# Annual Accounts 2021/2022

# Contents

# Chair's Introduction 2021-22

One morning in the middle of November it began to be clear that life was about to return to some recognisable normality. The occasion was the first 'live' graduation ceremony we had been able to hold for almost two years. And, if throughout the bleak months of the pandemic one had ever doubted the impact and value of what a university like ours offers, those doubts were scattered as 385 De Montfort University Leicester (DMU) graduands walked proudly across the stage to receive their degrees from the Vice-Chancellor, while their families and supporters in the audience raised the roof with cheers and applause.

There was a real sense of a turning point, a feeling that, as we emerged from the shadows of Covid-19, we had come to the moment when the university could focus hard on the future and the delivery and implementation of a new strategy upon which the leadership team and the board had been working.

From the beginning of 2022, the board had been looking at the different elements of the strategy and how they knitted together to give real substance to 'The Empowering University.' Underpinning all of it is the need to maintain financial sustainability and – most importantly – the obligation on everyone who works at the university to deliver an outstanding experience for our students, be it in the lab, the library, the lecture theatre, the seminar room, the gym or the hall of residence. Being certain we are doing everything we can for our students is central to our purpose. It was to that end that DMU has introduced the Education 2030 initiative, a new approach to undergraduate teaching which enables students to concentrate on one module at a time. The initiative has been welcomed by the many students attending our Open Days and has been introduced for the 2022/2023 academic year.

**There are strong indications that the work that has been going on is already having an impact. At the WhatUni Student Choice Awards – nominated and judged entirely by students themselves – DMU was ranked 14th in the 'University of the Year' category. Nationally, DMU was ranked 4th best for postgraduate students, 5th for international students and 9th for its facilities.**

**The university's own student tracker survey shows a marked improvement in students' views about DMU when compared with last year's National Student Survey results.**

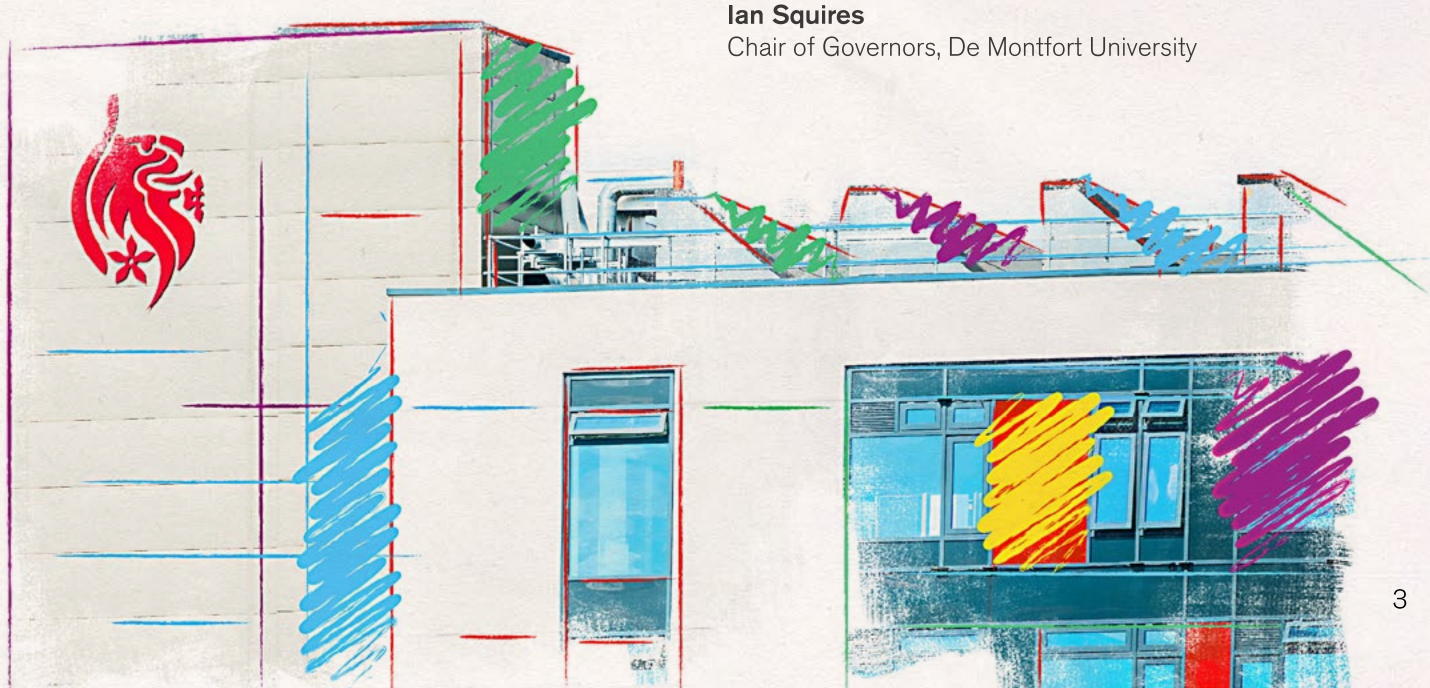
**Output too is being recognised. For the second year in a row, the Higher Education Statistics Agency (HESA) has ranked DMU in the top 10 British universities with the most student and graduate start-ups. This has been further recognised with DMU recently being shortlisted as 'Outstanding Entrepreneurial University of the Year' by the Times Higher Education (THE) Awards.**

**As an expression of our absolute commitment, the team at DMU has joined with 21 other universities to create a Student Futures Manifesto, working continuously to improve the all-round student experience.**

**There has been wider recognition too. The Institute for Fiscal Studies placed us 31st in a list of 111 higher education institutions for social mobility and People and Planet's University League table ranked us 4th for our environmental and ethical performance.**

While there is a firm sense that we have left behind the pandemic, its reach is long and will stay with us for some time. As we have previously described, the effect on student recruitment for DMU and other universities like ours was profound. 2021's teacher assessed A-Level grades resulted in far fewer students entering the clearing process, which meant a smaller home undergraduate intake than normal. Recruitment for the 2022-2023 academic year already looks stronger, with particularly keen interest from potential undergraduates and postgraduates from overseas, especially from South Asia and China. Our Open Days – at which prospective students get a sense of what we can offer them – are well-attended and highly appreciated, which firmly suggests that DMU remains a very attractive proposition as a place at which to study. However, the reality is that our student numbers have been declining steadily over the past three years and while we may take encouragement from recent recruitment data when compared with last year, the impact of those longer-term declines will remain with us for some years to come.

Lower student intakes have meant lower earnings from fees and from student accommodation. That, combined with rising prices across the board and the significant increases in the costs of sustaining our various pensions schemes, means we have to set about rebalancing the finances of the university to remain financially sustainable, a key element of our strategy and a regulatory requirement. The university leadership began an exercise in cost reduction early in 2022, which included a voluntary severance programme. However, further reductions in staff numbers were needed – particularly against a background of persistent falls in student numbers – and a consultation started in the spring. While accounts for the year continue to show a deficit, we are confident that the position will be corrected and the financial recovery plan will be delivered.



Of course, financial rebalancing is not only about reducing costs, it is also about growth. Key to delivering the financial sustainability we seek for DMU, the university will increase our commercial activity and central to that is our transnational educational work. This year we have opened DMU campuses in Dubai and Kazakhstan – both of which involve working with partners. The numbers of students recruited to those campuses have been kept deliberately low in the beginning but will quickly build and it is intended that these activities and others will, in time, add significantly to our revenues.

In a similar vein, the Board of Governors has recently approved a plan to open a DMU campus in London, once again in partnership with a provider experienced in recruiting from overseas. The proposal is that DMU London will deliver a limited range of undergraduate and postgraduate taught programmes with a strong focus on the United Nations' (UN) Sustainable Development Goals (SDGs), employability, work placements and live projects, which will help to differentiate them from those of other London providers. DMU is the only university in the UK acting as a hub for the UN's SDGs. A London campus will raise the profile of DMU globally, enabling us to expand international student recruitment and appeal to the increasing numbers of 18-year-olds in the capital.

The year has had its challenges – as do most years – but it has also had its rewards and those rewards are to be found on the faces of those students crossing the stage to receive their degrees at one of our graduation ceremonies. Those are the faces beaming with pride at what has been achieved and, we hope, some recognition of the part that DMU and its staff have played in their success. Graduation ceremonies are always special, but this year's summer celebrations had more than the usual level of excitement as we saw the installation of DMU's new Chancellor, the internationally renowned dancer and choreographer, Akram Khan, MBE. Akram is an alumnus of the university, and we are delighted that he has chosen to return to us in this most eminent of roles.

**Ian Squires**
Chair of Governors, De Montfort University

# Foreword from the Vice-Chancellor

As the Chair of the Board remarks, this has been an unprecedented time. Since I started in January 2021, the challenges that have faced the world, and more particularly universities and De Montfort University Leicester (DMU), might a decade ago have been unimaginable. Like the rest of higher education, our staff and students have responded to these magnificently.

As we come out of the pandemic, or at the very least learn how to live with it, our focus is on the new university strategy. This was approved in July 2021 by the Board of Governors. The new strategy was developed through building it from the grassroots up, asking our students, staff and key partners what it was DMU should be doing as a university. Thus, the 'Empowering University' strategy came into being. A powerful vision which sets out a mission for us to empower students, staff and key partners to create a fairer society. We can't do that alone, of course, but we can make sure that everyone's potential is realised through the education, research and partnerships that we deliver.

Our new strategy has four key pillars: Learning for Life, Knowledge Creation, Empowering People and Partnerships with Purpose, which are the underpinnings of our university, education, research, people and our community. The pillars are supported by four cross-cutting strands: first, equality. This is central to us as a global university which supports large communities of ethnic minority students and staff. Second, sustainability, reflecting our status as the only UK university to be a United Nations Academic Impact hub for a Sustainable Development Goal. Third, digital transformation, which we recognise will need to be a key development over the coming years to support the way we educate and the way we work as a university. Lastly, a key concern is that of financial strength. This, of course, pertains to the story behind these accounts.

The last few years have, alongside the pandemic, brought reduced student numbers. While this is being addressed through our new Education 2030 approach to the curriculum, a wider problem continues to be the flat fee that we receive for UK students, a pressure which all UK universities will face over the coming years, and one which means we must be increasingly agile as we face the future.

The first part of our Learning for Life strategy pillar to create a flexible education has been delivered this year through Education 2030. A programme which has seen us overhaul the curriculum, move to block delivery and re-validate our programmes to include a focus on employability, sustainability and equality.

With a new strategy that we are beginning to deliver, a campus full of students, and a new senior leadership team, DMU is ready to fully become 'The Empowering University'.

**Katie Normington**
Vice-Chancellor, De Montfort University

# The Empowering University

## A strategy to empower students, staff and our partners to create a fairer society

After conducting a number of listening sessions to hear from DMU's staff and students, Vice-Chancellor Professor Katie Normington began the process of creating a new strategy. Looking to answer questions such as 'What should be our ambitions for the next three to five years?' and 'What should we be known for?', a consultation was launched to ensure the strategy was collaborative and listened to the ideas of staff, students, external stakeholders and partners. Through a series of workshops, a dedicated website, an online feedback portal and a series of videos with DMU staff, our strategy to become 'The Empowering University' was formed.

'The Empowering University' strategy was formally launched during the Vice-Chancellor's inaugural lecture on 22 September 2021.

**Strategy consultation**

**1,200** interactions with dedicated web area

More than **300 people** attended in-person and online

**The Empowering University launch**

**Broadcast across all of DMU's social media channels**

> "We will respond to local, national and global business needs to provide flexible ways to upskill our students. Our research will focus on creating and applying knowledge for the purpose of social benefit. We won't be afraid of doing things differently. As an empowering university, our staff, students and partners will actively be part of a diverse community that will strive for equality."
>
> Professor Katie Normington, Vice-Chancellor

**Key Objectives**

- We demonstrate research excellence
- We are financially stable
- We seek to eliminate awarding and pay gaps
- We will be in the top quartile for student experience, teaching and graduate outcomes

# The Strategy on a Page

## Our Vision

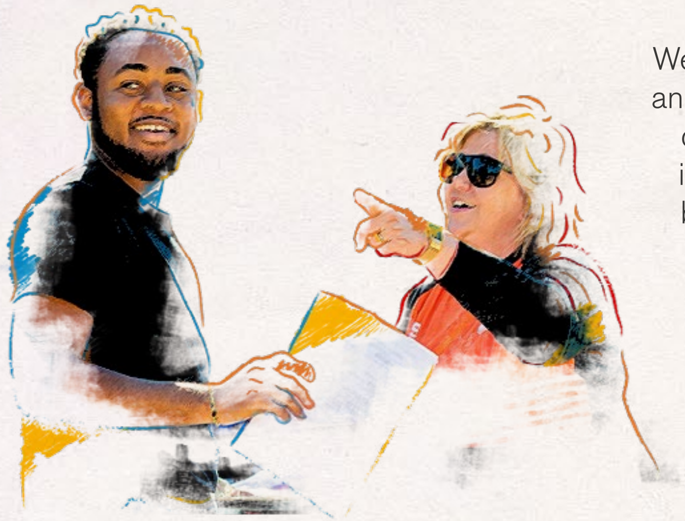
Creating a community of participation, fairness and collective responsibility; transforming individual lives and championing a fair and sustainable society.

## Our Mission

Discovering gateways of opportunity that empower students, staff and our community to create a fairer society.

## Our Values

We support each other, we value difference and are honest and compassionate towards others. Together we will be courageous in exploring possibilities, breaking down barriers and re-imagining new horizons.



## Our Strategy

| LEARNING FOR LIFE | KNOWLEDGE CREATION | EMPOWERING PEOPLE | PARTNERSHIPS WITH PURPOSE |
|---|---|---|---|
| **Flexible learning** for students of any age, fostering a love of learning and knowledge, delivered through our innovative Education 2030 programme. | **Fostering interdisciplinary research** that has impact: building on individual skills and knowledge for collective impact. | **Delivering an engaged experience** for all students; building their confidence and fostering belonging and fulfilment so students can learn well and live well. | **Leicester local:** creating strategic partnerships to enrich the business and cultural community, and support social and economic needs. |
| **Learning beyond the classroom** provided through practical experiences in local, national and global arenas. | **Integrated approach to knowledge exchange:** sharing and learning with external organisations, industry and the community. | **Championing diversity** of our students and staff, a nurturing community which is inclusive and dynamic, drawing on our diversity to challenge the status quo and to drive change. | **Creative by design:** develop national and global partnerships that create resilient, self-motivated and inquisitive graduates, transform relationships and impact local, national and global communities. |
| **Creative approaches to learning delivery** that ground students in digital literacy, and are focused on employability, building entrepreneurial and life skills. | **Nurturing the next generation** of diverse researchers through developmental programmes. | **Campus collectives** around themes which bring together research, teaching, staff interest and external engagements. | **Valuing social responsibility** through our voluntary support by staff and students, which helps local and regional initiatives. |

**CROSS CUTTING THEMES:** EQUALITY FOR ALL · SUSTAINABILITY AND THE SUSTAINABLE DEVELOPMENT GOALS · DIGITAL TRANSFORMATION · FINANCIAL STRENGTH

### SUCCESS

| | | | |
|---|---|---|---|
| Closing the Leicester skills gap; ensuring graduates access employment opportunities which meet their ambitions. | International reputation for our research themes with our research making a difference to lives. | A diverse, engaged community; no pay or awarding gaps; positive health and wellbeing amongst students and staff. | Addressing local and regional needs; realising national and global opportunities of mutual benefit. |

# Operating and Financial Review

**DMU is an exempt charity by virtue of Schedule 3 of the Charities Act 2011 and, as such, is regulated by the Office for Students. The university's objectives, as defined in the Education Reform Act 1988, are to 'provide higher education', to 'provide further education' and to 'carry out research and to publish the results of that research' for the public benefit. The overview set out in the sections that follow showcases how the university contributes toward public benefit.**

## Overview of our faculties

### Faculty of Arts, Design and Humanities (ADH)

ADH saw the return of many annual events including the Festival of Creativity show season, which gives opportunities for students and staff to engage with the public and showcase their talents.

The University Dance Festival made a triumphant return to The Venue, premiering work choreographed by visiting artists. Meanwhile, Drama students took centre stage at Curve Theatre for their co-production of the satirical masterpiece *Oh What A Lovely War*. The independent publishing event, States of Independence, delivered a packed event filled with talks, readings and panel discussions from local authors, publishers and DMU Humanities experts. In the Vijay Patel Building, Architecture at DMU hosted the Royal Institute of British Architects (RIBA) East Midlands Charrette, which brings together Schools of Architecture from the local area to showcase creativity and work collaboratively.

Architecture and Fashion and Textiles subjects took part in a global showcase of research and student work at the Dubai Expo 2020 with a focus on sustainable design. This included an exhibition of sustainable textile research, a catwalk presentation of sustainable looks, and a sponsor day with guest speakers and graduate panels.

Architecture students received awards and commendations from numerous organisations, including the RIBA and the Young Visionary Architecture competition. In Art and Design, students received awards for their work from Goldsmiths' Craft and Design Council, Habitat, Haley Sharpe Design, Interior Educators and the Robert Walters UK New Artist of the Year Award.

**The School of Fashion and Textiles received the 2021 Green Gown Award for Next Generation, Learning and Skills in the UK and Ireland.**

In 2022, the school was highly commended in the International Green Gown Awards.



### Faculty of Business and Law (BAL)

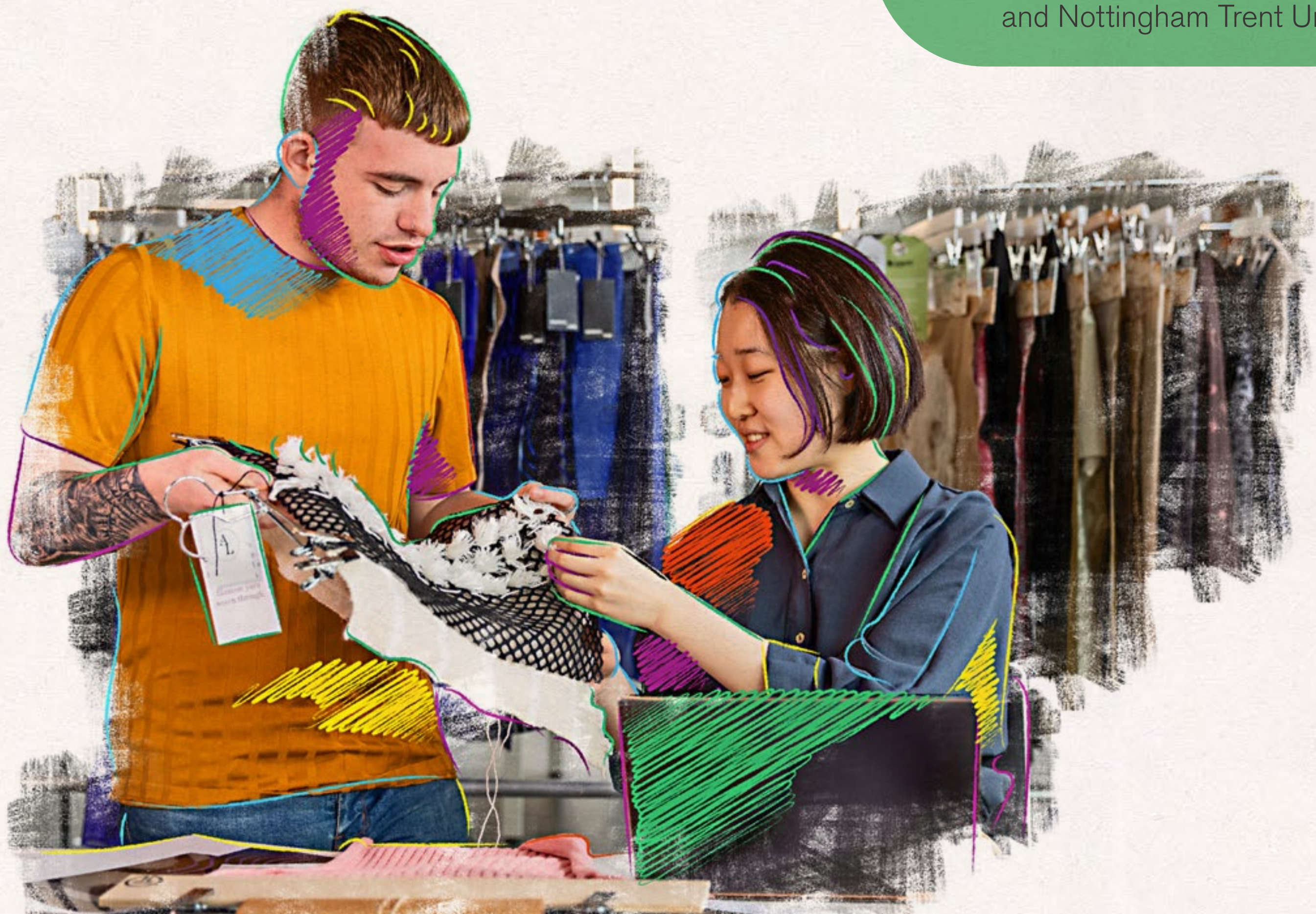
This year the Faculty of Business and Law has introduced a stronger focus on opportunities for international students, who make up a large portion of their subjects' cohorts. In March, the first International Business Community event was held and students from all years were able to meet and share their ideas. BAL has also partnered with Student Circus to shine a light on job opportunities in the UK specifically for international students. The undergraduate student team reached the semi-finals of the Universities Business Challenge, the world's longest established online competition designed to develop employability skills.

The 2021/22 year also saw the completion of a major curriculum redesign with all programmes validated in preparation for the start of Education 2030.

The new portfolio creates a strong course and cohort identity, and builds a more cohesive learning community within the faculty. BAL were commended on the involvement of external stakeholders in this process. The Business and Law Advisory Board advises Leicester Castle Business School and Leicester De Montfort Law School on achieving their mission to transform lives, foster creative solutions, promote public good and maintain a commitment to sustainability. The Board, which is made up of senior staff including the Dean of the Faculty of Business and Law and the Pro Vice-Chancellor Business and Regional Engagement, as well as student representatives, helped to shape the curriculum with these goals in mind and from an employers' perspective. Staff development in learning, teaching and student experience culminated in the second Festival of TaLEnt, which included brilliant sessions led by DMU staff, covering a range of themes from academic development support to developing global attributes.

**Work with businesses saw the publication of the third report on The East Midlands Top 500 Companies.**

The report helps to highlight the region's diversity and innovation, and brings together research from DMU, the University of Derby and Nottingham Trent University.



