101,118</u>	<u>100,816</u>	<u>120,178</u>	<u>117,482</u>
Less:					
Creditors: amounts falling due within one year	17	(74,887)	(73,284)	(82,681)	(80,830)
		<u>26,231</u>	<u>27,532</u>	<u>37,497</u>	<u>36,652</u>
<b>Net current assets</b>					
		<u>26,231</u>	<u>27,532</u>	<u>37,497</u>	<u>36,652</u>
<b>Total assets less current liabilities</b>		<u>533,441</u>	<u>540,160</u>	<u>525,319</u>	<u>531,031</u>
Creditors: amounts falling due after more than one year	18	(117,941)	(117,941)	(123,808)	(123,808)
<b>Provisions</b>					
Pension provisions	19	(160,147)	(160,147)	(90,242)	(90,242)
Other provisions	19	(324)	-	(63)	-
		<u>255,029</u>	<u>262,072</u>	<u>311,206</u>	<u>316,981</u>
<b>Total net assets</b>		<u>255,029</u>	<u>262,072</u>	<u>311,206</u>	<u>316,981</u>
<b>Restricted reserves</b>					
Income and expenditure reserve - endowment reserve	21	2,125	2,125	2,055	2,055
Income and expenditure reserve - restricted reserve	22	46,709	46,709	45,433	45,433
<b>Unrestricted reserves</b>					
Income and expenditure reserve - unrestricted		206,195	213,238	263,718	269,493
<b>Total reserves</b>		<u>255,029</u>	<u>262,072</u>	<u>311,206</u>	<u>316,981</u>

These Financial Statements were approved by Council and were signed on its behalf by:

Professor Robert Allison, Vice-Chancellor and Accountable officer

Sir Peter Bonfield, Chair of Council

21 November 2019

## CONSOLIDATED AND UNIVERSITY STATEMENT OF CHANGES IN RESERVES

Year ended 31 July 2019

Consolidated	Income and expenditure reserve			Total £'000
	Endowment £'000	Restricted £'000	Unrestricted £'000	
<b>Balance at 1 August 2017</b>	<b>1,706</b>	<b>47,664</b>	<b>239,381</b>	<b>288,751</b>
Surplus from the income and expenditure statement	349	(128)	5,929	6,150
Other comprehensive income	-	-	16,305	16,305
Release of capital grants with expired asset use restrictions	-	(2,103)	2,103	-
<b>Total comprehensive income for the year</b>	<b>349</b>	<b>(2,231)</b>	<b>24,337</b>	<b>22,455</b>
<b>Balance at 31 July 2018</b>	<b>2,055</b>	<b>45,433</b>	<b>263,718</b>	<b>311,206</b>
Surplus from the income and expenditure statement	70	1,676	(44,986)	(43,240)
Other comprehensive income	-	-	(12,937)	(12,937)
Release of capital grants with expired asset use restrictions	-	(400)	400	-
<b>Total comprehensive income/(deficit) for the year</b>	<b>70</b>	<b>1,276</b>	<b>(57,523)</b>	<b>(56,177)</b>
<b>Balance at 31 July 2019</b>	<b>2,125</b>	<b>46,709</b>	<b>206,195</b>	<b>255,029</b>

University	Income and expenditure reserve			Total £'000
	Endowment £'000	Restricted £'000	Unrestricted £'000	
<b>Balance at 1 August 2017</b>	<b>1,706</b>	<b>46,165</b>	<b>245,911</b>	<b>293,782</b>
Surplus from the income and expenditure statement	(1,771)	1,371	5,174	4,774
Other comprehensive income	2,120	-	16,305	18,425
Release of capital grants with expired asset use restrictions	-	(2,103)	2,103	-
<b>Total comprehensive income for the year</b>	<b>349</b>	<b>(732)</b>	<b>23,582</b>	<b>23,199</b>
<b>Balance at 31 July 2018</b>	<b>2,055</b>	<b>45,433</b>	<b>269,493</b>	<b>316,981</b>
Surplus from the income and expenditure statement	(16)	1,676	(45,293)	(43,633)
Other comprehensive income	86	-	(11,362)	(11,276)
Release of capital grants with expired asset use restrictions	-	(400)	400	-
<b>Total comprehensive income/(deficit) for the year</b>	<b>70</b>	<b>1,276</b>	<b>(56,255)</b>	<b>(54,909)</b>
<b>Balance at 31 July 2019</b>	<b>2,125</b>	<b>46,709</b>	<b>213,238</b>	<b>262,072</b>

# CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 July 2019

	Notes	Year ended 31 July 2019 £'000	Year ended 31 July 2018 £'000
<b>Cash flow from operating activities</b>			
Surplus for the year		(43,240)	6,150
<b>Adjustment for non-cash items</b>			
Taxation	10	261	54
Depreciation	11	28,174	23,949
(Gain)/loss on investments		(521)	23
Decrease/(increase) in stock		(44)	(49)
(Increase) in debtors		148	(2,081)
(Decrease) in creditors		(5,097)	(3,699)
LGPS service costs less contributions paid	23	5,831	4,668
USS deficit provision expense less contributions paid		48,969	(1,571)
(Decrease)/increase in other provisions	19	62	(108)
Service concession agreement nominal rent	13	(651)	(635)
<b>Adjustment for investing or financing activities</b>			
Investment income	5	(621)	(574)
Interest payable	8	5,830	6,023
Endowment income	6	-	1
(Gain)/loss on investments		-	48
Loss on the sale of fixed assets		(837)	(154)
(Gain)/loss on the sale of subsidiary		-	(762)
Capital grant income		(6,406)	(7,802)
<b>Net cash inflow from operating activities</b>		<b>31,858</b>	<b>23,481</b>
<b>Cash flows from investing activities</b>			
Capital grants receipts		10,133	11,829
Investment income received		558	510
Proceeds from sales of fixed assets		2,169	160
Net proceeds from sale of subsidiary		100	646
Payments made to acquire fixed assets		(51,556)	(78,895)
Repayment of long term loans receivable	14	12	200
Redemption / (placement) of deposits with maturity of more than 3 months	16	17,500	-
		<b>(21,084)</b>	<b>(65,550)</b>
<b>Cash flows from financing activities</b>			
Interest paid		(3,351)	(3,251)
Arrangement fee paid on new borrowings		-	(300)
New borrowings		-	60,000
Repayments of amounts borrowed	18	(5,517)	(4,655)
		<b>(8,868)</b>	<b>51,794</b>
<b>Increase/(decrease) in cash and cash equivalents in the year</b>		<b>1,906</b>	<b>9,725</b>
Cash and cash equivalents at the beginning of the year		65,835	56,110
<b>Cash and cash equivalents at the end of the year</b>		<b>67,741</b>	<b>65,835</b>

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2019

	2018/19		2017/18	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>1 Tuition fees and education contracts</b>				
Full-time home and EU students	104,773	104,773	99,375	99,375
Full-time international students	52,595	52,595	46,332	46,332
Part-time students	6,464	6,464	6,423	6,423
	<u>163,832</u>	<u>163,832</u>	<u>152,130</u>	<u>152,130</u>

