

## Financial review

### Operational and financial overview

The University of Manchester has exempt charity status derived from the Charities Act 1993 and is responsible to the Office for Students, its principal regulator, which is charged with monitoring compliance with charity law obligations. The University, through its governing body, the Board of Governors, is aware of its responsibilities as a charity to act for the public benefit across all its activities and has had due regard to the latest version of the Charity Commission's public benefit guidance (issued September 2013, updated September 2014). The objects of the University, as set out in the Royal Charter awarded in 2004, are "to advance education, knowledge and wisdom by research, scholarship, learning and teaching, for the benefit of individuals and society at large." This overview includes references to the impact of our investments in these areas. These statements form our public benefit statement.

Total comprehensive income has decreased from £102.2m to a deficit of (£110.5m).

Pensions accounting has had a significant impact on this position, with one-off charges of £143.3m included. Actuarial losses from our UMSS and GMPF pension schemes are also reflected in these figures, with a total loss of £35.3m this year, compared to a gain of £59.2m in the prior year. Excluding the effect of these and other specific accounting adjustments, the 2018/19 operating surplus of £40.8m has improved by £16.0m from prior year.

The cash generated by operating activities has declined and the cash and other liquid funds balance has reduced by £112.0m in line with expectations, with the main driver being the continued investment in our estate such as the new engineering campus. The cash position is a key measure of our financial sustainability and, as such, is closely managed as part of our financial performance and planning process.

### Financial overview and key highlights

Key Highlights	2018/19 £000	2017/18 £000	% change
Income excluding capital income	1,009,779	975,606	3.5%
Capital income *	88,110	83,554	5.5%
<b>Total income</b>	<b>1,097,889</b>	<b>1,059,160</b>	3.7%
<b>Tuition Fee income</b>	<b>483,282</b>	<b>462,845</b>	4.4%
Research income excluding capital	256,461	241,211	6.3%
Research capital income	67,067	57,503	16.6%
<b>Total research income</b>	<b>323,528</b>	<b>298,714</b>	8.3%
<b>Operating surplus (see operating surplus table)</b>	<b>40,750</b>	<b>24,729</b>	64.8%
Operating surplus as % of income	3.7%	2.3%	
<b>Reported total comprehensive (deficit)/income **</b>	<b>(110,523)</b>	<b>102,225</b>	(208.1%)
Net assets	1,606,245	1,716,768	(6.4%)
Cash and short term investments	203,319	315,284	(35.5%)
Operating cashflow	46,125	92,254	(50.0%)
Tangible fixed assets	1,875,159	1,656,531	13.2%
Heritage assets	257,539	257,239	0.1%
Pension deficit	(397,933)	(221,669)	79.5%
Borrowings	(393,484)	(403,663)	(2.5%)

\*Capital income relates to funding received for capital expenditure. Capital income can be either OFS, Research, or other funded.

\*\* Total comprehensive income is the surplus/(deficit) for the year less the actuarial loss in respect of pension schemes.

### Pensions

Impact post year end change in USS deficit recovery plan	2018/19 £000	Adjust for USS £000	"Adjusted" 2018/19 £000	2017/18 £000
Staff costs	569,656	-	<b>569,656</b>	537,408
Change in USS deficit recovery plan	165,100	(109,808)	<b>55,292</b>	-
UMSS change in benefits structure	(27,267)	-	<b>(27,267)</b>	-
Past service costs	5,462	-	<b>5,642</b>	-
Total staff costs	712,951	(109,808)	<b>603,143</b>	537,408
Total expenditure	1,192,958	(109,808)	<b>1,083,150</b>	1,029,616
Reported (deficit)/surplus for the year	(75,245)	109,808	<b>34,563</b>	43,059
Reported total comprehensive (deficit)/income	(110,523)	109,808	<b>(715)</b>	102,225
Operating surplus (per operating surplus table)	40,750	-	<b>40,750</b>	24,729

## Key Financial Risks

<p><b>Home tuition fees are under review and there are barriers to international fee growth</b></p>	<p>There is significant risk to the sector in relation to undergraduate fees and numbers. In May 2019 the Augar review of post-18 education proposed that the cap on the fee chargeable to Home Higher Education students should be reduced to £7,500 per year (from £9,250) and introduced by 2021/22 with Government replacing in full the lost fee income by increasing the teaching grant, leaving the average unit of funding unchanged. Whether the recommendations will be adopted is unknown. A significant risk to the sector would be if a fee cap is implemented without being fully replaced by the teaching grant. The forthcoming election also brings the possibility of significant policy changes.</p> <p>Our plans to grow international student fee income depend on tuition fee price growth; reliance on postgraduate taught students; increasing global competition; the political climate surrounding the immigration status of students; and the geopolitical situation.</p>
<p><b>Pensions uncertainty may result in additional cost and industrial action</b></p>	<p>There is uncertainty about pension obligations, in particular for the USS pension scheme. A proposal that USS contributions should increase to 21.2% (previously 19.5%) of salary for employers and 9.6% (previously 8.8%) for scheme members to meet the scheme's financial commitments has been endorsed by the USS Joint Negotiating Committee, by the independent chair's casting vote, but has been rejected by UCU, which maintains a position of "no detriment" for scheme members.</p> <p>The University and College Union (UCU) opened its ballot of members on industrial action over pay and pensions, and UCU members have backed strike action.</p> <p>Given the impact and volatility of pensions on the University's risks and financial performance a detailed explanation is provided below.</p>
<p><b>Staff costs must be managed and balanced with income growth</b></p>	<p>The University has limited influence over the continued growth in wages and salaries, as this is driven by contractual increments and the national pay award. Staff costs must be managed in an environment where income growth is challenging. Projects to improve the efficiency of teaching, research and professional services are being progressed to balance cost growth with income.</p>
<p><b>Research cost recovery improvements are needed to ensure sustainability</b></p>	<p>A key factor of our strategy to increase research income is via initiatives to improve cost recovery. This is increasingly difficult to achieve not least due to the existing funding model for public sector research grants. This presents a long term risk for the sector, with full economic cost pricing proving hard to obtain from funders. Research funding in an increasingly multinational context continues to be highly competitive. If home and international tuition fees reduce, our ability to cross-subsidise research will be impacted.</p>
<p><b>The impact of Brexit</b></p>	<p>The University sector is considerably impacted if the UK exits the EU without a deal.</p> <p>In order to benefit from extended research contingency European funding and eligibility for new funds, the UK needs to pay its share of the EU budget for 2020 and allow for EU audits and controls. If the UK does not comply, and researchers no longer meet the eligibility requirements for their programme at the end of 2019, contracts may be terminated or payments suspended.</p> <p>The long term impact on attracting and retaining EU national staff and students remains unclear.</p>

### Pensions

On the face of the Statement of Comprehensive Income is a net charge of £143.3m as a result of pension charges, for clarity the movements are presented on page 12.

