

Lancaster  
University



Financial  
Statements  
**2023**



# Foreword by the Chair of Council

I am delighted to introduce Lancaster University's annual statement of accounts for the financial year 2022-23. It describes a successful year for the University, though one which has had some challenges. Financially we end the year broadly where we intended to be, though as ever events through the year mean that this has been achieved via active stewardship rather than perfect foresight. Student recruitment was slightly behind our ambitious growth targets, but our prioritisation of research performance resulted in an upside in QR funding which is distributed based on performance in the 2021 Research Excellence Framework. The year also ended with the largest staff and student contingent the University has ever had and the University continues to be attractive and competitive internationally to new staff despite being challenged by national low unemployment. Our ongoing work on sustainability continues to reflect itself in our capital investments with the achievement of planning permission for a new solar farm, and for the first time this had a demonstrable impact on our world ranking in the QS league table where our rise to 122 was in part due to the contribution the University is making to the wider environmental sustainability agenda.

The timing of finalising the accounts means that we are now starting to see the shape of our financial position for 2023-24. Like many universities the recruitment round in the summer of 2023 was challenging with fewer UK students applying to universities and overseas recruits less willing to take up their places in the UK. When combined with inflationary costs and a flat home undergraduate fee it is clear that this will be a year more financially constrained than the one reported on here. Nevertheless, our strategy to be globally significant as a University and to deliver to the highest quality in our research, in our teaching and student experience serves us well in providing a strong focus for our University community. It will allow us to have that positive engagement and be a force for good locally, regionally and globally while at the same time remaining sustainable in all senses of the word.

As always, Council expresses its gratitude to everyone at Lancaster, students and staff at all levels, for their commitment to our success reflected in these accounts.

**The Rt Hon Alistair Burt**





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# Strategic, Operational & Financial Review

for the year ended 31 July 2023

## 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 University continues its commitment to sustainability. We declared a climate emergency in 2020 and aim to become carbon neutral by 2035.

This report sets out progress, risks and opportunities over the coming period.

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

**Awarded Gold  
rating in the  
Teaching  
Excellence  
Framework  
2023**



**91%** of Lancaster's 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 2023 cont.

### Strategic plan: global significance and sector leadership

Our primary goal is to consolidate Lancaster University's status **as a leading global research-intensive university**. We define global leadership as being a "go to" university for research, teaching and engagement that is widely respected for its record of transforming lives, communities, practice and thinking in countries across the globe. We will measure this goal by making further progress towards a top 100 position in key global rankings of universities. Already ranked within the world top 100 on many objective measures, further developing our global visibility and reputation will be critical to achieving this aim, while recognizing changing league table methodologies and growing reputation of East Asian universities add to league table volatility.

**Research Excellence Framework (REF) 2021:** As reported previously 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 21st 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. This strong performance led to a £5.5M (ca. 25%) increase in competitively won funding from Research England for Qualitative Research funding (QR) in 2022/23 and this will continue to benefit future years. There are substantial opportunities in light of Lancaster's strong inter-disciplinary reputation and positioning in respect of funding available to support cyber-security, environmental and health related research topics.

**International Campus developments:** Around one third of Lancaster's global undergraduate community study outside of the UK at one of our strategic partnerships in China, Malaysia, Ghana and Germany. In July 2023, the University Council approved the development of a joint international campus in Indonesia together with Deakin University. The joint Deakin-Lancaster campus in Bandung will provide a combination of an Australian and British degree, subject to final approval by national regulators. The initiative has received strong support from the Australian and British Governments.

**Global and national position:** Following a rise of 24 places in the QS World University Rankings 2024 released in June 2023, the University is listed 122nd in the world and 155th in the Times Higher Education (THE) World University 2024 rankings, released in September 2023. In the latest QS global league table, Lancaster also came 24th in the global league table for sustainability, 5th amongst UK universities. The University was also awarded five stars for internationalisation in the prestigious QS Stars rating, which assesses universities against best practices. In the UK, Lancaster has also

remained consistently highly ranked and stands at 10th in the Complete University Guide 2024, 11th in the Guardian 2024 national league table and is ranked 14th in the Times Higher Education 2024 national league table. These are important measures of quality for the attraction of students and staff alike.

**Innovations and developments:** In July 2023, the University signed a new partnership with INTO University Partnerships for a collaboration that will see INTO operate on campus pathway programmes for Lancaster's growing international student community. In August 2023, the University signed a commitment with the University Hospitals of Morecambe Bay NHS Foundation Trust. Together, we will work more closely to help change the lives of local residents. In September 2023, a technology spinout company from Lancaster University secured £3M in seed funding to take the business to the next level. Mindgard is a start-up company specialising in security for Artificial Intelligence (AI) and helps clients automate and scale security testing, detection, response and remediation of AI models via an easy-to-use platform.

### Student experience and support

**Quality of student experience:** The University performed strongly in the latest National Student Survey 2023, rated amongst the top universities in the UK for academic support and providing access to first class learning resources. Nearly 88 per cent of Lancaster students rated their academic support positively and more than 91 per cent had a positive view of Lancaster's learning resources which include its award-winning library, IT services and ease of access to subject specific resources. Notwithstanding the strong performance overall, an Education Strategy Advisory Group continues to work on areas which can be further strengthened and to spread best practice across academic areas. The removal of the 'Overall Satisfaction' question from the survey where Lancaster has historically performed very well and was an important metric underpinning many domestic league tables, means that league table performance next year is less predictable.

**Access and Participation:** Lancaster's strong focus on widening participation has continued through the year and its work was shortlisted for the University of the Year at the 2023 UK Social Mobility awards.

**Support and services:** In light of heightened cost of living pressures during the year, a Cost of Living working group was established between the University and the Students' Union which identified and delivered a range of support and services. This was a strong example of collaborative and agile working to target initiatives that would make a real difference for students.



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 2023 cont.

### Sustainability

**Sustainability strategy:** Sustainability is at the heart of everything we do. In 2020, we declared a climate emergency and have developed an ambitious strategy to help us achieve our goal of carbon net-zero for carbon emissions from electricity and heating by 2030 and net-zero from all other emissions by 2035. We are playing an active part in tackling The United Nations' 17 Sustainable Development Goals (SDGs). Developed in 2015, the SDGs inspire global action to overcome the world's biggest challenges — from hunger and poverty to equality and environmental action. This year our progress has been recognised in a number of rankings and assessments. In the main QS World University Rankings 2024, Lancaster rose to 24th for sustainability, 5th amongst UK universities. We were also ranked 7th in the UK and joint 26th in the world in the first ever QS World University Rankings: Sustainability, which measured and compared sustainable impact from universities across the globe. These rankings were designed to measure an institution's ability to tackle the world's greatest environmental, social and governance (ESG) challenges.

**Climate Emergency Carbon Reduction Plan:** Lancaster University's Climate Emergency Carbon Reduction Plan (CECRP) has been produced to provide a strategic route map, detailing how the University proposes to reduce its carbon emissions through the implementation of a range of projects, policies, education and behaviour change. Our community is committed to tackling the climate emergency by embedding sustainability into all areas of university life; our research in the field is future-led, with many of our academics working on globally significant sustainability projects. Our curriculum continues to centre teaching around current events and the ever-changing landscape we live in, sustainability is a huge part of that. Day to day, we are committed to evolving our working practices and environment to address the climate emergency from within. In September, we won a national procurement award from the UK Universities Purchasing Consortia for 'Outstanding Responsible Procurement Initiative' for work on an innovative Procurement and Travel Carbon Dashboard. This is designed to influence behaviours in support of the University's net zero targets.

**Estates developments:** Further to the approval of an updated Estates Strategy by the University Council in July 2022, 2022/23 has been a period of consolidation and development of a new capital programme to 2027. The strategy supports the adoption of new ways of working by challenging traditional behaviours to enable recycling, repurposing and carbon reduction by increasing the effectiveness of our existing footprint. Our land assets provide opportunities to deliver our climate goals through on-site projects and the University was delighted to secure funding of £21M from the Green Heat Network Fund in support of our plans for a combined solar and heat decarbonization project totaling £61M.

### Impact on our Communities

**Research communities:** Lancaster University's research impact encompasses all of its disciplines, with a genuine relevance to current issues. For example, it continues to support the development of national cyber security research and innovation expertise in the region with the appointment of key staff and development of new facilities. Lancaster University is unique nationally in that it is recognised by the National Cyber Security Centre as an Academic Centre of Excellence for both Cyber Security Research and Education as well as being part of the Northwest Partnership for Security and Trust with GCHQ and the Lancashire Cyber Partnership with the National Cyber Force. Lancaster will be working in partnership to develop the research and evidence base which underpins the security of Critical National Infrastructure in the UK, joining with organisations such as the Nuclear Decommissioning Authority (NDA). In the health field, the University has recently been confirmed as a key partner in the delivery of a new National Institute for Health and Care Research funded Research Support Service for England. It has also formed a global partnership to promote collaborative, multidisciplinary research to alleviate the development of age-related functional declines and promote healthy ageing. In addition, its world leading team of quantum engineering scientists have been awarded over £7M to develop radically new disruptive organic materials for everything from smart textiles to self-powered patches for healthcare.

**Educational communities:** The University was recently named as 'University of the Year' at the Educate North Awards in May 2023. The award reflected the high metrics on student satisfaction and expertise of teaching staff as well as the development of key sustainable and environmental initiatives. Lancaster continues to support the development of the unique, community created Morecambe Bay Curriculum with its latest activities enabling teachers and academics to come together to map 'sustainability' and 'place' onto the national curriculum. In addition, Lancaster's Management School has been recently shortlisted for 'Business School of the Year' in the Times Higher Education Awards for its work in bringing a network of global entrepreneurs into the classroom in its unique 'Entrepreneurs in Residence' programme.

**International communities:** The University continues to identify opportunities from its strategic international partnerships, with one recent example being the joint research conference in August 2023 between its Management School and Sunway University Business School to consider how collaboration can tackle sustainability challenges to have meaningful impact. The University has also been shortlisted for the Times Higher Education Knowledge Exchange Initiative of the Year Award due to its leading role in building innovative research and knowledge exchange partnerships in Sub-Saharan Africa. The results will be announced in December 2023.



## People and Culture

**People and Culture plan:** The University's values underpinning the strategic plan describe a culture for success as being able 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 were co-created after extensive staff consultation and have been embedded across the organisation. The People and Culture Plan launched in March 2022, has been reviewed over Summer 2023 with managers across the institution to consider how it is working in practice and where further opportunities might lie. A full staff survey is being developed for Spring 2024.

**External assessments on diversity:** The University continues to invest in understanding and improving its equality position 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 the year, the University has placed continued 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. This has been the case again in the 2022/23 accounts which reflect the trend of increased discount rates but also the results of the Lancashire County Pension Scheme triennial 2022 valuation outcome. Full details are given later in this report.

For some time therefore, the University Council has adopted the measure of Adjusted Net Operating Cashflow (ANOC)<sup>1</sup> as our key financial indicator. 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.

Lancaster University continues to meet the challenges of an uncertain global economic environment, having previously successfully navigated the uncertain pandemic period. The budget for 2022/23 was set to achieve ANOC of 10% (£36M) for the year, with activity expected to return to more normal levels. By mid-year the University was tracking ahead of budget for both income and expenditure. This reflected higher income from funding body grants due to the strong outcome from the Research Excellence Framework 2021; growth in other income including investment returns however offset by slightly lower growth in tuition fee income than expected. Offsetting this in part was additional expenditure from higher than budgeted national pay award outcomes and inflationary increases in operational costs. At a trading level, the year-end position moved further ahead of the mid-year forecast, largely driven by a slower rate of increase in staffing costs than expected, with appointments taking some time in a competitive recruitment market.

The final position reported figure for Adjusted Net Operating Cashflow for the year was 11.4%, in line with the projected out-turn, with the improvement in trading performance offset by some working capital movements. These were timing related only but the ongoing position is being closely monitored. The three-year position also remained ahead of the target range at 14.8%, reflecting the prior two years of above target performance.

The improved financial outcome helps to provide some resilience in the context of the challenging student recruitment market and continuation of significant inflationary pressures. Looking at the next financial year (2023/24), the University has not met its target for undergraduate recruitment. Some of this is due to the national context of a reduction in UK applicants and changes in A level grading combining with some local factors including the transition from Study Group to INTO causing a temporary break in Foundation provision. Further detailed information on the financial performance for the 2022/23 year is given below.