	2018/19		2017/18	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>2 Funding body grants</b>				
<b>Recurrent grant</b>				
Higher Education Funding Council	-	-	19,035	19,035
Office for Students	8,726	8,726	2,282	2,282
Research England	18,763	18,763	6,300	6,300
Education and Skills Funding Agency	697	697	777	777
Capital grant	2,900	2,900	4,020	4,020
<b>Specific grants</b>				
Higher Education Innovation Fund	4,151	4,151	4,138	4,138
Other	839	839	1,498	1,498
Capital grants	-	-	-	-
	<u>36,076</u>	<u>36,076</u>	<u>38,050</u>	<u>38,050</u>

	2018/19		2017/18	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>3 Research grants and contracts</b>				
Research councils	16,317	16,317	19,027	19,027
Research charities	4,032	4,032	3,978	3,978
Government (UK and overseas)	13,472	13,472	13,388	13,388
Industry and commerce	5,106	5,106	5,499	5,499
	<u>38,927</u>	<u>38,927</u>	<u>41,892</u>	<u>41,892</u>

Research grants and contracts income contains £2,506,000 (2018: £3,782,000), in respect of capital grants on equipment.

	2018/19		2017/18	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>4 Other income</b>				
Residences, catering and conferences	49,599	39,997	46,633	37,318
Other revenue grants	3,671	3,671	3,936	3,936
Other capital grants with restrictions	1,000	1,000	-	-
Other income	16,203	17,514	16,449	17,630
	<u>70,473</u>	<u>62,182</u>	<u>67,018</u>	<u>58,884</u>

	2018/19		2017/18	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>5 Investment income</b>				
Investment income on endowments	62	62	49	49
Investment income on restricted funds	2	2	12	-
Other investment income	557	542	513	489
	<u>621</u>	<u>606</u>	<u>574</u>	<u>538</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 July 2019

	2018/19		2017/18	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>6 Donations and endowments</b>				
New endowments	-	-	1	-
Donations with restrictions	1,781	1,695	823	735
Unrestricted donations	106	106	322	288
	<u>1,887</u>	<u>1,801</u>	<u>1,146</u>	<u>1,023</u>

	2018/19		2017/18	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>7 Staff costs</b>				
Salaries	131,478	127,616	125,290	121,564
Social security costs	12,296	12,039	11,678	11,466
Change in expected contribution to USS deficit recovery plan	50,249	50,249	253	253
Other pension costs	27,258	27,101	24,148	24,022
	<u>221,281</u>	<u>217,005</u>	<u>161,369</u>	<u>157,305</u>

	2018/19 £	2017/18 £
Emoluments of the Vice-Chancellor:		
Basic salary	283,400	260,000
Pension contributions to USS	15,414	36,052
Payment in lieu of pension contributions to USS	28,780	8,618
Other taxable and non-taxable benefits	-	-
	<u>327,594</u>	<u>304,670</u>

**Background:** The University is one of the UK's leading universities and uses remuneration as one of the tools to attract and retain top academic and professional services staff. The University's People Strategy sets out five priorities as follows:

- A high engagement with professional growth, talent management and leadership excellence
- A diverse, respectful and inclusive culture
- An engaging and sustainable reward and recognition programme
- Sustainable workloads, wellbeing and resilience
- An outstanding candidate and new employee experience

Remuneration for senior staff at the University is governed by the Remuneration Committee, which reports to Council, and is chaired by the Senior Pro Chancellor and Chair of Council. An alternative lay Pro Chancellor chairs the meeting while the Vice-Chancellor's pay is being considered. The Vice-Chancellor will never be asked to attend for any discussion or decision of their own remuneration. The committee determines any change to remuneration outcome based upon an assessment of the Vice-Chancellor's performance, benchmarking to sector norms as well as the following factors:

- The institution's performance against the University Strategy and its strategic ambitions
- The size and complexity of the organisation
- The external market and the University's performance against its competitors
- The University's success in attracting and retaining the most talented people at the highest level
- The institution's equality and diversity strategy
- University and Colleges Employer Association's Senior Staff Remuneration Survey
- Committee of University Chairs' Vice-Chancellor Salary Survey

**Performance assessment:** The University's Performance and Development Review (PDR) system provides a robust basis for managing performance, developing staff and informing remuneration decisions. The Vice-Chancellor participates in the same Performance and Development Review (PDR) process as all other staff with the review being performed by the Chair of Council and a performance rating given.

**University performance:** In considering the performance of the Vice-Chancellor the achievements of the University are also considered and the University has had another very successful year. Achievements include:

- Top 10 in the three most comprehensive league tables
- University of the Year 2019 – Times and Sunday Times Good University Guide
- Britain's Top University for Quality of Student Life, Lloyds Bank Survey, 2018
- Best University in the World for Sports-related Subjects, Global QS Higher Education League, 2019
- Top University in England for overall student satisfaction in the National Student Survey 2019

**Salary benchmarking:** The performance of the Vice-Chancellor was reviewed and his salary was compared with the sector, using the UCEA Senior Staff Salary Survey and also using analysis of Vice-Chancellor pay for other top 10 institutions. The following points were agreed:

- The Vice-Chancellor's performance over the past 12 months had exceeded expectations
- The Vice-Chancellor's current pay is the sector median and so his level of reward should reflect the rise in the University's performance
- The cost of living rise should not apply to the Vice-Chancellor and his pay and any associated increases should be based solely on his performance
- It is important to ensure that the Vice-Chancellor's pay remains competitive
- The Vice-Chancellor has been awarded a prestigious Leadership Award by the Council for Advancement and Support of Education (CASE)

Note, the Vice-Chancellor receives no additional taxable benefits nor any non-taxable benefits such as living accommodation or transport funded by the University.

**Pay multiple:** Loughborough University is a campus university, operating retail and catering outlets and maintaining significant university-owned student accommodation. The University retains in-house many support services that have been outsourced at other institutions, for example cleaning, catering, security or facilities management functions. The University has also included in its calculations a significant number of staff who will have received remuneration during the year on the basis of atypical claims contracts. These factors may adjust downwards the median salary of staff compared to other institutions and pay multiples should be considered carefully in that context. The Vice-Chancellor's basic salary is 10.8 times the median pay of staff, where the median is calculated on a full-time equivalent basis for the salaries paid by the University to its staff. The Vice-Chancellor's total remuneration is 10.7 times the median total remuneration of staff, where the median total remuneration is calculated on a full-time equivalent basis for the total remuneration paid by the University to its staff.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 July 2019

### 7 Staff costs (continued)

The following number of staff received remuneration of £100,000 or more (excluding employer's pension contributions):

	2018/19	2017/18
£100,000 to £104,999	4	12
£105,000 to £109,999	11	8
£110,000 to £114,999	9	10
£115,000 to £119,999	6	3
£120,000 to £124,999	5	5
£125,000 to £129,999	4	1
£130,000 to £134,999	3	1
£135,000 to £139,999	-	-
£140,000 to £144,999	1	1
£145,000 to £149,999	1	-
£150,000 to £154,999	1	1
£155,000 to £159,999	-	-
£160,000 to £164,999	1	1
£165,000 to £169,999	-	-
£170,000 to £174,999	-	-
£175,000 to £179,999	-	1
£180,000 to £184,999	1	-
£185,000 to £189,999	1	1
£190,000 to £194,999	-	-
£195,000 to £199,999	-	-
£200,000 to £204,999	-	-
£205,000 to £209,999	1	-
	<u>49</u>	<u>45</u>

Staff numbers by major category :

Academic	839	795
Teaching and scholarship	133	99
Research	286	314
Management & specialist	598	588
Technical	204	198
Other	1,015	1,100
	<u>3,075</u>	<u>3,094</u>

The staff numbers by major category disclosed above, are expressed as full-time equivalents and are disclosed as at 1 April each year.

