University of Nottingham

UK | CHINA | MALAYSIA

2021

Strategic review and financial statements

Council membership

1 August 2020 to 31 July 2021

Chair of Council and Pro-Chancellor
Sir Keith O'Nions

Vice-Chair of Council
Nora Senior CBE

Members Ex-Officio
President and Vice-Chancellor
Professor Shearer West CBE

Provost and Deputy Vice-Chancellor
Professor Andy Long

Treasurer
Ian Kenyon

Pro-Vice-Chancellors
Professor Dame Jessica Corner

Professor Sarah Speight

Members of staff
Professor Clive Roberts

Professor Jo Lymn

Professor Rachel Gomes

Dr Gabriele Neher

Professor Kevin Lee

External members appointed by the Council
Vicky Bailey

Trevor Moss
(to 31 December 2020)

Lynette Eastman

Richard Newsome

Sonya Leydecker

Sherry Madera

David Tilly

Appointed by the Union of Students
From 1 August 2020 to 18 July 2021

Union Development Officer
Madeleine Fox

Education Officer
Rebecca Craven

From 19 July 2021 to 31 July 2021

Union Development Officer
George Sullivan

Education Officer
Chris Taylor

Other senior officers of the university
The Chancellor
Baroness Young of Hornsey OBE

The Registrar
Dr Paul Greatrix
(Secretary to Council)

Pro-Vice-Chancellors
Professor Graham Kendall
(until 31 January 2021)

Professor Nick Miles OBE

Professor Sarah Sharples

Professor Robert Mokaya

Faculty Pro-Vice-Chancellors
Professor John Atherton

Professor Jeremy Gregory

Professor Todd Landman

Professor Sam Kingman

Professor Kevin Shakesheff
(to 11 April 2021)

Professor Zoe Wilson
(from 12 April 2021)

Chief Financial Officer
Margaret Monckton

Chief Digital Officer
David Hill

Director of Human Resources
Jaspal Kaur

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Foreword by the Vice-Chancellor

The new academic year always brings a sense of both excitement and trepidation – for staff returning from a summer break, and for students resuming or commencing their studies at Nottingham for the first time. In 2020/21, of course, such feelings were greatly magnified by the impact of Covid-19 and the extensive measures put in place to keep our community safe. This academic year is therefore particularly special in seeing staff and students back on campus and engaging in all the opportunities provided in our community.

I want to thank everyone in the university for all they have done during the pandemic and recognise just how strenuous and demanding these challenging times have been. I know the Herculean efforts they have made to deliver teaching, research and support for students and the wider work of the university in ever-changing circumstances while dealing with their own personal pressures and anxieties. So many of us have been away from campus during lockdowns, conducting research off site, teaching online and working from home, but the spirit of community has shone even in the darkest days.

From September 2020, we published a set of clear principles to support a careful, safe and phased return by staff to our campuses. To resume teaching, researching and studying on our campuses was no small achievement, and I must pay tribute to the hundreds of colleagues who worked tirelessly to support campus operations, critical research, preparations for teaching and the reopening of our buildings and facilities in a Covid-secure manner. It has been, and continues to be, a simply outstanding effort across the board.

Against this backdrop and with the Covid-related financial challenge, I am proud of the hard and imaginative work by staff in delivering education via a blended approach of online and in-person teaching. This is even more impressive given that it took place within significant pressures of what we might term ‘business as usual’, highlighted in this strategic review.

We have supported our communities, partners and the global effort through the crisis: from our innovative saliva-based PCR test for Covid-19 and developing and testing potential vaccines, to hosting public vaccination and testing centres on campus. We have strengthened our commitment to making a meaningful civic contribution through Universities for Nottingham, as well as our estates development and widening participation strategies. Our research is also making a regional, national and international impact by delivering economic, social, environmental, healthcare and technological benefits. We have exceptional staff, an incredible portfolio of programmes and research, and an excellent strategy that has stood the test of a pandemic.

My optimism for the new academic year and the resumption of campus activity is tempered with the knowledge that the pandemic is not going away anytime soon. However, all over the world, we are learning to live with it. Our community has done an astonishing job in responding to the ever-changing challenges during Covid-19. We will need to maintain the flexibility and agility that we have demonstrated since March 2020 for some time to come, but I know we will all continue to embrace the opportunities presented by a changing world.

Shearer West

Professor Shearer West CBE
President and Vice-Chancellor of the University of Nottingham

Strategic and operational review

Solving problems and improving lives

From arts and culture, environment and society, to science and medicine and wellbeing, we have a reputation for world-leading research that transforms lives and shapes the future.

While headlines over the past year have centred on the fight against the pandemic – and more information on our Covid-19 research work can be found on page 10 – our researchers have delivered outstanding work to tackle local and global challenges around securing sustainable food supplies, ending slavery, developing greener transport, and reducing our reliance on fossil fuel reserves. Transforming healthcare with pioneering imaging and technology research to make smarter and trustworthy products for everyone also form critical aspects of our work.

One of our engineering research teams won £4.5m to lead the world's largest trial to evaluate the viability of biochar, a high-carbon form of charcoal, to store carbon from the atmosphere and counter the impact of climate change. Work on the four-and-a-half-year project sees trials being conducted at arable and grassland sites in the Midlands and Wales, as well as former mines, railway embankments where engineering work has resulted in loss of vegetation, and woodlands across England and Wales. The objective is to take carbon from atmospheric emissions and trap it in the biochar, and this will show how effective large-scale biochar deployment could be as a method of greenhouse gas removal.

Another of our teams received €2m in funding to develop new MRI technologies for mapping the human brain, which could open new possibilities for how certain mental health disorders are characterised, diagnosed and eventually treated. The five-year grant will provide formal routes towards untangling the complexity of the human brain and offer new neuroimaging tools for characterising mental health disorders; paving the way to personalised medicine approaches.

The amount of nutrients that people receive from the crops that they eat is a type of 'postcode lottery', according to research that has analysed thousands of cereal grains and soils as part of a project to tackle hidden hunger in Malawi and Ethiopia. The research provides vital evidence on the nutritional quality of diets which can support public health and agricultural policies to improve people's health and wellbeing. Plants also made the headlines after scientists discovered a signal that could be 'switched off' to allow roots to penetrate damaged soils – again offering solutions for global agricultural challenges.

A £1.6m project was also launched to support the economic recovery of Nottingham's cultural sector with the development of new immersive technology and techniques to help businesses attract audiences and customers. Our researchers are leading the Experiential and Digital Diversification: Nottingham (LEADD:NG) project which aims to provide SMEs with a range of digital products and experiences using immersive technologies and techniques to allow them to maximise potential and profit.

Nottingham's scientists have discovered how the malaria parasite is able to multiply rapidly in the mosquito gut, and how targeting it at this stage may stop the transmission of the disease. Another research team made a major breakthrough in genome sequencing, which will enable them to search for the underlying causes of diseases in human DNA quicker than ever before.

Elsewhere, research into the criminal exploitation of children revealed an increase in self-harm and suicide attempts among children and young people admitted into hospital with clear links to county lines in the illegal drugs trade. An international team conducted the first study to assess the impact of future climate change on effective labour at the global scale and found that labour would be reduced by between 18-25 percentage points if the goals of the UN Paris Agreement on climate change are not met.

Closer to home in the UK, our research has enabled economic experts to pinpoint the UK's local authorities most in need of the government's £4.8bn Levelling Up Fund. This helps government to understand where new needs are emerging, alongside the measures they already have of longer-term deprivation, ahead of fund allocation.

Finally, a new facility for human-robot interaction research designed to support industry in exploring the use of this technology was launched. The Cobot Maker Space will enable researchers to create human – robot scenarios with conditions that resemble real production environments.

Supporting potential

Our university strategy details our commitment to recruiting students and staff with the highest potential and a desire to succeed, and support them to ensure they achieve their goals, as well as local communities to encourage people who would benefit from our education.

Tackling racial equality is a major priority: improving the reporting of hate crime, halving the awarding gap and setting measurable targets to increase the diversity of staff had already been pledged by the university in 2020. We are also putting a series of measures in place to ensure that we eliminate the attainment gaps between students from diverse backgrounds, and embed equality in our decisions about staff recruitment, reward and progression.

A key outcome of our work this year was to secure Bronze Race Equality Charter status for the university, as we became one of 18 institutions to hold the award, which recognises our plans to tackle racial inequality. Assessed and awarded by Advance HE, the Race Equality Charter (REC) provides a framework through which institutions work to identify and self-reflect on institutional and cultural barriers standing in the way of Black, Asian and Minority Ethnic (BAME) staff and students.

Our REC Action Plan was published this year and, alongside the university's Equality, Diversity and Inclusion (EDI) Strategic Delivery Plan, this will guide key actions to be implemented at pace to drive real cultural change across the institution.

Our work on widening participation also continues in earnest. The widening participation vision and mission cement the direction of outreach and access work and accompany our access and participation plan (APP), which will guide our activity until 2025. We have two aims: first, to enrol and retain, on all UK-based courses, UK students who are under-represented at the university; secondly, to raise aspirations, attainment and progression to higher education.

Our expenditure on widening participation and access in 2020/21 is in the table below. The staff costs are included within the totals. The activities supported above are consistent with the APP, which can be viewed online: UoN Access and Participation Plan.

We have been ranked in the top ten for employability for the eighth year running by The Graduate Market, High Fliers Research (2013-21). Our careers and employability service supports current students with career ideas, finding jobs, developing applications and meeting employers. Graduates also continue to use our services to help build their career.

The growth of our industry-facing degree apprenticeships programme progressed with the launch of the country's first masters-level veterinary degree apprenticeship programme to support the transition from graduate veterinary surgeons to well-rounded, experienced general practice clinicians. Other new degree apprenticeships included the Level 6 Electro-mechanical Engineering and Data Scientist programmes.

These courses are relevant for school leavers looking for on-the-job paid learning, as well as mid-career professionals seeking a skill-set top-up to support their career progression. They address issues around widening access to careers, including those from non-traditional backgrounds, and also give employers a cost-effective approach to workforce development.

Access and participation spend in 2020/21 £ million (m)	Total	Staff costs	Other costs
Access investment	2.1	1.5	0.6
Financial support provided to students in the financial year (such as bursaries, scholarships, etc.).	12.2	0.3	11.9
Support for disabled students	1.5	1.3	0.2
Research and evaluation related to access and participation	0.1	0.1	–
Totals	**15.9**	**3.2**	**12.7**

Postgraduate students chatting in the atrium of the Dearing Building, Jubilee Campus

Undergraduate students relaxing on The Terrace, Portland Building, University Park

Campus life

We cherish the natural environment and beautiful parklands on our campuses while building on our reputation as an outstanding campus university.

Our campuses are known for their green spaces, hidden corners, diversity of landscape, planting and architecture and are home to over 4,000 students and staff. As we plan ahead for the future needs of our university, we know that sustainability is incredibly important to us all and our campuses already demonstrate some highly regarded examples of best practice.

We are now developing our campuses to answer the contemporary needs of staff and students, including: new kinds of spaces; a secure and inclusive environment that supports the wellbeing of the community; an education that is more than a degree; and a rich and stimulating social, cultural and sporting life, open to all.

Our estate development framework (EDF) is the enabler of this approach. The guiding vision for the EDF is evolution without a carbon footprint. Our current, and past, students and staff have a strong emotional connection with the campuses on which they were taught and an affinity with how we will develop them in the future. The EDF recognises our commitments to equality, diversity and inclusion and, through consultation – both in the university strategy and the EDF itself – we understand the changes we need to make to our estate to reflect the needs of our community.

We have also strengthened our commitment to making a meaningful civic contribution and the way our campuses are accessed and opened up to our local, and wider, communities has never been so important. While we make an undoubted economic and cultural impact, we need to strengthen the visibility of that within Nottingham and across the East Midlands. Strengthening our physical presence in the city will be an important element of that ambition.

There have, of course, been many difficult and challenging elements to deal with as a result of Covid-19 but we have seen new possibilities with the adoption of greater agility and the adoption of a hybrid working approach. We have seen changing demands on our real estate and questioned how we might accelerate and support blended learning and teaching with changes in pedagogy that will place different demands on our campus in the future.

The emphasis the EDF places on the need to re-purpose and refresh our existing buildings and to utilise our spaces more effectively and efficiently is only more evident now. We have plans for our University Park, Jubilee and Sutton Bonington campuses as we review drivers around sustainability, environment and ecology; transport, accessibility and wayfinding; catering; heritage civic presence and engagement; sports and recreation; and digital interface. We are also looking at space drivers around teaching and learning, research and knowledge exchange, and capacity study.

Our plans for the renewal of our estate will be realised more quickly, at a lower cost and in a more environmentally sustainable way with the purchase of the Castle Meadow site in the centre of Nottingham at the foot of the newly-restored Nottingham Castle. The Castle Meadow Campus will give us a physical presence in the city and support several key strategic initiatives. It will provide a campus for final year and postgraduate students studying professional practice-based courses, as well as a prominent home for our work to support jobs, investment and growth in the city.

The university also announced its intention to buy-out its joint venture partner in University of Nottingham Malaysia (UNM) and become the majority shareholder in UNM through a wholly-owned subsidiary. This secures the long-term future of the university in the region and the 650 jobs and 5,200 students on our Malaysian campus. The estimated price of the share purchase is £23.5m, which is likely to be an outflow in the 2021/22 period.

Postgraduate student Mary Abetang talking to fellow students in a study room in the Dearing Building, Jubilee Campus.

Sustainable development

As a university, Nottingham is widely known and respected for our commitment to sustainability. We are a leading international centre for energy research, with a reputation for excellence across a broad range of technologies including bioenergy, energy storage, the built environment and electrical grids, with a history of successful collaboration with industry in the UK and globally through our international campuses in China and Malaysia.

Our research achievements and practical actions on campus sustainability were recognised externally when the university was ranked in the top three most sustainable universities worldwide.

The UI Green Metric, produced by the University of Indonesia, is the only university ranking in the world that measures each participating university's commitment in developing an 'environmentally friendly' infrastructure. Always looking ahead, we have now developed new ambitious carbon reduction targets to ensure that we achieve our 'fair share' in reducing global emissions below 1.5 degrees.

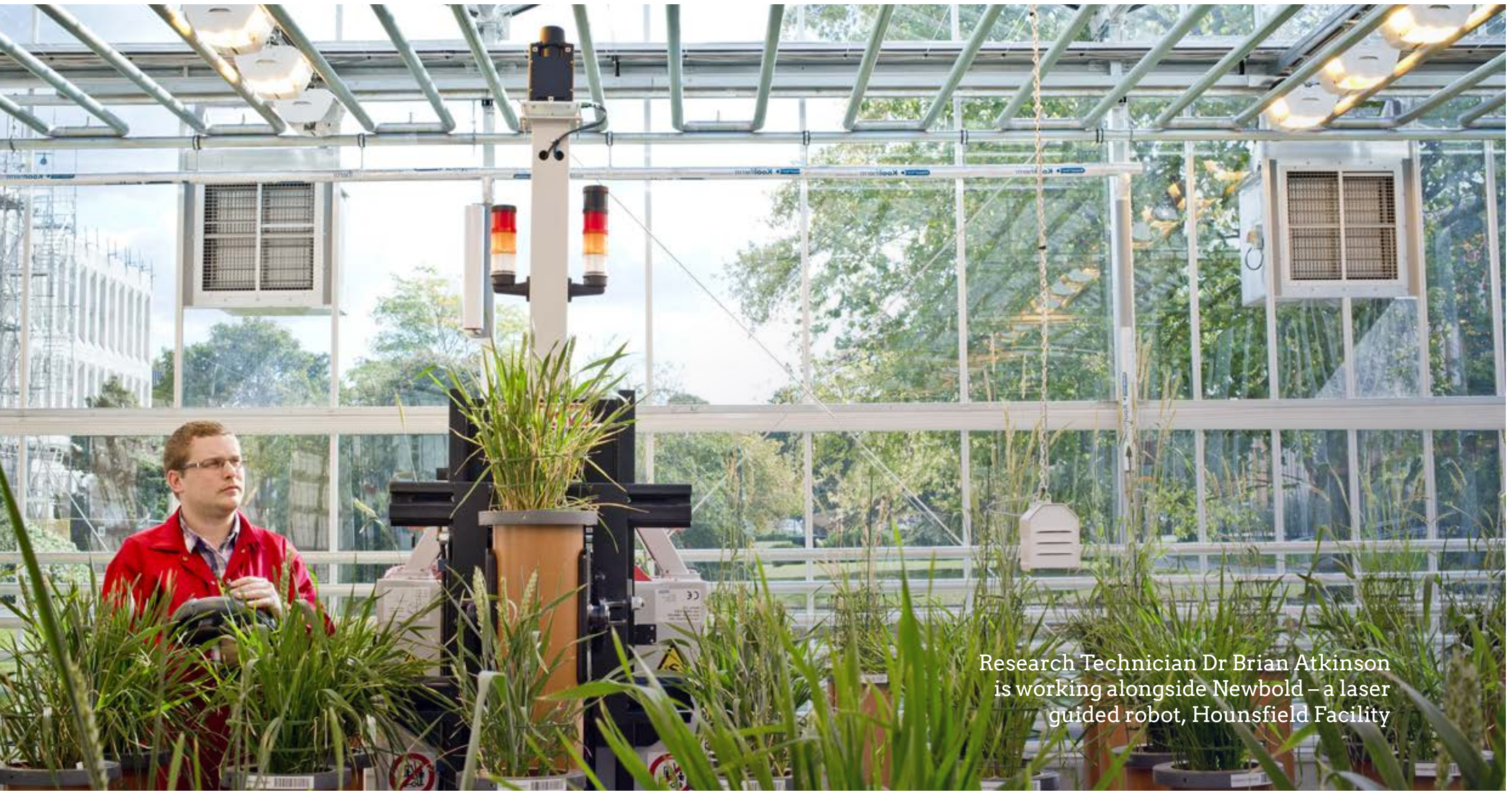
Having already fully divested from fossil fuels, this year we appointed Cazenove Capital to manage the university's £72.3m endowment portfolio and £9.8m medium-term investment fund to ensure that our investments make a positive contribution to sustainability. The equity strategy generates three times the social benefit of a global equity index through activities such as medicine provision, fair wages and innovation, as well as a reduction of 5,600 metric tonnes of carbon – the annual energy use of 655 homes.

This work builds on our sustainability strategy, developed in consultation with staff and students, which commits to making an outstanding contribution to supporting the UN Sustainable Development Goals through our research and education, our engagement with partners and our behaviour on campus and in our communities.

We have committed to supporting the city of Nottingham in its ambitions to be carbon neutral by 2028 and, under our Universities for Nottingham initiative together with Nottingham Trent University (NTU), have brought together sustainability expertise from across the city to raise awareness about environmental and social issues.

At Sustainability Action Week, a Universities for Nottingham initiative in partnership with the students' unions from both institutions and Nottingham City Council, experts shared thoughts for more sustainable ways of living and working in the city and how to make positive changes, as well as what we, as civic institutions, can do to reduce our carbon emissions.

