

Lancaster
University



Financial
Statements
2022





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Strategic, Operational & Financial Review

for the year ended 31 July 2022

Strategy

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

Our strategic goals are threefold: to be recognised as a global leader amongst universities; to advance our strong national profile; and to accelerate our transformative impact in the communities in which we operate.


Core underpinning values of respect, building strong communities and creating positive change are crucial to success. The declaration of Climate Emergency by the University Council in November 2020 shapes our planning for the future.

This report sets out progress, risks and opportunities.

The University's
purpose is to
advance knowledge,
wisdom and
understanding
through the
excellence of its
teaching and
research

Ranked
**1st in the
North, 8th
in England
and 11th
in the UK**

National Student
Survey 2022

A photograph of two students sitting at a long wooden table in a library. The student on the left is a woman with long dark hair wearing a denim jacket. The student on the right is a woman with short dark hair and glasses wearing a black top. They are both looking down at something on the table. In the background, there are bookshelves filled with books, some with purple covers and some with blue covers. The ceiling has a wooden slat design with recessed lighting.

**91% of our research
rated world-leading
or internationally
excellent**

**95% of Lancaster's
research has
4* 'outstanding'
impact or 3* 'very
considerable' reach
and significance**

**88% of Lancaster's
research is rated 4*
'world leading' or
3* 'internationally
excellent' for outputs**

Research Excellence Framework 2021

Strategic, Operational & Financial Review

for the year ended 31 July 2022 cont.

Strategic plan: global significance and sector leadership

Research Excellence Framework (REF) 2021

The results of the independent exercise to assess the quality and impact of research submitted by 157 UK universities across all subjects were published in May 2022. 91% of Lancaster's research was rated as 'internationally excellent' or 'world leading' with 46% rated in the highest category of 4*. Lancaster was ranked 21 nationally in the Times Higher Education and was placed above 8 Russell Group institutions for research quality. 900 academic staff were submitted for assessment, up from 580 in REF 2014. Our strong performance will increase the share of competitively won funding from Research England for Qualitative Research funding (QR) from 22/23 onwards.

“

Lancaster's REF 2021 results confirm our position as delivering world-quality research at the same time as a best-in-class student experience. We have sustained our excellence in research as we have grown in scale with more than 50% more staff submitted than in 2014.

We have doubled our grant capture over that time too. Our excellence is revealed right across the disciplinary mix and enables us to create impact as we bring research communities together to deliver answers to complex problems.

Professor Andy Schofield, Vice-Chancellor

”

International Campus developments:

Lancaster University is already one of the leading international universities in the UK with around one third of its global undergraduate community (c.a. 9.9k headcount) studying outside of the UK at one of its strategic partnerships in China, Malaysia, Ghana and Germany. In May 2022 the University won the UK-Malaysia Education Business Excellence Partnership award for its partnership with Sunway University, celebrating 15 years of partnership and the largest UK transnational educational partnership of its kind in Malaysia. The newest partnership in Leipzig, Germany celebrated a grand opening of its new campus in April 2022 and admitted its third cohort of students to Lancaster accredited undergraduate programmes in autumn 2022.

Global and national position:

The University is ranked 122nd in the Times Higher Education (THE) World University rankings 2022 and 146th in the QS World University rankings for 2023, in the top 11% of Universities ranked across the world. In the UK, Lancaster has

retained its position of 11th in the Complete University Guide 2023, is ranked 12th in the Times Higher Education 2023 and 14th in the Guardian 2023 national league tables. These are important measures of quality for the attraction of staff and student alike, which is reflected in the growth of teaching fee income from £185M to £195M in 2021/22.

Innovations and developments:

In July 2022, the groundbreaking higher education institute, University Academy 92, co-founded by Lancaster University and the Class of 92 celebrated its inaugural graduation ceremony at its Manchester campus. The joint venture operates in partnership with leading industry names such as Microsoft, Talk Talk, KPMG and Manchester United to deliver courses across business, media, sport and digital. A new Digital Academy opened in September 2022.

Closer to Lancaster, a new specialist Maths School developed in collaboration with Cardinal Newman College in Preston opened for its first cohort of 16 to 18 year olds in September 2022, delivering world-class mathematics education at a purpose built facility.

Student experience and support

Quality of student experience:

The University gained an overall satisfaction score of 83.6% in the National Student Survey 2022, ranking 1st in the North, 8th in England and 11th in the UK. This was ahead of all institutions in the Russell Group, reflecting sustained investment and resourcing to support the student experience. Lancaster also ranked 1st in the sector for learning resources. Notwithstanding the strong performance overall, an Education Strategy Advisory Group is working on areas which can be further strengthened and to spread best practice across academic areas.

Access and Participation:

Lancaster's Access and Participation plan for 2020/21 to 2024/25, agreed with the Office for Students, sets out a whole provider strategic approach to widening participation and social mobility across the student lifecycle. It sets out clear targets and practical routes for access, continuation, attainment and progression. For example, the Lancaster 'GROW Your Future' programme offers bespoke employability support for target groups. Financial support available for students while studying totalled £4.5M for 2021/22 across a range of bursaries and scholarships.

Support and services:

During the year, the University completed a project to transform its approach to providing timely and consistent responses and access to information for students. The Advice, Support and Knowledge (ASK) service provides a new blended cross-university digital and in-person student enquiries and information hub. It covers wellbeing, student life, study, financial, digital, careers and other relevant student topics.



In February 2022,
the University
secured planning
permission
for a 16.5MW
photovoltaic Solar
Farm on its Forrest
Hills site and is
aiming to deliver
the project between
2023 to 2025

Strategic, Operational & Financial Review for the year ended 31 July 2022 cont.

Sustainability

Lancaster University is ranked 26th globally in the inaugural QS 2023 Sustainability Ranking¹.

The University has a number of projects and initiatives in train to help achieve our goal of carbon net-zero for carbon emissions from electricity and heating by 2030 and net-zero for all other emissions by 2035, details can be found at www.lancaster.ac.uk/sustainability.

Estates Strategy:

In July 2022 the University Council approved the adoption of an updated strategy for the period to 2027. This presents new sustainable space options for the main Bailrigg campus, supporting the adoption of new ways of working by challenging traditional behaviours to enable recycling, repurposing and carbon reduction by more effective use of our existing footprint. Together with implementation of sustainable technologies, this marks a step change in our approach to estates development. It is supported by an evolving approach to agile working alongside a pilot initiative to 'Re-imagining Working Practices' which has helped to inform our thinking about effective space usage that also supports wellbeing.

Major projects:

In February 2022, the University secured planning permission for a 16.5MW photovoltaic Solar Farm on its Forrest Hills site and is aiming to deliver the project between 2023 to 2025. Financial provision has been made in the forward capital programme to fund the project in phases. This work complements smaller projects for energy efficiency on campus relating to building fabric and engineering infrastructure as well as an extended district heating system. At a time of rising energy costs, these projects are being prioritised.

Re-imagining Working Practices Pilot

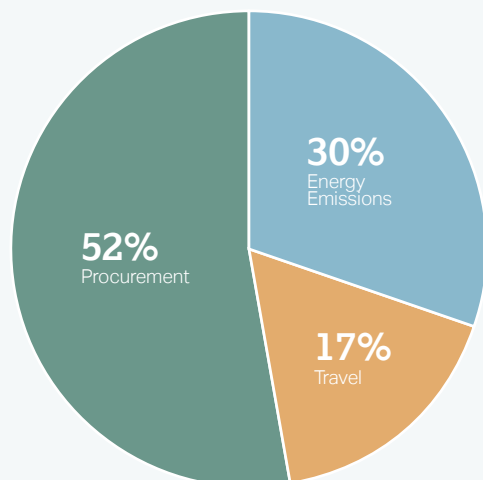


Sustainability Linked financing:

The University's £90M Revolving Credit Facility with Santander in place at 31 July 2022 was due to expire in 2023, though the option to extend it for two further years remained. The facility had been increased from £60M to £90M during the pandemic to provide further flexibility if needed, although this has not been necessary in practice. The opportunity was taken to consider emerging options and the facility has now been replaced with a Sustainability-linked Revolving Credit Facility for £60M for 5 years. This is linked to 5 agreed sustainability performance targets around carbon emissions, diversity of staff and student outcomes which are consistent with the University's strategy and key performance indicators being tracked by the Council. Formal reporting against these will be externally verified each year.

Lancaster University Carbon Footprint

The chart below shows the carbon footprint from its activities and operations.



Latest available data from 2020/21.

Impact on our Communities

Research communities:

Lancaster University has a pivotal role in the development of national cyber security research and innovation. It is the only university in the North West with triple accreditation for excellence in cyber security research and education. This includes National Cyber Security Centre recognition as a Gold Academic Centre of Excellence in Cyber Security Education, having an Academic Centre of Excellence in Cyber Security Research and having its Cyber Security Masters programme certified. It has recently joined with three other North West Universities and GCHQ to create a 'Security and Trust Partnership' in the region to bring closer ties between the intelligence, cyber and security agency and academia. This programme will contribute to the North West region's cyber corridor including the National Cyber Force's new HQ in Samlesbury, Lancashire. Lancaster has already committed to funding for new academic posts and facilities to ensure it is well positioned to support this important area.

¹www.topuniversities.com/university-rankings/sustainability-rankings/2023

Educational communities:

The innovative Morecambe Bay Curriculum is inspired by the plans for Eden Project North and aims to bring education and residents together to share knowledge, green skills and behaviours to take personal responsibility for the local environment and the future of Morecambe Bay. Launched in September 2020 this unique pre-natal to 25 years curriculum sees the University, together with Lancaster and Morecambe College and experts from Eden Project North, working in partnership with early years settings and local schools and colleges to promote green practical pathways to learning in the natural environment of the bay.

Widening participation communities:

The University recently received the 'Student Success Initiative of the Year 2022' award at the Student Social Mobility Awards. The Lancaster Success programme was commended by the panel for its coaching-led approach in supporting Lancaster undergraduates from widening participation backgrounds to thrive through 1:1 coaching-led personal development, action learning sets and access to an enrichment fund to support their studies.

People and Culture

People and Culture plan:

The University's values underpinning the strategic plan describe a culture for success to 'create sustainable and transformative change'. The values of, building strong communities by working effectively together in a supportive way; respect for each other by being open and fair; and promoting diversity and creating positive change by being ambitious in our learning expertise and action, have been co-created after extensive staff consultation. A formal People and Culture Plan was launched in March 2022 and its implementation is ongoing across the different teams.

External assessments on diversity:

The University has continued to invest in understanding and improving its equality position both through analysis of its own data and sources of support from external agencies. These include Advance HE's Athena Swan and Race Equality Charter assessments, Disability Confident and Stonewall accreditations.

Staff recognition and celebration:

During 2021/22, the University has placed renewed emphasis on celebrating the successes and achievements of its staff. These include the Staff Recognition and Celebration Event held to recognise more than 300 staff from across the University on a range of programmes offered by the Organisational Development and Educational Development teams, as well as individual and team national teaching awards.

Underpinning Financial Strategy

The University's financial strategy is designed to support the University to achieve its strategic objectives, alongside maintaining financial health and flexibility. It also provides for some headroom, bringing capacity for adjustment to deal with unexpected events or to take opportunities as they arise. Adherence to the Higher Education Statement of Recommended Practice (HE SORP) brings volatility around income recognition for capital grants and particularly actuarial pension movements. The 2021/22 accounts reflect substantial movements for both the Universities Superannuation Scheme and also the Lancashire County Pension Fund, which, in light of the wider economic context, has increased discount rates and substantially reduced the size of liabilities at the year-end date. The former was flagged as a 'Post Balance Sheet Event' in the prior year accounts which indicated that based on the Schedule of Contributions under consultation and the deficit recovery period, the USS provision would increase by ca. £88M from £39M to £127M. In the event the final increase was lower at £64M, due to discount rate movements. Such items are non-cash movements and do not reflect underlying trading activity.

For some time therefore, the University Council has adopted the measure of Adjusted Net Operating Cashflow (ANOC) as our key financial indicator.² This measure is readily comparable over time and importantly focusses on cash generated rather than income earned but maybe not converted into cash. Our target is to achieve an Adjusted Net Operating Cashflow in the 9-11% range of income (3-year rolling average). Beneath the headline measure we monitor a range of underlying indicators around liquidity, cost base growth and gross and net debt in order to ensure ongoing financial health.

After an uncertain period through the pandemic, the approach to 2021/22 was to plan for a more normal operating year with the budget set to achieve ANOC of ca. 10% (£34M) for the year. By mid-year it was clear that the University was on track for outperformance so additional expenditure budgets were released for the remaining months, particularly to support staff appointments. In practice the rate of expenditure did not increase as significantly as forecast with appointments taking some time in a competitive recruitment market.

The final position reflects both the improved revenue performance and also a net positive movement in working capital balances (i.e. debtors and creditors). Reported figures for Adjusted Net Operating Cashflow for the year reached 16.3%, well above target but below the prior year's performance.

The improved financial outcome helps to provide resilience in the context of significant inflationary pressures now starting to crystallise. Further detailed information on the financial performance for the year is given below.

² Adjusted net operating cashflow = Net cash inflow from operating activities plus investment income plus endowment income less interest paid.

Strategic, Operational & Financial Review

for the year ended 31 July 2022 cont.

Management of key risks

The management of key risks alongside identifying and taking relevant opportunities is critical to the future success of the University. Prior to the pandemic, the Council had been mindful of a changing risk environment for the Higher Education sector and had been active in seeking mitigations. For example, to help mitigate the impact of

Brexit on future EU-domiciled student and staff recruitment, a campus in Leipzig in Germany opened in September 2020 to offer Lancaster degree programmes to domestic and international students and to provide a potential gateway to access future EU research funding. Further details of the Council's recent work on risk management and assurance is given in the Corporate Governance Statement which follows.

The table below sets out the major over-arching risks together with key mitigating actions.

