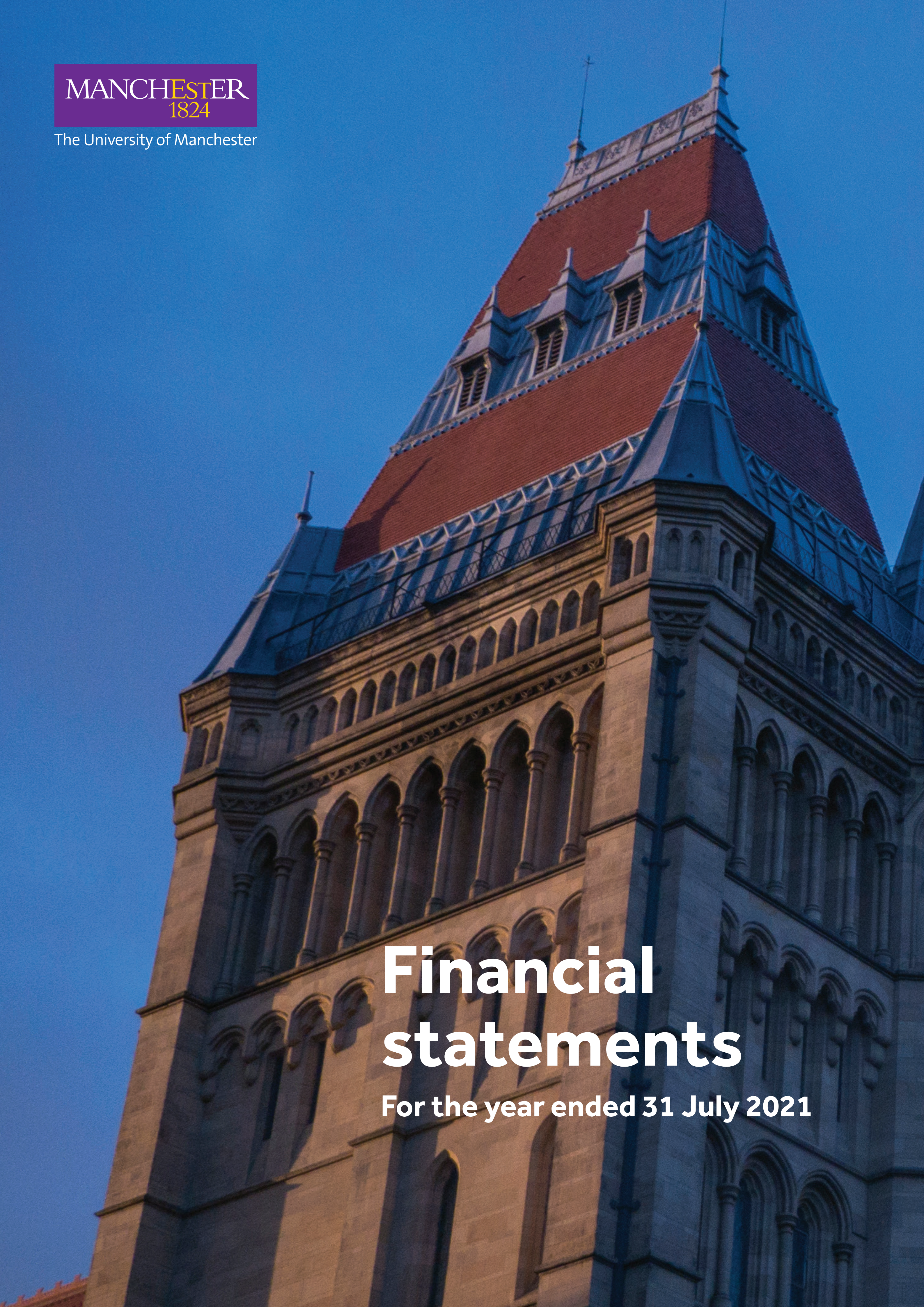
MANCHESTER
1824
The University of Manchester



Financial statements

For the year ended 31 July 2021

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OFFICERS AND ADVISERS

Officers

Chancellor
Mr Lemn Sissay, OBE

Pro-Chancellor
Mrs Gillian Easson, MA, FRSA (to 2 March 2021)

Mr Jim Hancock, BA (from 3 March 2021)

President and Vice-Chancellor
Professor Dame Nancy Rothwell, DBE, DL, BSc, PhD, DSc, FRS, FMedSci, FRSB, FRCP(Hon), FRSA

Deputy President and Deputy Vice-Chancellor
Professor Luke Georghiou, BSc, PhD, MAE, FRSA

Chair of the Board of Governors and Pro-Chancellor
Mr Edward M Astle, MA, MBA

Deputy Chair of the Board of Governors
Dr John Stageman, OBE, PhD, FRSB, MRSC, CChem (until 31 August 2020)

Mrs Ann Barnes, BA, Diploma IHM (from 1 September 2020)

Registrar, Secretary and Chief Operating Officer
Mr Patrick Hackett, BArch

Chief Financial Officer
Mr Robert Fraser, BSc, MBA, CA (until 6 October 2021)

Mr John Cunningham, BA, FCCA (from 18 October 2021)

Vice-Presidents (Policy)

Teaching, Learning and Students
Professor April McMahon, MA, PhD, FBA, FRSE, FLSW

Research
Professor Colette Fagan, BA, MSc, PhD, FAcSS

Social Responsibility
Professor Nalin Thakkar, BDS, MSc, PhD, FRCPath

Vice-Presidents and Deans of Faculties

Science and Engineering
Professor Martin Schröder, BSc, CChem, PhD, DIC, FRSE, FRSC, MAE

Humanities
Professor Keith Brown, MA, PhD, FRHS, FRSE

Biology, Medicine and Health
Professor Graham M. Lord, BA, MA, MB, BChir, PhD, FRSB, FRCP, FMedSci, NIHR Senior Investigator

Chairs of Committees of the Board of Governors

Chair of Audit and Risk Committee
Mr Colin Gillespie, BSc, FCA (until 31 August 2021)

Acting Chair: Mrs Ann Barnes, BA, Diploma IHM (from 1 September 2021)

Chair of Finance Committee
Dr John Stageman, OBE, PhD, FRSB, MRSC, CChem (until 31 August 2020)

Mrs Caroline Johnstone, BA, CA (from 1 September 2020)

Chair of Remuneration Committee
Mr Gary Buxton, MBE, BA, MBPsS, PCC, MBE

Chair of Nominations Committee
Mr Edward M Astle, MA, MBA

Chair of Staffing Committee
Mrs Ann Barnes, BA, Diploma IHM

MEMBERSHIP OF THE BOARD OF GOVERNORS

from 1 September 2020
(to 31 August in the year indicated)

Category 1, ex officio members (2)
Professor Dame Nancy Rothwell, DBE, DL, BSc, PhD, DSc, FRS, FMedSci, FRSB, FRCP(Hon), FRSA, President and Vice-Chancellor

Mr Kwame Asamoah Kwarteng, HND, BSc, MSc, MBA, General Secretary of the Students' Union (until 31 July 2021)

Ms Melody Stephen, General Secretary of the Students' Union (from 1 August 2021)

Category 2, lay members (13)
Mr Edward M Astle, MA, MBA, Chair (2021)

Mrs Ann Barnes, BA, Diploma IHM, Deputy Chair (2023)

Gary Buxton, BA, MBPsS, PCC, MBE (2021)

Mr Michael Crick, BA (2021)

Mr Colin Gillespie, BSc, FCA (2022)

Mr Nick Hillman, MA (2022)

Mrs Caroline Johnstone, BA, CA (2023)

Mrs Bridget Lea, BA, (2023)

Dr Neil McArthur, MBE, CEng, FIMechE, FIET (2022)

Mr Robin Phillips, BA (2022)

Mr Andrew Spinoza, BA, MCIPR (2021)

Mr Richard Solomons, BAEcon, ACA (2021)

Mrs Alice Webb, MEng, Hon DA (2021)

Category 3, members of the Senate (6)
Professor Claire Alexander, BA, DPhil (Oxon), (2022)

Professor Danielle George, MBE, BSc, MSc, PhD, CEng, FIET, FCGI (2022)

Dr Reinmar Hager, MSc, PhD (2023)

Dr Steven Jones, PhD, PFHEA (2021)

Dr Delia Vazquez, BA, MPhil, PhD (2021)

Professor Jim Warwicker, BSc, PhD (2023)

Category 4, members of staff other than academic or research staff (1)
Ms Rosalyn Webster, BA, MA (2022)

Category 5, student member (1)
Mr Nana Fredua Agyeman, MSc, BSc Postgraduate Officer, Students' Union (2021)

The following were members of the Board of Governors in the previous academic year, to the dates shown:

Dr John Stageman, OBE, PhD, FRSB, MRSC, CChem (until 31 August 2020)

Professor Nalin Thakkar, BDS, MSc, PhD, FRCPath (until 31 August 2020)

The University of Manchester is registered in the United Kingdom and its business address is: The University of Manchester, Oxford Road, Manchester, M13 9PL

Chair’s foreword

Edward M Astle
Chair of the Board of Governors
and Pro-Chancellor

An extraordinary year to reflect upon.

The past year has created exceptional challenges for every organisation and for each one of us.

As the UK’s largest campus-based university, with particularly high regional COVID-19 infection rates and earlier lockdown restrictions that remained in place over a long period in Greater Manchester, the impacts of the pandemic on staff and students alike have been particularly tough and complex.

Yet, a remarkable amount has been achieved against this most demanding of backdrops. On behalf of the Board, I would like to thank Nancy, the Senior Leadership Team and every member of staff for the professionalism and commitment they have shown, and to thank our students for their resilience.

The mammoth efforts to move learning online almost overnight; being named the world’s number one university in the *Times Higher Education* University Impact Rankings; our direct contribution to the battle against COVID-19 through our research and the efforts of staff and students on the frontline; and the regional economic impact of our research and innovation, are just a few examples of those considerable achievements. The opening of our Manchester Engineering Campus Development (MECD), which is the single largest construction project ever completed by a higher education institution in the UK, not only provides a tremendous new facility but offers huge opportunities for the redevelopment of north campus as it is transformed into Innovation District Manchester.

Despite managing a unique and exceptional set of circumstances, our financial outcome has been more robust than we expected at the start of the year. Higher tuition fee income was offset by lower research income, while a significant range of planned capital and maintenance programmes were temporarily deferred into subsequent years and substantive cost management controls continued to be applied throughout the pandemic, leading to a reported operating surplus of £61 million.

Importance and relevance of *Our future*

While much has had to be done to adapt to an uncertain world, as a Board we have sought to ensure that the goals and themes within *Our future*, the University’s vision and strategic plan, launched early in 2020, have remained relevant and appropriate.

Significant progress has been made against many of those ambitions during the year, and while there are some changes of emphasis as we, and the world, emerge from the pandemic, it is clear that our strategy remains robust and will help to differentiate us in the years ahead.

Enhancing our governance

The President and Vice-Chancellor and I would like to record our thanks to Board members who have responded to the challenges that the University faced throughout the pandemic. Extra Board and committee meetings supported the executive throughout the period. We have also been able to further enhance our skills and diversity through the latest recruitments to the Board.

In addition to revisiting our institutional strategy, during the year, an independent consultancy undertook a comprehensive review of the University’s governance on behalf of the Board. The results concluded that our governance arrangements are good and effective with some areas of leading-edge practice.

The review nevertheless made recommendations to improve the functioning of Senate as well as to further improve Board processes. As a leading university in the UK, and on the global stage, it is imperative that we have the best governance structures and outcomes to underpin our ambition and success.

Looking to the future

In the aftermath of the pandemic, the Board and executive have reinforced our focus on our people, particularly in relation to staff and student wellbeing.

After their successful efforts to manage the huge challenges imposed by COVID-19 in both teaching and research last year, our staff are now embedding a range of new ways of working that have been accelerated by the pandemic. We are increasing our investment in both wellbeing support and core processes to underpin this change.

The environment was tough for all students last year and the particular circumstances and incidents that affected us may have been reflected in our most recent National Student Survey (NSS) outcomes. Students are our lifeblood, so we are redoubling our efforts to support those who have seen their studies disrupted through the pandemic, respond to our students’ rapidly changing needs, and deliver on our ever-growing popularity as a place to study for home and international students.

We are a hugely successful university, on some metrics never more successful in our history, competing with the very best universities in the world. As the President and Vice-Chancellor outlines in her report that follows, we and the sector as a whole face unprecedented challenges, as well as exciting opportunities. The Board and I are confident that we have the strategy, leadership and governance to navigate through the challenges and to realise our full potential as a regional, national and global powerhouse.

President and Vice-Chancellor's review of the year

Professor Dame Nancy Rothwell
President and Vice-Chancellor

The year in review was truly exceptional, testing us all in many ways. The COVID-19 pandemic continued to challenge so much of what we do and added further uncertainty to our university, and more broadly across the higher education sector.

That being said, our staff achieved a huge amount in the most difficult of times, which were punctuated by earlier and longer periods of lockdown and consistently high infection rates in the Greater Manchester region.

We should be very proud of the major contribution we made in the fight against COVID-19, both through our research efforts and the frontline work and volunteering of our staff and students. Against such an unprecedented set of circumstances, we have managed to achieve a remarkable amount.

Throughout the year, our staff and students continued their enormous efforts to respond to the pandemic while delivering benefits for society – a key part of the University's vision.

That vision and the strategic plan for our university, originally launched shortly before the pandemic's initial impact in early 2020, is called *Our future*. It reaffirms our core goals of research and discovery, teaching and learning, and social responsibility, and introduced four new themes: our people, our values; innovation; civic engagement; and global influence.

While this report details the progress we have made against these plans, it is also clear that we did not get everything right. We have learnt a great deal from the challenges of the past 18 months and are committed to taking these lessons forward.

Research and discovery

Inevitably the management of the pandemic dominated our immediate priorities, but we have not lost sight of our longer-term ambitions in our strategic plan. In research and discovery, there were many successes of which we can be proud.

Our five research beacons – advanced materials, biotechnology, cancer, energy and global inequalities – showcase examples of our interdisciplinary approach to solving the world's biggest challenges.

A selection of highlights from the past year includes cancer researchers influencing a change in nationwide testing for womb cancer; the launch of an Advanced Nuclear Energy Roadmap by our Dalton Nuclear Institute; the Global Development Institute securing £32 million for research focused on solving problems in Africa's fastest-growing urban areas; the £32 million funding for the Productivity Institute; £5 million to launch the Christabel Pankhurst Institute for Health Technology and Innovation; and success in the funding committed by the Medical Research Council to support doctoral training.

Despite the volatile external landscape, the total value of research awards across the University reached £312 million, including the highest amount of UK Research and Innovation (UKRI) funding awarded to any institution in the UK. However, as for many universities, this was down on the previous year, mainly due to COVID-19.

This funding is integral to maintaining our world-leading research environment, bringing great minds together to deliver transformative ideas that improve lives.

We maintained our highest position to date in the QS World University Rankings (27th in the world) and our position as the fifth-best institution in the UK in the Academic Ranking of World Universities.

We submitted our REF2021 return covering 2,400 staff and 5,200 research outputs, one of the largest in the sector. We transformed areas of our research agenda to tackle the challenges of the pandemic and shared our learnings with the public through our COVID Catalysts campaign.

Significant financial, wellbeing and other forms of support were provided for our postgraduate researchers to help mitigate the impact of the pandemic.

Many funders provided funded extensions for postgraduates in the final or penultimate year of study, including £2.9 million received from UKRI and other support from Wellcome Trust, CRUK, Health Education England and other medical charity funders. The University matched the UKRI award to fund equivalent extensions for non-UKRI funded postgraduate researchers (£2.1 million to date), waived fees for self-funded students awarded an extension, and established an emergency hardship and expenses fund (£200,000) in addition to support via other student hardship funds.

Teaching and learning

During the year in review, we continued to transform our teaching approach and the student experience, which was all the more appropriate given our disappointing National Student Survey (NSS) outcome.

In the last NSS, our overall satisfaction dropped to 71%. This is, regretfully, below sector average (75%), though nearly every member of the Russell Group experienced a decline in results. We have already taken action to tackle some of the biggest issues flagged in the survey.

Our new Student Communications Commitment has been jointly developed by our students, staff and colleagues from the Students' Union, outlining how we intend to work together in an active partnership to enrich the overall student experience.

We invested an additional £1.9 million in student support, with a particular focus on mental health resources such as our 24-hour helpline and wellbeing app, a student peer-to-peer buddying scheme launched in partnership with our Students' Union and the Greater Manchester Universities Student Mental Health Service. We also provided an extensive package of support for students who had to self-isolate and established COVID-19 testing centres on campus to coordinate the safe departure and return of students over the holiday period.

We are continuing to work more closely with our students to listen to their views, learn from the challenges of the past and work hard to deliver meaningful change.

Our future had already set the direction of travel towards flexible learning; the pandemic served to accelerate its development to enhance, but not replace, in-person teaching.

Registrations for both home and international students exceeded targets during the last academic year, largely due to altered A-level grades for home students, which were higher than previous years, and a stronger than expected response from international markets. Maintaining our position as one of the most popular universities was very pleasing.

International student recruitment remains buoyant but is not without challenges. We must broaden our approach towards international recruitment and invest in attracting students from a wider range of countries, not just to meet our targets, but to ensure our student population continues to be diverse, with students able to meet others from around the world.

Social responsibility

More than a decade ago, we became the first British university to set social responsibility as a core goal. We were keen to reaffirm this in our new strategic plan, placing an even greater emphasis on the environment.

In April 2021, our efforts culminated in the University ranking first in the world in the *Times Higher Education* University Impact Rankings, which rates institutions on their contributions to the United Nations' Sustainable Development Goals. This fantastic achievement epitomises everything we stand for and recognises all we have achieved together, delivering benefits for the good of society and transforming lives for the better.

We saw the continued success of our widening participation activities, which aim to remove barriers to education, with a focus on our local community. During the 2020/21 academic year, we welcomed more than 480 new undergraduate students through our Access Manchester schemes, including 191 students via the Manchester Distance Access Scheme and 235 from the Manchester Access Programme.

The GM Higher Uniconnect partnership delivered 1,039 activities to 27,309 learners, while more than 6,000 students received more than £11 million of funding via our Manchester Bursary.

In a survey of local secondary school learners who took part in our Manchester Gateways Programme, 92% said they felt they knew more about what they needed to do to research, plan and access higher education in their future.

Our people, our values

We set staff wellbeing as a priority in our strategic plan and renewed our commitment to provide people with the right support and pathways to manage their wellbeing. We expanded our range of online wellbeing networks, resources and workshops to make it easier to access support anytime, anywhere.

Alongside wellbeing, equality, diversity and inclusion are fundamental to the success of our university. We have made progress in a number of areas, though the pandemic highlighted how much more can still be done. We have created a new Directorate of Equality, Diversity and Inclusion, and in August 2021, we welcomed Banji Adewumi as our new Director. Banji and her team will deliver the actions outlined in our *Race Matters* report and work towards a refreshed strategy for the institution.

Teams across the University produced an outstanding quality of work this year, particularly so given the challenges that the world has been served. Huge numbers of our people have found new ways to work on existing and emerging priorities.

I would like to recognise some of the amazing achievements of our staff and students, including volunteering more than 1,000 hours of support for COVID-19 vaccinations; a number of New Year's Honours awards; and students competing at the Tokyo Olympic Games and one winning silver at the Paralympic Games.

There were national honours for three of our esteemed academics. Professor of Economics Rachel Griffith became a Dame Commander of the British Empire; Dr Heather Williams, Honorary Lecturer at the Centre for Imaging Sciences, received an MBE for services to diversity and inclusion in science; and Professor of Public History Michael Wood was awarded an OBE for services to public history and broadcasting.

Our Chancellor, Lemn Sissay, was awarded an OBE in the Queen's Birthday Honours 2021 for services to literature and charity and was part of the judging panel for the *Hold Still* project with the Duchess of Cambridge to create a collective portrait of Britain during the coronavirus pandemic. He was elected as an Honorary Bencher of the Inner Temple and became a Visiting Fellow at Jesus College Cambridge.

Innovation

We also celebrated significant milestones in our bid to become Europe's most innovative university.