<sup>1</sup> 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 2023 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. The Council has continued to be mindful of a changing risk environment for the Higher Education sector and had been active in seeking mitigations. Further details of the Council's recent work on risk management and assurance are 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><b>Cyber Security Risk</b></p> <p>A breach or incident results in harm to the University.</p>	<ul style="list-style-type: none"> <li>• Comprehensive IT security risk register and plan</li> <li>• Specialist protection systems</li> <li>• Mandatory information security training for staff</li> <li>• Multi-factor authentication</li> <li>• Regular penetration testing</li> <li>• Audit reviews and action plan implementation</li> <li>• Medium term Digital Strategy under development</li> </ul>
<p><b>Brand strength</b></p> <p>The brand of the University in a competitive market is not strong enough to ensure high quality student application and admission rates, in line with targets (so tuition fee income is lower than planned for).</p>	<ul style="list-style-type: none"> <li>• Ongoing brand development and profile raising work</li> <li>• Detailed portfolio review and curriculum design to ensure ongoing attractiveness of offer and identification of immediate improvements</li> <li>• New programme offerings being developed at pace</li> <li>• Establishment of additional recruitment offices in the UK</li> <li>• Revised links overseas agent network arrangements and stronger links</li> <li>• Use of international campuses to leverage in-country profile</li> <li>• Digital delivery options being developed.</li> </ul>
<p><b>Research funding</b></p> <p>The rate of externally funded research capture is insufficient to meet strategic goals</p>	<ul style="list-style-type: none"> <li>• Continued leverage from strong REF 2021 performance</li> <li>• Targeted actions to catalyse pipeline in key areas of potential</li> <li>• Focus on collaborative and large-scale bids in areas of strength and funding opportunity</li> <li>• Closer alignment with Enterprise and Engagement to leverage business and industry links</li> <li>• Outcome of review of Research Institutes to ensure best fit for future opportunities</li> </ul>
<p><b>Student experience</b></p> <p>A potential decline in current high-quality student experience and outcomes</p>	<ul style="list-style-type: none"> <li>• Continued review and response to student feedback</li> <li>• Detailed NSS dashboards to aid dissemination of information and sharing of best practice</li> <li>• Enhanced mechanisms for engagement led by Pro-Vice-Chancellor (Education)</li> <li>• Longer term Curriculum Transformation project underway</li> <li>• Professional Services and Colleges working together to offer an integrated student support network</li> </ul>
<p><b>People and culture</b></p> <p>The inability to recruit or retain high-quality staff</p>	<ul style="list-style-type: none"> <li>• People and Culture Plan developed and embedding</li> <li>• Leverage research environment strengths as evidenced by REF 2021</li> <li>• Ongoing development of agile working and staff recruitment processes</li> <li>• Academic Workload Planning pilot ongoing to inform future developments</li> </ul>
<p><b>Government policy and geopolitical risks</b></p> <p>The policy or wider geopolitical environment impacts the University detrimentally in a high-inflation context.</p>	<ul style="list-style-type: none"> <li>• Scenario planning and discussion by the Council</li> <li>• Income diversification opportunities identified and delivered</li> <li>• Ongoing focus on operational cost efficiencies and service transformation</li> <li>• Revised Estates Strategy for reuse/recycle and focus on space utilisation</li> <li>• Digital Strategy development a key enabler for future opportunities</li> <li>• Maintaining and enhancing presence at national policy debate</li> </ul>



## Financial Highlights (consolidated)

	2022/23	2021/22	Change
Total Income (as reported)	<b>£381.8M</b>	<b>£357.9M</b>	+6.7%
Total Income <sup>2</sup> (excluding capital grant income)	<b>£376.1M</b>	<b>£353.0M</b>	+6.5%
Average Number of Staff (FTE)	<b>3,435</b>	<b>3,323</b>	+3.4%
Staff Costs <sup>3</sup> as % Income	<b>50.5%</b>	<b>50.0%</b>	+0.5%
Adjusted Net Operating Cashflow	<b>£42.9M</b>	<b>£57.6M</b>	-25.4%
Adjusted Net Operating Cashflow as % of Income	<b>11.4%</b>	<b>16.3%</b>	-4.9%
Adjusted Net Operating Cashflow as % of income rolling 3-year average	<b>14.8%</b>	<b>14.9%</b>	-0.1%
Net (Cash)/Debt	<b>(£34.1M)</b>	<b>(£22.1M)</b>	54.1%
Current Asset Ratio	<b>2.02</b>	<b>1.95</b>	+0.1

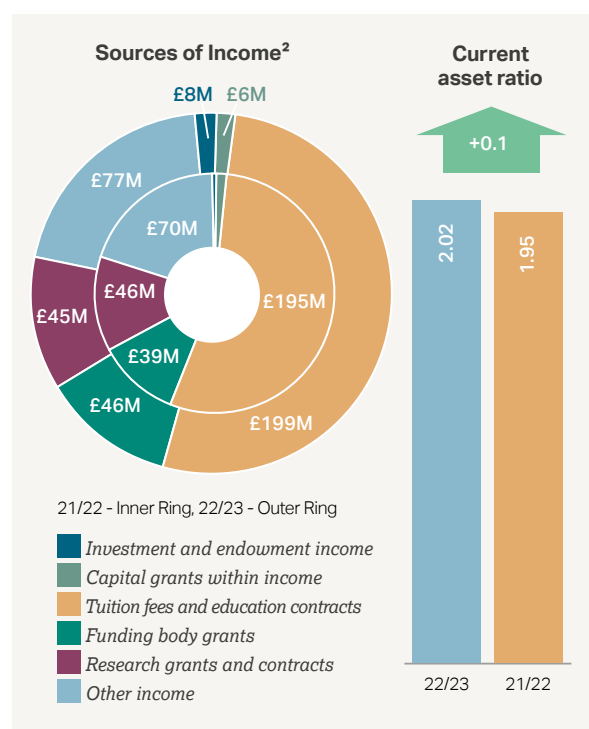
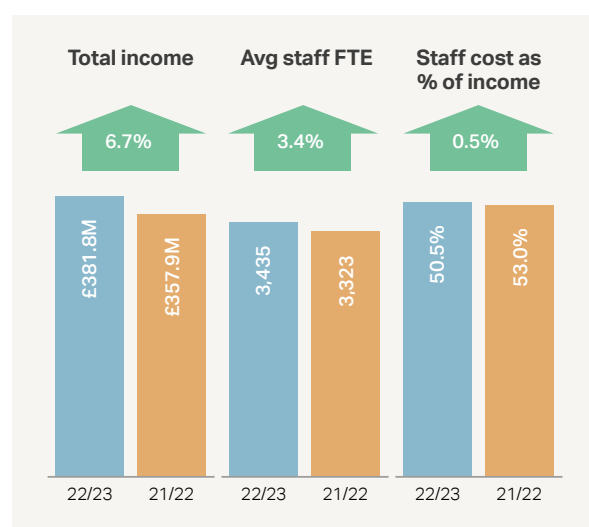
## Review of the financial year

Despite the operating environment and ongoing uncertainties, the 2022/23 financial year ended strongly for the University. Set against substantial inflationary pressure on operational costs and higher than anticipated national staff pay award agreements which added costs mid-year, the position was mitigated by higher income growth and some lags in other expenditure. Within this, the University provided additional support for students facing financial difficulties in 2022/23, boosting the overall allocation of funds to help students in situations of financial hardship.

Overall, total income at £382M increased by 6.7%, (6.5% excluding capital grant income). Within this, one of the strongest increases was other income of £77M from student accommodation, commercial and other activities, a year-on-year increase of 9.5% as these streams returned to more usual patterns. Funding body grants also rose by 16.8% to £46M, reflecting the University's strong performance in the Research Excellence Framework. Tuition fee income rose more slowly by 2.0% to £199M, which was lower than planned for in a competitive market. Ensuring a strong and well-presented portfolio remains a sharp focus of attention. Research activity decreased slightly by 1.8% with the effect of a period of lower grant capture through the pandemic period working its way through.

Expenditure, excluding non-cash adjustments, increased by 9.6% on prior year, with the largest growth coming from 'other operating expenses' (+15.0%, +£17M) followed by 'staff costs' (+7.6%, +£13M). This is mainly a result of a return in the year to close to full occupancy of student accommodation and associated income increasing from the prior year. Average staff FTE increased year on year from 3323 to 3435, an increase of 3.4%, with a small adjustment in 'staff cost as a percentage of income' up from 50.0% to 50.5%. 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), was impacted by increases in 'other operating expenses' and 'staff cost' but benefitted from careful liquidity management. The reported final position for ANOC is an achievement of £43M (down 25% year on year but closer to target); 11.4% of income and a 3-year rolling average of 14.8%.



<sup>2</sup> Excludes capital grant income

<sup>3</sup> Excludes non-cash pension adjustments (see following page for note detail)



## Strategic, Operational & Financial Review

### for the year ended 31 July 2023 cont.

Income excluding capital grants is calculated as follows:

	2022/23	2021/22	Change
Total income (as reported)	£381.8M	£357.9M	+6.7%
Funding body capital grants	(£4.4M)	(£2.0M)	
Research capital grants	(£1.0M)	(£1.9M)	
Other capital grants	(£0.2M)	(£1.0M)	
Total income (excluding capital grant)	£376.1M	£353.0M	+6.5%

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

	2022/23	2021/22	Change
Staff costs (as reported)	£176.8M	£249.3M	-29.1%
Non-cash pension adjustments:			
USS triennial valuation	£11.2M	(£64.2M)	
Movement on the USS provision	£5.9M	£2.1M	
Movement on Lancashire County Pension Fund provision	(£3.9M)	(£10.7M)	
Total non-cash pension adjustments	£13.2M	(£72.7M)	
Staff costs (excluding non-cash pension adjustments)	£190.0M	£176.6M	+7.6%

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

	2022/23	2021/22	Change
Total expenditure (as reported)	£345.9M	£398.9M	-13.3%
Non-cash pension adjustments within:			
Staff costs	£13.2M	(£72.7M)	
Interest and other finance costs	(£3.7M)	(£2.0M)	
Total expenditure (excluding non-cash pension charges)	£355.4M	£324.2M	+9.6%

### 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.

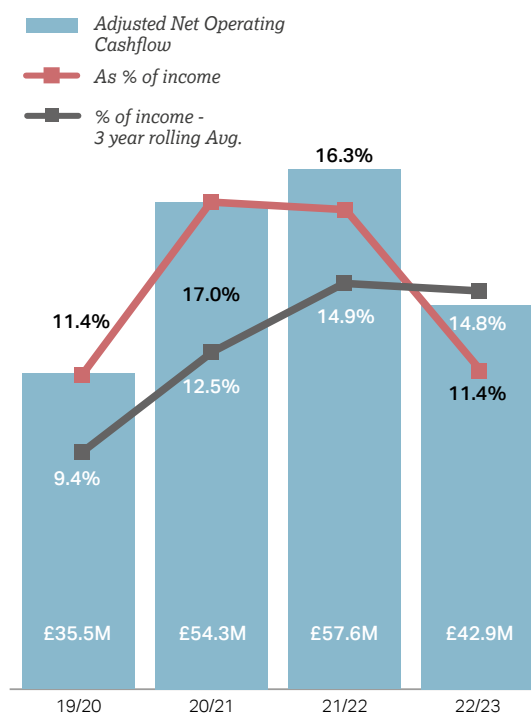
A decrease in 2022/23 of £14.6M on prior year, which includes a decrease in cash inflow from operating activities. This represents ANOC at 11.4% of income, which is still ahead of the target range of 9% - 11% whilst being significantly below the prior year. The rolling 3-year average had shown a steady growth since 2019/20 and has now stabilised at 14.8% in 2022/23.

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

Adjusted Net Operating Cashflow is calculated as follows

	2022/23	2021/22	Change
Net cash inflow from operating activities	£40.3M	£61.0M	-34.0%
Investment income	£3.5M	£0.4M	
Endowment income	£4.0M	£1.0M	
Interest paid	(£4.8M)	(£4.9M)	
Adjusted Net Operating Cashflow	£42.9M	£57.6M	-25.4%
Three year rolling average	14.8%	14.9%	

#### Adjusted Net Operating Cashflow

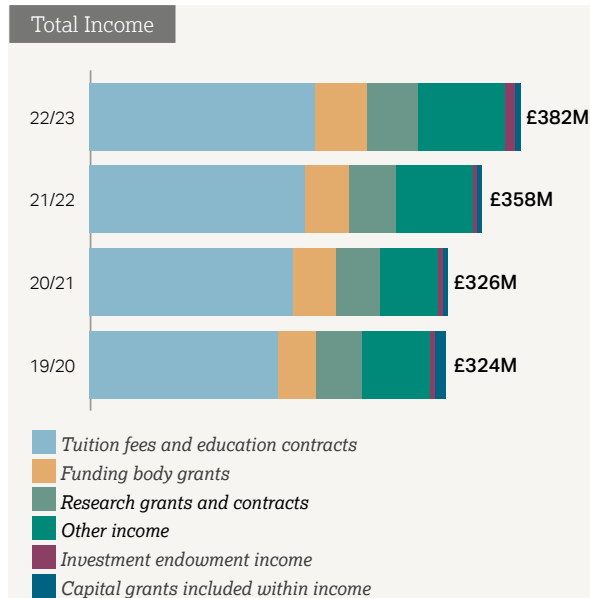


## Income

### Total Income

Total income for 2022/23 increased from £358M to £382M, up 6.7%. Excluding capital grants, income increased from £353M to £376M, an increase of 6.5%.