Strategic Risk	Main mitigations
<p>Cyber Security Risk</p> <p>A breach or incident results in harm to the University.</p>	<ul style="list-style-type: none"> • Comprehensive IT security risk register and plan • Specialist protection systems • Mandatory information security training for staff • Multi-factor authentication • Regular penetration testing • Audit reviews and action plan implementation
<p>Research funding</p> <p>The rate of externally funded research capture is insufficient to meet strategic goals</p>	<ul style="list-style-type: none"> • Post pandemic focus on research opportunities • Leverage from strong REF 2021 performance • Targeted actions to catalyse pipeline in key areas of potential opportunity • Focus on collaborative and large-scale bids in areas of strength and funding opportunity • Closer alignment with Enterprise and Engagement to leverage business and industry links • Review of Research Institutes to ensure best fit for future opportunities
<p>Student experience</p> <p>A potential decline in current high-quality student experience and outcomes</p>	<ul style="list-style-type: none"> • Continued review and response to student feedback • NSS dashboards to aid dissemination of information and sharing of best practice • Enhanced mechanisms for engagement led by Pro-Vice-Chancellor (Education) • Professional Services and Colleges working together to offer an integrated student support network
<p>People and culture</p> <p>The inability to recruit or retain high-quality staff</p>	<ul style="list-style-type: none"> • People and Culture Plan now being implemented • Leverage research environment strengths as evidenced by REF 2021 • Reimagined Working Practices pilot complete and project ongoing to support changes in working practices post pandemic • Academic Workload Planning pilot underway to inform future developments
<p>Brand strength</p> <p>The brand of the University in a competitive market is not strong enough to ensure high quality student application and admission rates</p>	<ul style="list-style-type: none"> • Ongoing brand development work • Build on high student satisfaction results • Portfolio review and curriculum design to ensure ongoing attractiveness of offer • Establishment of additional recruitment offices in UK • Revised overseas agent network arrangements • Use of international campuses to leverage in-country profile
<p>Government policy and geopolitical risks</p> <p>The policy or wider geopolitical environment impacts the University detrimentally in a high-inflation context.</p>	<ul style="list-style-type: none"> • Scenario planning and discussion by the Council • Income diversification opportunities identified and delivered • Ongoing focus on operational cost efficiencies and service transformation • Revised Estates Strategy for reuse/recycle and focus on space utilisation • Maintaining and enhancing presence at national policy debate

Financial Highlights (consolidated)

	2021/22	2020/21	Change
Total Income (as reported)	£357.9M	£325.6M	+9.9%
Total Income (excluding capital grant income)	£353.0M	£319.1M	+10.6%
Average Number of Staff (FTE)	3,323	3,189	+4.2%
Staff Costs as % Income	50.0%	53.5%	-3.5
Adjusted Net Operating Cashflow	£57.6M	£54.3M	+6.0%
Adjusted Net Operating Cashflow as % of Income	16.3%	17.0%	-0.7
Adjusted Net Operating Cashflow as % of income rolling 3-year average	14.9%	12.5%	+2.4
Net (Cash)/Debt	(£22.1M)	£21.6M	+202.3%
Current Asset Ratio	2.0	1.5	+0.5

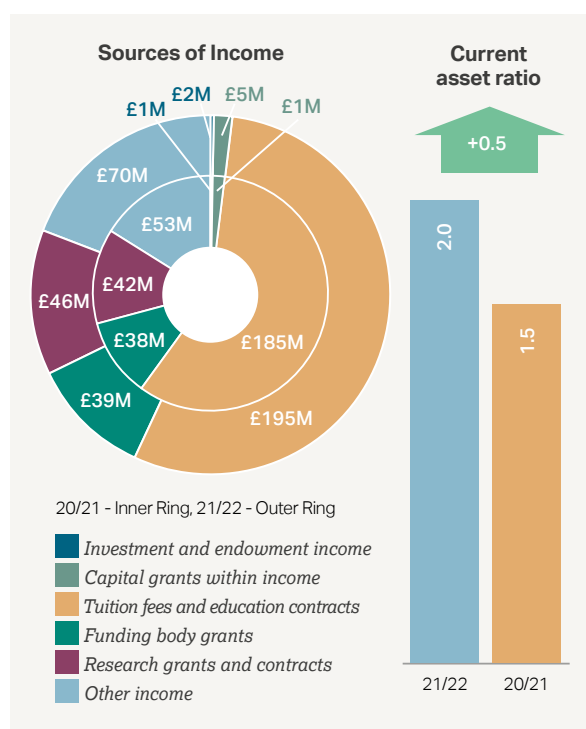
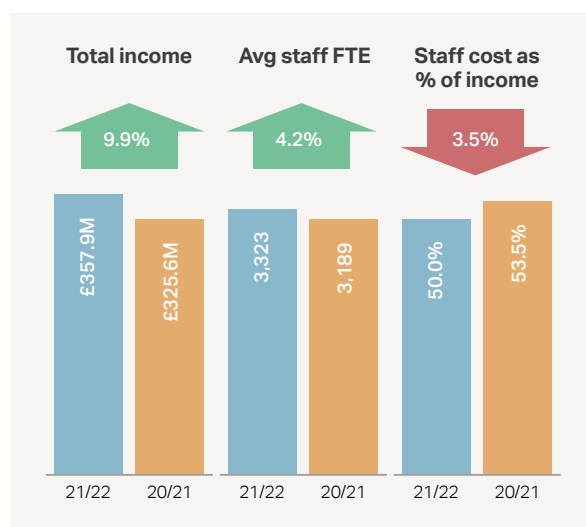
Review of the financial year

The year 2021/22 ended as a solid financial year for the University despite some ongoing uncertainty and unpredictability through waves of the Covid-19 pandemic. The prior year had experienced substantial pressure on normal operations and required significant mitigation throughout. The 2021/22 final reported income ended the year ahead of expectation, whilst costs were below, due in part to the delay in returning to normal campus operations and staff vacancy related underspends.

Strong focus on delivery to a growing cohort of enrolled students, meant that tuition fee income rose 5.6% year on year to £195M. In addition, research activity recovered post pandemic such that year on year research grants and contracts income grew by 11.3%³. Other income of £70.0M³ from student accommodation, commercial and other activities reported a year on year increase of 32.0%³ as these streams returned to a more usual pattern. Overall, total income at £358M increased by 9.9%, or 10.6% excluding capital grant income. Expenditure, excluding non-cash pension adjustments, increased by 8.7% on prior year, with the largest growth coming from 'other operating expenses' (+22.5%, +£22.0M), again reflecting accommodation and commercial activity returning to more normal levels.

Staff costs increased by 3.4% year on year⁴, with average FTE up 4.2% at 3,323 for 2021/22. However, overall staff recruitment lagged behind our intent and staff costs as a percentage of income reduced from 53.5% to 50.0%. This also reflects the return to close to full occupancy of student accommodation and associated income increasing sharply from the prior year. The University has a large-scale external partnership in respect of much of its accommodation such that related income flows through its accounts to the third-party provider to service debt and maintain the buildings. Associated costs are therefore weighted significantly towards other operating expenses rather than staff costs meaning that Lancaster's staff cost:income ratio will track lower than many of its peers.

Performance against our key financial metric, Adjusted Net Operating Cashflow (ANOC), benefitted from the better than expected out-turn, careful liquidity management and positive working capital movements. The reported final position for ANOC is an achievement of £57.6M (up 6% year on year); 16.3% of income and a 3-year rolling average of 14.9%.



³ Excludes capital grant income

⁴ Excludes non-cash pension adjustments (see following page for note detail)

Strategic, Operational & Financial Review

for the year ended 31 July 2022 cont.

Income excluding capital grants is calculated as follows:

	2021/22	2020/21	Change
Total income (as reported)	£357.9M	£325.6M	+9.9%
Funding body capital grants	(£2.0M)	(£4.6M)	
Research capital grants	(£1.9M)	(£1.9M)	
Other capital grants	(£1.0M)	-	
Total income (excluding capital grant)	£353.0M	£319.1M	+10.6%

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

	2021/22	2020/21	Change
Staff costs (as reported)	£249.3M	£180.6M	+38.1%
Non-cash pension adjustments:			
USS triennial valuation	(£64.2M)	-	
Movement on the USS provision	£2.1M	(£0.8M)	
Movement on Lancashire County Pension Fund provision	(£10.7M)	(£9.0M)	
Total non-cash pension adjustments	(£72.7M)	(£9.8M)	
Staff costs (excluding non-cash pension adjustments)	£176.6M	£170.8M	+3.4%

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

	2021/22	2020/21	Change
Total expenditure (as reported)	£398.9M	£310.1M	+28.7%
Non-cash pension adjustments within:			
Staff costs	(£72.7M)	(£9.8M)	
Interest and other finance costs	(£2.0M)	(£1.9M)	
Total expenditure (excluding non-cash pension charges)	£324.2M	£298.4M	+8.7%

Key financial metric

Adjusted Net Operating Cashflow

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

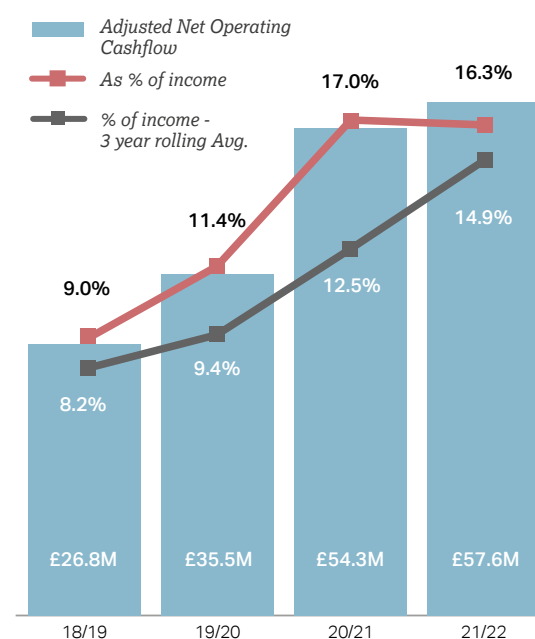
This improvement of £3.3M in 2021/22 includes a positive increase in cash inflow from operating activities and a positive net movement on working capital balances. This represents ANOC at 16.3% of income, which is ahead of the target range of 9% - 11% but slightly below the prior year. The rolling 3-year average shows a steady growth since 2018/19, from 8.2% to 14.9% in 2021/22.

Both 2021/22 & 2020/21 years have been beyond our target range. The response to the pandemic required exceptional levels of cost control which are taking some time to unwind, whilst final income earnings were stronger than expected.

Adjusted Net Operating Cashflow is calculated as follows

	2021/22	2020/21	Change
Net cash inflow from operating activities	£61.0M	£58.5M	+4.3%
Investment income	£0.4M	£0.2M	
Endowment income	£1.0M	£0.7M	
Interest paid	(£4.9M)	(£5.1M)	
Adjusted Net Operating Cashflow	£57.6M	£54.3M	+6.0%
Three year rolling average	14.9%	12.5%	

Adjusted Net Operating Cashflow

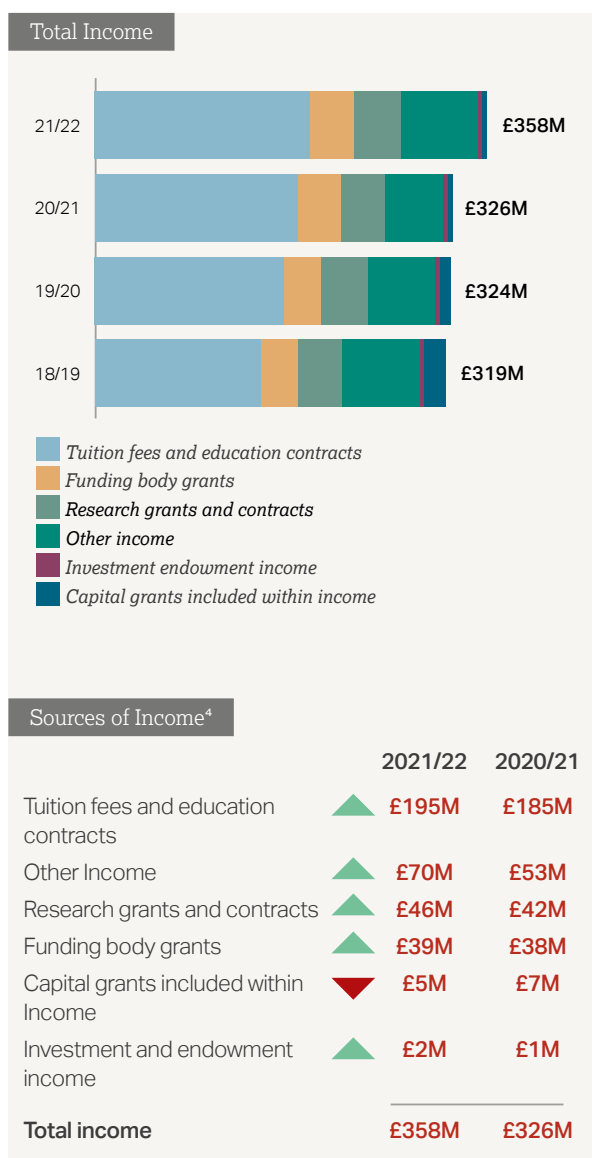


Income

Total Income

Total income for 2021/22 increased from £326M to £358M, up 9.9%. Excluding capital grants, income increased from £319M to £353M, an increase of 10.6%.

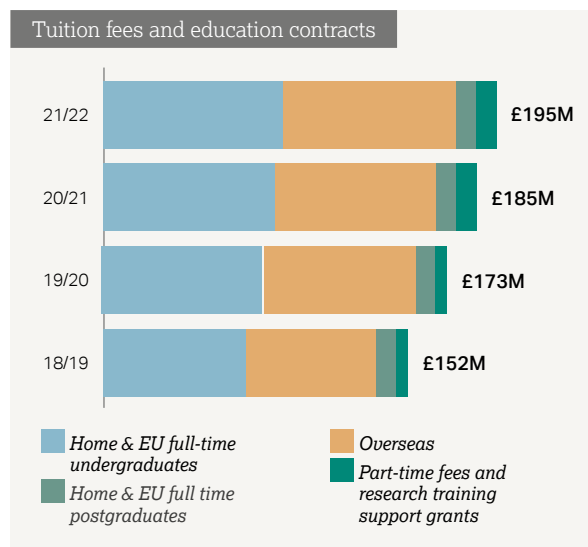
The University's strong UK and global reputation coupled with previous investment in staff and facilities has yielded steady growth in tuition fees and education contracts (+5.6%) and an increase in research grants and contract income of +11.3%⁵. Other income increased from £53M to £70M⁴ (+32.0%) reflecting student accommodation and commercial activity returning to more normal levels. Capital grants decreased slightly from £7M to £5M due to the pattern of awards.