We also launched a new sustainability app, Green Rewards, for staff and students to earn rewards for sustainable habits. Through the app users can earn points by logging their actions, such as walking or cycling instead of driving, taking part in quizzes on clean air or energy, and even spending time outside on their lunch break or growing their own vegetables. Since its launch, the app has recorded more than 23,000 positive actions, saving more than 25,000kg of CO_2. The scheme is now being rolled out across Nottinghamshire with the support of its nine borough councils.



Research Technician Dr Brian Atkinson is working alongside Newbold – a laser guided robot, Hounsfield Facility

Embedding collaboration

The Universities for Nottingham Civic Agreement harnesses the collective will of the city and county's biggest institutions to deliver economic, social, environmental and healthcare benefits to the people of Nottingham and Nottinghamshire.

Through this collaboration, the University of Nottingham and NTU are uniting with local partners including councils, healthcare trusts and the D2N2 Local Enterprise Partnership, around a common civic mission to improve levels of prosperity, opportunity, sustainability, health and wellbeing for local citizens, families and communities. It is also supporting the post-pandemic recovery.

Universities for Nottingham is supporting local employers in the Nottingham area through the Digital Marketing Academy (DMA), which sees students working with local marketing agencies to increase skills within the industry. The DMA, which was introduced by the universities as an initiative to combat the high-level digital skills gap identified by Nottingham City Council, is helping students from any degree to gain a deeper understanding of the multitudes of areas which digital marketing covers, and gives agencies a chance to help guide students on the skills they are looking out for when hiring graduates.

We also launched Digital Nottingham, an endeavour to help transform the city – its potential, skills and ambitions – using expertise in combining data science, technology and innovation to help solve local challenges, while providing opportunities for growth and regeneration. The collaboration draws on university expertise and is harnessing the power of big data, in particular large-scale financial data, together with methods from machine learning and artificial intelligence. Research in partnership with KPMG is leveraging data science to inform business decision-making. At the same time, a collaboration with the UK's leading technology venture builder, Blenheim Chalcot, links the city's next generation of scale-up businesses to university expertise which can help them innovate and grow.

Meanwhile, research continues to drive forward innovation and knowledge exchange in the city and wider region. We have been awarded a share of the £28.5m award by Driving the Electric Revolution, part of the Industrial Strategy Challenge Fund from UK Research and Innovation (UKRI), to invest in new equipment to support innovative manufacturing processes for advanced electrical machines and drives which will support the UK's net zero ambitions.

The equipment is hosted within our new Power Electronics and Machines Centre, which was selected to host the Midlands Driving the Electric Revolution Industrialisation Centre. Our state-of-the-art building is also home to the UK Electrification of Aerospace Propulsion Facility, providing industry and academic partners with a comprehensive end-to-end facility for the manufacturing and testing of technologies towards electrification to deliver the UK government's target towards a net zero carbon economy.

Combined, the University of Nottingham and NTU already have a huge economic impact on the city, the region and the wider UK. Our joint contributions include:

- £3.8bn to the UK economy every year
- £2.1bn to the local economy in the East Midlands
- £145m boost to the local economy every year from 15,000 international students
- Creating 29,768 jobs across Nottingham and Nottinghamshire
- Being the third largest employer in the region
- Working with 35,000 young people from 150 schools
- Spending £33m to get more people into university and support them there
- Over 700 new businesses and enterprises established in five years through our Ingenuity Lab and NTU's The Hive

The Covid-19 pandemic

In a year once again dominated by Covid-19, we have been committed to supporting our communities, partners and the global effort through the crisis – from our innovative saliva-based PCR test and developing and testing potential vaccines, to hosting vaccination and testing centres and supporting our students in financial need.

Our asymptomatic Covid-19 testing service was recommended for government accreditation to allow its unique non-invasive saliva testing process to be simplified and sped up by removing the need for a second confirmation NHS test. The tests are analysed at our world-class facilities on campus and genome sequencing is used to identify any variants.

The world's first Covid-19 vaccine study researching alternating doses and intervals of approved vaccines, which is being run at the University of Nottingham Health Service, is in progress to determine the effects of using a different vaccine for the second dose to the first dose, in addition to two different intervals between doses.

Elsewhere, our staff played a key role in leading the distribution of the approved Oxford/AstraZeneca Covid-19 vaccine to members of the public across the UK. The regulator, the Medicines and Healthcare products Regulatory Agency (MHRA) reviewed the data collected by researchers, including those based at University of Nottingham Health Service.

Our researchers are using their extensive virology knowledge to develop a safe and effective vaccine to prevent Covid-19. In collaboration with partners Scancell, work is underway to adapt an existing cancer vaccine platform for use against the virus. This DNA vaccine has potential to provide a vital, effective and durable immune response to Covid-19, protecting against future new strains of coronavirus that may arise.

Alongside work on the vaccine, experts are involved in developing novel treatments for Covid-19, as well as assessing the risk for future pandemic events. Our researchers have identified new coronaviruses in rodents and now need to investigate their potential to jump species and establish new outbreaks in humans. Working with active clinicians means that ideas and inventions can be rapidly progressed to help prevent and treat current and future outbreaks.

Our team of leading multidisciplinary researchers are also investigating the social impacts of Covid-19, including a survey which found that people of East and South East Asian heritage in the UK have been traumatised by the surge in racist attacks on them since the start of the pandemic. Meanwhile, staff and students have undertaken volunteering and secondments with local health trusts and other national health services.

A further study examining collective behaviour revealed that people are more likely to follow Covid-19 restrictions based on what their friends do, rather than their own principles. The research could have lasting implications for how policies are implemented in the future.

We have also widely supported the NHS Covid-19 vaccination programme, with local vaccination services across our campuses, and our staff and students stepping up to help administer the vaccine to patients.

Governance

Responsibilities of University Council and structure of corporate governance

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

The university is committed to best practice in corporate governance. The Council notes the UK Corporate Governance Code and the OfS accounts direction requirements and has due regard to the Charity Commission guidance on public benefit when exercising its powers and duties. In addition, the university works to align its governance approach and processes with the Higher Education Code of Governance (the Code) published by the Committee of University Chairs (CUC). In response to the Code and in accordance with overall good governance the Council periodically reviews the role of the Council and its effectiveness. The most recent review of the Council's effectiveness concluded in the autumn of 2020 and there is an ongoing programme to implement the recommendations that resulted from it.

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

Role

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

The Council is responsible for ensuring compliance with the Charter, Statutes and Ordinances regulating the university and its governance framework. Subject to these it makes all final decisions on matters of fundamental concern to the university.

In 2020/21 the Council of the university comprised the President and Vice-Chancellor, 10 external members with one vacancy, (reducing to nine external members with two vacancies for part of the year with recruitment for new external members undertaken successfully in the latter part of the session), two student and eight academic persons appointed under the university's Statutes, the majority of whom are non-executive. The role of Chair of Council is separated from the role of the university's Chief Executive, the President and Vice-Chancellor. The matters specifically reserved to the Council for decision are set out in the university's Statutes. By custom and under the OfS Regulatory Framework, the Council is responsible for the university's ongoing strategic direction, approval of major developments and receiving regular reports from executive officers on the day-to-day operations of its business and its subsidiaries. The Council met eight times during 2020/21. It has several committees, all of which are formally constituted with terms of reference. The key committees are noted below.

Finance Committee

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

Nominations Committee

The committee considers nominations for vacancies in the Council membership in accordance with Statute 6.

Audit and Risk Committee

The committee comprises only external members and advisors and meets at least four times annually. All meetings are attended by the appointed external auditor to discuss audit findings, and with the internal auditors to consider internal audit reports and recommendations for the improvement of the university's systems of risk management, internal control and governance framework.

Incorporated into the internal audit reports are management's response and implementation plans. The Director of Planning, Performance and Strategic Change and, following a change in the responsibility for the management of risk, in the latter part of the year the Director of Governance and Assurance, attended these meetings to consider the University Risk Register and the effectiveness of the mitigations to the main risks affecting the activities of the university. The Committee also receives and considers reports from the OfS as they affect the university's business. It considers the form of the annual report on corporate governance together with the accounting policies and reviews the implementation of risk management within the university. While senior executives attend meetings of the Audit and Risk Committee as necessary, the President and Vice-Chancellor attending all meetings in 2020/21, they are not members of the committee, and the committee meets with the external and internal auditors on their own for independent discussions.

Remuneration Committee

The committee, which comprises all external Council members, determines the salaries of senior staff of the university. The salary of the President and Vice-Chancellor is determined by the external members of the committee. The committee also reviews retention and recruitment policies relating to professorial and other senior staff.

Trent Building and Highfields lake with boats

Health and Safety Committee

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

Senate

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

University Executive Board

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

Continued response to Covid-19

During the pandemic, the university's governance mechanisms have continued to respond and adapt to meet strategic and operational requirements where required. The University Executive Board held additional meetings between its monthly meeting where necessary. The operation of interim groups to manage the university's planning and response such as the gold and silver incident management groups and Emergency Finance Group continued.

The Covid-19 Recovery Board, established in response to the immediate challenges faced by lockdown, changed its focus from reactive activity to planning activity and became the Covid-19 Impact Planning Board. After overseeing the final steps in the phased re-opening of the university campuses, it was responsible for the consideration, or approval of, changes to significant university events and activities related to education, student experience and research, in light of the pandemic. This included changes to policies related to international travel for research purposes and changes to student examination dates.

The Finance Committee continued to consider the impact of Covid-19 and the impact on the financial performance of the university at each of its meetings through 2020/21.

A Council Emergency Finance Group that had been established in 2019/20, remained in place during 2020/21 to enable the university to respond swiftly to finance-related matters should it be required.

Audit and Risk Committee considered the impact of Covid-19 across several areas, especially with regard to risk management, and a planned 'deep dive' exercise focused on Covid-19 recovery planning took place at the committee's meeting in September 2020.

Statement of internal control

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

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

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

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

The Audit and Risk Committee receives regular reports from the Director of Internal Audit, together with recommendations for improvement. This includes the annual internal audit opinion on the adequacy and effectiveness of the institution's systems of risk management, internal control, and governance. Reports are also received from the external auditors as part of their year-end work.

In response to some identified weaknesses in relation to internal controls last year a project has been established with the purpose of strengthening those controls. In the year, a new travel management solution has been launched to standardise and simplify the travel booking process.

The expense policy has been reviewed and updated to provide clearer guidance and work has begun in strengthening the controls within the aged IT systems. This work will continue into the new financial year.

Risk and risk management

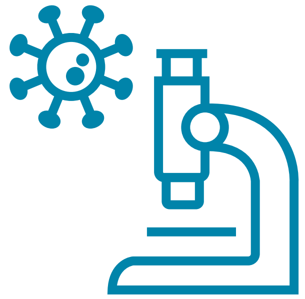
An organisation-wide risk management framework, which implements the university's Risk Management Policy, is maintained, and considered regularly by the University Executive Board (UEB).

The Audit and Risk Committee considers the effectiveness of the mitigations of the main risks to achieving the university's activities, including those reported through the university's risk register. Risk considerations form part of the annual budgeting and planning cycle and inform the work undertaken by internal audit.

Under the leadership of the Vice-Chancellor, UEB is responsible for owning and monitoring corporate risks. This responsibility is delegated to Planning and Resource Committee and activities which form part of that responsibility are:

- Approval of the university's Risk Management Policy and its implementation
- Consideration of the university's overall risk appetite
- Assessment and approval of the university's readiness to expose itself to risk for appropriate strategic or other benefit
- Regular review of the university's risk register, which is owned by UEB, and its associated assurances
- Periodic review of the effectiveness of risk management and assurance processes

All risk owners and their delegates reviewed and updated each risk during this period. Most risks have been directly impacted by Covid-19 or have had delayed progress on implementing mitigating actions due to the focus on managing the crisis and the recovery programme. Work has been undertaken to update all controls and mitigating actions as a result of this and this is reflected in the updated risk register.



Risk register

Risk theme and description	Mitigation
Impact of Covid-19 recovery, planning and delivery oversight (not captured elsewhere) The longer-term impact of actions taken to manage Covid-19 in the university, locally, nationally and internationally impacts on the ability of the university to resume and continue operations in a timely manner.	The actions the university took to mitigate the impact of Covid-19 remain in place now. We continue to build on our support activities for both returning students and for those joining us for the 2021/22 year. Education and Student Experience (ESE) plans are in place for semester one and two which will allow us to flex the nature of provision subject to status of guidance from government during those periods. We are continuing to review the necessity and frequency of forums and committees that were established specifically to address the impact of Covid-19 as we transition back into the norm.
Education and student experience The immediate and longer-term impact of Covid-19 undermines our activities and plans, career and degree outcomes, student retention and student experience.	The ESE Strategic Delivery Plan (SDP) has been approved. The five priorities within the SDP acknowledge our current state (including post-Covid renewal) alongside our ambition. The creation of the SDP action plans will be used as an opportunity for a complete review and re-writing of the ESE risk register so that it is properly articulated, the ESE action plans and risk register will become standing items on the agenda of Education and Student Experience Committee.
Student recruitment External factors impact on our ability to recruit to targets (quality and quantity) for 2022 entry and beyond.	A new size and shape strategy and student recruitment strategy has been developed, recognising impacts of the pandemic.
Research and Knowledge Exchange (KE) Research and knowledge exchange (KE) elements of the university strategy are not achieved because of external changes on research and KE funding and our ability and capacity to deliver world leading research and KE, and our internal ability, performance, financial sustainability, and capacity to deliver world leading research and KE.	A new research strategy taking into account changes in the external environment and internal risk to research is being developed. This is due to be published in the 2021/22 financial year. A university-wide consultation on a green paper for the research strategy is underway.
Staff morale Low staff morale undermines our ability to achieve a culture which supports high performance, and to recover effectively from the impact of Covid-19 on the university's operations.	Staff morale risk was considered by People and HR Committee in April 2021. A new approach was agreed with mitigating factors being against a defined set of areas to include management and governance, external influencing factors, culture behaviour and values, EDI, policies and procedures, wellbeing, reward and benefits, Digital Core, leadership communications.
Leadership and management Poor leadership and management capability leading to a failure to deliver university objectives at the pace required.	Actions developed from staff engagement surveys; development of EDI strategic development plan; enhancement of performance management and employment relations process and approach to enable leaders to develop and empower staff effectively. Further support is required to move away from a command and control approach and give more empowerment to leadership. That will require further development and support and work with HR in the near term to assist in taking this forward.
Digital We fail to keep pace with and realise the benefits of increasing digitisation.	Improved governance and risk management through the Digital Strategy Committee (a committee of the University Executive Board) and enhanced governance within the IT function. The new Digital Strategic Delivery Plan contains a new high-level delivery roadmap which shows the major project and programme activities for the next three years.
Information and data security The university does not manage its information, data and knowledge assets or IT systems and resilience sufficiently to protect them from or prevent a major loss, theft, or breach of General Data Protection Regulations (GDPR).	Strengthened governance structure for information security; new security policies; improved network security; and assurance programme developed.
Organisation Our structures and culture inhibit our ability to make decisions and implement them at the appropriate pace.	Greater transparency of decision making through an enhanced governance structure and ongoing activity, to better empower senior leaders.
Governance Our governance structures, roles and responsibilities are inadequate or do not support delivery of the university strategy.	Continued monitoring, development and improvements will be made to ensure that governance structures remain appropriate.

Housekeeping staff working in Lincoln Hall, University Park

Risk theme and description	Mitigation
University reputation The volatility of the external environment and the higher level of media scrutiny increases the challenge of enhancing and protecting the university's reputation. Increasing global competitiveness means that a lack of proactive reputation building could lead to a decline in the university's standing.	Reputation campaigns across all campuses, including China and Malaysia, continue active management of negative traditional and social media coverage with proactive media campaigning.
Financial sustainability We are unable to respond quickly enough to the financial challenges of multiple external influences including Covid-19, and an uncertain and increasingly competitive HE environment.	The Medium-Term Financial Plan (MTFP) has been revised and dependencies are clear. Additional headroom has been put in place and funders are confident in the university's ability to deliver. Deputy Vice Chancellor (DVC) and Chief Financial Officer (CFO) roadshows have been run to educate and inform the university community. Risks for next year include the Universities Superannuation Scheme (USS) pension, the continued debate around fee levels and any reduction in fees.
UK legislative and statutory compliance (UK campuses only) The university does not comply with relevant legislative, professional, statutory, or regulatory requirements, resulting in potential for reputation damage, financial loss, loss of life or other legal penalties.	The governance and assurance structure has been formed and a standard approach to identify, monitor, and track compliance with key legal and statutory obligations is being implemented though the pandemic response has caused some delay.
Health and safety compliance The university fails to manage and prioritise health and safety and therefore fails to create a positive culture, that together safeguards the safety and health of our entire university community (staff, students, and visitors).	Progress toward completion of the health and safety plan has been delayed due to the ongoing need to ensure that the university campus and operations remain Covid-secure, however the implementation of the plan remains a priority. Good progress has been made towards the implementation of a health and safety system that will better track issues and incidents.

Rainbow crossing and Gateway Building on Sutton Bonington campus during lockdown

Financial review

Chief Financial Officer's introduction

We have ended the year in as strong a position as we could possibly have hoped given the financial impact of Covid-19 on the university. This is down to the enormous amount of hard work of all of the university community – something for which I am enormously grateful.

The financial impact of Covid-19 in 2020/21 was a financial loss against a pre-Covid budget of £110m due to reduced international students, reduced research income, a significant drop in commercial income and increased Covid-related costs. This impact was offset by delivery of efficiency plans across the whole university including a successful voluntary redundancy scheme and a pause on capital investment (although we continued where commitments had been made or if it was health and safety related). We focused on preserving the security of our staff and as a result there were no compulsory redundancies, we topped up furlough payments to full salary, increments were paid to staff and we ran the Nottingham Reward Scheme as usual.

During the year we developed a new Medium-Term Financial Plan (MTFP) – we did it in the middle of the Covid-19 pandemic to ensure that all the financial decisions that we made to deal with Covid-19 were for the long term good of the university. In line with our strategy, the MTFP does not rely on overall growth in the university – instead it focuses on improving the quality of the university income streams and ensuring a continued focus on cost control. As the university grows back to its pre-Covid size, we will put resource back into the cost base in a careful and measured way. This means that the university will return to pre-Covid levels of investment within three years. A core principle of the MTFP is that the university does not take on high levels of debt – the university does not need to in order to deliver its ambitious investment plan and the existing leadership team does not want to leave a legacy of high debt for others to pay back.

The university was very pleased to receive an unchanged S&P credit rating of A+ stable outlook in the summer of 2021 – this is testament to the approach that has been taken to how the university manages its finances and in particular how it dealt with the Covid-19 crisis. The university's strong financial position will enable it to recover quickly from Covid-19 and there are some exciting opportunities in the pipeline that are now being pursued in support of the strategy.