# Faculty of Computing, Engineering and Media (CEM)

Students across various disciplines have been awarded for their hard work with notable prizes and accolades. Trevor Wood, a second year PhD student, has received the Alan Turing Institute's Enrichment Community Award thanks to his study of how artificial intelligence could teach computers to detect phishing attacks. Animation graduate Shaun Alagoa won the public vote in the Digital/Visual Communication/Film category with his short animation film *Road Trip* at the 2021 Global Design Graduate Show. Shaun has also secured a concept artist role with film production company Stronghold NYC, and has applied to the ScreenSkills Animation Trainee Finder paid placement programme with the support of his DMU tutor.

**The School of Engineering and Sustainable Development was awarded a £95,306 grant from the Royal Academy of Engineering to establish an Engineering Sciences Learning Centre and Employability Programme for Black, Asian and Minoritised students.**

Students in the School of Computer Science and Informatics took part in the UK University Cloud Challenge, a nationwide competition hosted by Microsoft. 154 DMU students sat the exam for professional certification in the Azure cloud platform and DMU had the most successful certifications. Meanwhile, Engineering students from the DMU Flyers society were one of just 34 student teams worldwide to qualify for the UAS Challenge hosted by the Institution of Mechanical Engineers.

As part of International Women's Day, Dr Sarah Jones, Associate PVC Education (Transformation) and Deputy Dean hosted an all-female panel discussion where alumni, staff and students shared their own personal experiences and views on what can be done to break and tackle bias in CEM careers. Other guest speaker events hosted by the faculty included an inspiring talk from Charlie Martin, a transgender British racing driver and LGBTQ+ activist, as part of the #DMUpride celebrations.




# Faculty of Health and Life Sciences (HLS)

The strength of the HLS faculty was highlighted in the past year with its vital contribution to the national response to Covid-19, with many staff members and students supporting with research, working on wards and administering vaccinations.

HLS research has also received national media attention, such as the work to establish the stability and transmission risk of coronavirus on textiles and leather which found it could survive on healthcare uniforms for up to 72 hours. Meanwhile, Professor Nick Turner, from DMU's Leicester Institute for Pharmaceutical Innovation, has won multiple awards to explore molecular imprinting which allows biological level molecular recognition to be imparted into plastics. Significantly he was awarded an EPSRC fellowship (~£1.3 mil) and CRUK award (~£40k) working with a consortia of UK universities.

DMU was one of 10 institutions invited to attend the parliamentary launch and celebration of the 2022 report by the Physiological Society and Academy for Healthcare Sciences.

Within the School of Nursing and Midwifery, important work has helped fuel the debate around decolonising the curriculum, with two papers published in The Practising Midwife Journal highlighting the use of incorrect language and terminology in maternal and neonatal assessment of wellbeing, and the possible consequences of clinical errors and inappropriate referrals. These articles were seen of such importance that they were made open access and received international recognition. DMU staff and students are now members of a Royal College of Midwives steering group looking at creating a toolkit and resources to lead on decolonising midwifery education across the UK.

Advance HE awarded DMU's School of Applied Social Sciences with the prestigious Bronze Athena Swan award (the third school at the university to achieve the award), affirming our commitment to advancing gender equality for staff and students.

**Within the School of Applied Social Sciences, 75% of research impact was ranked world-leading or internationally excellent, and its research power was ranked 7th relative to other post-92 universities.**

# Learning for Life

**Our aim is to provide high-quality education that enables under-represented groups to participate in higher education. We are addressing this by evolving our education so that is student-centred, flexible and explores creative approaches to teaching and learning.**

This year saw the development of Education 2030, which imagines what education needs to be in 2030, and delivers it now. This new course structure has been developed for the majority of courses and has begun roll out for the 2022/23 academic year. Subjects are taught in a 'block' teaching format which means students study one subject at a time, instead of several at once, and stay with the same cohort of classmates. As a result, they have more time to engage with their studies and have a better study-life balance. Academic staff are able to assess students more regularly and feed back faster thanks to the focused approach.

Block Learning resonated well with the prospective student market, with 85% returning a positive score and 74% relaying that with all selection variables being equal, they would opt for a university offering block over a standard delivery provider. Education 2030 therefore offered applicants an important reason to choose DMU in 2022, a year in which we saw 500 more students make the university their firm choice.

The development of the Education 2030 model has been the result of hard work from numerous teams across the university, with a particularly huge effort from the academic and teaching staff who worked hard to have 80 courses ready to be taught via block teaching for September 2022. Curriculums and portfolio reviews, and an analysis of commendations from recent validations highlight a number of positives including colleagues' innovation and the embedding of key themes such as decolonisation, equality and diversity, employability and sustainability into the curriculum. Staff were empowered to be included in the design of block teaching as they developed creative solutions and demonstrated an ability to adapt and be flexible to deliver Education 2030 on time.

Alongside Education 2030, another vital way we have addressed Learning for Life is by focusing on employability and ensuring students are ready to take their next steps after studying with us. The 'DMU Works' careers service not only supports students through a varied programme while they are studying, but also continues that commitment with lifelong careers support after graduation.

**In 2021, DMU Works was voted Best UK Careers and Employability Service 2021 in the National Undergraduate Employability Awards.**

The whole range of innovative services provided by DMU Works were recognised in 2020-21 in a series of national awards. The judging panel for the National Undergraduate Employability Awards offered particular praise to DMU's digital employability strategy, which provides 24/7 careers support through automated CV reviews, interview simulation, employability development tools and e-learning. These online tools proved particularly useful during the pandemic, and as of June 2022 more than 49,000 activities had been completed in DMU Works Skills Hub, a 17% increase on equivalent period leading into the pandemic (2019/20).

The DMU Works Enterprise and Entrepreneurship offer has developed significantly and expanded beyond its already comprehensive placement and work experience programme. New initiatives such as Launchpad, a new programme of extra-curricular lectures and seminars, and DMU Made, a platform to help support and launch students' creative businesses, have helped expand the careers offering at DMU.

**The DMU Works digital strategy earned a bronze award for Excellence in Digital Innovation in the 2021 WhatUni awards, and an award for digital innovation from Abintegro, which provides a global platform for online careers learning and skills development.**

Our Office for Students (OfS) funded Leicester Future Leaders programme won the Times Higher Education Award for Outstanding Support for Students. Working with businesses and students, this project aims to support the retention of Black, Asian and Minoritised graduate talent in the locality. Also, through the BrightER Futures programme, 20 students were paired with 20 businesses from Leicester to provide them with insight into what it would be like working in SMEs and the variety of businesses that run in the city.

**The Sandwich placement offers have increased by almost 10% in 21/22 with significant work carried out to ringfence opportunities exclusively for DMU students.**

DMU has also been chosen as one of only a handful of universities to pilot the government's new Lifelong Learning Entitlement loans. DMU worked with employers and colleges to devise a series of short courses aimed at plugging the regional skills gap.

# Knowledge Creation

**Societal impact is central to our research agenda, and we strive to ensure that our research addresses key challenges and helps to break down boundaries, enabling new and exciting interdisciplinary collaborations.**

The latest Research Excellence Framework (REF) results, the UK's system for assessing the quality of research in UK higher education institutions, showed that more than 60 per cent of research published by DMU academics was considered world-leading or internationally excellent.

We're particularly proud that more Black, Asian and Minoritised staff members were among the academics to submit research, aligning with one of our core principles in the Empowering University strategy, to champion diversity.

Coinciding with the publication of the latest REF results, DMU launched its ambitious Research Transformation Programme to scale up the societal impact of our work across five themes: Creative and Heritage Industries; Lifelong Wellbeing; Living in a Digital Society; Net Zero and Peace; Equality and Social Justice.

**More than 40 supporting case studies were submitted to REF, showcasing the benefits our research has had on our lives.**

**In total, 485 academics across the university submitted work into the REF - the largest number ever submitted by DMU.**

**The Research Development and Pre-award team supported more than 150 applications totalling more than £23 million. There have been a range of funders from research councils through to UK government, the EU, and charities.**

The Doctoral College continues to recruit well with 155 new students joining over the last academic year while the Enterprise and Business Services team, responsible for the university's knowledge exchange activity, has secured £810,000 of funding to support important projects.

DMU was also praised by reviewers of the Knowledge Exchange Concordat, who noted "a lot of sector best practice is being undertaken at DMU, and the team is looking to go beyond that".

As a university that strives to empower its students and staff in all that they do, conducting first-rate research is crucial. Not only does high-quality research have an impact and make a difference to people's lives, it also informs our teaching and improves the quality of education we offer here at DMU.

**DMU was also one of just 15 universities to win funding from the Arts and Humanities Research Council to pilot its Design Exchange Partnerships.**

**DMU increased its overall Knowledge Exchange Framework performance by 11% compared to 2021.**

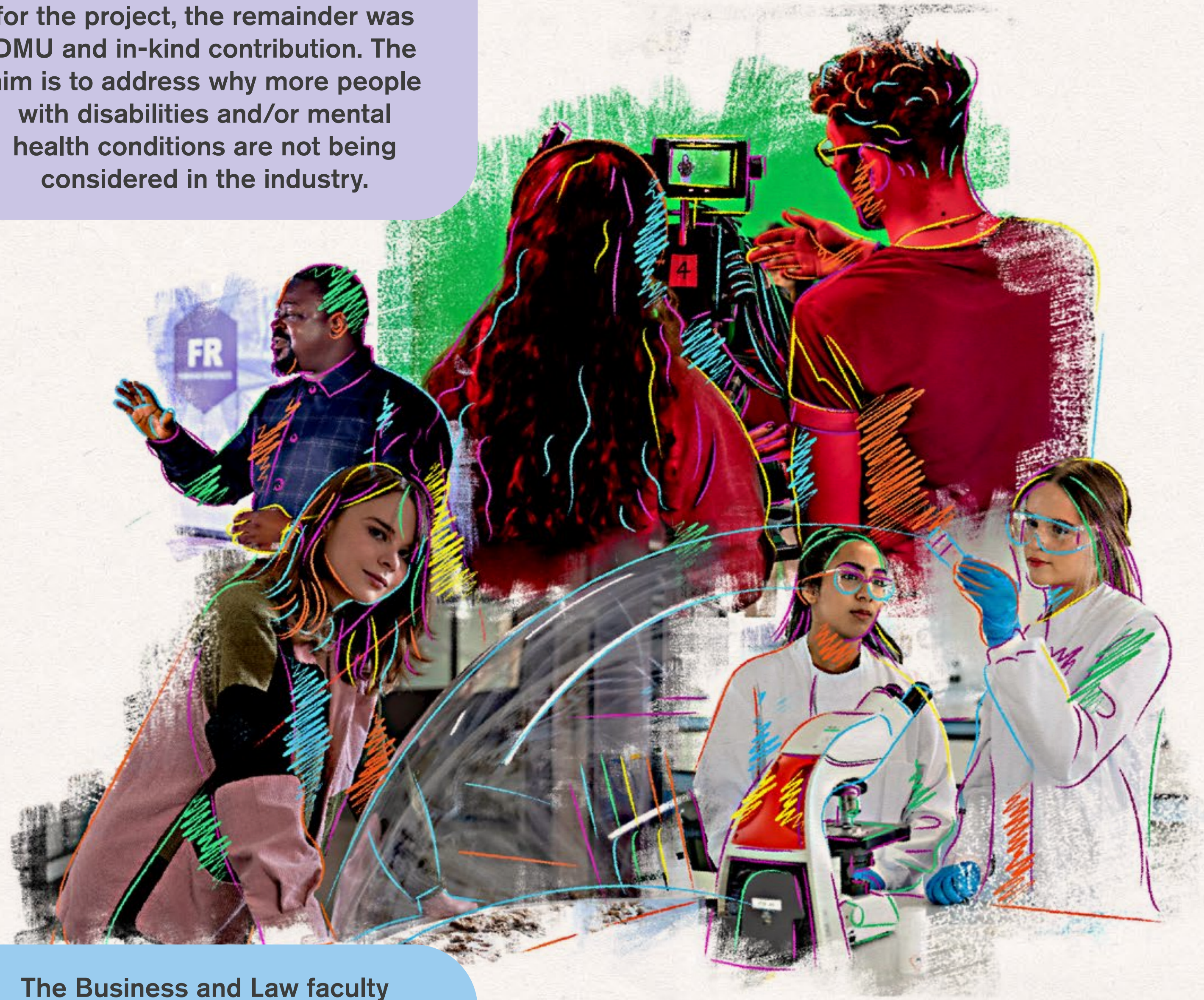
# Research Highlights

Professor Jinsong Shen won a bid to work on the ‘Development of enzyme-based coloration and coating for sustainable machine washable wool to support the wool industry transition to a circular system’.

The Centre for Computing and Social Responsibility was awarded €170,000 for the Improving Research Ethics Expertise and Competences to Ensure Reliability and Trust in Science (iRECs) proposal. The DMU team will be involved in the identification of ethical challenges of new technologies and how these are covered in ethics review processes.

Professor Nick Turner, from the Leicester Institute for Pharmaceutical Innovation, has won multiple awards to explore a technique known as molecular imprinting – which allows biological level molecular recognition to be imparted into plastics. Significantly, he was awarded an EPSRC fellowship (~£1.3 mil) and CRUK award (~40K) working with a consortia of UK universities.

Jason Lee, Professor of Film, Media and Culture and Chartered Psychologist was awarded the British Academy Innovation Fellowship (2022 to 2024). His business partner for this is Terry Bamber, Film Director, of Jones Bamber Productions Ltd. The British Academy awarded £120,000 for the project, the remainder was DMU and in-kind contribution. The aim is to address why more people with disabilities and/or mental health conditions are not being considered in the industry.




The Business and Law faculty has collaborated with the police to research cases of modern slavery, with one of our researchers, Dr Laura Pajon winning an award for Young Researcher of the Year from the United Nations (UN) for her work building a multi-agency partnership to tackle the issue.

Professor Parvez Haris won over £500,000 as part of a Horizon 2020 award to investigate malnutrition in Africa.

Cathy Herbrand won a £590,000 award from the Economic and Social Research Council to investigate the social science of reproduction in the genomic age.

The Centre for Computing and Social Responsibility submitted a successful proposal to the EU environMENTAL project. The financial contribution to DMU will be €400k and will investigate how some of the greatest global environmental challenges, climate change, urbanisation, and psychosocial stress caused by the Covid-19 pandemic affect mental health over the lifespan.

Dr Katie Laird led a range of work on Covid-19 transmission through medical materials and clothing, showing that three of the most commonly used textiles in healthcare posed a risk for transmission of the virus, resulting in additional risk to those healthcare workers who take their uniforms home.

Professor Kenneth Morrison secured an Arts and Humanities Research Council grant for a new Peace and Conflict Network, aligned with DMU’s role as hub for the UN Sustainable Development Goal 16 to promote peace, justice and strong institutions. The network will engage with museums and other related sites of memory in recent post conflict environments and fragile states, exploring strategies for how they can contribute to peacebuilding, reconciliation and civic resilience.

# Empowering People

**Following the creation of our Empowering University Strategy, and the need to transform our organisation post-pandemic, our focus has been to work towards creating an environment where our staff are empowered, can flourish and are able to work efficiently and effectively in providing services to our students.**

We have developed a clear framework, the DMU Empowerment Model, which supports staff to empower themselves, others and the organisation. A development programme has been designed and will be rolled out across the 2022/23 academic year.

Empowering our people through development is a key facet of our approach. We continue to promote apprenticeship pathways for our staff and our open programme has been adapted to reflect our new strategy, providing a suite of blended learning opportunities. The reward and recognition of excellent teaching is central to our focus on ensuring that we deliver an outstanding student experience. Academic and professional service staff can apply to be a Teacher Fellow and for funding to undertake Academic Innovation Projects (AIP), and over the last five years we have allocated more than £125,000 to staff to undertake AIP projects, many of which have involved co-creation activities with our student body. These projects form an integral part of disseminating innovative practice, celebrating our commitment to deliver an outstanding learning and teaching experience as we support our students in learning for life.

Following the pandemic, we introduced hybrid working and at the heart of this was a desire to support new ways of working for staff at the same time as ensuring that student experience and effective service delivery was at all times at the forefront of what we do. Hybrid working was made possible by a range of hard-working teams across the university including the Estates and ITMS teams who ensured workspaces were set up with new technology able to support hybrid meetings, alongside teaching spaces set up for streaming and web casting.

**Following the pandemic, we introduced hybrid working for more than 1,000 professional services staff.**


Our new brand campaign, Made From More, was launched this year to bring the strategy to life for our student audiences through powerful storytelling, underpinned by robust market testing. Insight showed that the campaign's authenticity and message of support is something that prospective students greatly value as they emerge from lockdown having experienced learning loss and now facing uncertainty.

The multi-channel campaign featured a new film, advertising and marketing materials, branding and design, internal communications, web pages and social media. The accompanying series of real DMU student stories demonstrated the supportive and nurturing community spirit that has made their university experience 'more' – bringing together academic quality, pastoral support, careers advice and the student experience.

The campaign has made rapid impacts and, following exposure to the Made From More campaign, 84% of applicants relayed a positive brand perception of DMU, with close to a third of applicants reporting that the campaign got them interested in DMU, broadening the university's reach. Overall, the Made From More advert secured a 90% satisfaction reading. This positive shift evidences the resonance of the campaign across the university's target audience, especially in the London and West Midlands markets. Brand perceptions have increased across all key attributes, and we saw a significant growth in attendance at Open Days. The number of students making DMU their firm choice also increased significantly, and international recruitment has gone from strength to strength.

# Partnerships with purpose

**Strong local, national and global partnerships enable us to deliver our vision in Leicester, the region and beyond.**

This year saw the formal launch of our two new overseas campuses in Dubai and Kazakhstan and both campuses successfully started teaching in September 2021.

When DMU became a founding partner at the UK Pavilion for Dubai Expo 2020, it represented a massive opportunity to raise the university's international profile. Not only was Expo 2020 the world's biggest event, but DMU's engagement with it also coincided with the opening of DMU Dubai. Over the course of the six months of Expo 2020, the UK Pavilion – which housed a permanent exhibition highlighting DMU's 150-year history – received more than 1 million visitors. In addition, DMU hosted ten large-scale events within the Pavilion to showcase the very best of its teaching and research, including exhibitions, conferences, recruitment events and a catwalk show, led by staff and students from both Leicester and Dubai campuses. These events offered a particular opportunity to raise the profile of key academic themes around employability, sustainability and inclusion to global audiences, as well as for DMU to host a wide range of VIP visitors at the UK Pavilion to share the university's work.

DMU Kazakhstan has also had a successful start and was opened by the Deputy Prime Minister of Kazakhstan in November 2021. The campus offers courses from both the faculty of Computing, Engineering and Media and the faculty of Business and Law.

The university's Pathway College, DMU International College (DMUIC), saw its biggest intake on record and is on track to becoming one of the biggest pathway colleges in the country.

We recognise the importance that a university education can mean in transforming lives and the significant role that we play in the local and regional economy. DMU has worked with the University of Leicester and Loughborough University to create the Universities Partnership, which is a civic agreement to work together to tackle social challenges across the region. This partnership will provide a framework for collaborative working across five themes: education and skills; health and wellbeing; business and the economy; environment and arts, culture and heritage.

Other highlights include hosting the 2022 British Science Festival which promoted the academic achievements and vibrant learning community of our staff and students to not only the city of Leicester, but also the festival's visitors from across the country.

DMU's Crucible Project partnered with more than 119 businesses for its monthly masterclasses. This period also saw The Crucible win the Educational Excellence Award in the 2021 Niche Business Awards. Crucible business Heal.Med won Digital Start-Up of the Year at the 2022 Medilink Awards, and Roshni Desai Designs was named Leicestershire Innovation Awards winner in the creative industries.

**DMU's Dubai and Kazakhstan campuses successfully started teaching in September 2021 and now have more than 950 students.**

# Equality For All

**Supporting our strategy pillars of Learning for Life, Knowledge Creation, Empowering People and Partnerships with Purpose are our core values around supporting difference and championing a fair and sustainable society.**

DMU has one of the most diverse staff and student populations of any higher education institution in the UK. We value this difference and want to support all students and staff in reaching their full potential in a fully inclusive environment where difference is accepted, valued, celebrated and supported. The Equality, Diversity and Inclusion (EDI) team launched an 'Equality for All' strategy this year along with an implementation plan both of which will support DMU's new 'The Empowering University' strategy.

**The Equality for All strategy focuses on two broad themes:**

**Developing our Culture:** focusing on the behaviours, spaces and sense of belonging that each member of the university needs to feel safe and supported.

**Enabling Equity and Fairness for All:** ensuring that our processes, rules and regulations enable staff and students, from all backgrounds and intersectional identities, to have access to equitable opportunities and experiences that allow them to succeed.

The university supports four strong and vibrant staff networks – DMU Women, the Disabled Staff Network (DSN), the Race Equality Network (REN) and the LGBTQ+ and Allies Network. The networks have grown in strength and reach over the last year, representing staff and hosting a variety of activities. They have celebrated key annual events such as Pride, International Women's Day, Black History Month and our first ever Disability History Month in 2021.

The EDI team, in collaboration with the LGBTQ+ and Allies Network, revised and updated DMU's trans policy, and led multiple presentations on LGBTQ+ inclusion.

DMU is reapplying for the Race Equality Charter (REC) mark in October 2022. Our work to advance race equality is part of our institutional commitment to become an anti-racist university.


**For the sixth year in a row, DMU has been named in the Stonewall Top 100 Employers Index, ranked 10th for educational institutions and 67th overall.**

**DMU also received Stonewall's Gold Award for best practice in LGBTQ+ inclusion.**

The Decolonising DMU team (DDMU) developed and shared resources and launched a new website that outlined four commitments that the university will work within to address racial disparity. The REC action plan will coincide with these, providing a unified approach to our race equality work. DDMU is also working with university programmes to close the Black, Asian and Minoritised people awarding gap.

The Anti-Racism Series was launched in October 2021, exploring issues related to racial inequality in academia. DMU partnered with the Women in Higher Education Network for their pilot programme: 100 Black Women Professors Now. The programme aims to significantly increase the number of Black women professors in academia over the next five years and DMU has established the Black Women Academics Development Programme to further support and develop Black women academics at DMU.

'No Space for Hate' entered its second year and continues to give students the ability to anonymously report experiences of discrimination and harassment, while offering a range of specialised support services.

The Lead and Inspire five-week programme in BAL supported 34 Black, Asian and Minoritised students to enhance their employability skills, experience and confidence. This programme was shortlisted for the 2022 AGCAS Award for the Equality, Diversity and Inclusion category.

**DMU's Embedding Mental Wellbeing team received an Advance HE award for their amazing network of support for staff and students during the pandemic.**

In support of our EDI efforts, Healthy DMU, welfare and wellbeing teams have helped to prioritise and champion the important of mental health and equality. Support networks such as The Mandala Project for sexual and domestic violence reporting saw a 34% rise in student referrals during the academic year. In support of neurodiversity, 'New to DMU' events invited autistic students coming to the university to have a 'taster event' including a night in university accommodation to support their transition into higher education.