Tuition fees and education contracts

Tuition fee and education contracts have increased by 5.6% to £195M with steady growth achieved across all fee categories.

Our total student population increased by 2.6% in 2021/22, reflecting a growing cohort and success in retaining students' engagement with their studies throughout and following the challenges of the Covid-19 pandemic.

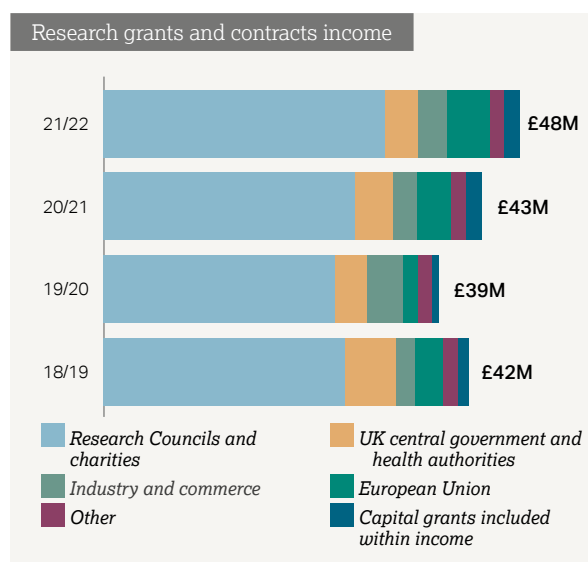


Research grants and contracts income

Research grants and contracts income for 2021/22 was £48M representing an increase of 10.8%, or 11.3% excluding the impact of capital grants.

The increase reflects the catch up on research delivery as a result of the Covid-19 pandemic, which suspended or paused elements of research activity for a time.

2021/22 was a solid year in terms of the value of awards granted (£41M), the benefit of which will roll forward into future periods. The University's strong result in the Research Excellence Framework 2021 exercise will bring additional funding body grant income of ca. £6M per annum from 22/23 onwards.



⁵ Excludes the impact of income from capital grants.

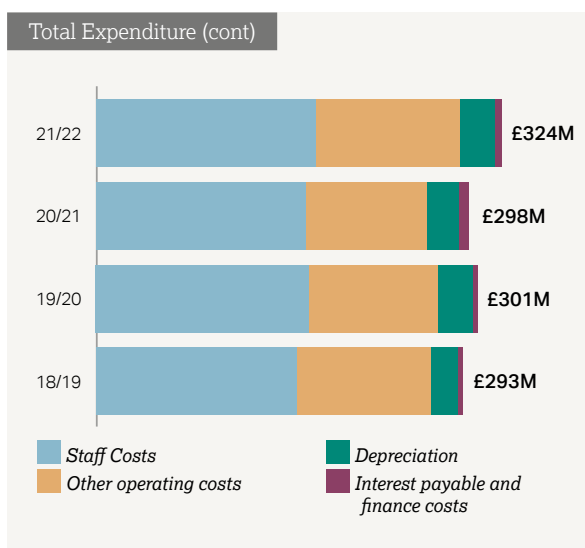
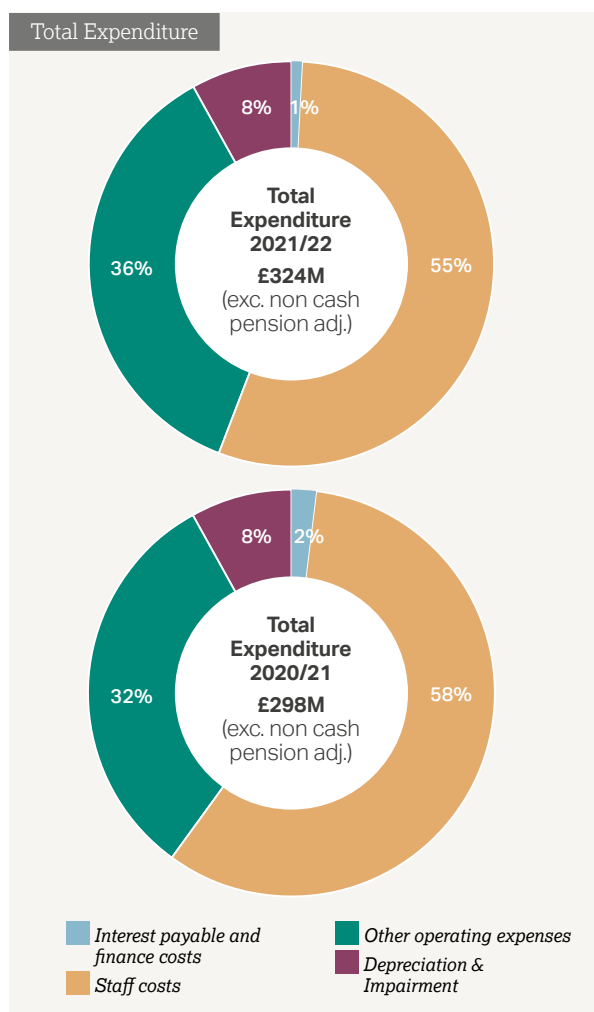
Strategic, Operational & Financial Review for the year ended 31 July 2022 cont.

Expenditure

Total Expenditure

Total expenditure for 2021/22 excluding non-cash pension adjustments is £324M, an increase of 8.7%. The non-cash pension adjustment of £73M consists of an increase in liability for the USS provision of £64M and decrease of £102M for the LCPF. As referenced earlier in the report, the USS movements were expected to be higher based on the 2020 valuation conclusion but changes in discount rates have been significant to the year-end position.

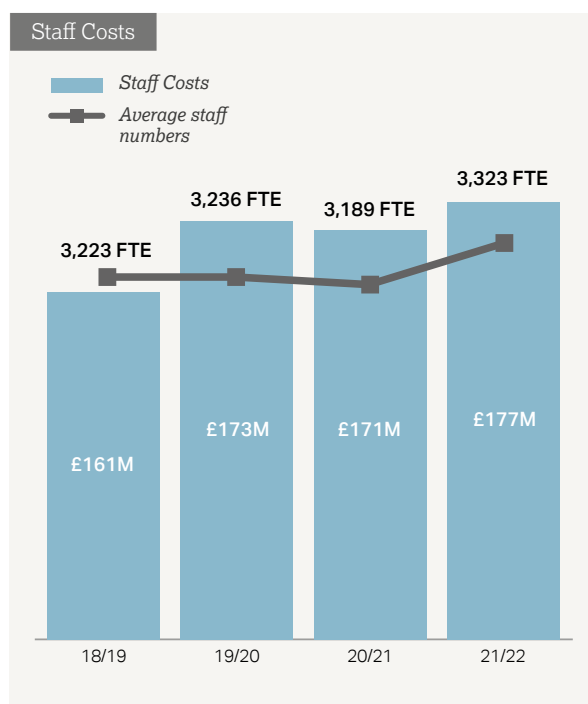
Staff costs, excluding non-cash pension adjustments, increased by 3.4% year on year, with average FTE up 4.2% at 3,323 for 2021/22. However, overall staff recruitment lagged behind our intent and staff cost as a percentage of income reduced from 53.5% to 50.0%. This also reflects the return to close to full occupancy of student accommodation and associated income increasing sharply from the prior year. The University has a large-scale external partnership in respect of much of its accommodation such that related income flows through its accounts to the third-party provider to service debt and maintain the buildings. Associated costs are therefore weighted significantly towards other operating expenses rather than staff costs meaning that Lancaster's staff cost/income ratio will track lower than many of its peers.



Staff Costs ⁶

Overall staff numbers in 2021/22 increased by 4.2% driven primarily by a relaxation of vacancy controls, which had been introduced the previous year to minimise financial risk from the Covid-19 pandemic. Additional posts to support strategic growth and development were released in the second half of the year but there was limited impact on 21/22 due to the time taken to make appointments. The full impact will be on 22/23 accounts.

Linked to the increase in headcount, underlying staff costs increased by 3.4%.



⁶ Excludes non-cash pension adjustments.

Other Items

Pensions

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

Taxation

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

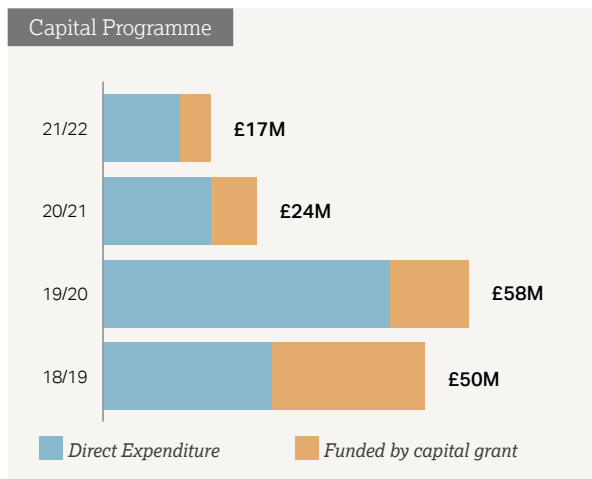
Statement of Financial Position

Capital Programme

Capital additions in 2021/22 at £17M is the lowest for many years. The capital programme was constrained in 2020/21 as a result of the pandemic, whilst in 2021/22 the capital programme was reviewed and updated in line with the University's updated Estates strategy, in the context of its carbon reduction ambitions.

The major project in progress at year-end is the new Engineering building (at a cost of ca. £18M), which is due for completion in summer 2023.

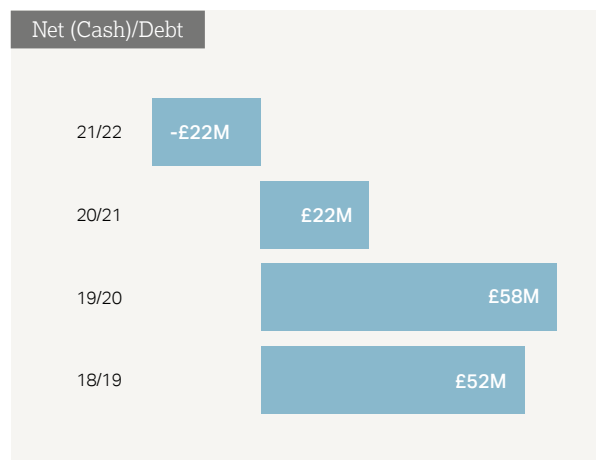
Overall the programme was underspent at year-end by ca. £9M due to timing differences. This underspend benefitted year-end cash balances held.



Net (Cash)/Debt

Net Debt has decreased by ca. £44M in the year to a positive cash position of £22M. This is as a consequence of borrowings remaining constant whilst the cash position improved substantially due to the improved revenue performance, the underspend on the capital programme and other working capital movements.

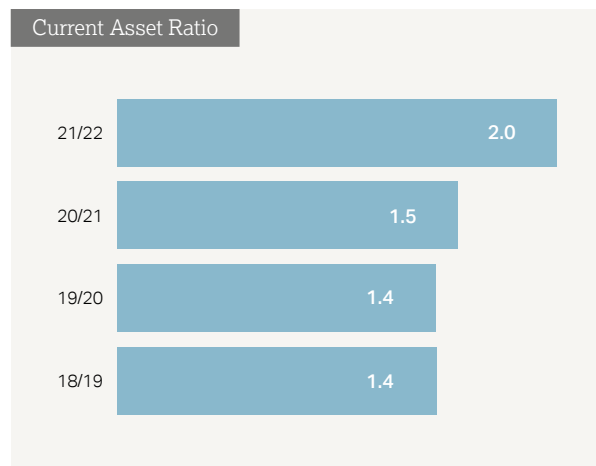
In September 2022, the University agreed a new 5-year £60M Sustainability-Linked Revolving Credit Facility with Santander, replacing the existing facility which had been extended to £90M through the pandemic.



Current Asset Ratio

The current asset ratio has improved from 1.5 to 2.0 with cash, cash equivalents and short-term investments increasing by £42M to £139M. This also reflects the strong improvement in revenue performance, capital underspends and working capital movements.

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



Strategic, Operational & Financial Review

for the year ended 31 July 2022 cont.

Cashflow and Treasury Management

Cashflow and current asset investments

Key movements in cash and current asset investments during the years 2021/22 and 2020/21 are shown below.

In the prior year, a drawing from the Revolving Credit Facility taken as contingency at the height of the pandemic was repaid.