Progress was made on one of our flagship contributions to our region: the establishment of Innovation District Manchester (IDM). In June 2021, we announced our joint venture with Bruntwood SciTech to establish IDM, a new £1.5 billion, 18-acre innovation district that will transform our north campus and become one of the most significant examples of transformative urban regeneration within the city centre.

IDM will become an exemplar for a new approach to sustainable, inclusive development, and will play a vital role in the future of the UK science and technology sector.

The launch of the University's Innovation Factory and our role as a founding partner of the investment company Northern Gritstone will be integral to the commercialisation of University spinouts and helping our local and regional economies to build back better.

A key facet in releasing our north campus was completing construction of the Manchester Engineering Campus Development (MECD), which is the single largest construction project ever completed by a higher education institution in the UK.

The site provides extensive research facilities and learning spaces for 8,000 students, researchers, academics and professional services staff at our south campus. It will be the largest concentration of interdisciplinary engineering expertise at any UK university.

MECD is now part of a world-class research and innovation hub, adjacent to two flagship centres of excellence – the National Graphene Institute and the Henry Royce Institute, the UK's national institute for advanced materials research and innovation.

We successfully delivered the construction phase of the Henry Royce Institute Hub Building, which was paused during the pandemic, but is now open.

Civic engagement

Beyond our campus, we have continued our dialogue with the local authorities, partners and other universities to help build a greater Manchester. We joined the other four universities in Greater Manchester to form the GM Universities Forum.

The Forum will work with local colleges to deliver educational benefits across the region. This new partnership aligns with our ambition to create opportunities through transformative education and skills development.

Global influence

Further afield, we continued to enhance our reputation as one of the world's leading universities. Highlights include major strategic partnerships with Toronto, Melbourne and Hong Kong universities, as well as joint international PhD programmes.

Despite COVID-19 and restrictions on travel, we have maintained international partnerships and successful online meetings with our many alumni across the world.

We recognise the impact and importance of global influence on campus and are delighted that staff and students from 177 countries choose to learn and work within our community.

Financial sustainability

We are clear that financial sustainability is a critical underpinning factor for long-term success, providing us with the ability to invest in delivering our strategic priorities and goals.

Due to the current funding environment, the rising costs we face and the growing demands on us as a successful teaching and research-intensive institution, we need to generate a surplus of about 10% of income each year to meet growing demands and deliver on our ambitions.

Investment priorities are regularly reviewed as with finite resources, we are required to make hard choices.

Our income per capita from home students and indirect research costs remain flat, so are declining in real terms,and like other research-intensive universities, we continue to face financial challenges. Home tuition fees have remained fixed at £9,250 since 2017 (marginally up from the £9,000 fees introduced in September 2012).

Against this backdrop, our financial results covering the 12 months to 31 July 2021 were very unusual – a result of significant pandemic impacts and specific accounting adjustments in the previous reporting year. This does make drawing comparisons with previous years quite difficult and complex, but full details are available in our *Financial Review* (page 12).

Excluding the effect of specific accounting adjustments, a 2020/21 operating surplus of £61 million was delivered, up £56 million from the previous year (see page 14).

Our cash position – a key measure of our financial sustainability – was improved, with the cash and current asset investments balance at 31 July 2021, £127 million higher than the year before, though previously our cash position was weaker than we would have wanted.

A major driver for this improved cash generation was reduced capital spending as programmes concluded and the deferral of a number of significant capital and maintenance projects that will come back in 2021/22 and beyond. Furthermore, we dramatically reduced spending on many items because of limited activities as a result of the pandemic.

Set against this on the income side, we rightly discounted rents for student residences due to the pandemic and lost income on catering and conference services as these were closed for extended periods.

Looking to the future

While managing through the pandemic, we have not lost sight of our ambitions and have looked in detail at *Our future*, the vision and the strategic plan for our university. That process of review and testing with the Board has reaffirmed our belief in the core goals of research and discovery, teaching and learning and social responsibility, and themes: our people, our values; innovation; civic engagement; and global influence. The direction we have set is a good one.

At the time of writing, many students have already returned to campus for the new academic year and we are experiencing a welcome return to a greater degree of normality. We have continued to advance and invest in our blended offering, in line with our strategic plan, while returning to the in-person teaching that so many people have missed.

I am immensely proud of how our staff have continued to support the delivery of our vision and strategic plan in spite of the challenges we have faced and the resilience of our students. While the challenges remain manifest, if we show agility and adaptability, guided by *Our future*, we will continue to navigate a successful course in the years ahead.

Professor Dame Nancy Rothwell
President and Vice-Chancellor

Key performance indicators

Growth in research expenditure[1] 0.7%

Total research expenditure in 2019/20 (latest available figure) was £562.1m, an increase of 0.7% on the previous year.

Growth in international student income of £55.4m

International student fee income (full and part-time) increased by £55.4m (20.7%) during 2020/21.

External borrowing decreased to 35.8%

External borrowing as a percentage of income has reduced from 37% to 35.8%.

Operating surplus[2] is 5.6%

Operating surplus as a percentage of income increased from 0.5% in 2019/20 to 5.6% in 2020/21 on a like-for-like basis.

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[1] Total research expenditure is defined as research expenditure as calculated in the University's Transparent Approach to Costing (TRAC) return.

[2] Operating surplus is taken as the surplus reported, adjusted for actuarial gains or losses in respect of pension schemes, revaluation of the USS deficit provision and gains on investments (see page 14).

Year in pictures

Alliance Manchester Business School selected for £32 million Productivity Institute

In August 2020, the government announced that the Alliance Manchester Business School would lead a new institute focused on making the UK economy more productive and raising living standards. The Productivity Institute will be funded by the Economic and Social Research Council as part of its largest single investment into social sciences research.

Manchester pioneers breakthrough womb cancer study

Professor Emma Crosbie led the first UK study to estimate the proportion of womb cancers caused by an inherited cancer predisposition called Lynch syndrome. The results led to the National Institute for Health and Care Excellence advocating a nationwide change in testing practices.

University-led energy agency plans to turn Greater Manchester green

During the Greater Manchester Green Summit in September 2020, we announced plans to create a new Energy Innovation Agency to support clean energy innovation and help to meet the region's 2038 carbon neutral target. The University will work in partnership with Manchester Metropolitan University and the University of Salford to apply our energy and environmental research expertise at a local level.

University launches its Innovation Factory

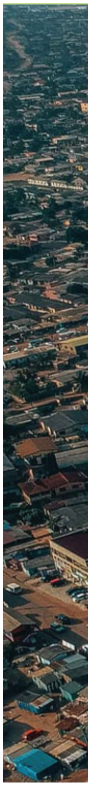
The Innovation Factory works with academics and students to identify research that has the potential to create future value. The organisation helps to create new spin-out companies based on novel ideas from each of the three Faculties, in a bid to support the commercialisation of University innovations and intellectual property.

Construction of the Henry Royce Institute Hub building completed

In September 2020, we celebrated a significant milestone on the journey to deliver the new national hub for advanced materials research based at the University. The £105 million Henry Royce Institute Hub building will provide access to state-of-the-art equipment for academia and industry, helping to deliver a sustainable future for the world.

ID Manchester preferred partner announced

In June 2021, we announced our joint venture with Bruntwood SciTech to establish Innovation District Manchester (IDM). The new £1.5 billion innovation district will transform our north campus and play a vital role in the future of the UK science and technology sector.



Manchester academic celebrated among Britain's Black female professors

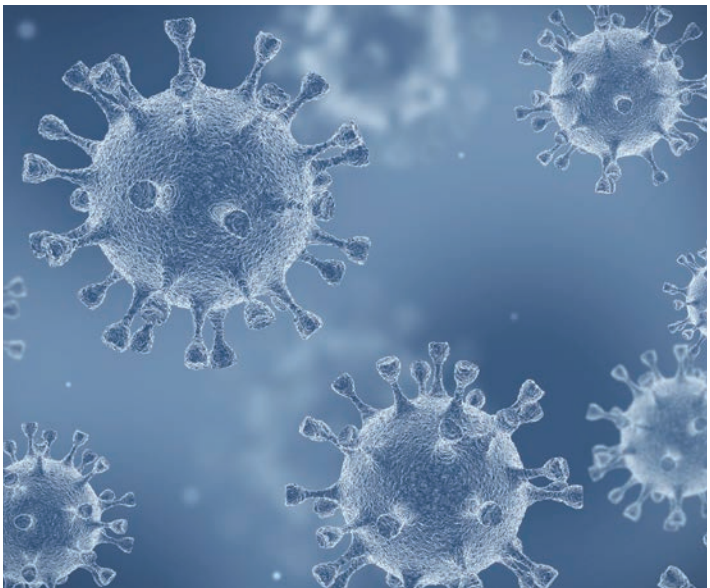
A portrait of Professor Dawn Edge featured in *Phenomenal Women*, an exhibition to promote the experiences of Black female academics, held during Black History Month. According to 2019 research, Black women are three times less likely to be professors than their White female counterparts, and half as likely as Black men.

Manchester Museum receives Capital Kickstart grant

Manchester Museum, one of the University's cultural institutions, was awarded a government Capital Kickstart grant worth more than £1 million to push forward with its *hello future* capital project, in spite of financial challenges caused by COVID-19.

University secures £32 million for African Cities research

Researchers from the Global Development Institute were awarded the funding to establish the African Cities Research Consortium (ACRC). Led by Professor Diana Mitlin, ACRC and its international partners will tackle complex problems in some of Africa's fastest-growing urban areas, generating new evidence to catalyse sustainable, inclusive approaches to urban development.



COVID Catalysts goes live

In October 2020, experts from Manchester delivered a series of online flash lectures exploring how the global response to COVID-19 could also act as a catalyst to combat other major challenges, from climate change to racial and social inequalities.

Professor David Olusoga interviews Barack Obama on BBC One

In an exclusive UK interview, the former President of the United States spoke to the University's Professor of Public History, David Olusoga, about his political career.

Student swims her way to silver in the Paralympics

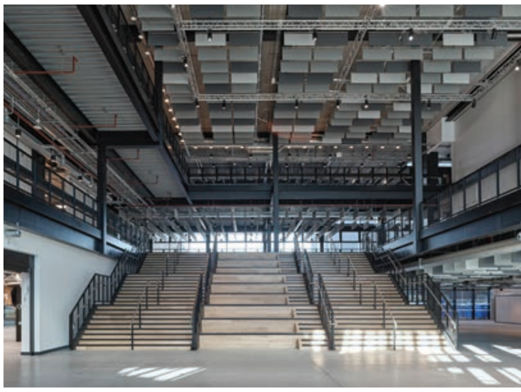
Grace Harvey, an Immunology student, won a silver medal in the Women's 100m breaststroke SB5 at the Paralympic Games in Tokyo.

World number one for social and environmental impact

In April 2021, we were named the world's number one university in the *Times Higher Education* University Impact Rankings for action taken towards the United Nations' Sustainable Development Goals (SDGs). The SDGs represent the most pressing challenges and opportunities facing humanity and the natural world.

Lemn Sissay named in Queen's Birthday Honours List

Our Chancellor, poet and playwright Lemn Sissay, was awarded an OBE for services to Literature and Charity in the Queen's Birthday Honour's List. Since taking up the Chancellorship in 2015, Lemn Sissay OBE has contributed to the University significantly on a local, national and international scale. Highlights include the introduction of The Lemn Sissay Law Bursary and extending our Equity and Merit Scholarships to master's students in Ethiopia.



Construction completed on UK's largest engineering campus

In May 2021, construction of the new Manchester Engineering Campus Development (MECD) was completed. MECD is the largest home for engineering in any UK university, providing world-class research facilities, alongside flexible and innovative teaching and learning spaces.

Financial review

John Cunningham

Interim Chief Financial Officer

OPERATIONAL AND FINANCIAL OVERVIEW

This Operating and Financial Review describes the main trends and factors underlying the University of Manchester's (the University's) performance during the year to 31 July 2021.

Financial overview and key highlights

Key Highlights	2020/21 £000	2019/20 £000	% change
Income excluding capital income	1,056,823	1,010,219	4.6%
Capital income*	43,495	53,977	(19.4%)
Total income	**1,100,318**	**1,064,196**	3.4%
Tuition Fee income	**577,880**	**504,927**	14.4%
Research income excluding capital	223,986	231,111	(3.1%)
Research capital income	12,978	33,603	(61.4%)
Total research income	**236,964**	**264,714**	(10.5%)
Operating surplus (see operating surplus table)	**61,427**	**5,228**	1075%
Operating surplus as % of income	5.6%	0.5%	
Reported total comprehensive income**	**100,696**	**135,173**	(25.5%)
Net assets	1,872,020	1,771,324	5.7%
Cash and short term investments	337,322	210,107	60.5%
Operating cashflow	209,397	81,084	158.2%
Tangible fixed assets	2,015,990	1,992,379	1.2%
Heritage assets	257,979	257,637	0.1%
Pension deficit	(245,079)	(255,299)	4.0%
Borrowings	(393,698)	(393,588)	0.0%

* Capital income relates to funding received for capital expenditure. Capital income can be either OfS, Research, or other funded. See notes 2, 3 and 4 of the financial statements.

** Total comprehensive income is the surplus for the year plus the actuarial gain in respect of pension schemes.

Total comprehensive income has decreased from a surplus of £135.2m to a surplus of £100.7m. The 2019/20 results were distorted by a one-off credit of £115.3m, mainly in relation to the USS deficit adjustment triggered by the finalisation of the 2018 actuarial valuation. Actuarial gains from the University's UMSS and GMPF pension schemes are also reflected in these figures, with a total gain of £15.9m this year compared with £15.5m in the prior year. For once this actuarial gain has remained relatively static but over the years this can swing from a significant gain to a loss dependent upon factors outside the University's control.

Excluding the effect of these and other specific accounting adjustments, the table on page 14 shows that the 2020/21 operating surplus of £61.4m has increased by £56.2m from the prior year. The cash generated by operating activities has improved by £128.3m from the prior year and the cash and current asset investments balance has increased by £127.2m, with the main driver being reduced capital spend (the capital masterplan is nearing completion) and due to the pandemic some significant projects, both capital and revenue have been deferred. General expenditure controls implemented as a result of the pandemic have also preserved cash. 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.

KEY FINANCIAL RISKS

COVID-19 Pandemic

There still remains a significant financial risk from COVID-19 which the University continues to monitor and has implemented many measures to mitigate against the spread of infection. The levels of staff and student vaccination are very high and the University has a vaccination centre set up for students arriving on campus. The University is also aware of the reputational risks associated with any perceived mishandling of the crisis.

It is difficult to assess the longer-term impact of the pandemic. The demand for postgraduate taught programmes can be volatile so the impact of COVID-19 is unknown although early indications for 2021/22 recruitment show no real impact.

Similarly for research the result of the possible long-term impact of COVID-19 on international recruitment of post graduate research students including the expected reduction in EU students is not yet known. In this turbulent context the full impact of COVID-19 on the amount and type of research the University will deliver will not be apparent for some time to come. Research cost recovery has also been impacted.

The University continues to consider the latest base case, severe but plausible downside scenario, current position and trends since the year end. Having secured a £250m revolving credit facility ("RCF") which has so far not needed to be utilised, the University considers that it has more than sufficient headroom to enable it to continue to operate with confidence.

Home tuition fees remain a political issue and barriers to international fee growth

International full-time fees make up an ever larger proportion of our tuition fee income, even at a time of home undergraduate growth. International student numbers are reliant on students from a relatively small number of countries and so investment plans are in development to attract students from a broader range of countries in order to mitigate the risk of geopolitical disruption, and to ensure our international student population continues to be diverse and vibrant, with students able to meet others from around the world.

While our continuation rates remain high (and increased in the last year), there is a risk that new and continuing students may withdraw, or seek to defer or interrupt their studies in greater numbers, if they are not able to travel to Manchester or to study remotely. Remote study options were offered for 2020/21 in a wide range of programmes, but this cannot be maintained indefinitely, given requirements for practical classes, and the appetite of our students for on-campus, in-person teaching and co-curricular activities.

The Augar review of post-18 education recommended a significant reduction in fees for home undergraduates. It is not yet clear whether the review will be revisited by the current government. Any major reduction in home fees would have a substantial impact on the sustainability of teaching this group of students.

It should be noted that Home Tuition Fees have remained fixed at £9,250 since 2017 only marginally up from the £9,000 fees introduced in September 2012. As these fees have remained flat, they are therefore declining in real terms as inflation pushes costs upwards.

USS pension reforms may result in additional cost and concerns over pensions, pay and employment conditions may result in industrial action

There is significant uncertainty in respect of the on-going cost of servicing the University's pension obligations, in particular for the USS pension scheme. Staff are also concerned about pensions, pay and working conditions, which form part of ballots for industrial action by the University and College Union (UCU) and a planned ballot by Unison.

The USS 2020 actuarial valuation has been completed since the year end and a revised deficit recovery plan has been agreed.

The recovery plan follows the actuarial valuation of the Scheme as at 31 March 2020, which again revealed a shortfall in the assets. The size of the shortfall is dependent on whether the proposed benefit structure reforms and covenant support measures are implemented in the anticipated timescales. The determining criterion is whether a deed is entered into effecting the benefit changes on or before 28 February 2022. If this takes place, the shortfall as at 31 March 2020 is £14.1bn. If no deed is entered into, the reduced level of covenant support results in a shortfall of £18.4bn. There is a risk of industrial action in protest at the proposed benefit changes.

Based on the current proposals and assuming the benefit changes are agreed, the USS pension provision would increase to £397m, an increase of £269m. This is based on the employer contribution attributable to deficit recovery being 6.3% from 1 April 2022. *This increase in the provision will be seen as a significant deficit adjustment on the face of the Statement of comprehensive income in next year's financial statements*.

From 1 October 2021 current employer contributions have increased from 21.1% to 21.4% and employee contributions from 9.6% to 9.8%.

Employers have agreed to additional covenant support measures which include a debt monitoring framework with agreed metrics. If this is breached then this may ultimately lead to an employer being required to pay accelerated contributions. It is considered that this is very low risk for the University. It will include their metrics as part of its own on-going monitoring of financial performance.

Staff costs must be managed and balanced with income growth

The University has limited influence over the continued growth in wages and salaries, as this is driven by contractual increments and the national pay bargaining. However, staff costs must be managed in an environment where income growth is challenging. In addition, the employment market is currently very buoyant with a consequent increase on salary inflation. Projects to improve the efficiency of teaching, research and professional services are being progressed to balance cost growth with income.

Research cost recovery improvements are needed to ensure sustainability

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, restricting our ability to invest in research infrastructure and staffing. International tuition fee income is currently used to subsidise research.

A number of internal initiatives, aimed at improving research cost recovery have been impacted by COVID-19. Many research funders are also having to deal with their own financial pressures. The reduction in spend on Official Development Assistance (ODA) from 0.7% to 0.5% of Gross National Income has had a significant impact on the sector, with reduced funding for development research from UKRI for the foreseeable future.

The impact of Brexit, general supply chain issues and inflation

Brexit and the global pandemic have contributed to disrupted supply chains, and a shortage of labour in several sectors of the economy. The global supply chain issues arising because of the pandemic are also contributing to more volatile commodity prices, and higher transportation and shipping costs which in turn is creating inflationary pressures.

There remains uncertainty as to when these supply chain issues and inflationary pressures will ease and they therefore represent ongoing risks for the University's capital and maintenance programme, its research activity as well as its ability to control costs generally. The University continues to focus on supplier chain resilience, and effective procurement and contracting to mitigate and minimise these risks

In terms of the specific impact of Brexit itself, the UK has associated to Horizon Europe, which will allow access to research funding under the programme on equivalent terms as organisations in EU countries. Potential risks to the UK's longer-term engagement with Horizon funding still exist, although the UK Government has recently committed to providing equivalent funding to future Research & Development budgets if the UK is unable to associate with Horizon Europe.

The long-term impact on attracting and retaining EU national staff and students remains unclear.

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 a key measure of financial performance, however the impact of pensions can be so significant that it can obscure the picture. In order to provide a comparable measure significant one off pension adjustments have been excluded from Operating surplus.