The University saw only modest growth in tuition fees of +2.0%, with home undergraduate fees remaining capped at £9,250. Funding body grants have been boosted by the outcome of the REF results and report an increase of +16.8% on the prior year. Other income increased from £70M to £77M (+9.5%) reflecting student accommodation and commercial activity returning to more normal levels. Capital grants increased slightly from £5M to £6M due to the pattern of awards, whilst investment and endowment income have been boosted by one off donations and improving UK bank deposit interest rates.

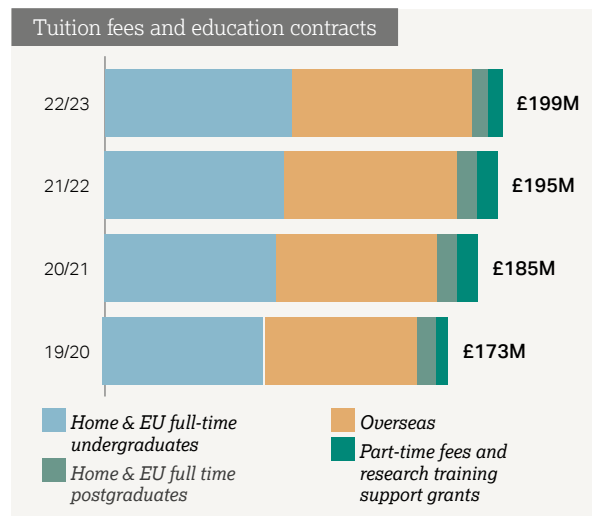


	2022/23	2021/22
Tuition fees and education contracts	£199M	£195M
Other Income	£77M	£70M
Research grants and contracts	£45M	£46M
Funding body grants	£46M	£39M
Capital grants included within Income	£6M	£5M
Investment and endowment income	£8M	£2M
<b>Total income</b>	<b>£382M</b>	<b>£358M</b>

<sup>4</sup> Excludes capital grant income

### Tuition fees and education contracts

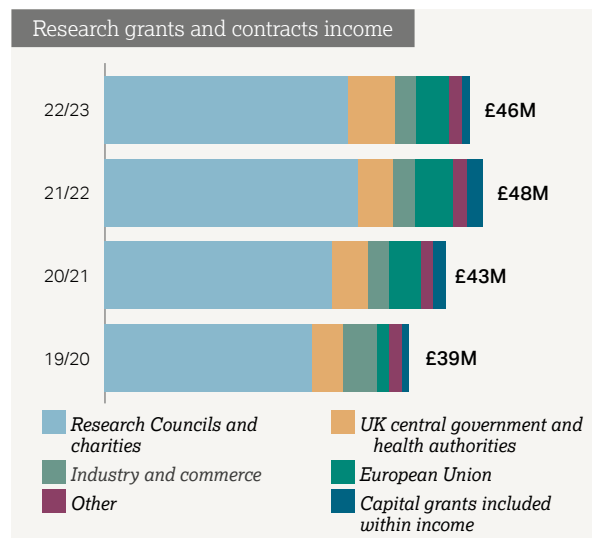
Tuition fees and education contract income increased by 2.0% to £199M with steady growth in all fee categories except Home PG, which saw a 17.8% drop as more students took opportunities in a buoyant jobs market. The home undergraduate fee remained capped at £9,250 and increases to non-regulated fees had been confirmed in a lower inflationary environment due to the long cycle for student recruitment.



### Research grants and contracts income

Research grants and contracts income for 2022/23 at £46M represents a decrease of 3.6%, or 1.8% excluding the impact of capital grants. The prior year had seen an increase as a result of post pandemic catch up, with much activity having been suspended or paused for a period.

2022/23 also reflects the consequence of lower level of competitive grant applications and awards through the pandemic period. The position has now returned to more normal levels, with additional focus on the capture of large-scale bids, the results of which will benefit future years.





## Strategic, Operational & Financial Review for the year ended 31 July 2023 cont.

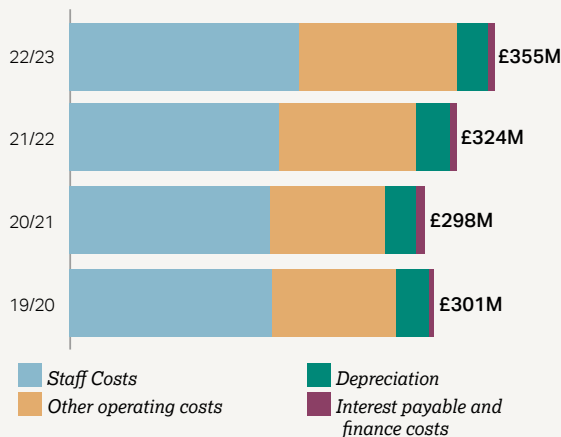
### Expenditure

#### Total Expenditure

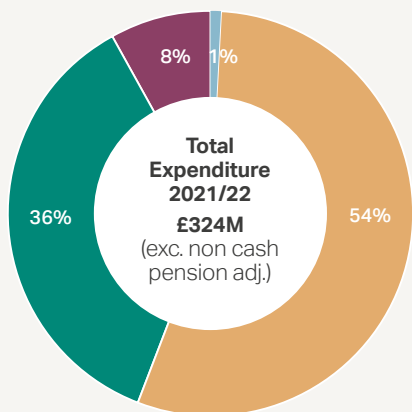
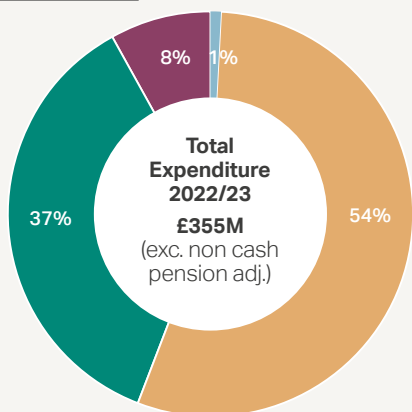
Total expenditure for 2022/23 excluding non-cash pension adjustments was £355M, an increase of 9.6%.

Staff costs increased from £177M to £190M, +7.6% due to normal incremental changes, national pay award outcomes and an increase in average staff FTE of 3.4% (3,323 in 2021/22, 3,435 in 2022/23). Other operating expenses increased by 15% (+£17M) on previous year, impacted by a return to normal campus operations for student accommodation and commercial services plus the impact of inflationary cost increases. The latter impacted in particular utility and maintenance costs. The University also provided additional support to students as a response to the cost of living crisis.

Total Expenditure (cont)



Total Expenditure

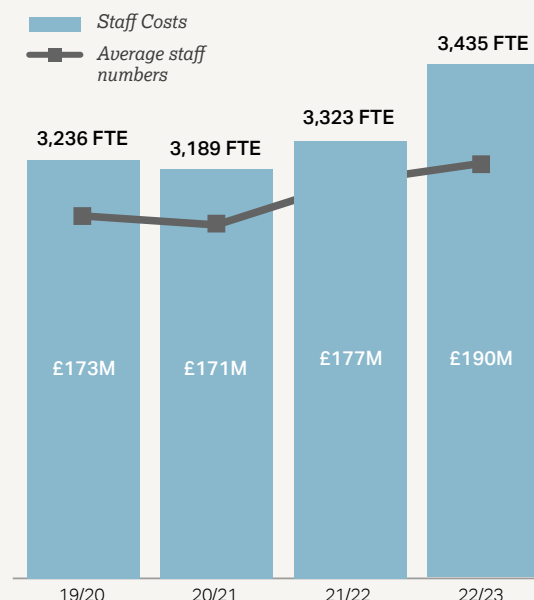


Interest payable and finance costs  
Staff costs  
Other operating expenses  
Depreciation & Impairment

#### Staff Costs <sup>4</sup>

Overall staff numbers in 2022/23 increased by 3.4% to support delivery of strategic growth and development plans. However, the filling of vacancies lagged behind budget, reflecting a challenging market. Underlying staff costs increased by 7.6% reflecting the increase in headcount but also national pay award outcomes and routine promotion and scale-based increases.

Staff Costs<sup>4</sup>



<sup>4</sup> 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 Principal Accounting Policies and Note 25 to the Financial Statements.

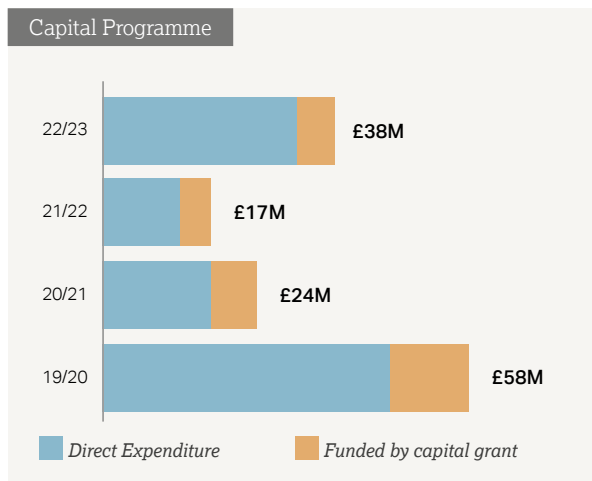
### Taxation

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

## Statement of Financial Position

### Capital Programme

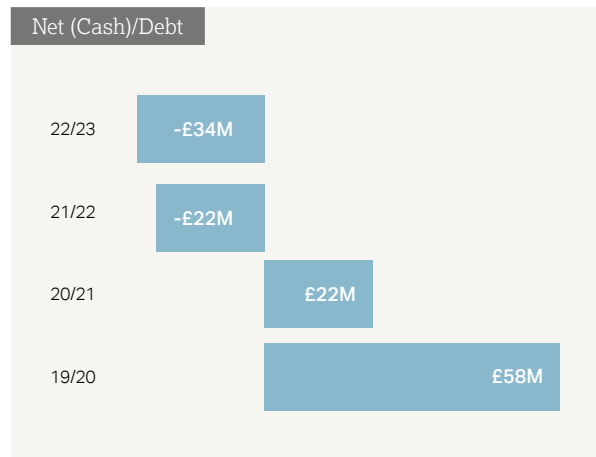
Capital additions in 2022/23 were £38M, with a return to more normal levels of investment and delivery post pandemic. The focus of the programme reflects the University's 2022 approved Estates Strategy, in the context of its carbon reduction ambitions. The major project during the year was the new Engineering building (at a cost of ca. £18M), which is due to complete by the end of 2023.



### Net (Cash)/Debt

Net (Cash)/Debt improved further by ca. £12M in the year to a positive cash position of £34M. This is as a consequence of the cash position improving from operational activities and other working capital movements whilst borrowings remained constant.

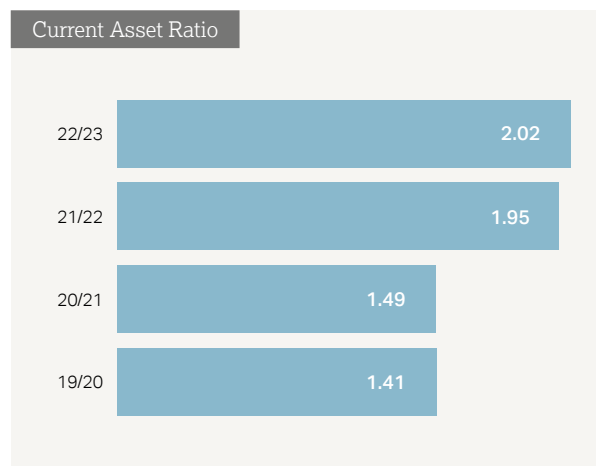
The new 5-year £60M Sustainability-Linked Revolving Credit Facility with Santander, agreed in September 2022, had a nil balance at year end, with no use of the facility during the year.



### Current Asset Ratio

The current asset ratio has improved from 1.95 to 2.02 with cash, cash equivalents and short-term investments moving from £139M to £150M at year end. Current liabilities have increased to £96M, a movement of £7M compared to prior year due to an increase in trade payables.

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.