It is quite remarkable when considering what the university has achieved over the past year – the shift to blended learning and its commitment to continue face-to-face teaching as much as government controls allowed, making our complex estate Covid-secure, looking after students as they had to isolate, establishing our own testing service, assisting the NHS by providing accommodation for staff and providing space for a vaccination centre, continuing our research including research that directly helped combat Covid-19 and managing the financial impact. All of this would not have been possible without our amazing staff and students, and I would like to say a huge thank you to all of them for all of their dedication and hard work during what has been an extremely challenging year.

Preparation of financial statements

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

These financial statements are prepared in accordance with the university's Charter and Statutes, the Statement of Recommended Practice on Accounting for Further and Higher Education Institutions and other relevant accounting standards and in line with the terms and conditions of the Memorandum of Assurance and Accountability agreed between the Office for Students (OfS) and the Council of the university.

As described in detail at note 31 to the financial statements, the 2019/20 performance has been restated to increase surplus and net assets by £17.2m as a result of the removal of a provision to re-design the IT Operating Model. In the prior year management expected to incur costs against the provision through to the 2024 year-end, incurring the full value of the provision. These assessments were made after taking appropriate external advice.

2020/21 financial performance
Consolidated key highlights

Research technician working on Analytical Chemistry in the Mass Spectrometry laboratory, Chemistry Building, University Park

Consolidated key highlights

	2020/21	2019/20 (restated)
	£ million (m)	£ million (m)
Tuition fees and education contracts	**£387.7**	£389.0
Funding body grants	**£102.0**	£98.6
Research grants and contracts	**£114.9**	£105.0
Other income	**£91.5**	£117.8
Total income	**£696.1**	£710.4
Surplus/(deficit) for the year	**£26.9**	£111.6
Operating surplus (excluding USS non-cash adjustment within staff costs)	£41.3	£26.6
EBITDA	**£91.0**	£82.1
Net assets	**£567.2**	£480.2
Cash generated from operating activities	**£77.5**	£38.3
Capital investment	**£36.9**	£41.6
Staff costs (including USS adjustment)	**£392.9**	£317.4
Staff costs (excluding USS adjustment)	**£378.5**	£402.4
Research awards	**£160.8**	£138.9

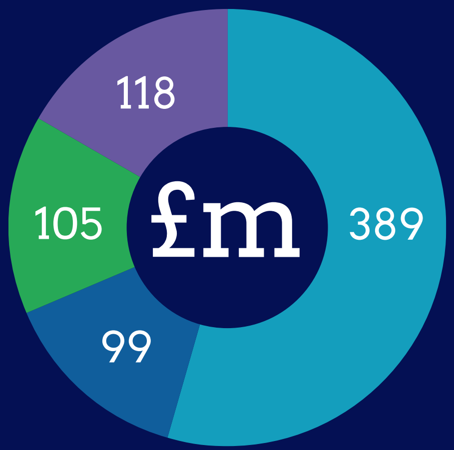
2019/20

£710m Total income

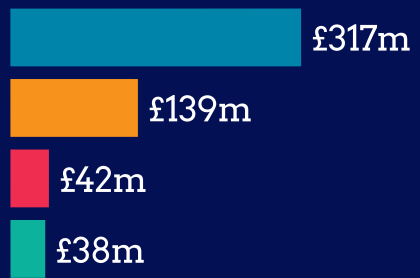
+ £27m Operating surplus

£82m Earnings before interest, tax, depreciation and amortisation (EBITDA)

£480m Total net assets



2020



- Tuition fees and education contracts
- Funding body grants
- Research grants and contracts
- Other income

- Staff costs
- Research awards won
- Capital investment
- Cash generated from operating activities

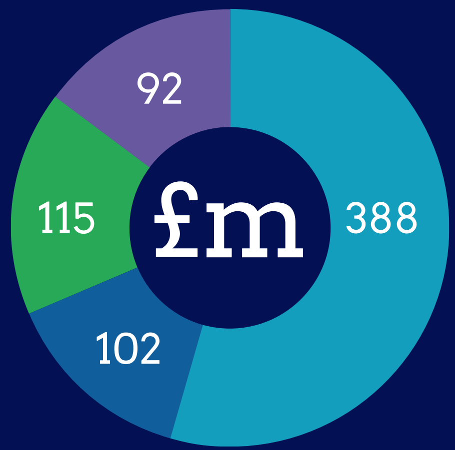
2020/21

£696m Total income

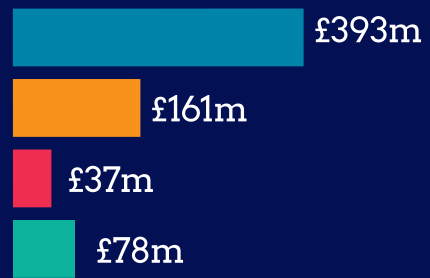
+ £41m Operating surplus

£91m Earnings before interest, tax, depreciation and amortisation (EBITDA)

£567m Total net assets



2021



- Tuition fees and education contracts
- Funding body grants
- Research grants and contracts
- Other income

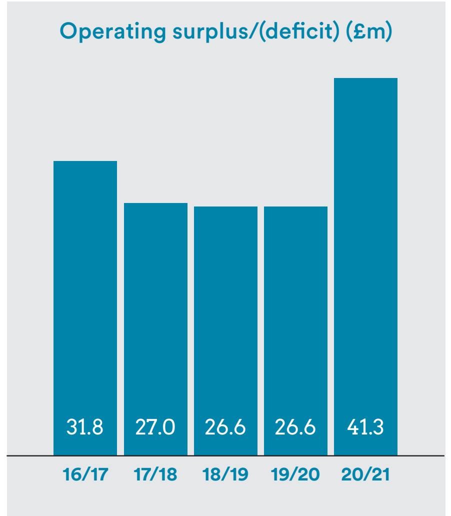
- Staff costs
- Research awards won
- Capital investment
- Cash generated from operating activities

Lenton Firs Rock Garden during autumn, University Park

Surplus/(deficit) for the year

The addition of the Universities Superannuation Scheme (USS) into the financial statements of the university continues to create volatility in the reported financial results, and although the impact in the 2020/21 financial year is significantly lower than that of prior years it does make comparisons to previous years challenging. With the inclusion of the adjustment for USS the surplus stands at £26.9m (2019/20 restated: £111.6m).

The operating surplus (excluding non-cash adjustments within staff costs made in relation to USS) has strengthened to £41.3m from the £26.6m reported in 2019/20 (as restated). Other gains and losses increased to £14.5m (2019/20: £0.5m) as market movements led to a gain on the valuation of investments in addition to a profit on the disposal of an investment. The balance sheet remains strong with net assets increasing to £567.2m, a rise of 18% (2019/20 restated: £480.2m).



In accordance with the SORP, the university does recognise a provision for its proportion of the USS deficit recovery plan within staff costs in these financial statements, however, the financial commentary will exclude the impact of this, as the movement is for accounting purposes and therefore does not denote cash coming in or leaving the university and is not representative of the university's underlying financial performance.

The university has delivered an operating surplus (excluding the non-cash impact of USS costs within staff costs) of £41.3m (2019/20 restated: £26.6m). This is significantly better than had been anticipated and reflects the university's strong Covid-19 response, but also acknowledges the continued impact of the pandemic and ongoing government restrictions, which has meant that some activities have not been able to commence. In addition to the pandemic, Brexit has resulted in some significant supply chain delays, which has resulted in deferred spend.

Summary income and expenditure

	2020/21 £ million (m)	2019/20 £ million (m)
Total income	**696.1**	710.4
Total expenditure (excluding movement in USS pension provision in year)	**(669.3)**	(701.5)
Other gains and losses	**14.5**	0.5
Operating surplus	**41.3**	26.6
Exceptional USS pension provision movement	**(14.4)**	85.0
Actuarial loss in respect of pension schemes (non-cash)	**(60.1)**	(22.4)
Total comprehensive income for the year	**87.0**	89.2

Income

Total income in year has fallen to £696.1m (2019/20: £710.4m), a drop of 2.0%. The university had anticipated a reduction in income as a result of the pandemic and this was within the range expected and planned for.

A reduction in the recruitment of postgraduate taught international students, and therefore a fall in international fees to £131.4m (2019/20: £147.7m) has been largely offset by increased undergraduate home fees of 8.5% to £230.6m (2019/20: £212.5m).

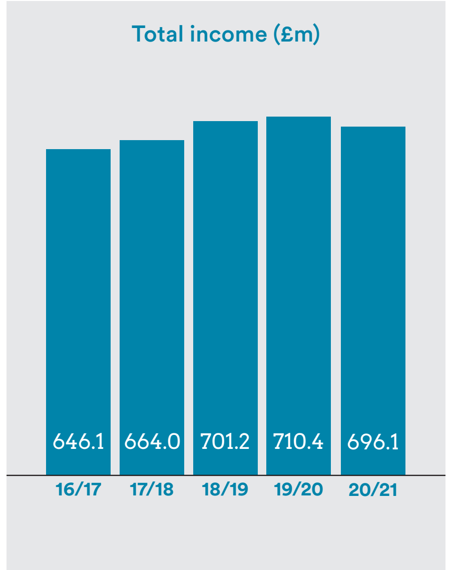
The growth in home fees is as a result of planned growth in home students within the 5% government guidelines, but also as a result of the late change in the assessment of A-Level grades.

The increase in funding body grants caused by the change in calculation method by the OfS has offset any remaining shortfall in fees.

Research income has started to recover as more on campus research is being conducted, increasing by 9.4% to £14.9m (2019/20: £105.0m).

Other income, largely relating to student accommodation, catering and conferencing as well as other commercial activities has fallen by 20% to £87.6m (2019/20: £109.3m) as a consequence of ongoing government restrictions.

The university made the decision to not charge accommodation costs to those students that the government advised should stay at home and be taught remotely, unless they returned to campus.



Student numbers (FTE)

	2020/21	2019/20	2018/19
Undergraduate			
Home/EU	**23,452**	22,183	21,331
International	**3,441**	3,860	3,649
Postgraduate taught			
Home/EU	**2,214**	2,068	2,128
International	**1,959**	2,902	2,317
Postgraduate research			
Home/EU	**1,951**	1,848	1,917
International	**987**	938	936
Total	**34,094**	33,799	32,278

The estimated total impact of Covid-19 on budgeted income in 2019/20 was £42.8m. In the 2020/21 financial year the university made the decision to plan for significant financial impact as a result of Covid-19. The approved budget included an estimate of £150m for the cost of Covid-19 with appropriate mitigations. The year ended with the financial loss from Covid-19 at £110m.

Expenditure

With sustainability in mind, the university put in place mitigations to offset the financial impact of Covid-19.

These mitigations included the implementation of a cost efficiency programme and the pausing of strategic investment that was not already committed or in relation to health and safety. As financial performance improved through the year the university released £20m of additional revenue investment including increased budgets for Faculties, relaxation of part of the cost efficiency programme, pay increments for staff and Nottingham Reward Scheme to recognise members of staff who have worked tirelessly throughout the last 12 months. As a result, although inflation had been applied to all appropriate cost lines, spend (excluding the non-cash movement within staff costs in relation to USS) fell to £669.3m in year (2019/20 restated: £684.3m), a reduction of 2.2%.

Staff costs have fallen by 5.9% in year to £378.5m (2019/20: £402.4m), however 2019/20 included £13.8m of costs relating to the voluntary redundancy scheme undertaken by the university.

Other operating expenses have increased by 6.5% to £241.1m (2019/20 restated: £226.4m) Although some expenditure reduced due to government restrictions, including travel (£7.7m reduction), this was offset by costs of equipment (£8.7m increase) and consumables (£6.6m increase) which increased to pre-pandemic levels as on-campus activity increased.

As a result of Covid-19 much of the investment planned over the last two financial years has been paused, unless relating to health and safety. This in turn has led to a lower depreciation cost during 2020/21 of £44.0m (2019/20: £48.2m). As the impact of Covid-19 in year has become clearer and financial performance stronger, the investment programme recommenced, the impact of this on depreciation will be in future years. Spend on capital projects in year totals £36.9m (2019/20: £41.6m).

Pensions

The two defined benefit pension schemes the university operates – the University of Nottingham Contributory Pension and Assurance Scheme (CPAS) and Universities Superannuation Scheme (USS) – continue to have a significant impact on the financial results of the university.

The valuation of University of Nottingham CPAS was finalised in November 2021. CPAS closed to new members in 2006 and remains open to future accrual, therefore existing members continue to pay into the scheme to receive their pensions upon retirement. In the financial year ending July 2021 the scheme actuary reviewed the assumptions used to calculate the future pension obligation (the present value of funded obligations) and as a result the discount rate, the inflationary assumptions and rate of increase in salaries were all adjusted – this has resulted in a £32.7m reduction in the liabilities of the scheme.

Investment returns have been considerably more favourable than those 12 months ago, and this has also resulted in an additional reduction in the liabilities of the scheme by a further £27.4m. Therefore, in total there is a non-cash actuarial gain for CPAS of £60.1m, which is taken through the statement of comprehensive income and expenditure within the gains and losses section. A provision to fund the scheme's deficit sits on the balance sheet of the university.

The political uncertainty with USS remains. Up until the 2020 actuarial valuation is agreed, the application of the 2018 valuation stands. In 2019/20 the application of the 2018 USS valuation resulted in a reduction in the university's element of the deficit recovery plan by £85m. In the 2020/21 financial year this has increased by £14.4m, as required by accounting standards this non-cash adjustment is charged to staff costs.

After the reporting date, the USS 2020 valuation was filed with The Pensions Regulator. The application of the 2020 valuation will result in a material movement in the deficit recovery provision in future financial statements, details of which are shown at note 36.

Net assets

Total net assets of the university have grown by 17.9% in year to £566.3m (2019/20 restated: £480.2m) which is due to the strength of the financial performance in year, which contributed to the increased cash balance described below.

The value of the university's total fixed assets rose marginally to £1,069.6m (2019/20: £1,063.6m) as a result of the increase in value of the university's investment portfolio as a result of more favourable market conditions.

Cash and liquidity

The cash and cash equivalents balance on 31 July 2021 stood at £110.3m (2019/20: £40m). The strong cash position is a result of the financial performance described above, in addition to the rephasing of some large capital projects and the timing of spend over the year end period.

As a Covid-19 mitigation, during October 2020 the university expanded its headroom facilities and completed a £60m three-year CLBILS facility – this facility has remained undrawn. The £80m revolving credit facility signed in November 2019 remains in place until November 2029 and was undrawn in year.

This means at the year-end the university had available cash within facilities of £250.3m (2019/20: £120.1m).

The introduction of the private placement during 2019 with a US-based investor has resulted in the need to value the facility at fair value, which is calculated as the present value of committed cash flows on 31 July 2021. The fair value adjustment totals a loss of £5.5m (2019/20: loss of £5m) and is a non-cash adjustment, therefore the total private placement is recorded as debt of £110.5m (2019/20: £105m) on the balance sheet. The additional £5.5m charge is recorded in the statement of comprehensive income within gains and losses on investments.

The contractual cash payments arising from the private placement remain unchanged.

Value for money

Covid-19 has shone a spotlight on the financial strength of organisations as well as highlighting the need for and importance of demonstrating value for money to both our students, staff, regulator and stakeholders.

Value for money is about having an appropriate balance between cost and quality and is usually defined using the 3 E's terminology:

- Economy – achieving the most value for the least money
- Efficiency – using the most appropriate amount of effort in the right way
- Effectiveness – making the right decisions and actions to meet the objective

There are several lenses by which to measure value, and some of that relates to organisational behaviours as well as those more easily measured using financial metrics.

University Strategy

The culture of an organisation has a significant role to play in determining the behaviours of its members of staff. For example, is there appropriate strategic direction, do university leaders set the right example, is there transparency in decision making, are policies enforced, and is there independent and robust oversight?

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

This itself is a demonstration of the university's desire to add value to the world and the enablers that underpin the strategy support a strong culture and ethos by which the university operates and all link to creating additional value.

People
We will foster an inclusive environment which supports mental and physical wellbeing, the health, safety and security of our staff and students and empowers people to achieve their potential.

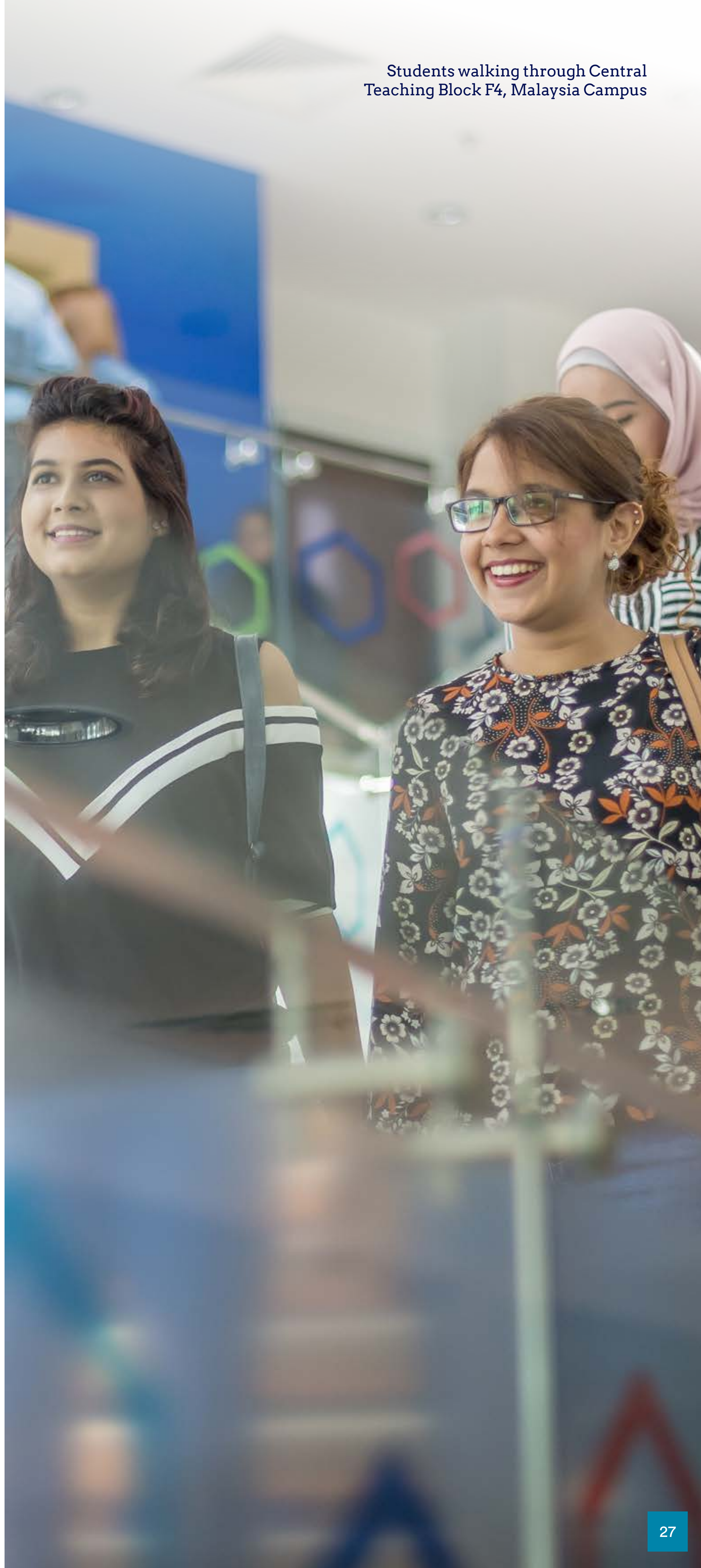
Infrastructure
We will use and develop our assets more effectively to enhance teaching, research and the student experience.