During 2018/19 the University paid a total of £693,000 to 90 employees for compensation for loss of office (2017/18: £244,000 to 71 employees).

#### Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the University. Staff costs includes compensation paid to key management personnel.

The University considers its key management personnel to be the following seven members of staff: the Vice-Chancellor; Provost and Deputy Vice-Chancellor; Pro Vice-Chancellor (Teaching); Pro Vice-Chancellor (Research); Pro Vice-Chancellor (Enterprise); Chief Operating Officer; Director of Finance.

Key management personnel compensation excludes amounts paid to the Vice-Chancellor whose remuneration is disclosed above.

	2018/19 £'000	2017/18 £'000
<b>Key management personnel compensation</b>	<u>972</u>	<u>1,011</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 July 2019

	2018/19		2017/18	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>8 Interest and other finance costs</b>				
Loan interest	3,407	3,407	3,658	3,658
Finance lease interest (including service concession finance charge)	352	352	363	363
Finance charge on USS pension provision	663	663	592	592
Movement in fair value of derivatives (note 20)	(296)	(296)	(480)	(480)
Net charge on LGPS pension scheme (note 23)	1,704	1,704	1,890	1,890
	<u>5,830</u>	<u>5,830</u>	<u>6,023</u>	<u>6,023</u>

	2018/19		2017/18	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>9 Analysis of total expenditure by activity</b>				
Academic and related expenditure	107,676	108,219	102,890	103,495
Academic services	30,785	29,722	28,210	27,341
Administration and central services	53,277	53,492	52,892	53,104
Premises (including service concession costs)	40,555	40,562	39,748	39,760
Residences, catering and conferences	34,454	27,054	33,026	26,496
Research grants and contracts	29,116	29,116	30,010	30,010
Other expenses	60,290	59,954	8,723	8,326
	<u>356,153</u>	<u>348,119</u>	<u>295,499</u>	<u>288,532</u>

**Other operating expenses include:**

External auditor's remuneration in respect of audit services	98	84	95	76
External auditor's remuneration in respect of non-audit services	122	122	5	5
Operating lease rentals:				
Land and Buildings	959	959	1,611	1,611

	2018/19		2017/18	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>10 Taxation</b>				
<b>Recognised in the Statement of Comprehensive Income and Expenditure</b>				
<b>Current tax</b>				
Current tax expense	-	-	-	-
Adjustment in respect of previous years	-	-	-	-
<b>Current tax expense</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Deferred tax</b>				
Origination and reversal of timing differences	261	-	54	-
<b>Deferred tax income</b>	<u>261</u>	<u>-</u>	<u>54</u>	<u>-</u>
<b>Total tax expense</b>	<u>261</u>	<u>-</u>	<u>54</u>	<u>-</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 July 2019

### 11 Fixed assets

Consolidated	Freehold Land and Buildings £'000	Leasehold Improvements £'000	Service concession Land and Buildings (note 13) £'000	Fixtures, Fittings, Plant and Machinery £'000	Assets in the Course of Construction £'000	Total £'000
<b>Cost</b>						
At 1 August 2018	421,922	7,563	10,691	176,139	77,128	693,443
Additions	11,838	-	-	30,581	6,004	48,423
Transfers	35,972	-	-	27,919	(63,891)	-
Disposals	(1,512)	-	-	(2,241)	-	(3,753)
<b>At 31 July 2019</b>	<b>468,220</b>	<b>7,563</b>	<b>10,691</b>	<b>232,398</b>	<b>19,241</b>	<b>738,113</b>
<b>Depreciation</b>						
At 1 August 2018	129,755	795	2,072	95,801	-	228,423
Charge for the year	10,793	304	518	16,559	-	28,174
Disposals	(227)	-	-	(2,199)	-	(2,426)
<b>At 31 July 2019</b>	<b>140,321</b>	<b>1,099</b>	<b>2,590</b>	<b>110,161</b>	<b>-</b>	<b>254,171</b>
<b>Net book value</b>						
<b>At 31 July 2019</b>	<b>327,899</b>	<b>6,464</b>	<b>8,101</b>	<b>122,237</b>	<b>19,241</b>	<b>483,942</b>
At 31 July 2018	292,167	6,768	8,619	80,338	77,128	465,020

University	Freehold Land and Buildings £'000	Leasehold Improvements £'000	Service concession Land and Buildings (note 13) £'000	Fixtures, Fittings, Plant and Machinery £'000	Assets in the Course of Construction £'000	Total £'000
<b>Cost</b>						
At 1 August 2018	406,729	7,563	10,691	169,105	77,128	671,216
Additions	11,837	-	-	28,644	6,004	46,485
Transfers	35,972	-	-	27,919	(63,891)	-
Disposals	(1,512)	-	-	(1,243)	-	(2,755)
<b>At 31 July 2019</b>	<b>453,026</b>	<b>7,563</b>	<b>10,691</b>	<b>224,425</b>	<b>19,241</b>	<b>714,946</b>
<b>Depreciation</b>						
At 1 August 2018	124,807	795	2,072	91,531	-	219,205
Charge for the year	10,374	304	518	16,024	-	27,220
Disposals	(227)	-	-	(1,201)	-	(1,428)
<b>At 31 July 2019</b>	<b>134,954</b>	<b>1,099</b>	<b>2,590</b>	<b>106,354</b>	<b>-</b>	<b>244,997</b>
<b>Net book value</b>						
<b>At 31 July 2019</b>	<b>318,072</b>	<b>6,464</b>	<b>8,101</b>	<b>118,071</b>	<b>19,241</b>	<b>469,949</b>
At 31 July 2018	281,922	6,768	8,619	77,574	77,128	452,011

At 31 July 2019, freehold land and buildings included £67,610,000 (2018: £68,600,000) in respect of freehold land which is not depreciated.

In accordance with the memorandum of assurance and accountability with HEFCE and the terms and conditions of funding with OFS, HEFCE/OFS has the right but not the obligation to demand repayment of Exchequer interest in the event of the University ceasing to be designated to be eligible for HEFCE/OFS funding or becoming insolvent.

The Exchequer interest at 31 July 2019 was £34,265,000 (31 July 2018 was £37,876,000).

### 12 Heritage assets

The University's heritage assets, which were all acquired more than 4 years ago, consist of 7 works of art such as paintings, vases, trophies, medals and sculptures.