The OfS funded 'Building Bridges to Wellbeing' is exploring the barriers to Black, Asian and Minoritised students accessing mental health support at DMU and in the NHS. More than 300 students engaged with the first part of the project, with the full project concluding in June 2023.

# Sustainability and the UN Sustainable Development Goals

**We are proud to have been selected by the UN as the Academic Hub for SDG16, which focuses on peace, justice and strong institutions – the only one of its kind in the UK.**

DMU is committed to sustainability and working towards the United Nations Sustainable Development Goals (SDGs). This approach is reflected on our successes and achievements across the whole institution.

DMU has been working with staff and students to encourage climate action. We have delivered Carbon Literacy training to staff members, students and members of the local community and we have been awarded the Carbon Literate Organisation standard. Our work in this area also extend to our overseas campuses as we have also delivered Carbon Literacy training to staff and students at our DMU Dubai campus which has also gained the Carbon Literate Organisation standard.

In the past academic year DMU has been awarded the Hedgehog Friendly Campus status for our work in managing green spaces on campus and providing habitats for hedgehogs.

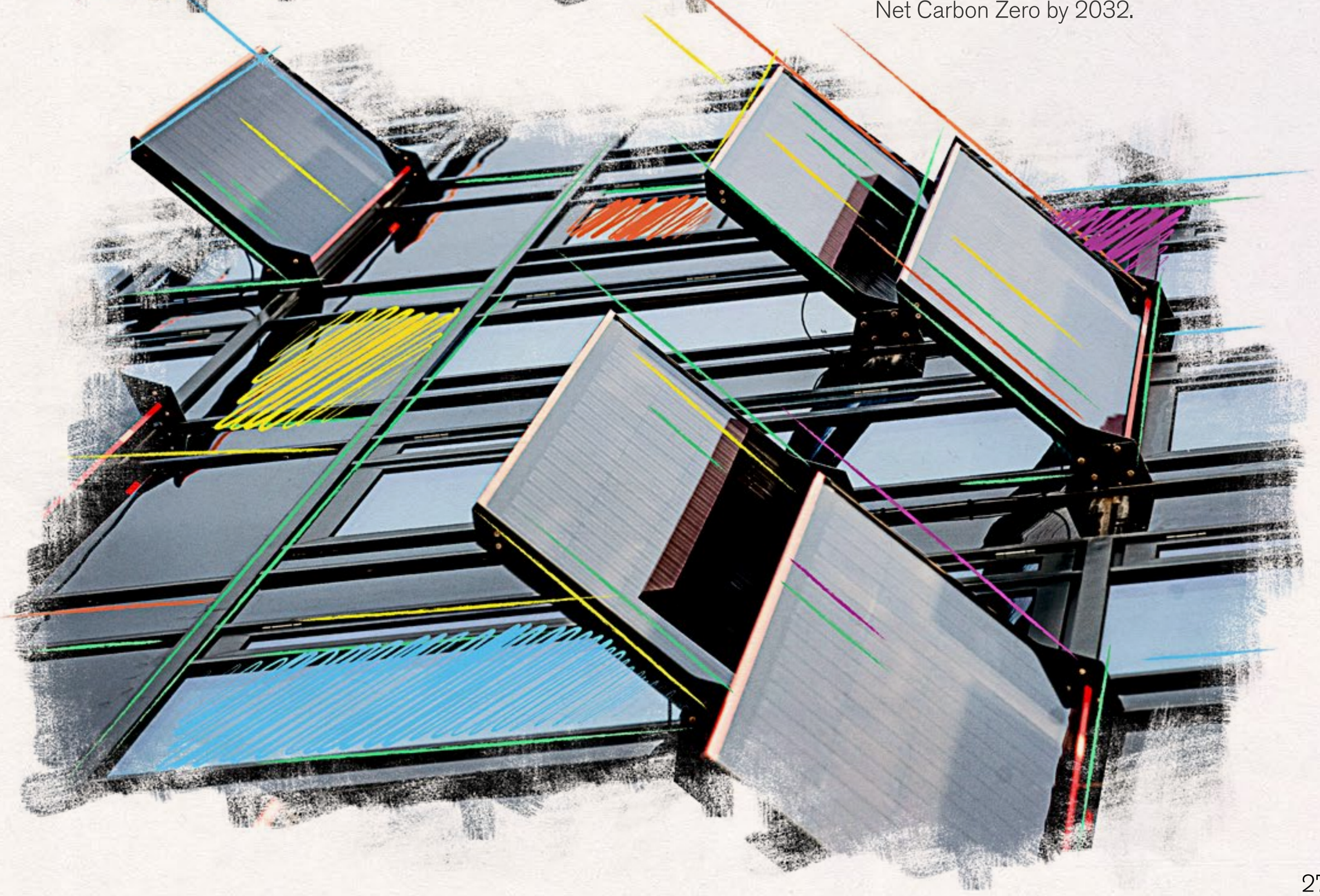
**DMU worked with East Midlands Chamber to deliver a series of Net Zero training sessions for SMEs. Some 60 students were trained to carry out sustainability audits for companies, helping them put action plans in place.**



**The People and Planet University League ranked DMU 4th out of 154 institutions in the UK for its sustainability work across 13 different sustainability areas.**

Sustainability is embedded into many course curricula to ensure students are empowered to be the change makers of their generation as they head out into their careers and future endeavours. This comprehensive approach to sustainability has also been recognised by the Green Gown Awards where our School of Fashion and Textiles won the award in the Next Generation Learning and Skills category for its approach to embedding sustainability throughout the school.

The Estates team work hard to ensure campus is as sustainable as possible and teams such as post and porterage have reduced university waste, resulting in zero to landfill and reusing furniture to support recycling projects. Meanwhile, the energy team finalised the Heat Decarbonisation Plan, which indicates the direction of travel for the university, showing how we will achieve Net Carbon Zero by 2032.



# Financial performance in 2021-22

The university has reported a consolidated deficit before tax of £10.4m (2020-21: £3.7m deficit). This result was forecast given the financial challenges of Covid-19 and the ongoing associated response to teaching and learning; support for students and the cost of making necessary changes to the campus. This is alongside the impact of increased competition for full time UK undergraduate students within the sector, the UK leaving the European Union and the significant increases in contributions to fund large pension liabilities.

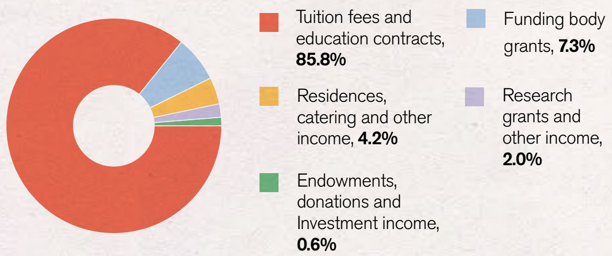
The University Leadership Board has introduced tighter expenditure controls across all pay and non-pay budgets, in the short term, to proactively manage these financial challenges alongside a programme of activity to support medium and longer term financial sustainability.

Excluding the pension position, the total reserves of the university have improved by £5.3m, underpinned by good working capital management supported by changes to student debt collection processes and cash generated from operations leading to levels of cash and short-term investments of £132.1m (2020-21: £119.4m). A further £33.0m is held in a long-term investment portfolio for the funds set aside annually towards redemption of the university's listed bond.

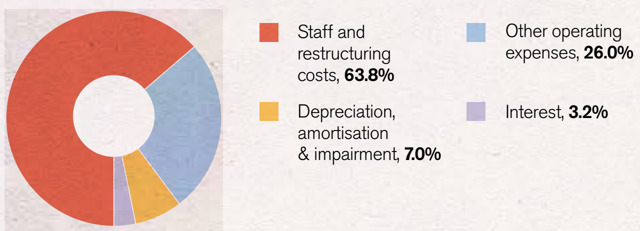
**The University's consolidated financial headlines are summarised as follows:**

| | 2021-22 £'000 | 2020-21 £'000 |
|---|---|---|
| Income | 243,020 | 234,629 |
| Expenditure | 251,471 | 240,126 |
| Deficit for the year | (10,441) | (3,681) |
| Cash and investments | 132,081 | 119,380 |
| Net current assets | 88,233 | 79,106 |
| Pension provisions | £Nil | (173,493) |
| Total net assets/reserves including pension reserve | 301,618 | 122,837 |

### Income analysis 2021/22

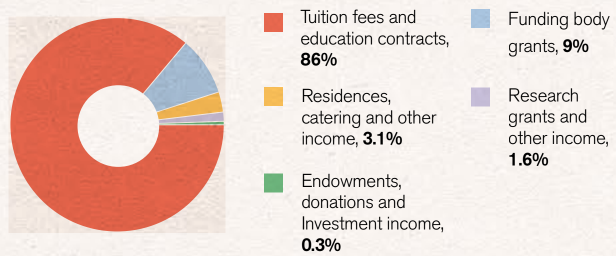



### Expenditure analysis 2021/22

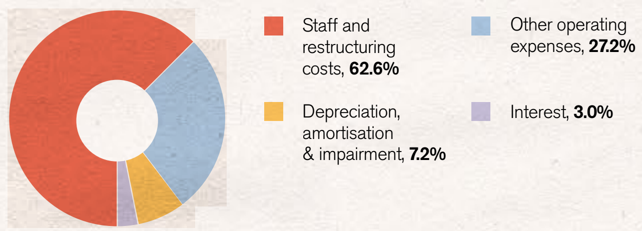



Total income of £243.0m increased by £8.4m (3.6%) from 2020/21. This is largely attributable to an increase in tuition fees from overseas students of £18.7m (47.6%), whilst student recruitment in the UK and countries within the European Union (EU) saw a reduction in tuition fees of £11.9m (7.5%).

### Income analysis 2020/21




### Expenditure analysis 2020/21




The total received in funding body grants has reduced by £3.4m (15.9%) to £17.8m due to additional grant funding received for student hardship of £1.7m in 2020-21, reduction of £1.2m in the Office for Students recurrent teaching grant and the completion of the Connection Capability Fund project in 2021/22 recognising the final £0.1m in 2021/22 (2020-21: £1m).

Income earned from research grants and contracts increased by £1.3m (35.8%) due to increased levels of activity post-Covid from existing projects as well as new projects that commenced this year.

Other income has seen an increase of £3.7m (46.9%) due to the impact of increased occupancy levels in student residences and income generated from university activity recovering to pre-Covid levels e.g. catering, leisure centre activity etc. Better returns on cash and short-term investments followed the gradual increases in interest rates since December 2021.

Total expenditure of £251.5m is an increase of £11.3m (4.7%) from 2020-21. Staff and restructuring costs accounted for 63.8% (2020-21: 62.6%) of the total expenditure and have increased by £6.8m (4.5%), the majority of which is related to the financial effects of Local Government Pension Scheme and Universities Superannuation Scheme. The full year financial improvement associated with the in-year voluntary severance and restructuring programmes, as well as recruitment controls, will be realised in 2022-23. The cost of staff restructuring in 2021-22 is £4.0m.

The similar level of other operating expenditure year on year reflects the increase in cost associated with a larger overseas student intake and rising energy costs, which have been offset by savings realised through strict expenditure controls across all non-pay budgets.

Interest payable is £0.8m (10.6%) higher due to the increase in net financing costs associated with the LGPS valuation at the year end.

The depreciation and amortisation charges are £17.5m (2020-21: £17.2m) reflecting the continued capital investment in student facilities, enhancement of buildings and IT infrastructure.

The financial impact of the challenges that the university and the sector face have been partially mitigated through the implementation of measures to control all expenditure. These actions have contributed to managing the deficit proactively, protecting the cash position and ensuring all debts that fall due are met in full, whilst the programme to support underlying financial sustainability takes effect. This has also allowed the university to continue to invest in the technology infrastructure and maintaining a high-quality university campus.

**Balance sheet**

The University's total net asset position has improved by £178.8m to £301.6m due to:

- £173.5m decrease in the LGPS provision to £Nil as a result of favourable movements in the key actuarial assumptions applied for accounting valuation purposes. This is attributable mainly to rising interest rates that effectively result in future liabilities being discounted at a much higher rate;
- £9.1m increase in net current assets underpinned by increases in cash and short-term investments, as well as trade and other receivables of £12.7m and £5.8m respectively. The increase in cash and short-term investments is due to improved working capital management whereas trade and other receivables have increased mainly due to amounts owed by students. These increases are offset by an increase in creditors of £9.4m and reductions of £8.1m in tangible fixed assets and intangible assets. The reduction in tangible fixed assets and intangible assets is mainly due to depreciation/amortisation offset by buildings, IT and equipment fixed asset additions.

The university invested £9.2m in additions to fixed assets during 2021/22 of which major capital spend included completion of refurbishment works on Hawthorn and Clephan buildings along with other minor refurbishments and investment in IT infrastructure.

**Payment of creditors**

The university is committed to the prompt payment of invoices from suppliers and supports the Department for Business, Energy and Industrial Strategy's Prompt Payment Code. The aim is to pay invoices in accordance with agreed contractual conditions or, where no such conditions exist, by thirty days from the date of invoice following receipt of goods or services or the presentation of a valid invoice, whichever is the later.

**Conclusion**

Despite the in-year deficit, the University maintains a strong balance sheet with cash reserves that will be essential in supporting the university to maintain its financial sustainability and to navigate its way through the post-Covid recovery period and the implementation of its strategic ambitions to be an Empowering University. Based on financial forecasts and cash projections for the next five years, the Board is assured that the university has adequate resources to remain in operation for the foreseeable future and at least for the next twelve months from the date the external auditors sign the audit opinion on the Group financial statements, which have been prepared on a going concern basis.

**Mr Ian Squires**
Chair of the Board of Governors

**Professor Katie Normington**
Chief Executive and Vice-Chancellor

# Statement on Corporate Governance

This statement outlines for readers of the financial statements the corporate governance procedures adopted by the Board of Governors, covering the period from 1 August 2021 to 31 July 2022, and the subsequent period up until the date of approval of the financial statements.

Members of the university's Board of Governors serve as trustees and are responsible for determining the educational character and mission of the university, overseeing and scrutinising its activities.

We consider the beneficiaries of our charitable status to be all students, both undergraduate and postgraduate, as well as members of the public in the UK and overseas. We believe universities are a public good and that DMU transforms lives by providing inspiring environments for its students and staff, while sharing their discoveries to benefit the world.

DMU's corporate governance statement outlines for readers of the financial statements the corporate governance procedures adopted by the Board of Governors, covering the period from 1 August 2021 to 31 July 2022, and the subsequent period up until the date of approval of the financial statements.

During the 2021/22 financial year, the university completed its action plan agreed with the Office for Students (OfS) as part of the resolution of its regulatory investigation. On 29 November 2021, the OfS confirmed its decision to remove 'enhanced monitoring' requirements to which DMU had been subject, relating to OfS condition E2 (Management and Governance).

Four new independent governors were appointed to the board in January 2022 and a new academic staff governor in July 2022. A further recruitment process is being undertaken during summer 2022. Furthermore, the board appointed its first 'governor apprentice' in January 2022 for a period of one year, attending board and committee meetings as an observer, with the intention that it positions them to be able to become a full independent governor.

Following a period of consultation with staff, students, the Board of Governors, and key partners, the university's new 'Empowering University' strategy was launched in autumn 2021. The strategy is comprised of four key pillars: Learning for Life, Knowledge Creation, Empowering People and Partnerships with Purpose. The pillars will be delivered alongside cross-cutting themes: Equality for all, Sustainability and the Sustainable Development Goals, Digital Transformation and Financial Strength.

Following an extensive recruitment process, whereby nominations were sought from staff and students, the university, in January 2022, appointed Akram Khan MBE as its new Chancellor.

**SUMMARY OF THE UNIVERSITY'S STRUCTURE OF CORPORATE GOVERNANCE**

The university's objectives, powers and framework of governance are set out in its Instrument and Articles of Government. Under the Instrument and Articles of Government, the Board of Governors has a range of powers and duties, including the ongoing responsibility for the strategic direction of the university, approval of major developments, approval of annual estimates of income and expenditure, ensuring solvency of the institution, and safeguarding its assets. The business of the board and its committees are run also in accordance with the board's Standing Orders and a Scheme of Delegation.

It is a requirement of the Instrument and Articles of Government that there should be a majority of board members who are independent, and that the board should be comprised of no fewer than 12 and no more than 23 members (including the Vice-Chancellor ex-officio). As of the end of the 2021/22 academic year, the board has a total of 16 members (including the Vice-Chancellor ex-officio), 12 of whom are independent governors as defined by the Instrument and Articles. The remaining four members of the Board of Governors include the Vice-Chancellor and members of the university's staff and student bodies.

Membership of the Board of Governors is considered at the Nominations Committee, based on a skills matrix and diversity information that allows decisions to be made about governor requirements for the board.

The principal officer is the Vice-Chancellor, who has responsibility to the Board of Governors for the organisation, direction and management of the university. She is also the designated Accountable Officer for the purposes of the university's registration with the OfS. The Vice-Chancellor is supported by the University Leadership Board, which comprises: the Vice-Chancellor; the Deputy Vice-Chancellor; the Registrar (Academic)/ Secretary to the Board of Governors, the Chief Finance and Resources Officer; the Chief Transformation Officer; the Pro Vice-Chancellors (Education and Research); four Faculty Pro Vice-Chancellor/Deans; the Pro Vice-Chancellor (Business and Regional Engagement); the Deputy Pro Vice-Chancellor (Equality, Diversity and Inclusion); the Executive Director of People and Organisational Development; the Executive Director of Marketing and Communications; and the Executive Director of Student and Academic Services.

**CONDUCT OF BUSINESS**

The Board of Governors is responsible for, among other matters, the determination of the educational character and mission of the university and for the general oversight of its activities. It is responsible for approving the university's strategy.

In the conduct of its formal business, and in addition to two strategic away days, the board meets four times a year. It has a number of formally constituted sub-committees looking at the following areas: Audit; Finance and Performance; People and Culture; Nominations; and Remuneration. Each sub-committee has clearly defined and delegated responsibilities as laid out in its respective terms of reference and via the board's Scheme of Delegation.

The Audit Committee regularly meets with external and internal auditors through their attendance at each meeting of the committee. It considers internal audit reports and recommendations for the improvement of the university's systems of internal control, together with management responses and implementation plans. It is responsible for assessing the effectiveness of the external audit process through review and consideration of the annual audit plan, including key areas of audit risk, the external audit management letter, and meeting with the external auditors as necessary.

The terms of reference of the Audit Committee incorporate its role in monitoring and reporting upon the effectiveness of the university's risk management, data management quality, and value for money processes and procedures. The committee gains assurance that the institution has adequate arrangements in place for ensuring economy, efficiency and effectiveness and for the management and quality assurance of data submitted to the OfS and other funding bodies. It is also responsible for monitoring the university's policy on fraud, ensuring there are satisfactory arrangements in place for handling whistleblowing disclosures, and student complaints.

The Finance and Performance Committee considers the annual revenue and capital budgets, and monitors performance in relation to the approved budgets and the five-year financial forecast. The committee also reviews and recommends to the board the university's Financial Regulations, financial policies, accounting policies and the annual financial statements. The committee monitors the university's performance in areas including financial sustainability, student recruitment, graduate outcomes, and research activity, among others, and the performance of the university's subsidiary companies, spin-out companies and joint ventures.

The People and Culture Committee considers strategies related to workforce matters, people-related (i.e. staff and student) business concerning culture and equality, diversity and inclusion, and seeks assurance that the university is compliant with relevant legislation. The committee ensures that the university has policies and practices in place to support employees and to attract, and retain, the highest calibre of talent in the market. The committee seeks assurance on workforce matters on behalf of the Board of Governors, and makes recommendations as appropriate. The committee monitors the progress of the university's cultural strategy and initiatives as part of that strategy. It also monitors areas such as the gender and race pay gap to ensure the university's approach reflects best practice, and considers workforce risks to ensure mitigations and controls are in place.

The Nominations Committee reviews the membership of the Board of Governors, advising on the skills and diversity mix required by the board to fulfil its responsibilities effectively. It also considers the appointment of committee chairs and membership, and the recruitment and nomination of new governors, making recommendations to the Board of Governors as appropriate.

The Remuneration Committee determines the annual remuneration of the Vice-Chancellor and members of the University Leadership Team, and receives a report on the annual review of other senior academic and professional services staff.

All committees of the board are required to report in some form to the board. They do so in a variety of ways, including the formal submission of their minutes or a summary of outcomes provided by the chairs of the respective committees at board meetings, with key matters reported as substantive agenda items for discussion. In addition, the Audit Committee, the Finance and Performance Committee and the People and Culture Committee produce annual reports, which are submitted to the Board of Governors for consideration. The Vice-Chancellor also provides an oral report on the broader operation of the university at each board meeting. As appropriate, members of the University Leadership Board are present at meetings of the board to expand, where necessary, on reports and answer questions as they arise and are actively involved in the majority of business at strategic away day meetings of the Board of Governors.

The Board of Governors periodically reviews its own effectiveness in accordance with good practice and CUC guidance. At the conclusion of every meeting, the board and committees consider their performance during the meeting to ensure the board or committee's effectiveness in executing its responsibilities which informs the approach to agenda and business planning at future meetings. As part of its commitments to the OfS under the terms of the action plan, the university embarked upon an effectiveness review in autumn 2021 which was conducted by Advance HE. The aim of this exercise was principally to evaluate the progress made in implementing the recommendations that arose from the governance review of autumn 2019. The report contained no formal recommendations for improvement and only a small number of optional suggestions for consideration.

Newly-appointed governors are expected to participate in a robust internal induction programme, tailored to their specific needs and experience, which will include them being made aware of their legal and regulatory obligations, as well as their obligations as a trustee of a charitable institution. Additionally, it is a mandatory requirement of governors that they attend external training offered by independent organisations, to ensure they are aware of wider higher education governance policy developments and best practice. Governors are also encouraged to be proactive in identifying opportunities for any further training or support that might be required to enable them to better fulfil their duties as governors. As part of an annual appraisal process, governors are asked to consider, and discuss with the Chair, any training opportunities of interest, to help inform the Board of Governors' training and development plan. In relation to the conduct of board business, there is considerable opportunity for governors to request additional information through board committees, the board itself, and via the Governance Office.

## STATEMENT OF RESPONSIBILITIES OF THE BOARD OF GOVERNORS

In accordance with the university's Instrument and The members of the Board are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

The members of the Board must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and University and of the surplus of income over expenditure of the group and University for that period.

In preparing these financial statements, the members of the Board are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the University will continue in operation.