Governance
We will further develop our governance arrangements to provide a highly effective decision-making framework that serves our ambitions, that ensures that we are transparent in our processes, that welcomes challenge and debate, and that enables decisions to be made at the right levels of the organisation.

Compliance
We will ensure that we meet or exceed our legal and regulatory expectations in all respects.

Financial sustainability
We will create new income streams and reduce wasteful expenditure so that we can continue to fund ambitious investments to further our core purposes.

Risk
We will encourage boldness and innovation while keeping our community safe in both the physical and virtual worlds.



Students walking through Central Teaching Block F4, Malaysia Campus

Delivering value for money in financial year 2020/21

Communication, education and engagement

Throughout the financial year the Chief Financial Officer and the Deputy Vice Chancellor have held numerous roadshows across all faculties and professional service departments. These roadshows were to promote awareness of the university finances, from looking at how the university is funded through to how the university has managed the Covid-19 pandemic, the decisions that have been made and the reasons for those decisions. Not only was this to promote understanding amongst the wider university community, it was also a demonstration of unity between the academic and professional service senior leaders and a very transparent and honest representation of the risks faced by the university and the sector generally.

On an annual basis the university reviews its MTFP and this review is done collaboratively with the Financial Planning Group (FPG), whose membership incorporates senior members of the academic and professional service communities. This promotes engagement, joint responsibility as well as ownership to the wider university for delivery of financial plans.

In year, following the success of the FPG model, the university established the Research Planning Working Group, with the purpose of establishing an effective and realistic plan for the strengthening of research performance and output for delivery of the targets set in the MTFP.

Driving value through effective finance support

The finance team have been working hard over the last year to develop a continuous improvement culture and many of the team have become lean practitioners. There is a focus on more efficient processes, less paper, more clearly defined policies as well as system improvement.

In year a new travel management solution has been implemented to streamline the travel booking process, but also create visibility as to where in the world staff are at any point in time. In addition, the travel and expense policy has been reviewed and updated with the help of a working group from across the university to ensure that the policy that was developed and implemented was fit for purpose, robust, clear and user friendly.

The finance teams have been restructured to better align teams with the activities and services they provide and support leading to process improvement, greater resilience and less reliance on single points of expertise.

In response to the ongoing impact of Covid-19 and the significant income impact that was budgeted in 2020/21, the university launched a large-scale cost efficiency programme. The programme was not aimed at reducing university activity, but about doing the same activity for less cost. In year the university delivered £65.7m of efficiency against the original target of £82.9m. The £17.2m difference was as a result of a carefully measured alleviation of the target in certain areas due to a significantly improved financial position.

Group management accounts are produced on a monthly basis and presented internally to the Deputy Director of Finance and the Financial Controller who provide the first layer of review and challenge. They are then presented to the Chief Financial Officer. Following this review, they are then presented to the university governance structure which would include Planning and Resources Committee, Finance Committee and Council for scrutiny and oversight.

To aid the budget setting process a resource allocation model has been developed that allocates funding to faculties using a number of different drivers, including international and domestic student numbers, scholarships and research margin. This process has been approved by Planning and Resources Committee and continues to evolve and develop as greater knowledge and insight is ascertained.

Female undergraduates studying an anatomy model, Anatomy Suite, Nottingham Medical School, Queens Medical Centre

Driving value on investments

Demand for investment exceeds available funds, so it is vital that we ensure that the university invests in the projects that will deliver the most benefit.

Value may be represented by various measures including financial return, contribution to strategy, and impact on staff and students.

In order to compare projects against each other and to assess impact across the various drivers of value, not purely financial, a scoring matrix has been devised as follows.

Criteria	Weighting
Does the proposal directly support university strategy?	20%
Does the proposal directly impact university level KPIs?	10%
What is the scale of benefits of this programme to the university?	10%
Is the project an urgent business need for the university?	20%
What are the consequences of doing nothing?	20%
Is there a positive financial return on investment?	10%
Does the proposal mitigate a risk on the university risk register?	10%
Total score	**100%**

Driving value through effective procurement

The central Procurement function is responsible for influencing in excess of £159m of the university's £249m spend across circa 8,000 suppliers of goods, products and services. A Commercial Director was recruited in 2019 and a lean journey was launched to 'improve the procurement engine' and drive performance through increased capability, including additional resource and extension of support to the university community for all expenditure over £25,000 (previously £100,000).

The 2020/21 procurement savings (based on pipeline view) were targeted at £4m and despite the challenging landscape, this target has been exceeded and stands in excess of £4.3m. In addition, value driven through commercial supplier relationship management (SRM) is forecast at £1.5m, totalling £5.8m additional value to the university across capital, revenue, efficiency and research projects.

The procurement team continue to strengthen performance through regular spend analysis reviews with stakeholders, optimisation of the supply base, building out a responsible procurement policy for CSR, and maximising the benefits of Amazon business. This is alongside an on-going focus on the voice of the stakeholder and streamlining processes (we have eliminated 2 FTE in non-value-added time across the team plus devolved community in the last 12 months).

Driving value looking outwards

The university has huge ambition and strives to be the best it can be. It is therefore important that as an organisation performance can be measured and compared with other similar institutions. Internal reporting of HESA and TRAC data as a measure of performance has become customary. In addition, the university has commissioned sector specialists to conduct benchmarking analyses, largely focussed on financial measures, which have proven useful in identifying areas where value could be improved, such as utilisation of the estate.

Driving value through organisational development

Recruitment is both time consuming and costly, therefore it is important that it is as effective as can be and good people are retained.

Recruitment policies are set at the organisational level and there is a thorough application and competency-based interview process and it is compulsory for interview panel chairs to attend training in areas such as unconscious bias and EDI. There is also access to a wide range of psychometric testing to further assess candidates in areas other than technical ability.

There in an Appraisal and Development Conversation process (ADC), that is a supportive appraisal conversational framework, which encourages regular conversations between staff (appraisees) and their manager (appraisers) during the year supported by one minimum annual ADC meeting.

The focus of the ADC is to review achievement, contribution and progress towards objectives, to discuss personal and career development and to plan and agree on future goals. It also provides an opportunity to discuss any other topics, which are essential to the appraisee or appraiser, including, for example, wellbeing and work-life balance.

The Nottingham Reward Scheme has been developed as a method of motivating staff. It is designed to reward exceptional performance for staff whose contribution goes above and beyond the normal expectation of their role.

Areas to develop to further drive value

The university invests significant sums each year in strategic priorities. Each initiative is supported by a detailed business case which explains the value that the initiative will bring to the university – this ensures the university spends its money in the right way and on the right priorities. One further step in this process will be the development of a post implementation review framework that will assess how close the initiative has delivered the outcomes stated in the business case, which will include all drivers that add value, both financial and non-financial.

The development of a driver-based budgeting approach is underway. This process will assist budget holders in understanding what they spend their finite resources on, which will help them determine how their resources can be used to add greater value.

The university performance framework is close to completion. This is a critical framework that will help the university understand its current performance against pre-defined criteria and drive improvement. Measurement of performance will be through a combination of quantitative and qualitative means and reported regularly through the university's governance.

Independent auditor's report

to the members of Council of the University of Nottingham

Report on the audit of the financial statements

Opinion
In our opinion the financial statements of the University of Nottingham (the 'university') and its subsidiaries (the 'group'):

- give a true and fair view of the state of the group's and the university's affairs as at 31 July 2021 and of the group's and the university's income and expenditure, gains and losses and changes in reserves and cash flows for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Statement of Recommended Practice: Accounting for Further and Higher Education.

We have audited the financial statements which comprise:

- the statement of principal accounting policies;
- the consolidated and university statement of comprehensive income;
- the consolidated and university statement of changes in reserves;
- the consolidated and university statement of financial position;
- the consolidated cash flow statement;
- the related notes 1 to 36; and
- note 37, being required by reference to University of Nottingham accepting students under the US Department of Education student financial assistance programs.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice: Accounting for Further and Higher Education (2019).

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the university in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern
In auditing the financial statements, we have concluded that the Council's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's 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 Council with respect to going concern are described in the relevant sections of this report.

Other information
The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Council is responsible for the other information contained within the annual report. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Responsibilities of the Council
As explained more fully in the responsibilities of Council and structure of corporate governance, the Council is responsible for the preparation of the financial statements that give a true and fair view, and for such internal control as the Council determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Council is responsible for assessing the group's and the university's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Council either intends to liquidate the group or the university or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Extent to which the audit was considered 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.

We considered the nature of the group's industry and its control environment, and reviewed the group's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and internal audit about their own identification and assessment of the risks of irregularities.

We also obtained an understanding of the legal and regulatory frameworks that the group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the Office for Students "Regulatory Advice 9: Accounts Direction", the requirements of Title 34 CFR (code of financial regulations) 668.172, and the Higher Education Act.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team and relevant internal specialists such as, pensions and IT specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the validity of the adjustment to research income to reflect the impact of Covid-19. Our specific procedures performed to address it were to understand the controls around the adjustment, understand and assess the calculation methodology used and test the assumptions used for reasonableness.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, internal audit and external legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance, and reviewing internal audit reports.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Office for Students (OfS) "Regulatory Advice 9: Accounts Direction"
In our opinion, in all material respects:

- funds from whatever source administered by the university for specific purposes have been applied to those purposes and managed in accordance with relevant legislation;
- funds provided by the OfS and UK Research and Innovation (including Research England), the Education and Skills Funding Agency and the Department for Education have been applied in accordance with the relevant terms and conditions; and
- the requirements of the OfS's accounts direction have been met.

Matters on which we are required to report by exception

Under the OfS Regulatory Advice 9: Accounts Direction, we are required to report in respect of the following matters if, in our opinion:

- the provider's grant and fee income, as disclosed in the notes 1 and 2 to the accounts, has been materially misstated; or
- the provider's expenditure on access and participation activities for the financial year, as disclosed in note 11 to the accounts, has been materially misstated.

We have nothing to report in respect of these matters.

Use of our report
This report is made solely to the Council in accordance with the Accounts Direction issued by the Office for Students dated 25 October 2019. Our audit work has been undertaken so that we might state to the Council those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the board of governors as a body, for our audit work, for this report, or for the opinions we have formed.

Deloitte LLP

Deloitte LLP
Statutory Auditor

Newcastle upon Tyne, United Kingdom
27 January 2022

Canada goose, Jubilee campus

Statement of principal accounting policies

1. Accounting convention

The consolidated and institution financial statements have been prepared in accordance with United Kingdom Accounting Standards, including Financial Reporting Standard 102 (FRS102) and the Statement of Recommended Practice on Accounting for Further and Higher Education 2019 (HEFE SORP). They conform to the accounts direction issued by the Office for Students.

The university is a public benefit entity and therefore has applied the public benefit entity requirements of the applicable UK laws and accounting standards. The functional currency of the university is pound sterling, as the United Kingdom is the primary economic environment in which the university operates.

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

The consolidated and institution financial statements have been prepared under the historical cost convention (modified by the revaluation of certain financial assets and liabilities at fair value).

2. Going concern

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

The university has updated the five-year MTFP in the year and this has been taken account of in the going concern assessment. In updating the financial plan, the following aspects were particularly considered, balanced against the university's available funds and need to meet borrowing covenants:

- size and shape of the student body
- right sized cost base (including emerging cost pressures)
- research performance
- speed and impact of Covid-19 recovery
- levels of strategic investment

Key risks and uncertainties considered include those arising from the impact of the ongoing global pandemic (which impacts both commercial income and student mobility), potential changes in government policy with regard to funding higher education and research, and the increased funding requirements of pension schemes.

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

3. Basis of consolidation

The consolidated financial statements include the financial statements of the university and all its subsidiary undertakings, together with the share of the results of joint ventures and associates, for the financial year to 31 July 2021.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated statement of comprehensive income from the date of acquisition or up to the date of disposal. Intra-group transactions are eliminated on consolidation. Balances between the institution and its associates and joint ventures are not eliminated.

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

The consolidated financial statements do not include those of the University of Nottingham Students' Union as it is a separate body in which the university has no control or significant influence over policy decisions.

4. Recognition of income

Transactions with commercial substance are credited to income at the fair value of consideration receivable net of any discounts. Where the provision of services is incomplete at the financial year end the percentage completion will be determined in a way appropriate to each contract, and any funds received in advance held as deferred income.

Tuition fee income is credited to income over the period in which students are studying. Other key income streams of this type are consultancy, accommodation, catering and conference, sales of goods and services, royalties and research income from commercial sources.

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

Education contracts are recognised when the Institution is entitled to the income, which is the period in which students are studying, or where relevant, when performance conditions have been met.

Donations and endowments

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

- Where performance related conditions exist, income is recognised in line with the performance criteria being met.
- Where restrictions exist, income is recognised when it is receivable and taken to a temporarily restricted reserve, expenditure is then recognised as restricted expenditure and charged to the restricted reserve over time to reduce it to nil as the fund is fully used. Endowments where the donor has specified that the capital sum can be spent are treated in this way.
- Where there are neither performance related conditions nor restrictions income is recognised when it is receivable. Endowments are recognised as income on entitlement and then held in the permanently restricted reserve where the donor has specified that the capital sum cannot be spent.
- Endowment and investment income is credited to the income and expenditure account on a receivable basis. Gains or losses on investment are recorded in the capital element of the fund to which it relates and recognised in income as gain or loss on investments.

Statement of principal accounting policies continued

Grant funding

Government grants – including funding council grants and research grants – are recognised based on the accrual model, over the period for which the university recognises the related costs. Where part of a government grant is deferred it is recognised as deferred income within creditors and allocated between creditors due within one year and due after more than one year as appropriate.

Government capital grants are recognised in income over the expected useful life of the asset. Other capital grants are recognised in income when the Institution is entitled to the funds subject to any performance related conditions being met.

Grants (including research grants) from non-government sources are recognised in income when the Institution is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors in the Statement of Financial Position and released to income as the conditions are met.

5. Retirement benefits

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

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

Universities Superannuation Scheme (USS)

The institution participates in the Universities Superannuation Scheme. 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 income and expenditure account.

University of Nottingham Contributory Pension and Assurance Scheme (CPAS)

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

University of Nottingham Contributory Retirement Savings Plan (CRSP)

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

6. Employee benefits

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

7. Foreign currencies

Transactions denominated in foreign currencies are translated into the functional currency of pound sterling at the rate of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling either at year end rates or, where there are related forward foreign exchange contracts, at contract rates. Non-monetary items held at historical cost are translated into sterling using the exchange rate of the date of the transaction. Non-monetary items held at fair value are translated into sterling at the exchange rates on the date the fair value was determined. The resulting exchange differences are dealt with in the Statement of Comprehensive Income for the financial year.

8. Leases

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

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

9. Intangible assets and goodwill

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

10. Property, plant and equipment

Land and buildings

Land is stated at deemed cost using the valuation on 31 July 2014. The valuation of land was undertaken during the 2012/13 year by Fisher Hargreaves Proctor Ltd, Property Consultants. Commercially held land is valued by suitably qualified chartered surveyors, the last valuation was as 31 July 2021 and the basis of valuation being open market value on an existing use basis. Land, with the exception of the Arts Centre and DH Lawrence Pavilion land, which are held on a long lease, is held freehold and is not depreciated as it is considered to have an indefinite useful life.

Buildings are stated at cost, other than those held as investments. Buildings are depreciated over their expected useful lives, which are generally between 40 and 50 years, with certain specific buildings depreciated over a longer period where appropriate. Each major component of land and buildings is reviewed separately. Where major components have a significantly different useful economic life they are depreciated separately.

Major refurbishments are depreciated over their estimated life, normally 15 years. Leasehold land is depreciated over the life of the lease.

Assets in the course of construction are recognised at cost less impairment and are not depreciated.

Plant and equipment

Plant and equipment, including computers and software, costing less than £30,000 per individual item or group of related items is written off in the year of acquisition (unless specified by a grant condition). All other equipment is capitalised. Where expenditure on maintenance and refurbishments is expected to provide incremental future benefits to the university, it is capitalised and added to the carrying value of the building or equipment.

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

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

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

Impairment

At each reporting date all property, plant and equipment is reviewed for indications of impairment. If the recoverable amount is less than the carrying value, an impairment loss is charged to the Statement of Comprehensive Income.

Borrowing costs

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

11. Heritage assets

Heritage assets are recorded at cost where a revealed price is available. Heritage assets reviewed for impairment annually and are not depreciated. They are subsequently recorded at cost less accumulated impairment. The university does not recognise heritage assets where the cost or value is not available and cannot be obtained at a reasonable expense. The nature of such assets is disclosed. The university's policy is to preserve the heritage assets in its care, to encourage access to its collections for teaching and research, and to enable public engagement with the collections.

12. Investment properties

Investment properties are initially measured at cost then subsequently at fair value at the reporting date, based on a triennial professional valuation, with changes in fair value recognised in the Statement of Comprehensive Income.

Mixed use investment property is separated between investment properties and property, plant and equipment. If the fair value of the investment property portion cannot be reliably measured the entire property will be included within property, plant and equipment. Investment property owned by one group company which is leased to another group company is treated as an investment property in the owner's individual financial statements. Investment property is reviewed yearly to confirm whether it still meets the definition of an investment property. Where the asset is held in service of the university's charitable purpose, it is transferred to property, plant and equipment at its deemed cost.

The most recent valuation of investment property was on 30 July 2021, whereby management engaged external property consultants to provide an estimated existing use valuation.

13. Investments and endowments

Fixed asset investments – including short term investments – are shown at historical cost less impairment. If there is a ready market for the investments they are shown at fair value with changes in value being taken to the Statement of Comprehensive Income. For investments in non-listed companies a fair value is determined by reference to a percentage of the company's estimated net book value.

Endowment asset investments are included in the Balance Sheet at fair value, with changes taken to the Statement of Comprehensive Income. Cash held as part of the endowment portfolio is treated as an investment, as it is held as part of the portfolio in accordance with the university's strategy and is therefore not considered as free cash.

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

14. Financial instruments

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

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

15. Stocks

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

16. Cash and cash equivalents

Cash includes cash in hand, deposits repayable on demand and overdrafts.