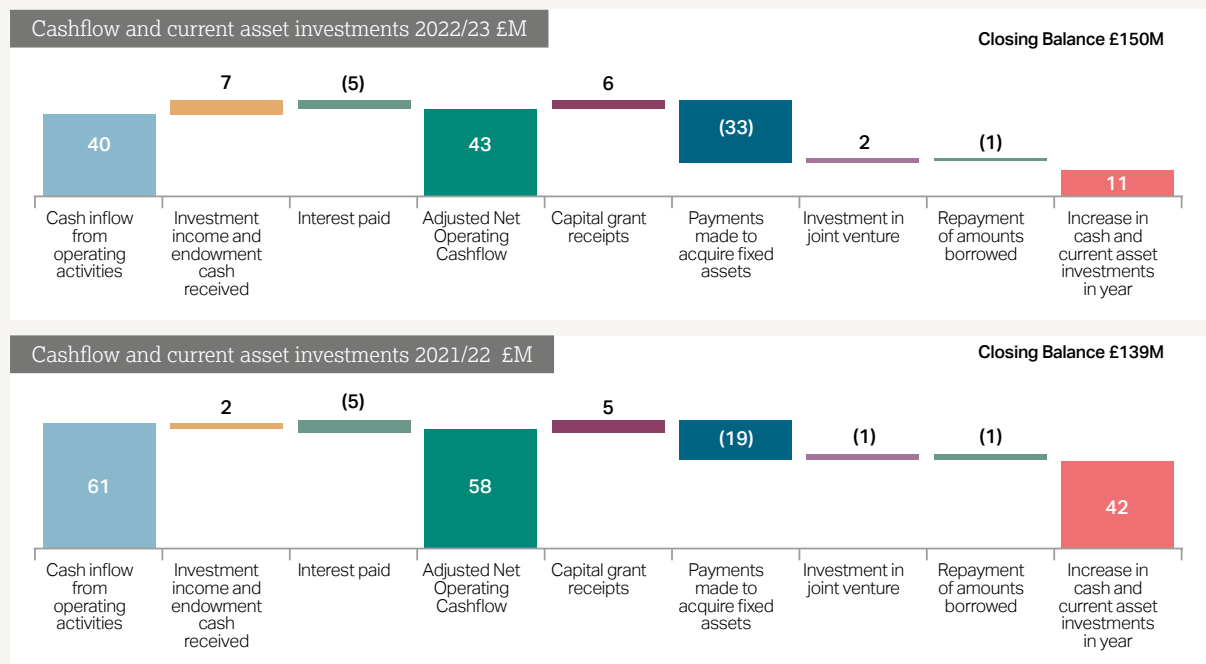
## Strategic, Operational & Financial Review

for the year ended 31 July 2023 cont.

### Cashflow and Treasury Management

#### Cashflow and current asset investments

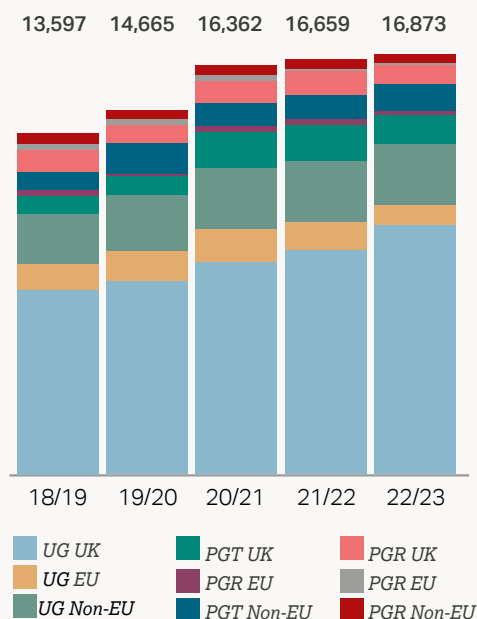
Key movements in cash and current asset investments during the years 2022/23 and 2021/22 are highlighted below. Main highlights are a lower cash inflow from operating activities compared to prior year (£40M v £61M), an increase in payments to acquire fixed assets (£33M v £19M) resulting in a lower increase in cash and current assets investments in year (£11M v £42M). The final closing balance was £150M.



### Student Numbers - FTE

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

	18/19	19/20	20/21	21/22	22/23
<b>Undergraduate</b>					
UK	7,448	7,845	8,586	9,139	10,021
EU	1,035	1,128	1,308	1,058	817
Non-EU	2,014	2,253	2,438	2,398	2,424
<b>Total UG</b>	<b>10,496</b>	<b>11,226</b>	<b>12,332</b>	<b>12,595</b>	<b>13,262</b>
<b>Postgraduate</b>					
PGT UK	737	759	1,497	1,541	1,200
PGT EU	172	156	144	100	66
PGT Non-EU	835	1,138	970	1,024	1,172
PGR UK	805	815	867	881	768
PGR EU	150	157	144	124	77
PGR Non-EU	402	413	408	394	329
<b>Total PG</b>	<b>3,102</b>	<b>3,439</b>	<b>4,030</b>	<b>4,064</b>	<b>3,612</b>
<b>Total</b>	<b>13,597</b>	<b>14,665</b>	<b>16,362</b>	<b>16,659</b>	<b>16,873</b>
Distance learning*	160	161	182	194	164



## Conclusion and Outlook

The University achieved a robust financial result for 2022/23 despite an uncertain external context and inflationary pressures, allowing further progress against its Strategic Plan objectives to 2026. This position will help mitigate ongoing risks in a competitive environment and support the University in taking a longer term view as to its positioning and response to opportunities arising.

**Professor Andy Schofield**  
Vice-Chancellor

**Mrs Sarah J. Randall-Paley**  
Director of Finance  
24th November 2023







# Corporate Governance Statement 2023

The following Statement of Corporate Governance and Statement of Internal Control covers the 2022/23 financial year and period up to the date of approval of the audited financial statements of the University and its subsidiaries by Council on 24 November 2023.

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 University's 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'.

During 2022/23 the triennial Council Effectiveness Review (CER) concluded. Undertaken on behalf of the Council by Advance HE, the review's primary objective was to enable the Council to focus on its continued development: identifying any areas for strengthening practices and to improve the agility and resilience of governance. The review was undertaken as part of the Council's commitment to continuous improvement and, in the context of a successful and well-governed institution specifically sought 'new and potentially challenging ideas' for consideration. The review process included a range of evaluation activity including surveys, structured interviews, benchmarking against sector good practice and committee observations. In March 2023 Council approved a plan to take forward a number of actions arising from recommendations made in the CER and this plan is now being carried forward. The CER confirmed that governance arrangements at the University had effectively supported its development, growth and success, and arrangements were compliant. It highlighted that the future challenge was to consider how best to build on and enhance arrangements, to meet new challenges and opportunities and deliver the University's strategy beyond 2026. The Audit Committee also undertook an annual effectiveness review activity in June 2023 in line with the CUC Code of Practice for Audit Committees and consideration is being given as to how this type of approach can be adopted by other committees. Other governance activity to maintain and enhance standards has included a comprehensive analysis of its alignment with the CUC Higher Education Code of Governance, broader



## Corporate Governance Statement 2023 (continued)

assurance mapping of committee remits and a revision of standing orders for committees to further reflect upon diversity and inclusion considerations.

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. As highlighted above since the CUC's publication of its revised Higher Education Code of Governance (in September 2020), the University has continued to give it due consideration alongside 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 primarily 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 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, a summary of which is published on its website and may be consulted by arrangement with the Deputy Chief Executive (Operations) and Secretary.

### The Council

The Council met formally six times in 2022/23, held an informal away day involving activity with one of the University's partner institutions, UA92, and met jointly with the Senate in January 2023. The 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 a small number of individual items of business by correspondence.

The Council is formally composed of up to 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 £11,063 in 2022/23 (compared with a total of £7,890 in 2021/22).

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 reappointment of 4 lay members of Council, and the appointment of new Chairs to sub-committees including, the Finance and General Purposes Committee and the Remuneration Committee. Search activity is currently underway to appoint two new lay members of Council and a small number of co-opted roles on its 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. These governance arrangements for the remuneration of senior staff follows the CUC Higher Education Senior Staff Remuneration Code (November 2021). 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.

The Senate is responsible for the academic work of the University alongside the regulation and superintendence of

Attendance at the Council meetings held during the financial year (1 August 2022 to 31 July 2023):

Name of member	Actually Attended	Eligible to Attend	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)	6	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.	5	6	end 31/07/2023
* Blears, Rt Hon Mrs H. A.	4	6	end 30/09/2024
* Branigan, Mr A. P.	6	6	end 31/07/2025
* Burgess, Ms H.	5	6	end 31/07/2026
* Carey, Mr A.	6	6	end 31/07/2026
* Diamond, Professor Sir I. D.	4	6	end 31/07/2025
Ellis, Ms I.	5	5	end 30/06/2023
Evans, Ms. C	0	1	start 1/07/2023
* Jonas, Mr A. M.	5	6	end 31/07/2025
Leitch, Professor C. L.	6	6	end 31/07/2024
Mullan, Ms A. M.	6	6	end 31/07/2024
Newsham, Mr J.	1	1	start 1/07/2023
Phillips, Ms V.	5	5	end 30/06/2023
* Reid-Fotheringham, Ms M. E.	4	6	end 30/09/2026
Rycroft-Malone, Professor J.	6	6	end 31/07/2024
* Sycamore, His Hon. P.	4	6	end 31/07/2024
* Whilby, Mrs M. A.	5	6	end 28/02/2025

\* Denotes Lay Member

the education and discipline of 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 last conducted 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.

The summary outcomes of the CER were published to the University's intranet to provide stakeholder assurance and transparency regarding effective decision-making.

## Corporate Governance Statement 2023 (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, the Safety Health and Wellbeing 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) and Secretary, 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, and meetings of the University Leadership Group.

### Remuneration of the Vice-Chancellor

Since his appointment in May 2020, the overall remuneration of the University's incumbent Vice-Chancellor has remained below the median for the sector and the University's comparator group, based on UCEA and Korn Ferry Group benchmarking of Pre-92 HEIs with similar turnover, student numbers, etc.

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 for, and 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. The Vice-Chancellor's salary was reviewed in September 2021 and again in July 2022, 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 2022/23	Comparative Figure for 2021/22
<b>Basic Salary</b> 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	6.7
<b>Total Remuneration</b> 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.	6.7	6.6

Excluding sessional:	Vice-Chancellor 2022/23	Comparative Figure for 2021/22
<b>Basic Salary</b> 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	6.5
<b>Total Remuneration</b> 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.	6.5	6.4

## 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.

The Council's Audit Committee has continued to actively consider the University's risk appetite and its broader approach to risk and opportunity. The outcomes of the Council's risk appetite assessment from 2020-21 continues to provide a context to support strategic decision-making and this year the Committee has benchmarked this appetite and its view of its risk landscape relative to the broader sector. While this benchmarking exercise indicated the University's approach to be broadly aligned to that of the wider sector, it is anticipated Council's risk appetite will be reviewed in 2023/24. 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 relation to the former, the University's response to managing a cyber security related incident was tested through an institutional exercise in early 2023 involving staff from across the institution. This was a welcome return to such activities which had been suspended due to the disruption from

## Corporate Governance Statement 2023 (continued)

the Covid-19 pandemic. With regards to security risks in internationalisation the University has continued to develop and enhance its due diligence regarding research and partnership activity.

The review of the effectiveness of the system of internal control is supported by internal and external auditing, provided by PricewaterhouseCoopers (PwC) and BDO respectively, and 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 2022/23, seven internal audit reviews were undertaken including both a report on departmental compliance deferred from 2021/22 and a report commissioned on behalf of the Students' Union. It was agreed a planned eighth report would be deferred to 2023/24.

Based upon this work, the internal auditors' annual opinion for 2022/23 was 'Reasonable assurance / moderate Assurance: Governance, risk management and control, and value for money arrangements in relation to business-critical areas is generally satisfactory. However, there are some areas of weakness and non-compliance in the framework of governance, risk management and control and value for money arrangements which potentially put the achievement of objectives at risk. Improvements are required in those areas to enhance the adequacy and effectiveness of governance, risk management and control and value for money arrangements'. 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 six internal audit reviews conducted which directly related to the University's activity. In relation to these, none received an overall classification of 'high' or 'critical', and there were three medium and three low risk rated reports. The external auditors' report to the Audit Committee as a minimum annually and their annual opinions are provided elsewhere in the Financial Statements. The work of the internal and external auditors plays an important role in assisting the University 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 (which is subject to annual review) 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, and those covering strategic partnerships (both regional and international) inform the implementation of the University's risk policy. The overarching register is 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 2022/23. The University has continued to strengthen its risk mitigations in this area introducing a number of University-wide enhancements to IT security, including the development of a new IT Strategy and implementation of a revised Information Security Policy, both informed by regular Internal Audit activity in this area. Work is also ongoing to deepen the integration of cyber security into the University's Risk Management Framework.

### 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 allocation 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, accepts and stewards 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 2022/23.

## 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 the following.

- 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. The University is committed to achieving University of Sanctuary status (a national network of university staff, lecturers, academics and students working to make higher education places of safety, solidarity and empowerment for people seeking sanctuary). The University has established the Lancaster Sanctuary Scholarships and Fellowships with the latter aiming to support an at-risk scholar in each of its four faculties.