The members of the Board are also required to give a report in the financial statements which includes the legal and administrative status of the University. The members of the Board are responsible for keeping adequate accounting records that are sufficient to show and explain the University's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Royal Charter, its Articles of Association, the Accounts Direction as issued by the Office for Students (OfS) and the Statement of Recommended Practice: Accounting for Further and Higher Education. They are also responsible for safeguarding the assets of the University and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Members of the Board are responsible for ensuring that the funds from the OfS and the DfE are used only in accordance with the Terms and Conditions of Funding with the OfS and any other conditions that the Funding Council may prescribe from time to time. Members of the Board must ensure there are appropriate financial and management controls in place in order to safeguard public and other funds and to ensure they are used properly. In addition, members of the Board are responsible for securing economical, efficient and effective management of the University's resources and expenditure, so that the benefits that should be derived from the application of public funds by the OfS are not put at risk.

Financial statements are published on the University's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the University's website is the responsibility of the members of the Board. The members of the Board's responsibility also extends to the ongoing integrity of the financial statements contained therein.

## STATEMENT OF INTERNAL CONTROL

This statement of internal control relates to the period covered by the financial statements, and the period up to the date of approval of the audited financial statements.

### Risk management

At DMU, risk management is a collective responsibility, overseen by the Risk Management Committee and with strong governance through our University Leadership Board and Audit Committee. This ensures that, at every level from the Board of Governors to individual risk owners the university is able to identify, assess and adapt quickly and strategically to threats and opportunities.

Our Empowering University strategy shapes the corporate risk register, covering risks associated with the key strategic themes and pillars, whilst also providing oversight of significant operational risks. We take an integrated approach with the management of risk being aligned to the university's performance management processes, providing an assurance framework and robust review of the overall risk landscape. Risk management, therefore, forms a critical part of the university's structure of internal control, auditing, planning and reporting cycles.

The Board of Governors recognises that effective risk management is an essential part in the framework of good governance. The board continues to develop its risk management systems, ensuring that they are compliant with the OfS Regulatory Framework and good practice guidance such as that issued by the Committee of University Chairs, Higher Education Code of Governance.

The system of internal control adopted by the board is designed to set the tone, and embed the culture of risk and resilience management across the university. This is achieved through approving the risk appetite and tolerance levels for the university, and by actively participating in major decisions affecting the university's exposure to risk. It is based on an ongoing process, designed to identify significant risks to the achievement of the Empowering University strategy; to evaluate the nature and extent of those risks; and to manage them efficiently, effectively and economically to reduce the impact and likelihood of adverse events occurring. This approach enables the board to engage in risk management, take acceptable risks, and provide assurance that the risk of failure to achieve the university strategy is being effectively managed.

The university has in place a risk and enterprise resilience management framework. The university's strategic aims and operational objectives drive the risk and enterprise resilience of the organisation. This is achieved by:

- Ensuring a focus on risks that threaten the university's business model and strategic aims.
- Establishing key operations and the corresponding institutional appetite for risk for these areas.
- Strengthening the connection between business continuity and crisis management as key aspects of enterprise resilience.
- Scoping internal and external factors to identify changes to the risk landscape.

The governance architecture describes the roles and responsibilities of the Board of Governors, Audit Committee and University Leadership Board, ensuring clear lines of accountability and communication. To ensure management of each risk, owners are assigned who will facilitate the identification, analysis and evaluation of risks. Risk owners proactively and continuously review both internal and external influences, ensuring risk mitigation and controls remain up to date, with scrutiny and oversight provided by the Risk Management Committee. The Risk Management Committee, also plays a key role in reviewing risks, and the escalation of emerging risks or those outside of our appetite to the University Leadership Board, who has overall ownership of the corporate risk register. Furthermore, to provide assurance, the Audit Committee receives six-monthly updates regarding the management of the university's risk landscape.

This process has been cascaded into the university's faculties and directorates, ensuring that there is a consistent and aligned approach to risk management through which risks are managed at the most relevant level in the institution.

Furthermore, the key elements of the university's system of internal control, which is designed to discharge the financial responsibilities of the Board of Governors, include:

- Clear definitions of the responsibilities of, and the authority delegated to, senior staff of the university.
- A comprehensive short and medium-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets.
- Regular reviews of academic performance and of financial results involving variance reporting and updates of forecast out-turns.
- Clearly defined and formalised requirements for approval and control of expenditure.
- Procedures for the management of investment and risk.

- Comprehensive financial regulations, detailing financial controls and procedures, which were reviewed as part of the review of the university's policies and procedures.
- A professional internal audit service, whose annual programme is approved by the Audit Committee on behalf of the Board of Governors.
- On behalf of the Board of Governors, the Audit Committee reviews the effectiveness of the university's system of internal control.

## LOOKING AHEAD – OPPORTUNITIES AND RISKS

The higher education sector has continued to manage and respond to unprecedented challenges during 2021-22. The university has worked tirelessly to minimise the disruption caused to students and staff by the pandemic, while maintaining the teaching and learning experience our students expect. As the sector moves into post-Covid-19 recovery, focus has now turned towards realising the opportunities offered, alongside managing the risks ahead.

- **Education 2030**
  During the past two years, we have changed and innovated our academic offering in the response to the Covid-19 pandemic. Learning the lessons gained, and recognising the importance of ensuring that our students receive the very best experience, are supported to succeed in their studies and achieve excellent outcomes, we have the opportunity to re-consider and re-think our academic offer as a whole.
  To this end, our Education 2030 project has considered how best to ensure our academic offering is fit to meet the needs of students in 2030. At its heart, it is about developing a framework that is student-centred, robust and future proofed, to best support learning and teaching and deliver a high-quality student experience with high-quality student outcomes. The implementation of this project is underway, with the first students benefiting from our re-imagined academic offering starting in 2022-23.
  We are revamping our curriculum by introducing block-mode learning in a standard 30-credit module. Our new curriculum focusses on the integration of employability, sustainability and entrepreneurial activity into each module. Assessments have been reenvisaged to be more varied, inclusive and incorporated into each block.
- **Student recruitment**
  Following on from the previous recruitment cycle, where the sector saw significant instability, the reliance on student recruitment continues to be of the upmost importance. To ensure that the university has sustainable and managed student recruitment, the university has continued to adapt its strategy during 2021-22.
  Coinciding with the publication of our new Empowering University strategy, we launched a major new brand campaign, 'Made from More'. This offered a great opportunity to review how we positioned the university to our recruitment markets, highlighting the depth of our learning community, to students whose studies have been severely impacted by the pandemic.
  From an international perspective, recent analysis from UCAS reinforces the importance of recruitment of overseas students. To realise the opportunities within this arena, we have built upon, and developed new international partnerships which have seen the launch of our new DMUDubai and London campuses.
- **Financial sustainability**
  The higher education sector has faced significant financial challenges during this year, including frozen tuition fees, increased pension liabilities, inflation and the continuing impacts of swings in student recruitment, driven by the Covid-19 pandemic. In response to these financial challenges, the university has put in place the delivering business sustainability programme that will see full recovery over a five-year period, allowing a return to reinvestment of our growth and efficiency opportunities into strategic priorities. DMU is well placed to emerge from this period of financial instability. With strong financial management already in place, the financial recovery plan will form the core part of our decision-making over the next five years.

With these principles in place, the university remains committed to quality teaching and learning, the safety and wellbeing of students and staff, being a beacon of civic pride and engagement, and emerge even stronger financially.

## GOING CONCERN STATEMENT

These financial statements have been prepared on a going concern basis which the Governing Body believe to be appropriate for the following reasons:

The university's approved five-year financial plan for 2022/23 to 2026/27 continues to build on recovery from the impacts of the pandemic and the lower full-time undergraduate student recruitment in 2020/21, with further pressure from rising inflation, energy prices and the increase to national insurance. The university's response included strategic reviews around income generation, cost reduction and efficiency across four key themes in particular; academic structures, student income, professional services and operational efficiency. Tight controls over staff recruitment including vacancy management and cost control primarily through managing discretionary spend which does not have an impact on our ability to meet and maintain our high standards of teaching and research remain in place alongside restricting nonessential and non-committed capital expenditure in the next 12 to 18 months of around £15.8million (note 23).

These measures contribute to maintaining appropriate cash levels to support strategic investments, enable management of risks and in-year fluctuations in cashflow which is critically important in supporting the university's ability to continue to be a going concern.

The updated forecast for 2022/23 reflects the net impact of under-recruitment of home students and better than expected recruitment of international students, along with mitigations to address the remaining shortfall in expected tuition fee income. Cashflow projections have been prepared for at least twelve months from the date of approval of these consolidated financial statements and cover the period to 31 July 2024. The forecast total income is £265.5m for 2022/23 and £300.7m for 2023/24 with corresponding forecast cash and short-term investment balances of £140.7m at 31 July 2023 and £148.2m at 31 July 2024 respectively. The lowest cash balance during these two years is expected to be £112.5m. Assuming a downside scenario with a further decline in 2022/23 fee income of approximately 20% (£58m) with no direct mitigation for this, would reduce the total income position to £240.7m. The forecast cash and short-term investment position as at 31 July 2024 in this scenario is £107.5m.

The University is forecast to operate within its available committed facilities, meeting the financial covenant associated with the bond, the debt service ratio. The projected bond covenant position for 31 July 2023 and 31 July 2024 is 1.7% and 1.5% respectively, with the maximum being 7% before the covenant is breached. This ratio is 1.9% in the downside scenario.

We continue to focus on strengthening liquidity as well as the balance sheet so as to place the university in a strong position to safeguard its long-term financial sustainability.

Based on the above analysis, it remains appropriate to prepare the consolidated financial statements on a going concern basis.

# Chancellor, Board of Governors & Committees, University Leadership Board & Professional Advisers

## CHANCELLOR

**Mr Akram Khan** MBE — *Appointed January 2022*

## BOARD OF GOVERNORS

**Mr Ian Squires** BA (Hons) (Chair of the Board)
**Ms Dianne Buchanan** MA (Hons) ACA — *Stepped down January 2022*
**Ms Lisa Capper** MBE, BA, MA — *Stepped down May 2022*
**Ms Catherine Clarke** BA (Hons)
**Mr Phil Clarke** BA (Hons)
**Mr Peter Collyer** Chartered FCIPD — *Appointed January 2022*
**Professor Fiona Cownie** FAcSS, FRSA, PFHEA (Deputy Chair of the Board)
**Mr Rob Hull** MA PhD — *Stepped down February 2022*
**Ms Sharon Manikon-Deane** BSc (Hons) — *Stepped down March 2022*
**Mr Jonathan Mills** CB MA MPhil — *Appointed January 2022*
**Ms Sara Pierson** OBE BA (Hons) MBA
**Ms Sardip Sandhu** BSc (Hons) PGCert — *Appointed January 2022*
**Ms Beverley Shears** PGDip MA FRSA Chartered CIPD FIoD
**Mr Peter Tansley** BA (Hons) CGMA CIMA CMIIA
**Mr Daniel Toner** BA (Hons)
**Mr Paul Woodgates** BA (Hons) ACA — *Appointed January 2022*

## STAFF AND STUDENT GOVERNORS

**Mr Jon Lees** BA (Hons) PgCert MBA
**Ms Aashni Sawjani** LLB LLM (Student Opportunities and Engagement Executive)
**Dr Richard Snape** MA (Cantab) MEng PhD — *Stepped down April 2022*
**Mrs Buddy Penfold** BA PGCert MA — *Appointed July 2022*

## EX-OFFICIO GOVERNOR – CHIEF EXECUTIVE AND VICE-CHANCELLOR

**Professor Katie Normington** BA (Hons) MA PhD

## REGISTRAR (ACADEMIC)/SECRETARY TO THE BOARD OF GOVERNORS

**Ms Nikki Pierce** — Appointed February 2022

## COMMITTEES OF THE BOARD

### Audit Committee

Mr Peter Tansley (Chair)
Ms Lisa Capper (until May 2022)
Professor Fiona Cownie (until December 2021 and then from May 2022)
Mr Rob Hull (until February 2022)
Ms Sharon Manikon-Deane (until March 2022)
Mr Paul Woodgates (from January 2022)

### Finance and Performance Committee

Mr Daniel Toner (Chair)
Ms Dianne Buchanan (until January 2022)
Ms Catherine Clarke
Mr Phil Clarke
Mr Jonathan Mills (from January 2022)
Professor Katie Normington (ex officio)
Mr Ian Squires

### Nominations Committee

Mr Ian Squires (Chair)
Mr Phil Clarke
Mr Rob Hull (until March 2022)
Mr Jon Lees (from April 2022)

Professor Katie Normington (ex-officio)
Ms Aashni Sawjani
Dr Richard Snape (until April 2022)

### People and Culture Committee

Ms Beverley Shears (Chair)
Mr Peter Collyer (from January 2022)
Professor Katie Normington (ex-officio)
Ms Sardip Sandhu (from January 2022)
Mr Ian Squires
Ms Sara Pierson

### Remuneration Committee

Professor Fiona Cownie (Chair)
Ms Dianne Buchannan (until January 2022)
Ms Catherine Clarke
Ms Beverley Shears
Mr Ian Squires

## UNIVERSITY LEADERSHIP BOARD

**Professor Katie Normington** (Chief Executive and Vice-Chancellor) BA (Hons), MA, PhD

**Professor Andy Collop** (Deputy Vice-Chancellor) BEng, PhD, DSc *Left July 2022*

**Professor Simon Oldroyd** (Pro Vice-Chancellor Sustainability and Dean of Health and Life Sciences) BSc (Hons), PhD, FIBMS

**Mr Simon Bradbury** (Pro Vice-Chancellor International and Dean of Arts, Design and Humanities) MA (Cantab), DipArch, RIBA, ARB, FHEA

**Ms Kaushika Patel** (Deputy Pro Vice-Chancellor Equality, Diversity, and Inclusion and Deputy Dean of Health and Life Sciences) BA, MA, CQSW

**Professor Heather McLaughlin** (Interim Pro Vice-Chancellor Research and Academic Staff Development and Dean of Business and Law) BA, MSc, PhD, FCA, CMgr, FCMI, SFHEA, CMBE

**Professor Shushma Patel** (Pro Vice-Chancellor Student Experience and Dean of Computing, Engineering and Media) BSc (H) PhD FBCS, CITP, PFHEA, NTF

**Professor Susan Orr** (Pro Vice-Chancellor Education) Ed D, HEA PF, NTF, CATE, FRSA *Appointed May 2022*

**Ms Helen Donnellan** (Interim Pro Vice-Chancellor Regional Business and Innovation) BSc Hons, PG Cert, PG Dip *Appointed January 2022*

**Professor David Mba** (Pro Vice-Chancellor Research and Enterprise) PFHEA, FBINDT, FISEAM *Left September 2021*

**Ms Nikki Pierce** (Registrar (Academic) and Secretary to the Board of Governors) BSc Econ (Hons), MBA, MPhil *Appointed February 2022*

**Dr Peter Cross** (Chief Finance and Resources Officer) MAAT, FCPFA, MScPSM, DBA

**Ms Tracey Jessup** (Chief Transformation Officer) MA (Hons) *Appointed June 2022*

**Mrs Jo Cooke** (Executive Director of Student and Academic Services) BA (Hons)

**Ms Janine Brennan** (Executive Director of People and Organisational Development)

**Mrs Mel Fowler** (Executive Director of Marketing and Communications) BSc (Hons), MA

## PROFESSIONAL ADVISERS TO THE CORPORATION

**Auditors**

External Auditors: BDO LLP

Internal Auditors: KPMG LLP Appointed August 2021

**Bankers**

National Westminster Bank plc.

## Members of the Board of Governors who served throughout the year ended 31 July 2022

Their eligibility and attendance as members of the Board of Governors, Audit, Finance and Performance, People and Culture, Nominations and Remuneration is shown below:

| | Governor attendance at meetings 2021-22 | Board meetings | | Audit | | Finance and Performance | | People and Culture | | Nominations | | Remuneration | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Eligible to attend | Attended | Eligible to attend | Attended | Eligible to attend | Attended | Eligible to attend | Attended | Eligible to attend | Attended | Eligible to attend | Attended |
| 1 | I Squires | 7 | 7 | - | - | 5 | 3 | 4 | 3 | 2 | 2 | 4 | 4 |
| 2 | D Buchanan | 4 | 0 | - | - | 2 | 0 | - | - | - | - | 3 | 0 |
| 3 | F Cownie | 7 | 5 | 4 | 3 | - | - | - | - | - | - | 4 | 4 |
| 4 | L Capper | 6 | 3 | 5 | 3 | - | - | - | - | - | - | - | - |
| 5 | C Clarke | 8 | 8 | - | - | 5 | 4 | - | - | - | - | 4 | 4 |
| 6 | P Clarke | 8 | 6 | - | - | 5 | 5 | - | - | 2 | 1 | - | - |
| 7 | P Collyer | 5 | 4 | - | - | - | - | 3 | 3 | - | - | - | - |
| 8 | R Hull | 4 | 4 | 5 | 5 | - | - | - | - | 1 | 1 | - | - |
| 9 | J Lees | 8 | 6 | - | - | - | - | - | - | 1 | 0 | - | - |
| 10 | S Manikon-Deane | 5 | 2 | 5 | 3 | - | - | - | - | - | - | - | - |
| 11 | J Mills | 5 | 5 | - | - | 3 | 2 | - | - | - | - | - | - |
| 12 | K Normington | 8 | 7 | * | * | 5 | 4 | 4 | 2 | 2 | 2 | * | * |
| 13 | B Penfold | 1 | 1 | - | - | - | - | - | - | - | - | - | - |
| 14 | S Pierson | 8 | 6 | - | - | - | - | 4 | 3 | - | - | - | - |
| 15 | S Sandhu | 5 | 5 | - | - | - | - | 3 | 3 | - | - | - | - |
| 16 | A Sawjani | 8 | 7 | - | - | - | - | - | - | 2 | 2 | - | - |
| 17 | B Shears | 7 | 7 | - | - | - | - | 4 | 3 | - | - | 4 | 1 |
| 18 | R Snape | 5 | 5 | - | - | - | - | - | - | 1 | 0 | - | - |
| 19 | P Tansley | 7 | 7 | 6 | 6 | - | - | - | - | - | - | - | - |
| 20 | D Toner | 7 | 4 | - | - | 5 | 3 | - | - | - | - | - | - |
| 21 | P Woodgates | 5 | 5 | 3 | 3 | - | - | - | - | - | - | - | - |

* May attend in ULB capacity, not a member

# Independent Auditor's Report to the Board of De Montfort University

**Opinion on the financial statements**
In our opinion, the financial statements:
- give a true and fair view of the state of the Group's and of the University's affairs as at 31 July 2022 and of the Group's and the University's income and expenditure, gains and losses, changes in reserves and of the Group's cash flows for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

We have audited the financial statements of De Montfort University ("the University") and its subsidiaries ("the Group") for the year ended 31 July 2022 which comprise Consolidated and Corporation Statement of Comprehensive Income, the Consolidated and Corporation Statement of Changes in Reserves, the Consolidated and Corporation Statement of Financial Position, the Consolidated Statement of Cash Flow 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**
Following the recommendation of the Audit Committee, we were appointed by the Governors of De Montfort University to audit the financial statements for the year ending 31 July 2021 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is two years, covering the year ending 31 July 2022.

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 Governors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Governors' assessment of the Group and the University's ability to continue to adopt the going concern basis of accounting included:
- Assessment of the internal forecasting process to confirm the projections are prepared by appropriate personnel that are aware of the detailed figures in the forecast but also to have a high-level understanding of the University's market, strategy and profile in the sector, and the ongoing impact of the current economic environment.
- Consideration of the forecast prepared by management and challenge of the key assumptions based on our knowledge of the business.
- Obtaining and assessing the availability of financing facilities, the nature of facilities and repayment terms through to July 2024.
- We considered management's financial covenant compliance calculations through to July 2024 and concluded on the consistency of such calculations with the ratios stated in the relevant lender agreements.
- As referred to in note 1, management has modelled a reasonably possible downside scenario to incorporate the ongoing impact of the current economic environment. We have considered the appropriateness of the downside scenario in respect of the impact of the current economic environment and challenged management to confirm that they have suitably addressed the inputs, which are most susceptible to change, including those in respect of revenue.
- We confirmed the adequacy of the disclosures in the financial statements against the requirements of the accounting standards and consistency of the disclosure against the forecasts and stress test scenario

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 Governors' with respect to going concern are described in the relevant sections of this report.

## Overview

| | | | |
|---|---|---|---|
| Coverage | **We audit the following within the group:**<br>100% of Group deficit before tax (2021: 100%)<br>100% of Group revenue (2021: 100%)<br>100% of Group total net assets (2021: 100% | | |
| Key audit matters | | 2022 | 2021 |
| | Revenue recognition – education contract income | Yes | No |
| | Revenue recognition – tuition fee income | No | Yes |
| | Revenue recognition – research grant income | No | Yes |
| | Revenue recognition – tuition fee income and research grant income are no longer considered to be key audit matters because the level of work required to audit these areas in the current period did not require significant levels of judgement or significant auditor attention. | | |
| Materiality | **Group financial statements as a whole**<br>£3,200,000 (2021: £2,957,000) based on 1.35% (2021: 1.25%) of revenue<br>A specific materiality of £1 was determined for our testing of Head of Provider remuneration. | | |

**An overview of the scope of our audit**
Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Governors' that may have represented a risk of material misstatement.

Audit work on all significant components was performed by BDO UK both for the purposes of reporting on the individual financial statements and for group/consolidation purposes.

We identified one component (De Montfort University) which, in our view required an audit of their complete financial information for group purposes due to their size and were therefore considered to be significant components

De Montfort Expertise Limited was not considered to be a significant component of the Group. Audit work was performed by BDO UK both for the purposes of reporting on the individual financial statements and for group/consolidation purposes.

**Key audit matters**
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Key audit matter | | How the scope of our audit addressed the key audit matter |
|---|---|---|
| **Revenue recognition – education contract income (note 1a)** | The University earns income from education contracts.<br><br>The University has applied the 'percentage of completion' method for recognising income on education contracts. Income in the year is calculated using costs incurred to date as a percentage of total costs expected to be incurred applied to the overall anticipated income figure and as such requires a significant level of judgement estimating the total contract costs to complete.<br><br>We consider revenue recognition of education contract income to be a significant risk and also a key audit matter. | We have substantively tested the recognition of income from education contracts.<br>For samples of education contract income in the year, accrued education contracts and deferred education contracts we have:<br><br>▪ confirmed that the University is entitled to that income based on the contract terms and that the income is accurately recorded in the correct accounting period<br>▪ confirmed expenditure on these contracts is eligible for this contract, as this drives income recognition based on percentage of completion.<br><br>For a sample of completed projects in the period, we have compared the budgeted forecast expenditure to the actual expenditure incurred and corroborated variances.<br><br>For the one contract with material future income at the balance sheet date, we have compared the budgeted forecast expenditure used in the year end calculation with the budgeted forecast expenditure subsequent to year end and corroborated variances.<br><br>Key observation: Based on the audit work performed, we consider the judgements to be reasonable. |

**Our application of materiality**
We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take into account the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

| | **Group financial statements** | | **Parent company financial statements** | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| Materiality | £3,200,000 | £2,957,000 | £3,037,000 | £2,809,000 |
| Basis for determining materiality | 1.35% of revenue | 1.25% of revenue | 1.35% of revenue, restricted to 95% of Group financial statement materiality | 1.25% of revenue, restricted to 95% of Group financial statement materiality |
| Performance materiality | £2,240,000 | £1,774,200 | £2,125,900 | £1,685,400 |
| Basis for determining performance materiality | 70% of materiality | 60% of materiality | 70% of materiality | 60% of materiality |

A specific materiality of £1 was determined for our testing of Head of Provider remuneration.