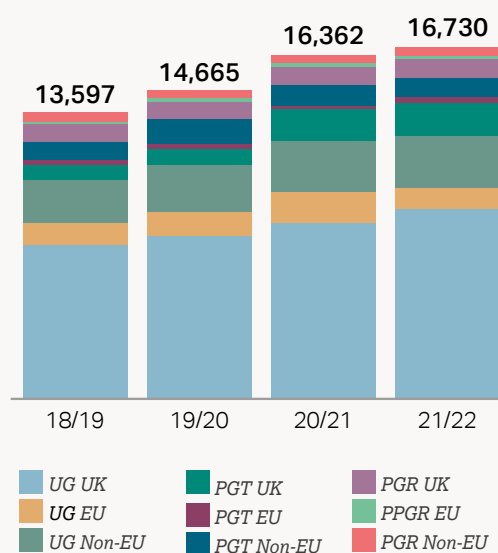


Student Numbers

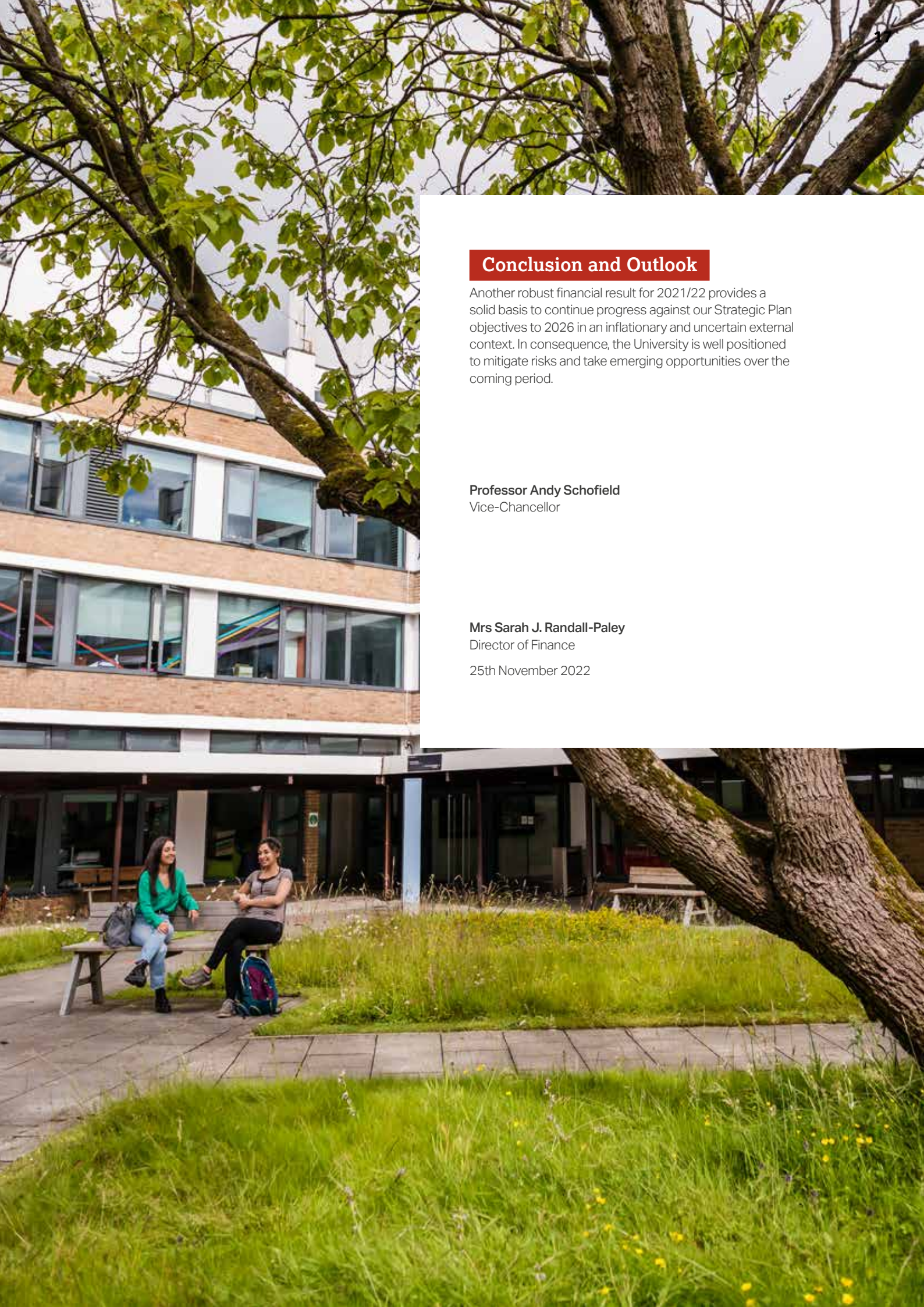
Student FTE

Change in student numbers registered in the UK over the last four years :

Student numbers - FTE	18/19	19/20	20/21	21/22
Undergraduate				
UK	7,448	7,845	8,586	9,139
EU	1,035	1,128	1,308	1,058
Non-EU	2,014	2,253	2,438	2,398
Total UG	10,496	11,226	12,332	12,595
Postgraduate				
PGT UK	737	759	1,497	1,541
PGT EU	172	156	144	100
PGT Non-EU	835	1,138	970	1,024
PGR UK	805	815	867	881
PGR EU	150	157	144	124
PGR Non-EU	402	413	408	394
Total PG	3,102	3,439	4,030	4,064
Total	13,597	14,665	16,362	16,730
Distance learning*	160	161	182	197



Data source: HESA Student Record 2018/19-2021/22.



Conclusion and Outlook

Another robust financial result for 2021/22 provides a solid basis to continue progress against our Strategic Plan objectives to 2026 in an inflationary and uncertain external context. In consequence, the University is well positioned to mitigate risks and take emerging opportunities over the coming period.

Professor Andy Schofield
Vice-Chancellor

Mrs Sarah J. Randall-Paley
Director of Finance

25th November 2022

Corporate Governance Statement 2022

The following Statement of Corporate Governance and Statement of Internal Control covers the 2021/22 financial year and period up to the date of approval of the audited financial statements of the University and its subsidiaries by Council on 25 November 2022.

The University is dedicated to maintaining the highest standards of corporate governance and is satisfied that it complies with the Committee of University Chairs (CUC) Higher Education Code of Governance's stated principles and precepts. This view is supported by activity conducted during the year. The University remains focused on the implementation of its strategy and values, as set out in the Strategic Plan to 2026 and which details current work to achieve its purpose 'to advance knowledge, wisdom and understanding through the excellence of our teaching and research'.

Other governance activity to maintain and enhance standards included a comprehensive mapping exercise against the CUC Higher Education Code of Governance and the quinquennial Council effectiveness review, undertaken by Advance HE following a competitive procurement process. The report is due January 2023 with fieldwork during the summer and autumn 2022. The Audit Committee also undertook annual effectiveness review activity in line with the CUC Code of Practice for Audit Committees.





Corporate Governance Statement 2022 (continued)

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

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

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

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

The Council is the governing body, responsible for the finance, property investments and general business of the University, and for setting the overall strategic direction of the institution. The Council has adopted a Statement of Primary Responsibilities in accordance with the principles contained within the CUC's Code, which was last reviewed in November 2020 in light of the publication of latest edition of the Code in September 2020. In addition, other underpinning documentation has been reviewed during the year, including the approach to Council members' induction, standing orders for sub-committees and the Council has adopted diversity monitoring of its composition. All these actions are designed to further enhance the current corporate governance arrangements of the University and to ensure continuous improvement. All Council sub-committees are formally constituted with terms of reference and specified membership, including lay members. The decisions and recommendations of all sub-committees are formally reported to the Council.

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

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

The Council

The Council met formally six times in 2021/22, held an informal away day and met jointly with the Senate in November 2021. Council's meetings have predominately been attended in person, but the use of mixed mode meetings has continued and, where required, the Council has continued to conduct business by correspondence.

The Council is formally composed of 22 members, the majority of members, including the Pro-Chancellor (the Chair), being drawn from outside the University (lay members), the remaining membership also includes members drawn from the Executive, staff, and student groupings. None of the lay members receive any payment for the work they do for the University, apart from the reimbursement of travel and subsistence expenses which amounted to a total of £7,890 in 2021/22 (compared with a total of £1,712 in 2020/21).

Much of the Council's detailed work is initially handled by sub-committees, covering a range of responsibilities; in particular, the Finance and General Purposes Committee, the Audit Committee, the Estates Committee, the Council Safety, Health and Wellbeing Committee and the Nominations Committee. The Nominations Committee is responsible for making recommendations to the Council in relation to Council and sub-committee membership. This year saw the appointment of 2 new lay members of Council and 4 members of sub-committees.

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

Attendance at the Council meetings held during the financial year (1 August 2021 to 31 July 2022):

Name of member	Eligible to Attend	Actually Attended	Start or end of appointment
* Burt, Rt Hon A. J. H. (Pro-Chancellor)	6	6	end 30/09/2025
* Neville-Jones, Rt Hon Baroness L. P. (Deputy Pro-Chancellor)	4	6	end 31/07/2023
* Ritchie, Professor E. (Deputy Pro-Chancellor)	6	6	end 31/07/2025
Schofield, Professor A. J. (Vice-Chancellor)	6	6	-
Bradley, Professor S. (Deputy Vice-Chancellor)	5	6	end 30/09/2024
* Barron, Mr D. J.	6	6	end 31/07/2023
* Blears, Rt Hon Mrs H.	5	5	end 30/09/2024
* Burgess, Ms H.	6	6	end 31/07/2023
* Carey, Mr A.	6	6	end 31/07/2023
* Diamond, Professor Sir I. D.	3	6	end 31/07/2025
Ellis, Ms I.	1	1	start 01/07/2022
* Johnson, Mr I.	5	6	end 31/07/2022
Leitch, Professor C.	5	6	end 31/07/2024
Mullan, Ms A. M.	5	6	end 31/07/2024
Phillips, Ms. V	1	1	start 01/07/2022
* Reid-Fotheringham, Ms M.	4	6	end 30/09/2023
* Reynolds, Mr S. N.	0	1	end 20/10/2021
Robinson, Mr O.	5	5	end 30/06/2022
Rycroft-Malone, Professor J.	5	6	end 31/07/2024
Shewani, Ms G.	4	5	end 30/06/2022
* Sycamore, His Hon. P.	4	6	end 31/07/2024
*Whilby, Mrs M.	3	3	start 01/03/2022
* Young, Mrs V.	6	6	end 31/07/2022

* Denotes Lay Member

The Senate

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

Transparency

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

Work is planned for 2022/23 to update both the Council's and Senate's Schedule of Delegations and associated documents to ensure that these are fully aligned and provide sufficient clarity and transparency to support effective decision-making.

Corporate Governance Statement 2022 (continued)

Adequacy and effectiveness

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

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

Senior officers and executive management

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

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

In performing his role, the Vice-Chancellor, is supported and advised by the University Executive Board (UEB). This meets regularly to consider and advise the Vice-Chancellor on key strategic and operational aspects of the University's work. UEB's work is complemented by regular joint meetings with the Professional Services Executive Group and the Students' Union.

Remuneration of the Vice-Chancellor

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

The University has sustained a strong performance during this last five years becoming the Times and Sunday Times International University of the Year in 2020, ranking just outside the world top 100 institutions and consistently achieving top fifteen positions in UK national league tables, at the same time as meeting its widening participation aims.

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

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

On an annual basis the Pro-Chancellor (Chair of Council) undertakes a robust appraisal of the Vice-Chancellor's performance and also proposes forward-looking performance objectives for the next year. A detailed report is prepared, with support from the University's Director of People and Organisational Effectiveness, as clerk to the Remuneration Committee, and is then presented to the University's Remuneration Committee along with the latest Committee of University Chairs (CUC), University and Colleges Employers Association (UCEA) and other salary/overall remuneration benchmarking information. Where appropriate, independent specialist advice is also sought from the institution's external advisors (currently the Korn Ferry Group).

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

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

Including sessional:	Vice-Chancellor 2021/22	Comparative Figure for 2020/21
Basic Salary How many times more the Vice-Chancellor's basic salary is compared to the median pay of staff where the median pay is calculated on a full-time equivalent basis for the salaries paid by the institution to its staff, casual workers, and contractors	6.7	6.1
Total Remuneration How many times more the Vice-Chancellor's total remuneration is compared to the median total remuneration of staff, where the median total remuneration is calculated on a full-time equivalent basis for the total remuneration by the provider of its staff, casual workers and contractors.	6.6	6.5

Excluding sessional:	Vice-Chancellor 2021/22	Comparative Figure for 2020/21
Basic Salary How many times more the Vice-Chancellor's basic salary is compared to the median pay of staff where the median pay is calculated on a full-time equivalent basis for the salaries paid by the institution to its staff, casual workers, and contractors	6.5	6.1
Total Remuneration How many times more the Vice-Chancellor's total remuneration is compared to the median total remuneration of staff, where the median total remuneration is calculated on a full-time equivalent basis for the total remuneration by the provider of its staff, casual workers and contractors.	6.4	6.3

Statement of internal control

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

Council receives regular reporting on internal control and risk, including through direct reporting or via sub-committees with particular expertise, or responsibility. The

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

During the year, the Council's Audit Committee has continued to actively consider the University risk appetite and its broader approach to risk. The work undertaken on risk appetite in 2020-21 continues to provide a context to support strategic decision making. Following last year's review of the Council's approach to managing risks associated with internationalisation in light of the publication of guidance from the UUK, the Council received the first of what will be a regular annual report in relation to this area. The Audit Committee has also continued to keep a watching brief on matters relating to cyber security and risk factors relating to the University's status as an international research institution. In light of the global Covid-19 pandemic

Corporate Governance Statement 2022 (continued)

and the subsequent ongoing disruption to normal operations, the University did not undertake any institutional emergency exercises in 2020/21 or 2021/22, but there are plans to resume such with an exercised scheduled for academic year 2022/23.

The review of the effectiveness of the system of internal control is supported by internal and external auditing, which is provided by PricewaterhouseCoopers (PwC) and BDO respectively, operating to standards defined in the OfS Audit Code of Practice. The internal auditors submit regular reports to the Audit Committee, in accordance with an approved annual plan, including the internal auditors' independent opinion and recommendations. During 2021/22, eight internal audit reviews were undertaken, with seven reported to Audit Committee and the eighth report due to be received early within 2022/23. Based upon this work, the internal auditors' annual opinion for 2021/22 was that 'governance, risk management and control, and value for money arrangements in relation to business-critical areas are generally satisfactory'. It noted that improvements were required in those areas where recommendations had been raised during the course of the year. Audit Committee was satisfied with the management responses to these recommendations.

During the period there were eight internal audit reviews conducted in total and seven reported upon. In relation to these, just one overall classification was rated as 'high' and none as 'critical'. The external auditor's report to the Audit Committee as a minimum annually and their annual opinions are provided elsewhere in the Financial Statements. The work of the internal and external auditors plays an important role in assisting the University improve the internal control environment and performance in the delivery of value for money through the provision of independent review and assurance and where appropriate through recommendations to enhance arrangements.

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

The Council and its Audit Committee regularly receives and considers a report on the Risk Register. The Risk Register provides a summary assessment of the principal risks identified, an evaluation of the level of risk posed, and the mitigations/management responses to manage the risk. The Audit Committee also receives regular reports and is responsible for providing an annual opinion to Council on the adequacy and effectiveness of the University's arrangements for risk management control and governance.

The University's overarching Risk Register, along with underpinning local registers within Faculties and professional services divisions, inform the implementation of the University's risk policy. These are considered by the University Executive Board (UEB) quarterly and through an annual review process. Executive managers have responsibilities for the development and maintenance of risk-based internal control frameworks. Cyber security

remains one of the University's highest-rated risks with a number of UK universities and other large organisations continuing to experience attacks during 2021/22. The University has continued to strengthen its risk mitigations in this area introducing a number of University wide enhancements to IT security, informed by regular Internal Audit activity in this area.