	Consolidated £'000	University £'000
<b>Cost and net book value</b>		
At 1 August 2018	1,165	1,165
<b>At 31 July 2019</b>	<b>1,165</b>	<b>1,165</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 July 2019

### 13 Service concession arrangements

The University has two arrangements where service delivery has commenced which have been recognised on the Balance Sheet.

#### Movement in service concession arrangement assets and liabilities

The total asset values included in the Balance Sheet as at 31 July 2019 were £8,101,000 (31 July 2018: £8,619,000). The reduction of £518,000 was as a result of depreciation.

The total liabilities relating to the service concessions included in the Balance Sheet as at 31 July 2019 were £9,380,000. (31 July 2018: £9,691,000). The reduction of £312,000 was the result of the £651,000 treated as repaid during the year being offset by a finance charge of £339,000.

#### Future commitments

The following table analyses the University's future commitments in relation to service concession arrangements.

	Payable in <1 year £'000	Payable in 2-5 years £'000	Payable in >5 years £'000	Total £'000
Liability repayments	667	2,720	9,584	12,971
Less: future finance charges	(328)	(1,184)	(2,079)	(3,591)
<b>Present value of service concession agreement obligations</b>	<b>339</b>	<b>1,536</b>	<b>7,505</b>	<b>9,380</b>

The notes below give more information on the University's current service concession arrangements:

#### a) On Balance Sheet service concession arrangements

In March 2002 the University entered into a 35 year contract with a third party provider for the provision and maintenance of student accommodation. The assets and liabilities relating to this scheme are recognised on the University's Balance Sheet. Service commenced on 1 August 2002 and the contract will finish on 31 July 2037. The University has the right to renew the nominations agreement for the life of the 99 year head lease. The University has an annual occupancy guarantee amounting to committed annual payments for the year ended 31 July 2019 of £546,000 (31 July 2018 of £532,000) recorded within other operating expenses.

In August 2003 the University entered into a 20 year contract with a third party provider for the provision and maintenance of student accommodation. The assets and liabilities relating to this scheme are recognised on the University's Balance Sheet. Service commenced on 1 August 2003 and the contract will finish on 31 July 2023. The University has the right to renew the nominations agreement for the life of the 99 year head lease. The University has an annual occupancy guarantee amounting to annual payments for the year ended 31 July 2019 of £105,000 (31 July 2018: £102,000) recorded within other operating expenses.

#### b) Other service concession arrangements not recognised on the Balance Sheet

In June 2007 the University entered into an agreement with a third party for the provision and maintenance of student accommodation. The agreement expires in 2044 and includes an option to receive the reversionary interest at nil consideration at the expiry date. The University has no minimum guaranteed payment and therefore no asset and liability to recognise on the Balance Sheet.

### 14 Non-current investments

	Investment in subsidiary companies £'000	Subsidiary investment in spinouts £'000	Investment properties £'000	Long term loans receivable £'000	Other non-current asset investments £'000	Total £'000
<b>Consolidated</b>						
<b>At 1 August 2018</b>	-	33	19,384	72	2,148	<b>21,637</b>
Additions	-	-	-	155	-	155
Disposals	-	-	-	(12)	-	(12)
Transfers	-	-	-	98	-	98
Movement in fair value	-	-	-	-	225	225
<b>At 31 July 2019</b>	<b>-</b>	<b>33</b>	<b>19,384</b>	<b>313</b>	<b>2,373</b>	<b>22,103</b>
	Investment in subsidiary companies £'000	Subsidiary investment in spinouts £'000	Investment properties £'000	Long term loans receivable £'000	Other non-current asset investments £'000	Total £'000
<b>University</b>						
<b>At 1 August 2018</b>	8,167	-	30,784	103	2,149	<b>41,203</b>
Additions	-	-	-	-	-	-
Disposals	-	-	-	(12)	-	(12)
Transfers	-	-	-	98	-	98
Movement in fair value	-	-	-	-	225	225
<b>At 31 July 2019</b>	<b>8,167</b>	<b>-</b>	<b>30,784</b>	<b>189</b>	<b>2,374</b>	<b>41,514</b>

Investment properties, which are all freehold land and buildings, were revalued to fair value at 31 July 2019, based on a valuation undertaken by RJ Hartley (FRICS) of Innes England, an independent valuer with recent experience in the location and class of the investment property being valued. The method of determining fair value was comparables, investment or depreciated replacement cost depending on the nature of the asset and the manner of its occupation. Depreciated replacement cost based valuations are stated to be subject to the continuing profitability of the University. If the operations of the University were to cease these valuations may be materially lower. Investment valuations assume the continuing benefit of subsisting tenancies. There are no restrictions on the realisability of investment property. If freehold land and buildings had not been revalued they would have been included with a carrying value of:

	2018/19		2017/18	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Carrying value of freehold land and buildings	15,946	21,097	16,525	22,014

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 July 2019

	2018/19		2017/18	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>15 Trade and other receivables</b>				
<b>Amounts falling due within one year:</b>				
Research grants receivables	6,567	6,567	6,107	6,107
Other trade receivables	17,631	16,500	22,702	21,329
Prepayments and accrued income	6,069	5,882	4,974	4,835
Amounts due from subsidiary companies	-	2,726	(6)	1,130
	<u>30,267</u>	<u>31,675</u>	<u>33,777</u>	<u>33,401</u>

Amounts due from subsidiary companies are non-interest bearing and are repayable on demand.

	2018/19		2017/18	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>16 Current investments</b>				
Short term deposits	2,500	2,500	20,000	20,000
	<u>2,500</u>	<u>2,500</u>	<u>20,000</u>	<u>20,000</u>

Deposits are held with banks and building societies operating in the London market and licensed by the Financial Services Authority with more than three months to maturity at the balance sheet date. The interest rates for these deposits are fixed for the duration of the deposit at time of placement.

At 31 July 2019 the weighted average interest rate of these fixed rate deposits was 0.87% per annum (31 July 2018: 0.78%) and the remaining weighted average period for which the interest rate is fixed on these deposits was 219 days. The fair value of these deposits was not materially different from the book value.

	2018/19		2017/18	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>17 Creditors : Amounts falling due within one year</b>				
Unsecured loans	5,466	5,466	5,517	5,517
Service concession arrangements (Note 13)	339	339	311	311
Trade payables	12,978	11,859	13,448	11,918
Social security and other taxation payable	4,377	3,969	3,929	3,715
Accruals and deferred income	51,727	51,520	59,184	58,735
Amounts due to subsidiary companies	-	131	(4)	338
Derivatives	-	-	296	296
	<u>74,887</u>	<u>73,284</u>	<u>82,681</u>	<u>80,830</u>

Amounts due to subsidiary companies are non-interest bearing and are repayable on demand.