## Corporate Governance Statement 2023 (continued)

- Working in partnership both in our local community, regionally and globally to increase our impact. The University is a key partner in the community-created Morecambe Bay Curriculum. This unique initiative is designed to ensure that the local education system can provide the green skills, knowledge and behaviours required by industry to respond to the climate emergency and offer local young people new and exciting opportunities. Project foci include mental and physical health, future work and local economy, place and people and community.
  - Undertaking research that seeks to address and have a positive impact on real-world challenges, for example:
    - breakthrough research which is helping to address global food production sustainability through developing water-saving rice growing techniques in Ghana;
    - advancing research which is identifying the financial viability of tidal range schemes in the UK order to address energy costs and security issues and environmentally-friendly, sustainable energy generation;
    - pioneering research by a team of academics from our Management School documenting the lived experiences of people in modern slavery and from this, leading efforts in the UK to investigate, remediate, report on and prevent modern slavery;
    - securing research grant funding of £2M, awarded to investigate how to characterise spent nuclear fuel and understand how to best safeguard the management of such materials including any ongoing risks from the 1986 Chernobyl accident;
    - our academics have advised Government on arctic geopolitics and the implications for polar research;
    - undertaking pioneering research into how the wellbeing of young people who are affected by of terrorism or disasters can best be supported;
    - the University has been awarded £240,000 by the UK Space Agency to research new satellite technologies to enable superfast internet speeds from space; and
    - leading one of the biggest ever citizen science projects in the country through the Big Windermere Survey. This project engaged 100 community volunteers in supporting researchers from the University and the Freshwater Biological Association to assess the water quality in and around England's largest lake.
  - The University has launched the first Cyber Security MBA in the UK recognised by the National Cyber Security Centre. This recognises the critical current and future role cyber security plays in the resilience of the country and will help address the national skills gap in the UK's cyber security sector. The University continues to play a significant leadership role alongside government agencies and industry in developing Lancashire'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 the development of the Eden Project North on the Morecambe seafront which secured £50M of government investment from the Levelling Up Fund in 2023. 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.
- The University's excellent reputation is backed by strong quantitative measures including the following.
- The University's award of a gold rating in the Teaching Excellence Framework (TEF) 2023.
  - Its performance in the 2021 Research Excellence Framework (REF) exercise, in which the University was ranked 21st for overall research performance out of 157 UK institutions, with a grade point average (GPA) rank above that of eight Russell Group universities and a proportion of 'world-leading' (4\*) research greater than that of six Russell Group universities.
  - The Complete University Guide 2024's recognition of the University's contribution to world quality research, ranking it 3rd in the UK for research intensity (the proportion of teaching staff involved in research activity).
  - Being placed 14th and 11th respectively among UK universities ranked in the Times' and Guardian's national league tables and 10th in the Complete University Guide 2024 and being named Educate North's University of the Year 2023.
  - The fact that, in the 2023 National Student Survey (NSS), Lancaster is ranked 5th for its learning resources, 9th for the organisation and management of its courses, and 17th for academic support from the 128 UK universities included in the survey.
  - Achieving a rank of 122nd out of 1,500 universities around the world in the 2023 QS World University Rankings 2024 Global league table (ensuring the University remains the highest-ranked non-Russell Group institution in England) and being awarded five stars in the rankings for teaching, employability, internationalisation, research, facilities, subject ranking and environmental impact.
  - Being ranked 26th in the world and 7th amongst UK institutions in the 2023 QS World University Ranking for Sustainability.
  - Being ranked 155th in the (THE) World University Rankings 2024 placing at 19th among 163 UK universities.
  - Its performance in the Knowledge Exchange Framework 3 published in 2023, which measures how well universities perform in areas from business support to local regeneration. The University is in the top 20% for working with businesses, local growth and regeneration and working with the public and third sector, scoring the maximum of 5 out of 5 in these areas. Lancaster has worked with more than 15,000 businesses from start-ups to multi-national corporations.

# Independent Auditor's Report

## to the Members of the Council 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 2023 and of the Group's and the University's income and expenditure, gains and losses, changes in reserves and of the Group's and the University's cash flows for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

We have audited the financial statements of Lancaster University ("the University") and its subsidiaries ("the Group") for the year ended 31 July 2023 which comprise the Consolidated Statement of Comprehensive Income, Consolidated and University Statement of Financial Position, Consolidated and University Statement of Changes in Reserves, Consolidated Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

#### Basis for opinion

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

#### Independence

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

#### Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and 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 Council is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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") and UK Research and Innovation (including Research England)

In our opinion, in all material respects:

- Funds from whatever source administered by the University for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation.
- Funds provided by the OfS, UK Research and Innovation (including Research England), the Education and Skills Funding Agency and the Department for Education have been applied in accordance with the relevant terms and conditions
- The requirements of the OfS'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 6 to the accounts, has been materially misstated.
- The University's expenditure on access and participation activities for the financial year, as has been disclosed in note 29 to the accounts, has been materially misstated.

## Responsibilities of the Council Members

As explained more fully in the financial control statement, the Council 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 Council 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 Council 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 Council either intends 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:

### Non-compliance with laws and regulations

Based on:

- Our understanding of the Group and the sector in which it operates;
- Discussion with management and those charged with governance and audit committee;
- Obtaining and understanding of the Group's policies and procedures regarding compliance with laws and regulations; and
- Direct representation from the Accountable Officer

We considered the significant laws and regulations to be the Financial Reporting Standard 102, the Statement of Recommended Practice: Accounting for Further Education and Higher Education (FEHE SORP 2019), the OfS' Accounts Direction (OfS 2019.41) and UK tax legislation.

The Group is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be the health and safety legislation, registration with the Office for Students and their ongoing conditions of registration.

Our procedures in respect of the above included:

- Review of minutes of meetings of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of correspondence with regulatory and tax authorities for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation; and
- Review of legal expenditure accounts to understand the nature of expenditure incurred

### Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud.

Our risk assessment procedures included:

- Enquiry with management and those charged with governance, internal audit and audit committee regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Group's policies and procedures relating to:
  - Detecting and responding to the risks of fraud; and
  - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;

Based on our risk assessment, we considered the areas most susceptible to fraud to be posting inappropriate journals to manipulate financial results, management bias in accounting estimates and recognition of research grant income throughout the period.



#### Our procedures in respect of the above included:

- Testing a sample of journal entries throughout the year, which met a defined risk criteria, by agreeing to supporting documentation;
- Testing a sample of income by agreeing to supporting documentation; and
- Assessing significant estimates made by management for bias, including the value of defined benefit pension liabilities, useful economic useful live of property, plant and equipment, recoverability of debtors and income recognition.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

#### Use of our report

This report is made solely to the Council, as a body, in accordance with Section 75 of the Higher Education Research Act 2017 and the charters and statutes of the University. Our audit work has been undertaken so that we might state to the University's Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the University and the Council members 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  
Manchester, 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 2023

### 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.

The budget for 2022/23 was approved in July 2022 with the key financial indicator target for the year within the Council's approved range for adjusted net operating cashflow at 10% of income (£36M). As reported in detail within the Strategic Report, the actual financial performance for 2022/23 improved above expectations at the mid-year, with final adjusted net operating cashflow at 11.4% of income (£43M), giving a rolling average of 14.8% due to exceptional performance in prior years.

In early 2023 the Finance and General Purposes Committee also reviewed its approach to the key financial indicator to ensure that it remained appropriate for long-term sustainability and concluded that it did. Subsequently the Council re-confirmed the University's key financial indicator as Adjusted Net Operating Cashflow as a percentage of income in the range of 9-11% over a rolling three-year average in support of the University strategy to 2026.

Management have performed stress testing of cashflows, liquidity position and borrowing facilities based on the most recent financial forecast to 2027/28 as presented to Finance and General Purposes Committee in October 2023. Whilst the coming period is expected to be more challenging in terms of competition for students and higher inflationary environment, the University's financial position is expected to remain strong and stable demonstrating sufficient headroom in its covenants. Student numbers are planned to remain solid over the forecast period, with targeted growth in some areas. The University will continue to plan to ensure that cashflow targets are met and liquidity remains secure.

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.

### 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.

#### Grant funding

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

## Donations and endowments

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

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

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

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

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

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

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

### Capital grants

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

## 6. Agency arrangements

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

## 7. Accounting for retirement benefits

The two principal pension schemes for the University's staff are the Universities Superannuation Scheme (USS) and the Lancashire County Pension Fund (LCPF). The schemes are

defined benefit schemes which are externally funded and contracted out of the State Second Pension (S2P). Each fund is normally valued every three years by professionally qualified independent actuaries.

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

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

### Defined Contribution Plan

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

### Multi-employer schemes

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

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

### Defined Benefit Schemes

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

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

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



## Statement of Principal Accounting Policies

for the year ended 31 July 2023

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

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

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

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

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

### 8. Employment benefits

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

### 9. Service concession arrangements

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

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

### 10. Operating leases

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

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

### 11. Foreign currency

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

### 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 10-80 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 £25K 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 £25K 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 £0M (2021/22: £0M) at a capitalisation rate of 2.735% (2021/22: 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 £25K 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.

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

## Statement of Principal Accounting Policies

for the year ended 31 July 2023

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

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. Judgement is often required in respect of items where the choice of specific policy, accounting estimate or assumption to be followed could materially affect the reported results or net asset position of the University.

### Key sources of estimation uncertainty

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.

### 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) 31 July 2023 was £474.1M (2021/22 £464.1M) and the annual depreciation charge for the year was £27.4M (2021/22 £26.1M).

### 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 2023, the total provision for doubtful debts was £6.2M (31 July 2022: £5.4M).

### 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.

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 £0M (31 July 2022 £13.3M) based on the latest actuarial valuation is recognised on the Statement of Finance Position.

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 £88.6M (31 July 2022 £102.4M) 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.

### Key sources of judgement uncertainty

The judgements 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

In determining the value and timing of certain income items to be recognised in the financial statements, judgements and assumptions are made. This includes evaluating 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.

### Universities Superannuation Scheme

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

### Asset impairment

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

### Leases

Management make judgement in determining whether a lease should be defined as an operating lease or a finance lease by considering the extent that risks and rewards associated with the ownership of the asset have been transferred to the University.

## Consolidated Statement of Comprehensive Income

for the year ended 31 July 2023

Income	Notes	Year ended 31 July 2023		Year ended 31 July 2022	
		Consolidated £000	University £000	Consolidated £000	University £000
Tuition fees and education contracts	1	199,319	199,319	195,465	195,465
Funding body grants	2	50,464	50,464	41,941	41,941
Research grants and contracts	3	46,392	46,392	48,106	48,106
Other income	4	77,200	76,383	70,786	69,836
Investment income	5	4,446	4,496	556	603
Donations and endowments	6	3,954	3,954	1,032	1,032
<b>Total income</b>		<b>381,775</b>	<b>381,008</b>	<b>357,886</b>	<b>356,983</b>
<b>Expenditure</b>					
Staff costs		188,034	186,824	185,122	184,264
US\$ revaluation	22	(11,237)	(11,237)	64,208	64,208
Total staff costs	7	176,797	175,587	249,330	248,472
Other operating expenses		132,995	133,353	115,691	120,742
Depreciation	9,11	27,416	27,313	26,062	25,959
Impairment of fixed assets	11	140	140	996	996
Total depreciation and impairment		27,556	27,453	27,058	26,955
Interest and other finance costs	8	8,588	8,588	6,827	6,827
<b>Total expenditure</b>	9	<b>345,936</b>	<b>344,981</b>	<b>398,906</b>	<b>402,996</b>
<b>Surplus/(deficit) before other gains and losses and share of operating deficit of joint venture</b>		<b>35,839</b>	<b>36,027</b>	<b>(41,020)</b>	<b>(46,013)</b>
Loss on investments	13	(2)	(2)	(212)	(212)
Share of operating deficit in joint venture	14	(786)	-	(1,220)	-
<b>Surplus/(deficit) before tax</b>		<b>35,051</b>	<b>36,025</b>	<b>(42,452)</b>	<b>(46,225)</b>
Taxation	10	(511)	(511)	(436)	(436)
<b>Surplus/(deficit) for the year</b>		<b>34,540</b>	<b>35,514</b>	<b>(42,888)</b>	<b>(46,661)</b>
Actuarial gain in respect of the Lancashire County Pension Fund	25	17,786	17,786	101,670	101,670
<b>Total comprehensive income for the year</b>		<b>52,326</b>	<b>53,300</b>	<b>58,782</b>	<b>55,009</b>
Represented by:					
Restricted comprehensive income for the year		3,448	3,448	183	183
Unrestricted comprehensive income for the year		48,878	49,852	58,599	54,826
		<b>52,326</b>	<b>53,300</b>	<b>58,782</b>	<b>55,009</b>

All items of income and expenditure relate to continuing operations.