Financial control

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

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

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

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

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

The Council has taken reasonable steps to:

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

The key elements of the University's system of internal financial control, which are designed to enable the Council to discharge the responsibilities set out above, include the following clear definitions of the responsibilities of, and the authority delegated to, heads of academic and administrative departments, as set out in a Scheme of Council Delegations and the Financial Regulations:

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

Statement on fundraising

To support its objectives and in line with its commitment to the public good, the University seeks, stewards, and accepts benefactions. The work is led by the Director of Philanthropy, Alumni and Supporter Engagement and does not use either external professional fundraisers or commercial agents and an Annual Report is received by the Council. Work is informed by the Principles of Practice for Fundraising Professionals at Educational Institutions as approved by the Council for Advancement and Support of Education's Board of Trustees and the University is confident that it meets all expectations of personal integrity, confidentiality and public trust and is proactive in ensuring that vulnerable people and other members of the public are protected from inappropriate fundraising behaviour as specified in the Charities (Protection and Social Investment) Act 2016. The University received no complaints about its fundraising in 2021/22.

Public Benefit Statement

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

The University's commitment to public benefit is reflected in its objective, as stated in its Charter: "to advance knowledge, wisdom and understanding by teaching and research and by the example and influence of its corporate life". This is manifest in its Council approved strategic priorities: (1) research that transforms practice and thinking; (2) teaching that transforms people's lives and society; and (3) engage actively with our communities to transform wider society. These priorities and accompanying further detail can be found in the Council approved University Strategy to 2026.

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

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

- ensuring that all its students receive a high-quality educational experience that enables them to contribute successfully to wider society and lead productive and fulfilled lives;
- a strong and longstanding commitment to widening access to and participation in higher education and raising aspirations of individuals who may have limited experience of university or experience barriers to entering. This is reflected in the University's Access and Participation Plan approved by the OfS and its membership of 'Realising Opportunities', a collaboration of leading research-intensive universities, working together to promote fair access and social mobility of students from groups underrepresented in higher education. Work in this area has included the University's commitment to achieving University of Sanctuary status to support students and academics who are asylum seekers, refugees and or those who have humanitarian protection to work and study at Lancaster. This has included the offer of scholarships and fellowships in addition to tailored support. The University also won a National Student Social Mobility Award in the summer 2022 for its student success initiatives including its coaching led approach to support students from widening participation backgrounds;
- undertaking research that seeks to address and have a positive impact on real-world challenges, for example:

Corporate Governance Statement 2022 (continued)

- advancing to the clinical trials stage of a COVID-19 vaccine and partnering with industry to develop a vaccine which can be administered through the nose with the potential to provide a low-cost alternative for the developing world using the existing global infrastructure currently in use for influenza virus vaccines;
 - undertaking collaborative research into small-scale fisheries and aquaculture, identifying that these are overlooked by policymakers and decision makers despite providing livelihoods for more than 100 million people and sustenance for a billion people worldwide;
 - advancing research identifying that radiation could, in the future, be derived from nuclear waste to produce renewable biofuel additives from biodiesel waste. This could then be used in modern petroleum fuel blends, offering the potential to support the shift of renewable proportions of petroleum-derived fuels which are set to increase from 5 per cent to 20 per cent by 2030 and thereby help address net-zero carbon emission targets;
 - supporting the Financial Reporting Council and major UK corporates by reviewing financial institutions' reporting on modern slavery governance, policies, and due diligence in their Modern Slavery Statements within annual reports, comparing this with a framework developed by the Business & Human Rights Resource Centre;
 - contributing to UK social care policy through participation in international research which has identified that, despite different countries having different structures, funding systems and support in place for adult social care workers, most share an absence of national and common frameworks for professional caregivers. Our research found that, in most cases, the care sector is fragmented and organisations operate on a stand-alone basis, with no sectoral, national or EU training framework in place to help employees move between organisations, and with little or no direction for professional development;
 - developing draft guidelines, in partnership with researchers at Oxford University, to help improve practice when the state acts to safeguard a baby at birth by removing them from their parents. The guidelines were published in response to a call for improved national guidance for professionals working in children's social care, health services and the courts to ensure best practice and improve outcomes for children and families;
 - working in partnership with the Environment Agency and others to launch a flood hydrology roadmap to improve hydrological data, models and scientific approaches that can be used to inform how the UK can adapt to the increasing flood risk from rivers, surface water, groundwater, and reservoirs;
 - the University's Climate Emergency Declaration in November 2020 and its plans to become carbon neutral by 2035. This includes plans for the University to generate more low carbon electricity to further extend its sector leading position: the University was the first to erect its own wind turbine and secured planning permission for a 16.5 megawatt photo-voltaic solar farm in February 2022;
 - working to bring the UK's National Cyber Force to Lancashire and playing a significant leadership role alongside government agencies and industry in developing the county's cyber corridor and develop capabilities and infrastructure to tackle issues such as online child exploitation and fraud to national security and defence;
 - playing a leadership role in securing planning permission for Eden Project North on the Morecambe sea front. The initiative is projected to attract around one million visitors a year and directly employ more than 400 people and the related business case estimates a wider visitor spend of more than £200M per year in the region (not including money spent at Eden Project North) which would support an additional 1,500 jobs;
 - continuing to make the University's Law Clinic available to the local community. The clinic provides free legal advice to members of the public on a range of legal issues, including consumer rights, family law, and property owner and tenant disputes.
- The University's excellent reputation is backed by strong quantitative measures including:
- its performance in the 2021 Research Excellence Framework (REF) exercise, the results for which were published in May 2022. The University was ranked 21st for overall research performance out of 157 UK institutions, with a grade point average (GPA) rank above that of 8 Russell Group and a proportion of 'world-leading' (4*) research greater than that of six Russell Group universities;
 - being placed 11th and 13th respectively among UK universities ranked in the Times' and Guardian's national league tables and 11th in the Complete University Guide 2023 and being named The Times and Sunday Times Good University Guide International University of the Year for 2020;
 - the fact that, in the 2022 National Student Survey (NSS), 83.6% of Lancaster students agreed that 'Overall, I am satisfied with the quality of the course'. This is up from 82.7% in 2021 and above the sector average for 2022 of 76.3%. Ranked against universities only, this puts Lancaster 8th in England and 11th in the UK;
 - being ranked 122nd out of more than 1,000 universities in the Times Higher Education (THE) World University Rankings 2022, up 14 place and placing it 15th out of UK universities. In the QS World University Rankings 2023 the University was ranked 146th placing it 21st among UK universities;
 - its performance in the Knowledge Exchange Framework, last published April 2021. The framework measures how well universities perform in areas from business support to local regeneration. Lancaster was in the top twenty or thirty percent in five out of seven assessment areas, when compared to 135 English Higher Education Institutions. Lancaster was ranked in the top 20% for its work on Working with Business, Working with the Public & Third Sector, and Local growth & Regeneration.

Independent Auditor's Report to the Governors of Lancaster University

Opinion on the financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the University's affairs as at 31 July 2022 and of the Group's and the University's income and expenditure, gains and losses, changes in reserves and of the Group's cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities Act 2011.

We have audited the financial statements of Lancaster University ("the University") and its subsidiaries ("the Group") for the year ended 31 July 2022 which comprise consolidated statement of comprehensive income, consolidated and university statement of financial position, consolidated and university statement of changes in reserves, consolidated statement of cashflows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group and the University in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

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

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

Other information

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

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

We have nothing to report in this regard.

Opinion on other matters required by the Office for Students ("OfS"), UK Research and Innovation (including Research England), Department for Education and Education and Skills Funding Agency

In our opinion, in all material respects:

- Funds from whatever source administered by the University for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation.
- Funds provided by the OfS, UK Research and Innovation (including Research England), the Education and Skills Funding Agency and the Department for Education have been applied in accordance with the relevant terms and conditions
- The requirements of the OfS's Accounts Direction (OfS 2019.41) have been met.

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

- The University's grant and fee income, as disclosed in note 1 and 2 to the accounts, has been materially misstated.

Independent Auditor's Report to the Governors of Lancaster University

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Charities (Accounts and Reports) Regulations 2008 requires us to report to you if, in our opinion:

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

Responsibilities of Governors

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

In preparing the financial statements, the governors are responsible for assessing the Group and the University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the governors either intend to liquidate the Group or the University or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

The audit procedures to address the risks identified included:

- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud, including direct representation from the Accountable Officer.
- Reviewing minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC, OfS and Research England to identify any actual or potential frauds or any potential weaknesses in internal control which could result in fraud susceptibility.
- Reviewing items included in the fraud register as well as the results of internal audit's investigation into these matters.
- Challenging assumptions made by management in their significant accounting estimates in particular in relation to the defined benefit pension liabilities, provision against student and other debtors.
- In addressing the risk of fraud, including the management override of controls and improper income recognition, we tested the appropriateness of certain manual journals, reviewed the application of judgements associated with accounting estimates for the indication of potential bias and tested the application of cut-off and revenue recognition.

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

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

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

Use of our report

This report is made solely to the governors as a body, in accordance with paragraph 154 of the Charities Act 2011. Our audit work has been undertaken so that we might state to the University's board those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the University and the board as a body, for our audit work, for this report, or for the opinions we have formed.

Kyla Bellingall (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor
Birmingham, UK

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

Statement of Principal Accounting Policies

for the year ended 31 July 2022

1. Basis of accounting

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

2. Going Concern

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

In setting the budget for 2021/22, early indicators were encouraging with projected income expected to return close to pre-pandemic levels of activity. Some concerns still remained in respect of the University's ability to recover fully from delays in the delivery of its research commitments and ongoing student recruitment volatility including the impact of changes to the EU recruitment market. However, the target set was within the Council approved range for its key financial indicator for adjusted net operating cashflow at 10% of income.

As reported in detail within the Strategic Report, the reported final position for Adjusted Net Operating Cashflow (ANOC) for 2021/22 was £57.6M (31 July 2021: £54.3M). This represents 16.3% (31 July 2021: 17.0%) of income, which is ahead of target but slightly behind prior year. Net Debt has decreased by ca. £43.7M in the year to a positive cash position of £22.1M. This reflects an increase in cash and current asset investments in the year of £41.8M.

The Council has confirmed the University's key financial indicator as ANOC as a percentage of income in the range of 9-11% in its University strategy to 2026. Supporting this, student numbers are planned to rise over the forecast period, with cashflow targets projected to be met and liquidity remaining strong.

Therefore, from all of the aforementioned steps, the Council has a reasonable expectation that the Group and University has adequate resources to continue in operational existence for the foreseeable future, which is a period of at least 12 months from the date of signing these financial statements. Thus, it continues to adopt the going concern basis of accounting in preparing the annual financial statements.

3. Exemptions under FRS 102

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

4. Basis of consolidation

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

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

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

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

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

5. Income recognition

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

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

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

Grant funding

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

Donations and endowments

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

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

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

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

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

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

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

Capital grants

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

6. Agency arrangements

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

7. Accounting for retirement benefits

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

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

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

Defined Contribution Plan

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

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

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

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

Statement of Principal Accounting Policies

for the year ended 31 July 2022

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

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

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

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

8. Employment benefits

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

9. Service concession arrangements

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

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

10. Operating leases

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

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

11. Foreign currency

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

12. Property, plant and equipment

Land and buildings

Land and building are capitalised at cost on initial recognition.

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

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

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

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

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

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

Equipment

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

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

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

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

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

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

Internally Generated Software

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

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

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

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

Impairment

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

Borrowing costs

Borrowing costs which are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised. During the year, total borrowing costs capitalised amounted to £0.0M (2020/21: £0.4M) at a capitalisation rate of 2.735% (2020/21: 2.735%).

13. Heritage assets

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

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

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

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

14. Investments

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

15. Stock

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

16. Cash and cash equivalents

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

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

17. Provisions, contingent liabilities and contingent assets

Provisions are recognised in the financial statements when:

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

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

Statement of Principal Accounting Policies

for the year ended 31 July 2022

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

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

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

18. Taxation

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

The University receives no similar exemption in respect of Value Added Tax (VAT). Irrecoverable VAT on expenditure (revenue and capital) is included in the costs of such expenditure. Any irrecoverable VAT allocated to fixed assets is included in their cost.

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

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

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

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

19. Financial Instruments

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

Financial Assets

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

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

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

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

Financial Liabilities

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

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

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

Derivatives

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

Derivatives are initially recognised at fair value on the date the derivative contract is entered into and are subsequently re-measured at their fair value at the Statement of Financial Position date. Changes in the fair value of derivatives are recognised in the surplus or deficit as appropriate.

The University does not apply hedge accounting to any derivatives.

20. Reserves

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

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

21. Key estimates and judgements

Key sources of estimation uncertainty

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

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

Income recognition

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

Useful lives of Property, plant and equipment

Property, plant and equipment represent a significant proportion of the University's total assets. Therefore, the estimated useful lives can have a significant impact on the depreciation charged and the University's reported performance. Useful lives are determined at the time the asset is acquired and reviewed regularly for appropriateness. The lives are based on historical experience with similar assets as well as anticipation of future events. The carrying value of tangible assets (shown in Note 11) at 31 July 2022 was £464.1M (2020/21 £474.1M) and the annual depreciation charge for the year was £26.1M (2020/21 £24.5M).

Recoverability of debtors

The provision for doubtful debts is based on our estimate of the expected recoverability of those debts. Assumptions are made based on the level of debtors which have defaulted historically, coupled with current economic knowledge. The provision is based on the current situation of the customers, the age profile of the debt and the nature of the amount due. At 31st July 2022, the total provision for doubtful debts was £5.4M (31 July 2021: £3.7M).

Retirement benefit obligations

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

Management are satisfied that 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 funding plan in existence at the date of approving the financial statements.

As the University is contractually bound to make deficit recovery payments to USS, this is recognised as a liability on the Statement of Financial Position. The provision of £102.4M (31 July 2021: £40.0M) is based on the USS deficit recovery plan agreed after the 2020 actuarial valuation, which defines the deficit payment required as a percentage of future salaries. These contributions will be reassessed within each triennial valuation of the scheme. The provision is based on management's estimate of expected future salary inflations, changes in staff numbers and the prevailing rate of discount. Further details are set out in Note 25.

The LCPF scheme is accounted for as a defined benefit scheme and actuarial valuations are carried out annually, with formal actuarial valuations taking place every 3 years. A provision of £13.3M (31 July 2021: £102.6M) based on the latest actuarial valuation is recognised on the Statement of Finance Position.