### Deferred income

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

	2018/19		2017/18	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Donations	38	38	-	-
Research grants received on account	17,810	17,810	19,068	19,068
Grant income	15,624	15,624	15,639	15,639
Other income	6,287	6,287	6,815	6,149
	<u>39,759</u>	<u>39,759</u>	<u>41,522</u>	<u>40,856</u>

### Derivatives

The derivatives balance shown above relates to a "receive floating, pay fixed" interest rate swap measured at fair value through income and expenditure. The floating rate on the interest rate swap is three months' LIBOR, with the fixed rate being 4.9725%. The Group settled the swap quarterly, with the difference between the fixed and floating interest rates settled on a net basis.

The swap matured on 4 March 2019 meaning that at 31 July 2019, the fair value of the swap was nil (31 July 2018: liability of £296,000), and the notional principal value was also nil (31 July 2018: £9,676,000).

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 July 2019

18 Creditors : Amounts falling due after more than one year	2018/19		2017/18	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Service concession liabilities due after one year (Note 13)	9,041	9,041	9,380	9,380
Unsecured loans	108,703	108,703	114,169	114,169
Other creditors	197	197	259	259
	<u>117,941</u>	<u>117,941</u>	<u>123,808</u>	<u>123,808</u>
Analysis of unsecured loans:				
Due between one and two years	5,103	5,103	5,466	5,466
Due between two and five years	15,878	15,878	15,590	15,590
Due in five years or more	87,722	87,722	93,113	93,113
<b>Due after more than one year</b>	<b>108,703</b>	<b>108,703</b>	<b>114,169</b>	<b>114,169</b>
<b>Due within one year or on demand (Note 17)</b>	<b>5,466</b>	<b>5,466</b>	<b>5,517</b>	<b>5,517</b>
<b>Total unsecured loans</b>	<b>114,169</b>	<b>114,169</b>	<b>119,686</b>	<b>119,686</b>
Unsecured loan repayable by 2035	25,457	25,457	26,410	26,410
Unsecured fixed rate (4%) loan repayable by 2039	7,929	7,929	8,177	8,177
Unsecured fixed rate (5%) loan repayable by 2020	459	459	1,049	1,049
Unsecured fixed rate (3%) loan repayable by 2041	8,304	8,304	8,555	8,555
Unsecured fixed rate (3%) loan repayable by 2043	17,270	17,270	17,745	17,745
Unsecured fixed rate (2.466%) loan repayable by 2037	54,750	54,750	57,750	57,750
<b>Total unsecured loans</b>	<b>114,169</b>	<b>114,169</b>	<b>119,686</b>	<b>119,686</b>

All unsecured loans are repayable to Lloyds Bank plc.

Note on loan repayable by 2035: £10.9m reducing was fixed at a rate of 5.1725% until March 2019 subject to an interest rate swap (notes 17, 20); the remaining balance after the swap has now been fixed at 3.48%. £7.3m has been fixed at a lower rate of 3.48% (3.28% cost of funds plus 0.20% margin) and the remaining £10.0m of the loan is charged at 0.20% above base rate. This loan is repayable by instalments over the period to 10 December 2035.

On 29 September 2017 the University borrowed £60.0m from Scottish Widows Ltd with Lloyds Bank PLC acting as agents. The unsecured loan is repayable on an amortising basis over 20 years until 2037 and is subject to an interest rate swap. This results in a net effective interest rate fixed at 2.466% for the life of the loan.

### 19 Provisions for liabilities

Consolidated	Obligation to fund deficit on USS pension £'000	Pension enhancements on retirement £'000	Defined benefit obligations (Note 23) £'000	Total pension provisions £'000	Deferred tax £'000	Total other provisions £'000
At 1 August 2018	30,014	2,224	58,004	90,242	63	63
Utilised	(1,280)	(129)	5,255	3,846	261	261
Additions and remeasurements	50,912	(70)	15,217	66,059	-	-
<b>At 31 July 2019</b>	<b>79,646</b>	<b>2,025</b>	<b>78,476</b>	<b>160,147</b>	<b>324</b>	<b>324</b>
University	Obligation to fund deficit on USS pension £'000	Pension enhancements on retirement £'000	Defined benefit obligations (Note 23) £'000	Total pension provisions £'000	Deferred tax £'000	Total other provisions £'000
At 1 August 2018	30,014	2,224	58,004	90,242	-	-
Utilised	(1,280)	(129)	5,255	3,846	-	-
Additions and remeasurements	50,912	(70)	15,217	66,059	-	-
<b>At 31 July 2019</b>	<b>79,646</b>	<b>2,025</b>	<b>78,476</b>	<b>160,147</b>	<b>-</b>	<b>-</b>

The obligation to fund the past deficit on the Universities Superannuation Scheme (USS) arises from the contractual obligation with the USS to deficit payments in accordance with the deficit recovery plan. In calculating the provision, future staff numbers within the USS scheme and salary inflation (average of 3.2% over the recovery period, 2018: 3.0%) have been estimated for the duration of the contractual period. The provision is discounted at 1.62% (2018: 2.21%).

The adoption of the new deficit recovery plan following the 2017 actuarial valuation has given rise to a significant increase in the deficit provision which has increased from £30,014,000 to £79,646,000. Of this increase £52,610,000 is attributable to the change in the deficit recovery plan. More details on the 2017 actuarial valuation are set out in note 25. Sensitivity of the obligation to the principle assumptions are outlined under critical accounting judgements above. Since the year end, following the completion of the 2018 actuarial valuation, a new deficit recovery plan has been agreed of which more detail is given in note 30. As at 31 July 2019 and with all other assumptions used to calculate the provision unchanged, this would have resulted in a revised provision of £45,462,000, a decrease of £34,184,000 from the current year end provision.

#### Pension enhancement on retirement

The University has an obligation to make payments to a small number of pensioners in relation to a legacy pension enhancement agreement. The provision is calculated based on the University's best estimate of the future cash flows required to settle the obligation. The provision is not discounted as the time value of money is not material to the valuation. The assumptions in respect of life expectancy for calculating this provision are the same as those shown in Note 23, however given the shorter duration of the expected cash flows inflation has been estimated at 2.06% (2018: 2.17%).

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 July 2019

### 20 Financial instruments

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

Financial assets	Note	2018/19		2017/18	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
Measured at fair value through income and expenditure					
Investments in listed ordinary shares		536	528	343	335
Investments in common investment funds		1,804	1,804	1,771	1,771
Debt instruments measured at amortised cost					
Long-term loans receivable	14	313	189	72	103
Measured at undiscounted amount receivable					
Trade and other receivables	15	24,198	25,793	28,803	28,566
Equity instruments measured at cost less impairment					
Non-current asset investments in unlisted equity instruments		67	42	67	42
		<u>26,918</u>	<u>28,356</u>	<u>31,056</u>	<u>30,817</u>

Financial liabilities		2018/19		2017/18	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
Measured at fair value through income and expenditure					
Derivative financial liabilities	17	-	-	296	296
Measured at amortised cost					
Loans payable	18	114,169	114,169	119,686	119,686
Obligations under service concession agreements	13	9,380	9,380	9,691	9,691
Measured at undiscounted amount payable					
Trade and other creditors	17	17,355	15,959	17,373	15,971
		<u>140,904</u>	<u>139,508</u>	<u>147,046</u>	<u>145,644</u>