The largest adjustment of £165.1m relates to the increase in the liability for the USS pension scheme. The adjustment is based on the 31 March 2017 actuarial valuation which recognised a deficit of £7.5 billion in the scheme (a funding level of 89%). At the balance sheet date the University is required to recognise the contracted obligation presiding at the time. At 31 July 2019 there was a contractual deficit recovery plan in place based on the March 2017 valuation. To address the £7.5 billion shortfall this deficit recovery plan required that the deficit contribution rate increased from the previous 2.1% to 5% and the duration of the plan was extended from March 2031 to March 2034. This has resulted in the provision increasing by £165.1m as at the year end.

On the face of the Statement of Comprehensive Income there is also a £27.3m one-off reduction in the UMSS pension liability as a consequence of the benefit restructure which took place with effect from 1 January 2019 and which has reduced the scheme deficit going forward.

Finally, there are past service cost provisions of £5.5m for additional costs relating to UMSS and GMPF. £4.4m relates to estimates for the equalisation of the Guaranteed Minimum Pensions following a High Court ruling in October 2018. The remaining £1.1m relates to a recent legal judgement (called the McCloud case) which requires public sector schemes (GMPF) to adjust their benefits as a result of scheme reforms in 2015 being deemed unlawful as they were age discriminatory.

For the USS, a 2018 actuarial valuation has now been completed which shows a revised scheme deficit of £3.6 billion. Since the year end, and following this new actuarial valuation, a revised deficit recovery plan has been agreed.

This new plan requires deficit payments of 2% from 1 October 2019 to 30 September 2021 and then 6% to 31 March 2028. This reduces the deficit provision from £248.4m as at the year end to £138.6m, a reduction of £109.8m. If this revised contractual commitment had been agreed before 31 July 2019, the University would have had a surplus of £34.6m (as shown under the 'Adjusted' 2018/19 column on the pension table opposite) instead of the reported £75.2m deficit for the year (before Other Comprehensive Income).

## 1. Operating Surplus and Income Review

At an operational surplus level the University's performance demonstrates the financial volatility of Higher Education Institutions. Operating surplus is often the key measure of financial performance, however the impact of pensions is so significant that it can obscure the picture. In order to provide a comparable measure significant one-off pensions adjustments (separately disclosed) have been excluded from Operating surplus calculations.

### Operational performance

Operating surplus (excluding significant one-off pension adjustments) has improved by £16.0m, with an increase from 2.3% of income to 3.7%. As well as the significant one-off pension adjustments, this measure excludes non-cash items which are outside of the University's direct control such as changes in the market value of investments (£4.3m) and actuarial gains and losses related to the UMSS and GMPF pension schemes (£35.3m). Capital income (£88.1m) and depreciation (£77.7m) are also removed, as the accounting treatment under FRS102 can cause significant volatility in the accounts, masking the underlying performance.

The University has experienced continuing growth in staff costs however the improvement in operating surplus has resulted from these costs being offset by increases to tuition fees income and a reduction in other operating expenditure. In 2018/19 the University spent a higher proportion of our income on staff costs (55.7% of income excluding capital compared to 54.4% in 2017/18). The continued growth in wages and salaries is driven by contractual increments and the national pay award, over which the University has limited control.

We have also seen a decrease in our other operating expenditure from 39.8% to 37.5% of our income (excluding capital), driven in part by investment in a number of strategic investments in prior year such as the SKA II programme.

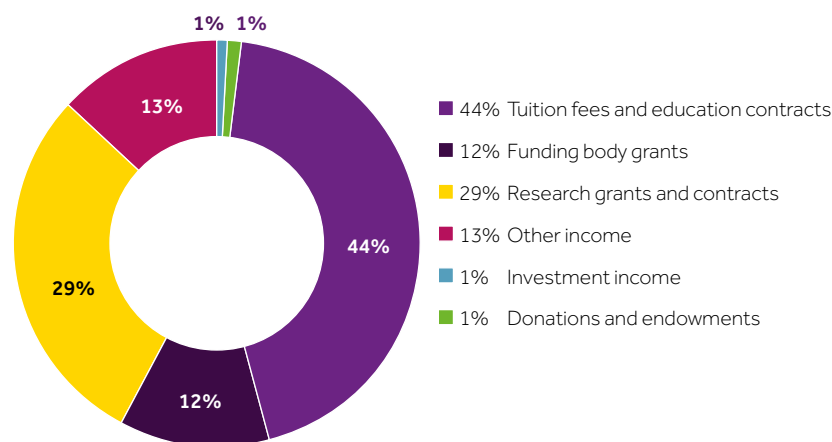
With the volatility of the external landscape the financial resilience of the University remains a key focus. A programme of activities aimed at maintaining a sustainable financial future is being driven by the University's executive. A number of these projects are ongoing and focus on strengthening and diversifying income generation whilst improving the efficiency of our activities.

During 2019/20, we will be updating our vision out to 2030, to address the opportunities and challenges higher education and our own University will face in the coming years. As we develop this strategy, we will be putting in place financial plans to support this vision whilst ensuring financial sustainability.