Key sources of judgement uncertainty.

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

Consolidated and University Statement of Comprehensive Income

for the year ended 31 July 2022

Income	Notes	Year ended 31 July 2022		Year ended 31 July 2021	
		Consolidated £000	University £000	Consolidated £000	University £000
Tuition fees and education contracts	1	195,465	195,465	185,155	185,155
Funding body grants	2	41,941	41,941	42,528	42,528
Research grants and contracts	3	48,106	48,106	43,432	43,432
Other income	4	70,786	69,836	53,286	51,545
Investment income	5	556	603	223	241
Donations and endowments	6	1,032	1,032	995	995
Total income		357,886	356,983	325,619	323,896
Expenditure					
Staff costs		185,122	184,264	180,577	179,943
USS revaluation	22	64,208	64,208	-	-
Total staff costs	7	249,330	248,472	180,577	179,943
Other operating expenses		115,691	120,742	94,858	93,913
Depreciation	11	26,062	25,959	24,489	24,386
Impairment of fixed assets	11	996	996	3,506	3,506
Total depreciation and impairment	9	27,058	26,955	27,995	27,892
Interest and other finance costs	8	6,827	6,827	6,627	6,627
Total expenditure	9	398,906	402,996	310,057	308,375
(Deficit) / surplus before other gains and losses and share of operating deficit of joint venture		(41,020)	(46,013)	15,562	15,521
(Loss) / gain on investments	13	(212)	(212)	757	757
Share of operating deficit in joint venture	14	(1,220)	-	(1,204)	-
(Deficit) / surplus before tax		(42,452)	(46,225)	15,115	16,278
Taxation	10	(436)	(436)	(469)	(469)
(Deficit) / surplus for the year		(42,888)	(46,661)	14,646	15,809
Actuarial gain in respect of the Lancashire County Pension Fund	25	101,670	101,670	8,726	8,726
Total comprehensive income for the year		58,782	55,009	23,372	24,535
Represented by:					
Restricted comprehensive income for the year		183	183	582	582
Unrestricted comprehensive income for the year		58,599	54,826	22,790	23,953
		58,782	55,009	23,372	24,535

All items of income and expenditure relate to continuing operations.

Consolidated and University Statement of Financial Position

for the year ended 31 July 2022

	Notes	As at 31 July 2022		As at 31 July 2021	
		Consolidated £000	University £000	Consolidated £000	University £000
Non-current assets					
Fixed assets	11	464,101	463,040	474,141	472,980
Heritage assets	12	9,000	9,000	9,000	9,000
Investments	13	3,980	13,361	4,103	13,484
Investment in joint venture	14	261	6,500	231	5,250
		<u>477,342</u>	<u>491,901</u>	<u>487,475</u>	<u>500,714</u>
Current assets					
Stock	15	839	839	637	637
Trade and other receivables	16	34,765	36,040	33,129	38,834
Investments	17	64,607	64,607	41,251	41,251
Cash and cash equivalents	18	74,240	74,200	55,767	55,738
		<u>174,451</u>	<u>175,686</u>	<u>130,784</u>	<u>136,460</u>
Less: Creditors: amounts falling due within one year	19	89,300	99,700	86,858	97,125
Net current assets		<u>85,151</u>	<u>75,986</u>	<u>43,926</u>	<u>39,335</u>
Total assets less current liabilities		<u>562,493</u>	<u>567,887</u>	<u>531,401</u>	<u>540,049</u>
Less: Creditors: amounts falling due after more than one year	20	115,928	115,928	116,670	116,670
Provisions					
Pension provisions	22	116,781	116,781	144,154	144,154
Other provisions	23	2,457	2,457	2,032	2,032
Total net assets		<u>327,327</u>	<u>332,721</u>	<u>268,545</u>	<u>277,193</u>
Restricted Reserves					
Endowments and donations reserve	24	14,993	14,993	14,810	14,810
Unrestricted Reserves					
Income and expenditure reserve		312,334	317,728	253,735	262,383
Total Reserves		<u>327,327</u>	<u>332,721</u>	<u>268,545</u>	<u>277,193</u>

The financial statements were approved by the Council on 25 November 2022 and were signed on its behalf by:

The Rt Hon Alistair Burt
Pro-Chancellor

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

Mrs Sarah J. Randall-Paley
Director of Finance

Consolidated and University Statement of Changes in Reserves

for the year ended 31 July 2022

Consolidated	Income and expenditure reserve		
	Endowments and Donations	Unrestricted Reserves	Total
	£000	£000	£000
Balance at 1 August 2020	14,228	230,945	245,173
Surplus from the Statement of Comprehensive Income	1,136	13,510	14,646
Actuarial gain in respect of the Lancashire County Pension Fund	-	8,726	8,726
Release of restricted funds spent in the year	(554)	554	-
Total comprehensive income for the year	582	22,790	23,372
Balance at 1 August 2021	14,810	253,735	268,545
Surplus / (deficit) from the Statement of Comprehensive Income	1,011	(43,899)	(42,888)
Actuarial gain in respect of the Lancashire County Pension Fund	-	101,670	101,670
Release of restricted funds spent in the year	(828)	828	-
Total comprehensive income for the year	183	58,599	58,782
Balance at 31 July 2022	14,993	312,334	327,327

University	Income and expenditure reserve		
	Endowments and Donations	Unrestricted Reserves	Total
	£000	£000	£000
Balance at 1 August 2020	14,228	237,804	252,032
Surplus from the Statement of Comprehensive Income	1,136	14,673	15,809
Actuarial gain in respect of the Lancashire County Pension Fund	-	8,726	8,726
Release of restricted funds spent in the year	(554)	554	-
Total comprehensive income for the year	582	23,953	24,535
Gift aid from subsidiary companies	-	626	626
Balance at 1 August 2021	14,810	262,383	277,193
Surplus / (deficit) from the Statement of Comprehensive Income	1,011	(47,672)	(46,661)
Actuarial gain in respect of the Lancashire County Pension Fund	-	101,670	101,670
Release of restricted funds spent in the year	(828)	828	-
Total comprehensive income for the year	183	54,826	55,009
Gift aid from subsidiary companies	-	519	519
Balance at 31 July 2022	14,993	317,728	332,721

Consolidated Statement of Cash Flows

for the year ended 31 July 2022

	Notes	Year ended 31 July 2022 £000	Year ended 31 July 2021 £000
Cash flow from operating activities			
(Deficit) / surplus for the year		(42,888)	14,646
Adjustment for non-cash items			
Depreciation and Impairment	9	27,058	27,995
Amortisation of finance costs		31	31
Loss/(gain) on investments	13	212	(757)
Share of loss in joint venture	14	1,220	1,204
Increase in stock	15	(202)	(49)
Increase in debtors		(1,660)	(2,754)
Increase in creditors		4,081	8,792
Increase in pension provisions		74,300	11,880
Increase in other provisions		425	224
Adjustment for investing or financing activities			
Investment income	5	(556)	(223)
Interest payable	8	4,877	4,770
Endowment income	24	(1,032)	(745)
Capital grant income included within the surplus		(4,871)	(6,531)
Net cash inflow from operating activities		60,995	58,483
Cash flows from investing activities			
Capital grants receipts		4,871	7,019
Investment income		409	219
Payments made to acquire fixed assets		(18,524)	(23,629)
Loan to joint venture	14	(1,250)	(1,000)
Acquisition of current investments		(23,356)	(30,034)
New non-current investments	13	(89)	-
		(37,939)	(47,425)
Cash flows from financing activities			
Interest paid		(4,881)	(5,169)
Endowment cash received		1,032	745
Repayment of amounts borrowed		(734)	(18,291)
		(4,583)	(22,715)
Increase/(decrease) in cash and cash equivalents in the year	18	18,473	(11,657)
Cash and cash equivalents at beginning of the year		55,767	67,424
Cash and cash equivalents at end of the year	18	74,240	55,767

Notes to the Financial Statements

for the year ended 31 July 2022

1. Tuition fees and education contracts

Notes	Year ended 31 July 2022		Year ended 31 July 2021	
	Consolidated £000	University £000	Consolidated £000	University £000
Full-time home and EU students	97,957	97,957	96,124	96,124
Full-time international students	88,269	88,269	80,385	80,385
Part-time students	8,059	8,059	7,256	7,256
Research training support grants	1,180	1,180	1,390	1,390
	195,465	195,465	185,155	185,155

2. Funding body grants

	£000	£000	£000	£000
Recurrent grants				
Office for Students and Research England	32,273	32,273	30,679	30,679
Capital grants	1,993	1,993	4,322	4,322
Specific grants				
Higher Education Innovation Fund	4,608	4,608	3,861	3,861
Research England capital grant	-	-	311	311
Research England revenue grant	2,529	2,529	3,355	3,355
Turing Grant	538	538	-	-
	41,941	41,941	42,528	42,528

3. Research grants and contracts

	£000	£000	£000	£000
Research councils and charities	34,214	34,214	30,037	30,037
UK central government, local and health authorities	4,399	4,399	5,168	5,168
Industry and commerce	2,636	2,636	2,387	2,387
European Union	5,213	5,213	4,648	4,648
Other	1,644	1,644	1,192	1,192
	48,106	48,106	43,432	43,432

4. Other income

	£000	£000	£000	£000
Colleges and Residences	34,026	34,026	25,404	25,404
Other services rendered	18,952	18,952	14,585	14,585
Other capital grants	987	987	-	-
Other income	16,821	15,051	13,297	11,556
	70,786	69,836	53,286	51,545

5. Investment income

	£000	£000	£000	£000
Investment income on endowments	24	72	34	34
Other investment income		484	531	207
		556	223	241

6. Donations and endowments

	Consolidated £000	University £000	Consolidated £000	University £000
New endowments and restricted donations	24	1,032	745	745
New unrestricted donations		-	250	250
New donations and endowments		1,032	995	995

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

	Year ended 31 July 2022		Year ended 31 July 2021	
	£000	£000	£000	£000
Grant income from the OfS	10,310	10,310	11,848	11,848
Grant income from other bodies	79,737	79,737	74,112	74,112
Fee income for taught awards	181,618	181,618	172,026	172,026
Fee income for research awards	10,727	10,727	9,912	9,912
Fee income from non-qualifying courses	3,120	3,120	3,217	3,217
Total grant and fee income	285,512	285,512	271,115	271,115

7. Staff costs		£000	£000	£000	£000
Staff Costs:					
Salaries		138,733	137,875	133,093	132,459
USS revaluation	25	64,208	64,208	-	-
Social security costs		13,124	13,124	12,430	12,430
Employer pension costs		24,671	24,671	23,778	23,778
Movement on USS provision	25	(2,143)	(2,143)	784	784
LCPF provision movement	25	10,658	10,658	9,021	9,021
Restructuring costs		79	79	1,471	1,471
		249,330	248,472	180,577	179,943

		Consolidated and University	
		Year Ended 31 July 2022	Year Ended 31 July 2021
		£000	£000
Total remuneration of the Vice-Chancellor:			
Salary		235	225
Pension contributions to USS		50	47
Total remuneration of the Vice-Chancellor		285	272

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

Based on basic salary	6.7	6.1
Based on total remuneration	6.6	6.5

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

Based on basic salary	6.5	6.1
Based on total remuneration	6.4	6.3

Further details of the Vice-Chancellor's remuneration are provided in the Statement of Corporate Governance on page 22.

Notes to the Financial Statements

for the year ended 31 July 2022

7. Staff costs (continued)

	Consolidated and University	
	Year Ended 31 July 2022	Year Ended 31 July 2021
Remuneration of other higher paid staff, excluding employer's pension contributions:	Number	Number
£100,000 - £104,999	10	16
£105,000 - £109,999	14	6
£110,000 - £114,999	9	8
£115,000 - £119,999	5	7
£120,000 - £124,999	5	7
£125,000 - £129,999	6	7
£130,000 - £134,999	5	1
£135,000 - £139,999	1	1
£140,000 - £144,999	5	4
£145,000 - £149,999	1	-
£150,000 - £154,999	-	1
£155,000 - £159,999	1	-
£160,000 - £164,999	1	-
£165,000 - £169,999	-	1
£170,000 - £174,999	3	3
£175,000 - £179,999	1	-
£190,000 - £194,999	-	1
£195,000 - £199,999	1	-
£225,000 - £229,999	1	1
£230,000 - £234,999	1	2
£235,000 - £239,999	1	-
	71	66
Average staff numbers by major category (expressed as full-time equivalents):	Number	Number
Academic and professional	1,958	1,927
Clerical and related	741	735
Technical	112	107
Operational	270	265
Sessional	242	155
	3,323	3,189
Compensation payable for loss of office:	£000	£000
Compensation payable	112	1,401
	Number	Number
Number of staff	52	83

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

7. Staff costs (continued)

	Year Ended 31 July 2022	Year Ended 31 July 2021
Key management personnel	£000	£000
Key management personnel remuneration	2,318	2,296

Key management personnel comprise of all members of the University's Executive Board (UEB) who have the authority and responsibility for planning, directing and controlling the activities of the University. The number of personnel in UEB during the year was 13 (2021:13).

Council Members

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

No Council member has received any remuneration/waived payments from the University or its subsidiary companies during the year (2021 - none).

The total expenses paid to or on behalf of 14 lay members of Council was £8k (2021 - £2k to 7 lay members of Council). This represents travel and subsistence expenses incurred in attending Council and other committee meetings.