Cash equivalents are money on short-term deposit which are readily convertible to cash at an insignificant risk of changes in value.

Statement of principal accounting policies continued

17. Taxation status

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

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

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

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

18. Provisions, contingent liabilities, and contingent assets

Provisions are recognised in the financial statements when:

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

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

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

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

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

19. Reserves

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

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

20. Changes in accounting policies

There have been no changes to accounting policies during the year to 31 July 2021.

21. Critical accounting estimates and significant judgements

In the application of the university's accounting policies, judgements, estimates, and assumptions are required, which affect the application of accounting policies and the reported values of assets, liabilities, income and expenses. Judgements, estimates and assumptions are based on historical experience and other factors such as reasonable expectations of future events. They are reviewed regularly and applied consistently to the current and prior year. Estimates based on assumptions and judgements are likely to differ from the actual results.

Critical accounting estimates

Listed below are areas where estimation uncertainty at the reporting date could cause a material adjustment to the carrying amount of assets or liabilities within the next financial year.

a. Provision for doubtful debts

The group holds a provision for doubtful debts of £16.9m (2020: £2.9m). The impact of Covid-19 during the academic year has increased the rate at which students have made decisions to modify the type, timing or place of study with a corresponding impact on all types of debt. The debt provision has been determined by reviewing several measures including the registration and course status of students, ageing, post year end recovery and experience in-year of the recovery of prior year debts. Various scenarios were reviewed based on the year end debt balance and these were tested against post year-end recovery and credits raised.

The provision is most sensitive to the assumptions made on the recoverability of debt from student tuition fees (which forms £9.4m of the provision). The provision represents 31% of the outstanding debt. If this moved to 35% it would add £1.3m to the provision, and if it reduced to 25% the provision would reduce by £1.8m.

The university will continue to actively recover debt in line with the university debt collection policy.

b. Provision for USS pension recovery plan

The value of the obligation to fund the USS Recovery Plan was calculated using a model developed by the British Universities Finance Director's Group (BUFDG) in conjunction with USS. The model calculates a provision by taking the university's expected future outflows to fund the USS recovery plan, discounted to present value at 0.89% (2020: 0.73%). The university has applied the discount rate suggested by guidance to BUFDG members provided by the USS actuary.

The most sensitive inputs to the model are the assumptions of 3% growth per annum in payroll costs and 2% per annum in headcount for the full period of the deficit recovery plan, until 31 March 2028. Applying these resulted in an estimated liability of £99.5m (2020: £84.5m). This liability will be settled over the course of the deficit recovery plan.

These inputs were determined by management by reference to the expected cost growth in the university's MTFP. A range of possibilities was considered with the selected inputs being considered the most reasonable expectation. Alternative values of the liability are shown in the sensitivity analysis below.

Change in variable	Increase/ (Decrease) in provision
1% p.a. higher/(lower) than modelled increase in salary inflation in all years	£4.0m/ (£3.8m)
1% p.a. higher/(lower) than modelled headcount increase in all years	£4.0m/ (£3.9m)
0.5% p.a. (increase)/ decrease in discount rate	(£2.0m)/ £2.0m

Management also considered the possible impact on the estimate of a change to either the contribution rate or deficit recovery period.

Change in variable	Increase/ (Decrease) in provision
1% increase in contribution rate from October 2021 onwards	£16.4m
One year extension to deficit recovery period with no increase in contribution rate	£17.6m
One year extension to deficit recovery period with 1% increase in contribution rate	£37.0m

c. Provision for CPAS pension recovery plan

To determine the appropriate values for the CPAS pension recovery plan the scheme's independent trustees carry out a formal actuarial valuation on a yearly basis using reasonable actuarial assumptions which are disclosed in note 26. The liability for the plan is £84.1m (2020: £147.6m). The movement during the year was caused by the actual return on the plan's assets and the remeasurement of the benefit obligation incorporating new census data, actuarial and life expectancy assumptions.

The nature of actuarial valuations means that different assumptions could reasonably be applied and result in a material variation to the valuation. Management mitigates the level of estimation by the use of an independent third party for the actuarial valuation.

d. Liability for staff annual leave not taken at the reporting date

To determine an appropriate accrual for holiday pay contractually earned but not yet taken management applies an estimation. A sample of data was taken from holiday records using data within an internally developed recording system and used to generate a percentage value of staff costs which was then extrapolated to cover all staff. This percentage value was last calculated in the 2018/19 year and will be recalculated every three years. This extrapolation method resulted in an estimated liability on 31 July 2021 of £13.2m (2020: £13.6m).

e. Fair valuation of the private placement

In determining a fair value for the private placement, management discounted expected future cash flows to present value using a discount rate which was judged to be reflective of the university's credit risk (notes 18 and 27 refer). The resulting valuation is highly sensitive to changes in the discount rate applied.

Management have applied a discount rate based on the average yield of UK 30-year government bonds from August 2020 to July 2021 (1.03%, 2020: 0.94%), adjusted upwards to 1.99% (2020: 2.24%) to reflect the university's credit risk profile. This results in the private placement having a fair value of £110.5m (2020: £105.0m) and thus a loss of £5.5m being recorded through income and expenditure.

If management had applied the government bond yield on 31 July 2021 alone (0.99%), it would have resulted in the private placement having a present value of £111.3m and a loss of £6.3m being processed through income and expenditure.

In the judgement of management, the unchanged S&P credit rating of A+ indicates that the university's credit risk is unchanged from the prior period. The university's current risk profile and future outlook is detailed in the strategic report. However, the discount rate applied by management is based on prevailing market rates for similar debt instruments. These have reduced during the year, resulting in a lower discount rate and a higher liability being recorded.

A 0.1% reduction in discount rate would increase the present value of the liability by around £2m.

Significant judgements

a. Fair value of investments in non-listed companies

The university recognises its investment in collaboration and spin out companies which are at an early stage of their development. For non-listed companies it has been judged that a percentage of net assets reveals a fair value of the investment. Where net assets are negative the investment is valued at nil. Alternative judgements could be made to recognise a fair value, for example by discounting expected future cashflows. However due to the significant uncertainty attached to these investments, management considers a percentage of net assets to be the most reliable and prudent valuation method.

b. Treatment of USS Pension Scheme

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 the 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. Management is satisfied that the Universities Superannuation Scheme meets the definition of a multi-employer scheme and the institution 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.

c. Treatment of provision for IT Operating Model re-design

At the prior year end the university held a provision of £17.2m in respect of a multi-year project to re-design the IT Operating Model. At that time management expected to incur costs against the provision through to the 2024 year-end, incurring the full value of the provision. This assessment was made after taking appropriate external advice.

In reviewing the provision, its viability and ongoing appropriateness in the current financial year, management reviewed existing information and determined that in view of the programme's focus on the future conduct of the university's IT operations it is more appropriate to exclude certain elements of the provision, totalling £15m.

In addition, the ongoing Covid-19 pandemic has necessitated that the programme be reviewed and completed to deliver its strategic benefits but in a different way and without the previously communicated impacts on staffing. The circumstances are not met to make a provision for the staffing element within the ongoing programme and, accordingly, this amount of £2.2m would have needed to be reversed in the current year. As that redundancy element is individually immaterial, for simplicity, management have restated the prior period provision to remove the entire provision of £17.2m.

Consolidated and university statement of comprehensive income

For the year ended 31 July 2021

	Note	Consolidated 2021 £m	Consolidated 2020 (restated) £m	University 2021 £m	University 2020 (restated) £m
Income					
Tuition fees and education contracts	1	**387.7**	389.0	**387.7**	389.0
Funding body grants	2	**102.0**	98.6	**102.0**	98.6
Research grants and contracts	3	**114.9**	105.0	**114.9**	105.0
Other operating income	4	**87.6**	109.3	**85.3**	102.3
Investment income	5	**2.1**	2.8	**2.3**	3.0
Donations and endowments	6	**1.8**	5.7	**1.8**	5.7
Total income		**696.1**	710.4	**694.0**	703.6
Expenditure					
Staff costs excluding movement in USS pension liability	7	**378.5**	402.4	**376.6**	397.6
Movement in USS pension liability	7/19	**14.4**	(85.0)	**14.4**	(85.0)
Total staff costs	7	**392.9**	317.4	**391.0**	312.6
Other operating expenses	8	**241.1**	226.4	**239.8**	223.4
Depreciation	12	**44.0**	48.2	**43.5**	48.0
Interest and other finance costs	9	**5.7**	7.3	**5.7**	7.3
Total expenditure		**683.7**	599.3	**680.0**	591.3
Surplus before other gains and share of operating surplus in associates		**12.4**	111.1	**14.0**	112.3
Gain on disposal of fixed assets and investments		**7.4**	0.4	**7.4**	0.4
Gain/(loss) on valuation of investments		**3.4**	(10.5)	**3.2**	(9.0)
Share of profits in associated companies	15	**3.7**	10.6	**-**	-
Surplus for the year		**26.9**	111.6	**24.6**	103.7
Actuarial gain/(loss) in respect of pension scheme	26	**60.1**	(22.4)	**60.1**	(22.4)
Total comprehensive income for the year		**87.0**	89.2	**84.7**	81.3
Represented by:					
Endowment comprehensive income/(loss) for the year	20	**10.0**	(0.7)	**10.0**	(0.7)
Restricted comprehensive income/(loss) for the year	21	**(0.9)**	2.2	**(0.9)**	2.2
Revaluation reserves comprehensive income/(loss) for the year		**(2.7)**	-	**(2.7)**	-
Unrestricted comprehensive income/(loss) for the year		**80.6**	87.7	**78.3**	79.8
		87.0	89.2	**84.7**	81.3

The consolidated income is attributable to the university and its subsidiaries, there is no non controlling interest. All income and expenditure of the university and its subsidiaries relate to continuing operations.

Consolidated and university statement of changes in reserves

For the year ended 31 July 2021

Consolidated	Note	Income and expenditure account: Endowment £m	Income and expenditure account: Restricted £m	Income and expenditure account: Unrestricted £m	Revaluation reserve: Unrestricted £m	Total £m
Balance at 1 August 2019		**63.0**	**6.2**	**317.8**	**4.0**	**391.0**
Unrestricted surplus/(deficit) from the income and expenditure statement		-	-	70.5	-	**70.5**
Restatement of IT Operating Model provision	31	-	-	17.2	-	**17.2**
Income from investment of the endowment portfolio	5/20	2.7	-	-	-	**2.7**
New endowments, donations and grants (including research)	20/21	0.3	4.7	-	-	**5.0**
Release of restricted funds spent in year	20/21	(1.1)	(2.5)	-	-	**(3.6)**
Unrealised appreciation of endowments, investments and investment properties	20/21	(2.6)	-	-	-	**(2.6)**
Transfers between revaluation and income and expenditure reserve		-	-	-	-	**-**
Total comprehensive income/(loss) for the year		(0.7)	2.2	87.7	-	**89.2**
Balance at 31 July 2020 (restated)		**62.3**	**8.4**	**405.5**	**4.0**	**480.2**
Unrestricted surplus from the income and expenditure statement		-	-	77.9	-	**77.9**
Income from investment of the endowment portfolio	5/20	2.0	-	-	-	**2.0**
New endowments, donations and grants (including research)	20/21	0.1	1.7	-	-	**1.8**
Release of restricted funds spent in year	20/21	(1.2)	(2.6)	-	-	**(3.8)**
Unrealised appreciation of endowments, investments and investment properties	20/21	9.1	-	-	-	**9.1**
Transfers between revaluation and income and expenditure reserve		-	-	2.7	(2.7)	**-**
Total comprehensive income/(loss) for the year		10.0	(0.9)	80.6	(2.7)	**87.0**
Balance at 31 July 2021		**72.3**	**7.5**	**486.1**	**1.3**	**567.2**

Consolidated and university statement of changes in reserves continued

		Income and expenditure account			Revaluation reserve	University Total
		Endowment	Restricted	Unrestricted	Unrestricted	
	Notes	£m	£m	£m	£m	£m
Balance at 1 August 2019		**63.0**	**6.2**	**285.2**	**4.0**	**358.4**
Unrestricted surplus/(deficit) from the income and expenditure statement		-	-	62.6	-	**62.6**
Restatement of IT Operating Model provision	31	-	-	17.2	-	**17.2**
Income from investment of the endowment portfolio	5/20	2.7	-	-	-	**2.7**
New endowments, donations and grants (including research)	20/21	0.3	4.7	-	-	**5.0**
Release of restricted funds spent in year	20/21	(1.1)	(2.5)	-	-	**(3.6)**
Unrealised appreciation of endowments, investments and investment properties	20/21	(2.6)	-	-	-	**(2.6)**
Transfers between revaluation and income and expenditure reserve		-	-	-	-	**-**
Total comprehensive income/(loss) for the year		(0.7)	2.2	79.8	-	**81.3**
Balance at 31 July 2020 (restated)		**62.3**	**8.4**	**365.0**	**4.0**	**439.7**
Unrestricted surplus from the income and expenditure statement		-	-	75.6	-	**75.6**
Income from investment of the endowment portfolio	5/20	2.0	-	-	-	**2.0**
New endowments, donations and grants (including research)	20/21	0.1	1.7	-	-	**1.8**
Release of restricted funds spent in year	20/21	(1.2)	(2.6)	-	-	**(3.8)**
Unrealised appreciation of endowments, investments and investment properties	20/21	9.1	-	-	-	**9.1**
Transfers between revaluation and income and expenditure reserve		-	-	2.7	(2.7)	**-**
Total comprehensive income/(loss) for the year		10.0	(0.9)	78.3	(2.7)	**84.7**
Balance at 31 July 2021		**72.3**	**7.5**	**443.3**	**1.3**	**524.4**

Consolidated and university statement of financial position

As at 31 July 2021

		Consolidated		University	
		2021	2020 (restated)	2021	2020 (restated)
	Note	£m	£m	£m	£m
Fixed assets					
Fixed assets	12	**929.3**	935.4	**922.7**	929.0
Heritage assets	13	**1.1**	1.1	**1.1**	1.1
Investments	14	**85.5**	77.1	**85.9**	77.5
Investments in associates	15	**53.7**	50.0	**11.1**	11.1
		1,069.6	1,063.6	**1,020.8**	1,018.7
Current assets					
Stock		**1.7**	1.7	**1.4**	1.3
Trade and other receivables	16	**118.7**	116.1	**125.4**	120.2
Short term investments		**0.1**	0.2	**0.1**	0.2
Cash and cash equivalents		**110.3**	40.0	**107.4**	36.9
		230.8	158.0	**234.3**	158.6
Creditors: amounts falling due within one year	17	**(251.3)**	(226.8)	**(248.8)**	(223.0)
Net current liabilities		**(20.5)**	(68.8)	**(14.5)**	(64.4)
Total assets less current liabilities		**1,049.1**	994.8	**1,006.3**	954.3
Creditors: amounts falling due after more than one year	18	**(298.0)**	(282.4)	**(298.0)**	(282.4)
Provisions	19	**(183.9)**	(232.2)	**(183.9)**	(232.2)
Total net assets		**567.2**	480.2	**524.4**	439.7
Restricted reserves					
Income and expenditure reserve – endowment reserve	20	**72.3**	62.3	**72.3**	62.3
Income and expenditure reserve – restricted reserve	21	**7.5**	8.4	**7.5**	8.4
		79.8	70.7	**79.8**	70.7
Unrestricted reserves					
Income and expenditure reserve – unrestricted		**486.1**	405.5	**443.3**	365.0
Revaluation reserve		**1.3**	4.0	**1.3**	4.0
		487.4	409.5	**444.6**	369.0
Total reserves		**567.2**	480.2	**524.4**	439.7

The financial statements on pages 38-71 were approved by Council on Monday 24 January 2022 and signed on its behalf by:

Professor Shearer West
President and Vice-Chancellor

Ian Kenyon
Treasurer and Chairman of Finance Committee

Consolidated cashflow statement

For the year ended 31 July 2021

	Note	2021 £m	2020 (restated) £m
Cash flow from operating activities			
Surplus/(deficit) for the year		**26.9**	111.6
Adjustment for non-cash items			
Depreciation	12	**44.0**	48.2
(Gain)/loss on endowments and investments		**(3.4)**	10.5
(Increase)/decrease in stock		**-**	-
(Increase) in debtors	16	**(2.4)**	(18.3)
Increase in creditors	17/18	**23.3**	8.6
Increase/(decrease) in pension provision	19	**8.7**	(77.4)
Increase/(decrease) in other provisions	19	**0.3**	(17.2)
Share of operating (surplus) in associates	15	**(3.7)**	(10.6)
Adjustment for investing or financing activities			
Investment income	5	**(0.1)**	(0.1)
Investment income on endowments	5	**(2.0)**	(2.7)
Interest payable	9	**5.7**	2.0
Endowment additions		**(0.1)**	(0.3)
(Profit) on the sale of fixed assets and investments		**(7.4)**	(0.4)
Capital grant income/release		**(12.3)**	(15.6)
Net cash inflow from operating activities		**77.5**	38.3

Consolidated cashflow statement continued

		2021 £m	2020 (restated) £m
Cash flows from investing activities			
Proceeds from sales of fixed assets	12	**0.1**	-
Capital grants receipts		**22.1**	10.3
Disposal of non-current asset investments		**9.5**	1.6
Payments to acquire non-current asset investments		**-**	(0.5)
Investment income	5	**0.1**	0.1
Proceeds on sale of endowment investments		**4.6**	3.3
Payments to acquire endowment investments		**(5.7)**	(4.1)
New deposits of endowment investments		**(0.1)**	0.3
Investment income on endowments		**2.0**	2.7
Payments made to acquire fixed assets		**(36.9)**	(41.6)
Cash flows from investing activities		**(4.3)**	(27.9)
Cash flows from financing activities			
Interest paid	9	**(2.9)**	(2.0)
Endowment cash received		**0.1**	(0.3)
New private placement		**-**	100.0
New unsecured loans		**-**	79.2
Repayments of amounts borrowed		**-**	(153.3)
Cash flows from financing activities		**(2.8)**	23.6
Effect of retranslation of foreign currency cash balances		**(0.1)**	-
Increase in cash and cash equivalents in the year		**70.3**	34.0
Cash and cash equivalents at beginning of the year		**40.0**	6.0
Cash and cash equivalents at end of the year		**110.3**	40.0

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

Notes to the financial statements

For the year ended 31 July 2021

	Consolidated 2021 £m	Consolidated 2020 £m	University 2021 £m	University 2020 £m
1. Tuition fees and education contracts				
Full-time credit-bearing courses: home fees	**230.6**	212.5	**230.6**	212.5
Full-time credit-bearing courses: international fees	**131.4**	147.7	**131.4**	147.7
Part-time credit-bearing courses	**5.1**	5.8	**5.1**	5.8
Other teaching contracts	**3.1**	3.9	**3.1**	3.9
Non credit-bearing courses and other fees	**17.5**	19.1	**17.5**	19.1
	387.7	389.0	**387.7**	389.0