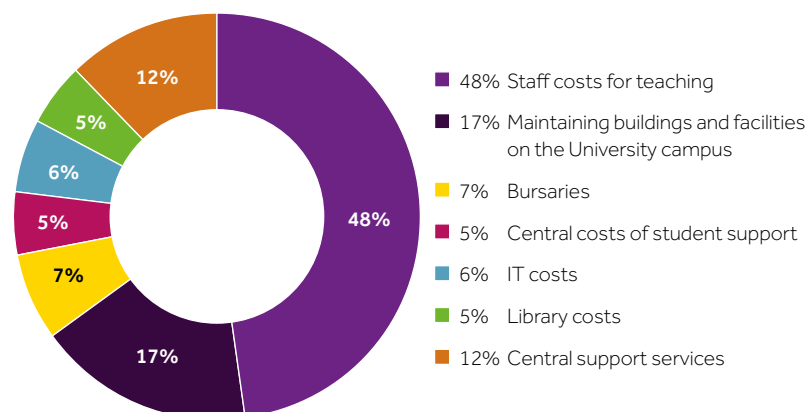
### Operating surplus

	2018/19 £000	2017/18 £000
Total comprehensive income as reported	(110,523)	102,225
<i>Add back:</i>		
Depreciation and amortisation	77,732	78,438
Significant one-off pension charges	143,295	-
<i>Less:</i>		
Capital income	(88,110)	(83,554)
Gains on investments	(4,308)	(12,883)
Gain on disposal of fixed assets	(12,614)	(331)
Actuarial (gain)/loss in respect of pension schemes	35,278	(59,166)
<b>Operating surplus</b>	<b>40,750</b>	<b>24,729</b>
Operating surplus as % of total income	3.7%	2.3%

### 2018/19 income split



### What is your tuition fee spent on?



## Total income

Total income increased to £1,097.9m, a growth of 4%. Excluding capital income of £88.1m, our income growth was £34.2m (3.5%) mainly driven by additional tuition fee income from international students. Our capital income has increased by £4.5m to £88.1m. This is due to a number of major capital projects in research, particularly the Henry Royce Institute and the Graphene Engineering Innovation Centre.

Our two major sources of income are tuition fees (44%) and research grants and contracts (29%), which is similar to the ratio in recent years.

## 2. Teaching and Learning

### Teaching income

Income from tuition fees has increased by 4.4% to £483.3m in 2018/19. Full-time Home and EU student income has reduced from £210.1m in 2017/18 to £208m in 2018/19, an adverse variance of £2.1m. This is largely as a result of targeting an increased entry tariff and the change in student demographics. This reduction is in line with our strategy to raise the quality of our undergraduate students. Full-time international student fee income has increased from £203.7m in 2017/18 to £225.3m in 2018/19, growth of 11% from prior year. The growth in international students has mainly been driven by increases in post-graduate taught (PGT) student numbers with all three faculties growing PGT student numbers.

Income from part-time students has decreased by £0.3m from 2017/18 to £29m in 2018/19. This pattern of falling part time numbers mirrors the wider UK Higher Education market. Continuing efforts to diversify income streams have seen further increases in income from short course fees, with a 7% increase from 2017/18 to £20.8m. This favourable movement is due to Executive Education centre course mix within the Business School, the University Language Centre within the School of Arts Languages and Cultures and an increase in the delivery of Pharmacy short courses.

In line with the strategic plans further progress has been made in the expansion of online, blended, transnational education. Much of the support to this activity has been embedded into the Directorate of Student Experience and a number of new programmes, aligned with the University's key teaching strengths, are being launched. The blended mode of delivery enables students from overseas and home access to innovative new programmes. This supports the improvement of student experience and also supports the strategy to diversify income streams.

### Teaching value for money

The University is committed to providing clarity about how we use student income to deliver a high quality student experience. Analysis of our 2017/18 income (the latest year for which we have the full analysis) from home and EU undergraduate students shows that almost half of the £9,250 tuition fee (48%) was spent on teaching salaries and administrative support for teaching, a movement of 4% from 44% in 2016/17. A significant proportion (17%) was invested in our estate and buildings to ensure that we have excellent facilities and buildings for learning. Our teaching and learning activities can only be delivered with the support of central services, which account for 12% of the tuition fee. These services include the areas of social responsibility, compliance and risk management, finance and human resources.

Our annual analysis continues to show that the £9,250 tuition fee is being fully utilised for activities relating to undergraduate teaching and learning. Any reduction in the fee would impact on the quality of the teaching and learning experience or would require the University to subsidise our home and EU undergraduate education via other income sources or to make efficiency savings.

### Investments in teaching

Our capital masterplan has seen significant investment in our estate to support teaching and learning. The Alliance Manchester Business School has been completed during 2018/19 and the Manchester Engineering Campus Development (MECD) is continuing to progress well. These projects will have a transformative impact on teaching and learning facilities.

We have continued to invest in our Student Lifecycle Project and the My Manchester digital platform with £9.4m of investment (£8.5m intangible capital software and £0.9m revenue expenditure) in Student Lifecycle and £2.0m in My Manchester.

Our widening participation activities are a key part of our social responsibility strategy, and the most recent analysis (using 2017/18 data) indicates that we spent in the region of £18m on these activities.

### Teaching risks

The Augar review of post-18 education has recommended a significant reduction in fees for home undergraduates. The analysis above indicates that the £9,250 fee is fully spent supporting the provision of undergraduate education; a reduction in fee would impact the quality and sustainability of these programmes.

International full-time fees make up 47% of our tuition fee income and in 2018/19 surpassed Home/EU full-time fees as the

largest source of tuition fees income. The income generated from international student tuition fees is dependent on high numbers of post-graduate taught students. The demand for these programmes can be volatile and we are looking to mitigate this risk in future years by rebalancing between undergraduate and postgraduate students. International student numbers are reliant on students from a relatively small number of countries and so investment has been made in attracting students from a broader range of countries in order to mitigate the risk of disruption to traditionally successful groups.

Our plans to expand online, blended, transnational education are progressing, with assumptions for future growth included in our financial projections. The risk in terms of the speed and scale of this expansion is being monitored and managed by the University of Manchester Worldwide leadership team.

### Teaching impact

Through our work to support access, student success, progression and employability the University proactively seeks to address the specific challenges which students from widening participation backgrounds often face in making the transition to university study and subsequent employment. The principles we developed in 2017 as a result of our review of widening participation activity continue to inform our Access and Participation plan with the Office for Students. This plan provides detailed information on the University's responsibility to all students, regardless of background or financial considerations.