8. Interest and other finance costs

	Year ended 31 July 2022		Year ended 31 July 2021	
	Consolidated £000	University £000	Consolidated £000	University £000
Interest payable	4,877	4,877	4,770	4,770
Net charge on pension schemes	1,950	1,950	1,857	1,857
	6,827	6,827	6,627	6,627

9. Analysis of total expenditure by activity

	£000	£000	£000	£000
Academic departments	165,900	165,900	158,759	158,759
Vice and Pro-Vice-Chancellors' portfolios	15,911	16,691	12,311	12,743
Facilities	41,997	42,500	37,960	38,463
Interest payable	4,877	4,877	4,770	4,770
Depreciation and impairment	27,058	26,955	27,995	27,892
Professional Services	48,400	48,400	39,898	39,898
Library	6,706	6,706	6,147	6,147
Other expenses	11,666	16,294	8,041	8,041
University companies	1,718	-	2,514	-
Additional charge re pension schemes	74,673	74,673	11,662	11,662
	398,906	402,996	310,057	308,375

Other operating expenses include:

External auditor's remuneration in respect of audit services	123	103	117	91
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10. Taxation

	£000	£000	£000	£000
Overseas taxation re international partnerships	436	436	469	469

Notes to the Financial Statements

for the year ended 31 July 2022

11. Fixed assets

	Freehold Land and Buildings	Plant and Machinery	Fixtures, Fittings and Equipment	Assets in the Course of Construction	Total
Consolidated	£000	£000	£000	£000	£000
Cost or valuation					
At 1 August 2021	408,142	113,061	99,748	2,921	623,872
Additions	5,748	622	7,130	3,518	17,018
Transfers	939	-	957	(1,896)	-
Impairments	(95)	-	-	(935)	(1,030)
At 31 July 2022	414,734	113,683	107,835	3,608	639,860
Consisting of valuation as at:					
31 July 2014	248,579	63,118	-	-	311,697
Cost	166,155	50,565	107,835	3,608	328,163
	414,734	113,683	107,835	3,608	639,860
Depreciation					
At 1 August 2021	47,702	29,338	72,691	-	149,731
Charge for year	11,534	5,490	9,038	-	26,062
Impairments	(34)	-	-	-	(34)
At 31 July 2022	59,202	34,828	81,729	-	175,759
Net Book Value at 31 July 2022	355,532	78,855	26,106	3,608	464,101
Net Book Value at 31 July 2021	360,440	83,723	27,057	2,921	474,141

11. Fixed assets (continued)

University	Freehold Land and Buildings £000	Plant and Machinery £000	Fixtures, Fittings and Equipment £000	Assets in the Course of Construction £000	Total £000
Cost or valuation					
At 1 August 2021	408,142	111,027	99,663	2,921	621,753
Additions	5,746	622	7,129	3,518	17,015
Transfers	939	-	957	(1,896)	-
Impairments	(95)	-	-	(935)	(1,030)
At 31 July 2022	414,732	111,649	107,749	3,608	637,738
Consisting of valuation as at:					
31 July 2014	248,579	63,118	-	-	311,697
Cost	166,153	48,531	107,749	3,608	326,041
	414,732	111,649	107,749	3,608	637,738
Depreciation					
At 1 August 2021	47,702	28,466	72,605	-	148,773
Charge for year	11,534	5,387	9,038	-	25,959
Impairment	(34)	-	-	-	(34)
At 31 July 2022	59,202	33,853	81,643	-	174,698
Net Book Value at 31 July 2022	355,530	77,796	26,106	3,608	463,040
Net Book Value at 31 July 2021	360,440	82,561	27,058	2,921	472,980

At 31 July 2022, freehold land and buildings included £32.2M (2021 - £31.6M) in respect of freehold land, which is not depreciated. The Exchequer interest within both fixed assets and Investment in joint venture (Note 14) is £17.0M (2021 - £21.3M) and should assets funded from Treasury sources be sold, the University would either have to surrender the proceeds to the Treasury or use them in accordance with the terms and conditions of funding for higher education institutions.

12. Heritage assets

Consolidated and University	2022 £000	2021 £000	2020 £000	2019 £000	2018 £000
Heritage assets held at deemed cost	9,000	9,000	9,000	9,000	1,000

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

Notes to the Financial Statements

for the year ended 31 July 2022

13. Non-current investments

	Subsidiary companies £000	Other fixed assets investments £000	Total £000
Consolidated			
At 1 August 2021		4,103	4,103
Additions		89	89
Revaluation		(212)	(212)
At 31 July 2022		3,980	3,980
University	£000	£000	£000
At 1 August 2021	9,381	4,103	13,484
Additions	-	89	89
Revaluation	-	(212)	(212)
At 31 July 2022	9,381	3,980	13,361

Other non-current investments consist of:

	Consolidated and University £000
Endowment assets managed by Cazenove Capital Management at market value	2,051
Equity investment in CVCP Properties at cost	38
Equity investments managed by Brooks Macdonald at market value	1,802
LINA Energy at cost	89
	3,980

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

14. Investment in joint venture

	Consolidated £000	University £000
Share Capital	4,000	4,000
Loan to Joint Venture	1,250	1,250
Share of losses	(5,019)	-
At 1 August 2021	231	5,250
Loan to joint venture	1,250	1,250
Share of loss in joint venture	(1,220)	-
At 31 July 2022	261	6,500

During the year, the University advanced loans of £1.25M to support the working capital requirements of a joint venture, University Academy 92 Limited. The Academy delivers degree courses in media, business and sports and graduated its first cohort of students in July 2022. The loss reflected above relates to the trading position as reported within the accounts of University Academy 92 Limited.

15. Stock

	Year Ended 31 July 2022		Year Ended 31 July 2021	
	Consolidated £000	University £000	Consolidated £000	University £000
General consumables	839	839	637	637

16. Trade and other receivables

	Year ended 31 July 2022		Year ended 31 July 2021	
	Consolidated £000	University £000	Consolidated £000	University £000
Amounts falling due within one year				
Research grants receivables	8,896	8,896	8,564	8,564
Other trade receivables	14,095	13,822	16,794	16,581
Prepayments and accrued income	11,774	10,396	7,771	7,209
Amounts due from subsidiary companies	-	2,926	-	6,480
	34,765	36,040	33,129	38,834

17. Current investments

	£000	£000	£000	£000
Short term deposits	64,607	64,607	40,034	40,034
Forward exchange contract	-	-	1,217	1,217
	64,607	64,607	41,251	41,251

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

At 31 July 2022 the weighted average interest rate of these fixed rate deposits was 1.18% per annum and the remaining weighted average period for which the interest rate is fixed on these deposits was 120 days. The fair value of these deposits was not materially different from the book value.

18. Cash and cash equivalents

	At 1 August 2021 £000	Cash Flows £000	At 31 July 2022 £000
Consolidated			
Cash and cash equivalents	55,767	18,473	74,240
University			
Cash and cash equivalents	55,738	18,462	74,200

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

19. Creditors

	Year ended 31 July 2022		Year ended 31 July 2021	
	Consolidated £000	University £000	Consolidated £000	University £000
Amounts falling due within one year				
Unsecured loans	773	773	734	734
Trade payables	10,434	10,414	7,332	7,281
Payments received on account	899	899	772	772
Social security and other taxation payable	7,198	7,159	6,848	6,848
Accruals and deferred income	69,996	69,548	69,910	69,414
Amounts owed to subsidiary companies	-	10,907	-	10,814
Forward contract	-	-	1,262	1,262
	89,300	99,700	86,858	97,125

Notes to the Financial Statements

for the year ended 31 July 2022

19. Creditors (continued)

Deferred income

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

	Year ended 31 July 2022		Year ended 31 July 2021	
	Consolidated £000	University £000	Consolidated £000	University £000
Research grants received on account	38,787	38,787	35,867	35,867
Project income received on account	10,910	10,910	11,435	11,435
	49,697	49,697	47,302	47,302

20. Creditors

Amounts falling due after more than one year

	£000	£000	£000	£000
Unsecured loans	115,928	115,928	116,670	116,670
	115,928	115,928	116,670	116,670

Analysis of unsecured loans:

	£000	£000	£000	£000
Due within one year (Note 19)	773	773	734	734
Due between one and two years	812	812	773	773
Due between two and five years	2,707	2,707	2,570	2,570
Due in five years or more	112,409	112,409	113,327	113,327
Due after more than one year	115,928	115,928	116,670	116,670
Total unsecured loans	116,701	116,701	117,404	117,404

Included in loans are the following:

Lender	Amount £000	Term Years	Interest rate %
Banks:			
National Westminster Bank Plc	44,676	17	5.99
Scottish Widows	7,718	8	5.23
Private Placement:			
Massachusetts Mutual Life	26,100	26	2.70
Great West	6,400	26	2.70
Legal & General	32,500	36	2.77
Other:			
Borrowing costs	(693)		
	116,701		

Borrowing costs of £693k (2021: £723k) have been offset against the outstanding borrowings and are being amortised over the lives of the facilities.

21. Consolidated reconciliation of net (debt)/cash	At 1 August 2021	Cash Flows	Non-cash changes	At 31 July 2022
	£000	£000	£000	£000
Cash and cash equivalents	55,767	18,473	-	74,240
Short-term investments	40,034	24,573	-	64,607
Forward exchange asset	1,217	(1,217)	-	-
Debt due within one year	(734)	(39)	-	(773)
Debt due greater than one year	(116,670)	773	(31)	(115,928)
Forward exchange liability	(1,262)	1,262	-	-
	(21,648)	43,825	(31)	22,146

22. Pension provisions

	Obligations to fund deficit on USS pension	Pension enhancements on termination	Defined benefit obligations (LCPF)	Total pensions provisions
Consolidated and University	£000	£000	£000	£000
At 1 August 2021	39,966	1,630	102,558	144,154
Utilised	(1,794)	(338)	-	(2,132)
Charged to the Statement of Comprehensive Income	64,208	(160)	(89,289)	(25,241)
At 31 July 2022	102,380	1,132	13,269	116,781

The payment profiles of the pension provisions are as follows:

Less than 1 year	5,780	109	-	5,889
Between 1 and 2 years	5,891	109	-	6,000
Between 2 and 5 years	18,359	333	-	18,692
Over 5 years	72,350	581	13,269	86,200
	102,380	1,132	13,269	116,781

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

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

The obligation to fund the past deficit on the LCPF arises from the contractual obligation with the pension scheme for total payments relating to benefits arising from past performance. Management have assessed future employees within the scheme and salary payments over the period of the contracted obligation in assessing the value of this provision.

23. Other provisions

Consolidated and University	Total provision
	£000
At 1 August 2021	2,032
Utilised	(116)
Charged to the Statement of Comprehensive Income	541
At 31 July 2022	2,457

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

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for the year ended 31 July 2022

24. Endowments and donations reserve

Consolidated and University	Restricted permanent endowments £000	Restricted donations £000	2022 Total £000	2021 Total £000
Balances at 1 August 2021				
Capital	2,040	-	2,040	1,683
Accumulated income	608	12,162	12,770	12,545
	<u>2,648</u>	<u>12,162</u>	<u>14,810</u>	<u>14,228</u>
New endowments and donations	-	1,032	1,032	745
Investment income	56	16	72	34
Expenditure	(109)	(719)	(828)	(554)
	(53)	(703)	(756)	(520)
(Decrease)/increase in market value of investments	(93)	-	(93)	357
	<u>2,502</u>	<u>12,491</u>	<u>14,993</u>	<u>14,810</u>
At 31 July 2022				
	<u>2,502</u>	<u>12,491</u>	<u>14,993</u>	<u>14,810</u>
Represented by:				
Capital	1,947	-	1,947	2,040
Accumulated income	555	12,491	13,046	12,770
	<u>2,502</u>	<u>12,491</u>	<u>14,993</u>	<u>14,810</u>
Analysis by type of purpose:				
Lectureships	1,528	80	1,608	1,639
Scholarships and bursaries	7	752	759	651
Research support	-	1,517	1,517	1,048
Prize funds	528	146	674	800
Student support	157	88	245	269
General	282	1,908	2,190	2,403
Heritage asset	-	8,000	8,000	8,000
	<u>2,502</u>	<u>12,491</u>	<u>14,993</u>	<u>14,810</u>
Analysis by asset				
Non-current asset investments			1,854	1,854
Current investments			5,139	4,956
Heritage asset			8,000	8,000
			<u>14,993</u>	<u>14,810</u>

25. University pension schemes

The University has two principal pension schemes, the Universities Superannuation Scheme (USS) and the Lancashire County Pension Fund (LCPF). In addition to the two main schemes, the University is also a member of the NHS pension scheme and contributes to a money purchase scheme with Legal and General. Within staff costs (Note 7), pension costs for the group were £97.4M, analysed as follows:

	Year ended 31 July 2022			Year ended 31 July 2021		
	Employer contributions £000	Provision movement £000	Total £000	Employer contributions £000	Provision movement £000	Total £000
USS	19,130	62,065	81,195	18,568	784	19,352
LCPF	5,301	10,658	15,959	5,018	9,021	14,039
Legal and General	5	-	5	3	-	3
NHS	235	-	235	189	-	189
Total pension costs (Note 7)	24,671	72,723	97,394	23,778	9,805	33,583

Universities Superannuation Scheme

Significant accounting policies

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

Critical accounting judgements

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

The total cost charged to the Consolidated Statement of Comprehensive Income is £81.2M (2021: £19.4M).

The latest available complete actuarial valuation of the Retirement Income Builder is at 31 March 2020 ("the valuation date"), and was carried out using the projected unit method.

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

The 2020 valuation was the sixth valuation for the scheme under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £66.5 billion and the value of the scheme's technical provisions was £80.6 billion indicating a shortfall of £14.1 billion and a funding ratio of 83%.

Notes to the Financial Statements

for the year ended 31 July 2022

25. University pension schemes (continued)

Universities Superannuation Scheme (continued)

The key financial assumptions used in the 2020 valuation are described below. More detail is set out in the Statement of Funding Principles (uss.co.uk/about-us/valuation-and-funding/statement-of-funding-principles).

CPI assumption	Term dependent rates in line with the difference between the Fixed Interest and Index Linked yield curves less: 1.1% p.a. to 2030, reducing linearly by 0.1% p.a. to a long-term difference of 0.1% p.a. from 2040
Pension increases (subject to a floor of 0%)	CPI assumption plus 0.05%
Discount rate (forward rates)	Fixed interest gilt yield curve plus: Pre-retirement: 2.75% p.a. Post retirement: 1.00% p.a.