	Consolidated 2021 £m	Consolidated 2020 £m	University 2021 £m	University 2020 £m
2. Funding body grants				
Recurrent Grants				
Office for Students (OfS):				
Teaching and Learning	**34.6**	32.6	**34.6**	32.6
Quality-related (QR)	**53.4**	54.1	**53.4**	54.1
Higher Education Innovation Fund (HEIF)	**4.8**	4.4	**4.8**	4.4
UKRI Global Challenges and Strategic Projects	**3.7**	2.6	**3.7**	2.6
	96.5	93.7	**96.5**	93.7
Specific Grants				
Other	**0.8**	0.2	**0.8**	0.2
Teaching Agency	**(0.1)**	-	**(0.1)**	-
	0.7	0.2	**0.7**	0.2
Deferred capital grants released in year				
Buildings	**4.4**	4.3	**4.4**	4.3
Equipment	**0.4**	0.4	**0.4**	0.4
	4.8	4.7	**4.8**	4.7
	102.0	98.6	**102.0**	98.6

	Consolidated 2021 £m	Consolidated 2020 £m	University 2021 £m	University 2020 £m
3. Research grants and contracts				
Research councils	**47.7**	43.0	**47.7**	43.0
UK-based charities	**11.5**	8.9	**11.5**	8.9
UK central or local government and health authorities	**26.9**	23.4	**26.9**	23.4
UK industry, commerce and public corporations	**10.0**	10.0	**10.0**	10.0
EU government and other sources	**12.8**	14.4	**12.8**	14.4
Other grants and contracts	**6.0**	5.3	**6.0**	5.3
	114.9	105.0	**114.9**	105.0

	Consolidated 2021 £m	Consolidated 2020 £m	University 2021 £m	University 2020 £m
4. Other operating income				
Residences, catering and conferences	**25.7**	34.9	**24.7**	28.3
Other services rendered	**21.7**	24.5	**19.8**	22.8
Health authorities	**9.8**	11.0	**9.8**	11.0
Released from deferred capital grants	**1.9**	4.1	**1.9**	4.1
Other income	**28.5**	34.8	**29.1**	36.1
	87.6	109.3	**85.3**	102.3

	Consolidated 2021 £m	Consolidated 2020 £m	University 2021 £m	University 2020 £m
5. Investment income				
Investment income on endowments (note 20)	**2.0**	2.7	**2.0**	2.7
Other interest receivable	**0.1**	0.1	**0.3**	0.3
	2.1	2.8	**2.3**	3.0

	Consolidated 2021 £m	Consolidated 2020 £m	University 2021 £m	University 2020 £m
6. Donations and endowments				
New endowments (note 20)	**0.1**	0.3	**0.1**	0.3
Donations with performance conditions	**0.6**	0.6	**0.6**	0.6
Donations with restrictions (note 21)	**1.4**	4.2	**1.4**	4.2
Unrestricted donations	**(0.3)**	0.6	**(0.3)**	0.6
	1.8	5.7	**1.8**	5.7

	Consolidated 2021 £m	Consolidated 2020 £m	University 2021 £m	University 2020 £m
7. Staff				
Staff costs:				
Gross pay	**297.1**	319.5	**295.4**	315.0
Social security costs	**29.3**	30.4	**29.2**	30.1
Other pension costs (note 26)	**52.1**	52.5	**52.0**	52.5
Movement on USS pension provision (note 19)	**14.4**	(85.0)	**14.4**	(85.0)
	392.9	317.4	**391.0**	312.6

	2021 £000	2020 £000
7a. Emoluments of Vice-Chancellor Professor Shearer West		
Basic salary	**267**	275
In lieu of pension contributions	**30**	10
Remuneration	**297**	285
Employer's pension contributions	**6**	41
Total cost	**303**	326

Notes to the financial statements continued

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

Vice-Chancellor Professor Shearer West is entitled to receive a salary of £286,000 however in the year to 31 July 2021 her effective salary was £267,000 which reflects a voluntary reduction in salary taken from May to December 2020 due to the coronavirus pandemic. During the financial year Professor West waived £19,000 of salary that she was entitled to receive. In addition to this, for the full financial year Professor West chose to donate £1,000 per month to a fund for student hardship, which means she has seen an overall reduction of 11% during this reporting year.

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

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

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

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

Since she took office in October 2017, details of the Vice-Chancellor's salary have been published on the university website.

Professor Shearer West was employed for the full financial year. Her voluntarily reduced basic salary was 7.45 times the median basic pay of staff (2020: 7.89), where the median pay is calculated on a full-time equivalent basis for the salaries paid by the university to its staff excluding agency staff. Were the figure to be calculated on the salary that Professor West was entitled to receive, it would be 7.98 times the median basic pay of staff (2020: 8.22).

Her total remuneration was 6.88 times (2020: 7.19 times) the median total remuneration of staff, where the median total remuneration is calculated on a full-time equivalent basis for the total remuneration by the provider of its staff.

	2021 £000	2020 £000
7b. Compensation for loss of office		
Compensation for loss of office paid (or payable) to employees of the university	**1,286**	15,249
Number of employees of the university where compensation has been paid (or is payable)	**171**	544
Compensation for loss of office paid (or payable) to employees of subsidiaries of the university	**43**	601
Number of employees of subsidiaries of the university where compensation has been paid (or is payable)	**1**	82

	2021 FTE	2020 FTE
7c. Average staff numbers		
Average staff numbers by major category:		
Teaching and research	**3,232**	3,337
Technical	**539**	579
Administrative, professional and managerial	**2,516**	2,565
Other, including manual	**872**	993
	7,159	7,474

7d. Higher paid staff

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

In each band, the number of University Executive Board members is indicated as a subset of the total in that band. The membership of the Executive Board can be found on the university's website.

Basic salary per annum	Number (FTE) of staff 2020-21	Of which, University Executive Board members (FTE)	Number (FTE) of staff 2019-20	Of which, University Executive Board members (FTE)
£100,000 – £104,999	**18.0**		25.5	
£105,000 – £109,999	**6.5**		6.6	
£110,000 – £114,999	**25.3**		24.6	
£115,000 – £119,999	**11.4**		10.8	
£120,000 – £124,999	**12.9**	2.0	12.1	1.0
£125,000 – £129,999	**6.0**	3.0	5.0	2.0
£130,000 – £134,999	**1.5**		1.5	
£135,000 – £139,999	**3.7**	1.0	3.7	2.0
£140,000 – £144,999	**5.0**	2.0	5.0	2.0
£150,000 – £154,999	**2.8**	2.0	4.9	4.0
£155,000 – £159,999	**0.2**		0.2	
£160,000 – £164,999	**0.3**			
£170,000 – £174,999	**3.0**	2.0	3.0	2.0
£175,000 – £179,999	**1.2**	1.0	1.2	1.0
£180,000 – £184,999	**1.0**	1.0	1.0	1.0
£285,000 – £289,999	**1.0**	1.0	1.0	1.0

Notes to the financial statements continued

7e. Key management personnel

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

At 31 July 2021 there were 16 members (2020: 17 members).

	2021	2020
	£m	£m
Compensation paid to key management personnel	**2.4**	2.7

8. Other operating expenses

	Consolidated		University	
	2021	2020 (restated)	2021	2020 (restated)
	£m	£m	£m	£m
Purchase, hire and repair of equipment	**34.8**	26.1	**34.6**	25.9
Consumables and laboratory expenditure	**20.4**	13.8	**20.2**	13.6
Published materials	**8.8**	8.7	**8.8**	8.7
Travel and subsistence	**0.7**	8.4	**0.7**	8.3
Professional and other fees	**51.1**	45.7	**49.9**	44.0
Fellowships, scholarships and prizes	**53.3**	57.5	**53.3**	57.5
Catering supplies	**3.0**	4.6	**2.7**	3.9
Repairs and general maintenance	**13.8**	11.1	**12.5**	9.7
Heat, light, water and power	**15.1**	15.7	**15.7**	15.9
Rent, rates and insurance	**11.8**	13.8	**12.3**	14.0
Grants to University of Nottingham Students' Union	**2.0**	2.4	**2.0**	2.4
Auditor's remuneration	**0.4**	0.3	**0.3**	0.2
Training	**1.8**	1.9	**1.7**	1.9
Advertising	**0.9**	1.1	**0.9**	1.0
Other expenses	**23.2**	15.3	**24.2**	16.4
	241.1	226.4	**239.8**	223.4

Professional and other fees have been restated as described in note 31.

	Consolidated		University	
	2021	2020	2021	2020
	£000	£000	£000	£000
Auditor's remuneration includes:				
In respect of audit services	**342.2**	181.5	**289.9**	151.3
Other assurance services	**27.2**	69.5	**27.2**	69.5
Non-audit services	**19.0**	-	**19.0**	-
	388.4	251.0	**336.1**	220.8

9. Interest and other finance costs

	Consolidated		University	
	2021	2020	2021	2020
	£m	£m	£m	£m
Bank interest on loans	**2.9**	2.0	**2.9**	2.0
Finance costs for CPAS pension scheme (note 26)	**2.2**	2.6	**2.2**	2.6
Finance costs for USS pension scheme provision (note 19 and 26)	**0.6**	2.7	**0.6**	2.7
	5.7	7.3	**5.7**	7.3

10. Analysis of expenditure by activity

Consolidated

	Staff costs	Dep'n	Other operating expenses	Interest payable	2021 total	2020 (restated) total
	£m	£m	£m	£m	£m	£m
Academic departments	214.8	5.5	59.7	-	**280.0**	288.0
Research grants and contracts	50.3	4.0	30.0	-	**84.3**	85.2
Total teaching and research	265.1	9.5	89.7	-	**364.3**	373.2
Academic services	25.2	4.3	31.2	-	**60.7**	49.7
Administration	55.7	5.7	55.3	-	**116.7**	116.6
Premises	11.7	20.3	31.1	-	**63.1**	64.2
Residences, catering and conferences	9.8	4.0	17.9	0.1	**31.8**	37.1
Other expenses	25.4	0.2	15.9	5.6	**47.1**	(41.5)
Total per income and expenditure account	**392.9**	**44.0**	**241.1**	**5.7**	**683.7**	**599.3**

University

	Staff costs	Dep'n	Other operating expenses	Interest payable	2021 total	2020 (restated) total
	£m	£m	£m	£m	£m	£m
Academic departments	214.8	5.5	60.0	-	**280.3**	288.3
Research grants and contracts	50.3	4.0	30.0	-	**84.3**	85.2
Total teaching and research	265.1	9.5	90.0	-	**364.6**	373.5
Academic services	25.2	4.3	31.2	-	**60.7**	49.8
Administration	55.7	5.7	55.4	-	**116.8**	116.7
Premises	11.7	19.9	33.2	0.1	**64.9**	66.3
Residences, catering and conferences	8.3	3.9	16.5	-	**28.7**	29.3
Other expenses	25.0	0.2	13.5	5.6	**44.3**	(44.3)
Total per income and expenditure account	**391.0**	**43.5**	**239.8**	**5.7**	**680.0**	**591.3**

Other operating expenses includes a charge of £14.4m in relation to the USS pension provision (2020: £85m credit). Other operating expenses are restated as described at note 31.

Notes to the financial statements continued

	Consolidated and University			
	2021 staff costs	2021 other costs	2021 total	2020 total
	£m	£m	£m	£m
11. Access and participation				
Access investment	1.5	0.6	**2.1**	1.9
Financial support	0.3	11.9	**12.2**	13.1
Disability support	1.3	0.2	**1.5**	1.3
Research and evaluation	0.1	-	**0.1**	-
	3.2	**12.7**	**15.9**	**16.3**

The staff costs are included within the totals at note 7. The staff costs also disclosed in this note are intrinsic to the delivery of Access and Participation activities.

The university's OfS Access and Participation Plan is published online. It sets out how the university will improve equality of opportunity for under-represented groups in higher education. The plan must be approved by the OfS to allow an institution to charge higher UK undergraduate tuition fees.

	Consolidated					
	Land and buildings					
	Freehold	Long leasehold	Investment properties	Equipment	Assets in course of construction	Total
	£m	£m	£m	£m	£m	£m
12. Tangible fixed assets						
Cost/deemed cost						
At 1 August 2020	970.5	15.0	4.5	290.5	42.0	1,322.5
Additions at cost	7.9	-	-	7.0	23.4	38.3
Revaluations	-	-	0.1	-	-	0.1
Transfers	26.8	-	(3.2)	7.7	(31.3)	-
Disposals	(0.3)	-	-	(2.4)	-	(2.7)
At 31 July 2021	**1,004.9**	**15.0**	**1.4**	**302.8**	**34.1**	**1,358.2**
Depreciation						
At 1 August 2020	192.7	3.6	-	190.8	-	387.1
Charge for year	19.8	0.1	-	24.1	-	44.0
Eliminated on disposals	(0.2)	-	-	(2.0)	-	(2.2)
At 31 July 2021	**212.3**	**3.7**	**-**	**212.9**	**-**	**428.9**
Net book value						
At 31 July 2021	**792.6**	**11.3**	**1.4**	**89.9**	**34.1**	**929.3**
At 31 July 2020	777.8	11.4	4.5	99.7	42.0	935.4

	University					
	Land and buildings					
	Freehold	Long leasehold	Investment properties	Equipment	Assets in course of construction	Total
	£m	£m	£m	£m	£m	£m
Cost/deemed cost						
At 1 August 2020	970.5	15.0	4.5	284.4	40.5	1,314.9
Additions at cost	7.9	-	-	7.2	22.5	37.5
Revaluations	-	-	0.1	-	-	0.1
Transfers	26.8	-	(3.2)	7.4	(31.0)	-
Disposals	(0.3)	-	-	(2.4)	-	(2.7)
At 31 July 2021	**1,004.9**	**15.0**	**1.4**	**296.6**	**32.0**	**1,349.9**
Depreciation						
At 1 August 2020	192.7	3.6	-	189.6	-	385.9
Charge for year	19.8	0.1	-	23.6	-	43.5
Eliminated on disposals	(0.2)	-	-	(2.0)	-	(2.2)
At 31 July 2021	**212.3**	**3.7**	**-**	**211.2**	**-**	**427.2**
Net book value						
At 31 July 2021	**792.6**	**11.3**	**1.4**	**85.4**	**32.0**	**922.7**
At 31 July 2020	777.8	11.4	4.5	94.8	40.5	929.0

Included in both consolidated and university within freehold land and buildings is £237.9m (2020: £237.9m) of land which is not being depreciated. Property valuations were made by senior management using the July 2014 surveyor's report of Savills (L&P) Ltd, the basis of valuation being open market value taking groups of properties together for this purpose.

Investment property was valued by management at 31 July 2021 using an indicative property valuation report by Avison Young, and a RICS valuation report from Savills. Management consider both reports to be a reasonable basis for a reliable estimate. During the year, assets which no longer met the criteria of an investment property were transferred into property, plant and equipment at their deemed cost.

Notes to the financial statements continued

	Consolidated and University				
	2021	2020	2019	2018	2017
	£m	£m	£m	£m	£m
13. Heritage assets					
At 1 August	1.1	1.1	1.1	1.1	0.5
Additions	-	-	-	-	-
Acquisitions purchased with specific donations	-	-	-	-	0.6
Acquisitions purchased with institution funds	-	-	-	-	-
Total cost of acquisitions purchased	**-**	**-**	**-**	**-**	**0.6**
Value of acquisitions by donation	-	-	-	-	-
Total acquisitions capitalised	**-**	**-**	**-**	**-**	**0.6**
Disposals	-	-	-	-	-
Impairment	-	-	-	-	-
At 31 July	**1.1**	**1.1**	**1.1**	**1.1**	**1.1**

The heritage assets recognised are the Ada Clarke collection relating to D H Lawrence, and the Wollaton Library Collection of medieval manuscripts.

These are recognised because a cost was revealed when the collections were purchased by the university.

The university also holds several classes of heritage assets that are not recognised in the financial statements because no cost or value can be obtained at a reasonable expense.

Assets include numerous pieces of artwork, a special collection of papers relating to D H Lawrence, and the papers of Nobel laureate Sir Peter Mansfield. The significance of these assets is in the preservation of the unique documents for future use by researchers.

Both the art work and the special collections are covered by insurance (to £5m and £80m respectively), however the insurance values are not considered by management to be representative of a reliable market value due to the unique connection of the assets to the history of the university and the lack of comparable items or an active market with which to verify any potential sales value.

	Consolidated		University	
	2021	2020	2021	2020
	£m	£m	£m	£m
14. Investments				
Subsidiary companies	**-**	-	**0.4**	0.4
Investments	**13.2**	14.8	**13.2**	14.8
Investments as part of the endowment asset portfolio	**72.3**	62.3	**72.3**	62.3
	85.5	77.1	**85.9**	77.5

Included within investments are amounts invested in university collaborations and spin out companies. As the companies that are invested in are at early stage of development there is a degree of financial uncertainty attached to them. The cost of such investments are £6.6m (2020: £7.9m) with an impairment provision of £3m (2020: £3.0m). The university is also a member of EMMAN Limited, The Manufacturing Technology Centre Limited, CIELivestock Limited, all of which are companies limited by guarantee for which the university's potential liability is limited to £1 each.