Parts of Greater Manchester have some of the lowest progression rates into higher education in the UK and we are committed to addressing this through the delivery of longer term outreach work and targeted pre-16 activities with the most able, disadvantaged students. To illustrate this, during 2018/19, 833 pupils participated in our activities for British Science Week, over 1,600 secondary school pupils participated in our Manchester Gateways Programme and 918 pupils were supported through our new INTO University of Manchester North Centre. The University is part of Greater Manchester Higher (GMH), a collaborative network of higher education institutions which delivers a programme of activities to target learners, including specific target groups such as care experienced and disabled students. During 2018/19, the partnership worked with 107 secondary schools and colleges across Greater Manchester engaging over 7,100 learners. Our commitment in this area is further emphasised by the strategic partnerships we have with a number of leading education charities including INTO University, The Brilliant Club, ReachOut and the Tutor Trust.

Our post-16 work enables prospective higher education students to find out about studying at The University of Manchester and other research-intensive institutions. *Access Manchester*, is a coherent framework and website for our range of widening access programmes, which students and their key influencers can easily understand.

Our flagship initiative, the *Manchester Access Programme* (MAP), supports outstanding Year 12/13 students from under-represented groups in Greater Manchester and with no immediate family history of participation in higher education to progress successfully into The University of Manchester and other research-intensive universities. MAP is now firmly embedded in the work of the University; in 2018/19 472 students completed MAP and between 2005 and 2018 over 1,900 MAP students have been successful in gaining a place at The University of Manchester. In addition, many MAP students have also progressed to courses at other highly-selective, research-intensive universities. We have continued to expand our online *Manchester Distance Access Scheme* (MDAS), a national widening access programme for students who have been made an offer from the University. Students complete an academic piece of work related to the subject they plan to study at degree level and in 2018/19, 165 students successfully completed MDAS.

Since 2011, the University has provided admissions decision-makers with supplementary data to allow them to put the achievements of each individual applicant into context. Indeed, as a University we perform towards the top of the English Russell Group for the proportion of entrants from disadvantaged backgrounds. The latest HESA Performance Indicator Data for 2017/18 shows 7.8% of our entrants (380 students) were from Low Participation Neighbourhoods (LPNs, POLAR4, quintile 1), performing above the average for the English Russell Group of 6%. We also have a high proportion of entrants from lower socio-economic backgrounds at 23.5%. We recognise that some applicants may have previously faced social, socio-economic or educational disadvantages. For entry in 2019, in order to ensure that all applicants with the potential to succeed have equal opportunities through our selection process, we strengthened our use of contextual data and made contextually flagged students an offer of one A-level grade lower (or equivalent) than the standard offer for their course, if they placed Manchester as their firm choice.

In 2019, the University's overall undergraduate student satisfaction, as measured in the National Student Survey (NSS) was 84% with a response rate of 64%. Over the last year the University has emphasised its commitment to enhance student satisfaction with continued development of our online support, promotion

of interdisciplinary learning and student choice (UCIL) and opportunities to engage beyond the curriculum (Stellify). We have also invested in the Student Lifecycle Project with the aim of improving processes across all aspects of the student journey from application to graduation.

Our capital programme will also support our students, with significant renovations of existing classrooms and new facilities for teaching and learning within the new Alliance Manchester Business School and Manchester Engineering Campus Development and new student residences in Fallowfield.

Non-continuation at the University is low with only 3.9% of all entrants no longer in HE by 2017/18 (of entrants in 2016/17). In 2017/18, 3.4% of our young entrants from LPNs were no longer in HE and this compares to an England average of 7.6%. Our data for 2016/17 indicates that 29.2% of our undergraduate students were from low income households of less than £25,000 per annum. The University is committed to ensuring that financial issues do not present an obstacle for learners to access the full student experience. Approximately a third of all our students will receive bursaries of up to £2,000 per year – and around 200 Widening Participation students will receive the University's targeted Undergraduate Access Scholarship in each year.

As was reported last year, the metrics by which employability is measured have changed. Employability data is now captured via a new 'Graduate Outcomes Survey', which has replaced the Destinations of Leavers from Higher Education (DLHE) Survey. One significant difference with the new survey is the move of the census date from six months to 15 months after completion of degree. Destinations data on the University's 2017/18 graduates, therefore, is being collected through late 2019 and will not be published until early 2020.

Another new employability metric that is likely to form part of future Teaching Excellence Framework (TEF) Awards is the Longitudinal Education Outcomes (LEO) which looks at employment and earnings of HE graduates 3 years after graduation. The University is currently developing a new employability strategy and associated targets to reflect these new metrics.

A key ambition of the University is to promote a 21st century, interdisciplinary approach to learning and scholarship through our University College for Interdisciplinary Learning (UCIL). UCIL offers credit-bearing course units that contribute to a student's degree programme. Units bridge disciplines, with many focused on complex challenges of now and the future such as global conflict, sustainability, leadership and enterprise, mental

health, food security and the impact of artificial intelligence. UCIL has developed rigorous and innovative platforms and models for teaching, learning and assessment, from face-to-face, through blended, to interactive online learning. Units are delivered by pan-University teams of world-leading academics. Students from across the University study together, bringing their own subjects' academic perspectives to an issue. In this way, they develop new ways of thinking that equip them for a rapidly changing world. They acquire key employability skills such as team-working, cultural awareness, problem-solving, critical analysis, adaptability and resilience. In 2018/19 2,039 students drawn from all faculties completed a UCIL unit.

### 3. World-class Research

#### Research income

Total research income has grown by 8.3% to £323.5m. Research income accounts for 29.5% of our total income, an increase of over 1% from 2017/18.

Underlying revenue research income (excluding capital income) has grown by 6.3% since prior year, this growth is a substantial improvement from the last 2 years when underlying growth has been at 1.4%. The Cancer beacon area, which had been impacted in prior years as a result of the fire at the Paterson Building in April 2017 has seen a particular rebound. The University is continuing to work in partnership with The Christie and Cancer Research UK to replace the Paterson building with an integrated state of the art cancer research facility. Funding from UK Industry and commerce has increased this year, mainly as a result of ongoing collaborations with industry partners.