**Rationale for the materiality benchmark applied**
The benchmark used for the current year materiality is revenue. Revenue is of particular interest to the users of the financial statements as the success of both research and student enrolment is linked to this figure.

**Component materiality**
We set materiality for each component of the Group based on a percentage of between 2.8% and 95% of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £90,000 to £3,037,000. In the audit of each component, we further applied performance materiality levels of 70% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

**Reporting threshold**
We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £64,000. We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

**Other information**
The Governors are 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"), UK Research and Innovation (including Research England), the Education and Skills Funding Agency ("ESFA") and the Department for Education**

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 1g 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 6 to the accounts, has been materially misstated.

**Responsibilities of the Governors'**

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

In preparing the financial statements, the Governors are responsible for assessing the Group and the University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Governors either 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:

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

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

**The audit procedures to address the risks identified included:**

- Reading minutes of meetings of those charged with governance, reviewing internal audit reports and enquiries of management regarding correspondence with HMRC and relevant regulators to identify any actual or potential frauds or any potential weaknesses in internal control which could results in fraud susceptibility;
- Discussions with management and Audit Committee, including consideration of known or suspected instances on non-compliance with laws and regulations and fraud, including direct representation from the Accountable Officer;
- Reviewing items included in the fraud register as well as the results of internal audit's investigations into these matters;
- Challenging assumptions made by management in their significant accounting estimates in particular in relation to: the bad debt provision where we have recalculated the provision as well as creating a BDO benchmark provision to ensure we were materially satisfied with the provision; reviewing the Useful Economic Lives of tangible and intangible assets to assess whether they were reasonable and in line with other Higher Education Institution's; and we have sought third party actuary confirmation of the appropriateness of the pension assumptions;
- In addressing the risk of fraud, including the management override of controls and improper income recognition, we tested the appropriateness of certain journals, reviewed the application of judgements associated with accounting estimates for the indication of potential bias and tested the application of cut-off and revenue recognition; and
- Identifying and testing journal entries, in particular any journal entries posted from staff members with privilege access rights, journals posted by key management, journals posted, and journals posted after the year end.

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

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

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

**Use of our report**

This report is made solely to the Governors, as a body, in accordance with Section 75 of the Higher Education Research Act 2017. Our audit work has been undertaken so that we might state to the University's Governors 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 Governors as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:
Kyla Bellingall
A11A16013DD84AC...

**Kyla Bellingall (Senior Statutory Auditor)**
For and on behalf of BDO LLP, Statutory Auditor

Birmingham, UK

Date: 16 December 2022

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

# Statement of Principal Accounting Policies

The following accounting policies have been applied consistently throughout the period to items that are considered material in relation to the accounts. These accounting policies have been reviewed by the Board of Governors and are considered to be appropriate to the university's activities.

### 1. BASIS OF PREPARATION

These financial statements have been prepared on a going concern basis which the Governing Body believe to be appropriate for the following reasons:

The university's approved five-year financial plan for 2022/23 to 2026/27 continues to build on recovery from the impacts of the pandemic and the lower full-time undergraduate student recruitment in 2020/21, with further pressure from rising inflation, energy prices and the increase to national insurance. The university's response included strategic reviews around income generation, cost reduction and efficiency across four key themes in particular; academic structures, student income, professional services and operational efficiency. Tight controls over staff recruitment including vacancy management and cost control primarily through managing discretionary spend which does not have an impact on our ability to meet and maintain our high standards of teaching and research remain in place alongside restricting non-essential and non-committed capital expenditure in the next 12 to 18 months of around £15.8million (note 23). These measures contribute to maintaining appropriate cash levels to support strategic investments, enable management of risks and in-year fluctuations in cashflow which is critically important in supporting the university's ability to continue to be a going concern.

The updated forecast for 2022/23 reflects the net impact of under-recruitment of home students and better than expected recruitment of international students, along with mitigations to address the remaining shortfall in expected tuition fee income. Cashflow projections have been prepared for at least twelve months from the date of approval of these consolidated financial statements and cover the period to 31 July 2024. The forecast total income is £265.5m for 2022/23 and £300.7m for 2023/24 with corresponding forecast cash and short-term investment balances of £140.7m at 31 July 2023 and £148.2m at 31 July 2024 respectively. The lowest cash balance during these two years is expected to be £112.5m. Assuming a downside scenario with a further decline in 2022/23 fee income of approximately 20% (£58m) with no direct mitigation for this, would reduce the total income position to £240.7m. The forecast cash and short-term investment position as at 31 July 2024 in this scenario is £107.5m.

The University is forecast to operate within its available committed facilities, meeting the financial covenant associated with the bond, the debt service ratio. The projected bond covenant position for 31 July 2023 and 31 July 2024 is 1.7% and 1.5% respectively, with the maximum being 7% before the covenant is breached. This ratio is 1.9% in the downside scenario.

We continue to focus on strengthening liquidity as well as the balance sheet so as to place the university in a strong position to safeguard its long-term financial sustainability.

Based on the above analysis, it remains appropriate to prepare the consolidated financial statements on a going concern basis.

### 2. ACCOUNTING CONVENTION

The accounts are prepared under the historical cost convention in accordance with Financial Reporting Standard 102 (FRS 102) as interpreted by the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2019. The university complies with the Office for Students (OfS) Accounts Direction.

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

### 3. ACCOUNTING JUDGEMENTS AND ESTIMATES

In the application of the University's accounting policies, it is necessary to make judgements and estimates about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates are based on historical experience and other factors that are considered to be relevant.

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

#### Judgements

The following are the judgements that have been taken in the process of applying the University's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

**i) Research grants and contract**

Grants and donations from non-government sources are released to the Consolidated Statement of Comprehensive Income as performance criteria are met. Revenue is recognised when these conditions are judged to have been met.

**ii) Bad and doubtful debts**

Specific provision is made for individual debts where recovery is deemed to be uncertain and this requires an element of judgement.

**iii) Impairment of tangible assets**

A review for potential indicators of impairment is carried out at each reporting date. If events or changes in circumstances indicate that the carrying amount may not be recoverable, a calculation of the impact is completed and arising impairment values charged against the asset and to the Statement of Comprehensive Income.

#### Estimates

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

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

**i) Useful lives of tangible fixed assets**

Tangible fixed assets represent a significant portion of the University's total assets. Therefore, the estimates of the useful lives over which assets are depreciated could have a significant impact on the University's financial performance. Tangible fixed assets are depreciated over their useful lives, considering residual values where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In reassessing asset lives, factors such as technological innovation and maintenance programmes are considered.

Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

**ii) Useful lives of intangible assets**

Intangible assets (software) are amortised on a straight-line basis over their estimated useful lives. The useful lives and residual values are assessed annually after considering a number of factors such as technology innovation.

**iii) Local Government Pension Scheme (LGPS)**

The local government pension scheme is sensitive to the actuarial assumptions used. Therefore, the assumptions used to derive this value could have a significant impact on the University's financial performance. The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note (26d) in the Annual Accounts, will impact the carrying amount of the pension liability.

Furthermore, a roll forward approach, which projects results from the latest full actuarial valuation performed at 31 March 2019, has been used by the actuary in valuing the pensions liability at 31 July 2022. The full actuarial valuation at 31 March 2022 is in progress.

Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

**iv) Bad and doubtful debts**

A provision for bad and doubtful debts is calculated using a formula based on the age of the overdue debt. The formula is applied consistently from year to year but necessarily requires a degree of estimation.

**v) Retirement benefit obligations**

The university also operates within two schemes that are accounted for as defined contribution schemes – the Universities Superannuation Scheme (USS) and the Teachers' Pension Scheme (TPS). These are accounted for as defined contribution schemes as insufficient information is available to identify the university's share of the underlying assets and liabilities.

As the university is contractually bound to make deficit recovery payments to USS, this is recognised as a liability on the Consolidated Statement of Financial Position. The USS deficit recovery plan defines the deficit payment required as a percentage of future salaries until 2031. 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. This provision is sensitive to assumptions used which could have a significant impact on the University's financial performance. See note 26c.

## 4. TANGIBLE FIXED ASSETS

### i) Measurement at initial recognition

Tangible assets are capitalised if they are capable of being used for a period that exceeds one year and:

- Individually have a cost equal to or greater than £10,000; or
- Collectively have a cost equal to or greater than £10,000 where the assets are functionally interdependent or are purchased together and intended to be used as group under common management control; or
- Irrespective of their individual cost, form part of the initial equipping of a new building.

### ii) Measurement after initial recognition

Land and buildings inherited from Leicestershire County Council on 1 April 1989, and prime teaching buildings, that had been revalued to fair value on 30 May 2012, are measured at deemed cost, being the revalued amount at the date of that revaluation, less depreciation since that date.

All other tangible fixed assets are stated at cost.

Assets held for resale are stated at the lower of cost or net realisable value.

A review for impairment of buildings is carried out annually. If events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable, an impairment charge is made to the Consolidated Statement of Comprehensive Income.

Componentisation is built into the asset lives of the buildings. When significant components are replaced, they have their asset lives individually assessed.

### iii) Depreciation

Land is not depreciated. Freehold property is depreciated over expected useful life on a straight-line basis.
For existing properties, new construction and major renovations, the expected useful life is based on an external appraisal and reflects all of the buildings' major components. Refurbishment projects are depreciated over 20 years.

Leasehold property, including improvements to leasehold property, and other leased assets are depreciated over the life of the lease. Other tangible assets are depreciated on a straight-line basis over their useful life as follows:

| Equipment | Lifespan |
|---|---|
| Computer equipment | Three years |
| Other equipment and furniture acquired | Five years |
| Equipment acquired for specific projects | Over the life of the project (generally three years) |
| Equipment which extends useful life | Over additional useful life |

| Buildings | Lifespan |
|---|---|
| University owned buildings | Over expected useful life (20 - 50-plus years) |
| Leasehold property | Over life of lease |

New buildings and major refurbishments to buildings are depreciated from the month in which they are put into service. All other assets are depreciated from the month after they are put into service.

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

Depreciation on disposals is provided up to the month before the asset is taken out of use.

### iv) Funded tangible fixed assets

Where assets are acquired with the aid of specific grants or donations they are capitalised and depreciated as above.

All non-government grants are released to the Consolidated Statement of Comprehensive Income as donations, as performance criteria are met.

Government grants and donations are treated as deferred capital grants held on the Consolidated Statement of Financial Position and released to income over the expected useful life of the asset (or the period of the grant in respect of specific projects).

Grants received in respect of land are released to the Consolidated Statement of Comprehensive Income and shown under 'Donations and Endowments' when performance-related conditions are met.

### v) Tangible donated fixed assets

Tangible fixed assets other than land that have been donated to the university are capitalised at market value.

All non-government donations are released to the Consolidated Statement of Comprehensive Income as donations.

Government donations are treated as deferred capital grants. Assets are depreciated over their estimated useful lives, and a corresponding amount is released from deferred capital grants to the Consolidated Statement of Comprehensive Income.

### vi) IT equipment and software licences

IT equipment, such as personal computers and related items, are purchased in bulk through the university's central purchasing and supply system. These items are capitalised as a single group of equipment and depreciated in accordance with i) and iii) above.

IT software licences are treated as a revenue cost and are charged to the Consolidated Statement of Comprehensive Income in the year of purchase.

IT software development is treated as an intangible asset.

### vii) Maintenance of premises

The cost of routine maintenance is charged to the Consolidated Statement of Consolidated Income in the period in which it is incurred. The university has a long-term planned maintenance programme, which is reviewed on an annual basis. The university charges actual expenditure on long-term planned maintenance to the Consolidated Statement of Consolidated Income in the period in which it is incurred.

### viii) Heritage assets

Heritage assets are defined as assets that are held principally for their contribution to knowledge and culture.

An independent antiques and fine art assessor valued the heritage assets as at 12 March 2016 on the basis of the value for insurance purposes. Those assets, which are valued either individually or as a group at or in excess of £10,000, are recognised in the Consolidated Statement of Financial Position at deemed cost, being this valuation.

Heritage assets are not depreciated since their long economic life and high residual value are an indication that any depreciation charge is immaterial. They are subject to an annual impairment review at the reporting date. They are maintained and the cost of maintenance charged to the Consolidated Statement of Comprehensive Income as incurred. A revaluation has not been performed based on our assessment, that this cannot be obtained at a cost which is commensurate with benefits to the user of the financial statements.

## 5. INTANGIBLE ASSETS

Intangible assets are recorded at cost and amortised over their expected useful life as follows:

| Intangible asset | Lifespan |
|---|---|
| Software | Over expected useful life (3 to 10 years) |

## 6. LEASES

Leases in which the university assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Leased assets held under finance leases and the related lease obligations are recorded in the Consolidated Statement of Financial Position at the fair value of the leased assets at the inception of the lease. The excess of the lease payments over recorded lease obligations are treated as finance charges which are amortised over each lease term to give a constant rate of charge on the remaining balance of the obligations.

Rental costs under operating leases are charged to the Consolidated Statement of Comprehensive Income in equal amounts over the periods of the leases. Any lease premiums or incentives are spread over the minimum lease term.

## 7. REVENUE

### i) Tuition fees

Revenue from tuition fees represents student fees received and receivable that are attributable to the studies undertaken in the current accounting period. Where the amount of the tuition fee is reduced by a discount then the income receivable is shown net of the discount. Bursaries and scholarships are accounted for gross as expenditure and not deducted from income.

### ii) Funding body grants

Income from Office for Students (OfS) recurrent grants is in support of general or specific revenue activities of the university. The income is credited direct to the Consolidated Statement of Comprehensive Income on an accruals basis.

Other government grant income is recognised on a systematic basis using the 'percentage of completion' method. Income is recognised based on costs expended during the period.

Government capital grants and contributions received by the university to finance the construction or purchase of capital assets are accounted for as deferred capital grants and released to the Consolidated Statement of Comprehensive Income over the expected useful life of the related assets (or the period of the grant in respect of specific projects).

Deferred income in respect of the OfS capital grant, which is attributable to subsequent years, is shown and is reported under creditors due within one year and falling due after more than one year in the Consolidated Statement of Financial Position.

**iii) Research grants and contracts**
Other grants and donations from non-government sources, including research grants from non-government sources, are released to the Consolidated Statement of Comprehensive Income as performance criteria are met. Those transactions under £100,000 are released on an accruals basis. These are shown under research grants and contracts.

**iv) Commercial research and consultancy revenue**
Revenue from commercial research contracts, consultancy and other services rendered is recognised using the 'percentage of completion' method and is shown under 'Research'.

**v) Other Income**
Other 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 customers or the terms of the contract have been satisfied.

**vi) Investment Income**
All income from short-term deposits and endowment asset investments is credited to the Consolidated Statement of Consolidated Income on a receivable basis and is shown under 'Investment Income'.

**vii) Donations and Endowments**
Non-exchange transactions without performance-related conditions are donations and endowments.

Endowment assets are reported under investments and cash and cash equivalents.

**viii) Donations with no restrictions**
Charitable donations with no restrictions are recognised in the Consolidated Statement of Comprehensive Income when the charitable donation has been received or if, before receipt, there is sufficient evidence to provide the necessary certainty that the donation will be received and the value of the incoming resources can be measured with sufficient reliability. This includes all donations under £1,000.

**ix) Donations and endowments with restrictions**
Where charitable donations are to be retained for the benefit of the institution as specified by the donors, these are accounted for as restricted reserves with additional disclosure provided within the notes to the accounts.

There are three main types:

**Restricted expendable endowments**
The donor has specified a particular objective and the donation is expected to be spent over a period of at least 24 months. These are recorded in the Consolidated Statement of Comprehensive Income on entitlement and retained within a restricted endowment reserve until such time that expenditure is incurred in line with the restriction. The university applies a de-minimis of £5,000 for expendable endowments.

**Donations with restrictions**
The donation doesn't meet the expendable endowment criteria where the general use of the funds is specified by the donor. These are recorded in the Consolidated Statement of Comprehensive Income on entitlement and retained within a restricted reserve until such time that expenditure is incurred in line with the restriction.

**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. Income is recognised on entitlement. Investment returns are recognised immediately and held within the endowment reserve, to the extent that it has not been spent.

Income from restricted endowments not expended in accordance with the restrictions of the endowment is transferred from the Consolidated Statement of Comprehensive Income to restricted endowments. Any realised gains or losses from dealing in the related assets are retained within the endowment in the Consolidated Statement of Financial Position.

**x) Donations for fixed assets**
All non-government donations are released to the Consolidated Statement of Comprehensive Income as donations. Government donations are treated as deferred capital grants.

Donations received to be applied to the cost of land are recognised by inclusion as 'Donations' in the Consolidated Statement of Comprehensive income.

**xi) Gifts in kind, including donated tangible fixed assets**
Gifts in kind are included in 'other income' or 'deferred capital grants' as appropriate using a reasonable estimate of their gross value or the amount actually realised.

## 8. STOCK
Stocks are stated at the lower of cost and net realisable value. Consumable items are charged directly to the Consolidated Statement of Comprehensive Income. The first in, first out (FIFO) method is used for costing stock.

## 9. INCOME TAX
**Taxation status**
The institution is an exempt charity within the meaning of part 3 of the Charities Act 2011 (formerly schedule 2 of the Charities Act 1993) and does pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the institution is potentially exempt from taxation in respect of income or capital gains received within categories covered by 478-488 of the Corporation Tax Act 2010 (CTA2010) 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.

All subsidiary companies are liable to Corporation Tax and Value Added Tax in the same way as any other commercial organisation.

## 10. DEFERRED TAXATION
Provision is made for deferred taxation in respect of subsidiary companies, using the liability method on all material timing differences.

## 11. EMPLOYEE BENEFITS
**i) Short-term employee benefits**
Short-term employment benefits such as salaries and compensated absences are recognised as an expense in the year in which the employee renders the 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.

**ii) Post-employment benefits**
Retirement benefits to employees of the university are provided by defined benefit schemes that are funded by contributions from the university and employees.

Payments are made to the Teachers' Pension Scheme and the Universities Superannuation Scheme for academic staff and to the Local Government Pension Scheme for support staff. These are all independently administered schemes. Pension costs are assessed on the latest actuarial valuations of the schemes.

For the Local Government Pension Scheme, the assets of the scheme are included at closing market value and scheme liabilities are measured on an actuarial basis using the projected unit credit method. The difference between the fair value of assets and liabilities measured on an actuarial basis, net of the related amount of deferred tax, is recognised in the university's Consolidated Statement of Financial Position as a pension scheme liability or asset as appropriate. A surplus is only included to the extent that the university is able to recover the surplus either through reduced contributions in the future or through refunds from the scheme. The following are recognised in the Consolidated Statement of Comprehensive Income:

a) Changes in the defined asset or liability arising from factors other than cash contributions to the scheme.

b) Actuarial gains and losses.

c) Interest charges/returns by applying the discount rate to the net pension deficit/surplus.

The Teachers' Pension Scheme and the Universities Superannuation Scheme are multi-employer schemes where the university is unable to identify its share of the underlying assets and liabilities on a consistent and reasonable basis. Contributions are charged directly to the Consolidated Statement of Comprehensive Income as if the schemes were a defined contribution scheme.

Provision is made for enhanced pensions where employees have taken early retirement.

Also, a provision is made for any contractual commitment to fund any past deficits within the Universities Superannuation Scheme.

## 12. BASIS OF CONSOLIDATION
The Consolidated Statement of Comprehensive Income and Consolidated Statement of Financial Position include the annual accounts of the corporation and its operating subsidiary undertakings. Details of the university's subsidiary undertakings are provided in the notes to the accounts. Intra-group transactions are eliminated on consolidation.

The consolidated financial statements do not include those of De Montfort University Students' Union, as it is a separate limited company over which the university does not exert control or dominant influence over policy decisions.

## 13. FINANCIAL INSTRUMENTS
Financial assets and liabilities are recognised when the University becomes party to the contractual provision of the instrument and they are classified according to the substance of the contractual arrangements entered into.

A financial asset and a financial liability are offset only when there is a legally enforceable right to set off the recognised amounts and an intention either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

**Financial assets**
Basic financial assets include trade and other receivables, cash and cash equivalents, and investments in commercial paper (i.e. deposits and bonds). These assets are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest rate method. Financial assets are assessed for indicators of impairment at each reporting 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.

Cash and cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and subject to an immaterial risk of changes in value i.e. price risk. Cash and cash equivalents consist of cash on hand, demand deposits and short-term deposits/highly liquid investments, less bank overdrafts, which are repayable on demand. Short-term deposits and investments are those with an outstanding maturity of three months or less.

The university regularly reviews its aged accounts receivable and records an impairment for its estimate of unrecoverable items.

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 are not publicly traded and where the fair value cannot be reliably measured the assets are measured at cost less impairment.

Other investments in debt and equity securities held by the university are classified as being 'available for sale' and are stated at fair value, with any resultant gain or loss being recognised directly in equity (in the fair value reserve), except for impairment losses. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in the Consolidated Statement of Comprehensive Income. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss.

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. These liabilities are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Debt instruments 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 using the effective interest rate method.

Bonds and long-term borrowings are recognised initially at fair value less attributed transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

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

### 14. INTEREST PAYABLE
Interest is capitalised on borrowings to finance major property development to the extent that it accrues in respect of the period of development. Such costs are capitalised as part of the specific asset.

Other interest payable is charged to the Consolidated Statement of Comprehensive Income.

### 15. STAFF RESTRUCTURING COSTS
Restructuring costs are recognised in respect of the direct expenditure of a reorganisation, where plans are sufficiently detailed and well advanced, and where appropriate communication to those affected has been undertaken at the Consolidated Statement of Financial Position date.

### 16. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS
Provisions are recognised when the university has a present and legal or constructive obligation as a result of a past event, it is probable that a transfer of economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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

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

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

### 17. FOREIGN CURRENCIES
The consolidated financial statements are presented in pounds sterling, which is the group's functional and presentation currency. The group does not include any foreign entity. Transactions denominated in foreign currencies are recorded at the exchange rate on the transaction date, while assets and liabilities are translated at exchange rates at the Consolidated Statement of Financial Position date. The resulting exchange rate differences are recognised in the Consolidated Statement of Comprehensive Income.