## Consolidated and University Statement of Financial Position

for the year ended 31 July 2023

	Notes	As at 31 July 2023		As at 31 July 2022	
		Consolidated £000	University £000	Consolidated £000	University £000
<b>Non-current assets</b>					
Fixed assets	11	474,144	473,186	464,101	463,040
Heritage assets	12	9,000	9,000	9,000	9,000
Investments	13	6,978	16,359	3,980	13,361
Investment in joint venture	14	-	7,025	261	6,500
		<u>490,122</u>	<u>505,570</u>	<u>477,342</u>	<u>491,901</u>
<b>Current assets</b>					
Stock	15	927	927	839	839
Trade and other receivables	16	42,079	43,970	34,765	36,040
Investments	17	97,750	97,750	64,607	64,607
Cash and cash equivalents	18	52,287	52,240	74,240	74,200
		<u>193,043</u>	<u>194,887</u>	<u>174,451</u>	<u>175,686</u>
Less: Creditors: amounts falling due within one year	19	95,450	105,788	89,300	99,700
<b>Net current assets</b>		<u>97,593</u>	<u>89,099</u>	<u>85,151</u>	<u>75,986</u>
<b>Total assets less current liabilities</b>		<u>587,715</u>	<u>594,669</u>	<u>562,493</u>	<u>567,887</u>
Less: Creditors: amounts falling due after more than one year	20	115,147	115,147	115,928	115,928
<b>Provisions</b>					
Pension provisions	22	89,729	89,729	116,781	116,781
Other provisions	23	3,186	3,186	2,457	2,457
<b>Total net assets</b>		<u><b>379,653</b></u>	<u><b>386,607</b></u>	<u><b>327,327</b></u>	<u><b>332,721</b></u>
<b>Restricted Reserves</b>					
Endowments and donations reserve	24	18,441	18,441	14,993	14,993
<b>Unrestricted Reserves</b>					
Income and expenditure reserve		361,212	368,166	312,334	317,728
<b>Total Reserves</b>		<u><b>379,653</b></u>	<u><b>386,607</b></u>	<u><b>327,327</b></u>	<u><b>332,721</b></u>

The financial statements were approved by the Council on 24 November 2023 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 2023

Consolidated	Income and expenditure reserve		
	Endowments and Donations	Unrestricted Reserves	Total
	£000	£000	£000
<b>Balance at 1 August 2021</b>	<b>14,810</b>	<b>253,735</b>	<b>268,545</b>
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	-
<b>Total comprehensive income for the year</b>	<b>183</b>	<b>58,599</b>	<b>58,782</b>
<b>Balance at 1 August 2022</b>	<b>14,993</b>	<b>312,334</b>	<b>327,327</b>
Surplus from Statement of Comprehensive Income	4,222	30,318	34,540
Actuarial gain in respect of the Lancashire County Pension Fund	-	17,786	17,786
Release of restricted funds spent in the year	(774)	774	-
<b>Total comprehensive income for the year</b>	<b>3,448</b>	<b>48,878</b>	<b>52,326</b>
<b>Balance at 31 July 2023</b>	<b>18,441</b>	<b>361,212</b>	<b>379,653</b>

University	Income and expenditure reserve		
	Endowments and Donations	Unrestricted Reserves	Total
	£000	£000	£000
<b>Balance at 1 August 2021</b>	<b>14,810</b>	<b>262,383</b>	<b>277,193</b>
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	-
<b>Total comprehensive income for the year</b>	<b>183</b>	<b>54,826</b>	<b>55,009</b>
Gift aid from subsidiary companies	-	519	519
<b>Balance at 1 August 2022</b>	<b>14,993</b>	<b>317,728</b>	<b>332,721</b>
Surplus from the Statement of Comprehensive Income	4,222	31,292	35,514
Actuarial gain in respect of the Lancashire County Pension Fund	-	17,786	17,786
Release of restricted funds spent in the year	(774)	774	-
<b>Total comprehensive income for the year</b>	<b>3,448</b>	<b>49,852</b>	<b>53,300</b>
Gift aid from subsidiary companies	-	586	586
<b>Balance at 31 July 2023</b>	<b>18,441</b>	<b>368,166</b>	<b>386,607</b>

## Consolidated Statement of Cash Flows

for the year ended 31 July 2023

	Notes	Year ended 31 July 2023 £000	Year ended 31 July 2022 £000
<b>Cash flow from operating activities</b>			
Surplus / (deficit) for the year		34,540	(42,888)
<b>Adjustment for non-cash items</b>			
Depreciation and Impairment	9	27,556	27,058
Amortisation of finance costs		31	31
Loss on investments	13	2	212
Share of loss in joint venture	14	786	1,220
Increase in stock	15	(88)	(202)
Increase in debtors		(6,461)	(1,660)
Increase in creditors		1,685	4,081
(Decrease) / increase in pension provisions		(9,267)	74,300
Increase in other provisions		730	425
<b>Adjustment for investing or financing activities</b>			
Investment income	5	(4,446)	(556)
Interest payable	8	4,840	4,877
Endowment income	24	(3,954)	(1,032)
Capital grant income included within the surplus		(5,676)	(4,871)
<b>Net cash inflow from operating activities</b>		<b>40,278</b>	<b>60,995</b>
<b>Cash flows from investing activities</b>			
Capital grants receipts		5,676	4,871
Investment income		3,532	409
Payments made to acquire fixed assets		(33,125)	(18,524)
Investments in Joint Venture		(2,500)	-
Loan to joint venture	14	1,975	(1,250)
Acquisition of current investments		(33,144)	(23,356)
New non-current investments	13	(3,000)	(89)
		<b>(60,586)</b>	<b>(37,939)</b>
<b>Cash flows from financing activities</b>			
Interest paid		(4,826)	(4,881)
Endowment cash received		3,954	1,032
Repayment of amounts borrowed		(773)	(734)
		<b>(1,645)</b>	<b>(4,583)</b>
<b>(Decrease) / increase in cash and cash equivalents in the year</b>	18	<b>(21,953)</b>	<b>18,473</b>
Cash and cash equivalents at beginning of the year		74,240	55,767
Cash and cash equivalents at end of the year	18	52,287	74,240

## Notes to the Financial Statements

for the year ended 31 July 2023

### 1. Tuition fees and education contracts

Notes	Year ended 31 July 2023		Year ended 31 July 2022	
	Consolidated £000	University £000	Consolidated £000	University £000
Full-time home and EU students	100,505	100,505	97,957	97,957
Full-time international students	90,000	90,000	88,269	88,269
Part-time students	7,524	7,524	8,059	8,059
Research training support grants	1,290	1,290	1,180	1,180
	<b>199,319</b>	<b>199,319</b>	<b>195,465</b>	<b>195,465</b>

### 2. Funding body grants

	£000	£000	£000	£000
<b>Recurrent grants</b>				
Office for Students and Research England	38,737	38,737	32,273	32,273
Capital grants	2,246	2,246	1,993	1,993
<b>Specific grants</b>				
Higher Education Innovation Fund	5,517	5,517	4,608	4,608
Research England revenue grant	1,139	1,139	2,529	2,529
Turing Grant	647	647	538	538
Office for Students capital grant	846	846	-	-
Research England capital grant	1,332	1,332	-	-
	<b>50,464</b>	<b>50,464</b>	<b>41,941</b>	<b>41,941</b>

### 3. Research grants and contracts

	£000	£000	£000	£000
Research councils and charities	31,959	31,959	34,214	34,214
UK central government, local and health authorities	5,907	5,907	4,399	4,399
Industry and commerce	2,489	2,489	2,636	2,636
European Union	4,604	4,604	5,213	5,213
Other	1,433	1,433	1,644	1,644
	<b>46,392</b>	<b>46,392</b>	<b>48,106</b>	<b>48,106</b>

### 4. Other income

	£000	£000	£000	£000
Colleges and Residences	36,804	36,804	34,026	34,026
Other services rendered	21,821	21,821	18,952	18,952
Other capital grants	205	205	987	987
Other income	18,370	17,553	16,821	15,871
	<b>77,200</b>	<b>76,383</b>	<b>70,786</b>	<b>69,836</b>

### 5. Investment income

	£000	£000	£000	£000
Investment income on endowments	24	274	72	72
Other investment income		4,172	484	531
		<b>4,446</b>	<b>556</b>	<b>603</b>

### 6. Donations and endowments

	Consolidated £000	University £000	Consolidated £000	University £000
New endowments and restricted donations	24	3,954	1,032	1,032



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

	Year ended 31 July 2023		Year ended 31 July 2022	
	Consolidated	University	Consolidated	University
	£000	£000	£000	£000
Grant income from the Office for Students	13,398	13,398	10,310	10,310
Grant income from other bodies	83,458	83,458	79,737	79,737
Fee income for taught awards	185,279	185,279	181,618	181,618
Fee income for research awards	11,039	11,039	10,727	10,727
Fee income from non-qualifying courses	3,001	3,001	3,120	3,120
<b>Total grant and fee income</b>	<b>296,175</b>	<b>296,175</b>	<b>285,512</b>	<b>285,512</b>

## 7. Staff costs

		£000	£000	£000	£000
<b>Staff Costs:</b>					
Salaries		148,686	147,739	138,733	137,875
USS revaluation	25	(11,237)	(11,237)	64,208	64,208
Social security costs		14,003	13,913	13,124	13,124
Employer pension costs		26,886	26,713	24,671	24,671
Movement on USS provision	25	(5,899)	(5,899)	(2,143)	(2,143)
LCPF provision movement	25	3,944	3,944	10,658	10,658
Restructuring costs		414	414	79	79
		<b>176,797</b>	<b>175,587</b>	<b>249,330</b>	<b>248,472</b>

	Consolidated and University	
	Year Ended 31 July 2023	Year Ended 31 July 2022
	£000	£000
<b>Total remuneration of the Vice-Chancellor:</b>		
<b>Professor A.J. Schofield</b>		
Salary	250	235
Pension contributions to USS	54	50
<b>Total</b>	<b>304</b>	<b>285</b>

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

#### Professor A.J. Schofield

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

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

#### Professor A.J. Schofield

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

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 2023

### 7. Staff costs (continued)

Remuneration of other higher paid staff, excluding employer's pension contributions	Consolidated and University	
	Year Ended 31 July 2023	Year Ended 31 July 2022
	Number	Number
£100,000 - £104,999	20	10
£105,000 - £109,999	14	14
£110,000 - £114,999	9	9
£115,000 - £119,999	6	5
£120,000 - £124,999	12	5
£125,000 - £129,999	4	6
£130,000 - £134,999	3	5
£135,000 - £139,999	-	1
£140,000 - £144,999	5	5
£145,000 - £149,999	3	1
£150,000 - £154,999	2	-
£155,000 - £159,999	4	1
£160,000 - £164,999	1	1
£165,000 - £169,999	2	-
£170,000 - £174,999	1	3
£175,000 - £179,999	-	1
£180,000 - £184,999	2	-
£195,000 - £199,999	-	1
£205,000 - £209,999	1	-
£225,000 - £229,999	-	1
£230,000 - £234,999	1	1
£235,000 - £239,999	-	1
£250,000 - £254,999	1	-
	<b>91</b>	<b>71</b>
<b>Average staff numbers by major category: (expressed as full-time equivalents)</b>	<b>Number</b>	<b>Number</b>
Academic and professional	2,014	1,958
Clerical and related	765	741
Technical	112	112
Operational	275	270
Sessional	269	242
	<b>3,435</b>	<b>3,323</b>
<b>Compensation payable for loss of office:</b>	<b>£000</b>	<b>£000</b>
Compensation payable	<b>253</b>	<b>112</b>
	<b>Number</b>	<b>Number</b>
Number of staff	<b>51</b>	<b>52</b>

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)

	Consolidated and University Year Ended 31 July 2023	Year Ended 31 July 2022
<b>Key management personnel</b>	<b>£000</b>	<b>£000</b>
Key management personnel remuneration	<b>2,340</b>	<b>2,318</b>

Key management personnel comprise of all members of the University's Executive Board who have the authority and responsibility for planning, directing and controlling the activities of the University. The number of personnel in the Group during the year was 12 (2022:13).