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

	Spin out investments	Medium term endowments	Total
	£m	£m	£m
Cost/deemed cost			
At 1 August 2020	7.9	9.9	17.8
Additions at cost	0.4	-	0.4
Revaluation	0.4	0.2	0.6
Disposals	(2.0)	(0.3)	(2.3)
Write off	-	-	-
Market value appreciation	-	-	-
At 31 July 2021	**6.7**	**9.8**	**16.5**
Provisions for impairment			
At 1 August 2020	(3.0)	-	(3.0)
Impairment	(0.3)	-	(0.3)
Reversal of past impairment	-	-	-
Disposals	-	-	-
At 31 July 2021	**(3.3)**	**-**	**(3.3)**
Carrying value			
At 31 July 2021	**3.4**	**9.8**	**13.2**
At 31 July 2020	**4.9**	**9.9**	**14.8**

Notes to the financial statements continued

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

Investment	Type of business	Country of incorporation	% holding 2021	% holding 2020
Texture Jet Limited	Innovative surfacing solutions	United Kingdom	**60%**	60%
Trent Basin ESCO Limited	Community energy scheme	United Kingdom	**50%**	50%
Taraz Metrology Limited	Optical metrology	United Kingdom	**48%**	49%
ReMEDI Limited	Human health activities	United Kingdom	**47%**	0%
The Thinking Pod Innovations Limited	Sustainable transport and energy systems	United Kingdom	**45%**	45%
Neurotherapeutics Limited	Research and development	United Kingdom	**41%**	0%
Blueskeye AL Limited	Artificial Intelligence	United Kingdom	**40%**	50%
Ticketing Network East Midlands	Ticket services	United Kingdom	**25%**	25%
Promeathean Particles Limited	Inorganic nanoparticle dispersion manufacture	United Kingdom	**24%**	22%
M4 Technologies Limited	Research and development	United Kingdom	**24%**	24%
Surepulse Systems Limited	Heart rate measuring technology	United Kingdom	**23%**	21%
Added Scientific Limited	3D printing	United Kingdom	**20%**	20%
FAHRAS Limited	Health related software	United Kingdom	**18%**	18%
N U Vision Biotherapies Limited	Human health activities	United Kingdom	**14%**	24%
PBD Biotech Limited	Diagnosis of Bacterial Infections	United Kingdom	**13%**	15%
Locate Bio Limited	Research and development	United Kingdom	**12%**	10%
Evocell Limited	Research and development	United Kingdom	**12%**	12%
Exonate Limited	Specialist Pharmaceutical	United Kingdom	**10%**	10%
Staff Roster Solutions Limited	Software development and application	United Kingdom	**10%**	10%
Cheesecake Energy Limited	Thermal and compressed air energy system development	United Kingdom	**10%**	10%
Footfalls and Heartbeats (UK) Limited	Research and development	United Kingdom	**10%**	10%
Azotic Technologies Limited	Research and development	United Kingdom	**8%**	8%
EventMAP	Software development and application	United Kingdom	**8%**	8%
One Third Stories Limited	Education	United Kingdom	**5%**	5%
Oncimmune Holdings plc	Research and development	United Kingdom	**1%**	1%
Scancell Holdings plc	Research and development	United Kingdom	**0%**	0%
Appolomics Inc.	Biopharmaceutical	United States of America	**0%**	0%
BioCity Group Limited	Accommodation (biotechnology and health companies)	United Kingdom	**0%**	50%
Platelet Solutions Limited	Platelet function testing	United Kingdom	**0%**	44%
Nottingham University Architecture and Urban Design Limited	Architectural and design activities	United Kingdom	**0%**	37%
Walkin Limited	Mobile app	United Kingdom	**0%**	1%
Novacyt SA	Cellular diagnostics	France	**0%**	0%
Yoop Tech Limited	Web and mobile app	United Kingdom	**0%**	0%

The Group owns 100% (2020: 100%) of the issued share capital of the following companies which are registered in England and operating in the UK:

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

NOTICE is a provider of services, such as consultancy and power supplies. UNIP Management provides rental and property services. Eminate developed products for the food and pharmaceutical sectors. East Midlands Conference Centre Limited is a provider of facilities for conference and other events. Nottingham Technology Ventures manages the university's spin out portfolio. Ambitious Futures was a provider of graduate training which ceased trading during the year and is in members voluntary liquidation.

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

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

15. Investment in associated companies	Consolidated £m	University £m
At 1 August 2020	50.0	11.1
Share of retained profits	3.7	-
Exchange movements	-	-
At 31 July 2021	53.7	11.1

The university owns 37.5% (2020: 37.5%) of the University of Nottingham Ningbo, China, a co-operative joint venture established in China. It has a financial year end of 31 December in accordance with Chinese regulations. The consolidated financial statements of the university reflects a carrying value of £38.6m (2020: £35.9m) equal to 37.5% of the net assets, excluding intellectual property, as at 31 July.

The university owns 29.9% (2020 29.9%) of the ordinary share capital of the University of Nottingham, Malaysia, a company incorporated in Malaysia. It has a financial year end of 31 December in common with its majority shareholder. The consolidated financial statements of the university reflects a carrying value of £15.1m (2020: £14.2m) equal to 29.9% (2020: 29.9%) of the net assets, excluding intellectual property, as at 31 July. Note 34 refers to the university's intent to purchase the remaining share capital of University of Nottingham, Malaysia.

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

Notes to the financial statements continued

	Consolidated 2021 £m	Consolidated 2020 £m	University 2021 £m	University 2020 £m
16. Trade and other receivables				
Amounts falling due within one year:				
Trade receivables	**68.4**	71.3	**68.1**	69.3
Amounts due from subsidiaries	**-**	-	**8.2**	7.3
Amounts due from associates (note 24)	**2.5**	7.2	**2.5**	7.2
Prepayments and accrued income relating to research grants	**22.4**	18.5	**22.4**	18.5
Prepayments and accrued income	**22.5**	14.0	**21.3**	12.8
	115.8	111.0	**122.5**	115.1
Amounts falling due after more than one year:				
Prepayments and accrued income	**2.9**	5.1	**2.9**	5.1
	2.9	5.1	**2.9**	5.1
Total trade and other receivables	**118.7**	116.1	**125.4**	120.2
Donations and pledges included within prepayments and accrued income above	**6.1**	7.7	**6.1**	7.7

	Consolidated 2021 £m	Consolidated 2020 £m	University 2021 £m	University 2020 £m
17. Creditors: amounts falling due within one year				
Payments received in advance	**1.5**	1.5	**0.7**	0.8
Trade payables	**31.2**	26.8	**30.9**	26.6
Social security and other taxation payable	**1.4**	1.1	**1.6**	1.1
Amounts due to subsidiaries	**-**	-	**1.0**	0.4
Accruals and deferred income	**217.2**	197.4	**214.6**	194.1
	251.3	226.8	**248.8**	223.0

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

	Consolidated 2021 £m	Consolidated 2020 £m	University 2021 £m	University 2020 £m
Donations	**1.8**	0.5	**1.8**	0.5
Research grants received in advance	**100.5**	98.9	**100.5**	98.9
Deferred capital grants	**8.8**	10.8	**8.8**	10.8
	111.1	110.2	**111.1**	110.2

	Consolidated 2021 £m	Consolidated 2020 £m	University 2021 £m	University 2020 £m
18. Creditors: amounts falling due after more than one year				
Government energy efficiency loans	**0.3**	0.5	**0.3**	0.5
Private placement of debt	**110.5**	105.0	**110.5**	105.0
Deferred capital grants	**187.2**	176.9	**187.2**	176.9
	298.0	282.4	**298.0**	282.4

The university's borrowing facilities are the following:

- A £100m unsecured fixed-rate Private Placement issued in November 2019 for a 30-year term at a coupon rate of 2.47%. The private placement is restated to fair value at each period close (note 27 refers).
- An £80m non-amortising Revolving Credit Facility issued in November 2019 at a variable rate of LIBOR plus 0.4% for a term of 10 years. The university has the ability to repay and redraw against the facility over the period of the loan and utilises this facility to manage its cash requirements. As at 31 July 2021 this facility was undrawn (2020: undrawn).
- A £60m Coronavirus Large Business Interruption Loan Scheme (CLBILS) Revolving Credit Facility (RCF) issued in October 2020 with a margin of LIBOR plus 0.12% over a three year term, with the ability to draw down and repay as often as required. In addition to margin there is a periodic fee payable quarterly in arrears of 0.5% of the total facility in year 1, increasing to 1.0% in years 2 and 3.
- A multi-option facility (an overdraft) for £15m reviewable annually by the university's main banker.
- A HEFCE loan to enable the installation of energy efficient technology, which does not have a fixed repayment profile, with repayments being dependent on the individual project.

The university does not currently hold any finance lease arrangements.

	Consolidated and University				
	Obligation to fund USS deficit £m	CPAS deficit £m	Pension total £m	Other (restated) £m	Total £m
19. Provisions					
At 1 August 2020	84.5	147.7	232.2	-	232.2
Additions in year (note 7)	18.6	-	18.6	0.3	18.9
Utilised in year (note 7 and 9)	(3.6)	(5.6)	(9.2)	-	(9.2)
Unused amounts reversed in year (note 26)	-	(58.0)	(58.0)	-	(58.0)
At 31 July 2021	**99.5**	**84.1**	**183.6**	**0.3**	**183.9**

The obligation to fund the past deficit on the Universities Superannuation Scheme (USS) arises from the contractual obligation with the USS to pay deficit payments in accordance with the deficit recovery plan. In calculating this provision, management have estimated future staff levels and salary inflation within the USS scheme for the duration of the contractual obligation, discounted to a present value. Further information is disclosed in note 26 and management has considered the financial impact of changes in key assumptions under the key judgements and estimates section.

The provision increased during the year because until deficit contributions increase, the university's payroll growth outweighs any reduction to the provision from in-year contributions.

The University of Nottingham Contributory Pension and Assurance Scheme (CPAS) is a closed scheme. The detail behind the assessment of the deficit is described in note 26.

The new provision of £0.3m relates to restructuring within the Faculty of Medicine. "Other" provisions have been restated as per note 31.

Notes to the financial statements continued

	Consolidated and University			
	2021	2021	2021	2020
	Restricted expendable	Restricted permanent	Restricted total	Total
	£m	£m	£m	£m
20. Endowments				
Balance as at 1 August 2020	4.6	57.7	62.3	63.0
Additions	-	0.1	0.1	0.3
Transfers	-	-	-	-
Appreciation of endowment asset investments	0.2	8.9	9.1	(2.6)
Income for the year	0.2	1.8	2.0	2.7
Expenditure for the year	(0.5)	(0.7)	(1.2)	(1.1)
At 1 August 2021	4.5	67.8	72.3	62.3
Represented by:				
Capital value	4.5	62.3	66.8	57.1
Accumulated income	-	5.5	5.5	5.2
	4.5	67.8	72.3	62.3
Analysis by type of purpose:				
Academic staff	-	38.1	38.1	32.5
Prizes, scholarships and student support	2.2	17.4	19.6	17.0
Subject specific	1.8	1.3	3.1	3.8
Research	-	3.1	3.1	2.7
Other	0.5	7.9	8.4	6.3
	4.5	67.8	72.3	62.3
Analysis by asset:			72.3	62.3
Current and non-current asset investments			72.3	62.3

The university has no unrestricted permanent endowments. All endowments are recorded within investments, including holdings of endowment cash.

	Consolidated and University			
	2021	2021	2021	2020
	Research	Donations	Restricted total	Total
	£m	£m	£m	£m
21. Restricted reserves				
Balance as at 1 August 2020	1.3	7.1	8.4	6.2
New grants	0.3	-	0.3	0.4
New donations	-	1.4	1.4	4.3
Expenditure	(0.3)	(2.3)	(2.6)	(2.5)
At 1 August 2021	1.3	6.2	7.5	8.4
Analysis by type of purpose				
Prizes, scholarships and student support			2.5	3.4
Subject specific			2.2	2.2
Research			1.3	2.5
Other			1.5	0.3
			7.5	8.4

	Consolidated and University			
	Equipment	Buildings	2021	2020
	£m	£m	£m	£m
22. Operating lease obligations				
Minimum lease payments due:				
Within one year	2.2	1.8	4.0	1.9
Between two and five years	2.2	7.1	9.3	3.7
Over five years	-	7.3	7.3	-
	4.4	16.2	20.6	5.6

During the year the university took out two 10 year contracts for the rental of buildings for student accommodation, which are sub-let to students. Operating lease payments expensed during the year were £3.2m (2020/21: £2.7m).

	Consolidated		University	
	2021	2020	2021	2020
	£m	£m	£m	£m
23. Capital commitments				
Commitments contracted at 31 July	14.4	7.6	14.4	7.4

The largest capital commitment at the financial year end is £7.6m relating to the Digital Engagement project. The majority of the remaining commitments relate to a number of in-progress refurbishment programmes, to improve teaching, research and halls spaces across all campuses.

Notes to the financial statements continued

24. Related party transactions

(a) Entities with control, joint control or significant influence over the institution

Two senior elected officers of the University of Nottingham Students' Union are also members of the University Council. The Students' Union is not considered to have significant influence over the university, nor the university over the Union. Note 8 sets out the grants paid to the University of Nottingham Students' Union.

(b) Entities over which the institution has control, joint control or significant influence

Transactions with wholly owned subsidiaries which have been consolidated in the Group financial statements are not disclosed below, in accordance with the exemption given in FRS 102 Section 33 (Related Party Disclosures). Details of the wholly owned subsidiaries are disclosed in note 14.

The University of Nottingham owns a 29.9% (2020: 29.9%) stake in the University of Nottingham, Malaysia, and a 37.5% (2020: 37.5%) stake in the University of Nottingham, Ningbo China both of which are accounted for as associated entities (see note 15). Academic quality in both China and Malaysia is controlled by The University of Nottingham, for which it receives management fees, and certain members of staff are seconded to both overseas campuses for periods of up to 3 years. In addition certain costs incurred by the university are rechargeable between each associate and the university in accordance with signed agreements.

The university sponsors the University of Nottingham Contributory Pension and Assurance Scheme (CPAS), a pension scheme for the benefit of employees which is closed to new members. The university also participates in the Universities Superannuation Scheme and operates a defined contribution scheme, the Contributory Retirement and Savings Plan (CRSP). Transactions with related pension schemes are disclosed at notes 7 and 26.

The university has significant influence over the Nova Education Trust, which operates multiple primary and secondary academies in Nottinghamshire. The university has a sponsorship agreement with Nova Education Trust dating from 2017/18 which includes a commitment to sponsor any financial deficits the Trust incurs. Professor Sarah O'Hara, Council member, is also a member of Nova Education Trust, and Margaret Monckton, Chief Financial Officer, is a trustee of Nova Education Trust.

	Year to 31 July 2021		At 31 July 2021	Year to 31 July 2020		At 31 July 2020
	Income from related party	**Expenditure to related party**	**Balances due from/ (owed to) the related party**	Income from related party	Expenditure to related party	Balances due from/ (owed to) the related party
	£000	£000	£000	£000	£000	£000
University of Nottingham, Malaysia	**2,407**	**326**	**2,443**	2,292	446	2,268
University of Nottingham, China	**3,922**	**(134)**	**103**	7,026	1,082	4,884
IAMET (subsidiary of UoN China)	-	-	-	-	-	-
NMI (subsidiary of UoN China)	-	-	-	-	-	-
NEC (subsidiary of UoN China)	-	-	-	-	-	-
NBL (subsidiary of UoN China)	-	-	-	-	-	-
China Beacons Institute (subsidiary of UoN China)	-	-	-	-	-	-
Nova Education Trust	-	**7**	-	-	-	-

(c) Key management personnel

Key management personnel are defined as trustees of the institution and those responsible for planning, directing and controlling its activities. These persons are:

- members of the University Council, being the university's governing body, and with Council members being trustees for purposes of charity law.
- the Chancellor, as ceremonial head of the university
- other senior management, being members of the University Executive Board.

Names of these individuals are disclosed in the introduction to the financial statements.

Remuneration of key management personnel is disclosed at note 7. No remuneration was paid to Council members in connection with their duties as a Council member (2020: none).

No expenses were paid to Council members in connection with their duties (2020: £4,456 to 7 members). No expenses were incurred in the current year as no in-person meetings were held.

The university does not remunerate its external lay members of the University Council. Reasonable travel and subsistence expenses incurred in attending meetings relating to the work of the Council and associated charitable events in members' official capacity are reimbursed upon request. The salaries of members of the staff of the university who serve on the Council do not include any element specific to their trusteeship.

Due to the nature of the university's operations and the composition of the Council (members being drawn from commerce, industry and the public sector) and senior management, it is inevitable that transactions will take place with organisations in which a member of the Council or the senior management team may have an interest. All transactions involving organisations in which a member of Council or the senior management team may have an interest are conducted at arm's length and in accordance with the university's financial regulations and usual procurement procedures.

Management have reviewed the substance of the relationship with any organisation over which the university's key management – or their close families – has control or significant influence. No related party transactions were identified.

25. Reconciliation of net debt

				Consolidated
	At 1 August 2020	Cash flows	Non-cash changes	**At 31 July 2021**
	£m	£m	£m	£m
25. Reconciliation of net debt				
Cash and cash equivalents				
Cash	(1.1)	**54.3**	-	53.2
Cash equivalents	41.1	**16.0**	-	57.2
Bank overdraft	-	**-**	-	-
	40.0	**70.3**	**-**	**110.3**
Borrowings				
Private placement of debt	(105.0)	**-**	(5.5)	(110.5)
Government energy efficiency loans	(0.5)	**0.2**	-	(0.3)
	(105.5)	**0.2**	**(5.5)**	**(110.8)**
Net (debt)/cash	**(65.5)**	**70.5**	**(5.5)**	**(0.5)**

Notes to the financial statements continued

26. Pension schemes

The principal pension schemes for the university's staff are the Universities Superannuation Scheme (USS), the University of Nottingham Contributory Pension and Assurance Scheme (CPAS) – which is closed to new members – and a defined contribution scheme, The University of Nottingham Contributory Retirement Savings Plan (CRSP).

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

	2021	2020
	£m	£m
Contributions to USS	**44.7**	44.8
USS deficit recovery adjustment	**14.4**	(85.0)
Charge to I&E account re CPAS	**3.2**	3.3
Contributions to other pension schemes	**4.2**	4.4
Total pensions cost (note 7)	**66.5**	(32.5)

26a. Universities Superannuation Scheme (USS)

The institution participates in the Universities Superannuation Scheme (USS). The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the assets are not attributed to individual institutions and a scheme-wide contribution rate is set. The institution is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. As required by Section 28 of FRS102 'Employee Benefits', the institution therefore accounts for the scheme as if it were a wholly defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme.

USS is a hybrid pension scheme which provides defined benefits to all members, the "Retirement Income Builder" as well as top-up defined contribution benefits.

Since the institution has entered into an agreement (the Recovery Plan) that determines how each employer within the scheme will fund the overall deficit, the institution recognises a liability for contributions payable that arise from the agreement (to the extent that they relate to the deficit) with related expenses being recognised through the income and expenditure account.

The total cost charged to the income and expenditure account is £44.7m (2020: £44.8m)

Deficit recovery contributions due within one year for the institution are £12.0m (2020: £3.9m).

The latest available completed actuarial valuation of the Retirement Income Builder is at 31 March 2018 (the valuation date), which was carried out using the projected unit method. A valuation as at 31 March 2020 is underway but not yet complete.

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

The 2018 valuation was the fifth valuation for the scheme under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £63.7bn and the value of the scheme's technical provisions was £67.3bn indicating a shortfall of £3.6bn and a funding ratio of 95%.

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

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

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

Mortality base table	2018 valuation	
Pre retirement	Male members' mortality:	71% of AMC00 (duration 0)
	Female members' mortality:	112% of AFC00 (duration 0)
Future improvements to mortality	CMI_2017 with a smoothing parameter of 8.5 and a long term improvement rate of 1.8% pa for males and 1.6% pa for females	

The current life expectancies on retirement at age 65 are:

	2021	2020
Males currently aged 65 (years)	24.6	24.4
Females currently aged 65 (years)	26.1	25.9
Males currently aged 45 (years)	26.6	26.3
Females currently aged 45 (years)	27.9	27.7

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

	2021	2020
Discount rate	**0.89%**	0.73%
Pensionable salary growth year one	**3.00%**	0.00%
Pensionable salary growth subsequently	**3.00%**	1.00%

Sensitivity analysis of these inputs is shown under critical accounting estimates.