### 18. OPERATING SEGMENTS
Information about income, expenditure and assets attributable to material operating segments are updated on the basis of the nature and function of services undertaken by the group rather than geographical location. As permitted by IFRS 8 this is appropriate on the basis of the similarity of the services provided, the nature of the risks associated, the type and class of customer and the nature of the regulatory environment across all of the geographical locations in which the group operates. No specific segments are reported internally for management purposes but relevant information is disclosed in the financial statements as part of the analysis of income in Note 1 and expenditure in Note 5. Assets and liabilities are not reported by operating segment.

# Consolidated and Corporation Statement of Comprehensive Income for the year ended 31 July 2022

| Income | Notes | Group 2022 £'000 | Group 2021 £'000 | Corporation 2022 £'000 | Corporation 2021 £'000 |
|---|---|---|---|---|---|
| Tuition fees and education contracts | 1a | 208,589 | 201,889 | 208,515 | 201,889 |
| Funding body grants | 1b | 17,792 | 21,161 | 17,792 | 21,161 |
| Research grants and contracts | 1c | 4,961 | 3,653 | 4,928 | 3,561 |
| Other income | 1d | 10,249 | 7,266 | 10,113 | 7,081 |
| Investment income | 1e | 1,229 | 533 | 1,228 | 531 |
| Donations and endowments | 1f | 200 | 127 | 200 | 127 |
| **Total income** | | **243,020** | **234,629** | **242,776** | **234,350** |
| **Expenditure** | | | | | |
| Staff costs | 2 | 156,622 | 149,866 | 156,363 | 149,596 |
| Staff restructuring costs | 2e | 3,966 | 483 | 3,966 | 483 |
| Other operating expenses | 3 | 65,309 | 65,280 | 65,324 | 65,271 |
| Interest and other finance costs | 4 | 8,046 | 7,274 | 8,046 | 7,274 |
| Intangible amortisation | 8 | 4,154 | 4,142 | 4,154 | 4,142 |
| Depreciation | 9 | 13,374 | 13,081 | 13,374 | 13,081 |
| **Total expenditure** | **5** | **251,471** | **240,126** | **251,227** | **239,847** |
| **Deficit before other (losses)/gains** | | **(8,451)** | **(5,497)** | **(8,451)** | **(5,497)** |
| (Loss)/Gain on investments | | (1,977) | 1,830 | (1,977) | 1,830 |
| **Deficit before tax** | | **(10,428)** | **(3,667)** | **(10,428)** | **(3,667)** |
| Taxation | 7 | (13) | (14) | (13) | (14) |
| **Deficit for the year** | | **(10,441)** | **(3,681)** | **(10,441)** | **(3,681)** |
| Actuarial Gain/(Loss) in respect of pension schemes | 26d | 189,222 | (14,964) | 189,222 | (14,964) |
| **Total comprehensive income/(expenditure) for the year** | | **178,781** | **(18,645)** | **178,781** | **(18,645)** |
| **Represented by:** | | | | | |
| Endowment comprehensive income for the year | | 6 | 245 | 6 | 245 |
| Restricted comprehensive income for the year | | 1 | - | 1 | - |
| Unrestricted comprehensive income/(expenditure) for the year | | 178,773 | (18,890) | 178,773 | (18,890) |
| Revaluation reserve comprehensive income for the year | | 1 | - | 1 | - |
| | | **178,781** | **(18,645)** | **178,781** | **(18,645)** |

All items of income and expenditure relate to continuing activities.



# Consolidated and Corporation Statement of Changes in Reserves for the year ended 31 July 2022

| | | Income and expenditure account | | | |
|---|---|---|---|---|---|
| | Endowment | Restricted | Unrestricted | Revaluation reserve | Total |
| **Group** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** |
| **Balance at 1 August 2021** | **2,560** | **57** | **119,159** | **1,061** | **122,837** |
| Surplus/(deficit) for the year | 6 | 1 | (10,448) | - | (10,441) |
| Other comprehensive income | - | - | 189,222 | - | 189,222 |
| Transfers between revaluation and income and expenditure reserve | - | - | (1) | 1 | - |
| **Total comprehensive income for the year** | **6** | **1** | **178,773** | **1** | **178,781** |
| **Balance at 31 July 2022** | **2,566** | **58** | **297,932** | **1,062** | **301,618** |

| | | Income and expenditure account | | | |
|---|---|---|---|---|---|
| | Endowment | Restricted | Unrestricted | Revaluation reserve | Total |
| | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** |
| **Balance at 1 August 2020** | **2,315** | **57** | **138,049** | **1,061** | **141,482** |
| Surplus/(deficit) for the year | 245 | - | (3,926) | - | (3,681) |
| Other comprehensive expenditure | - | - | (14,964) | - | (14,964) |
| Transfers between revaluation and income/(expenditure) reserve | - | - | - | - | - |
| **Total comprehensive income/(expenditure) for the year** | **245** | **-** | **(18,890)** | **-** | **(18,645)** |
| **Balance at 31 July 2021** | **2,560** | **57** | **119,159** | **1,061** | **122,837** |

| | | Income and expenditure account | | | |
|---|---|---|---|---|---|
| | Endowment | Restricted | Unrestricted | Revaluation reserve | Total |
| **Corporation** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** |
| **Balance at 1 August 2021** | **2,560** | **57** | **118,902** | **1,061** | **122,580** |
| Surplus/(deficit) for the year | 6 | 1 | (10,448) | - | (10,441) |
| Other comprehensive income | - | - | 189,222 | - | 189,222 |
| Transfers between revaluation and income and expenditure reserve | - | - | (1) | 1 | - |
| **Total comprehensive income for the year** | **6** | **1** | **178,773** | **1** | **178,781** |
| **Balance at 31 July 2022** | **2,566** | **58** | **297,675** | **1,062** | **301,361** |

| | | Income and expenditure account | | | |
|---|---|---|---|---|---|
| | | Restricted | Unrestricted | Revaluation reserve | Total |
| | **Endowment £'000** | **£'000** | **£'000** | **£'000** | **£'000** |
| **Balance at 1 August 2020** | **2,315** | **57** | **137,792** | **1,061** | **141,225** |
| Surplus/(deficit) for the year | 245 | - | (3,926) | - | (3,681) |
| Other comprehensive expenditure | - | - | (14,964) | - | (14,964) |
| Transfers between revaluation and income and expenditure reserve | - | - | - | - | - |
| **Total comprehensive income/(expenditure) for the year** | **245** | **-** | **(18,890)** | **-** | **(18,645)** |
| **Balance at 31 July 2021** | **2,560** | **57** | **118,902** | **1,061** | **122,580** |

# Consolidated and Corporation Statement of Financial Position as at 31 July 2022

| Non-current assets | Notes | Group 2022 £'000 | Group 2021 £'000 | Corporation 2022 £'000 | Corporation 2021 £'000 |
|---|---|---|---|---|---|
| Intangible assets | 8 | 16,618 | 20,623 | 16,618 | 20,623 |
| Tangible fixed assets | 9 | 287,491 | 291,624 | 287,491 | 291,624 |
| Heritage assets | 10 | 1,073 | 1,073 | 1,073 | 1,073 |
| Investments | 11 | 34,229 | 29,975 | 34,539 | 30,285 |
| **Total non-current assets** | | **339,411** | **343,295** | **339,721** | **343,605** |
| | | | | | |
| **Current assets** | | | | | |
| Stocks | 12 | 113 | 116 | 113 | 116 |
| Trade and other receivables | 13 | 23,573 | 17,750 | 23,241 | 17,442 |
| Investments | 14 | 60,000 | 40,000 | 60,000 | 40,000 |
| Cash and cash equivalents | 21, 27 | 72,081 | 79,380 | 72,074 | 79,371 |
| **Total current assets** | | **155,767** | **137,246** | **155,428** | **136,929** |
| Less: Creditors: amounts falling due within one year | 15 | (67,534) | (58,140) | (67,762) | (58,390) |
| **Net current assets** | | **88,233** | **79,106** | **87,666** | **78,539** |
| | | | | | |
| **Total assets less current liabilities** | | **427,644** | **422,401** | **427,387** | **422,144** |
| Creditors: amounts falling due after more than one year | 16 | (121,691) | (121,730) | (121,691) | (121,730) |
| **Provisions** | | | | | |
| Pension provisions | 26d | - | (173,493) | - | (173,493) |
| Other provisions | 17 | (4,335) | (4,341) | (4,335) | (4,341) |
| **Total net assets** | | **301,618** | **122,837** | **301,361** | **122,580** |
| | | | | | |
| **Restricted reserves** | | | | | |
| Income and expenditure reserve - endowment fund | 18 | 2,566 | 2,560 | 2,566 | 2,560 |
| Income and expenditure reserve - restricted reserve | 19 | 58 | 57 | 58 | 57 |
| **Unrestricted reserves** | | | | | |
| Income and expenditure reserve - unrestricted | | 297,932 | 119,159 | 297,675 | 118,902 |
| Revaluation reserve | | 1,062 | 1,061 | 1,062 | 1,061 |
| **Total unrestricted reserves** | | **298,994** | **120,220** | **298,737** | **119,963** |
| | | | | | |
| **Total reserves** | | **301,618** | **122,837** | **301,361** | **122,580** |

The financial statements on pages 54 to 77 were approved by the Board of Governors on 15 December 2022 and were signed on its behalf by:

**Mr Ian Squires**
Chair of the Board of Governors

**Professor Katie Normington**
Chief Executive and Vice-Chancellor

This statement should be read in conjunction with the report of the Chairman, the Operating and Financial Review and Notes to the Accounts.



# Consolidated Statement of Cash Flows for the year ended 31 July 2022

| | Notes | 2022 £'000 | 2021 £'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| (Deficit) for the year before taxation | | (10,428) | (3,667) |
| **Adjustment for non-cash items** | | | |
| Depreciation | 9 | 13,374 | 13,081 |
| Amortisation of intangible assets | 8 | 4,154 | 4,142 |
| Gain/(loss) on investments | | 1,977 | (1,830) |
| Decrease/(Increase) in stock | | 3 | (1) |
| (Increase) in debtors | | (5,823) | (2,135) |
| Increase in creditors | | 8,889 | 13,128 |
| Increase in pension provision | 26 | 12,674 | 7,522 |
| (Decrease)/increase in provisions | | (26) | 1,905 |
| **Adjustment for investing or financing activities** | | | |
| Investment income | 1e | (1,229) | (533) |
| Interest payable | 4 | 8,046 | 7,274 |
| Endowments received | 18 | (174) | (127) |
| Capital grants income | | (2,287) | (1,886) |
| **Cash inflow from operating activities** | | **29,150** | **36,873** |
| Taxation | | (13) | (14) |
| **Net cash inflow from operating activities** | | **29,137** | **36,859** |
| | | | |
| **Cash flows from investing activities** | | | |
| Capital grants receipts | | 2,620 | 2,130 |
| Withdrawal (to)/from deposits | | (20,000) | 29,016 |
| Investment income | | 1,229 | 533 |
| Payments made to acquire tangible assets | | (9,241) | (11,883) |
| Payments made to acquire intangible assets | | (149) | (301) |
| Payments made to acquire non-current investments | | (6,231) | (27,060) |
| **Net cash outflow from investing activities** | | **(31,772)** | **(7,565)** |
| | | | |
| **Cash flows from financing activities** | | | |
| Interest paid | | (4,838) | (4,838) |
| New Endowments | | 174 | 127 |
| **Net cash outflow from financing activities** | | **(4,664)** | **(4,711)** |
| | | | |
| **(Decrease)/Increase in cash and cash equivalents in the year** | | **(7,299)** | **24,583** |
| Cash and cash equivalents at the beginning of the year | | 79,380 | 54,797 |
| Cash and cash equivalents at the end of the year | | 72,081 | 79,380 |
| **(Decrease)/Increase in cash and cash equivalents in the year** | | **(7,299)** | **24,583** |

# Notes to the accounts for the year ended 31 July 2022

### 1. Analysis of income

| | Group 2021/22 £'000 | Group 2020/21 £'000 | Corporation 2021/22 £'000 | Corporation 2020/21 £'000 |
|---|---|---|---|---|
| **a) Tuition fees and education contracts** | | | | |
| Home and EU students | 146,796 | 158,696 | 146,722 | 158,696 |
| Overseas students | 58,053 | 39,344 | 58,053 | 39,344 |
| Education contracts | 2,068 | 1,824 | 2,068 | 1,824 |
| Other contracts | 1,672 | 2,025 | 1,672 | 2,025 |
| **Total** | **208,589** | **201,889** | **208,515** | **201,889** |
| **b) Funding body grants** | | | | |
| **Recurrent grants** | | | | |
| Office for Students | 14,093 | 15,283 | 14,093 | 15,283 |
| Education and Skills Funding Agency | 271 | 358 | 271 | 358 |
| **Specific grants** | | | | |
| Higher Education Innovation Fund | 1,045 | 935 | 1,045 | 935 |
| Connection Capability Fund | 122 | 1,007 | 122 | 1,007 |
| Hardship Funding | - | 1,718 | - | 1,718 |
| **Release of capital grants** | | | | |
| Buildings | 921 | 915 | 921 | 915 |
| Equipment | 1,340 | 945 | 1,340 | 945 |
| **Total** | **17,792** | **21,161** | **17,792** | **21,161** |
| **c) Research grants and contracts** | | | | |
| Research councils | 1,208 | 764 | 1,208 | 764 |
| UK-based charities | 1,071 | 613 | 1,071 | 613 |
| European Commission | 1,348 | 1,296 | 1,348 | 1,296 |
| Other grants and contracts | 1,334 | 980 | 1,301 | 888 |
| **Total** | **4,961** | **3,653** | **4,928** | **3,561** |
| **d) Other income** | | | | |
| Residences and catering | 2,529 | 1,529 | 2,527 | 1,529 |
| Other services rendered | 1,878 | 988 | 1,391 | 560 |
| Other income | 5,816 | 4,723 | 6,169 | 4,966 |
| Other capital grants | 26 | 26 | 26 | 26 |
| **Total** | **10,249** | **7,266** | **10,113** | **7,081** |
| **e) Investment income** | | | | |
| Interest from short-term investments | 606 | 254 | 605 | 252 |
| Interest from long-term investments | 583 | 240 | 583 | 240 |
| Income from restricted expendable endowments | 7 | 7 | 7 | 7 |
| Income from restricted permanent endowments | 33 | 32 | 33 | 32 |
| **Total** | **1,229** | **533** | **1,228** | **531** |
| **f) Donations and endowments** | | | | |
| New endowments | 174 | 127 | 174 | 127 |
| Donations with restrictions | 26 | - | 26 | - |
| **Total** | **200** | **127** | **200** | **127** |
| **Total income** | **243,020** | **234,629** | **242,776** | **234,350** |



### 1. Analysis of income

| | Group 2021/22 £'000 | Group 2020/21 £'000 | Corporation 2021/22 £'000 | Corporation 2020/21 £'000 |
|---|---|---|---|---|
| **g) Grant and fee income** | | | | |
| Grant income from the OfS | 17,670 | 20,154 | 17,670 | 20,154 |
| Grant income from other bodies | 122 | 1,007 | 122 | 1,007 |
| Fee income for research awards | 4,961 | 3,653 | 4,928 | 3,561 |
| Fee income from non-qualifying courses | 1,672 | 2,025 | 1,672 | 2,025 |
| Fee income for taught awards | 206,917 | 199,864 | 206,843 | 199,864 |
| **Total** | **231,342** | **226,703** | **231,235** | **226,611** |

### 2. Staff costs

| | Group 2021/22 £'000 | Group 2020/21 £'000 | Corporation 2021/22 £'000 | Corporation 2020/21 £'000 |
|---|---|---|---|---|
| **a) Staff costs** | | | | |
| Wages and salaries | 106,659 | 107,656 | 106,400 | 107,386 |
| Social security costs | 11,462 | 11,006 | 11,462 | 11,006 |
| Other pension costs | 24,518 | 23,714 | 24,518 | 23,714 |
| Movement on USS pension provision | 1,309 | (32) | 1,309 | (32) |
| The financial effects of LGPS pension scheme | 12,674 | 7,522 | 12,674 | 7,522 |
| **Total** | **156,622** | **149,866** | **156,363** | **149,596** |

**b) Employee numbers**

| The average number of persons employed during the year, expressed as full-time equivalents, are disclosed below: | 2021/22 | 2020/21 |
|---|---|---|
| Academic | | |
| Full-time | 989 | 1,015 |
| Part-time | 238 | 235 |
| Support | 1,390 | 1,381 |
| **Total** | **2,617** | **2,631** |

A reduction in average employee numbers was expected with interventions such as the voluntary severance scheme, restructuring and recruitment controls. The actual headcount as at 31 July 2022 is 3,461 (31 July 2021: 3,649).

**c) Vice-Chancellor emoluments**

**i) Vice-Chancellor**

The remuneration of the Vice-Chancellor is detailed below. The comparative period relates to the period of 1 January 2021 to 31 July 2021.

| | 2021/22 £'000 | 2020/21 £'000 |
|---|---|---|
| Salary | 246 | 129 |
| Health insurance | 1 | 1 |
| **Total excluding pension contributions** | **247** | **130** |
| Pension contributions to USS | 53 | 27 |
| **Total emoluments** | **300** | **157** |

The emoluments, including taxable benefits, of the Vice-Chancellor are shown on the same basis as for higher paid staff and exclude employer's National Insurance contributions.

The Contract of Employment of the Vice-Chancellor provides for termination by the Corporation on giving four months' notice.

The Vice-Chancellor took a voluntary 10% pay reduction in light of the Covid-19 situation in 2020/2021.

**Relationship between Vice-Chancellor remuneration and other employees**

The Vice-Chancellor's basic salary is 6.3 times the median pay of staff (2021: 6.3 times), where the median pay is calculated on a full-time equivalent basis for the salaries paid by the institution to its staff. The ratio reflects the full year basic salary equivalent for the Vice-Chancellor.

The Vice-Chancellor's total remuneration is 6.0 times the median total remuneration of staff (2021: 6.3 times), where the median total remuneration is calculated on a full-time equivalent basis for the total remuneration by the institution of its staff. The ratio reflects the full year remuneration equivalent for the Vice-Chancellor.

**ii) Former Interim Vice-Chancellor**

The remuneration of the former Interim Vice-Chancellor is detailed below. The comparative period relates to the period of 1 August 2020 to 31 December 2020.

| | 2021/22<br>£'000 | 2020/21<br>£'000 |
|---|---|---|
| Salary | - | 97 |
| Bonus relating to prior year | - | - |
| Health insurance | - | 1 |
| **Total excluding pension contributions** | **-** | **98** |
| Pension contributions to USS | - | 21 |
| **Total emoluments** | **-** | **119** |

**Justification for remuneration package**

The remuneration level for the Vice Chancellor's pay is determined by drawing upon the Universities and Colleges Employers Association annual benchmarking data for the Higher Education sector. The comparator organisations used from this data is that of 'Post 92 Universities by income', with remuneration set between lower and upper quartile ranges.

Individual pay within the quartiles is determined by factors such as experience, expertise, internal relativities, current market drivers such as a tight labour market and retention factors for key staff. The remuneration level for the Vice Chancellor is within these parameters and is between the median and upper quartile of the salary range.

Since arriving the Vice-Chancellor has developed a new strategy that sees De Montfort as 'The Empowering University' with Learning for Life, Knowledge Creation, Empowering People and Partnerships with Purpose being the key pillars, all underpinned by equality for all, sustainability, digital transformation and financial strength. Recognising the need to significantly enhance the academic offer, a new approach to teaching titled Education 2030 will commence from the 2022/23 academic year to drive high-quality student experience and outcomes.

DMU saw a new campus open in Dubai and has an ambitious transnational education programme to grow the portfolio overseas.

The financial challenges arising as a result of inter alia the pandemic, Brexit and rising costs related to the current economic climate a large scale efficiency programme has been implemented to reduce costs and improve productivity and return DMU to a stabilised financially sustainable position.

**d) Remuneration of higher paid staff**

Remuneration of higher paid staff, excluding employer's pension contributions:

| | 2021/22 | 2020/21 |
|---|---|---|
| £100,000 to £104,999 | 3 | 1 |
| £105,000 to £109,999 | 1 | 2 |
| £110,000 to £114,999 | - | 2 |
| £115,000 to £119,999 | 1 | 1 |
| £120,000 to £124,999 | 1 | 1 |
| £125,000 to £129,999 | 3 | 4 |
| £130,000 to £134,999 | 2 | 1 |
| £135,000 to £139,999 | - | 1 |
| £140,000 to £144,999 | - | 1 |
| £145,000 to £149,999 | 1 | 1 |
| £150,000 to £154,999 | - | - |
| £155,000 to £159,999 | - | - |
| £160,000 to £164,999 | - | - |
| £165,000 to £169,999 | - | 1 |
| £170,000 to £174,999 | - | - |
| £175,000 to £179,999 | - | - |
| £180,000 to £184,999 | - | - |
| £185,000 to £189,999 | 1 | 1 |
| £190,000 to £194,999 | - | - |
| £195,000 to £199,999 | - | - |
| £200,000 to £204,999 | - | - |
| £205,000 to £209,999 | - | - |
| £210,000 to £214,999 | - | - |
| £215,000 to £219,999 | - | - |
| £220,000 to £224,999 | - | - |
| £225,000 to £229,999 | - | - |
| £230,000 to £234,999 | - | - |
| £235,000 to £239,999 | - | - |
| £240,000 to £244,999 | - | - |
| £245,000 to £249,999 | 1 | 1 |

The Board of Governors has agreed the terms of reference, policy and guidelines for DMU's Remuneration Committee that determines membership, responsibilities and how they must carry out their role. The Remuneration Committee is responsible for meeting the obligations described in those documents and has oversight of their implementation in relation to senior staff remuneration and severance arrangements. These documents and the approach taken to comply with the Committee of University Chairs Higher Education Senior Staff Remuneration Code can be found here:

http://www.dmu.ac.uk/about-dmu/university-governance/the-board-of-governors/sub-committees-of-the-board.aspx

The Remuneration Committee has a specific remit for determining the remuneration of the Vice-Chancellor and those roles determined to be Senior Post-holders who, within the reference period, were all members of the University Leadership Board. The reference period for determining pay during 2021/22 is 2020/21 as pay is reviewed in the first academic term of the following academic year i.e. Autumn 2021.

The Remuneration Committee has its own terms of reference, which include membership and responsibilities, as well as a set of guidelines detailing the role and remit of the committee and the information that is required by the committee to support determination of remuneration decisions. These documents describe the university's policy approach to determining remuneration for those within the remit of the remuneration committee and can be found here:

https://www.dmu.ac.uk/documents/university-governance/bog/guidance-for-determining-senior-staff-pay-2021.pdf

Higher Education benchmarking data is used to guide remuneration decisions and more details can be found in the guidance described above. In order to determine the salary of the Vice-Chancellor and other Senior Post-holders, data on post 92 universities data is considered as well as those universities that are considered to be immediate and aspirational competitors recognising that our aim is to secure and retain those who can enable and drive the university's progress.