Our funding from UK Research Councils has seen significant growth of £26.0m in the year, mainly driven by capital income relating to the Henry Royce Institute (£20.4m). The Henry Royce Institute will be the UK national centre for research and innovation of advanced materials, showcasing our position as a world-leader in developing new and existing materials and supporting the University's 'Advanced Materials' research beacon. Construction of the Henry Royce Institute at Manchester has been progressing extremely well during 2018/19.

Our research funding from international sources has seen a decrease, in part due to the one-off capital income for the Graphene Engineering Innovation Centre funded by the Abu Dhabi Future Energy Company PJSC received during 2017/18.

In addition to these research funded facilities, the University's capital developments for MECD and AMBS will continue to support world-class research. We have continued to invest in research through the Research

Lifecycle Programme, with the objective of improving our systems and processes.

Research income has grown for a number of years however the 'leading indicator' of new award and renewal value (excluding capital) has dropped for the second, consecutive year to £255.9m, a decrease of £12.3m and 4.6% on the prior year.

### Funding body grants

Income from funding bodies was £131.7m, an increase of £4.5m compared to the prior year. £2.2m of the movement relates to capital funding received in 2018/19 to support the Alliance Manchester Business School development and MECD. There was a £1.3m uplift in recurrent funding, mainly as a result of additional funding for research and a £1.3m increase in funding for Special Initiatives over a number of projects with the largest being funding for Connecting Capability.

### Research risks

Brexit presents a particular risk for research activity. Although UK government has committed to subsidising any European funded research, the logistics of this are not yet fully communicated. Internal planning for a no-deal Brexit is ongoing to ensure that the risk is well understood and planned for.

The research funding model presents a risk to the sustainability of research intensive Universities, with most funders not paying the full economic cost for research. As is seen at all research intensive Universities, international tuition fee income has to be used to subsidise research. Whilst this has the benefit to students of enabling research-led teaching, it restricts our ability to invest in research infrastructure and staffing.

A number of internal initiatives, aimed at improving research cost recovery, have continued implementation during 2018/19. However this continues to be challenging with increased pressure from funders to reduce costs and match their equipment funding with internal funds.

### Research impact

The University of Manchester's five research beacons, comprising Advanced Materials, Cancer, Energy, Global Inequalities and Industrial Biotechnology – see [www.manchester.ac.uk/beacons](http://www.manchester.ac.uk/beacons) - illustrate how our pioneering discoveries, interdisciplinary collaboration and cross-sector partnerships are tackling some of the biggest questions facing the planet. We have almost 900 research partnerships with public, private and third-sector organisations.

The University is at the forefront of tackling global inequalities, with more than 300 of our staff working in this area – from poverty to social justice, from living conditions to equality in the workplace. We are improving understanding of the world and changing it for the better. We seek to guide governments and policymakers towards new approaches to tackling poverty in countries such as Zimbabwe, Bangladesh and Tanzania and the University has been part of the response effort in significant global humanitarian crises in the Philippines, Gaza and Sierra Leone. Our Global Development Institute (GDI) is the largest dedicated research and teaching institute of its kind in Europe. Our Humanitarian and Conflict Response Institute is the most significant teaching and research institute in the UK for humanitarian studies and one of the top five worldwide. The GDI is the lead partner on the FutureDAMS consortium which received £8m from the UKRI Global Challenges Research Fund to co-develop an approach and toolset to help design and plan better human interventions in complex human-engineered natural resource systems, with a focus on developing countries.

The University's work on advanced materials will allow people to work in the most demanding environments, on the frontiers of the energy sector or inside the human body. This research is developing innovative solutions to some of the world's most critical problems. The University is recognised as the leading global knowledge base in graphene and 2D materials, with more than 300 dedicated researchers, two Nobel laureates and more than £195m of investment. UMI3, the University's technology transfer organisation, has launched a number of spin-out businesses which use technology developed from our 2D materials research. One of these businesses enhances the performance of elastomers with 2D materials. Two use graphene to create new types of sensor, one of which measures small concentrations of polluting gasses in the atmosphere and the other measures variable force by means of a transparent and flexible interface. We have been chosen to host the national £235m Henry Royce Institute (due to open in 2020) and the University's \$100m partnership with BP has created in Manchester an international hub for advanced materials expertise.

In cancer research we are making a leading contribution to the fight against the disease. Survival rates have doubled in the last 40 years in the UK. The University's approach to cancer research spans the full spectrum of combating the disease, from early diagnosis to help for carers. Our breakthroughs include clinical trials with AstraZeneca for Anastrozole, which prevents relapses in breast cancer. More than 1.5 million women have benefitted from breast cancer therapy developed by our researchers. We are partners in the Manchester Cancer



Research Centre (MCRC) with the Christie NHS Foundation Trust and Cancer Research UK. Across the full domain of health research six NHS trusts work with us as part of the Manchester Academic Health Science Centre.

Following the 2017 fire at the Paterson Research Building, the MCRC partners agreed to financially support a £100-150m new research facility, currently known as the Paterson Redevelopment Project (PRP). The PRP has also been awarded £25m as a contribution by Research England via its UK Research Partnership Investment Fund (UKRPIF). The PRP aims to deliver the scale and diversity of infrastructure for the next 15-20 years to enable recruitment of additional world-class researchers, break down barriers between cancer research sectors and help to drive further research/clinical integration.

In 2016, Manchester was awarded a £28.5m NIHR grant for the Biomedical Research Centre which is driving forward pioneering research into new tests and treatments for a number of diseases including cancer. In 2018 a Manchester health consortium including the University of Manchester was awarded £6.8m to develop an Innovate Manchester Advanced Therapy Centre Hub (iMATCH) which will focus on cellular therapies for a wide range of illnesses, including cancer.