Operational performance

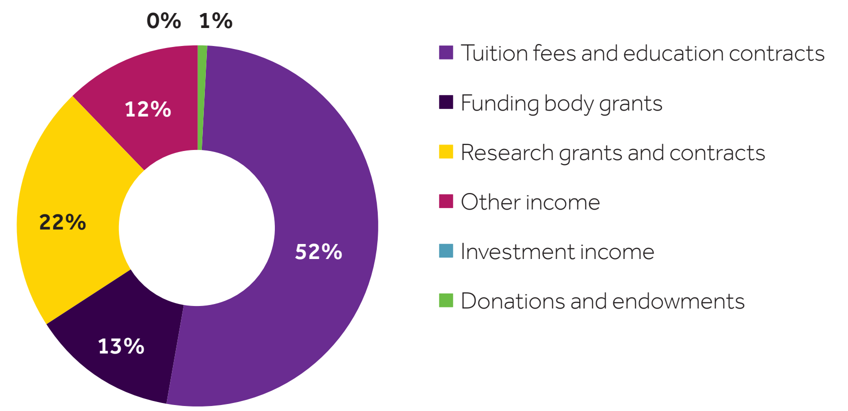
Operating surplus (excluding significant one-off pension adjustments) has increased by £56.2m to £61.4m, with an increase from 0.5% of income to 5.6%. As well as any significant one-off pension adjustments, this measure excludes non-cash items which are outside of the University's direct control such as changes in the market value of investments (£23.4m) and actuarial gains and losses related to the UMSS and GMPF pension schemes (£15.9m).

Following 2019/20, the University again experienced a challenging year, with almost all areas of activity impacted to some degree by COVID-19 and closure of much of the University campus. Operating surplus is back to 2018/19 levels partly due to higher student numbers and partly a result of strict cost control measures across the year. Income is also back to 2018/19 levels but tuition fees explains

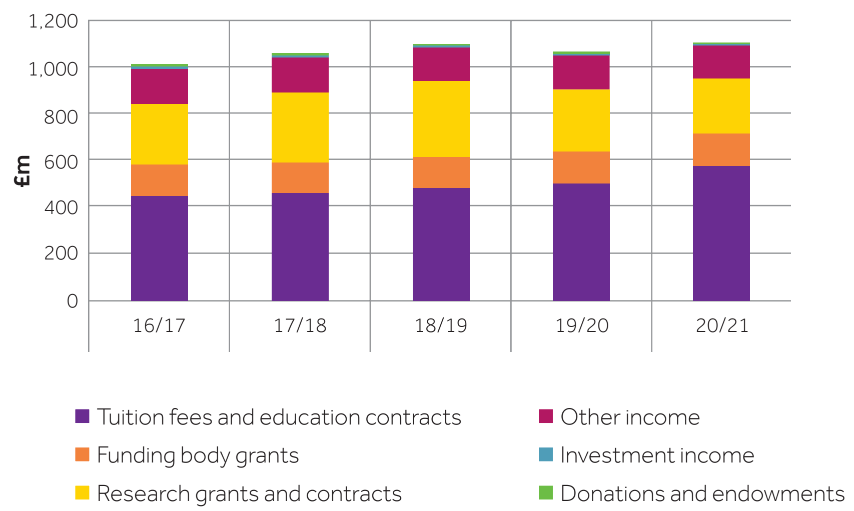
Operating surplus

	2020/21	2019/20
	£000	£000
Total comprehensive income as reported	**100,696**	135,173
Adjust for:		
Significant one-off pension adjustment	**0**	(115,291)
(Gains)/loss on investments	**(23,359)**	758
(Gains)/loss on disposal of fixed assets	**0**	90
Actuarial (gain)/loss in respect of pension schemes	**(15,910)**	(15,502)
Operating surplus	**61,427**	5,228
Capital income	**43,495**	53,977
Operating surplus/(deficit) excluding capital income	**17,932**	(48,749)
Total comprehensive income as % of total income	**9.2%**	12.7%
Operating surplus as % of total income	**5.6%**	0.5%

2020/21 income split



Five year trend of University income



The University's capital income has decreased by £10.5m to £43.5m. This is due to a reduced number of major capital projects in research, particularly the Henry Royce Institute, where the major build work is now complete, as well as a hold on commissioning of certain research equipment during lock-down.

most of this increase due to higher levels of student recruitment - £577.9m compared to £504.9m for 2019/20 and £483.3m for 2018/19. Research and other (primarily commercial) income are not back at 2018/19 levels being £97.5m adrift from two years ago.

With the volatility of the external landscape, the financial resilience of the University continues to be a key focus. A programme of activities aimed at improving the financial strength of the University is underway. A number of projects are ongoing and focus on strengthening and diversifying income generation whilst improving the efficiency of our activities.

Total income

Total income increased to £1,100.3m, an increase of 3.4%. Our two major sources of income are tuition fees (53%, up from 47% in 2019/20) and research grants and contracts (22%, down from 25% in 2019/20).

To the left is a pie-chart showing the University's split of income by category for the year as well as a graph showing the five year trend of University income by type.

Teaching income

Income from tuition fees has increased by 14.5% to £577.9m in 2020/21. Full-time Home and EU student income has increased from £205.7m in 2019/20 to £224m in 2020/21, a positive movement of £18.3m. This in part reflects targeted growth, but also some additional, over-target recruitment following from late government changes in A Level grading during August 2020, which has more than compensated for the anticipated reduction in EU numbers.

Full-time international student fee income has increased from £251.0m in 2019/20 to £305.7m in 2020/21, growth of 21.8% from prior year. The University prudently planned for a range of scenarios in light of COVID-19, which did have a substantial adverse impact on international student numbers and fees in some markets. However, the actual impact for Manchester was very limited, as our experience of online teaching following campus closure in March 2020 allowed us to plan for remote study and blended options as appropriate in 2020/21. In addition, we put measures in place to support students wishing to study in Manchester, including dedicated flights from China. Such financial impact as there was, principally affected short, modular courses or summer schools, though there were also additional calls on expenditure for teaching, student support, and blended and online resources.

Investments in Teaching

The Manchester Engineering Campus Development (MECD) continues to progress well, and teaching facilities will open early to provide additional space and a boost to student experience for 2021/22. This project has been marked out by partnership working with students from the start, and will continue to have a transformative impact on teaching and learning on campus.

Funding body grants

Income from funding bodies was £138.1m, an increase of £4.6m compared to the prior year, £79.2m of this was recurrent Research England funding (£79.4m in 2019/20). £13.5m was received from the Research England for capital income (an increase of £2m) for World Class Laboratories, which was in part 'to help tackle global challenges including coronavirus and climate change' and 'to make existing research infrastructure COVID-safe through modifications'. £45,000 was received in The Faculty of Biology for providing COVID-19 support to the government's SAGE team.

In 2020/21 £8.0m was received in relation to knowledge exchange, a £3.0m increase on 2019/20, mainly due to a £2.5m increase in 'Connecting Capability Fund – Transforming UK IP Commercialisation through collaboration in the North of England: The Northern Triangle Initiative (NTI)', as well as a £430k increase in HEIF funding relating to University of Manchester Innovation Factory Limited (UMIF).

Research income

Total research income has reduced by 10.5% to £237.0m. Research income accounts for 21.6% of total income in 2020/21, a reduction of 3.3% from 2019/20.

Underlying research income (excluding research capital income) has slightly reduced this year by £7.1m, equating to a 3.1% decrease. Research activity has been impacted by the need for social distancing and other COVID measures put in place throughout the academic year.

Aside from UK Central Government income (up 3.2%), income from all sources has seen a fall in 2020/21. Underlying revenue research income also reduced in 2019/20 as a result of campus closure due to COVID-19. Projects were paused or activity was re-shaped so that laboratory-based or travel-based activity was pushed back. It is expected that much of this activity will now take place as the campus re-opens. It is hoped this income is predominantly delayed rather than lost. In 2020/21 the University finished top for the value of funding received from UK Research and Innovation (UKRI) ensuring that the research income pipeline is more vibrant. Research awards have now reached £312m.

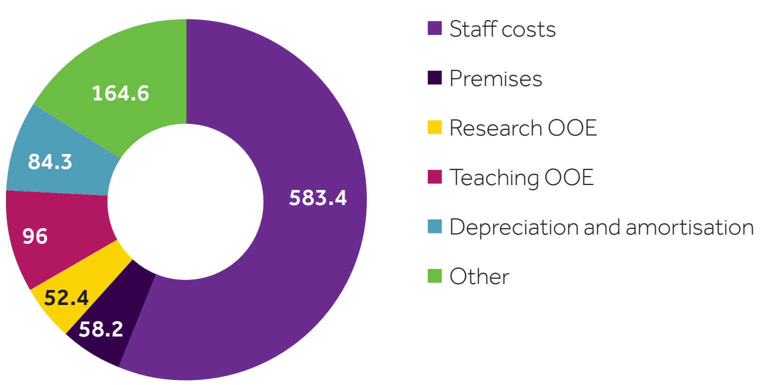
Other income

This comprises residences, catering and conference income as well as other commercial income as well as non-research and non-funding body grants. This decreased during 2020/21 primarily due to student accommodation rebates and closure of certain catering facilities as a result of the continuing lockdown.

Total expenditure

On the left is a pie-chart that shows the proportion of the University's operating expenditure for 2020/21. Staff costs form a significant proportion of the University's total expenditure, 56% in 2020/21 and 57% in 2019/20 (excluding one off pension adjustments).

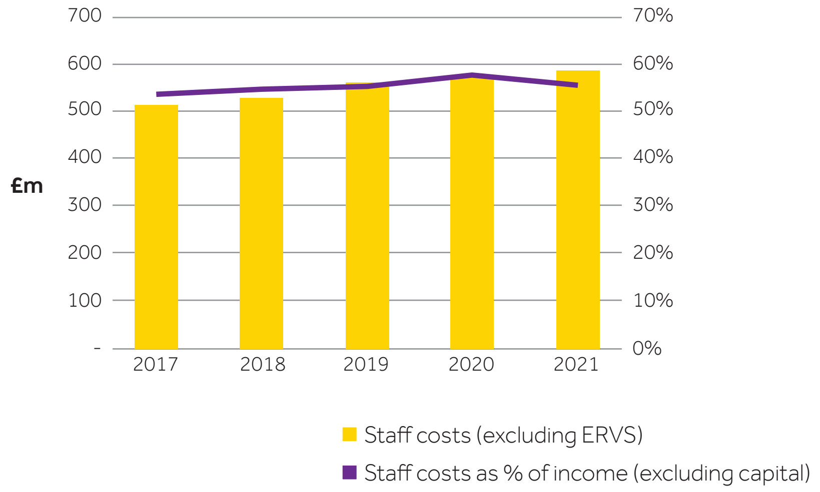
Total expenditure (£million)



Staff costs

Staff costs (excluding the prior year significant pension adjustments) has remained relatively static compared to the prior year. The prior year was inflated due to £19.4m voluntary severance costs, compared to £4.5m in 2020/21. Excluding these voluntary severance costs the percentage of staff costs to income (excluding capital income) reduced from 57.5% in 2019/20 to 54.8% in 2020/21. This decrease reflects both the reduction in headcount following the voluntary severance scheme but also strict vacancy management as a result of the pandemic. Wages and salaries growth is impacted by contractual increments and the national pay award, over which the University has limited control. Unless the University takes action, the percentage of staff costs to income will increase back up again.

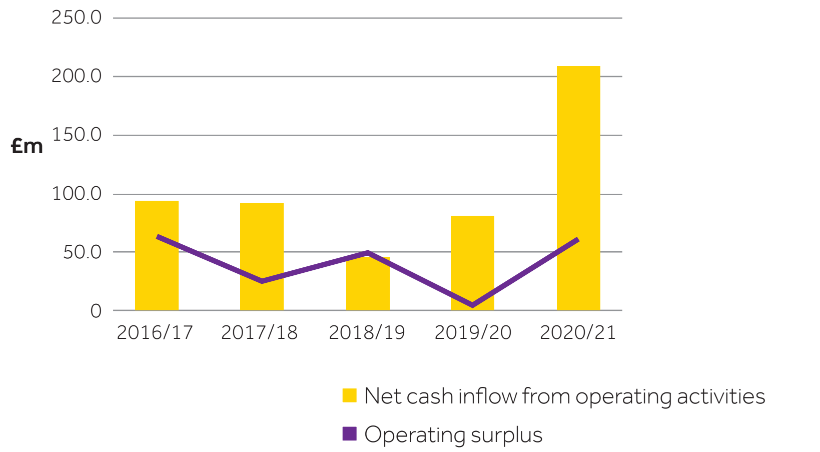
Staff costs



Other operating expenditure

Other operating expenditure as a percentage of income (excluding capital income) has remained relatively static from the prior year at 33.2% (2019/20: 33.4%). As for 2019/20 this was driven by the reduced pace of some research projects and cost control measures in non-student facing areas resulting from COVID-19 measures designed to protect the future cash position of the University.

Operating cash



Depreciation and amortisation

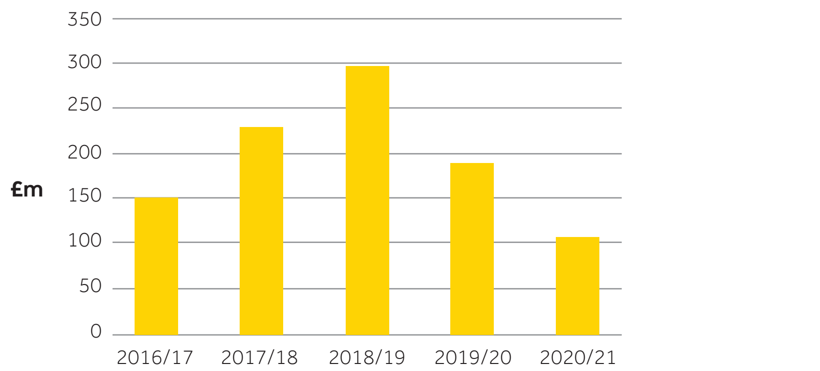
This has decreased from the prior year primarily due to a one off adjustment last year to accelerate depreciation on North Campus to recognise that the University will be vacating the site from 2022. Depreciation charges will increase as the Manchester Engineering Campus Development comes on stream.

Capital expenditure

The graph to the right shows the level of capital spend undertaken by the University over the last five years primarily driven by the Campus Masterplan. Capital expenditure reduced from £189.8m in 2019/20 to £107.3m in 2020/21, a reduction of £82.5m. This reflects the fact that the Campus Masterplan is drawing to a close. MECD is close to completion and in fact some parts are open for the commencement of the 2021/22 academic year.

All risks relating to capital are monitored by the University's Finance and Capital Planning Sub-Committee with support from the University Estates and Finance

Capital additions



teams. Recommendations from the sub-committees are reviewed for approval by Finance Committee.

In September 2019 the University formally launched the search for an investment and development partner for "ID Manchester". The final partner selection was announced in June 2021 and the legal arrangements are in the process of being finalised. The University of Manchester's vision is that the 18.2 acre (7.4 hectare) North Campus site, now known as ID Manchester, will be a dynamic, world-class community with innovation, collaboration and enterprise at its heart. The project has a projected Gross Development Value in excess of £1.5 billion with the potential to create 6,000 new jobs.

Cash and liquidity and Investments

Cash and current asset investments were £337.3m at 31 July 2021, an increase of £127.2m from the prior year. This has resulted in an increase in liquidity days from 81 in 2019/20 to 129 in 2020/21 (where expenditure has been adjusted to exclude depreciation, amortisation, one-off non-cash movements in pension provisions and pension interest costs). Cash and current asset investments are split cash and cash equivalents of £77.3m (2020: £120.1m) and deposits held with bank and building societies of £260m (2020: £90m) which mature between 3 months and one year.

The main cash inflow shown in the cash flow statement in 2020/21 was £209.4m from operating activities; offset by investing activities of £234.5m (mainly capital spend and investment of surplus cash in deposits) and financing activities of £17.6m, primarily interest paid on the University's loans. Details of the University's current loan arrangements are on page 67.

The net inflow from operating activities represents the underlying operating surplus of £84.8m, adjusted for non-cash items, primarily depreciation and an increase in creditors. The main cash outflows were capital expenditure of £114.7m, partly offset by capital grant receipts of £46.8m.

The University's financial planning places a strong focus on maintaining a sustainable cash position especially as the University navigates its way through the impact of the pandemic.

Capital commitments

The main capital commitments that were contracted, not yet provided for, comprised MECD and Jodrell Bank First Light Pavillion. Authorised mainly comprises long term capital maintenance and the Chemistry building refurbishment.

Investment performance

Of the University's total investments of £239.5m, £229.1m relates to the University's endowment investment portfolio. The value of the University's investments increased by £23.4m during the year of which £20.9m is due to market value gains on the University's endowment investment portfolio.

The market value gains reflect the market recovery following the initial shock of the COVID-19 pandemic. The gains are a result of the recovery of the global equity markets and also the performance of the Diversified Growth Fund (DGF) in which the University invests. The DGF gives the flexibility to invest in different markets as a means of downside risk mitigation and current market opportunities for growth.

The performance of the fund managers continues to be monitored by the Investment Sub-Committee (a sub-committee of Finance Committee) against investment targets set as part of the University's investment strategy. The key changes that are being effected are:

- Investment of the endowment cash balance in a 50/50 split between short duration credit and absolute return fixed income. This ensures focus on capital preservation, liquidity and low transaction costs.
- Transfer of approximately 50% of the actively managed equity portfolio into a passive sustainability focussed fund in order to achieve a reduction of 30% in weighted average carbon intensity, in line with the commitment made in the Policy for Responsible Investment.

Once these changes are effected, the asset allocation will be

Equity	41%
Diversified growth fund	20%
Property	14%
Short Duration Credit	12%
Absolute Return Fixed Income	12%
Cash	1%

Pension liabilities

The University's pension liabilities are significant, totalling £245.1m (2020: £255.3m). Of these, £128.3m (2020: £124.5m) relates to the obligation to fund the USS pension deficit. As flagged elsewhere, dependent upon how the March 2020 actuarial valuation is resolved, the liability is likely to increase by approximately £269m to £397m (assuming all other assumptions remain unchanged). This will have a very significant impact on next year's results.

The remainder of £116.8m (2020: £130.7m) relates to the University's own scheme, UMSS and also its participation in the local authority scheme, GMPF. These liabilities are valued on an FRS102 basis rather than the full actuarial basis. The UMSS liability remained broadly unchanged, but the GMPF liability reduced by £17.2m primarily as a result of improved return on scheme assets.

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.

The University does 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 the University's exposure is to counterparties with high credit ratings which have been assigned by international credit-rating agencies. The exposure and the credit ratings of the University's counterparties, are continuously monitored. Credit exposure is controlled by counterparty limits that are reviewed and approved by Finance Committee.

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.

The University manages 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.

The Office for Students (OfS) requires universities to report if their liquidity falls below 30 days operating expenditure on a rolling twelve month basis. Access to sufficient facilities such as a revolving credit facility fall within the OfS definition of liquidity. The University continually monitors its cash flow forecasts against this requirement.

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 £191.2m are exposed to price risk but this exposure is within the University's risk appetite.

The University held £260m deposit investments with more than three months and less than twelve months maturity at the year end. The majority of deposits are subject to fixed interest rates and are therefore not subject to any significant exposure to fluctuating rates.

The University long-term borrowings are based on fixed rates until maturity. The RCF (as yet unutilised) is on a floating rate basis and so will be exposed to interest rate movements.

Going concern

The Board of Governors has reviewed the financial forecasts and the key planning parameters that support the University's Strategic Plan. These have been tested against various scenarios, including several severe downside scenarios, which demonstrate that the University has access to adequate resources to continue to meet its commitments and obligations for the foreseeable future. Further detail is set out in the Statement of Accounting Policies on page 42 of these Financial Statements.

The Board of Governors is therefore satisfied that the University continues to adopt the going concern basis in preparing these Financial Statements.

Modern Slavery Act statement

The University is committed to ensuring and actively monitoring that modern slavery and human trafficking is not taking place in any parts of its operation within the University and its supply chain. For further information relating to the Modern Slavery Act statement, see website www.manchester.ac.uk.

Corporate governance statement

The University of Manchester is an independent corporation which came into existence on 1 October 2004. It was established by Royal Charter on the dissolution of the Victoria University of Manchester and the University of Manchester Institute of Science and Technology (UMIST), both of whose rights, properties, assets and obligations were transferred to the institution by means of the University of Manchester Act (2004). This Corporate Governance Statement relates to the financial year ended 31 July 2021 and is current until the date of approval of the audited financial statements.