### Key management personnel

The University Leadership Board members are classed as key management personnel whom have authority and responsibility for planning, directing and controlling the activities of the institution.

| | 2021/22 £'000 | 2020/21 £'000 |
|---|---|---|
| **Key management personnel** | **2,444** | **2,700** |

#### e) Restructuring costs – group and corporation

The total amount of any compensation for loss of office paid across the institution

| | 2021/22 £'000 | 2020/21 £'000 |
|---|---|---|
| **Staff restructuring costs** | **3,966** | **483** |
| **Number of staff to whom this was payable to** | **163** | **77** |

#### f) Trade Union Facility Time

| | 2021/22 | 2020/21 |
|---|---|---|
| **Relevant Union Officials** | | |
| Number of employees who were relevant union officials during the relevant period | 30 | 29 |
| Full-time equivalent employee | 29.5 FTE | 28.5 FTE |

**Percentage of time spent on facility time**

Employees who were relevant union officials employed during the period

| Percentage of time | Number of employees | |
|---|---|---|
| 0% | - | - |
| 1-50% | 30 | 29 |
| 51-99% | - | - |
| 100% | - | - |

**Percentage of pay bill spent on facility time**

Percentage of total pay bill spent on paying employees who were relevant union officials for facility time during the period

| | | |
|---|---|---|
| Total cost of facility time | 87,835 | 99,101 |
| Total pay bill | 144,871,000 | 139,993,000 |
| Percentage of the total pay bill spent on facility time | 0.06% | 0.07% |

**Paid trade union activities**

| | | |
|---|---|---|
| Time spent on paid trade union activities as a percentage of total paid facility time hours | 31.79% | 12.86% |



### 3. Other operating expenses

| | Group 2021/22 £'000 | Group 2020/21 £'000 | Corporation 2021/22 £'000 | Corporation 2020/21 £'000 |
|---|---|---|---|---|
| Fees payable to the auditor for the audit of the University's financial statements | 135 | 115 | 135 | 115 |
| Additional fees payable to the auditor for the audit of prior year financial statements | 40 | 58 | 40 | 58 |
| Audit of the financial statements of subsidiaries | 15 | 12 | - | - |
| Audit related assurance services | 11 | 9 | 11 | 9 |
| Internal audit services | 173 | 245 | 173 | 245 |
| Legal, professional, agency and consultancy fees | 20,970 | 17,219 | 21,169 | 17,254 |
| Administrative expenses | 5,674 | 5,380 | 5,649 | 5,378 |
| Publicity | 6,613 | 7,473 | 6,613 | 7,473 |
| General education expenses | 3,084 | 2,691 | 2,987 | 2,706 |
| Consumables | 9,310 | 9,332 | 9,281 | 9,291 |
| Repairs and general maintenance | 2,142 | 2,965 | 2,142 | 2,965 |
| Student bursaries | 2,871 | 5,038 | 2,871 | 5,038 |
| Travel and subsistence | 1,383 | 233 | 1,381 | 233 |
| Energy | 4,032 | 2,935 | 4,032 | 2,935 |
| Residences and catering | 4,402 | 6,725 | 4,402 | 6,725 |
| Rent, rates and insurance | 1,556 | 1,972 | 1,556 | 1,972 |
| Grant to De Montfort University Students' Union | 1,221 | 1,216 | 1,221 | 1,216 |
| Staff development | 889 | 671 | 879 | 671 |
| Other | 788 | 991 | 782 | 987 |
| **Total** | **65,309** | **65,280** | **65,324** | **65,271** |

| | Group 2021/22 £'000 | Group 2020/21 £'000 | Corporation 2021/22 £'000 | Corporation 2020/21 £'000 |
|---|---|---|---|---|
| Other operating expenses include: | | | | |
| Operating leases – buildings | 395 | 386 | 395 | 386 |
| Operating leases – equipment | 27 | 45 | 27 | 45 |

**Governors**

In 2021/22, 1 governor was entitled to remuneration for their role as Chair of the Board of Governors. 2 governors were entitled to remuneration as Chairs of Committees up to 31st August 2022. A total of £51,239 (2020/21 - £31,397 to three governors) is payable for this financial year.

The total expenses payable to or on behalf of 12 governors was £3,379 (2020/21: £828 to four governors). This represents travel and subsistence incurred in attending Board and Committee meetings in their official capacity.

### 4. Interest payable – group and corporation

| | 2021/22 £'000 | 2020/21 £'000 |
|---|---|---|
| Net financing costs in pension scheme liabilities | 3,055 | 2,285 |
| Interest on USS | 20 | 18 |
| Interest on bond | 4,838 | 4,838 |
| Bond transaction costs | 133 | 133 |
| **Total** | **8,046** | **7,274** |

### 5. Analysis of 2021/22 expenditure by activity group and corporation

| | Staff costs | Other operating expenses | Depreciation and amortisation | Interest | 2021/22 Total | 2020/21 Total |
|---|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Academic departments | 84,456 | 7,284 | 1,209 | - | 92,949 | 91,456 |
| Academic services | 18,940 | 8,940 | 6,536 | - | 34,416 | 34,451 |
| Admin and central services | 13,327 | 5,089 | 1,495 | - | 19,911 | 20,514 |
| General education expenditure | 3,791 | 24,394 | 3 | - | 28,188 | 25,101 |
| Staff and student facilities | 13,747 | 6,474 | 32 | - | 20,253 | 19,708 |
| Premises | 6,739 | 7,529 | 8,059 | - | 22,327 | 22,251 |
| Residences and catering | 510 | 3,633 | 164 | 74 | 4,381 | 7,678 |
| Research grants and contracts | 2,122 | 1,684 | 18 | - | 3,824 | 2,912 |
| Other expenditure | 316 | 282 | 12 | 4,917 | 5,527 | 5,765 |
| Provision for restructuring | 3,966 | - | - | - | 3,966 | 483 |
| Pension scheme's adjustment | 12,674 | - | - | 3,055 | 15,729 | 9,807 |
| **Total** | **160,588** | **65,309** | **17,528** | **8,046** | **251,471** | **240,126** |

The depreciation and amortisation charge has been funded by:

| | £'000 |
|---|---|
| Deferred capital grants released | 2,287 |
| General income | 15,241 |
| **Total** | **17,528** |

### 6. Access and Participation Group and Corporation

| | 2021/22 Actual £'000 | 2021/22 Plan £'000 | 2020/21 Actual £'000 | 2020/21 Plan £'000 |
|---|---|---|---|---|
| Access Investment | 972 | 1,315 | 1,191 | 1,344 |
| Financial Support | 1,560 | 2,352 | 2,256 | 2,405 |
| Disability Support | 1,930 | 1,182 | 1,624 | 1,209 |
| **Total** | **4,462** | **4,849** | **5,071** | **4,958** |

A copy of our published access and participation plan can be found by following this link to our website:

https://www.dmu.ac.uk/documents/university-governance/access-participation-plan-2020-2025.pdf

Restrictions around expenditure and staffing recruitment have reduced overall investment for 2021/22, alongside some of the activities to support students during Covid no longer being required. Disability support expenditure is higher than planned due to increased investment for disability provision and further commitments for the assessment centre.

### 7. Taxation – group and corporation

| | 2021/22 £'000 | 2020/21 £'000 |
|---|---|---|
| Corporate Income Tax (CIT) paid | 13 | 12 |
| Withholding tax (Royalties) UK | - | 2 |
| **Total** | **13** | **14** |

Tax is payable to relevant overseas tax authorities, for activity relating undertaken with overseas partners.

### 8. Intangible fixed assets

| | 2021/22 £'000 | 2020/21 £'000 |
|---|---|---|
| **Group and corporation** | | |
| Opening balance 1 August | 20,623 | 24,464 |
| Additions in the year | 149 | 301 |
| Amortisation charge for the year | (4,154) | (4,142) |
| **Closing balance at 31 July** | **16,618** | **20,623** |

### 9. Tangible fixed assets

| | Land and buildings | Assets under construction | Furniture and equipment | Computer equipment | Total |
|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| **Group and corporation** | | | | | |
| **Cost or valuation** | | | | | |
| At 1 August 2021 | 337,847 | 1,835 | 16,337 | 39,239 | 395,258 |
| Additions at cost | 3,337 | 1,279 | 2,177 | 2,448 | 9,241 |
| Transfers from assets under construction | 864 | (1,295) | 109 | 322 | - |
| Disposals | - | - | (378) | (1,684) | (2,062) |
| **At 31 July 2022** | **342,048** | **1,819** | **18,245** | **40,325** | **402,437** |
| **Depreciation** | | | | | |
| At 1 August 2021 | 58,464 | - | 12,744 | 32,426 | 103,634 |
| Charge for the year | 7,993 | - | 1,415 | 3,966 | 13,374 |
| **Depreciation charge for the year** | **7,993** | **-** | **1,415** | **3,966** | **13,374** |
| Disposals | - | - | (378) | (1,684) | (2,062) |
| **At 31 July 2022** | **66,457** | **-** | **13,781** | **34,708** | **114,946** |
| **Net book value:** | | | | | |
| **At 31 July 2022** | **275,591** | **1,819** | **4,464** | **5,617** | **287,491** |
| At 31 July 2021 | 279,383 | 1,835 | 3,593 | 6,813 | 291,624 |

The net book value of tangible fixed assets held under finance leases at 31 July 2022 was nil (31 July 2021: nil).
Land and buildings includes £9.4m (31 July 2021: £9.4m) of university-owned land that is not depreciated.

| | Group and corporation 2021/22 £'000 | Group and corporation 2020/21 £'000 |
|---|---|---|
| The net book value of land and buildings is comprised as follows: | | |
| Freehold | 267,820 | 270,921 |
| Long lease and short lease | 7,771 | 8,462 |
| **Total** | **275,591** | **279,383** |

### 10. Heritage assets

| | 2021/22 £'000 | 2020/21 £'000 |
|---|---|---|
| **Group and corporation** | | |
| **Cost or valuation** | | |
| At 1 August | 1,073 | 1,073 |
| Additions at cost | - | - |
| **At 31 July** | **1,073** | **1,073** |

The university holds a number of pieces of artwork, these were re-valued in 2016 and in accordance with the universities accounting policies the annual impairment review has been undertaken and identified no adjustment to be made to the value of these assets.

## 11. Non-current investments

| | Group 2021/22 £'000 | Group 2020/21 £'000 | Corporation 2021/22 £'000 | Corporation 2020/21 £'000 |
|---|---|---|---|---|
| **Movement in the year** | | | | |
| Balance at beginning of year | 29,975 | 1,085 | 30,285 | 1,395 |
| Additions | 6,231 | 27,060 | 6,231 | 27,060 |
| Disposals | - | - | - | - |
| Fair value adjustments | (1,977) | 1,830 | (1,977) | 1,830 |
| **Balance at year end** | **34,229** | **29,975** | **34,539** | **30,285** |
| **Analysis of closing balance** | | | | |
| Shareholding in subsidiary undertakings (a) | - | - | 310 | 310 |
| Other investments (b) | 33,032 | 28,750 | 33,032 | 28,750 |
| Shareholding in CVCP Properties PLC | 38 | 38 | 38 | 38 |
| Securities and fixed interest stock for endowments | 1,159 | 1,187 | 1,159 | 1,187 |
| **Total** | **34,229** | **29,975** | **34,539** | **30,285** |

Included within investments is the notional reserve representing the requirement to provide for the repayment of the bond in the form of a bond redemption fund of £15m every five years (note 27). Since the bond was issued in 2012, a total of £33m has been invested.

### a) Shareholdings in subsidiary undertakings

At year end, investments in subsidiary undertakings comprise:

| Directly owned by the university: | Group holding % | Corporation 2021/22 £ | Corporation 2020/21 £ | Description of activities |
|---|---|---|---|---|
| De Montfort Expertise Ltd | 100 | 310,000 | 310,000 | Provision of contract research and development |
| Leicester Business School Ltd | 100 | 1 | 1 | Dormant company |
| Leicestershire Business School Ltd | 100 | 1 | 1 | Dormant company |
| **Total** | | **310,002** | **310,002** | |

All of the subsidiary undertakings are incorporated in England and Wales.

### b) Other investments

| Other investments consist of:<br>At fair value: | Group 2021/22 £'000 | Group 2020/21 £'000 | Corporation 2021/22 £'000 | Corporation 2020/21 £'000 |
|---|---|---|---|---|
| Market securities | 33,004 | 28,723 | 33,004 | 28,723 |
| At cost less impairment: | - | - | - | - |
| Group investments in spinouts (i) | 28 | 27 | 28 | 27 |
| **Total** | **33,032** | **28,750** | **33,032** | **28,750** |

| | Holding % | Corporation 2021/22 £ | Corporation 2020/21 £ | Description of activities |
|---|---|---|---|---|
| Incanthera PLC | <0.05 | 2,071 | 234 | Drug development and research |
| CYPS Ltd | 100.00 | 100 | 100 | Dormant company |
| InSmart Limited | 100.00 | 100 | 100 | Dormant company |
| Morvus Technology Ltd | <0.40 | 589 | 589 | Drug development and research |
| Abeona Therapeuticals | - | - | 174 | Drug development and research, incorporated in USA. |
| Orbit RRI Ltd | 20.00 | 1 | - | Provider of RRI training |
| Venuesim Ltd | 33.33 | 300 | 300 | Software development |
| IP By Design Ltd | 10.00 | 25,000 | 25,000 | Intellectual property management consultancy |
| **Total** | | **28,161** | **26,497** | |



## 12. Stocks – group and corporation

| | 2021/22 £'000 | 2020/21 £'000 |
|---|---|---|
| Goods for resale | 1 | 1 |
| Art and design supplies | 112 | 115 |
| **Total** | **113** | **116** |

## 13. Trade and other receivables

| | Group 2021/22 £'000 | Group 2020/21 £'000 | Corporation 2021/22 £'000 | Corporation 2020/21 £'000 |
|---|---|---|---|---|
| Amounts falling due within one year | | | | |
| Student receivables | 9,437 | 7,954 | 9,437 | 7,954 |
| Other receivables | 4,007 | 2,210 | 3,893 | 2,149 |
| Research grants receivables | 4,916 | 3,573 | 4,716 | 3,333 |
| Prepayments and accrued income | 5,213 | 4,013 | 5,195 | 4,006 |
| **Total** | **23,573** | **17,750** | **23,241** | **17,442** |

## 14. Current Investments

In accordance with its Treasury Management Policy, the university regularly invests surplus funds on deposit or on the money market.
At 31 July 2022 £60,000,000 of Group and Corporation funds was on short term deposit (31 July 2021: £40,000,000).

## 15. Creditors: amounts falling due within one year

| | Group 2021/22 £'000 | Group 2020/21 £'000 | Corporation 2021/22 £'000 | Corporation 2020/21 £'000 |
|---|---|---|---|---|
| Payments received in advance | 45,148 | 27,675 | 45,095 | 27,500 |
| Trade creditors | 1,324 | 7,227 | 1,306 | 7,128 |
| Other creditors | 5,766 | 6,026 | 5,755 | 5,971 |
| Taxation | 1,463 | 1,823 | 1,453 | 1,823 |
| Social security | 1,643 | 1,647 | 1,632 | 1,647 |
| Accruals | 11,907 | 13,446 | 11,582 | 13,213 |
| Student caution deposits | 283 | 296 | 283 | 296 |
| Subsidiary undertakings | - | - | 656 | 812 |
| **Total** | **67,534** | **58,140** | **67,762** | **58,390** |

**Payments received in advance**

Included within payments received in advance are the following items of income which have been deferred until specific performance related conditions have been met.

| | Group 2021/22 £'000 | Group 2020/21 £'000 | Corporation 2021/22 £'000 | Corporation 2020/21 £'000 |
|---|---|---|---|---|
| Research grants received on account | 5,955 | 5,957 | 5,902 | 5,784 |
| Capital grant income | 2,717 | 2,212 | 2,717 | 2,212 |
| Tuition fee income | 35,194 | 17,452 | 35,194 | 17,451 |
| Other income | 1,282 | 2,054 | 1,282 | 2,053 |
| **Total** | **45,148** | **27,675** | **45,095** | **27,500** |

## 16. Creditors: amounts falling due after more than one year – group and corporation

| | 2021/22 £'000 | 2020/21 £'000 |
|---|---|---|
| Bond | 90,000 | 90,000 |
| Bond transaction costs | (2,665) | (2,798) |
| **Bond total** | **87,335** | **87,202** |
| Deferred income - capital grants | 34,356 | 34,528 |
| **Total** | **121,691** | **121,730** |

See note 27 for further details on the bond listing.

| 17. Provisions for liabilities | Taxation provision £'000 | Future pensions £'000 | Restructuring provision £'000 | Obligation to fund deficit on USS pension £'000 | Education provision £'000 | Total £'000 |
|---|---|---|---|---|---|---|
| At 1 August 2021 | – | 1,177 | - | 1,204 | 1,960 | 4,341 |
| Utilised in year | – | (183) | - | (185) | - | (368) |
| Additions in year | 13 | - | 794 | 1,515 | - | 2,322 |
| Unused amounts reversed in year | – | - | - | - | (1,960) | (1,960) |
| **At 31 July 2022** | **13** | **994** | **794** | **2,534** | **-** | **4,335** |

The enhanced pension provision represents the future costs relating to former staff who were awarded enhancements to their Local Government Pension Scheme pensions when they were made redundant. Since it is the University that makes these payments to these pensioners and not the LGPS, provision for these payments is made on the basis of a present obligation arising from an obligation event for which there is an outflow which can be reliably estimated.

An amount of £994,000 (2021: £1,177,000), is included in provisions for liabilities and charges representing the extent to which the capital cost charged exceeds actual payments made. The provision will be released against the cost to the university of enhanced pension entitlements over the estimated life expectancy of each relevant employee.

The provision for staff restructuring relates to agreements that have been reached for early retirement and voluntary severance as at the Balance Sheet date.

The obligation to fund the past deficit on the Universities Superannuation Scheme (USS) arises from the contractual obligation with the USS to deficit payments in accordance with the deficit recovery plan. In calculating this provision, management have estimated future staff levels within the USS scheme for the duration of the contractual obligation and salary inflation. Key assumptions are set out below and further information is provided in note 26(c).

The major assumptions used to calculate the obligation are:

| | 2022 | 2021 |
|---|---|---|
| Discount rate | 3.50% | 1.70% |
| Salary growth | 3.10% | 1.00% |

| 18. Endowment reserves – group and corporation | Unrestricted permanent £'000 | Restricted permanent £'000 | Restricted expendable £'000 | 2021/22 Total £'000 | 2020/21 Total £'000 |
|---|---|---|---|---|---|
| Capital | 2 | 1,099 | 1,289 | 2,390 | 2,146 |
| Accumulated income | - | 170 | - | 170 | 169 |
| **Total** | **2** | **1,269** | **1,289** | **2,560** | **2,315** |
| Investment income | - | 33 | 7 | 40 | 39 |
| Expenditure | - | (27) | (153) | (180) | (89) |
| **Total** | **-** | **6** | **(146)** | **(140)** | **(50)** |
| New endowments | - | - | 174 | 174 | 127 |
| Appreciation in market value of investments | - | (28) | - | (28) | 168 |
| **At 31 July** | **2** | **1,247** | **1,317** | **2,566** | **2,560** |
| **Represented by:** | | | | | |
| Capital value | 2 | 1,071 | 1,317 | 2,390 | 2,390 |
| Accumulated income | - | 176 | - | 176 | 170 |
| **Total** | **2** | **1,247** | **1,317** | **2,566** | **2,560** |
| **Analysis by type of purpose:** | | | | | |
| Scholarships and bursaries | | | | 1,737 | 1,802 |
| Research support | | | | 104 | 40 |
| Prize funds | | | | 646 | 645 |
| General | | | | 79 | 73 |
| **Total** | | | | **2,566** | **2,560** |
| **Analysis by asset:** | | | | | |
| Current and non-current asset investments | | | | 1,159 | 1,187 |
| Cash and cash equivalents | | | | 1,407 | 1,373 |
| **Total** | | | | **2,566** | **2,560** |



**19. Restricted reserves – group and corporation**

Reserves with restrictions are as follows:

| | Donations 2021/22 £'000 | Donations 2020/21 £'000 |
|---|---|---|
| **Balance at 1 August** | 57 | 57 |
| New donations | 26 | 2 |
| Expenditure | (25) | (2) |
| **At 31 July** | **58** | **57** |

| 20. Lease obligations | Land and buildings £'000 | Other leases £'000 | 2021/22 £'000 | 2020/21 £'000 |
|---|---|---|---|---|
| Payable during the year | 395 | 27 | **422** | 431 |
| **Future minimum lease payments due:** | | | | |
| Not later than 1 year | 420 | 24 | **444** | 399 |
| Later than 1 year and not later than 5 years | 412 | 12 | **424** | 1,215 |
| Later than 5 years | 150 | - | **150** | 150 |
| **Total lease payments due** | **982** | **36** | **1,018** | **1,764** |

**21. Cash and cash equivalents**

| | At 1 August 2021 £'000 | Cash flows £'000 | Non-cash changes £'000 | At 31 July 2022 £'000 |
|---|---|---|---|---|
| Consolidated | | | | |
| Cash and cash equivalents | 79,380 | (7,299) | - | 72,081 |
| **Total** | **79,380** | **(7,299)** | **-** | **72,081** |

**22. Consolidated reconciliation of net debt**

| | At 1 August 2021 £'000 | Cash flows £'000 | Non-cash changes £'000 | At 31 July 2022 £'000 |
|---|---|---|---|---|
| Cash in hand | 79,380 | (7,299) | - | 72,081 |
| Debt due after 1 year | (87,202) | - | (133) | (87,335) |
| **Total net debt** | **(7,822)** | **(7,299)** | **(133)** | **(15,254)** |

In accordance with its Treasury Management Policy and Investment Policy, the University regularly invests surplus funds.

At 31 July 2022 £60,000,000 was in current investments (31 July 2021: £40,000,000).

At 31 July 2022 £34,229,000 was in long term investments (31 July 2021: £29,975,000).

Non-cash changes relate to amortisation of £4.0 million bond transaction costs over the 30 year life of the bond.

## 23. Capital and other commitments

| | 2021/22 Total £'000 | 2020/21 Total £'000 |
|---|---|---|
| Provision has not been made for the following capital commitments at 31 July 2022: | | |
| Commitments contracted for | 2,369 | 2,471 |
| Authorised but not contracted for | 15,829 | 9,163 |
| **Total** | **18,198** | **11,634** |

## 24. Contingent liabilities

There are no material contingent liabilities.

## 25. Related party transactions

Due to the nature of the Institution's operations and the composition of its Board of Governors (being drawn from local public and private sector organisations) and Senior Leadership Team, it is inevitable that transactions will take place with organisations in which a member of Board of Governors or the Senior Leadership Team may have an interest. All such transactions are conducted at arm's length and in accordance with the Institution's financial regulations and normal procurement procedures. The Institution has taken advantage of the exemption within FRS 102 Section 33 'Related Party Disclosures' and has not disclosed transactions with other wholly owned group entities.