The University is also leading the European industrial renaissance driven by biotechnology, finding sustainable alternatives to the finite resources needed to manufacture products that we use every day. We have a grant portfolio in industrial biotechnology worth more than £100m and partnerships with leading companies – including GlaxoSmithKline, Shell, Unilever and Pfizer – which drive the creation of new bio-based chemicals. In 2019, the University was awarded £10m to launch the Future Biomufacturing Research Hub which will develop new biotechnologies that will speed up bio-based manufacturing in three key sectors – pharmaceuticals, chemicals and engineering materials.

From the sustainability of sources to meeting the demands of urban communities, the world faces some big questions on energy. We are finding the solutions that will allow us to continue to heat our homes, light our buildings and travel more efficiently. We have 600 staff researching energy solutions for the future and £80m of ongoing energy projects, covering generation, storage, systems and use. Our Dalton Nuclear Institute is the UK's most advanced academic centre for nuclear research and development and high-level skills development. The launch in July 2018 of our Manchester Environmental Research Institute further strengthens our capabilities and contribution to the challenges of developing sustainable energy sources. In

2019, EPSRC awarded the University funding to bring together diverse groups from across the University to tackle the grand challenge of plastic waste. We will seek solutions to the challenge of plastics pollution through an integrated approach that explicitly couples Manchester's strength in sociotechnological understanding and influence to our industry-guided solutions across chemistry, safety, materials, engineering and social sciences.

The encouragement of enterprise is a critical part of our culture and the commercialisation and exploitation of our intellectual property is a fundamental part of our activity. New jobs have been created, many processes improved and valuable new products have been developed which have been sold here and abroad.

Our history of intellectual property commercialisation spans more than 25 years, during which time we have generated more than 100 spin-out companies, concluded over 300 technology licences and won several national awards for our social enterprise activities. Since 2004 our commercialisation activities have contributed over £500m to the UK economy. The Reuters Index ranks the University as Europe's 8th most innovative university (and 4th in the UK). The University continues to invest in improving the effectiveness of its IP commercialisation activities. The University's technology transfer organisation is being restructured with the objective of increasing the number of new IP licencing agreements and University spin-out businesses capable of creating positive social and economic impact.

Our research has major impacts in our local communities and city. The University entered a deal in September 2015 with leaders across health-care research, academia and industry to harness the partner organisations' collective expertise to develop the infrastructure needed for clinical trials and health informatics. Health Innovation Manchester will speed up the discovery, development and delivery of innovative solutions to help improve the health of the almost three million people in Greater Manchester, and beyond.

The Greater Manchester conurbation has some of the poorest areas in the country, with persistent inequalities of treatment, opportunities and experiences of different social groups. A growing programme of research is aiming to address inequalities in Greater Manchester and maximise the benefits for the city region from our research through collaboration and engagement with the public and policymakers to address issues of equality and fairness. This includes £987,000 invested in a Greater Manchester Inclusive Growth Analysis Unit, with £400,000 of this coming from a partnership with the Joseph Rowntree Foundation. This programme has engaged

stakeholders to ensure that poverty reduction is central to the growth and devolution agendas in Greater Manchester and examples of activity include a Greater Manchester Fair Growth conference with the Greater Manchester Combined Authority, the development of reports on inclusive growth and a Human Development Index for Greater Manchester.

The University has had a particularly successful year in business engagement which has included first position nationally in value of all collaborative research with business and second position in the value of research contracts from UK firms. Examples of collaboration have included securing four Prosperity Partnerships, flagship projects for the Industrial Strategy, in partnership with Unilever, BP, Astra Zeneca and Akzo Nobel.

The year also saw the successful launch of the Scale Up Forum by the Alliance Manchester Business School, a peer-to-peer network catering for some of the fastest-growing firms in the Greater Manchester region. Work with SMEs has also been enhanced by new Knowledge Transfer Partnerships, a prestigious Innovate UK scheme supporting projects which engage a researcher to develop an innovation for a company. Projects have ranged from combating insurance fraud using machine learning techniques through to development of revolutionary graphene-soled running shoes. The University has the highest number of KTPs in England. Our success in business engagement creates an environment for student enterprise to flourish, for example through our competitions, Venture Further and the Eli and Britt Harari Graphene Enterprise Awards, delivered by the Masood Enterprise Centre from its dedicated new premises in the Alliance Manchester Business School.

#### 4. Social Responsibility

Our strategic commitment to social responsibility is unique among British universities and reflects the commitment we have to social and environmental wellbeing through our research, teaching, activities and operations. Our work on social responsibility activity has five priorities: research with impact; socially responsible graduates; engaging our communities; responsible processes; and environmental sustainability.

Across 'research with impact', we are tackling some of the world's greatest challenges through our investment in research. As referred to above, these are exemplified by our five research beacons, where we are producing innovative research breakthroughs that are making a lasting difference to the world. For example on global inequalities we lead an inclusive growth analysis unit for Greater Manchester through our Manchester Urban Institute, in addition to supporting the professional

development of disaster and humanitarian professionals through our Humanitarian and Conflict Response Institute as referred to in the Research impact section above.

Across 'socially responsible graduates', we are ensuring the students we educate come from the widest variety of backgrounds and develop ethical, social and environmental responsibility towards the societies they serve. Locally, the work on the Manchester Access Programme is referred to above. Worldwide, we support Master's students from some of the world's least developed countries – Uganda, Tanzania, Rwanda and Bangladesh – to undertake a Manchester study programme at no cost, to support the development of their countries. In the past year 18 full-time campus students and 10 distance learning students benefited from this Equity and Merit Scholarship Scheme.

Upon arrival at Manchester, all new students are supported to 'do more and be more' during their time at Manchester through our Stellify initiative (referred to in the Teaching impact section above). This encourages students to consider their place in the world and how they can make a difference.

In 2018/19 examples of impact include the Ethical Grand Challenges Programme where 4,676 first year students undertook a sustainability challenge, 1,575 second year students did an online social justice challenge and 968 year 3+ students took part in a workplace ethics activity. 1,400 students undertook externally-verified volunteering activities that benefited wider society. This was also the first year that students were able to qualify for the Stellify Award. This is the University's most prestigious extracurricular accolade presented to students who successfully complete all the University's Ethical Grand Challenges, 40 hours of community volunteering and fulfilled two leadership roles.