The Group's income, expense, gains and losses in respect of financial instruments are summarised below:

Interest income and (expense)		2018/19		2017/18	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
Total interest income for financial assets at amortised cost	5	621	606	574	538
Total interest expense for financial liabilities at amortised cost	8	(3,759)	(3,759)	(4,021)	(4,021)
		<u>(3,138)</u>	<u>(3,153)</u>	<u>(3,447)</u>	<u>(3,483)</u>

Fair value gains and (losses)		2018/19		2017/18	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
On financial assets measured at fair value through income and expenditure	14	225	225	(23)	(48)
On derivative financial liabilities	8	(296)	(296)	(480)	(480)
		<u>(71)</u>	<u>(71)</u>	<u>(503)</u>	<u>(528)</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 July 2019

### 21 Endowment reserves

Restricted net assets relating to endowments are as follows:

	Restricted permanent endowments £'000	Restricted expendable endowments £'000	2018/19 Total £'000	2017/18 Total £'000
<b>Consolidated</b>				
At 1 August 2018				
Capital	1,219	491	1,710	1,401
Accumulated income	220	125	345	305
	<u>1,439</u>	<u>616</u>	<u>2,055</u>	<u>1,706</u>
New endowments	-	-	-	1
Investment income	44	18	62	49
Expenditure	(20)	(2)	(22)	(40)
Increase in market value of investments	22	8	30	33
Transfer from restricted reserves	-	-	-	306
<b>Total endowment comprehensive income for the year</b>	<u>46</u>	<u>24</u>	<u>70</u>	<u>349</u>
<b>At 31 July 2019</b>	<u><b>1,485</b></u>	<u><b>640</b></u>	<u><b>2,125</b></u>	<u><b>2,055</b></u>
<b>Represented by:</b>				
Capital	1,241	500	1,741	1,710
Accumulated income	244	140	384	345
	<u>1,485</u>	<u>640</u>	<u>2,125</u>	<u>2,055</u>
	Restricted permanent endowments £'000	Restricted expendable endowments £'000	2018/19 Total £'000	2017/18 Total £'000
<b>University</b>				
At 1 August 2018				
Capital	1,219	491	1,710	1,401
Accumulated income	220	125	345	305
	<u>1,439</u>	<u>616</u>	<u>2,055</u>	<u>1,706</u>
Investment income	44	18	62	49
Expenditure	(20)	(2)	(22)	(40)
Increase in market value of investments	22	8	30	33
Transfer from restricted reserves	-	-	-	307
<b>Total endowment comprehensive income for the year</b>	<u>46</u>	<u>24</u>	<u>70</u>	<u>349</u>
<b>At 31 July 2019</b>	<u><b>1,485</b></u>	<u><b>640</b></u>	<u><b>2,125</b></u>	<u><b>2,055</b></u>
<b>Represented by:</b>				
Capital	1,241	500	1,741	1,710
Accumulated income	244	140	384	345
	<u>1,485</u>	<u>640</u>	<u>2,125</u>	<u>2,055</u>
<b>Analysis of consolidated funds by type of purpose:</b>				
Prizes and scholarships	773	259	1,032	993
Hardship funds	107	125	232	224
Travel awards and other	110	-	110	107
Lectures	-	256	256	246
Post and departmental support	495	-	495	485
	<u>1,485</u>	<u>640</u>	<u>2,125</u>	<u>2,055</u>
			2018/19 £'000	2017/18 £'000
<b>Analysis of consolidated funds by asset:</b>				
Current and non-current asset investments			1,741	1,710
Cash & cash equivalents			384	345
			<u>2,125</u>	<u>2,055</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 July 2019

### 22 Restricted reserves

Reserves with restrictions are as follows:

Consolidated	Capital grants for restricted use assets	Other capital grants with restrictions	Restricted donations	Revenue grants with restrictions	2018/19 Total	2017/18 Total
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 August 2018	43,710	-	1,723	-	45,433	47,664
Grant income	1,000	2,333	-	35,707	39,040	41,564
Donation income	-	-	1,780	-	1,780	823
Investment income	-	-	2	-	2	11
Capital grants with expired use restrictions	(400)	-	-	-	(400)	(2,103)
Expenditure	-	(2,333)	(1,107)	(35,707)	(39,147)	(42,225)
Increase in market value of investments	-	-	1	-	1	6
Transfer to endowment reserves	-	-	-	-	-	(307)
<b>Total restricted comprehensive income for the year</b>	<b>600</b>	<b>-</b>	<b>676</b>	<b>-</b>	<b>1,276</b>	<b>(2,231)</b>
<b>At 31 July 2019</b>	<b>44,310</b>	<b>-</b>	<b>2,399</b>	<b>-</b>	<b>46,709</b>	<b>45,433</b>

Analysis of consolidated donations with restrictions by type of purpose:	2018/19 Total	2017/18 Total
	£'000	£'000
Post and departmental support	1,266	1,277
Prize funds	14	24
Other	1,119	422
	<b>2,399</b>	<b>1,723</b>

University	Capital grants for restricted use assets	Other capital grants with restrictions	Restricted donations	Revenue grants with restrictions	2018/19 Total	2017/18 Total
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 August 2018	43,710	-	1,723	-	45,433	46,165
Grant income	1,000	2,333	-	35,707	39,040	41,564
Donation income	-	-	1,694	-	1,694	735
Investment income	-	-	2	-	2	-
Capital grants with expired use restrictions	(400)	-	-	-	(400)	(2,103)
Expenditure	-	(2,333)	(1,107)	(35,707)	(39,147)	(42,226)
Increase in market value of investments	-	-	1	-	1	-
Reserves transferred from subsidiary	-	-	86	-	86	1,605
Transfer to endowment reserves	-	-	-	-	-	(307)
<b>Total restricted comprehensive income for the year</b>	<b>600</b>	<b>-</b>	<b>676</b>	<b>-</b>	<b>1,276</b>	<b>(732)</b>
<b>At 31 July 2019</b>	<b>44,310</b>	<b>-</b>	<b>2,399</b>	<b>-</b>	<b>46,709</b>	<b>45,433</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 July 2019

### 23 Pension schemes

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

- Universities Superannuation Scheme (USS)
- The Local Government Pension Scheme (LGPS) which is administered by Leicestershire County Council
- The Teachers' Pension Scheme (TPS)

The total charge to the consolidated income and expenditure account (excluding finance expense) is noted below.

	2018/19 £'000	2017/18 £'000
Contributions paid to USS (excluding amounts paid under the USS deficit recovery plan)	15,632	13,809
Movement on USS provision	50,249	253
	<b>65,881</b>	<b>14,062</b>
LGPS	11,479	10,187
Other pension schemes	148	153
	<b>77,508</b>	<b>24,402</b>

#### (i) The Universities Superannuation Scheme

The latest available complete actuarial valuation of the Retirement Income Builder is at 31 March 2017 (the valuation date), which was carried out using the projected unit method. A valuation as at 31 March 2018 was completed after the year end date (see note 30).