26b. University of Nottingham Contributory Pension and Assurance Scheme (CPAS)

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

Active members of the Scheme pay contributions at the rate of 7.5% of salary and the university pays the balance of the costs as determined by regular actuarial valuations. The Trustees are required to use prudent assumptions to value the liabilities and costs of the Scheme whereas the accounting assumptions must be best estimates. The basis of valuation is the Scheme's 31 July 2020 preliminary statutory funding valuation report dated February 2021, projected forward to 31 July 2021 and with obligations estimated using the Projected Unit Credit method.

Under the Recovery Plan dated October 2018 the university has agreed to make annual contributions to reduce the deficit by February 2032. In the forthcoming year the university expects to contribute £6.7m in respect of the funding shortfall. On top of this the university will pay an amount equal to the aggregate contributions that would otherwise have been payable by those members who have elected to pay their contributions by salary sacrifice. In addition to these contributions the university will pay the cost of early retirement strains and all Scheme expenses attributable to the university under the terms of the Operating Costs protocol, including the cost of death-in-service benefits.

Notes to the financial statements continued

	2021	2020
	£m	£m
CPAS – FRS102 disclosure		
The amounts recognised in the balance sheet are as follows:		
Present value of funded obligations	**(368.9)**	(402.9)
Fair value of plan assets	**284.4**	255.2
Deficit	**(84.1)**	(147.7)
The amounts recognised in staff costs within comprehensive income are as follows:		
Service cost (recognised in staff costs)		
Current service cost	**3.4**	3.7
Net interest expense/(credit)	**2.2**	2.6
Operating charge/(credit)	**5.6**	6.3
Actual return less expected return on pension scheme assets		
Effect of changes in assumptions	**11.9**	(34.7)
Effect of experience adjustments	**20.8**	-
Return on plan assets	**27.4**	12.3
Actuarial gain/(loss) recognised in Comprehensive Income	**60.1**	(22.4)
Total (income)/cost related to CPAS recognised through the Statement of Comprehensive Income	**(54.5)**	28.7
The return on plan assets was:		
Interest income	**3.9**	5.0
Return on plan asset (excluding amount included in net interest)	**27.4**	12.3
Actual return on plan assets	**31.3**	17.3

Reconciliation of scheme assets and liabilities	2021	2021	2021
	Assets	Liabilities	Total
	£m	£m	£m
At 1 August 2020	255.2	(402.9)	(147.7)
Benefits paid from plan assets	(11.0)	11.0	-
Administration expenses	(0.1)	0.1	-
Current service cost	-	(3.5)	(3.5)
Employer contributions	9.2	-	9.2
Employee contributions	0.3	(0.3)	-
Interest income/(expense)	3.9	(6.1)	(2.2)
Return on assets (excluding amount included in net interest)	27.4	-	27.4
Actuarial change in assumptions	-	11.9	11.9
Actuarial experience adjustments	-	20.8	20.9
Gain/(loss) on plan introductions and changes	-	-	-
At 31 July 2021	284.9	(369.0)	(84.1)

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

	2021	2020
Liability discount rate	**1.65%**	**1.55%**
Inflation assumption – RPI	**3.25%**	**2.90%**
Inflation assumption – CPI	**2.55%**	**2.20%**
Rate of increases in salaries	**2.55%**	**2.20%**
Revaluation of deferred pensions:		
benefits accrued prior to May 2003	**2.20%**	**2.20%**
benefits accrued after May 2003	**2.90%**	**2.90%**
Increases for pensions in payment:		
benefits accrued prior to May 2003	**3.50%**	**3.50%**
benefits accrued after May 2003	**2.80%**	**2.80%**
Proportion of employees opting for early retirement	**0.00%**	0.00%
Proportion of employees commuting pension for cash	**80.00%**	80.00%
Post-retirement mortality assumption	**111%/102% (M/F) of S3PA tables ("middle" for females) CMI 2020 model with long term improvement rate of 1.5%p.a., a smoothing parameter (skappa) of 7.5 and default core initial improvements parameter of zero**	90% of S2PA tables CMI 2019 model with long term improvement rate of 1.5%p.a., a smoothing parameter (skappa) of 7.5 and default core initial improvements parameter of zero
Assumed life expectancy on retirement at age 65		
Retiring today (male age 65)	**21.5**	22.8
Retiring in 20 years (male age 45 today)	**23.1**	24.5
Retiring today (female age 65)	**23.9**	24.7
Retiring in 20 years (female age 45 today)	**25.7**	26.5

The major categories of scheme assets are as follows:

	2021	2020
	£m	£m
Equity-type instruments and absolute return	**13.8**	135.4
Corporate bonds	**27.4**	35.7
Diversified alternatives	**49.3**	43.2
Index-linked including liquidity fund	**44.9**	35.3
Property	**20.5**	-
Insured annuities	**3.8**	4.7
Cash	**0.9**	0.8
Total market value of assets	**284.8**	255.2

The scheme has no investments in the company or in property occupied by the university.

Notes to the financial statements continued

	31 July 2021 £m	31 July 2020 £m	31 July 2019 £m	31 July 2018 £m	31 July 2017 £m
Amounts for the current and previous four periods are as follows:					
Defined benefit obligation	**(368.9)**	(402.8)	(366.2)	(323.5)	(340.3)
Plan assets	**284.8**	255.2	238.1	215.7	201.7
Deficit	**(84.1)**	(147.6)	(128.1)	(107.8)	(138.6)
Experience adjustments on plan liabilities	**32.7**	(34.7)	(36.5)	25.0	(10.7)
Experience adjustments on plan assets	**27.4**	12.3	16.0	4.3	10.6

26c. Contributory retirement savings plan

Following the closure of CPAS to new entrants on 1 September 2006, the university engaged Legal & General to operate a defined contribution pension scheme for the benefit of members. The Contributory Retirement Savings Plan (CRSP) is designed as the primary pension plan for members of staff who are not already in another pension scheme. The university make contributions equivalent to twice the employee's contribution, up to a maximum of 10%. As at 31 July 2021 the university owed £183,000 in respect of contributions to the scheme (2020: £361,142).

27. Financial instruments

	Consolidated 2021 £m	Consolidated 2020 £m	University 2021 £m	University 2020 £m
Financial assets				
Measured at fair value through income and expenditure				
Investments (including endowments) (note 14)	**85.5**	77.1	**85.9**	77.5
Short term investments	**0.1**	0.2	**0.1**	0.2
Measured at undiscounted amount receivable				
Trade and other receivables (note 16)	**68.4**	71.4	**68.1**	69.2
	154.0	148.7	**154.1**	146.9
Financial liabilities				
Measured at fair value through income and expenditure				
Private placement (note 18)	**(110.5)**	(105.0)	**(110.5)**	(105.0)
Measured at undiscounted amount payable				
Trade payables (note 17)	**(31.2)**	(26.9)	**(30.9)**	(26.7)
Amounts due to subsidiaries (note 17)	**-**	-	**(1.0)**	(0.4)
Bank loans (notes 18)	**-**	-	**-**	-
HEFCE loan (note 18)	**(0.3)**	(0.5)	**(0.3)**	(0.5)
	(142.0)	(132.4)	**(142.7)**	(132.6)

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

At period end, the university recorded a fair value loss of £5.5m on the discounted value of the future payments arising from the £100m private debt placement (note 18 refers). The method of calculation is disclosed under critical accounting estimates. The contractual cash payments arising from the private placement remain unchanged. As per note 18, these are bi-annual payments of a coupon rate of 2.47% on the principal debt of £100m, with the principal repaid in 2050.

28. Access funds

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

	2020 £m	2020 £m
Balance at 1 August	**(1.0)**	(1.0)
Funding council grants	**-**	-
Interest earned	**-**	-
	(1.0)	(1.0)
Disbursed to students	**1.0**	-
Balance unspent at 31 July	**-**	(1.0)

29. Connected charitable institutions

The following non-operating charities are linked to the university and are consolidated within the Group.

	2021 £m	2020 £m
Reserves		
Children's Play Activities Trust Fund	**0.4**	0.4
The AF Bird Memorial Award	**-**	-

30. Sport England grant

Sport England has granted the university funds to provide opportunities for students to take part in sport and activity. During the year £5,314 (2020: £10,963) was spent in collaboration with Nottingham Trent University.

Notes to the financial statements continued

31. Prior period correction

At the prior year end the university held a provision of £17.2m in respect of a multi-year project to re-design the IT Operating Model. At that time management expected to incur costs against the provision through to the 2024 year-end, incurring the full value of the provision. This assessment was made after taking appropriate external advice.

In reviewing the provision, its viability and ongoing appropriateness in the current financial year, management reviewed existing information and determined that in view of the programme's focus on the future conduct of the university's IT operations it is more appropriate to exclude certain elements of the provision, totalling £15m.

In addition, the ongoing Covid-19 pandemic has necessitated that the programme be reviewed and completed to deliver its strategic benefits but in a different way and without the previously communicated impacts on staffing. The circumstances are not met to make a provision for the staffing element within the ongoing programme and, accordingly, this amount of £2.2m would have needed to be reversed in the current year. As that redundancy element is individually immaterial, for simplicity, management have restated the prior period provision to remove the entire provision of £17.2m.

The matter has been corrected by restating the following lines of the 2020 financial statements:

	2020	Increase/ (decrease) in surplus £m	2020 (restated) £m
	£m	£m	£m
Consolidated Statement of Comprehensive Income (extract)			
Other operating expenses	(243.6)	17.2	(226.4)
Surplus for the year	94.4	17.2	111.6
Total comprehensive income for the year	72.0	17.2	89.2

	2020	Increase/ (decrease) in net assets £m	2020 (restated) £m
	£m	£m	£m
Consolidated Statement of Financial Position (extract)			
Provisions	(249.4)	17.2	(232.2)
Net assets	463.0	17.2	480.2
Income and Expenditure Reserve – unrestricted	(388.3)	(17.2)	(405.5)
Total reserves	(463.0)	(17.2)	(480.2)

32. Guaranteed minimum pension

The 20 November 2020 High Court ruling clarified the obligation of pension scheme trustees to equalise past transfer values to allow for the effects of unequal Guaranteed Minimum Pensions between 1990 and 1997, "GMP equalisation". Since an initial Court ruling in 2018, the CPAS scheme held an allowance of 0.7% of liabilities, which is higher than the Trustees' best estimate of additional liabilities for current CPAS members. As such, no additional liability has been recorded for CPAS in light of the High Court ruling.

The impact of the ruling on the USS remains unclear and therefore it is not possible to estimate the amount of any potential increase in pension liability.

33. Contingent liability – overseas employment taxes

Management estimates that there is a possible but uncertain obligation to pay for employer's taxes for university employees who are currently based in overseas jurisdictions. The possible liability arises from employees who left the UK for personal reasons during the 2020-21 national lockdowns, and have remained working from home in various overseas jurisdictions. At the date of signing these accounts, management was in the process of gathering information on the employees concerned so that professional advisors can be engaged to estimate the possible scale of the liability to both the employer and the employee. It is possible that there will be an outflow in the next five years, should the university be found liable for employer's taxes. The amount cannot currently be estimated but will almost certainly be immaterial to the Group.

34. Contingent liability and asset – NHS Pension Scheme Pays

As an employer of members of the NHS Pension Scheme, the university is obliged under the NHS Pension Scheme Pays policy to pay members an amount on their retirement to compensate a tax charge for exceeding the pensions annual allowance in 2019/20. NHS England has committed to reimburse employers for this amount leaving a net nil financial impact. NHS England recommends a standard amount per employee is used to calculate a provision, which would suggest a provision of £63,555. Management considers the standard amount does not give a reliable estimate. Therefore a contingent liability of £63,555, and a corresponding contingent asset of £63,555 is disclosed.

35. Events after the end of the reporting period

35a. University of Nottingham Malaysia

On 17 August 2021, after the end of the reporting period, but before these financial statements were authorised for issue, the university announced its intention to buy out the Malaysian partner of the University of Nottingham Malaysia (UNM). The estimated price of the share purchase is £23.5m, which is likely to be an outflow in the 2021/22 period. The University Group will become the majority shareholder of UNM and will incorporate its results as a subsidiary.

35b. Castle Meadow purchase

On 12 October 2021, after the end of the reporting period, but before these financial statements were authorised for issue, the University Council approved the purchase of the Castle Meadow campus in Nottingham city centre. The purchase exchanged on 4 November 2021. The campus will provide a solution to several of the university's key strategic initiatives.

36. USS 2020 valuation

36a. Event after the end of the reporting period

After the reporting date, the USS 2020 valuation was filed with The Pensions Regulator, with an effective date of 1 October 2021, which is before these financial statements were signed, resulting in a non-adjusting event after the reporting period. The 2020 valuation came into effect with a dual rate schedule of contributions (SOC):

- Leg 1, which includes a small increase in contribution rates from the 2018 valuation and a longer deficit recovery period as a result of the decision to proceed with benefit change by the Joint Negotiating Committee (JNC), subject to member consultation.
- Leg 2, which includes more significant increases, however this only becomes applicable if the JNC recommended deed on benefit changes has not been executed by 28 February 2022.

If the valuation and new schedule of contributions had been agreed prior to the reporting date, the university would have recorded a materially different provision for its future obligation to fund the USS Recovery Plan (notes 19 and 26). Management has determined what the USS pension deficit provision would have been on 31 July 2021.

Applying leg 1 of the SOC at 31 July 2021 would have resulted in a USS pension recovery provision of £321.1m being recorded in the financial statements. This would be a £226.1m increase from the £99.5m recorded, £3.9m of which is caused by the slight increase in recovery contributions, with the remaining £222.2m increase in the liability caused by the increase in the recovery plan duration. The 2020 USS valuation expects to eliminate the funding shortfall by 31 March 2038 (2018 valuation: 31 March 2028).

The university's financial statements for the year ending 31 July 2022 will reflect the deed which applies at that date.

36b. Contingent liability

If the JNC recommended deed on benefit changes ("leg 1") had been applied as at 31 July 2021, a provision of £321.1m would have been recorded in the financial statements.

At the date of signing these financial statements, the likelihood of the USS executing the JNC recommended deed to change benefits before 28 February 2022 could not be determined. If leg 2 had applied at 31 July 2021 a provision of £488.8m would have been recorded. The increase is due to the higher level of deficit recovery contributions in leg 2, which reflect a lower level of covenant support.

The JNC continues to discuss the implementation of the 2020 valuation which leads to considerable uncertainty. As such, the group has a contingent liability, with the most reliable estimate being a £226.1m increase to the USS deficit recovery plan provision already held, as shown at note 36a.

The university's financial statements for the year ending 31 July 2022 will reflect the deed which applies at that date.

Notes to the financial statements continued

37. US Federal Aid Supplementary Schedule

The statements of Comprehensive Income and Financial Position are re-analysed as below in order to meet the requirements of United States Federal Aid reporting.

Statement of financial position	2021 £m	2020 (restated) £m
1. Cash and cash equivalents (financial position statement)	**110.3**	40.0
2. Accounts receivable, net (note 16)	**68.4**	71.3
3. Prepaid expenses – including stock (note 16 and financial position statement)	**43.4**	31.7
4. Related party receivable (note 16)	**2.5**	7.2
5. Contributions receivable, net (note 16)	**6.1**	7.7
6. Student loans receivable, net	-	-
7. Investments (financial position statement)	**139.2**	127.1
8. Property, plant and equipment, net (financial position statement)	**930.4**	936.4
9. Lease right-of-use asset, net	-	-
10. Goodwill	-	-
11. Deposits	**0.1**	0.2
12. Total assets	**1,300.4**	1,221.6
13. Line of credit – short term	-	-
14. Line of credit – short term for CIP	-	-
15. Accrued expenses/Accounts payable (note 17)	**34.1**	29.4
16. Deferred revenue (note 17)	**217.2**	197.4
17. Post-employment and pension liability (note 19)	**183.6**	232.2
18. Line of credit- operating	-	-
19. Other liabilities (note 19)	**0.3**	-
20. Notes payable	-	-
21. Lease right-of-use asset liability	-	-
22. Line of credit for long term purposes (note 18)	**298.0**	282.4
23. Total liabilities	**733.2**	741.4
24 Net assets without donor restrictions (financial position statement – unrestricted)	**487.4**	409.5
Net assets with donor restrictions		
25. Annuities	-	-
26. Term endowments (financial position statement)	**72.3**	62.3
27. Life income funds	-	-
28. Other restricted by purpose and time	-	-
29. Restricted in perpetuity (financial position statement)	**7.5**	8.4
30. Total net assets with donor restrictions	**79.8**	70.7
31. Total net assets	**567.2**	480.2
32. Total liabilities and net assets	**1,300.4**	1,221.6

Changes in net assets without donor restrictions		
Operating revenue and other additions		
33. Tuition and fees, net (note 1)	**387.7**	389.0
34. Contributions (notes 2, 3 and 6 less line 52 below)	**209.5**	207.8
35. Investment return appropriated for spending (note 5)	**2.1**	2.8
36. Auxiliary enterprises (note 4)	**87.6**	109.3
37. Net assets release from restriction	**0.1**	0.1
38. Total operating revenue and other additions	**687.0**	709.0
Operating expenses and other deductions		
39. Education and research expenses (note 10, less depreciation and interest)	**522.2**	516.9
40. Depreciation and amortization (note 12)	**44.0**	48.2
41. Interest expense (note 10)	**5.7**	7.3
42. Auxiliary enterprises (note 10, less depreciation and interest)	**111.8**	26.9
43. Total operating expenses – excluding change in pension prov	**683.7**	599.3
44. Change in net assets from operations	**3.3**	109.7
Non-operating changes		
45. Investments, net of annual spending, gain(loss) (income statement)	**7.1**	0.1
46. Other components of net periodic pension costs	-	-
47. Pension-related changes other than net periodic pension costs (note 26)	**60.1**	(22.4)
48. Change in value of split-interest agreements	-	-
49. Other gains (losses)	-	-
50. Sale of fixed assets, gains (losses) (income statement)	**7.4**	0.4
Total non-operating changes	**74.6**	(21.9)
51. Change in net assets without donor restrictions	**77.9**	87.8
Change in net assets with donor restrictions	-	-
52. Contributions (statement of changes in reserves, endowment and restricted)	**9.1**	1.4
53. Net assets released from restriction	-	-
54. Changes in net assets with donor restrictions	**9.1**	1.4
55. Change in net assets	**87.0**	89.2
56. Net assets, beginning of year	**480.2**	391.0
31. Net assets, end of year	**567.2**	480.2
Lease right of use – line 9	-	-
Lease right of use liability – line 21	-	-
Net property plant and equipment		
A Pre-implementation PPE	-	-
B Post implementation PPE	-	-
Freehold and long leasehold (note 12)	**803.9**	789.2
Investment property (note 12)	**1.4**	4.5
Equipment (note 12 & 13)	**91.0**	100.7
C Construction in progress (note 12)	**34.1**	42.0
D Post implementation PPE	-	-
	930.4	936.4
Long term debt for long term purposes	**Nil**	Nil

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