An updated Register of Interests for all members of the Board of Governors and University Leadership Board is maintained.

| 2021/22 Transactions | Income £'000 | Expenditure £'000 | Balance due from at 31 July 2022 £'000 | Balance due to at 31 July 2022 £'000 |
|---|---|---|---|---|
| De Montfort Students Union | 109 | 1,254 | 7 | 1 |
| Nottingham University Hospitals NHS Trust | 13 | 10 | 13 | - |
| Leicester Theatre Trust Limited | - | 446 | - | - |
| Curve Productions Limited | 51 | - | - | - |
| Advanced HE Limited | - | 223 | - | 108 |
| British Council | - | 32 | - | 4 |
| Women-Space Leadership Limited | - | 13 | - | - |
| University Hospitals Derby and Burton NHS Foundation Trust | - | 6 | - | - |
| North West Anglia NHS Foundation Trust | 1 | 1 | - | - |

De Montfort Students' Union (DSU) is an independent, student-run and student-led organisation for students at De Montfort University. Aashni Sawjani, DSU Student Opportunities and Engagement Executive joined the Board in July 2021.

Sardip Sandhu, Independent Governor is Associate Non-Executive Director at Nottingham University Hospitals NHS and Non-Executive Director at University Hospitals Derby and Burton NHS Foundation Trust.

Ian Squires, Independent Governor and Chair of the Board of Governors is a director of Leicester Theatre Trust Limited and Curve Productions Limited.

Paul Woodgates, Independent Governor is a Director at Advance HE Limited.

Sara Pierson, Independent Governor is the Director of Examinations at the British Council.

Fiona Cownie, Independent Governor is an Associate at Women-Space Leadership Limited.

Bev Shears, Independent Governor and Chair of the People and Culture Committee is a Non-Executive Director at North West Anglia NHS Foundation Trust.

| 2020/21 Transactions | Income £'000 | Expenditure £'000 | Balance due from at 31 July 2021 £'000 | Balance due to at 31 July 2021 £'000 |
|---|---|---|---|---|
| De Montfort Students Union | - | 1,227 | - | - |
| Leicester Theatre Trust Limited | - | 45 | - | - |
| British Council | - | 48 | - | - |

De Montfort Students' Union (DSU) is an independent, student-run and student-led organisation for students at De Montfort University. Aashni Sawjani, DSU Student Opportunities and Engagement Executive joined the Board in July 2021.

Ian Squires, Independent Governor and Chair of the Board of Governors is a director of Leicester Theatre Trust Limited.

Sara Pierson, Independent Governor is the Director of Examinations at the British Council.



## 26. Pension schemes

**a)** The university's employees belong to two principal pension schemes, the Teachers' Pension Scheme (TPS) and the Leicestershire County Council Pension Fund, a Local Government Pension Scheme (LGPS) and there is also a strictly limited membership in the Universities Superannuation Scheme (USS). The total pension cost for the year was as follows:

| Total pension cost for the year | 2021/22 £'000 | 2020/21 £'000 |
|---|---|---|
| Teachers' Pension Scheme: contributions paid | 12,250 | 12,186 |
| Universities Superannuation Scheme: contributions paid | 645 | 677 |
| Local Government Pension Scheme (LGPS): contributions paid | 11,623 | 10,851 |
| **Total other pension costs** | **24,518** | **23,714** |
| The financial effects of LGPS pension scheme | 12,674 | 7,522 |
| **Total** | **37,192** | **31,236** |

**b) Teachers' Pension Scheme**

**Introduction**

The Teachers' Pension Scheme (TPS or scheme) is a statutory, unfunded, defined benefit occupational scheme, governed by the Teachers' Pensions Regulations 2010 (as amended), and the Teachers' Pension Scheme Regulations 2014 (as amended). These regulations apply to teachers in schools and other educational establishments, including academies, in England and Wales that are maintained by local authorities. In addition, teachers in many independent and voluntary-aided schools and teachers and lecturers in some establishments of further and higher education may be eligible for membership.

Membership is automatic for full-time teachers and lecturers and, from 1 January 2007, automatic too for teachers and lecturers in part-time employment following appointment or a change of contract. Teachers and lecturers are able to opt out of the TPS.

**The Teachers' Pension Budgeting and Valuation Account**

Although members may be employed by various bodies, their retirement and other pension benefits are set out in regulations made under the Superannuation Act (1972) and Public Service Pensions Act (2013) and are paid by public funds provided by Parliament. The TPS is an unfunded scheme and members contribute on a 'pay as you go 'basis – contributions from members, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Acts.

The Teachers' Pensions Regulations 2010 require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pension increases). From 1 April 2001, the Account has been credited with a real rate of return, which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

**Valuation of the Teachers' Pension Scheme**

As a result of the latest scheme valuation employer contributions were increased in September 2019 from a rate of 16.4% to 23.6%. Employers also pay a charge equivalent to 0.08% of pensionable salary costs to cover administration expenses.

The next valuation is expected to take effect in 2023.

A copy of the latest valuation report can be found by following this link to the Teachers' Pension Scheme website:
www.teacherspensions.co.uk/news/employers/2019/04/teachers-pensions-valuation-report.aspx

**Scheme Changes**

In December 2018, the Court of Appeal held that transitional protection provisions contained in the reformed judicial and firefighter pension schemes, introduced as part of public service pension reforms in 2015, gave rise to direct age discrimination and were therefore unlawful. The Supreme Court, in a decision made in June 2019, rejected the Government's application for permission to appeal the Court of Appeal's ruling and subsequently referred the case to an Employment Tribunal to determine a remedy which will need to be offered to those members of the two schemes who were subject of the age discrimination.

Since then, claims have also been lodged against the main public service schemes including the TPS. The Department has conceded those in line with the rest of the government. In July 2020 HM Treasury launched a 12-week public consultation which will provide evidence to support the delivery of an appropriate remedy for the affected schemes, including TPS.

A final remedy will be determined once the results of the consultation are established.

In December 2019, a further legal challenge was made against the TPS relating to an identified equalities issue whereby male survivors of opposite-sex marriages and civil partnerships are treated less favourably than survivors in same-sex marriages and civil partnerships. The Secretary of State for Education agreed not to defend the case. In June 2020, the Employment Tribunal recorded its findings in respect of the claimant. DfE is currently working to establish what changes are necessary to address this discrimination.

Any impact of these events will be taken into account when the next scheme valuation is implemented. This is scheduled to be implemented in April 2023, based on April 2020 data.

**c) Universities Superannuation Scheme**

The institution participates in Universities Superannuation Scheme (USS) which is the main scheme covering most academic and academic-related staff. 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 profit and loss account represents the contributions payable to the scheme. Since the institution has entered into an agreement (the Recovery Plan) that determines how each employer within the scheme will fund the overall deficit, the institution recognises a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) with related expenses being recognised through the profit and loss account.

FRS 102 makes the distinction between a group plan and a multi-employer scheme. A group plan consists of a collection of entities under common control typically with a sponsoring employer. A multi-employer scheme is a scheme for entities not under common control and represents (typically) an industry-wide scheme such as Universities Superannuation Scheme. The accounting for a multi-employer scheme where the employer has entered into an agreement with the scheme that determines how the employer will fund a deficit results in the recognition of a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and the resulting expense in profit or loss in accordance with section 28 of FRS 102. The directors 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 recovery plan in existence at the date of approving these financial statements.

USS is a multi-employer scheme and is accounted for as set out in the accounting policies.

The total cost charged to the Consolidated Statement of Comprehensive Income is £644,638 (2021: £676,734), but excluding the impact of the change in the deficit recovery plan, as shown in note 17.

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%.

Deficit recovery contributions due within one year for the institution are £170,263 (2021: £169,429).

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

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

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

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

| | |
|---|---|
| Mortality base table | 2020 valuation<br>101% of S2PMA ""light"" for males and 95% of S£PFA for females." |
| Future improvements to mortality | CMI_2019 with a smoothing parameter of 7.5, an initial addition of 0.5% pa 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:

| | 2022 | 2021 |
|---|---|---|
| Males currently aged 65 (years) | 23.9 | 24.6 |
| Females currently aged 65 (years) | 25.5 | 26.1 |
| Males currently aged 45 (years) | 25.9 | 26.6 |
| Females currently aged 45 (years) | 27.3 | 27.9 |

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

| | 2022 | 2021 |
|---|---|---|
| Discount rate | 3.50% | 1.70% |
| Pensionable salary growth | 3.10% | 1.00% |

The employers' contribution rates are as follows:

| Effective date | Rate |
|---|---|
| 1 October 2019 to 30 September 2021 | 21.10% |
| 1 October 2021 to 31 March 2022 | 21.40% |
| 1 April 2022 to 31 March 2024 | 21.60% |
| 1 April 2024 to 30 April 2038 | 21.40% |

**d) Local Government Pension Scheme**

The university participates in a defined benefit scheme in the UK, the Leicestershire County Council Pension Fund. A full actuarial valuation of the fund was carried out at 31 March 2019 by a qualified independent actuary. This was updated to 31 July 2022 for FRS 102 purposes by a qualified independent actuary. The major assumptions used by the actuary were as follows:

| | 2022 | 2021 |
|---|---|---|
| Rate of increase in salaries | 2.6% | 2.7% |
| Rate of increase in pensions | 2.6% | 2.7% |
| Discount rate for liabilities | 3.5% | 1.7% |
| CPI inflation assumption | 2.6% | 2.7% |

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement age 65 are:

| | 2022 | 2021 |
|---|---|---|
| Retiring today | | |
| Males | 20.9 years | 21.3 years |
| Females | 23.5 years | 23.8 years |
| Retiring in 20 years | | |
| Males | 21.8 years | 21.5 years |
| Females | 24.7 years | 24.8 years |

**The major categories of plan assets as a percentage of total plan assets**

| | 2022 % | 2021 % |
|---|---|---|
| Equities | 58% | 58% |
| Bonds | 31% | 29% |
| Property | 9% | 7% |
| Cash | 2% | 6% |

| Changes in the Fair Value of Plan Assets, Defined Benefit Obligation and Net Liability for the year ended 31 July 2022 | 2021/22 £'000 | 2020/21 £'000 |
|---|---|---|
| Fair value of plan assets | 300,726 | 240,221 |
| Present value of funded liabilities | (474,219) | (388,943) |
| **Opening position as at 1 August** | **(173,493)** | **(148,722)** |
| **Charged to staff costs** | | |
| Current service cost | (24,464) | (18,397) |
| Past service cost | (303) | (35) |
| **Total service cost** | **(24,767)** | **(18,432)** |
| | | |
| **Financing** | | |
| Interest income on plan assets | 5,178 | 3,654 |
| Interest costs on defined benefit obligation | (8,233) | (5,939) |
| **Total net interest** | **(3,055)** | **(2,285)** |
| | | |
| **Total defined benefit costs recognised** | **(27,822)** | **(20,717)** |
| **Cash flows** | | |
| Employer contributions | 12,093 | 10,910 |
| **Total cash flows** | **12,093** | **10,910** |
| | | |
| **Expected closing position** | **(189,222)** | **(158,529)** |
| Remeasurements | | |
| Changes in demographic assumptions | 6,042 | (474) |
| Changes in financial assumptions | 178,171 | (67,881) |
| Other experience | (1,526) | 3,635 |
| Return on assets excluding amounts included in net interest | 16,701 | 49,756 |
| | **199,388** | **(14,964)** |
| Restriction of pension asset recognised | (10,166) | - |
| **Total remeasurements recognised in Other Comprehensive income/(loss)** | **189,222** | **(14,964)** |
| **Analysis of the movement in the fair value of plan assets** | | |
| Value of assets at 1 August | 300,726 | 240,221 |
| Interest income on plan assets | 5,178 | 3,654 |
| Plan participants' contributions | 3,148 | 3,074 |
| Employer contributions | 12,093 | 10,910 |
| Benefits paid | (7,019) | (6,889) |
| Return on assets excluding amounts included in net interest | 16,701 | 49,756 |
| **Value of assets at 31 July** | **330,827** | **300,726** |
| **Analysis of the movement in the present value of funded liabilities** | | |
| Present value of liabilities at 1 August | 474,219 | 388,943 |
| Current service cost | 24,464 | 18,397 |
| Past service cost | 303 | 35 |
| Interest cost on defined benefit obligation | 8,233 | 5,939 |
| Plan participants' contributions | 3,148 | 3,074 |
| Benefits paid | (7,019) | (6,889) |
| Changes in demographic assumptions | (6,042) | 474 |
| Changes in financial assumptions | (178,171) | 67,881 |
| Other experience | 1,526 | (3,635) |
| **Present value of liabilities at 31 July** | **320,661** | **474,219** |
| Fair value of plan assets | 330,827 | 300,726 |
| Present value of funded liabilities | (320,661) | (474,219) |
| **Closing position as at 31 July** | **10,166** | **(173,493)** |
| Pension surplus not recognised | (10,166) | - |
| **Pension liability recognised in the statement of financial position** | **-** | **(173,493)** |

Since there is no unconditional right to the pension surplus, it has not been recognised.

### Sensitivity analysis

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

| Change in assumptions at 31 July 2022 | Approximate % increase to employer liability | Approximate monetary amount £'000 |
|---|---|---|
| 0.1% decrease in real discount rate | 2% | 7,190 |
| 1 year increase in member life expectancy | 4% | 12,826 |
| 0.1% increase in the salary rate increase rate | 0% | 714 |
| 0.1% increase in the pension increase rate (CPI) | 2% | 6,523 |

### 2023 Pension Increase (PI) Order

The 2023 PI Order is used to set the level of pension increases, deferred revaluation and CARE revaluation with effect from 1 April 2023. This is expected to be significantly higher than the CPI assumption set by the Employer as at 31 July 2022.

The PI Order is typically set with reference to the change in CPI inflation over the 12 months to the previous September (announced in October), so the 2023 PI Order is expected to be set with reference to the September 2022 CPI. The change in CPI over the 12 months to August 2022 was 9.9% and so a similar increase over the 12 months to September 2022 is expected (i.e. pensions are expected to increase by c. 9.9% in April 2023).

The actual 2023 PI Order is not automatically set with reference to the September CPI. This is only known with certainty in March, once this has been approved by Parliament. It is possible that the actual PI Order will be lower than the change in CPI over the 12 months to September 2022.

It is due to this uncertainty that the standard assumptions and approach used by the actuary as at 31 July 2022 make no allowance for a 2023 PI Order of the order of 9.9%. If this was adjusted, the effect of recognising the 2023 PI Order in the balance sheet as at 31 July 2022 is to increase the value of the obligations by £17,946,000 with a corresponding additional loss in the Statement of Comprehensive Income. This is based on the expected 2023 PI Order of 9.9% applying in 2023 to pensions in payment, deferred pensions and CARE revaluation. It is assumed that CARE benefits make up 60% of the active liabilities at the year-end date. The asset value is unchanged. It should be noted that the additional loss in the Statement of Comprehensive Income for the PI Order would be £7,780,000 instead of £17,946,000 due to the pension surplus of £10,166,000 not being recognised.

### 27. Financial instruments

| | Group 2021/22 £'000 | Group 2020/21 £'000 | Corporation 2021/22 £'000 | Corporation 2020/21 £'000 |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Financial assets at fair value through Statement of Comprehensive Income | | | | |
| Listed Investments | 34,163 | 29,910 | 34,163 | 29,910 |
| Financial assets that are equity instruments measured at cost less impairment | | | | |
| Other Investments | 28 | 27 | 0 | 27 |
| Financial assets that are debt instruments measured at amortised cost | | | | |
| Cash and cash equivalents | 72,081 | 79,380 | 72,074 | 79,371 |
| Investments | 60,000 | 40,000 | 60,000 | 40,000 |
| Trade and other receivables | 18,360 | 13,737 | 18,046 | 13,436 |
| **Financial liabilities** | | | | |
| Financial liabilities measured at amortised cost | | | | |
| Listed bond (net of capitalised transaction costs) | 87,335 | 87,202 | 87,335 | 87,202 |
| Trade creditors | 1,324 | 7,227 | 1,306 | 7,128 |
| Other creditors | 5,766 | 6,026 | 5,755 | 5,971 |

### Financial instruments – Risk management

The group operates a centralised treasury function which is responsible for managing the credit, liquidity, interest & foreign currency risk associated with the group's activities. These financial risks are managed within parameters specified by the Treasury Management Policy and Investment Policy which govern all treasury and longer term investment activities and sets out relevant policy objectives and control measures as driven by the university's Financial Strategy. Key recommendations of the Code of Practice on Treasury Management in Public Services as issued by Chartered Institute of Public Finance and Accountancy (CIPFA) as recommended by the Office for Students (OfS) are adopted as appropriate. The Policy is reviewed and approved by the university Finance & Human Resources Committee annually.

The group's principal financial instruments are the bond, cash, short term deposits and investments. The core objective of these financial instruments is to meet financing needs of the group's operations. Additionally, the group has other financial assets and liabilities arising directly from its operations such as trade debtors and creditors.

**Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the group. The group's Treasury Management Policy and Bad Debt Write Off Policy lay out the framework for credit risk management. Credit risk is monitored on an on-going basis.

The group's credit risk arises from bank balances, investments, students, government and commercial debtors. Management of credit risk is a prime objective of the Treasury Management Policy. At 31 July 2022, the maximum exposure is represented by the carrying value of each financial asset in the balance sheet.

Student, government and commercial debtors are reviewed on an on-going basis and bad debt provisions are made if recovery of credit becomes uncertain. A debtor deemed irrecoverable is written off in accordance with the Bad Debt Write Off policy. The concentration of risk is limited due to the student base being large and diverse, and all Home/EU students having access to the Student Loans Company to fund their tuition fees. The treasury management policy states maximum level of investments for each counterparty to mitigate risk concentration. Similarly, the group's investment decisions are based on strict minimum credit worthiness criteria to ensure the safety of cash and investments. Credit worthiness of group's banks and money market funds is regularly monitored. Generally, the group does not require collateral against financial assets.

**Liquidity risk**

Liquidity risk refers to the risk that the group will not be able to meet its financial obligations as they fall due. Regular monitoring of liquidity risk is an essential feature of treasury management activities. Formal cash flow forecasts are developed, monitored and updated to ensure that adequate working capital is available and excess funds are invested to reduce the carrying cost of funds. The group reviews its minimum liquidity requirements to ensure cash is available between the three annual Student Loans Company remittances and invest excess funds to maximise investment in short term fixed deposits. At 31st July 2022, the group is holding cash deposits and investments of various maturities, none of which is greater than 12 months. The average maturity of any deposits or investments with a maturity date is 95 days.

The long term financing of the group relies on £90m, unsecured Eurobonds maturing in June 2042. The retained bonds held by or on behalf of the group were cancelled on 18 July 2017. The capital amount will be paid at maturity and coupon of 5.375% is paid semi-annually. The group may, at its option, redeem all, or from time to time any part of, the bonds at the higher of the following:

(a) the principle amount of the bonds to be redeemed; and

(b) the sum of the Gross Redemption Yield of the benchmark gilt (4.50% Treasury Gilt 2042) and 0.40% plus accrued interest.

Unless previously redeemed or purchased and cancelled, the bonds will be redeemed at their principle amount on 30 June, 2042.

Under the terms of the bonds, for so long as any of the bonds remains outstanding, in respect of each financial year, the group is to ensure that it's total borrowing costs (as defined by trust deed) do not exceed 7% of the aggregate of:

(a) it's total consolidated income for the financial year; and

(b) the total cash of the group as at the end of the financial year.

For financial year ending on 31 July 2022, the ratio was 1.62% (2020/21: 1.90%). The bonds may be redeemed at the option of the holder subject to the occurrence of certain events mentioned in the bond trust deed. Moody's credit opinion issued in July 2022 determined the credit rating to be A1 stable outlook (previously Aa3 negative outlook).

**Foreign currency risk**

Foreign currency risk refers to the risk that the unfavourable movements in foreign exchange rate may cause financial loss to the group.

The group's principal foreign currency exposures generally arise from research related receipts and payments denominated in euros. There are ring-fenced euro bank accounts, set up especially for research projects funded in euros. All other receipts in foreign currencies are converted into pound sterling unless required for immediate foreign currency payments. Overall foreign currency exposure is immaterial, being insignificant portion of total Income and expenditure. At 31 July 2022, the sterling equivalent of all euro bank balances was £5.5m (2020/21 : £4.7m).

**Interest rate risk**

Interest rate risk refers to the likelihood that changes in interest rates will result in fluctuations of the value of Balance Sheet items (i.e. price risk) or changes in interest income or expenses (i.e. re-investment risk).

The group's main financing relates to 30 years £90m bonds (2020/21: £90m). At 31 July 2022, balance sheet values of deposits and investments are not exposed to changes in interest rates. However, the group's interest and investment income is exposed to changes in interest rates i.e. reinvestment rate risk. The group is prepared to accept re-investment risk to exploit opportunities where yield can be maximised without compromising capital base of the investment. The group has no outstanding derivative instruments as at 31 July 2022.



**Financial instruments – fair values**

The fair values of each category of the group's financial instruments are the same as their carrying values in the group's Balance Sheet, other than as noted below:

| | 2021/22 Carrying value £m | 2021/22 Fair value £m | 2020/21 Carrying value £m | 2020/21 Fair value £m |
|---|---|---|---|---|
| 5.375%, Unsecured Bonds due 2042 | 87.1 | 117.4 | 87.2 | 150.8 |

Value of interest accrued at 31 July 2022 is £0.4m (31 July 2021: £0.4m).

The bond is listed on the London Stock Exchange, therefore categorised as Level 1 under the requirements of FRS 102 and valued using quoted ask price as at 31 July 2022 in compliance with FRS 102. The fair value of the bond is its market value at the Balance Sheet date. Market value includes accrued interest and changes in credit risk and interest rate risk, and is therefore different to the reported carrying amounts.

OfS requires the university to provide for the repayment of the bond in the form of a bond redemption fund of £15m every five years. The current value of this notional reserve is £33m held within investments (note 11).

**Bond disclosures**

An unsecured fixed rate public bond was issued in July 2012 in the sum of £110 million over a 30-year term with a coupon rate of 5.375%. The £20 million reserve bond which was held without coupon by the trustee for a five year period to July 2017 has since been withdrawn. There are no capital payments to be made over the term with the bond maturing in 2042.

DMU may, at its option, redeem all, or from time to time any part of, the bonds at the higher of the principal amount of the bonds and the sum of the gross redemption yield of the benchmark gilt (4.5% Treasury Gilt 2042) and 0.40%, plus accrued interest.

The bond transactions costs of £4.0 million are amortised over the life of the bond of 30 years to interest payable, with effect from financial year 2012/13.

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