As a recipient of substantial public funding and by virtue of its educational objectives, it is considered an exempt charity under Schedule 2 of the Charities Act 2011, with the Office for Students (OfS) acting as its Principal Regulator.

The University of Manchester has a duty to conduct its affairs in a responsible and transparent way, and to take into account the requirements of its regulators and the Higher Education Code of Governance published by the Committee of University Chairs (CUC). This includes compliance with the ongoing conditions of registration stipulated by the OfS. The University's corporate governance arrangements were established in such a way as to meet these responsibilities and continue to comply with provisions in the First and Second Reports of the Committee on Standards in Public Life (the Nolan Principles). An updated CUC code was published in September 2020 and a review of the University's practice against the Code was reviewed as part of the external review of governance effectiveness completed in 2020-21 (see below).

In addition, the University corporately, through its arrangements for governance, is committed in a demonstrable way to the principles of academic freedom and equality of opportunity, which are embodied in its Charter and Statutes. In addition and again, as articulated in Charter and Statutes, the University takes reasonably practicable steps to ensure that freedom of speech within the law is secured, and has adopted a Code of Practice on Freedom of Speech to enable this. Details of the University's corporate governance arrangements are published on the University website: www.manchester.ac.uk/discover/governance. Minutes of Board and Board committee meetings are available through the Governance section of the website.

The University is deemed a Public Interest Entity (PIE) by virtue of its listed Bond. The current obligations of being a PIE relate to more stringent processes around the appointment of external auditors, auditor rotation and total exclusion from the auditor providing non-audit services.

2021 Governance Effectiveness Review

An extensive, independent review of the University's governance arrangements was undertaken in 2021 by the higher education specialists Halpin. This review was commissioned by the Board of Governors, in line with the University's framework of regular independent reviews (the last review took place in 2017).

In the report's executive summary, Dame Angela Pedder OBE, Chair of the Halpin Review Team stated: "Overall, when measured against Halpin's Governance Maturity Framework, we concluded that The University of Manchester's governance arrangements are good and effective with some areas of leading-edge practice." The report included 34 Recommendations and 26 Suggestions for improvement: these include constitutional and regulatory improvements and enhancements; matters relating to culture and behaviour, including communications and stakeholder engagement; enhancements to evolving practice in relation to equality, diversity and inclusion and measures to improve academic governance, including Board oversight. Following the Board's consideration of the review at its July 2021 meeting an implementation plan has been developed and progress will be monitored by the Board during 2021-22.

The University's Corporate Governance Framework

The Charter and Statutes provide for and empower 'authoritative bodies' within the University, each of which has a distinct role to play in its structure of governance.

The **Board of Governors**, is the University's governing body, and carries the ultimate responsibility for the University's overall strategic direction and for its finances, property and affairs generally, including the employment arrangements for all staff. It is a specific role of the Board to satisfy itself that work being undertaken on its behalf, whether by committees or by officers, is consistent with corporate objectives and is within the bounds of accepted good practice. The Board meets formally at least six times in each academic year. In 2020-21, its membership of 23 had a majority (13) of independent, lay members. The Chair of the Board of Governors, Mr Edward M Astle, is appointed by the Board of Governors from within the lay category of the membership and took up his role on 1 September 2016 and is thus about to embark on his sixth and final year as Chair. Six elected members of Senate, a member of Professional Services staff, two members of the Students' Union (including the General Secretary) and the President and Vice-Chancellor make up the rest of the Board.

The Chair of the Board of Governors plays an important role in the governance of the University while working independently of its regular executive management. He is supported by a Deputy Chair, Mrs Ann Barnes, who (as provided for in Statute) presides over meetings of the Board in the Chair's absence. The current members of the Board of Governors are listed on the contents page.

Annual internal evaluations of overall Board effectiveness take place in years when external evaluation is not undertaken. Evaluation of individual member contributions and the performance of the Chair are conducted and reported to the final Board meeting of the academic year.

The Board, Senate and Board committees have continued to operate and discharge governance responsibilities effectively throughout the COVID-19 pandemic by meeting virtually, and this has included organisation of additional meetings to review the University's response to the crisis.

The **Senate** is responsible to the Board for the promotion of research and for monitoring standards in teaching. It acts as the University's principal academic authority and in accordance with the Office for Students regulatory framework and public interest governance principles, the Board of Governors receives assurance from Senate that arrangements for institutional academic governance are effective. The Board received a report from Senate confirming assurance provided via a variety of routes including Annual Performance Review, periodic review processes that include students and embed external involvement, measures to ensure the quality of the student experience and outcomes and the quality of awards. In addition, the Board of Governors receives regular updates on academic governance related matters through reports from the Senate, specific agenda items and briefings (including, for example regular updates from Deans of Faculty) and there is an open invitation for Board members to attend meetings of the Senate.

A large number of the statutory powers reserved to Senate are 'regulatory' in nature and control the academic business of the University. The Senate currently has 70 members drawn from five categories of membership. Across categories 1, 2 and 3, a third are designated ex-officio positions and reserved for those with academic management responsibilities centrally and in the faculties, the remaining two-thirds are elected academic members (professorial and non-professorial). Categories 4 and 5 are made up of co-opted and student representatives.

The Board of Governors have established a number of Committees, each of which report into the Board: these include an **Audit and Risk Committee**, a **Finance Committee**, a **Remuneration Committee**, a **Staffing Committee** and a **Nominations Committee**. The Board has also established processes which ensure that it is kept regularly advised on the strategic and policy elements of estates, human resources, equality, diversity and inclusion, environmental sustainability and health and safety issues, and that it can act effectively and in an informed way with respect to these matters when it is required to do so. This includes the establishment of Board Working Groups to consider significant, strategic projects. In 2018-19 the Board established the North Campus Working Group to provide governance oversight of the University's plans to develop its North Campus in conjunction with an investor and developer partner and, although the pandemic resulted in a delay to the originally planned timetable, the work of this Group concluded in May 2021, with the appointment of Bruntwood SciTech as its Joint Venture partner.

In the context of institutional governance, the **Audit and Risk Committee** has a particularly important function in expressing opinions and giving assurances to the Board relating to its review of the effectiveness of the University's arrangements for risk management, control and governance. The risk management element of this role includes the review of the processes which lead to the statement on internal control in the financial statements. The Audit and Risk Committee has co-opted independent members with specific expertise to augment existing membership.

The section headed risk management below provides further detail on the role of the Audit and Risk Committee in relation to risk oversight and assurance, including the review undertaken by the University (and overseen by the Audit and Risk Committee) which resulted in a revised Institutional Risk Register, for consideration by the Board.

As part of its remit, the Audit and Risk Committee oversees the work of internal audit including, whenever appropriate, seeking explicit confirmation to report to the Board that specific action plans are being implemented to remedy any significant failings or weaknesses identified from the review of the effectiveness of internal controls. The Committee also receives regular reports on any cases raised under the University's Public Interest Disclosure procedures, and on the University's data protection and cyber security work.

The **Finance Committee** is primarily responsible for oversight of the University's financial strategy and its financial viability as well as oversight of the financial performance of the University, its subsidiary companies, capital projects and investments. It considers and forwards to the Board the University's long-term financial plans, makes recommendations concerning borrowing, University budgets and the financial plans and forecasts provided to regulators.

The **Nominations Committee** remit recognises the continuing need to refresh membership of both the Board of Governors and the General Assembly (see below) - the Committee is chaired by the Chair of the Board and includes members from both the Board and General Assembly. The Committee endeavours to ensure a broad and complementary range of skills, expertise and experience across categories of lay membership reflecting the needs and aspirations of the University and thus ensuring good and effective institutional governance. The Committee also endeavours to ensure that lay membership of both the Board of Governors and the General Assembly is representative of the diversity of the University and of the communities served by it. The Committee aims to oversee robust recruitment and appointment processes, to ensure that the Board is comprised of fit and proper persons. The Committee welcomes the expectations concerning equality, diversity and inclusion in the CUC Code of Governance and appreciates that board diversity, in particular, promotes more constructive and challenging dialogue: recent appointments reflect the Board's commitment to increased diversity.

The **Remuneration Committee** is responsible for setting the remuneration of the President and Vice-Chancellor and members of the Senior Leadership Team. It also approves the base salaries suggested by the Senior Salaries Review Group for senior academic-related staff and the Faculty Promotions Committee for senior professors. The Committee provides a comprehensive report of its activity to the Board of Governors in July of each year, including its role, remit, and working methods as well as a summary of the decisions it has taken and the conclusions of the salary review undertaken for senior staff. In addition, the Board of Governors reviews and approves annually the remuneration framework within which the Committee operates. The Committee's consideration of the remuneration of the President and Vice-Chancellor and other relevant matters is enhanced with input from staff and student members of the Board of Governors. The Remuneration Committee report for the year ended 30 July 2021 is on page 30.

The University is aware of the need to balance the challenging financial climate, the external perception of senior salaries and the University's ability to pay, with the need to recognise the contribution and performance of individuals and retain its best staff, and this informed the Committee's decision making over 2020/21. The University's approach to the requirements of the Office for Students Accounts Direction and the CUC Higher

Education Senior Staff Remuneration Code is set out in the report from the Remuneration Committee referred to above.

The **Staffing Committee** is established by the Board under Statute and Ordinance to give full and proper consideration to any proposals for redundancy of academic and academic-related staff. For each instance, appropriate information is provided to the Committee to allow it to reach a reasoned assessment of the proposal and to consider alternative strategies for the resolution of the circumstances leading to the proposal. Its recommendations are then passed to the full Board of Governors for approval.

The **Planning and Resources Committee** (PRC) is chaired by the President and Vice-Chancellor and includes in its membership the Vice-Presidents, the Registrar, Secretary and Chief Operating Officer, and the Chief Financial Officer, with representation from Senate, Heads of Services and the Students' Union, and is the key central management committee. PRC serves as the primary source of advice to the Board of Governors on matters relating to the development and allocation of the University's resources, on strategic planning issues and operational priorities, and on the financial, educational, research and social responsibility performance of the University against agreed goals and targets. Additionally, in consultation with other relevant committees, it develops, for approval by the Board, the University's annual planning, budgeting, performance evaluation and accountability cycle, annual revisions of the University's Strategic Plan and an annual University Budget.

In addition to the existing PRC sub-committee structure (Finance and Capital Planning, Human Resources, Strategic Change and International), a time-limited **Transition Steering Group** and related Programme Boards were established to ensure optimal integration and coordination of the University's pandemic response.

The **Health, Safety and Wellbeing Committee**, oversees and monitors the University's arrangements for effective health, safety and wellbeing. The **Environmental Sustainability Committee** provides oversight to ensure that the University meets its environmental sustainability ambitions and commitments. Key issues arising from the work of these bodies are considered regularly by the Board of Governors.

The **General Assembly** is the interface between the University and the wider community. It is a larger body than the Board, and in common with it, has a majority of lay members. Lay members are drawn from a wide range of local, regional and national interests, and together they offer the University a wealth of experience and expertise from differing perspectives. The main purpose of the General Assembly is to act as a two-way channel of communication through which the University presents its achievements to its broader 'constituencies' and receives feedback and advice on matters relating to University business. It also includes University staff, alumni and students within its membership. In 2020-21 we have continued to move towards a smaller (approximately 80 members, compared to over 200 before reform began), more streamlined and less prescriptive membership. This more targeted approach (which will include opportunities for interaction with members outside General Assembly meetings) will strengthen General Assembly's role in supporting the University's mission as a civic university.

The **Alumni Association** is the body of the University's graduates, which promotes fellowship among graduates while helping them to keep in touch with the University by providing opportunities to take an interest in its development and ongoing activities. The Association is represented on the governing body and on the General Assembly.

The members of the General Assembly and the Alumni Association, together with all paid University staff eligible to hold superannuable appointments, form the constituency for the election of the **Chancellor**, who is the ceremonial Head of the University, presiding over meetings of the General Assembly and over congregations of the University for the conferment of degrees. The role is currently held by Mr Lemn Sissay, MBE, who took up the role in August 2015. The election of a new Chancellor will take place in Spring 2022.

The President and Vice-Chancellor (Professor Dame Nancy Rothwell) is the chief executive officer and the principal academic and administrative officer of the University. In fulfilling these functions the President and Vice-Chancellor has overall responsibility for the executive management of the University and for its day-to-day direction, being accountable to the Board of Governors for the exercise of these responsibilities and (as the designated 'accountable officer') to the Office for Students for the use of the public funds the University receives. As the chief executive officer of the University, the President and Vice-Chancellor leads the development of institutional policy and strategy, the identification and planning of new developments and in shaping its institutional ethos. The **Deputy President and Deputy Vice-Chancellor** (Professor Luke Georghiou), the **Vice-Presidents**, the **Registrar, Secretary and Chief Operating Officer** (Mr Patrick Hackett) and the senior administrative officers contribute in various ways to this work, collectively acting as the University's **Senior Leadership Team**, but the ultimate executive responsibility rests with the President and Vice-Chancellor.

The role of the University's Professional Services (PS) is to work in partnership with academic colleagues to deliver the primary institutional objectives (teaching and the student experience, research, and social responsibility), to oversee the discharge of the University's statutory and regulatory responsibilities and to implement the policy decisions of Senate and the Board. Through the provision of specialist expertise, it also contributes to and advises on the formulation of University policy. The Head of the unitary Professional Services is the **Registrar, Secretary and Chief Operating Officer**, who is also clerk to the governing body and responsible for the provision of secretariat support to the governing body, its committees, the General Assembly and Senate.

The University maintains a Register of Interests of members of the Board of Governors and for members of the Senior Leadership Team, which may be consulted by arrangement with the Registrar, Secretary and Chief Operating Officer. Local staff registers of interest are also maintained. Members of the Board and of its Committees receive a reminder in the papers for each meeting of the need to declare any interest they may have in relation to the specific business to be transacted. In addition, building on existing internal and external regulation and guidance, the Board has adopted a Conflicts of Interests Policy.

Statement of Internal Control

This Statement of Internal Control relates to the financial year ended 31 July 2021 and is current until the date of approval of the audited financial statements.

The duties conferred upon the Board of Governors by the University's Charter and Statutes require it to institute and maintain a sound system of internal control. This is designed to support the achievement by the University of its aims and objectives and, at the same time, safeguard public and other funds and assets for which the University is responsible. In that context, the Board is satisfied that the University complies with those provisions of the CUC Guide on the financial aspects of corporate governance that are applicable in a higher education institution and OfS advice on requirements for corporate governance and internal control. The Audit and Risk Committee, on behalf of the Board, provides oversight and monitoring of the system of internal control. The Board receives regular reports, at each meeting, from the Audit and Risk Committee on the steps being taken to manage risks across the University. The Audit and Risk Committee also receives regular reports from the internal auditors (the Universities Internal Audit Consortium, Uniac), which include the internal auditors' independent opinion on the adequacy and effectiveness of the University's system of internal control, together with any recommendations for improvement. The University's approach is risk based, derived from an evaluation of the likelihood and impact of risks. Specific risks considered by the Audit and Risk Committee in the period covered by this Corporate Governance Statement and Statement of Internal Control are highlighted in the section below relating to the work of the Audit and Risk Committee. The external and internal auditors have not identified any significant deficiencies in internal control during the course of their audit work for the year ended 31 July 2021.

The Board of Governors, both directly and through its Finance and Audit and Risk Committees, is responsible for **financial control**, i.e. ensuring the economical, efficient and effective management of the University's resources and expenditure, and for safeguarding its assets, including specific responsibility for the oversight of systems that prevent and detect fraud, bribery and other irregularities. It must ensure that the University uses public funds only for the purposes for which they were provided. It is supported in this work through the external auditors, PKF Littlejohn LLP, and the University's internal auditors, Uniac, the work of both being overseen by the Audit and Risk Committee.

The system of internal financial control provides for comprehensive financial planning processes, developing, monitoring and updating budgets for annual income, expenditure, capital and cash flow budgets. Regular reporting against budget takes place, in conjunction with the monthly review of financial results, regular re-forecasting and the reporting and explanation of variances.

The University sets out policies, processes and practices underpinning financial control in its Financial Regulations. The Regulations are approved by the Board and apply to the University and all its related undertakings, and include all funds passing through University accounts. They encompass the University's processes to investigate fraud, bribery and other financial irregularities, budgeting and forecasting, the treatment of year-end balances and capital expenditure programmes and general issues with regard to the accounts and accounting returns of the University.

The University strives to apply **value for money** considerations to all its processes and activities, and this is supported by strong awareness and vigilance across the senior leadership team. The Audit and Risk Committee receives an Annual Report on the University's efforts to secure value for money in relation to procurement. The Audit and Risk Committee also receives a comprehensive report on the Transparent Approach to Costing (TRAC) analysis undertaken by the University in January of each year. In addition, every internal audit review undertaken and submitted to the Audit and Risk Committee makes specific observations and judgements concerning the value for money demonstrated. The University published a summary of its 2019-20 finances, including an analysis of how the £9,250 tuition fee was spent: www.manchester.ac.uk/discover/governance/corporate-documents/university-finances-at-a-glance

The Board of Governors has overall responsibility for the oversight of risk management within the University. The **Risk Management** framework includes a risk policy, risk registers and maps (at School, Faculty, PS and University level), and identifies primary risk owners. It is supported by a comprehensive assurance process, which reports through to the Audit and Risk Committee, on behalf of the Board of Governors.

The risk management objectives of the University outlined below are based on an overarching policy to adopt best practice in the identification, evaluation and cost-effective control of risks in order that the risks associated with the University's strategy are managed down to an acceptable level. This risk policy includes the following key actions:

- the integration of risk awareness into the culture of the University ensuring that risk assessment is embedded in ongoing operations;
- the management of risk in accordance with best practice;
- the anticipation and appropriate response to risks emerging/associated with changing social, environmental and legislation requirements; and
- the reduction of the costs of risk by taking appropriate steps to mitigate injury and damage to individuals and assets of the University.

Audit and Risk Committee has overseen the development of the Risk Management framework and receives regular reports and information on assurances as to the efficacy of the framework (the internal auditors, Uniac conduct a regular audit) and this is reported to the Board of Governors. The Board, through the Audit and Risk Committee, PRC, and/or where appropriate through other ad-hoc groups, working to a common framework, evaluates the risks inherent in all major plans and proposals, including significant projects. This includes evaluation and review of business, operational, compliance and financial risks. The University has also taken additional measures to support the risk management process. The Director of Compliance and Risk provides direct advice to senior officers of the University and regular reports to the Board of Governors, on behalf of the President and Vice-Chancellor. The Director of Compliance and Risk and the Vice-President for Social Responsibility oversee the adoption and dissemination, on a continual basis, of risk awareness/management training and the preparation of contingency plans in areas where there is a potential for an occurrence having a deleterious effect on the University and its business capability.

The Risk Register addresses the risk of major incidents, including cyber-security, information security and data protection, second wave and/or future pandemics and environmental sustainability. The Register also addresses regulatory risks, risks relating to trade union and employee relations, risks relating to teaching, learning and student experience, risks concerned with incompatibility between expectations, ambitions and available resources, as well as risks relating to research and the overall sustainability of the business and operational model.

The University of Manchester Public benefit statement and impact

The University of Manchester has exempt charity status derived from the Charities Act 2011 and is responsible to the Office for Students, its principal regulator, which, amongst other regulatory powers, 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.

1. WORLD CLASS RESEARCH

Research impact

In 2021, The University of Manchester was named the world's number one university in the Times Higher Education (THE) Social Impact Rankings. The University topped the table of more than 1,200 universities from around the world on action taken towards the United Nations Sustainable Development Goals (see further detail below in section on Social Responsibility). The University was also placed 35th (up from 36th) in 2021 Academic Ranking of World Universities.