### 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 Group during the year (2022 - none).

The total expenses paid to or on behalf of 13 lay members of Council was £11k (2022 - £8k to 14 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 2023		Year ended 31 July 2022	
	Consolidated £000	University £000	Consolidated £000	University £000
Interest payable	4,840	4,840	4,877	4,877
Net charge on pension schemes	3,748	3,748	1,950	1,950
	<b>8,588</b>	<b>8,588</b>	<b>6,827</b>	<b>6,827</b>

## 9. Analysis of total expenditure by activity

	£000	£000	£000	£000
Academic departments	179,278	179,278	165,900	165,900
Vice and Pro-Vice-Chancellors' portfolios	19,778	21,045	15,911	16,691
Facilities	48,644	49,011	41,997	42,500
Interest payable	4,840	4,840	4,877	4,877
Depreciation and impairment	27,556	27,453	27,058	26,955
Professional Services	55,602	55,602	48,400	48,400
Library	8,786	8,786	6,706	6,706
Other expenses	7,984	7,984	11,666	16,294
University companies	2,486	-	1,718	-
Additional (credit)/ charge re pension schemes	(9,018)	(9,018)	74,673	74,673
	<b>345,936</b>	<b>344,981</b>	<b>398,906</b>	<b>402,996</b>
Other operating expenses include:				
External auditor's remuneration in respect of audit services	154	134	123	103

## 10. Taxation

	£000	£000	£000	£000
Overseas taxation re international partnerships	511	511	436	436



## Notes to the Financial Statements

for the year ended 31 July 2023

### 11. Fixed assets

Consolidated	Freehold Land and Buildings	Plant and Machinery	Fixtures, Fittings and Equipment	Assets in the Course of Construction	Total
	£000	£000	£000	£000	£000
<b>Cost or valuation</b>					
At 1 August 2022	414,734	113,683	107,835	3,608	639,860
Additions	10,932	397	11,200	15,070	37,599
Transfers	433	-	-	(433)	-
Impairments	-	-	(367)	-	(367)
<b>At 31 July 2023</b>	<b>426,099</b>	<b>114,080</b>	<b>118,668</b>	<b>18,245</b>	<b>677,092</b>
<b>Consisting of valuation as at:</b>					
31 July 2014	248,579	63,118	-	-	311,697
Cost	177,520	50,962	118,668	18,245	365,395
	<b>426,099</b>	<b>114,080</b>	<b>118,668</b>	<b>18,245</b>	<b>677,092</b>
<b>Depreciation</b>					
At 1 August 2022	59,202	34,828	81,729	-	175,759
Charge for year	12,274	5,511	9,631	-	27,416
Impairments	-	-	(227)	-	(227)
<b>At 31 July 2023</b>	<b>71,476</b>	<b>40,339</b>	<b>91,133</b>	<b>-</b>	<b>202,948</b>
<b>Net Book Value at 31 July 2023</b>	<b>354,623</b>	<b>73,741</b>	<b>27,535</b>	<b>18,245</b>	<b>474,144</b>
Net Book Value at 31 July 2022	355,532	78,855	26,106	3,608	464,101

At 31 July 2023, freehold land and buildings included £33.8M (2022 - £32.2M) in respect of freehold land and is not depreciated. The Exchequer interest within fixed assets and within Investment in joint venture (Note 14) is £14.6M (2022 - £17.0M) and should assets funded from Treasury sources be sold, the University would either have to surrender the proceeds to the Treasury or use them in accordance with the terms and conditions of funding for higher education institutions.

## 11. Fixed assets (continued)

University	Freehold Land and Buildings	Plant and Machinery	Fixtures, Fittings and Equipment	Assets in the Course of Construction	Total
	£000	£000	£000	£000	£000
<b>Cost or valuation</b>					
At 1 August 2022	414,732	111,649	107,749	3,608	637,738
Additions	10,932	397	11,200	15,070	37,599
Transfers	433	-	-	(433)	-
Impairments	-	-	(367)	-	(367)
<b>At 31 July 2023</b>	<b>426,097</b>	<b>112,046</b>	<b>118,582</b>	<b>18,245</b>	<b>674,970</b>
<b>Consisting of valuation as at:</b>					
31 July 2014	248,579	63,118	-	-	311,697
Cost	177,518	48,928	118,582	18,245	363,273
	<b>426,097</b>	<b>112,046</b>	<b>118,582</b>	<b>18,245</b>	<b>674,970</b>
<b>Depreciation</b>					
At 1 August 2022	59,202	33,853	81,643	-	174,698
Charge for year	12,274	5,408	9,631	-	27,313
Impairment	-	-	(227)	-	(227)
<b>At 31 July 2023</b>	<b>71,476</b>	<b>39,261</b>	<b>91,047</b>	<b>-</b>	<b>201,784</b>
<b>Net Book Value at 31 July 2023</b>	<b>354,621</b>	<b>72,785</b>	<b>27,535</b>	<b>18,245</b>	<b>473,186</b>
Net Book Value at 31 July 2022	355,530	77,796	26,106	3,608	463,040

## 12. Heritage assets

Consolidated and University	2023 £000	2022 £000	2021 £000	2020 £000	2019 £000
Heritage assets held at deemed cost	9,000	9,000	9,000	9,000	9,000

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 2023

### 13. Non-current investments

	Subsidiary companies	Other fixed assets investments	Total
	£000	£000	£000
<b>Consolidated</b>			
<b>At 1 August 2022</b>		3,980	3,980
Additions		3,000	3,000
Revaluation		(2)	(2)
<b>At 31 July 2023</b>		<b>6,978</b>	<b>6,978</b>
<b>University</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>At 1 August 2022</b>	9,381	3,980	13,361
Additions	-	3,000	3,000
Revaluation	-	(2)	(2)
<b>At 31 July 2023</b>	<b>9,381</b>	<b>6,978</b>	<b>16,359</b>

	Consolidated and University
	£000
Other non-current investments consist of:	
Endowment assets managed by Cazenove Capital Management at market value	5,045
Equity investment in CVCP Properties at cost	38
Equity investments managed by Brooks Macdonald at market value	1,806
LINA Energy at cost	89
	<b>6,978</b>

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

### 14. Investment in joint venture

	Consolidated	University
	£000	£000
Share Capital	4,000	4,000
Loan to joint venture	2,500	2,500
Share of losses	(6,239)	-
<b>At 1 August 2022</b>	<b>261</b>	<b>6,500</b>
Conversion of working capital to share capital		
Share Capital	2,500	2,500
Loan to joint venture	(2,500)	(2,500)
Loan to joint venture	525	525
Share of loss in joint venture	(786)	-
<b>At 31 July 2023</b>	<b>-</b>	<b>7,025</b>

The University advanced loans of £0.5M 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.

During the year the loan due to the University of £2.5M was released and capitalised in the form of shares.



**15. Stock**

	Year Ended 31 July 2023		Year Ended 31 July 2022	
	Consolidated £000	University £000	Consolidated £000	University £000
General consumables	927	927	839	839

**16. Trade and other receivables**

	Year ended 31 July 2023		Year ended 31 July 2022	
	Consolidated £000	University £000	Consolidated £000	University £000
<b>Amounts falling due within one year</b>				
Research grants receivables	9,593	9,593	8,896	8,896
Other trade receivables	17,374	17,165	14,095	13,822
Prepayments and accrued income	15,112	12,985	11,774	10,396
Amounts due from subsidiary companies	-	4,227	-	2,926
	<b>42,079</b>	<b>43,970</b>	<b>34,765</b>	<b>36,040</b>

**17. Current investments**

	£000	£000	£000	£000
Short term deposits	97,750	97,750	64,607	64,607

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 2023 the weighted average interest rate of these fixed rate deposits was 4.49% per annum and the remaining weighted average period for which the interest rate is fixed on these deposits was 107 days. The fair value of these deposits was not materially different from the book value.

**18. Cash and cash equivalents**

	At 1 August 2022 £000	Cash Flows £000	At 31 July 2023 £000
<b>Consolidated</b>			
Cash and cash equivalents	74,240	(21,953)	52,287
<b>University</b>			
Cash and cash equivalents	74,200	(21,960)	52,240

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 2023		Year ended 31 July 2022	
	Consolidated £000	University £000	Consolidated £000	University £000
<b>Amounts falling due within one year</b>				
Unsecured loans	812	812	773	773
Trade payables	16,450	16,381	10,434	10,414
Payments received on account	679	679	899	899
Social security and other taxation payable	7,611	7,611	7,198	7,159
Accruals and deferred income	69,898	69,571	69,996	69,548
Amounts owed to subsidiary companies	-	10,734	-	10,907
	<b>95,450</b>	<b>105,788</b>	<b>89,300</b>	<b>99,700</b>

## Notes to the Financial Statements

for the year ended 31 July 2023

### 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 2023		Year ended 31 July 2022	
	Consolidated £000	University £000	Consolidated £000	University £000
Research grants received on account	33,983	33,983	38,787	38,787
Project income received on account	15,861	15,861	10,910	10,910
	<b>49,844</b>	<b>49,844</b>	<b>49,697</b>	<b>49,697</b>

### 20. Creditors

#### Amounts falling due after more than one year

	£000	£000	£000	£000
Unsecured loans	115,147	115,147	115,928	115,928
	<b>115,147</b>	<b>115,147</b>	<b>115,928</b>	<b>115,928</b>
Analysis of unsecured loans:				
<b>Due within one year (Note 19)</b>	<b>812</b>	<b>812</b>	<b>773</b>	<b>773</b>
Due between one and two years	856	856	812	812
Due between two and five years	2,851	2,851	2,707	2,707
Due in five years or more	111,440	111,440	112,409	112,409
<b>Due after more than one year</b>	<b>115,147</b>	<b>115,147</b>	<b>115,928</b>	<b>115,928</b>
<b>Total unsecured loans</b>	<b>115,959</b>	<b>115,959</b>	<b>116,701</b>	<b>116,701</b>

Included in loans are the following:

Lender	Amount £000	Term Years	Interest rate %
<b>Banks:</b>			
National Westminster Bank Plc	44,676	16	5.99
Scottish Widows	6,945	7	5.23
<b>Private Placement:</b>			
Massachusetts Mutual Life	26,100	25	2.70
Great West	6,400	25	2.70
Legal & General	32,500	35	2.77
<b>Other:</b>			
Borrowing costs	(662)		
	<b>115,959</b>		

Borrowing costs of £662k (2022: £693k) have been offset against the outstanding borrowings and are being amortised over the lives of the facilities.

**21. Consolidated reconciliation of net cash**

	At 1 August 2022 £000	Cash Flows £000	Non-cash changes £000	At 31 July 2023 £000
Cash and cash equivalents	74,240	(21,953)	-	52,287
Short-term investments	64,607	33,143	-	97,750
Debt due within one year	(773)	(39)	-	(812)
Debt due greater than one year	(115,928)	812	(31)	(115,147)
	<b>22,146</b>	<b>11,963</b>	<b>(31)</b>	<b>34,078</b>

**22. Pension provisions**

Consolidated and University	Obligations to fund deficit on USS pension £000	Pension enhancements on termination £000	Defined benefit obligations (LCPF) £000	Total pensions provisions £000
At 1 August 2022	102,380	1,132	13,269	116,781
Utilised	(2,510)	(55)	-	(2,565)
Charged to the Statement of Comprehensive Income	(11,237)	19	(64,724)	(75,942)
	<b>88,633</b>	<b>1,096</b>	<b>(51,455)</b>	<b>38,274</b>
Effect of asset ceiling *	-	-	51,455	51,455
<b>At 31 July 2023</b>	<b>88,633</b>	<b>1,096</b>	<b>-</b>	<b>89,729</b>

\* The rules of the LCPF scheme do not permit a refund of the surplus to the University. In the event of the scheme being wound up, any surplus must be used to either augment benefits to members or to make a charitable donation.

The payment profiles of the pension provisions are as follows:

Less than 1 year	6,119	304	-	6,423
Between 1 and 2 years	6,171	89	-	6,260
Between 2 and 5 years	18,351	273	-	18,624
Over 5 years	57,992	430	-	58,422
	<b>88,633</b>	<b>1,096</b>	<b>-</b>	<b>89,729</b>

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).

## Notes to the Financial Statements

for the year ended 31 July 2023

### 23. Other provisions

<b>Consolidated and University</b>	<b>Total provision £000</b>
At 1 August 2022	2,457
Utilised	(618)
Charged to the Statement of Comprehensive Income	1,347
<b>At 31 July 2023</b>	<b>3,186</b>

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.

### 24. Endowments and donations reserve

<b>Consolidated and University</b>	<b>Restricted permanent endowments £000</b>	<b>Restricted donations £000</b>	<b>2023 Total £000</b>	<b>2022 Total £000</b>
<b>Balances at 1 August 2022</b>				
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>
<b>New endowments and donations</b>				
Investment income	3,258	696	3,954	1,032
Expenditure	90	184	274	72
	(32)	(742)	(774)	(828)
	58	(558)	(500)	(756)
Decrease in market value of investments	(6)	-	(6)	(93)
<b>At 31 July 2023</b>	<b><u>5,812</u></b>	<b><u>12,629</u></b>	<b><u>18,441</u></b>	<b><u>14,993</u></b>
<b>Represented by:</b>				
Capital	4,941	-	4,941	1,947
Accumulated income	871	12,629	13,500	13,046
	<u>5,812</u>	<u>12,629</u>	<u>18,441</u>	<u>14,993</u>
<b>Analysis by type of purpose:</b>				
Lectureships	1,535	55	1,590	1,608
Scholarships and bursaries	7	636	643	759
Research support	3,308	1,613	4,921	1,517
Prize funds	517	149	666	674
Student support	159	83	242	245
General	286	2,093	2,379	2,190
Heritage asset	-	8,000	8,000	8,000
	<u>5,812</u>	<u>12,629</u>	<u>18,441</u>	<u>14,993</u>
<b>Analysis by asset</b>				
Non-current asset investments			5,045	1,854
Current investments			5,396	5,139
Heritage asset			8,000	8,000
			<u>18,441</u>	<u>14,993</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, pension costs for the group were £13.7M, analysed as follows:

	Year ended 31 July 2023			Year ended 31 July 2022		
	Employer contributions £000	Provision movement £000	Total £000	Employer contributions £000	Provision movement £000	Total £000
USS	20,551	(17,136)	3,415	19,130	62,065	81,195
LCPF	6,022	3,944	9,966	5,301	10,658	15,959
Legal and General	6	-	6	5	-	5
NHS	307	-	307	235	-	235
<b>Total pension costs (Note 7)</b>	<b>26,886</b>	<b>(13,192)</b>	<b>13,694</b>	<b>24,671</b>	<b>72,723</b>	<b>97,394</b>

### 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 £3.4M (2022: £81.2M).

Deficit recovery contributions due within one year for the institution are £6.4M (2022: £6.0M).