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

The 2017 valuation was the fourth valuation for the scheme under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £60.0 billion and the value of the scheme's technical provisions was £67.5 billion indicating a shortfall of £7.5 billion and a funding ratio of 89%. The key financial assumptions used in the 2017 valuation are described below. More detail is set out in the Statement of Funding Principles.

Pension increase (CPI)	Term dependent rates in line with the difference between the Fixed Interest and Index Linked yield curves, less 1.3% p.a.
Discount rate (forward rates)	Years 1-10: CPI - 0.53% reducing linearly to CPI - 1.32% Years 11-20: CPI + 2.56% reducing linearly to CPI + 1.7% by year 21 Years 21+: CPI + 1.7%

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 2017 actuarial valuation. The mortality assumptions used in these figures are as follows:

Mortality base table	2017 valuation
Pre-retirement:	71% of AMC00 (duration 0) for males and 112% of AFC00 (duration 0) for females.
Post-retirement:	96.5% of SAPS S1NMA "light" for males and 101.3% of RFV00 for females.
Future improvements to mortality	CMI_2016 with a smoothing parameter of 8.5 and a long term improvement rate of 1.8% pa for males and 1.6% pa for females.

The current life expectancies on retirement at age 65 are:

	2018/19	2017/18
Males currently aged 65 (years)	24.6	24.5
Females currently aged 65 (years)	26.1	26.0
Males currently aged 45 (years)	26.6	26.5
Females currently aged 45 (years)	27.9	27.8

The funding position of the scheme has since been updated on an FRS 102 basis:

	2018/19	2017/18
Scheme assets	£67.4bn	£63.6bn
Total scheme liabilities	£79.2bn	£72.0bn
FRS 102 total scheme deficit	£11.8bn	£8.4bn
FRS 102 total funding level	85%	88%

Key assumptions used are:

	2018/19	2017/18
Discount rate	2.44%	2.64%
Pensionable salary growth	n/a	n/a
Pension increases (CPI)	2.11%	2.02%

A new deficit recovery plan was put in place as part of the 2017 valuation and is set out in the new Schedule of Contributions dated 28 January 2019. This requires payment of 5% of salaries over the period 1 April 2020 to 30 June 2034. In accordance with the requirements of FRS 102 and the SORP, the University has made a provision for this contractual commitment to fund the past deficit. In the prior year, the deficit payments were 2.1% of salaries up to March 2031. This significant increase in deficit contributions has given rise to a substantial increase in the deficit provision which has increased from £30,014,000 to £79,646,000 as set out in note 19. £52,610,000 of this increase is attributable to the change in the deficit contributions contractual commitment.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 July 2019

## 23 Pension schemes (continued)

### (ii) Local Government Pension Scheme (LGPS)

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

For LGPS, the actuary has indicated in the 2016 valuation that the resources of the scheme are likely, in the normal course of events, to meet the liabilities as they fall due at the level specified by the LGPS Regulations. The employer's contribution rate was increased to 21.0% from April 2017.

Under the definitions set out in FRS102, the LGPS is a multi-employer defined benefit pension scheme. In the case of the LGPS, the actuary of the scheme has identified the University's share of its assets and liabilities as at 31 July 2019.

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

#### Assumptions

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

	2018/19 %pa	2017/18 %pa
Pension Increase Rate (CPI)	2.4	2.4
Salary Increase Rate (RPI)	3.4	3.4
Discount rate	2.1	2.8

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

	Males	Females
Current pensioners	21.2 years	23.4 years
Future pensioners	22.2 years	24.7 years

#### Scheme assets and expected rate of return for LGPS

The assets in the scheme, measured at fair value, were:

	31 July 2019 £'000	31 July 2018 £'000
Equities	95,089	91,303
Bonds	48,350	39,761
Property	12,893	13,254
Cash	4,835	2,945
Total	<u>161,167</u>	<u>147,263</u>

	2018/19 £'000	2017/18 £'000
<b>Analysis of the amount shown in the balance sheet</b>		
Scheme assets	161,167	147,263
Scheme liabilities	<u>(239,643)</u>	<u>(205,267)</u>
<b>Deficit in the scheme – net pension liability</b>	<u>(78,476)</u>	<u>(58,004)</u>

#### Analysis of the amount charged to staff costs within operating surplus

Current service cost	9,438	9,886
Past service costs (including curtailments)	<u>2,041</u>	<u>301</u>
Total operating charge	<u>11,479</u>	<u>10,187</u>

#### Analysis of the amount charged to interest payable

Interest cost on defined benefit obligation	5,851	5,525
Interest income on plan assets	<u>(4,147)</u>	<u>(3,635)</u>
<b>Net charge to interest and other finance costs</b>	<u>1,704</u>	<u>1,890</u>

#### Analysis of other comprehensive income for LGPS

Return on assets excluding amounts included in net interest	7,827	8,004
Changes in financial assumptions	<u>(33,236)</u>	<u>8,301</u>
Changes in demographic assumptions	<u>12,472</u>	<u>-</u>
<b>Total other comprehensive income before deduction for tax</b>	<u>(12,937)</u>	<u>16,305</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 July 2019

### 23 Pension schemes (continued)

	2018/19 £'000	2017/18 £'000
<b>Analysis of movement in the present value of scheme liabilities</b>		
<b>Present value at the start of the year</b>	<b>205,267</b>	201,571
Current service cost	9,438	9,886
Past service cost including curtailment	2,041	301
Interest cost	5,851	5,525
Actual member contributions	1,537	1,499
Actuarial loss	20,764	(8,301)
Actual benefit payments	(5,255)	(5,214)
<b>Present value at the end of the year</b>	<b>239,643</b>	<b>205,267</b>
<b>Analysis of movement in the fair value of scheme assets</b>		
<b>Fair value of assets at the start of the year</b>	<b>147,263</b>	133,820
Interest income on plan assets	4,147	3,635
Actuarial gain on assets	7,827	8,004
Actual contributions paid by University	5,648	5,519
Actual member contributions (including notional contributions)	1,537	1,499
Actual benefit payments	(5,255)	(5,214)
<b>Fair value of scheme assets at the end of the year</b>	<b>161,167</b>	<b>147,263</b>
Actual gain on scheme assets in the year	11,974	11,639

LGPS assets do not include any of the University's own financial instruments or any property occupied by the University.

The estimated employer's contribution payable to LGPS in the financial year 2019/20 is £5,968,000.

### iii) Teachers' Pension Scheme

This scheme is valued every 5 years by the Government Actuary. Contributions are paid by the University at the rate specified. The scheme is unfunded and contributions are made to the Exchequer. The payments from the scheme are made from funds voted by Parliament. The contribution rate payable by the employers was 16.48% of pensionable salaries.

Under the definitions set out in Section 28 of FRS 102, this scheme is a multi-employer defined benefit pension scheme as the University is unable to identify its share of the underlying assets and liabilities.