The University of Manchester's five research beacons, comprising Advanced Materials, Biotechnology, Cancer, Energy and Global Inequalities – see 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 excels in discovery and application and is at the forefront of tackling global inequalities – from poverty to social justice, to living conditions, to inequalities in education, health and social care, and the workplace – with more than 300 of our staff working in this area. 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. We are currently helping to address the enormous challenges of dealing with COVID-19 in informal settlements where there is inadequate access to safe water and sanitation, poor quality of housing and over-crowding. In 2020 the University led on a project to define and mitigate the socio-cultural impediments that prevent widespread use of face masks in informal settlements in Kenya and evaluate its impact on the incidence of new infections and hospitalisation. Over 220,000 shanty dwellers have been engaged through an extensive bespoke health promotion campaign and 50,000 face masks were distributed during the peak of the pandemic when the need was maximal. 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 one of the most significant institutions for humanitarian teaching and research in the UK, and worldwide. Last year it was re-designated as a WHO Collaborating Centre for Conflict Analysis and Programming. The GDI is the lead partner for the £32m African Cities Research Consortium (ACRC), funded by the Foreign, Commonwealth and Development Office. The ACRC will approach urban areas as complex systems, undertaking engaged political analysis, in order to address large scale development challenges. Through the work of the Global Inequalities Beacon, we address inequalities wherever we may find them, tackling problems at local, regional, and global scales.

Manchester is a world-leader in developing new and existing materials for extreme environments and wider applications, including environmental sustainability. We also lead the world in the characterisation of materials – measuring and exploring materials that will help us fully understand their properties and potential. Manchester is at the forefront of biomedical materials, as well as new materials designed to serve the nuclear energy sector. We also host the £64m BP International Centre for Advanced Materials which has established the University as a leading hub for advanced materials expertise, to further the understanding and use of materials in the energy sector. The University is recognised as the leading global knowledge base in graphene and 2D materials, with more than 200 dedicated researchers. Manchester's world-class status as the birthplace of graphene and centre of its international commercialisation, has been reinforced by more than £120m of capital funding to establish the National Graphene Institute and the Graphene Engineering Innovation Centre. These centres of excellence and the Manchester-based Henry Royce Institute hub will contribute to the exciting vision of Graphene City – a community of leading 2D materials scientists and engineers that will become a worldwide beacon, attracting investment and innovators from around the globe. Our advanced materials research continues to move forward and set the research agenda for the future in emerging areas such as materials for quantum technologies.

In cancer research we are making a leading contribution to the fight against the disease. Our approach to cancer research spans the full spectrum of combating the disease. Manchester's medical research ranges from understanding the molecular and cellular basis of cancer to the development and testing of novel drugs and other therapeutic approaches. Through nursing, psychology and policy work, solutions to the physical, emotional and economic impacts of cancer are being researched and put into practice. We are contributing to improving the evidence base for the treatment and detection of cancer in the UK and forging global partnerships in Africa and other countries as part of our 'precision cancer medicine for all' approach. Our trials led to anastrozole replacing tamoxifen as the major endocrine therapy for breast cancer, a development that has benefited 1.5 million women globally. Our partnerships with companies such as AstraZeneca and GlaxoSmithKline bring new drugs to the market. We are also partners in the Manchester Cancer Research Centre (MCRC) with The Christie NHS Foundation Trust and Cancer Research UK. The Centre's new building will house 150 researchers and world-class facilities for imaging and sample analysis.

The University of Manchester is leading the way, both nationally and across Europe, towards a bio-industrial revolution. We are at the forefront of a European industrial renaissance, creating next-generation chemicals for industrial and health care needs. Using biological resources such as plants, algae, fungi, marine life and micro-organisms, biotechnology, combined with the emerging science of synthetic biology, is changing how we manufacture chemicals and materials, and provides a source of renewable energy. In the Manchester Institute of Biotechnology (MIB), the University has one of Europe's leading industry-interfaced institutes, with world-leading capabilities in chemicals synthesis and manufacture. In 2020, MIB's pioneering expertise in biotechnology was recognised when it was named the winner of the Queen's Anniversary Prize for Higher and Further Education. Supported by a grant portfolio of more than £100m, we partner with some of the world's leading companies from across the chemistry, biotechnology and biopharmaceutical sectors – including GlaxoSmithKline, Shell, Unilever and Pfizer– to drive the creation of new, bio-based chemicals. In 2019, the University was awarded £10m to launch the Future Biomanufacturing Research Hub which will develop new biotechnologies that will speed up bio-based manufacturing in three key sectors – pharmaceuticals, chemicals and engineering materials. This programme of work entails extensive collaborations among STEM and social science colleagues in the field of innovation management, to understand better the interplay of social, behavioural, and technical factors in the development of sustainable practices and business models that will safeguard the world's future.

The University is also pioneering the energy systems of the future. In doing so we'll be tackling some big questions. Are our energy sources sustainable? Do we transport energy efficiently and how might we further improve such efficiency? How can we simultaneously meet demand while minimising the deleterious effects on our environment? How can we make homes and cities smarter in how they use energy? How might we address the social inequalities that underpin energy use? We have more than 600 staff researching energy solutions for the future. We work closely with our local region on projects such as the UK's largest ever trial of heat pumps. We are discovering more about how today's urban society uses energy, blending expertise from engineering and the social sciences to learn more about demand and how it can be met.

Our Dalton Nuclear Institute is the UK's most advanced academic centre for nuclear research and development and high-level skills development. Our Manchester Environmental Research Institute, the Sustainable Consumption Institute, Manchester Urban Institute, Manchester Institute of Innovation Research and our Tyndall Centre for Climate Change Research continue to make significant contributions to the challenges of what society must do to progress towards the carbon NetZero targets set by many governments and other organisations. This year the University launched its Sustainable Futures Platform, recognising that realising sustainable futures requires new and integrative solutions to address the interacting global environmental challenges. This new Platform brings together the unique depth and breadth of internationally leading research at the University of Manchester to produce integrated and truly sustainable solutions to urgent environmental challenges. Following the award of funding from EPSRC in 2019, we continue to tackle the challenge of plastics pollution through an integrated approach that explicitly couples Manchester's strength in sociotechnological understanding to influence our industry-guided solutions across chemistry, safety, materials, engineering and the social sciences.

Our research makes major contributions to our local communities and Greater Manchester. The Greater Manchester conurbation has some of the poorest areas in the country, with persistent inequalities of treatment, opportunities and experiences of outcomes between different ethnic, demographic and social groups. It also has a dynamic and ambitious industrial strategy and plan to 'build back better' from the shock of COVID-19. We are making a range of significant contributions to help secure this ambition. Our £26m Biomedical Research Centre working through Health Innovation Manchester in collaboration with the NHS, social care providers and industry, is accelerating the discovery, development and delivery of innovative solutions to help improve the health of the almost three million people in Greater Manchester, and beyond. Our Tyndall Centre is working with the mayor and the Greater Manchester Combined Authority to secure progress towards ambitious carbon reduction targets. We have a vibrant programme of research which address different aspects of inequalities, including the work of our Centre on the Dynamics of Ethnicity (CODE) and the Work Equalities Institute (WEI). In 2020 the University was awarded £32m to establish the Productivity Institute (funded by the Economic and Social Research Council) which aims to better understand, measure, and enable improvements in productivity across the whole of the UK, with the aim to improve living standards and well-being. Our policy@manchester platform provides a vital bridge for engagement and dialogue between our researchers and policy makers in Greater Manchester as well as nationally and internationally.

Research exploitation

The 2020/2021 academic year was the first iteration of the Knowledge Exchange (KE) Framework which measure our performance across a range of KE metrics including 'IP Commercialisation', 'Working with Business' and 'Research Partnerships'. The University of Manchester performed consistently well across the board demonstrating a breadth of strength and activity for exploitation and engagement.

Enterprise and innovation are a critical part of our culture, and the commercialisation and exploitation of our intellectual property (IP) is a fundamental part of our research impact. New companies and jobs have been created, and valuable new products and services have been developed which have been commercialised nationally and internationally.

The University has had a good year in business engagement which has included large new investments secured, award value totalled £32.9m for the 20/21 academic year and new strategic partnerships finalised with Infineum and the National Physical Laboratory (NPL). Several strategic framework agreements were renewed including AstraZeneca, EDF and Varian, and a variety of new projects and collaborations have been established including BAE Systems, GSK and UKAEA.

The University is currently top of Innovate UK's Knowledge Transfer Partnership (KTP) ranking, holding the largest portfolio of KTPs in the UK. The University currently holds 39 active KTPs, with a total value of £9.9m. 67% of these are with SMEs and 74% of KTPs are with North West based partners, demonstrating the support for economic wealth creation within the region and beyond.

The University of Manchester Innovation Factory Ltd is a wholly owned subsidiary, responsible for identifying and leading the commercialisation of intellectual property (IP) developed and owned by the University. The Innovation Factory's mission is to use this IP to create positive social and economic impact. It achieves this by licensing University IP to 3rd parties and creating new high-value spinout companies. The organisation also carries out a wide range of other activities to help create impact from University research, such as the provision of support for grant applications and engagement with a wide range of stake holders including the alumni network and government.

The Innovation Factory aims to provide a world class service to academics, industry, entrepreneurs, licensees, venture capital and angel investors, corporate venturing partners and others. The Innovation Factory team works closely with academic and student inventors, from all three University Faculties, to identify research that has the potential to create value and provides support to them to translate these into a form where they can be used to benefit society as a whole.

The financial year 2020/21 again saw the Innovation Factory break its previous record for the number of University spinouts created. 13 companies were launched, and the Innovation Factory's Business Development and Investment team have begun to secure investment for these businesses. During the financial year the Innovation Factory secured £3.4m of first-time investment in new University spinouts and also saw an additional £41m of further investments in existing University spinouts. A new record of £7.4m for licensing income generated from University of Manchester owned IP was also achieved. Income generated from IP licensing and share sales is reinvested in University activities that support research, innovation and commercialisation. Together, these results put The University of Manchester in the leading group of UK Universities for IP commercialisation.

Another significant achievement for the Innovation Factory and The University of Manchester in 2020/21 was the creation of the investment business Northern Gritstone Ltd. The new investment company aims to deploy significant funds into spinout businesses built on IP created by the Universities of Manchester, Sheffield and Leeds. Northern Gritstone plans to raise up to £500m from strategic corporate partners, institutional investors, and qualifying individuals. If successful, the financing will make Northern Gritstone one of the largest dedicated investors into the commercialisation of university science and technology related Intellectual Property in the UK.

The Innovation Factory continues to make an important contribution to the economy. Since 2004 the commercialisation of University IP has contributed £962m. This is comprised of £451m of gross value added (GVA) being an independent measure of the sales and jobs created by IP licensing and spin-out activities and £511m of third-party investment capital injected into the University's spin-out companies. In the 6 years to 31st July 2021, £397m has been generated. This takes the University to achieving 96% of its stated target of generating £1billion of economic impact from IP commercialisation by 2025.

The Innovation Factory now has a truly global reach and, with the scale and quality of research taking place at the University of Manchester, it has the ambition to be one of the world's most effective technology transfer organisations.

2. TEACHING AND LEARNING

Teaching impact

The entire 2020/21 academic year was dominated by the circumstances brought about by COVID-19. Academic and PS staff across the University have worked exceptionally hard to plan, in partnership with our students, for the essentially unplannable, with both on-campus, in-person and online options needing to be available should restrictions increase or reduce. The North West was the epicentre of the second wave of the pandemic in the UK, leading to the suspension of almost all on-campus teaching very shortly after it had begun in September 2020, and after many students had travelled to be with us. Government restrictions meant that we were then not able to offer on-campus teaching to most of our students, outside clinical and then some specific practical subjects, until May 2021.

Clearly students have been greatly impacted by the pandemic, but most have continued to be understanding and appreciative of the efforts of staff. Our Unit Evaluation Questionnaires for 2020/21 focused specifically on blended and online learning, and showed strong results on quality and improvement. There is less positive news from the National Student Survey (NSS), where the University's overall student satisfaction decreased to 71% (63% response rate) from 81% (60% response rate). This was mirrored by a drop in the sector average satisfaction from 83% to 75%. Analysis of free text comments did highlight appreciation for the hard work of staff in teaching and supporting students. However, the data showed that assessment and feedback remains an area requiring improvement. This has already been identified by the University as a priority theme, alongside improving our response to student voice, and fostering a sense of belonging and positive academic communities. There are excellent examples of high satisfaction across academic Schools and we are working with our student community to ensure that we make the right choices to improve their experience with us; and the rollout of the Student Experience Programme next year will see improvements to processes across all aspects of the student journey from application to graduation.

In 2020/21, students encountered many additional COVID-related costs, mental health and wellbeing issues, and requirements for equipment to allow them to access their studies online. The University spent an additional £2.6m on student support in 2020/21 – taking the total to over £7m. In doing so we introduced innovations such as a 24-hour mental health line and partnered with our Students' Union to establish a student buddying scheme. In addition, our community rallied round, with 3,224 donors, from 80 countries, raising over £1.4m for our Emergency Hardship Fund. Over summer 2021, we have invested over £500k on equipping our teaching spaces for dual delivery classes and meetings, so students who cannot travel to Manchester can be included in classes delivered on campus.

Students joining us in 2020 had also had a highly disrupted experience of school and college, so for the first time, the University's Welcome was extended from one to two weeks and such was its success that this two week format was repeated for September 2021. Last year's programme built on existing good practice within the University but was made even more inclusive to ensure that it encompassed returning students as well as those who are new to Manchester, and postgraduate as well as undergraduate students. The circumstances of last year meant that there was limited opportunity, and take up, for on-campus events so Welcome 2020 was largely online. Some particular changes were made to cater for this change in mode of delivery. For example, Welcome has for a number of years included an on-campus Ethical Grand Challenge event, the Sustainability Challenge, which is timetabled for all new undergraduates. We could not run this on campus last year and did not have the necessary time to move it online; therefore we delivered another Ethical Grand Challenge (Social Justice Challenge) which was already available in a high quality online format and opened this to all undergraduates and postgraduate taught students. Student feedback across the Welcome programme was good and a number of innovations will become embedded into the future programme. One example of this is the 'Welcome Back' programme which we offered for the first time in February to students returning to Semester 2.

We are also seeking to improve our teaching quality through the Institute of Teaching and Learning, which has been in operation from October 2019. Representing additional spend (over existing baseline staffing costs) of c£300k pa, the Institute has embarked on a programme of teaching support and enhancement, including the University's flagship teaching accreditation programme, the 'Leadership in Education' Awards programme which has now awarded over 1000 AdvanceHE Fellowships to Academics, PS staff, and students at all levels from Associate Fellow to Principal Fellow. The Institute leads on Support for internal and external awards programmes with three colleagues gaining National Teaching Fellowship in 2020 and many individuals and teams being submitted and shortlisted for national awards such as HE Innovate and Times Higher.

Recognising the huge efforts of staff during the pandemic, we focused on personal recognition and targeted support. During the rapid pivot to online teaching, staff had access to resources through our toolkits, alongside new communications and engagement platforms such as the Teaching and Learning Online Network (TALON) running on Yammer and now with over 450 active members, and the Institute's TEA (teach, explore, apply) break blog. We now have an annual cohort of Institute Fellows with 10 completing their projects in 2019-20 and a further 11 recruited. The Fellows come from across the University and have played a vital role in supporting the University's teaching development during the Covid-19 Pandemic. All our Fellows work with one or more paid student partners, supporting students with meaningful employment that fits around their studies but also ensuring that students are represented in the projects. The Institute is also building capacity for teaching excellence through an annual cohort of 'Leaders in Teaching', a facilitated development programme focused on leading change with impact.

The Institute also works in close partnership with the Directorate of Equality, Diversity and Inclusion, and has developed and coordinated a large workshop series engaging staff and students in an emerging Inclusive Education Framework, as well as coordinating reviews on Accessibility for Students with Disabilities, and Stellify; conducting sector reviews; and participating in global benchmarking.

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. Our Access and Participation plan with the Office for Students 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. During 2020/21 our outreach work continued to be affected by COVID-19 and school/college closures which reduced the number of engagements with young people over the course of this academic year. Our Gateways programme for secondary schools was adapted to a virtual delivery model, designed after consultation with schools. The virtual delivery model provided all enrolled schools with access to live 2 hour sessions for each year group, featuring a mix of presentations, workshops and activities delivered via meeting or seminar software. 72 sessions were delivered to 865 pupils in 27 schools. To complement the virtual sessions a new website was launched which also includes support for teachers and parents/carers (**https://sites.manchester.ac.uk/gatewaysresources**).

611 primary students and 508 secondary students were supported through the IntoUniversity Manchester North Centre this academic year. During the Autumn and Summer terms, the majority of delivery took place face to face, with adaptations made to ensure delivery was Covid-safe. During school closures in the spring term, the team delivered their programmes virtually. This included providing online after-school academic support sessions via Microsoft Teams to 91 students.

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 2020/21, the partnership worked with 166 secondary schools and colleges across Greater Manchester engaging over 24,711 learners. Our commitment in this area is further emphasised by the strategic partnerships we have with a number of leading education charities including The Brilliant Club, ReachOut and the Tutor Trust, the latter supported during 2020/21 through the recruitment of tutors to support the National Tutoring Programme, part of the government's Covid recovery package for schools.

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 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. As a result of the pandemic we moved the programme online in March 2020. In 2020/21 535 students completed

MAP and from 2005 to 2020, 2,348 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 2020/21, 264 students successfully completed MDAS.

The University provides admissions decision-makers with supplementary data to allow them to put the achievements of each individual applicant into context and from 2019 have been making lower contextual offers to students on the basis of this data. 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 2019/20 shows 8.9% of our entrants (434 students) were from Low Participation Neighbourhoods (LPNs, POLAR4, quintile 1) above our benchmark of 8.1%. From 2020/21 we have set new, challenging targets through our Access and Participation Plan (APP) with the Office for Students, which includes reducing the gap between the proportion of students entering the University from the most and least disadvantaged backgrounds. Internal data for 2020/21 shows that the University has achieved its APP milestone for this year. This is a slight increase in the ratio compared with the previous year (4.5:1) and whilst we saw a significantly larger intake of Q1 students, this coincided with a larger intake in Q5 students.

Non-continuation at the University is low and the most recent HESA data shows that only 3.6% of 2018/19 entrants are no longer in HE by 2019/20 – better than our benchmark of 3.7%. There is no statistically significant difference in continuation rates between WP and non-WP students. Our internal data for 2020/21 indicates that 27% of students are from lower socio-economic groups (NS-SEC 4-7) which has increased from 24% in 2016/17. 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 250 Widening Participation students will receive the University's targeted Undergraduate Access Scholarship in each year which has now been extended to include estranged students in addition to students from care-experienced backgrounds and students who have completed our Manchester Access Programme. During the pandemic we have had a particular focus on addressing digital poverty, with our HelpMeGetOnline@manchester scheme providing tailored support for students, including provision of laptops and Wi-Fi dongles supporting around 400 students with the necessary equipment to complete their studies remotely. Several elements of the Emergency Hardship Fund were earmarked for projects dedicated to supporting WP students, from a laptop loan scheme to our Manchester Masters Bursaries. For 2020 entry we were able to increase the number of Manchester Master's bursaries allocated from 75 to 100, providing students with £4,000 of non-repayable financial support.

In terms of employability, the Graduate Outcome Survey results for the 2018/19 graduating cohort have now been published as experimental statistics, as yet with no standardised performance metrics. The results for all graduates show the impact of the pandemic on graduate activities compared to 2017/18 across the University, the Russell Group and sector, with lower proportions of graduates in employment and higher proportions in further study or being unemployed. For first degree graduates from the United Kingdom, the University was 6th in the Russell Group for the proportion in employment or further study and improved its position for the proportion unemployed (from 21st to 10th), suggesting that graduates from Manchester were relatively less affected by pandemic impacts than those from other institutions. Initial analysis also suggests that differential outcomes between student groups are lower than those across the wider sector, and this is an important issue that will be further tested with the data.

3. SOCIAL RESPONSIBILITY

Our strategic priority given to social responsibility makes us unique among British universities and reflects the commitment we have in making a positive difference to society and the environment – locally, nationally and internationally. Our strong performance on this agenda is reflected in coming top in the world, from more than 1,200 universities in 98 countries, in the 2021 THE Impact Ranking, based on the 17 United Nations Sustainable Development Goals (SDGs). This was also the third consecutive year Manchester has been the top placed institution in the UK.

Our Social Responsibility Plan is focused around four new priorities: social inclusion, environmental sustainability, better health and cultural engagement.

On social inclusion we received a prestigious THE Outstanding Contribution to the Local Community Award for £19m of social value created via the MECD project; a total of 221,898 young people engaged with our Great Science Share for Schools initiative; we delivered major widening participation programmes such as our Manchester Access Programme wholly online (see more detail above in Teaching Impact section); and over 300 University of Manchester students supported educational catch-up, resulting from the pandemic, across local schools as part of our Tutor Trust partnership.