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 2023

### 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](http://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:

	<b>2020 valuation</b>
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% pa for males and 1.6% pa for females

The current life expectancies on retirement at age 65 are:

	2023	2022
Males currently aged 65	24.0	23.9
Females currently aged 65	25.6	25.5
Males currently aged 45	26.0	25.9
Females currently aged 45	27.4	27.3

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 2023 deficit recovery liability reflects this plan. The liability figures have been produced using the following assumptions:

	2023	2022
Discount rate	5.51%	3.31%
Pensionable salary growth	5.30%	4.93%

## 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 2023	Approximate adverse impact on deficit £000
0.5% p.a. decrease in discount rate	3,368
0.5% p.a. increase in salary inflation over duration	3,402
0.5% increase in salary inflation year 1 only	416
0.5% increase in staff changes over duration	3,300
0.5% increase in staff changes year 1 only	423
1% increase in deficit contributions from October 2022	13,920

### Lancashire County Pension Fund

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

During the accounting period, the University paid contributions to the pension scheme at the rate of 15.2% to 31 March 2023, and 16.7% from thereon (2022: 15.2%) with no additional contributions towards the deficit recovery plan (2022: £nil).

#### Assumptions

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

	At 31 July 2023 % p.a.	At 31 July 2022 % p.a.
Price Inflation (CPI)	2.7	2.7
Rate of increases in salaries	4.2	4.2
Rate of increase of pensions in payment for LCPF members	2.8	2.8
Discount rate	5.1	3.5

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.

## Notes to the Financial Statements

for the year ended 31 July 2023

### 25. University pension schemes (continued)

#### Lancashire County Pension Fund (continued)

Post retirement mortality assumptions (normal health)	Beginning of year	End of year
Non-retired members		
Mortality table	SAPS 3 / SAPS 3 middle	SAPS 3 / SAPS 3 middle
Improvements	CMI 21 1.75% / CMI 21 1.75%	CMI 22 1.5% / CMI 22 1.5%
Weightings	110% / 94%	113% / 101%
Additional parameters	S=7.5, A=0 W20=W21=0	S=7, A=0 W20=W21=0, W22=25%
Non-retired members		
Mortality table	SAPS 3 / SAPS 3 middle	SAPS 3 / SAPS 3 middle
Improvements	CMI 21 1.75% / CMI 21 1.75%	CMI 22 1.5% / CMI 22 1.5%
Weightings	103% / 91%	108% / 101%
Additional parameters	S=7.5, A=0 W20=W21=0	S=7, A=0 W20=W21=0, W22=25%

The current life expectancies (years) are:	Beginning of year		End of year	
	Male	Female	Male	Female
Pensioner	22.3	25.0	21.0	23.4
Non Pensioner (currently aged 45)	23.7	26.8	22.2	25.2

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 2023	31 July 2022	31 July 2021
	£000	£000	£000
Equities	5,370,948	4,989,512	5,062,120
Government bonds	44,388	-	-
Other bonds	-	465,124	531,272
Property	1,054,215	1,152,239	1,002,400
Cash	66,582	169,136	210,504
Other *	4,560,867	3,794,989	3,217,704
	<b>11,097,000</b>	<b>10,571,000</b>	<b>10,024,000</b>

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



## 25. University pension schemes (continued)

### Lancashire County Pension Fund (continued)

	Consolidated and University	
	Year Ended 31 July 2023	Year Ended 31 July 2022
	£000	£000
<b>Analysis of the amount shown in the statement of financial position for the Lancashire County Pension Fund</b>		
Scheme assets	234,492	223,236
Scheme liabilities	(183,037)	(236,505)
<b>Surplus / (deficit)</b>	<b>51,455</b>	<b>(13,269)</b>
Effect of asset ceiling *	(51,455)	-
<b>Surplus / (deficit) in the scheme, recorded within pension provisions (Note 22)</b>	<b>-</b>	<b>(13,269)</b>

\* The rules of the LCPF scheme do not permit a refund of the surplus to the University. In the event of the scheme being wound up, any surplus must be used to either augment benefits to members or to make a charitable donation.

	£000	£000
<b>Analysis of the operating charge</b>		
Current service cost	(9,946)	(15,869)
Administration expenses	(230)	(209)
<b>Total operating charge</b>	<b>(10,176)</b>	<b>(16,078)</b>

	£000	£000
<b>Analysis of the amount charged to interest payable</b>		
Expected return on assets	7,881	3,249
Interest on pension liabilities	(8,240)	(4,849)
<b>Net charge to other finance costs</b>	<b>(359)</b>	<b>(1,600)</b>

	£000	£000
<b>Analysis of other comprehensive income</b>		
(Loss) / gain on assets	(35)	15,536
Experience gain on liabilities	69,276	86,134
<b>Total other comprehensive income</b>	<b>69,241</b>	<b>101,670</b>
Effect of asset ceiling *	(51,455)	-
<b>Surplus recorded within the Consolidated Statement of Comprehensive Income</b>	<b>17,786</b>	<b>101,670</b>

\* The rules of the LCPF scheme do not permit a refund of the surplus to the University. In the event of the scheme being wound up, any surplus must be used to either augment benefits to members or to make a charitable donation.

## Notes to the Financial Statements

for the year ended 31 July 2023

### 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 balance. The sensitivity of the principal assumptions used to measure the provision are set out below:

<b>Change in assumptions at 31 July 2023</b>	<b>Approximate favourable / (adverse) impact on deficit £000</b>
0.5% p.a. increase in discount rate	16,557
0.25% p.a. increase in inflation	(8,872)
0.25% increase in pay growth	(1,621)
1 year increase in life expectancy	(4,097)
1% increase in 2022/23 investment returns	2,405
1% decrease in 2022/23 investment returns	(2,405)

<b>History of experience gains and losses</b>	<b>31 July 2023</b>	<b>31 July 2022</b>	<b>31 July 2021</b>	<b>31 July 2020</b>	<b>31 July 2019</b>
<b>Difference between actual and expected return on scheme assets:</b>					
Amount (£M)	(35)	15,536	22,149	(8,077)	17,655
% of assets at end of year	(0.0)	7.0	11.0	(4.6)	10.0
<b>Experience gains/ (losses) on scheme liabilities:</b>					
Amount (£M)	69,276	86,134	(13,423)	(32,204)	(31,988)
% of liabilities at end of year	37.8	36.4	(4.4)	(11.7)	(14.1)

## 25. University pension schemes (continued)

### Lancashire County Pension Fund (continued)

	Consolidated and University	
	Year Ended 31 July 2023	Year Ended 31 July 2022
	£000	£000
<b>Analysis of movement in the deficit for the Lancashire County Pension Fund</b>		
<b>Deficit at beginning of year</b>	<b>(13,269)</b>	<b>(102,558)</b>
Contributions or benefits paid by the University	6,022	5,301
Current service cost	(9,946)	(15,869)
Curtailments	(4)	(4)
Administration expenses	(230)	(209)
Other finance charge	(359)	(1,600)
Gain	69,241	101,670
<b>Surplus / (deficit) at end of year</b>	<b>51,455</b>	<b>(13,269)</b>
Effect of asset ceiling *	(51,455)	-
<b>Present value of defined benefit asset to be recognised</b>	<b>-</b>	<b>(13,269)</b>

\* The rules of the LCPF scheme do not permit a refund of the surplus to the University. In the event of the scheme being wound up, any surplus must be used to either augment benefits to members or to make a charitable donation.

	£000	£000
<b>Analysis of movement in the present value of scheme liabilities</b>		
<b>Present value at start of year</b>	<b>(236,505)</b>	<b>(303,856)</b>
Current service cost (net of member contributions)	(9,946)	(15,869)
Interest on scheme liabilities	(8,240)	(4,849)
Curtailments	(4)	(4)
Actual member contributions (including notional contributions)	(2,374)	(2,157)
Actuarial gain	69,276	86,134
Actual benefit payments	4,756	4,096
<b>Present value of the Lancashire County Pension Fund liabilities at end of year</b>	<b>(183,037)</b>	<b>(236,505)</b>

	£000	£000
<b>Analysis of movement in the fair value of scheme assets</b>		
<b>Fair value of assets at start of year</b>	<b>223,236</b>	<b>201,298</b>
Expected return on assets	7,881	3,249
Actuarial (loss) / gain on assets	(35)	15,536
Actual contributions paid by the University	6,022	5,301
Actual member contributions	2,374	2,157
Administration expenses	(230)	(209)
Actual benefit payments	(4,756)	(4,096)
<b>Fair value of scheme assets at end of year</b>	<b>234,492</b>	<b>223,236</b>

## Notes to the Financial Statements

for the year ended 31 July 2023

### 26. Capital and other commitments

	Consolidated and University	
	At 31 July 2023 £000	At 31 July 2022 £000
Provision has not been made for the following capital commitments at 31 July:		
Commitments contracted at 31 July	8,261	12,920

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 2023		Year ended 31 July 2022	
	Consolidated £000	University £000	Consolidated £000	University £000
Lease payments under operating leases recognised as an expense in the year	942	942	785	785
Outstanding commitments for future lease payments, falling due:				
Less than 1 year	868	868	876	876
Between 1 and 5 years	3,474	3,474	3,165	3,165
Over 5 years	24,361	24,361	23,046	23,046
	<b>28,703</b>	<b>28,703</b>	<b>27,087</b>	<b>27,087</b>

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

### The University as lessor

	Year ended 31 July 2023		Year ended 31 July 2022	
	Consolidated £000	University £000	Consolidated £000	University £000
Rental income recognised in the year	1,792	1,792	1,534	1,534
Contracted with tenants for future lease payments falling due:				
Less than 1 year	996	996	997	997
Between 1 and 5 years	2,129	2,129	2,289	2,289
Over 5 years	16,593	16,593	17,078	17,078
	<b>19,718</b>	<b>19,718</b>	<b>20,364</b>	<b>20,364</b>

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 2023

### 29. Access and Participation

	31 July 2023 £000	31 July 2022 £000
Access	1,144	1,392
Financial support provided to students	5,169	4,504
Access and Financial support	6,313	5,896
Support for disabled students	1,110	892
Research and evaluation expenditure	108	131
	<b>7,531</b>	<b>6,919</b>

The total of the committee approved expenditure on Access and Financial Support for the year ended 31 July 2023 was £6.3M (2022:£5.9M). Spend was higher than the approved plan of £5M due to the additional Financial Support for students with lower household income.

Details of the approved plan can be found at [www.lancaster.ac.uk/widening-participation/our-strategy-and-approach/access-and-participation-plans/](http://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 £1.6M (2022: £1.4M), 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 consolidated in the financial statements. All companies have a financial year-end of 31 July.

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

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

### 31. Related party transactions

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

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

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

Transactions taking place with related parties during the year were as follows:	Payable 2022/23	Receivable 2022/23	Balances due from/(to) the related party at 31 July 2023
	£000	£000	£000
Association of Heads of University Administration (AHUA)	7	-	-
Blackpool and the Fylde College	-	1,031	(77)
Department of Environment, Food and Rural Affairs (Defra)	-	46	(1)
IfGive Ltd.	1	1	(1)
JISC	2,128	97	(372)
Lancaster Girls' Grammar School	-	1	1
Lancaster University Students' Union	1,644	41	12
Lancaster University Students' Union Housing Limited	-	11	5
Lancaster University Students' Union Services Company Limited	1	146	52
N8 Ltd.	73	-	-
The New Phytologist	-	926	72
Tullie House Museum and Art Gallery	4	-	4
Science and Technology Facilities Council	-	22	-
Universities and Colleges Admissions Services (UCAS)	-	258	(1)
University Academy 92 Ltd.	-	65	(575)

## Notes to the Financial Statements

for the year ended 31 July 2023

### 31. Related party transactions (continued)

Comparative related party transactions for 2021/22 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

### 31. Related party transactions (continued)

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

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

Professor Andy Schofield (Vice-Chancellor) is a Director of University Academy 92 Ltd and of 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 is a Chief Executive of Lancaster University Students' Union. She is a director of Lancaster University Students' Union Services Company Limited and of Lancaster University Students' Union Housing Limited.

Professor Peter 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.

Mr Josh Newsham (Trustee and VP of Welfare of Lancaster University Students' Union) is a Director of Lancaster University Students' Union.

Professor Louise Heathwaite (Pro-Vice-Chancellor) is the Chair of the Science Advisory Council for the Department of Environment, Food and Rural Affairs (Defra).

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

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

### 32. Post balance sheet event

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





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