### 24 Subsidiary undertakings

The University wholly owns or effectively controls the following subsidiary companies (all of which are registered in England and Wales with their registered office at Finance Office, Loughborough University, Loughborough, LE11 3TU):

Company name	Shareholding	Principal activity
Imago @ Loughborough Limited	100%	Management of conference and related commercial facilities
Loughborough University Enterprises Limited	100%	Marketing of the expertise and facilities of the University in applicable specialist areas
Loughborough University Development Trust (non-trading)	Limited by guarantee	Promotion of the charitable purposes of the University
Loughborough University Services Limited (non-trading)	100%	Supply of utilities and other services

### 25 Associated undertakings

The Group has the following interests in associated undertakings:

Company name (registered office)	Shareholding	Principal activity
Previsico Limited (LUSEP, Holywell Building, Holywell Way, Loughborough, Leicestershire, LE11 3UZ)	40%	Exploitation of 'FloodMap Live: Real-Time Nowcasting/Flood Analytics' technology
Zayndu Limited (LUSEP, Holywell Building, Holywell Way, Loughborough, Leicestershire, LE11 3UZ)	49%	Exploitation of 'Plasma Drum Reactor: Seed Disinfection' technology
PQ (Lboro) Limited (NCSEM, Loughborough University, Loughborough, Leicestershire, LE11 3UZ)	25%	Consultancy in the sport, exercise and health sciences industry

The Group's share of the profit or loss for the year and the net assets of the associated undertaking is not material to these financial statements in either the current or prior year and has therefore been excluded from the consolidation.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 July 2019

### 26 Connected charitable institutions

One charitable institution (Loughborough University Development Trust) is administered by or on behalf of the University and has been established for its general or special purposes. As a result, under paragraph 28 of Schedule 3 to the Charities Act 2011, this connected institution is exempt from registration with the Charity Commission. This charity is included as a subsidiary undertaking in these consolidated financial statements and the movements in the year on the total funds of the connected institution, as reported in its own accounts, were as follows:

	Loughborough University Development Trust £'000
<b>At 1 August 2018</b>	-
Income	87
Transfers to Loughborough University	(87)
<b>At 31 July 2019</b>	<u>-</u>

On 31 July 2018 the assets and operations of Loughborough University Development Trust were transferred to Loughborough University and the Trust ceased to operate on the same date. Transactions shown above represent income received in relation to agreements entered into by the Trust prior to ceasing to trade and the subsequent transfer of these assets to Loughborough University

### 27 Related party transactions

The University's Council members are the trustees for charitable law purposes. Due to the nature of the University's operations and the compositions of the Council, being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the Council may have an interest. All transactions involving organisations in which a member of Council may have an interest, including those identified below, are conducted at arms length and in accordance with the University's Financial Regulations and usual procurement procedures. All balances outstanding at the year-end are held on normal credit terms and do not carry any interest.

	Income £'000	Expenditure £'000	Balance due to/(from) the University at 31 July 2019 £'000
<b>Members of Council</b>			
Leicestershire County Council	2,187	(3)	-
Loughborough Students' Union	208	(1,321)	2
<b>Senior members of the University</b>			
British Council	328	(390)	(199)
English Institute of Sport	285	(57)	(43)
EPSRC	12,672	(10,601)	(6,259)
Loughborough College	185	(96)	-
Loughborough Students' Union	208	(1,321)	2
Manufacturing Technology Centre	76	-	-
Rolls Royce	2,918	1,115	(790)
UK Sport	97	-	19
University of Birmingham	481	(408)	-
<b>Associated undertakings</b>			
Zanydu Limited	-	-	60
Previsico Limited	-	-	95

The total expenses paid to or on behalf of 11 council members were £9,295 (2018: £11,856 to 12 council members). This represents travel and subsistence expenses incurred in attending Council, Committee meetings and any other events in their official capacity. The University Officers and Members of Council have also had access to the catering, sporting and other facilities of the University on terms which are available to all members of University staff.

The University has taken advantage of the exemption allowed by FRS102 not to disclose transactions between wholly owned group companies. No information has been listed above for organisations where income or expenditure is less than £50,000 in the current year.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 July 2019

28 Financial commitments	2018/19		2017/18	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Commitments contracted	21,786	21,723	80,033	78,461

Total future minimum lease payments under non-cancellable operating leases are as follows:

Consolidated	2018/19			Total £'000	2017/18 Total £'000
	Land and buildings £'000	Plant and machinery £'000	Other leases £'000		
Payable during the year	959	636	1,151	2,746	3,265
<b>Future minimum lease payments due:</b>					
Not later than 1 year	17	433	599	1,049	1,094
Later than 1 year and not later than 5 years	4,212	240	644	5,096	3,079
Later than 5 years	5,053	-	-	5,053	4,753
<b>Total lease payments due</b>	<b>9,282</b>	<b>673</b>	<b>1,243</b>	<b>11,198</b>	<b>8,926</b>

University	2018/19			Total £'000	2017/18 Total £'000
	Land and buildings £'000	Plant and machinery £'000	Other leases £'000		
Payable during the year	959	594	1,151	2,704	3,231
<b>Future minimum lease payments due:</b>					
Not later than 1 year	17	400	599	1,016	1,060
Later than 1 year and not later than 5 years	4,212	215	644	5,071	3,059
Later than 5 years	5,053	-	-	5,053	4,753
<b>Total lease payments due</b>	<b>9,282</b>	<b>615</b>	<b>1,243</b>	<b>11,140</b>	<b>8,872</b>

Significant leases include the lease of the London campus (included in land and buildings), sports equipment (plant and machinery) and software licences (other).

### 29 Leases receivable

At the Balance Sheet date, the following future minimum lease payments were receivable from tenants under operating leases for land and buildings:

Future minimum lease payments receivable:	2018/19		2017/18	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Not later than 1 year	2,795	3,540	2,291	3,072
Later than 1 year and not later than 5 years	6,056	9,036	3,673	6,794
Later than 5 years	5,069	23,349	2,092	21,178
<b>Total lease payments receivable</b>	<b>13,920</b>	<b>35,925</b>	<b>8,056</b>	<b>31,044</b>

Significant leases include the lease of hotel and conferencing facilities to a subsidiary company and leases to tenants of the University's Science and Enterprise Park.

### 30 Events after the reporting period

#### Conclusion of 2018 actuarial valuation of USS

2018 actuarial valuation of USS was finalised after the year end which indicated a shortfall of £3.6 billion and a funding ratio of 95%.

Since the year end, following the completion of the 2018 actuarial valuation, a new deficit recovery plan has been agreed. This amends the existing deficit recovery plan as set out in the 2017 valuation Schedule of Contributions. This new plan requires deficit payments of 2% of salaries from 1 October 2019 to 30 September 2021 and then payments of 6% of salaries from 1 October 2021 to 31 March 2028. As at 31 July 2019 and assuming all other assumptions used to calculate the provision remain unchanged, this would have resulted in a revised provision of £45,462,000, a decrease of £34,184,000 from the current year end provision.

#### Dissolution of subsidiary

Loughborough University Services Limited was dissolved on 8 October 2019.

Loughborough University  
Leicestershire LE11 3TU

T: +44 (0)1509 222 222  
E: [enquiries@lboro.ac.uk](mailto:enquiries@lboro.ac.uk)

[www.lboro.ac.uk](http://www.lboro.ac.uk)