On better health we supported hundreds of students and staff to volunteer as part of the NHS vaccination programme; we engaged local communities on vaccine misinformation and vaccine hesitancy; as noted in the Research section above, a major project training over 220,000 people in the use of face masks in Kenya was delivered; we produced and disseminated a fortnightly 'Manchester Briefing on COVID-19' to over 50,000 people globally; and a pioneering #BeeWell programme was launched to develop a wellbeing measurement and improvement framework for secondary schools in Greater Manchester.

On environmental sustainability we agreed funding to tender for the production of a major Zero Carbon Masterplan; as noted in the Research Impact section, a new Sustainable Futures research platform was launched; a dramatic reduction in university business travel showed what is possible moving forwards; a 6R approach (refine, reduce, reuse, refill, replace, recycle) to plastic reduction was developed; and a decision tool was developed by our Tyndall Centre, Manchester. The pandemic indicated the scale of the University's carbon challenge since emissions only reduced by 11% given that we have estimated that we need to be at 13% per annum reductions in a post-pandemic 'normal' to approach our 2038 zero carbon targets.

On cultural engagement, and in direct response to social distancing restrictions during the pandemic, a range of innovative digital engagement opportunities were developed through each of our cultural institutions. Manchester Museum has been progressing its capital programme whilst overseeing its first ever Golden Mummies touring exhibition across the USA and China; the Whitworth launched an international Office of Useful Art platform; network in Whitworth; plans for a new British Pop Archive have been developed at the John Rylands Library; and we have developed a range of strategic cultural partnerships through our Creative Manchester platform, including with Manchester International Festival, Manchester Literature Festival and Manchester City of Literature.

Finally, progress was made in advancing a range of civic engagement goals, notably through a 1,000 resident survey-poll across Greater Manchester to inform the successful development of a Civic University Agreement with the region's other universities and our public and community engagement performance was ranked in the highest 'top-10%' category in England's 2021 Knowledge Exchange Framework (KEF).

Trade union statement

The Trade Union (Facility Time Publication Requirements) Regulations 2017

1 April 2020 to 31 March 2021

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 2020 to 31 March 2021 is as follows;

Table 1 - Relevant union officials	
Number of employees who were relevant union officials during the relevant period	36
Full-time equivalent employee number	34.2FTE

Table 2 - Percentage of time spent on facility time	
Percentage of time	Number of Employees
0%	2
1-50%	30
51%-99%	1
100%	3

Table 3 - Percentage of pay bill spent on facility time	
Total cost of facility time	£328,285
Total pay bill	£492,296,461
The percentage of the total pay bill spent on facility time, calculated as: (total cost of facility time ÷ total pay bill) x 100	0.07%

Table 4 - 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	7.51%

Remuneration Committee report

for the year to 31 July 2021

This report covers the following topics:

- The responsibilities of the Remuneration Committee.
- The remuneration policies that the Committee operates for the Senior Leadership Team and other Senior Managers.

This report provides a summary of the Committee's work over the year and fully meets the requirements of the Committee of University Chairs (CUC) Higher Education Senior Staff Remuneration Code. The University will follow the regulatory guidance on preparing and publishing financial statements as provided by the Office for Students (OfS) on the disclosure of senior pay in its published accounts.

The membership of the Committee

Mr Gary Buxton (Chair)

Mr Edward Astle

Mr Colin Gillespie

Ms Caroline Johnstone

Mr Nick Hillman

Secretary:
Registrar, Secretary and Chief Operating Officer

In attendance:
The Director of Human Resources
The President and Vice-Chancellor (not present at the separate meeting to determine her salary)

A staff and student representative from the Board of Governors is present only for the separate meeting which addresses the President and Vice-Chancellors pay.

The Committee's principal matters of business are:

(i) To consider and determine, on behalf of the Board of Governors, the remuneration arrangements for certain senior officers of the University (including the President and Vice Chancellor, the Registrar, Secretary and Chief Operating Officer, Vice-Presidents and Deans, and Vice-Presidents).

(ii) To delegate to an appropriately constituted Senior Salaries Review Group (or Groups) the task of making recommendations on the remuneration of professorial and equivalent senior administrative staff not covered in (i) above and to scrutinise such recommendations as appropriate for consistency and fairness.

(iii) To consider policies and procedures on the remuneration of senior staff, to recommend them to the Board of Governors and to oversee their implementation within the University.

(iv) To provide assurance to the Board of Governors that the University is adhering to guidance on senior pay as directed by the Office for Students and the Committee of University Chairs Higher Education Senior Staff Remuneration Code.

The Director of Human Resources is adviser to the Committee which can, if it wishes, call upon external advisers as appropriate.

Role and Remit

The role and remit was reviewed and the following amendments were agreed:-

- To receive, comment and note the succession plan for the Senior Leadership Team.
- A staff member and a student member of the Board of Governors will join the meeting relating to the salary review of the President and Vice-Chancellor and for the items covering the University's Equal Pay Audit Report and the Gender and Ethnicity Pay Gap Reports.
- To receive and comment on the University's Equal Pay Gap Report, and the Gender and Ethnicity Pay Gap Reports.

To assist it in these tasks, the Committee received:

- information on the President and Vice-Chancellor's salary, including an overview of her performance from the Chair of the Board of Governors;
- recommendations for salary increases from the President and Vice-Chancellor in relation to the Deputy President and Deputy Vice-Chancellor; the Vice-Presidents and Deans; the Policy Vice-Presidents and the Registrar, Secretary and Chief Operating Officer;
- a succession plan for the President and Vice-Chancellor and her Senior Leadership Team;
- a report on national pay market data;
- a summary report of the annual salary review for non-clinical professors;
- the number of staff earning over £100,000 per annum;
- a copy of the University's Gender and Ethnicity Pay Gap Reports;
- Forward Annual Plan.

Key decisions taken in 2020/21

The University is aware of the need to balance the challenging financial climate, the external perception of senior salaries and the University's ability to pay with the need to recognise the contribution and performance of individuals and to retain its best staff.

The University is seeking to create financial headroom to invest in staff, students and facilities. This is a significant challenge in the light of the increased financial, political and sector uncertainty and financial challenge. These uncertainties include the impact of COVID-19, greater global competition, reductions in public funding, exchange rate fluctuations, a potential decline in student numbers and research income, the impact of the Teaching Excellence and Student Outcomes Framework (TEF), geo-political pressures and further increases in costs arising from pensions and inflation. These financial pressures are likely to impact on what the University can afford and sustain. This needs to be taken into account when presenting proposals for salary increases, ensuring they are justified through a clearly presented business case.

Against this background, there was no national pay award in 2020/21. However, there was an increase of 1.5% to account for incremental progression which is contractual. The potential impact of COVID-19 on the University's financial sustainability has been taken into account by the committee in arriving at its decisions post mid- March 2020. The Committee approved a recommendation from the Chair of the Board of Governors for a zero pay award for the President and Vice-Chancellor and approved the recommendation from the President and Vice-Chancellor for pay awards effective from 1 April 2021 for her direct reports. The Committee also noted that the President and Vice-Chancellor and her senior leadership team had volunteered to take a 20% reduction in salary for a period of 5 months.

Senior Leadership Team (2020-2021)

The Committee is directly responsible for setting the remuneration of the Senior Leadership Team reporting directly to the President and Vice-Chancellor:

Name	Role
Professor Dame Nancy J Rothwell	President and Vice-Chancellor
Professor Luke Georghiou	Deputy President and Deputy Vice-Chancellor
Mr Patrick Hackett	Registrar, Secretary and Chief Operating Officer
Professor Graham Lord	Vice-President and Dean of Biology, Medicine and Health
Professor Keith Brown	Vice-President and Dean of Humanities
Professor Martin Schröder	Vice-President and Dean of Science and Engineering
Professor Colette Fagan	Vice-President for Research
Professor Nalin Thakkar	Vice-President for Social Responsibility
Professor April McMahon	Vice-President for Teaching, Learning and Students

Recommendations for the Director of Human Resources and the Chief Financial Officer (who are both also members of the Senior Leadership Team) are made via the Senior Salaries Review Group (SSRG) and reported to and approved by the Committee.

Elements of Remuneration for the Senior Leadership Team

The table below shows the elements of remuneration for the Senior Leadership Team, the reasons for their inclusion and the way they operate.

Element How element supports our strategy	Operation	Maximum potential value	Performance conditions and assessment
Base salary Supports the recruitment and retention of Senior Leaders with the experience and skills required to deliver the University's strategic plan. Salary increases whether consolidated or non-consolidated provide an opportunity to recognise outstanding individual contributions by Senior Leaders.	Base salary, paid monthly, reflects the size of the role (based on Hay evaluation) and its responsibilities, individual performance assessed annually and the skills and experience of the individual. Increases to the President and Vice-Chancellor's base salary are approved by the Remuneration Committee. For all other members of the Senior Leadership Team, except the Director of HR and the Chief Financial Officer, recommendations for base pay increases are made by the President and Vice-Chancellor and approved by the Remuneration Committee. Increases are effective from 1 April. The Registrar, Secretary and Chief Operating Officer makes recommendations to the Senior Salaries Review Group (SSRG) for the Director of HR and Chief Financial Officer, which are subsequently reported to and approved by the Remuneration Committee. A national pay increase is effective from 1 August and any other performance increase is effective from 1 October. Base pay increases can be either consolidated (a permanent increase to base salary which is pensionable) or non-consolidated. Non-consolidated increases are not pensionable and are paid as a lump sum shortly after they are awarded.	Increases to base salary are determined annually taking into account: • Individual performance • The scope of the role • Pay levels in comparable organisations • The levels of base salary increases for the staff of the University generally • The financial position of the University and the available budget for increases • Any retention issues In benchmarking base salaries the Committee considers two comparator points being: • The Upper Decile of the results of the UCEA Salary Survey across all Institutions; .	An individual's skills and experience in the role is one of the factors considered when setting base salary levels. Outstanding individual contributions are, from time to time, recognised through increases to base salary. In particular this may be through the award of a non-consolidated increase to base salary.

Elements of Remuneration for the Senior Leadership Team (continued)

Element **How element supports our strategy**	**Operation**	**Maximum potential value**	**Performance conditions and assessment**
		• The median of the Industrial and Service Sector with a range of 80%-120%. The Upper Decile of the Russell Group is considered appropriate on the basis that the University is one of the largest and most complex institutions with an ambitious agenda.	
Pension Supports recruitment and retention of Senior Leaders in line with market practice in the University sector. Provides flexibility for those who have reached HMRC limits for pension saving.	In general, members of the Senior Leadership Team will be members of an appropriate defined benefit pension arrangement. This will usually be the Universities Superannuation Scheme (USS) but may be the NHS Pension Scheme where appropriate. Where the Senior Leader may be affected by the HMRC limits for pension saving, the University may pay a cash allowance (in line with the contributions the University would have made to the Scheme at no additional cost) in lieu of pension provision. This is dealt with on a case by case basis. Any cash allowance is subject to income tax and NI deductions.	The USS is a hybrid scheme and the NHS Pension Scheme is a defined benefit scheme and the cost to the University of providing the benefits varies depending on the actuarial position of the Scheme. The University contributed 21.1% of base salary to USS (inclusive of a 2.0% deficit payment) and 14.38% of base salary to the NHS Pension Scheme in the year ended 31 July 2021.	None applicable.
Benefits To attract and retain Senior Leaders by providing benefits in line with market practice in the University sector.	A small range of benefits is available including life cover (which is automatic as it is linked to the pension scheme) and sick pay (six months full pay and six months half pay) in line with all employees. The President and Vice-Chancellor receives private medical insurance.	The University bears the cost of providing benefits.	None applicable.

Further information on the President and Vice-Chancellor's remuneration

The Chair of the Board undertakes a thorough annual performance and development review with the President and Vice-Chancellor. The President and Vice-Chancellor also continued to assert that she does not wish to receive any pay increase, as per the previous four years. The Committee noted that the President and Vice-Chancellor is not highly paid in comparison to her counterparts (who in some cases also receive bonus payments) and acknowledged that she is leading a complex and large institution. The President and Vice-Chancellor's salary is in the lower quartile of pay for Vice-Chancellors within the Russell Group.

The President and Vice-Chancellor is not in receipt of a bonus payment and therefore there is no requirement to undertake an analysis against any defined objectives linked to a bonus payment.

Median salaries

All salaries	Academic salaries	Professorial salaries	Professional Staff salaries
£38,017	£49,533	£86,765	£29,176

Median salaries set against the President and Vice-Chancellor's

Year	Median Salary	President and Vice-Chancellor's Base Salary £	Ratio
20/21	£36,474	£260,399[1]	1 : 7.1
19/20	£33,797	£260,399[1]	1 : 7.7
18/19	£35,211	£260,399	1 : 7.4
17/18	£35,721	£260,399	1 : 7.3
16/17	£34,956	£260,399	1 : 7.5

[1] *The President and Vice-Chancellor's base salary and ratio in 2020/21 and 2019/20 does not take account of the temporary 20% pay cut voluntarily taken as a result of the COVID-19 pandemic. Taking this into account results in a ratio of 1:6.9 in 2020/21 and 1:7.3 in 2019/20 and a salary cost of £252k in 2020/21 and £247k in 2019/20, as set out in note 7.*

Remuneration for other employees

All employees of the University receive a base salary plus benefits consistent with those available to the Senior Leadership Team, and are eligible to participate in the University's pension arrangements.

The base salary levels for the Senior Leadership Team reflect their position as some of the most senior employees of the University and are therefore higher than most staff of the University.

In addition to receiving the annual cost of living award, Grade 9 academic related staff's salaries are reviewed in October against performance and contribution. Any increases take into account the level of the annual cost of living award and the University's ability to pay, together with any market/retention issues. Such awards can either be consolidated and therefore pensionable or non-consolidated and non-pensionable. The size of the pot to be distributed is 1.5% of the total base salaries of the academic related grade 9 cohort which is the budgeted amount for incremental progression in grades 1-8.

Salary increase for the Professoriate are managed through the Faculty Promotion Committees and operate within the parameters of the Non Clinical Professorial Salary Policy.

Grade 1-8 staff receive an annual cost of living award and are eligible for incremental progression. In addition they may be nominated once a year for an award under the University's Recognising Exceptional Performance policy. Awards can be non-consolidated or a further incremental point.

The University uses the Higher Education Role Evaluation (HERA) model to evaluate roles in grades 1 to 8. This translates into a 51 point pay spine with identified grade boundaries defining the minimum and maximum salary for each grade and the incremental progression points. The President and Vice-Chancellors salary (£260,399) as a median of all salaries, academic salaries, professorial salaries and professional staff salaries, excluding on costs, is shown in the table above.

The President and Vice-Chancellor's salary is 15 times greater than the lowest point on the University's pay spine. The University monitors any increase in the minimum wage level proposed by the Living Wage Foundation, as an accredited member, and will adjust relevant salary points on its 51 point pay spine to meet the minimum proposed.

The median salary for the last five years set against the President and Vice-Chancellor's salary is shown in the table above.

Approach to recruitment remuneration

Overall, the University aims to recruit Senior Leaders using remuneration packages that are market-competitive and consistent with the existing remuneration structure. In doing so, the University seeks to pay no more than necessary to attract talented individuals to join the University.

Newly recruited Senior Leaders are eligible to receive the same remuneration elements as existing Senior Leaders as set out in the policy table above, namely:

- Salary – set at an appropriate level taking into account the experience and quality of the candidate
- Pension

The University does not expect to make special recruitment arrangements outside the standard policy, but may do so in exceptional circumstances in order to secure the appointment of the right candidate. All salaries at or above £120,000 must be approved by the President and Vice-Chancellor who may consult with the Chair of the Remuneration Committee.

Senior Leaders' service contracts and notice periods

The service contracts and notice periods of the Senior Leadership Team are as follows:

Role	Term	Names
President and Vice-Chancellor.	Employed on a seven year fixed term contract which is renewable and is subject to a twelve month notice period. Also holds a contract as Professor of Physiology which is retained when she leaves office.	Professor Dame Nancy Rothwell
Deputy President and Deputy Vice-Chancellor	Employed on a five year fixed term contract which is renewable and is subject to a three month notice period. On completion remain employed as a Professor.	Professor Luke Georghiou
Vice-Presidents and Deans	Appointed usually for a fixed five year term of office which is renewable and on completion remain employed as professors by the University and return to previous role/retained employed as a Professor. Subject to three month notice periods.	Professor Keith Brown Professor Graham Lord Professor Martin Schröder
Vice-Presidents	Appointed on a fixed five year contracts. Generally subject to a three month notice period. On completion remain employed as a professor.	Professor April McMahon Professor Colette Fagan Professor Nalin Thakkar
Registrar, Secretary and Chief Operating Officer	Employed on a permanent contract and subject to a three month notice period.	Mr Patrick Hackett

Policy on termination payments

For the academic roles it is usual for the individual to return to their previous role as a Professor when they complete their term as a member of the Senior Leadership Team. In such cases, their base salary is reviewed at that time and may be adjusted where necessary to reflect their ongoing responsibilities. No additional payments are made in respect of stepping down from the Senior Leadership Team.

The University's overarching aim is to treat departing Senior Leaders fairly, taking into account the circumstances of their departure, but always taking care to ensure that the interests of the University are considered and that there are no rewards for failure.

Senior Leaders are entitled to be paid their Base Salary and contractual benefits (including pension contributions) during the notice period and none have been made during the year. The University has the discretion to pay these as a lump sum benefit in lieu of notice.

In general, no additional payments are made to compensate Senior Leaders when their employment terminates. If, in exceptional circumstances, a settlement agreement is needed, the Committee may make payments it considers reasonable in settlement of potential legal claims (e.g. unfair dismissal). It may include in such payments reasonable reimbursements of legal fees in connection with such agreements (the normal maximum for legal fees for senior managers is £750 + VAT).

Consideration of conditions elsewhere in the University

The Committee is responsible for setting the remuneration of the Senior Leadership Team and approves the base salaries recommended by the Senior Salaries Review Group for professorial staff in Zones B and A and Grade 9 academic-related staff. When considering base salary increases for senior staff, the Committee takes careful account of the level of salary increases across the University in general, and the financial position of the University including the budget available for such increases.

History of President and Vice-Chancellor's remuneration

The table below shows the remuneration of the President and Vice-Chancellor over the last five years.

Year (ending July)	Remuneration
2021	**£260,399***
2020	£260,399*
2019	£260,399
2018	£260,399
2017	£260,399

** The salary stated for the years ended 31 July 2021 and 2020 does not include the temporary 20% pay cut voluntarily taken as a result of the COVID-19 pandemic.*

Statement of implementation of Remuneration Policy in 2021/22

The Committee intends that remuneration arrangements for 2021/2022 will be operated in line with the policy set out above as directed by the Board of Governors, taking account of the University's finances and in line with the requirements of the Office for Students and the CUC Code for Higher Education Senior Staff.

Statement of the Board of Governors' responsibilities

for the year to 31 July 2021

In accordance with the Royal Charter, the Board of Governors of The University of Manchester ('the Board') is responsible for the administration and management of the affairs of the University and is required to present audited financial statements for each financial year.

The Board is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of The University of Manchester and which enable it to ensure that the financial statements are prepared in accordance with the Higher Education and Research Act 2017, the Royal Charter, the Accounts Direction issued by the Office for Students, the Terms and conditions of funding for higher education institutions issued by the Office for Students, the Terms and conditions of Research England Grant, the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2019, and applicable United Kingdom Law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102, as well as reflecting current best practice in public sector corporate governance. In addition, under the terms and conditions of funding for higher education institutions issued by the Office for Students, the Board, through its designated office-holder, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the University and of the institutional surplus or deficit and cash flows for that year.

In causing the financial statements to be prepared, the Board has to ensure that:

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

The Board has taken reasonable steps to ensure the University:

- has a robust and comprehensive system of risk management, control and corporate governance. This includes arrangements for the prevention and detection of corruption, fraud, bribery and irregularities.
- has regular, reliable, timely and adequate information to monitor performance and track the use of public funds.
- plans and manages its activities to remain sustainable and financially viable.
- informs the Office for Students of any material change in its circumstances, including any significant developments that could have an impact on the mutual interests of the University and the Office for Students.
- uses public funds for proper purposes and seeks to achieve value for money from public funds.
- complies with the mandatory requirements relating to audit and financial reporting, set out in the Office for Students Audit Code of Practice and in the Office for Students annual accounts direction.