Across 'engaging our communities', we became the first University in the UK to achieve a Gold Watermark for public engagement by the National Coordinating Centre for Public Engagement. We invest significant resource into our publicly-accessible cultural institutions to engage and inspire local communities and wider society with science, heritage, literature, the arts and wider culture. Specific importance is attached to the work of the Manchester Museum, the Whitworth, John Rylands Library and Jodrell Bank Discovery Centre in engaging with schoolchildren and people from under-represented groups. The total number of visits to our cultural institutions for 2018/19 was 1,258,593 comprising of Manchester Museum (381,234), the Whitworth (381,241), John Rylands Library (338,914), and Jodrell Bank Discovery Centre (157,204 – including attendance at the award-winning Bluedot festival of music, culture and science). In July

2019, in recognition of its internationally significant heritage, science and cultural impact, Jodrell Bank Observatory was awarded UNESCO World Heritage Site status and has been inscribed on the World Heritage List.

We encourage staff to support the educational achievement of pupils in state schools. To this end we encourage them to volunteer as School Governors through our multi-award winning School Governor Initiative – the largest of its kind in the UK. In the previous year, we became Britain's first university to surpass 1,000 School Governors (comprising 234 staff and 904 alumni) who've supported around 450,000 learners and created £6 million of economic value. We also organize a Community Festival and a ScienceX showcase in a local shopping centre which engaged more than 7,000 members of the local community with our research and teaching.

Across 'responsible processes' we aim to use our position as a key anchor institution in the city region to benefit society through our significant business operations such as employment and procurement. Skills and employment levels in our local communities are lower than average in the UK. We are addressing this through our leadership of The Works – an award-winning and unique facility in British higher education based in the heart of our local community. This provides opportunities and support to jobseekers including pre-recruitment training and job matching to local employers, including to the University. Since 2011 The Works has supported 4,253 people from our local communities back into work, creating £62 million of economic value to the region. We have also recruited 33 new apprentices at the University this year from among surrounding communities.

We are keen to ensure that opportunities for women and Black, Asian and Minority Ethnic (BAME) staff to progress into and through the University are measured and have a number of initiatives to improve representation of these groups of staff. The proportion of female academics at senior lecturer and above was 32% in 2018/19 compared with 22% in 2007/08. This compares to a female lecturer pool of 47%. The proportion of ethnic minority staff at Grade 6 and above in the Professional Services who are BAME was 9% in 2018/19, whereas the proportion of BAME employed in professional occupations in the UK was 14%. The proportion of BAME staff who were senior lecturers, readers and professors across all Faculties in 2018/19 was 12%, whereas the BAME lecturer pool was 20%. This remains an area of focus for the University. In comparison to other Russell Group institutions the University has above average representation of BAME staff in both academic and professional and support services roles. We were also recognised the English University system leader for LGBT-inclusivity in the annual Stonewall index.





Across 'environmental sustainability' we are using our full range of knowledge and influence to support a world that is environmentally sustainable. We have committed to Manchester's zero-carbon target by 2038, supported the government's declaration of a climate emergency and set out to eliminate avoidable single use plastics by 2022. Through our research we are at the forefront of tackling key global challenges such as climate change, population growth, rapid urbanisation, overconsumption, food and water security, loss of biodiversity and pollution. We are equipping all students with knowledge and experience to positively contribute to our world as professionals and citizens of tomorrow through formal study programmes and extra-curricular initiatives such as our Ethical Grand Challenges, which is offered to all 8,000 new undergraduate students.

We have ensured our organisational processes, such as our £1bn campus development programme, procurement, and energy and resource management, are creating opportunities for the efficient use of natural resources, with the additional benefits of financial savings and an environment that enhances health and wellbeing.

Over 61% of University staff members travel to work sustainably as their main mode of transport, with 36% of total journeys walking or cycling. 93% of our students travel sustainably, with 52% of total journeys walking or cycling. In addition, the University's Bicycle Users' Group (UMBUG) is one of the biggest in the HE sector with over a thousand members and UMRun is the first employer run-commute group established outside of London. We are also engaging with staff, students and alumni to embed a culture of environmental sustainability, and partnering with people and organisations in pursuit of shared goals around sustainability. For example we support our community of over 10,000 staff through the multi award-winning 10,000 Actions initiative, which, during 2018/19, has engaged 5% of staff in 986 actions on sustainability. Since the 2016 launch, more than 4,500 actions on sustainability have been completed.

Finally we subjected our operational processes, public engagement, teaching and research to a new global ranking based on the United Nations Sustainable Development Goals. This *Times Higher Education* University Impact Ranking placed the University as top in Europe and third globally for our social and environmental impact.

The Trade Union (Facility Time Publication Requirements) Regulations 2017 require the University to publish information on trade union facility time annually and the table of data for the reporting period 1 April 2018 to 31 March 2019 is as follows:

### The Trade Union (Facility Time Publication Requirements) Regulations 2017: 1 April 2018 to 31 March 2019

#### Relevant union officials

Number of employees who were relevant union officials during the relevant period 33

Full-time equivalent employee number 32.2fte

#### Percentage of time spent on facility time

Percentage of time	Number of Employees
0%	3
1-50%	26
51%-99%	1
100%	3

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

Total cost of facility time £288,744

Total pay bill £403,722,941

Percentage of the total pay bill spent on facility time, calculated as:  
(total cost of facility time ÷ total pay bill) x 100 0.07%

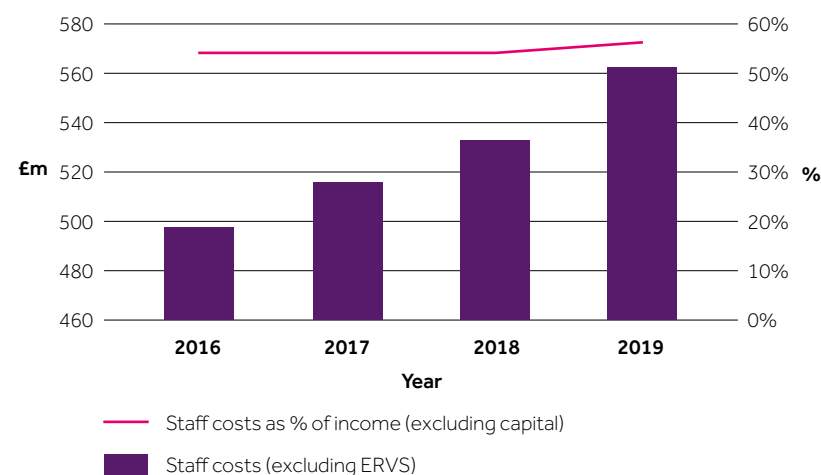
#### Paid trade union activities

Time spent on paid trade union activities as a percentage of total paid facility time hours calculated as:

(total hours spent on paid trade union activities by relevant union officials during the relevant period ÷ total paid facility time hours) x 100 1.99%

## 5. Financial Management and Risks

### Staff costs (excluding ERVS) and staff costs as % of income (excluding capital income)



## Staff costs

The total staff costs reported on the SOCI have increased by £176m. Staff costs barring pension adjustments including ERVS have increased by £33m during 2018/19. The main driver of this increase is inflationary pay awards and increments. The M2020 strategic initiatives have continued to result in a reduction in headcount in a number of areas. ERVS costs in 2018/19 are £7.4m (2017/18 £6.3m). Staff costs excluding ERVS costs as a percentage of our income (excluding capital income) have increased from 54.4% to 55.7%. Staff costs have continued to grow more quickly than income.

## Capital investments

In 2018/19, we have seen significant progress across our capital masterplan, resulting in an increase of £218.6m in the net book value of our tangible fixed assets at the year end. This investment is across a number of building projects to support our teaching and research, including Manchester Engineering Campus Development, Alliance Manchester Business School, Henry Royce Institute and Fallowfield student residences.

## Capital risks

As the majority of projects within the Capital Masterplan are now under contract, this risk has been significantly mitigated. All risks relating to capital are monitored by the University's Capital Planning Sub-Committee and Finance Sub-Committee with support from the University Estates and Finance teams. Recommendations from the sub-committees are reviewed for approval by Finance Committee.

The University continues to develop its vision for ID Manchester; the redevelopment of its North Campus site. The University of Manchester's vision is that the 26 acre (10.5 hectare) ID Manchester will be a dynamic, world-class community with innovation, collaboration and enterprise at its heart, with the potential to create over 6,000 new jobs. ID Manchester will be where innovative new businesses and the wider community thrive in a connected enterprise and innovation ecosystem. Global firms will rub shoulders with dynamic start-ups and scale-ups to their mutual benefit.

## Cash and liquidity and investments

Cash reserves are at £203.3m, a net reduction of £112m compared with prior year. This has resulted in a decrease in liquidity days from 121 in 2017/18 to 76 in 2018/19 (excluding £143.3m one-off pension charges, as set out on page 14, which are not a current cash requirement of the University). The major cash outflow during the year has been the planned investment in our Capital Masterplan with cash expenditure on fixed assets of £310.2m compared to £236.7m last year.

Our financial planning places a strong focus on maintaining a sustainable cash position. For planning purposes we have prepared a number of scenarios to highlight areas of risk and identify mitigating actions.

Endowment and investment performance continues to remain a risk with returns dependent on volatile financial markets notably due to the unknown impact of Brexit.

## Financial instruments

### Financial risk management

The University's Treasury function monitors and manages the financial risks relating to our operations through internal risk reports, which analyse exposure by degree and magnitude of risks. Compliance with policies and exposure limits is reviewed by Finance Committee on a regular basis. We do not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

### Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the University. The credit risk on liquid funds and financial instruments is limited because our exposure is to counterparties with high credit-ratings which have been assigned by international credit-rating agencies. Our exposure and the credit ratings of our counterparties, are continuously monitored. Credit exposure is controlled by counterparty limits that are reviewed and approved by Finance Committee at least annually. Trade receivables consist of a large number of customers, spread across diverse sectors, populations and geographical areas.

### Liquidity risk management

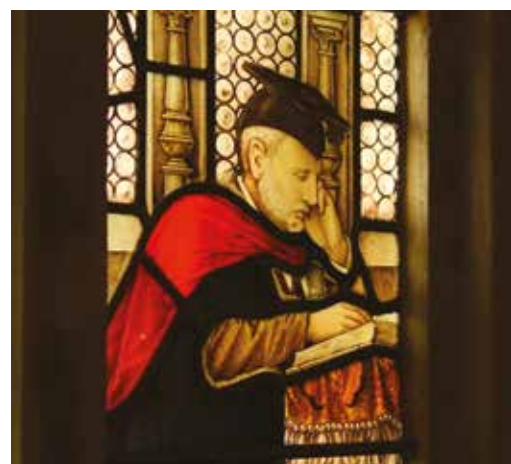
Ultimate responsibility for liquidity risk management rests with the Board of Governors, which has built an appropriate liquidity risk management framework for the management of the University's short, medium and long-term funding and liquidity management requirements.

We manage liquidity risk by maintaining adequate reserves and banking facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of certain financial assets and liabilities.

### Price and interest rate risk

Price risk arises on financial instruments because of changes in, for example, commodity prices or equity prices. Listed investments with a fair value of £271.0m are exposed to price risk but this exposure is within the University's risk appetite.

The University had £155.0m deposit investments with more than three months maturity at the year



end date. The majority of deposits are subject to fixed interest rates and we are therefore not subject to any significant exposure to fluctuating rates.

## Going Concern

The University ended the year with cash resources of £203.3m, including £155m of short term investments. The budget for 2019/20 continues to show a surplus. Forward cash forecasts demonstrate adequate available financial resources after sensitivities. The longer term position is also considered in the University's five year plan.

All of the University's external funding is long-term in nature with all repayable beyond 5 years. No material uncertainties that cast significant doubt about the ability of the University to continue as a going concern for the foreseeable future have been identified by the Board of Governors.

Reviews of our financial sustainability going forward are on-going. It is therefore considered appropriate for the University to adopt the going concern basis. Any concerns identified will be brought to the attention of the Board of Governors immediately.