The main demographic assumptions used relate to the mortality assumptions. These assumptions are based on an analysis of the scheme's experience carried out as part of the 2020 actuarial valuation. The mortality assumptions used in these figures are as follows:

	2020 valuation
Mortality base table	101% of S2PMA "light" for males and 95% of S3PFA for females
Future improvements to mortality	CMI_2019 with a smoothing parameter of 7.5, an initial addition of 0.5% p.a. and a long-term improvement rate of 1.8% p.a. for males and 1.6% p.a. for females

The current life expectancies on retirement at age 65 are:

	2022 valuation	2021 valuation
Males currently aged 65	23.9	24.6
Females currently aged 65	25.5	26.1
Males currently aged 45	25.9	26.6
Females currently aged 45	27.3	27.9

A new deficit recovery plan was put in place as part of the 2020 valuation, which requires payment of 6.2% of salaries over the period 1 April 2022 until 31 March 2024, at which point the rate will increase to 6.3%. The 2022 deficit recovery liability reflects this plan. The liability figures have been produced using the following assumptions:

	2022	2021
Discount rate	3.31%	0.87%
Pensionable salary growth	4.93%	4.66%

25. University pension schemes (continued)

Universities Superannuation Scheme (continued)

Sensitivity analysis

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

Change in assumptions at 31 July 2022	Approximate adverse impact on deficit £000
0.5% p.a. decrease in discount rate	4,427
0.5% p.a. increase in salary inflation over duration	4,390
0.5% increase in salary inflation year 1 only	492
0.5% increase in staff changes over duration	4,475
0.5% increase in staff changes year 1 only	496
1% increase in deficit contributions from October 2022	16,120

Notes to the Financial Statements

for the year ended 31 July 2022

25. University pension schemes (continued)

Lancashire County Pension Fund

The University operates a final salary defined benefit pension scheme that non-academic employees of the University can participate in, called the Lancashire County Pension Fund. The scheme is externally funded and is contracted out of the State Second Pension (S2P).

The last formal triennial actuarial valuation (for which the results are known) of the scheme was performed as at 31 March 2019 by a professionally qualified actuary. The valuation as at 31 March 2022 is underway but not yet completed.

During the accounting period, the University paid contributions to the pension scheme at the rate of 15.2% (2021: 15.2%) with no additional contributions towards the deficit recovery plan (2021: £nil).

Assumptions

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

	At 31 July 2022 % p.a.	At 31 July 2021 % p.a.
Price Inflation (CPI)	2.7	2.6
Rate of increases in salaries	4.2	4.1
Rate of increase of pensions in payment for LCPF members	2.8	2.7
Discount rate	3.5	1.6

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

Post retirement mortality assumptions (normal health)	Beginning of year		End of year	
Non-retired members	S3PA CMI_2018_(1.75%) (110% males, 94% females)		S3PA CMI_2021_(1.75%) (110% males, 94% females)	
Retired members	S3PA CMI_2018_(1.75%) (103% males, 91% females)		S3PA CMI_2021_(1.75%) (103% males, 91% females)	
The current life expectancies (years) are:	Beginning of year		End of year	
	Male	Female	Male	Female
Pensioner	22.4	25.1	22.3	25.0
Non Pensioner (currently aged 45)	23.9	26.9	23.7	26.8

2023 Pension Increase (PI) Order

The 2023 PI Order is used to set the level of pension increases, deferred revaluation and CARE revaluation with effect from 1 April 2023. This is expected to be significantly higher than the CPI assumption as at 31 July 2022. The PI Order is typically set with reference to the change in CPI inflation over the 12 months to the previous September (announced in October), so the 2023 PI Order is expected to be set with reference to the September 2022 CPI. The change in CPI over the 12 months to September 2022 was 10.1%.

The actual 2023 PI Order is not automatically set with reference to the September CPI. This is only known with certainty in March, once this has been approved by Parliament. It is possible that the actual PI Order will be lower than the change in CPI over the 12 months to September 2022. It is due to this uncertainty that the standard assumptions and approach as at 31 July 2022 were to make an allowance for known experiences at the accounting date (currently 8.4%).

25. University pension schemes (continued)

Lancashire County Pension Fund (continued)

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

	Fair value as at:		
	31 July 2022 £000	31 July 2021 £000	31 July 2020 £000
Equities	4,989,512	5,062,120	4,189,728
Other bonds	465,124	531,272	633,972
Property	1,152,239	1,002,400	1,249,568
Cash	169,136	210,504	165,384
Other *	3,794,989	3,217,704	2,949,348
	10,571,000	10,024,000	9,188,000

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

	Consolidated and University	
	Year Ended 31 July 2022 £000	Year Ended 31 July 2021 £000
Analysis of the amount shown in the statement of financial position for the Lancashire County Pension Fund		
Scheme assets	223,236	201,298
Scheme liabilities	(236,505)	(303,856)
Deficit in the scheme recorded within pension provisions (Note 22)	(13,269)	(102,558)
Analysis of the operating charge	£000	£000
Current service cost	(15,869)	(13,767)
Administration expenses	(209)	(197)
Total operating charge	(16,078)	(13,964)
Analysis of the amount charged to interest payable	£000	£000
Expected return on assets	3,249	2,813
Interest on pension liabilities	(4,849)	(4,386)
Net charge to other finance costs	(1,600)	(1,573)
Analysis of other comprehensive income	£000	£000
Gain on assets	15,536	22,149
Experience gain/(loss) on liabilities	86,134	(13,423)
Total other comprehensive income	101,670	8,726

Notes to the Financial Statements

for the year ended 31 July 2022

25. University pension schemes (continued)

Lancashire County Pension Fund (continued)

Sensitivity analysis

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

Change in assumptions at 31 July 2022	Approximate favourable / (adverse) impact on deficit £000
0.1% p.a. increase in discount rate	4,765
0.1% p.a. increase in salary inflation	(4,861)
0.1% increase in inflation	(455)
1 year increase in life expectancy	(5,702)
1% increase in 2021/22 investment returns	2,290
1% decrease in 2021/22 investment returns	(2,290)

History of experience gains and losses	31 July 2022	31 July 2021	31 July 2020	31 July 2019	31 July 2018
Difference between actual and expected return on scheme assets:					
Amount (£M)	15,536	22,149	(8,077)	17,655	8,311
% of assets at end of year	7.0	11.0	(4.6)	10.0	5.5
Experience gains/(losses) on scheme liabilities:					
Amount (£M)	86,134	(13,423)	(32,204)	(31,988)	11,410
% of liabilities at end of year	36.4	(4.4)	(11.7)	(14.1)	6.3

25. University pension schemes (continued)

Lancashire County Pension Fund (continued)

	Consolidated and University	
	Year Ended 31 July 2022	Year Ended 31 July 2021
	£000	£000
Analysis of movement in the deficit for the Lancashire County Pension Fund		
Deficit at beginning of year	(102,558)	(100,727)
Contributions or benefits paid by the University	5,301	5,018
Current service cost	(15,869)	(13,767)
Curtailments	(4)	(38)
Administration expenses	(209)	(197)
Other finance charge	(1,600)	(1,573)
Gain recognised in other comprehensive income	101,670	8,726
Deficit at end of year	(13,269)	(102,558)
Analysis of movement in the present value of scheme liabilities		
	£000	£000
Present value at start of year	(303,856)	(274,979)
Current service cost (net of member contributions)	(15,869)	(13,767)
Interest on scheme liabilities	(4,849)	(4,386)
Curtailments	(4)	(38)
Actual member contributions (including notional contributions)	(2,157)	(2,031)
Actuarial gain/(loss)	86,134	(13,423)
Actual benefit payments	4,096	4,768
Present value of the Lancashire County Pension Fund liabilities at end of year	(236,505)	(303,856)
Analysis of movement in the fair value of scheme assets		
	£000	£000
Fair value of assets at start of year	201,298	174,252
Expected return on assets	3,249	2,813
Actuarial gain on assets	15,536	22,149
Actual contributions paid by the University	5,301	5,018
Actual member contributions	2,157	2,031
Administration expenses	(209)	(197)
Actual benefit payments	(4,096)	(4,768)
Fair value of scheme assets at end of year	223,236	201,298

Notes to the Financial Statements

for the year ended 31 July 2022

26. Capital and other commitments

	Consolidated and University	
	At 31 July 2022 £000	At 31 July 2021 £000
Provision has not been made for the following capital commitments at 31 July:		
Commitments contracted at 31 July	12,920	1,006

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

27. Service concession arrangements

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

28. Operating lease arrangements

The University as lessee

	Year ended 31 July 2022		Year ended 31 July 2021	
	Consolidated £000	University £000	Consolidated £000	University £000
Lease payments under operating leases recognised as an expense in the year	785	785	1,121	727
Outstanding commitments for future lease payments, falling due:				
Less than 1 year	876	876	723	723
Between 1 and 5 years	3,165	3,165	2,823	2,823
Over 5 years	23,046	23,046	22,347	22,347
	27,087	27,087	25,893	25,893

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

The University as lessor

	Year ended 31 July 2022		Year ended 31 July 2021	
	Consolidated £000	University £000	Consolidated £000	University £000
Rental income recognised in the year	1,534	1,534	1,766	1,507
Contracted with tenants for future lease payments falling due:				
Less than 1 year	997	997	789	789
Between 1 and 5 years	2,289	2,289	2,456	2,456
Over 5 years	17,078	17,078	17,606	17,606
	20,364	20,364	20,851	20,851

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

Notes to the Financial Statements

for the year ended 31 July 2022

29. Access and Participation

	31 July 2022 £000	31 July 2021 £000
Access	1,392	1,046
Financial support provided to students	4,504	3,780
Total Access and Financial support	5,896	4,826
Support for disabled students	892	863
Research and evaluation expenditure	131	60
	6,919	5,749

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

Staff costs intrinsic to the delivery of access and participation activities totalled £1.4M (2021: £1.3M), and are already included in the overall staff cost figures included in Note 7 to the accounts.

30. Interests in subsidiary and joint venture companies

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

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

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

31. Related party transactions

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

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

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

31. Related party transactions (continued)

Transactions taking place with related parties during the year were as follows:	Payable 2021/22	Receivable 2021/22	Balances due from/(to) the related party at 31 July 2022
	£000	£000	£000
Advance HE	74	-	-
Association of Heads of University Administration (AHUA)	1	-	-
Blackpool and the Fylde College	-	1,172	-
Cabinet Office	2	-	-
Department of Environment, Food and Rural Affairs (Defra)	-	42	-
Freshwater Biological Association	17	3	(15)
IfGive Ltd.	198	-	-
JISC	2,055	165	(14)
Lancaster City Council	283	107	4
Lancaster Girls' Grammar School	-	1	-
Lancaster University Students' Union	1,317	35	-
Lancaster University Students' Union Housing Limited	-	8	-
Lancaster University Students' Union Services Company Limited	-	91	-
N8 Ltd.	60	-	-
National Physics Laboratory	-	12	-
Office for Students	-	8,906	-
Plan International UK	4	-	-
Professional Higher Education Services (PHES)	14	-	-
The New Phytologist	-	736	-
Tullie House Museum and Art Gallery	3	-	-
UK Research and Innovation (UKRI)	-	33,015	-
Universities and Colleges Admissions Services (UCAS)	201	-	(26)
University Academy 92 Ltd.	-	132	1

Notes to the Financial Statements

for the year ended 31 July 2022

31. Related party transactions (continued)

Comparative related party transactions for 2020/21 were as follows:

	Payable 2020/21	Receivable 2020/21	Balances due from/(to) the related party at 31 July 2021
	£000	£000	£000
Association of Heads of University Administration (AHUA)	1	-	-
British Academy	18	-	-
Centre for Ecology and Hydrology (NERC)	331	283	-
Chartered Management Institute	104	-	-
Community Interest Company	2	-	-
Department of Environment, Food and Rural Affairs (Defra)	-	184	-
JISC	1,061	147	17
Lancaster City Council	304	142	1
Lancaster University Students' Union	1,082	73	30
Lancaster University Students' Union Housing Limited	-	23	-
Lancaster University Students' Union Services Company Limited	1	101	9
Liverpool University	1,465	1,335	278
N8 Ltd.	60	44	-
National Physics Laboratory	18	-	-
Office for Students	-	8,391	--
Professional Higher Education Services (PHES)	12	-	-
The New Phytologist	-	571	-
Unite the Union	3	-	-
UK Research and Innovation (UKRI)	-	32,922	3
Universities and Colleges Admissions Services (UCAS)	135	-	(14)
University Academy 92 Ltd.	-	179	-
University Hospitals of Morecambe Bay NHS Foundation Trust	208	31	84

31. Related party transactions (continued)

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

Professor Andy Schofield (Vice-Chancellor) is a Director of University Academy 92 Ltd and N8 Ltd. He is a Council Member of UKRI-STFC.

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

Ms. Misbah Ashraf (appointed member of the Council Safety, Health and Wellbeing Committee of Lancaster University Students' Union) is a Director of Lancaster University Students' Union Housing Limited and Lancaster University Students' Union Services Company Limited.

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

Professor Nigel Davies (Senate appointed member of Finance and General Purposes Committee) is Director of IfGive Ltd.

Professor Sir Ian Diamond (lay member of Council) is the Chair of Plan International UK and is a NetZero Advisory Board Member for the National Physics Laboratory.

India Ellis (President of Lancaster University Students' Union) is a Director and Chair of Lancaster University Students' Union. She is a Director of Lancaster University Students' Union Housing Limited and Lancaster University Students' Union Services Company Limited.

Professor Louise Heathwaite (Pro-Vice-Chancellor) is the President of the Freshwater Biological Association and a member of the Advisory Board: UKRI ISCF Transforming Food Production. She is the Chair of the Science Advisory Council for the Department of Environment, Food and Rural Affairs (Defra). She is Commissioner of the Cabinet Office.

Victoria Phillips (appointed student representative of the Council and Vice-President Welfare of Lancaster University Students' Union) is a Director and Trustee of Lancaster University Students' Union

Mrs. Sarah Randall-Paley (Director of Finance) is a Co-opted Member and Chair of UCAS Audit Committee and was the Chair of the British Universities Finance Directors' Group (BUFDG), which is part of Professional Higher Education Service (PHES). She is a Trustee of Lancaster Girls' Grammar School.

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

Dr Philip Richards (lay member of Estates Committee) is the Chief Innovation Officer of JISC.

Professor Ella Ritchie (Deputy Pro-Chancellor) is an advisor on behalf of the Office for Students and she is an Associate in Advance HE.

Professor Wendy Robinson (Pro Vice-Chancellor (Education)) is a Trustee of Blackpool and the Fylde College and a Co-opted Member of the Universities and Colleges Admissions Service (UCAS) Audit Committee.

Mr Oliver Robinson (Former President of Lancaster University Students' Union) is a City Councillor of Lancaster City Council.

32. Post Balance Sheet Events

No significant post balance sheet events have occurred that would require adjustment or disclosure in the financial statements.



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