The governors who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the University's auditor is unaware; and each governor has taken all the steps that he or she ought to have taken to be aware of any relevant audit information and to establish that the University's auditors are aware of that information.

The Board of Governors is responsible for the maintenance and integrity of the corporate and financial information included on the University's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions. The work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Mr Edward M Astle
Chair of the Board of Governors
and Pro-Chancellor

Independent Auditor's Report to the Board of Governors of The University of Manchester

Opinion

We have audited the financial statements of The University of Manchester (the 'parent institution') and its subsidiaries (the 'group') for the year ended 31 July 2021 which comprise the Consolidated and Parent Institution Statements of Comprehensive Income, the Consolidated and Parent Institution Statements of Financial Position, the Consolidated and Parent Institution Statements of Changes in Reserves, the Consolidated Statement of Cash Flows and notes to the financial statements, including the statement of principal accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the parent institution's affairs as at 31 July 2021 and of the group's and parent institution's income and expenditure, gains and losses, changes in reserves and of the group's cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education, relevant legislation and the Office for Students requirements.

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 parent institution in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, 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 Board of Governors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Board of Governors' assessment of the group's and parent institution's ability to continue to adopt the going concern basis of accounting included:

- Obtaining an understanding of management's going concern assessment process, discussing with management to ensure all key factors were considered in their assessment.
- We obtained management's going concern assessment, including the cash flow forecasts for the period to 31 July 2023 which is more than twelve months from the date on which the financial statements were approved by the Governors. The group has modelled various scenarios in their cash flow forecasts to incorporate unexpected changes to the forecasted liquidity of the group.
- We reviewed the factors and assumptions included in the cash flow forecast. We considered the appropriateness of the assumptions and methods used to calculate the forecasts and determined that the assumptions and methods utilised were appropriate to be able to make an assessment for the group.
- We reviewed the group's going concern disclosures included in the annual report in order to assess that the disclosures were appropriate and in conformity with the reporting standards.

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 or parent institution's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Our application of materiality

The scope of our audit was influenced by our application of materiality. We determined materiality for the financial statements as a whole to be £10,987,000 for the consolidated financial statements using 1% of group revenue as a basis. As a not for profit organisation, we consider group revenue to be the most stable benchmark and the most relevant determinant of the group's performance used by stakeholders. Materiality for the parent was £10,999,000.

We used a different level of materiality ('performance materiality') to determine the extent of our testing for the audit of the consolidated financial statements. Performance materiality is based on the audit materiality as adjusted for the judgements made as to the entity risk and our evaluation of the specific risk of each audit area having regard to the internal control environment. This was set at 60% of overall materiality, being £6,592,000 for the Group and £6,599,000 for the parent.

We agreed with the Audit and Risk Committee that we would report to the Committee all audit differences in excess of 5% of overall materiality at £549,950 as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We reassessed materiality at the end of the audit and did not find it necessary to revise our planning materiality.

Whilst materiality for the financial statements as a whole was set at £10,987,000, each significant component of the group was audited to an overall materiality ranging between £18,000 and £93,000 with performance materiality set at 70% of overall materiality in each entity. We applied the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatement.

Our approach to the audit

Our audit approach was developed by obtaining an understanding of the group's activities, the key subjective judgements made by the Governors, for example in respect of significant accounting estimates that involved making assumptions, and considering future events that are inherently uncertain, and the overall control environment.

Based on this understanding we assessed those aspects of the group's transactions and balances which were most likely to give rise to a material misstatement and were most susceptible to irregularities including fraud or error. Specifically, we identified what we considered to be key audit matters and planned our audit approach accordingly.

All but one of the subsidiaries of the group (components) are based in the UK and the group audit team have responsibility for the audit of all components included in the consolidated financial statements with the exception of one component. The group consists of six components. Five of the components were determined to be significant components and were subject to full scope audits. The remaining component was considered to be non-significant and specific audit procedures were performed on material balances.

Key audit matters

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

Key Audit Matter	**How our scope addressed this matter**
Fraud in revenue recognition (£1,100m total income, PY comparative £1,064m)	
Refer to the accounting policies (page 43); and Notes 1-6 of the Consolidated Financial Statements Revenue is recognised in accordance with FRS 102 and sections 16, 17 and 18 of the Statement of Recommended Practice: Accounting for Further and Higher Education. We considered the risk of fraud in revenue recognition across the group's income streams: ***Research grants and contracts (£237.0m; PY £264.7m):*** • Research income recognition requires judgement at the year end in recognising accrued and deferred income. There is an increased risk in revenue recognition in the year to 31 July 2021, along with associated accrued and deferred income balances, due to the impact of Covid-19 on completing research activity and meeting the recognition terms within underlying agreements. ***Tuition fees (£577.9m; PY £504.9m):*** • Where there are fees related to courses over the year end and at variable rates there is a risk that revenue may not be recognised in the correct financial year. ***Capital grants (included within research and other income) (£41.9m; PY £40.9m)*** • Capital income recognition depends on judgement as to the extent performance conditions apply to the income and if they have been met. There is a particular risk that deferred capital grants balances are not complete and therefore income has been recognised incorrectly.	Our audit procedures across all material revenue streams included: • Understanding the revenue processes for each material revenue stream. • Identification and walkthrough of key controls over revenue processes for each material revenue stream. • Review of accounting policies to ensure these are appropriate and consistently applied. • Review of receipts and transactions around the year end to ensure recognition in the correct period *Research grants and contracts* We tested a sample of research income, deferred income and accrued income, identifying performance related conditions within funding agreements and ensuring the revenue recognition was in accordance with those conditions. We reviewed the outcomes of a sample of donor audits and discussed with research finance teams whether any amounts were due to be repaid to funders or disputed. *We reviewed project balances for any unusual balances, or balances not in line with our expectations.* *Tuition fees* For full-time courses we performed substantive analytical review procedures, developing an expectation of fee income and comparing this to the income recognised in the year. We tested the accuracy of student numbers and type by sample testing to student records and fees to published rates for the academic year. We sample tested other fee income to invoices and cash received.

Key Audit Matter	How our scope addressed this matter
Fraud in revenue recognition (£1,100m total income, PY comparative £1,064m)	
Other income (£135.7m; PY £145.2m); • There is a risk that revenue is recorded incorrectly around the year end date.	*Capital income* Substantively tested a sample of capital grant income and deferred income to the grant award to test that the income relates to the University and that the income is recognised in line with the award criteria. *Other income* Substantively tested a sample of other income back to source documents, such as invoice, contracts, grant agreements and cash. Based upon the audit procedures performed, we conclude that revenue has been appropriately recorded in the period in accordance with the requirements of FRS 102 and sections 16, 17 and 18 of the Statement of Recommended Practice: Accounting for Further and Higher Education.
Valuation of defined benefit liabilities in the University of Manchester Superannuation Scheme and the Greater Manchester Pension Fund (UMSS £922.7m and GMPF £148.7m, PY comparative UMSS £876.6m and GMPF £144.6m)	
Refer to the accounting policies (page 46); and Notes 21 and 25 of the Consolidated Financial Statements. The University recognises three material pension schemes in the Statement of Financial Position. The Greater Manchester Pension Fund (GMPF) and University of Manchester Superannuation Scheme (UMSS) are accounted for as defined benefit pension schemes in accordance with section 28 of FRS 102 and section 21 of the Statement of Recommended Practice: Accounting for Further and Higher Education. Accounting for the technical liabilities related to these two schemes involves significant estimation and judgement in determining the actuarial assumptions. Management has engaged an independent actuary to undertake the calculations on their behalf. We consider there to be a risk that the gross pension liability is materially misstated as a result of inappropriate actuarial assumptions.	Our audit procedures included: • Understanding management's process for determining the pension assumptions and liability calculation, as performed by the independent actuary. • Obtaining the report prepared by the independent actuary for each of the two Schemes to understand the key assumptions used in the calculation. • We engaged independent experts to review the actuarial assumptions used for the purposes of the liability valuation and consider whether any assumptions fell outside of an acceptable range, including those such as the discount rate, salary increase, CPI and RPI. • Confirming the independence of management's actuary and assessed their expertise and scope of work. • Reviewing the accounting entries and disclosures in the financial statements to ensure compliance with accounting standards. Based on the procedures performed we concluded that: • the assumptions were within our acceptable range; • the disclosures within the financial statements were appropriate; and • the gross liability for UMSS and GMPF have been accounted for in accordance with section 28 of FRS 102 and section 21 of the Statement of Recommended Practice: Accounting for Further and Higher Education.

Valuation of defined benefit assets in the Greater Manchester Pension Fund (£147.4m, PY comparative £124.5m)	
Refer to the accounting policies (page 46); and Notes 21 and 25 of the Consolidated Financial Statements. The University is an admitted body to the Greater Manchester Pension Fund (GMPF). This is a multi-employer scheme and they recognise their share of the assets and liabilities on the balance sheet in accordance with section 28 of FRS 102 and section 21 of the Statement of Recommended Practice: Accounting for Further and Higher Education. The GMPF actuary uses a rollforward approach to estimate the value of the assets at the year-end date. This involves estimating the value of the assets in the GMPF and applying the University's share of these assets, which is calculated at each triennial valuation.	Our audit procedures included: Understanding management's process for determining the asset rollforward. Obtaining the report prepared by the independent actuary to understand the key assumptions used in the calculation. Confirmed the independence of management's actuary and assessed their expertise and scope of work. We have confirmed the University's share of assets to the actuary report and have confirmed that these are consistent year on year when compared to the published GMPF financial statements. We reviewed the accounting entries and disclosures in the financial statements to ensure compliance with accounting standards. Based on the procedures performed we concluded that the assumptions used were reasonable and the disclosures within the financial statements appropriate.

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 Board of Governors are responsible for the other information contained within the annual report. Our opinion on the group and parent institution financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the 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.

Opinions on other matters prescribed by the Office for Students

In our opinion, based on the work undertaken in the course of the audit, in all material respects:

- funds from whatever source administered by The University of Manchester have been properly applied to those purposes and managed in accordance with relevant legislation;
- funds provided by the Office for Students and UK Research and Innovation (including Research England) have been applied in accordance with the applicable terms and conditions attached to them; and
- the requirements of the Office for Students accounts direction for the relevant year's financial statements have been met.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Office for Students require us to report to you if, in our opinion:

- the institution's grant and fee income, as disclosed in note 2 to the financial statements, has been materially misstated; and
- the institution's expenditure on access and participation activities for the financial year has been materially misstated.

Responsibilities of the Board of Governors

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

In preparing the group and parent institution financial statements, the Board of Governors are responsible for assessing the group's and the parent institution'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 management either intend to liquidate the group or the parent institution or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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 obtained an understanding of the group and parent institution and the sector in which they operate to identify laws and regulations that could reasonably be expected to have a direct effect on the financial statements. We obtained our understanding in this regard through discussions with management, sector research and application of our audit knowledge and experience.
- We determined the principal laws and regulations relevant to the group and parent institution in this regard to be those arising from the Office for Students Terms and conditions of funding for higher education institutions, the Higher Education and Research Act 2017, Financial Reporting Standard 102 and relevant employee legislation.
- We designed our audit procedures to ensure the audit team considered whether there were any indications of non-compliance by the group and parent institution with those laws and regulations. These procedures included, but were not limited to enquiries of management, review of minutes and review of legal and regulatory correspondence.
- We also identified the risks of material misstatement of the financial statements due to fraud. We considered, in addition to the non-rebuttable presumption of a risk of fraud arising from management override of controls, that there was a potential for management bias in the timing of recognition of research income, including the impact of Covid-19 on completing research activity and meeting recognition terms within the underlying agreements. We addressed this through substantive sample testing of research income back to source documents to ensure that income was recognised in accordance with the performance related conditions. We also independently inquired with the University's Research Office, Head of Financial Reporting and Research Finance to confirm whether there are any disputes in relation to research finance and understand the outcome of audits performed by grant funding bodies during the period, cross referring responses and the results of our substantive testing and challenging whether the University's assessment of clawback risk is correctly valued in the financial statements.
- We also identified potential for management bias in:
    - the judgements made around recoverability of debtors, which we addressed through examination of post year end cash received, review of correspondence with debtors and discussion of recoverability with management;
    - the depreciation rate applied to tangible fixed assets, which we addressed by considering the useful economic life applied for the types of asset held, and re-performing the calculation to ensure it had been performed accurately in line with the stated method;
    - the accounting for the defined benefit pension scheme liabilities, which we addressed through review of the actuarial reports prepared by management's experts, testing the reasonableness of inputs to their calculation, and challenging assumptions applied in the valuation; and
    - the valuation of heritage assets, where we challenged the valuation methodology, including inputs and considering whether assumptions are reasonable and appropriate. We also challenged management's annual review for impairment.
- As in all of our audits, we addressed the risk of fraud arising from management override of controls by performing audit procedures which included, but were not limited to: the testing of journals; reviewing accounting estimates for evidence of bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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

Other matters which we are required to address

We were appointed by The University of Manchester on 23 July 2021 to audit the financial statements for the period ending 31 July 2021. Our total uninterrupted period of engagement is 1 year.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent institution and we remain independent of the group and the parent institution in conducting our audit.

Our audit opinion is consistent with the additional report to the audit committee.

Use of our report

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

Alastair Duke
(Engagement Partner)
For and on behalf of PKF Littlejohn LLP
Registered Auditor

15 Westferry Circus
Canary Wharf
London E14 4HD

Date: 7 January 2022

Financial statements

For the year ended 31 July 2021

Statement of principal accounting policies

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with the Higher Education and Research Act 2017, the Royal Charter, the Accounts Direction issued by the Office for Students (OfS), the Terms and conditions of funding for higher education institutions issued by the Office for Students, the Terms and conditions of Research England Grant, the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education issued in 2019 and in accordance with Financial Reporting Standard (FRS) 102. The University is a public benefit entity and therefore has applied the relevant public benefit requirement of the applicable UK laws and accounting standards.

Going concern

The financial statements are prepared on a going concern basis which the Board of Governors considers to be appropriate for the reasons set out below.

At 31 July 2021 the University held cash and cash equivalents of £337m, had net current liabilities of £7m, and external borrowings of just under £400m, comprising £100m private placement maturing 2046 and a £300m listed bond maturing 2053. The University also has access to a £250m Revolving Credit Facility expiring January 2024 which had not been utilised as of 31 July 2021. The University complied with all covenant requirements for existing borrowing at 31 July 2021. All debt is unsecured. Subsequent to the year-end the University held cash and cash equivalents of £464m at 31 October 2021, had no further borrowing in place and the RCF remained unutilised.

The Board of Governors have considered cash flow forecasts from the date of approval of these financial statements to 31 July 2023, a period of 20 months. After reviewing these forecasts the Board of Governors is of the opinion, taking account of a base case forecast and also severe but plausible downsides as well as an extreme reverse stress test scenario, that the University has sufficient funds to meet its liabilities as they fall due for the period to 31 July 2023.

The scenarios modelled include the following key assumptions:

For the severe but plausible downside scenario:

- Decrease of 30% in all overseas tuition fees;
- 10% reduction in home tuition fees;
- Residences and commercial income reduced back to 2020/21 levels when there was a protracted lockdown as a result of the pandemic; and
- The USS proposed benefit changes are not accepted and the higher contribution rates therefore apply.

For the reverse stress test scenario:

- No 2022/23 overseas intake;
- No overseas or home taught postgraduate students at all;
- The same assumptions as above for home tuition fees, residences and commercial income, and USS pension contributions.

The University also has a number of mitigating actions it can take to reduce costs should they be required, some of which the University can implement at short notice as it had to do when the COVID 19 pandemic first hit.

These scenarios show that the University remains financially sustainable with sufficient available cash balances underpinned by the £250m Revolving Credit Facility which the University has in place out to January 2024. Even under the reverse stress test scenario, the University was showing it would not need to use the RCF until Spring 2023 and for an amount of no more than £100m.

The scenario modelling has also demonstrated that the University will still have sufficient headroom within the financial covenants in place in respect of both the Private Placement and the Revolving Credit Facility. In addition universities are required to report to the OfS if their liquidity falls below 30 days operating expenditure. This equates to a minimum cash balance of at least £80m for the University. The OfS includes access to an RCF in its assessment of liquidity. As the University has the £250m RCF in place and as supported by the scenario modelling it is at no risk of needing to make a report to the OfS.

As a consequence of the above, the Board of Governors have a reasonable expectation that the University has adequate resources to continue in operational existence for the going concern period. Therefore, the Board of Governors continue to adopt the going concern basis of accounting in preparing the Financial Statements.

2. BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention, with the exception of:

- Certain investment properties which have been revalued to fair value as at the year ended 31 July 2021.
- Financial instruments are stated at fair value in accordance with FRS 102.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the University operates (the functional currency) and rounded to the nearest £'000.

The University has taken the exemption Under 1.12 (b) of FRS 102 to not produce a cash flow statement for the University as it is the ultimate parent entity.

3. BASIS OF CONSOLIDATION

The consolidated financial statements include the University and all its subsidiaries 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, being the date on which the Group obtains control of the entity, or up to the date of disposal. Intra-group transactions are eliminated on consolidation.

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

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

4. INCOME RECOGNITION

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

Tuition fee income is stated gross of any expenditure which is not a discount and credited to the Statement of Comprehensive Income over the period in which students are studying. Where the amount of the tuition fee is reduced by a discount, income receivable is shown net of the discount. Bursaries and scholarships are accounted for gross as expenditure and not deducted from income. Education contracts are recognised when the University is entitled to the income, which is the period in which students are studying, or where relevant, when performance conditions have been met.

Grant funding

Grant funding including funding council block grants, research grants from government sources, grants (including research grants) from non-government sources are recognised as income when the University is entitled to the income and any performance related conditions have been met. Income received in advance of any performance related condition being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

Capital grants

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

Insurance proceeds

Insurance proceeds are recognised as receivable when confirmed by the insurance company. Proceeds relating to the loss of income are recognised as income when receivable. Proceeds which relate to the reimbursement of specific costs are netted off the costs to which they relate. Proceeds relating to the loss of a tangible fixed asset are disclosed within profit on disposal of fixed assets.

Donations and endowments

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

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

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

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

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

Donations of fixed assets are included within income. The income recognised is valued using a reasonable estimate of their gross value or the amount actually realised. Donated tangible fixed assets are valued and accounted for as fixed assets under the appropriate fixed asset category.

5. INTRA-GROUP TRANSACTIONS

Gains or losses on any intra-group transactions are eliminated in full. Amounts in relation to debts and claims between undertakings included in the consolidation are also eliminated.

Balances between the University and its associates and joint ventures are not eliminated. Normal trading transactions that are not settled by the balance sheet date are included as current assets or liabilities. Any gains or losses are included in the carrying amount of assets of either entity, the part relating to the Institution's share is eliminated.

6. FOREIGN CURRENCY

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised within surplus before tax in the Statement of Comprehensive Income.

Non-monetary assets and liabilities denominated in foreign currencies are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group's presentational currency, pounds sterling, at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions.

7. TANGIBLE FIXED ASSETS

Tangible fixed assets are stated at cost or, in the case of certain land and buildings and heritage assets at deemed cost, less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets that had been revalued to fair value on or prior to the date of transition to the 2015 FE HE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Where parts of a tangible fixed asset have different useful lives, they are accounted for as separate items of fixed assets (component accounting).

Land and buildings

Land and buildings are stated at cost or at deemed cost.

Where a property comprises two or more major components with substantially different useful economic lives (UELs), each component is accounted for separately and depreciated over its individual UEL. Expenditure relating to subsequent replacement of components is capitalised as incurred.

Major enhancements to existing buildings at a cost of more than £150,000 are capitalised and depreciated over their expected UEL, or less if the leasehold is shorter.

Depreciation is charged by component on a straight line basis over the estimated useful economic life of each component.

Useful economic lives for individual components of land and buildings are as follows:

Property Portfolio	Years
Structure (Academic, research, residential)	100 - 200
Structure (Sport, recreational, administrative)	20 – 50
Fit-Out (Academic, research, residential)	25 – 50
Fit-Out (Sport, recreational, administrative)	2 – 20
Mechanical and electrical services	10 – 35

New Builds	Years
Structure	100
Fit-Out	30
Mechanical and electrical services	20

Enhancements	Years
Structure	50
Fit-Out	30
Mechanical and electrical services	20

Freehold land is not depreciated as it is considered to have an indefinite useful life. Leasehold land is depreciated over the life of the lease where the lease is for less than 50 years.

Buildings under construction are included at cost, based on the value of architect's certificates and other costs incurred at 31 July 2021. They are not depreciated until they are brought into use.

Equipment

Individual items of equipment and groups of functionally dependent items costing more than £50,000 are capitalised at cost. All other items are written off to the Statement of comprehensive income in the year of acquisition.

Computer equipment consists of long-lived capital assets that normally are technological in nature and are the basis of the University's information/connectivity infrastructure which exceed the £50,000 threshold. External specialist cost to bring the equipment into use will be considered as part of the asset. This includes all hardware, cabling and any incidental software required for the equipment to function.

Capitalised equipment is depreciated on a straight line basis over its expected useful economic life, generally assumed to be 3 years. Equipment acquired for a specific funded project is depreciated over its expected useful life which ordinarily equates to the term of the project.

Impairment

A review for impairment of a tangible fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of the tangible fixed asset may not be recoverable.

Maintenance

The full costs of repairs and routine corrective maintenance on tangible fixed assets are charged against revenue in the year in which they are incurred.

Assets held for resale

Tangible fixed assets surplus to requirements are held at the lower of cost and net realisable value.

Borrowing costs

Borrowing costs are recognised as expenditure in the year in which they are incurred. The University has opted not to capitalise borrowing costs.

8. HERITAGE ASSETS

Heritage assets are individual objects, collections, specimens or structures of historic, scientific or artistic value that are held and maintained principally for their contribution to knowledge and culture. Heritage assets are stated at cost or deemed cost. Heritage assets valued over £50,000 have been capitalised and recognised at the cost or value of the acquisition, where such a cost is reasonably obtainable.

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

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

9. LEASES

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

10. GOODWILL

Goodwill arising on consolidation is based on the difference between the fair value of the consideration given for the undertaking acquired and the fair value of its separable net assets at the date of acquisition. Goodwill is amortised over its estimated life which is usually 5 years and is subject to periodic impairment reviews as appropriate.

Positive purchased goodwill is capitalised and classified as an asset on the balance sheet.

11. INTANGIBLE ASSETS

Intangible assets purchased separately from a business are initially recognised at cost.

Purchased Software Costs

Software costs are capitalised if externally purchased and the wholly attributable external implementation costs as set out below exceed the £50,000 threshold.

External costs, associated with the application development and implementation phases are capitalised. This may involve the acquisition of computer equipment or third party software. Internal costs incurred in order to bring the software in to use are also capitalised where they can be reliably measured.

Costs to develop or obtain software that allows for access or conversion of old data by new information systems are also capitalised.

Software is amortised over its estimated useful life, which is usually three years and is subject to periodic impairment reviews as appropriate.

Training costs are expensed as incurred.

External costs and internal costs (where they can be reliably measured) in respect of upgrades and enhancements will be capitalised only if the expenditure results in additional functionality.

Internally-developed software and web-development costs

Design and content costs relating to the development of internal software and websites to support specific teaching or training courses, or for specific research projects, as well as design and content costs for websites that are the general use of the institution and its staff are written off as incurred.

Impairment

A review for impairment of an intangible asset is carried out if events or changes in circumstances indicate that the value of the intangible asset may not be recoverable.

12. SUBSIDIARY UNDERTAKINGS, ASSOCIATE UNDERTAKINGS AND JOINT VENTURES

In the University balance sheet investments in subsidiaries are stated at cost less provision for impairment. In the consolidated financial statements, investments in associated undertakings are stated at the University's share of their net assets. The University accounts for its share of joint ventures using the equity method. The University accounts for its share of transactions from joint operations and jointly controlled assets in the Statement of Comprehensive Income.

13. INVESTMENT PROPERTIES

Investment property is land and buildings (or parts of buildings) held for rental income and/or capital appreciation rather than for use in delivering services.

Investment properties are measured initially at cost and subsequently at fair value at the balance sheet date. Changes in fair value are recognised immediately within the surplus before tax in the Statement of Comprehensive Income. Investment properties are not depreciated but are revalued or reviewed annually according to market conditions as at 31 July each year.

14. FINANCIAL INSTRUMENTS

The University has chosen to apply the provisions of sections 11 and 12 of FRS 102 in full. Financial assets and financial liabilities are recognised in the University's balance sheet when the University becomes a party to the contractual provisions of the instrument. A financial asset and a financial liability are offset only when there is a legally enforceable right to set off the recognised amounts and an intention either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The University's financial assets and liabilities all meet the criteria for basic financial instruments prescribed within FRS 102 Section 11.8. All financial assets and liabilities are initially recognised at the transaction price plus any additional directly attributable transaction costs. They are subsequently measured as follows:

Investments

Investments within the scope of Section 11 of FRS 102 (therefore excluding investments in subsidiaries, associates and joint ventures) are recognised initially at fair value which is normally the transaction price (but excludes any transaction costs, where the investment is subsequently measured at fair value through the Statement of comprehensive income). Subsequently, they are measured at fair value if the investment is publicly traded or their fair value can otherwise be measured reliably with the changes in fair value recognised in the Statement of Comprehensive Income. All other investments are measured at cost less impairment.

Short-term debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the Statement of Comprehensive Income in other operating expenses.

Loan notes receivable or payable

Debt instruments, including loan notes, are basic financial instruments and are initially recorded at the transaction price, net of transaction costs. Subsequently, they are measured at amortised cost using the effective interest method.

Debt instruments that are receivable or payable within one year are not discounted.

15. STOCKS

Stocks are stated at the lower of their cost and net realisable value. Where necessary, provision is made for obsolete, slow-moving and defective stocks.

16. CASH AND CASH EQUIVALENTS

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

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value. Deposit investments are deemed to be cash equivalents if they have a maturity of three months or less from the date of placement.

17. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions are recognised when:
the University has a present legal or constructive obligation as a result of a past event; it is probable that a transfer of economic benefit will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

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

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

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

Contingent assets and liabilities are not recognised in the Balance Sheet, but are disclosed in the notes.

18. ACCOUNTING FOR RETIREMENT BENEFITS

The five principal schemes for the University's staff are the Universities Superannuation Scheme ('USS'), the NHS Pension scheme ('NHSPS'), the University of Manchester Superannuation Scheme ('UMSS'), the Greater Manchester Pension Fund ('GMPF') and the University of Manchester Pension Saver ("UoMPS"). The first four schemes are defined benefit schemes whilst UoMPS is a defined contribution scheme.

The four defined benefit schemes are externally funded, with the assets of the schemes held separately from those of the group, in separate trustee administered funds. With the exception of NHSPS, each fund has a full valuation at least every three years carried out by professionally qualified independent actuaries.

Pension costs are assessed on the latest actuarial valuations of the Schemes and are accounted for on the basis of FRS 102.

Defined contribution plans

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

Defined benefit plans

UMSS and GMPF schemes are accounted for as defined benefit plans under FRS 102. A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. Under defined benefit plans the University's obligation is to provide the agreed benefits to current and former employees, and actuarial risk (that benefits will cost more or less than expected) and investment risk (that returns on assets set aside to fund the benefits will differ from expectations) are borne in substance by the University.

The University should recognise a liability for its obligations under defined benefit plans net of plan assets. This net defined benefit liability is measured as the estimated amount of benefit that employees have earned in return for their service in the current and prior periods, discounted to determine its present value, less the fair value (at bid price) of plan assets at the balance sheet date. The calculation is performed by a qualified actuary using the projected unit credit method.

Where the defined benefit plan has changed the benefits in the current period, the University will increase or decrease its net defined liability to reflect this and shall recognise the increase or decrease as an expense or income respectively. Similarly if changes have come into effect that relate to prior periods (e.g due to legal rulings), these will be recognised as a past service cost or income in the period in which the decision / change is made.

If a defined benefit plan has been curtailed (i.e. benefits are significantly reduced) in the current period the defined benefit obligation shall be decreased and the University shall recognise the gain in the Statement of comprehensive income in the current period. If significant, it will be shown separately within the Statement of comprehensive income.

Where the calculation results in a net asset, recognition of the asset is limited to the extent to which the University is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

Multi-employer pension schemes

Of the four schemes, USS and NHSPS are both multi-employer schemes. Because of the mutual nature of the schemes, the schemes' assets are not hypothecated to individual institutions and scheme-wide contribution rates are set. The University 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 two schemes on a consistent and reasonable basis. Therefore, as required by FRS 102, these schemes are accounted for as if they are defined contribution plans. As a result, the amount charged to the Statement of Comprehensive Income represents the contributions payable to the scheme in respect of the accounting period. In addition, as a contractual commitment is in place with USS to fund past deficits within the scheme, a liability is recorded within provisions in accordance with FRS 102.

19. EMPLOYMENT BENEFITS

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

20. TAXATION STATUS

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

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

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

21. CURRENT AND DEFERRED TAXATION

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 balance sheet date.

Deferred tax is provided in full on timing differences that exist at the balance sheet date and that result in an obligation to pay more tax or a right to pay less tax in the future. Deferred tax is measured at rates expected to apply when the tax crystallises based on current rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

22. RESERVES

Reserves are classified as restricted or unrestricted.

Restricted endowment reserves include balances which, through endowment to the University, are held either as a permanently restricted fund where the

University must hold the fund to perpetuity or as an expendable endowment where the capital can be spent.

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

23. AGENCY ARRANGEMENTS

Where the University receives and disburses funds as paying agent on behalf of a funding body for which the University is exposed to minimal risk or enjoys minimal economic benefit related to the transaction, then the related income and expenditure is excluded from the Statement of Comprehensive Income. Details are disclosed within Note 33 'Amounts disbursed as agent'.

24. SIGNIFICANT ESTIMATES AND JUDGEMENTS

In the process of applying these accounting policies, the University is required to make certain estimates, judgements and assumptions that management believe are reasonable based on the information available. These are reviewed on a regular basis by the University's senior management team. The impact of the COVID 19 pandemic has also been assessed as part of this process. Significant estimates and material judgements used in the preparation of the financial statements are as follows:

Revenue recognition

As outlined in accounting policy 4, grant and research revenue is recognised in the Statement of Comprehensive Income as performance conditions are satisfied. Therefore management apply judgement in deferring income received for conditions not yet satisfied. To assess these amounts management consider the individual grant conditions and the progress and expenditure incurred on each agreement. The impact of COVID 19 on the deliverability of research grants has been assessed and additional provisions have been made where it is unlikely that the costs incurred, both as a result of delayed research activity or additional costs incurred as a consequence of the pandemic, are recoverable from the funder.

Recoverability of debtors

The provision for doubtful debts is based on the University's estimate of the expected recoverability of those debts. Assumptions are made based on the level of debtors which have defaulted historically, coupled with current economic knowledge. The provision is based on the current situation of the customer, the age profile of the debt and the nature of the amount due. The recoverability of debtors has been further scrutinised in the light of the pandemic and additional provision has been made for certain outstanding student debt and any other debt considered to be at risk. It is University policy to provide in full for all debtors over one year old. If the policy was amended to include all debt over 270 days old, the provision would increase by £0.8m as at 31 July 2021.

Investment properties

Valuations are undertaken every five years by an independent external team of chartered surveyors. This is then updated annually by senior management based on the current tenant rents and an estimate of the rental yield going forward. The estimated rental yield assumption was based on market information issued during the COVID 19 lockdown and is therefore considered to be reasonable. The rental yield assumption used was 10%. A 1% increase in the yield would reduce the valuation by £0.3m and a 1% decrease in the yield would increase the valuation by £0.3m.

Impairments

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

Management have impaired two buildings that are closed and are not earmarked for use. The amount impaired totalled £2.2m.

Management have also considered the impact of COVID 19 on its estate and concluded that those parts not impaired will continue to be fully utilised after taking account of the social distancing requirements. Therefore it is considered that there is no need to provide for any impairment as a consequence of COVID 19 in respect of the University estate.

As the University's investment portfolio is mostly listed, it is valued at fair value as at the year end date. Any other long term holding is cash. Therefore no additional impairment provision is required in relation to long-term investments as a consequence of COVID 19.

Provisions

Management apply judgement to arrive at the best estimate for any obligation required. The amount recognised as a provision is management's best estimate of the present value of the amount required to settle the obligation. To arrive at this amount management assess the likelihood and extent of any future settlement and make judgements based on these. The prior year provision includes £14.9m in relation to termination costs as a result of a voluntary severance (VS) scheme. The provision was calculated on the basis of the individual employee liabilities for those who have applied for and have been accepted for VS.

Other provisions of £21.9m relate to several specific items as set out in Note 21. This includes provisions for certain specific onerous contracts and includes an assessment of the impact of COVID-19 on these contracts and the calculation of the provision. It also includes a provision for the costs of exiting North Campus as a result of the planned move to the Manchester Engineering Campus Development (MECD) and the need to vacate the site for ID Manchester.

Taxation

The University establishes provisions based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience with previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority

Management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies.

No deferred tax assets are recognised in relation to tax losses within the subsidiaries as the likelihood of utilising these tax losses in the near future is seen as remote. Also the value of tax losses in subsidiaries available for future utilisation is not significant.

Retirement benefit obligations

The University operates five pension schemes. Two of these schemes are accounted for as defined benefit schemes. These are the University of Manchester Superannuation Scheme ('UMSS') and the Greater Manchester Pension Fund ('GMPF'). Actuarial valuations are carried out as determined by the trustees annually. Pension costs under FRS 102 are based upon the latest actuarial valuation, which is based on assumptions agreed by management following actuarial advice.

The liability may also take account of the estimated impact of changes in benefit structure or benefit calculations (e.g. due to legal rulings). The impact of this is estimated based on actuarial advice but also known conditions within the relevant scheme. The key assumptions used are documented within Note 25 as well as the key sensitivities in relation to the impact of those assumptions on the net pension liabilities These assumptions and the asset values are based on data derived as at 31 July 2021 or close to the year end. They therefore include the impact of the pandemic.

The University also operates three schemes which are accounted for as defined contribution schemes, the Universities Superannuation Scheme ('USS'), the NHS pension scheme ('NHSPS'), and the University of Manchester Pension Saver ('UoMPS'). These are accounted for as a defined contribution schemes as insufficient information is available to identify the University's share of the underlying assets and liabilities.

As the University is contractually bound to make deficit recovery payments to USS, this is recognised as a liability on the balance sheet. The provision is currently based on the USS deficit recovery plan agreed after the 2018 actuarial valuation, which defines the deficit payment required as a percentage of future salaries until 2028. These contributions will be reassessed within each triennial valuation of the scheme. The provision is based on management's estimate of expected future salary inflation, changes in staff numbers and the prevailing discount rate. The estimates for future salary inflation and changes in staff numbers have been derived from the most recent budgeting and planning exercise that the University has undertaken and which take account of future plans as a result of the COVID-19 pandemic. These key assumptions and the sensitivity of those assumptions on the provision for the deficit recovery plan are set out in Note 21. Notes 25(a) and 32 give details of the impact of the 2020 actuarial valuation which was finalised after the year end.

Consolidated Statement of Comprehensive Income

Year ended 31 July 2021

	Notes	Consolidated Year Ended 31 July 2021 £'000	Consolidated Year Ended 31 July 2020 £'000	University Year Ended 31 July 2021 £'000	University Year Ended 31 July 2020 £'000
Income					
Tuition fees and education contracts	1	**577,880**	504,927	**577,880**	504,927
Funding body grants	2	**138,068**	133,508	**138,068**	133,508
Research grants and contracts	3	**236,964**	264,714	**236,964**	264,714
Other income	4	**135,739**	145,224	**137,046**	173,566
Investment income	5	**4,485**	5,081	**4,484**	5,156
Donations and endowments	6	**7,182**	10,742	**7,182**	10,742
Total income		**1,100,318**	**1,064,196**	**1,101,624**	**1,092,613**
Expenditure					
Staff costs	7	**583,426**	599,313	**575,818**	589,077
Changes in USS deficit recovery plan	7	**-**	(111,567)	**-**	(111,567)
Settlement of UMSS liabilities by exiting employer	7	**-**	(3,724)	**-**	(3,724)
Total staff costs		**583,426**	484,022	**575,818**	473,786
Other operating expenses	8	**350,371**	337,468	**357,290**	347,507
Depreciation and amortisation	11 &12	**84,262**	98,819	**84,056**	97,793
Interest and other finance costs	9	**20,815**	24,999	**20,815**	24,999
Total expenditure		**1,038,874**	**945,308**	**1,037,979**	**944,085**
Surplus before other gains and share of operating surplus of associates		**61,444**	**118,888**	**63,645**	**148,528**
Loss on disposal of fixed assets	12	**-**	(90)	**-**	(934)
Gain/(loss) on investments (including investment properties)		**23,359**	(758)	**23,359**	(471)
Share of operating (deficit)/surplus in associate	15	**(172)**	889	**-**	-
Surplus before tax		**84,631**	**118,929**	**87,004**	**147,123**
Taxation	10	**155**	742	**130**	167
Surplus for the year		**84,786**	**119,671**	**87,134**	**147,290**
Other comprehensive income					
Actuarial gain in respect of pension schemes	25	**15,910**	15,502	**15,910**	15,502
Total comprehensive income for the year		**100,696**	**135,173**	**103,044**	**162,792**
Endowment comprehensive income for the year		**21,684**	(17,850)	**21,684**	(17,850)
Restricted comprehensive income for the year		**(6,858)**	(66,907)	**(6,858)**	(66,907)
Unrestricted comprehensive income for the year		**85,870**	219,930	**88,218**	247,549
		100,696	**135,173**	**103,044**	**162,792**

All items of income and expenditure relate to continuing activities

Consolidated Statement of Changes in Reserves

Year ended 31 July 2021

(a) Consolidated	Income and expenditure account			Total
	Endowment	Restricted	Unrestricted	
	£'000	£'000	£'000	£'000
Balance at 1 August 2020	220,541	17,177	1,533,606	1,771,324
Surplus from the income and expenditure statement	21,684	1,789	61,313	84,786
Other comprehensive income	-	-	15,910	15,910
Release of restricted funds spent in year	-	(8,647)	8,647	-
Total comprehensive income/(deficit) for the year	21,684	(6,858)	85,870	100,696
Balance at 31 July 2021	**242,225**	**10,319**	**1,619,476**	**1,872,020**
Balance at 1 August 2019	238,391	84,084	1,313,676	1,636,151
(Deficit)/surplus from the income and expenditure statement	(17,850)	30,279	107,242	119,671
Other comprehensive income	-	-	15,502	15,502
Release of restricted funds spent in year	-	(97,186)	97,186	-
Total comprehensive (deficit)/income for the year	(17,850)	(66,907)	219,930	135,173
Balance at 31 July 2020	**220,541**	**17,177**	**1,533,606**	**1,771,324**

(b) University	Income and expenditure account			Total
	Endowment	Restricted	Unrestricted	
	£'000	£'000	£'000	£'000
Balance at 1 August 2020	220,541	17,177	1,516,537	1,754,255
Surplus from the income and expenditure statement	21,684	1,789	63,661	87,134
Other comprehensive income	-	-	15,910	15,910
Release of restricted funds spent in year	-	(8,647)	8,647	-
Total comprehensive income/(deficit) for the year	21,684	(6,858)	88,218	103,044
Balance at 31 July 2021	**242,225**	**10,319**	**1,604,755**	**1,857,299**
Balance at 1 August 2019	238,391	84,084	1,268,988	1,591,463
(Deficit)/surplus from the income and expenditure statement	(17,850)	30,279	134,861	147,290
Other comprehensive income	-	-	15,502	15,502
Release of restricted funds spent in year	-	(97,186)	97,186	-
Total comprehensive (deficit)/income for the year	(17,850)	(66,907)	247,549	162,792
Balance at 31 July 2020	**220,541**	**17,177**	**1,516,537**	**1,754,255**

Consolidated Statement of Financial Position

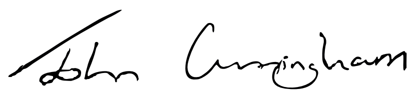
As at 31 July 2021

	Notes	Consolidated		University	
		2021	2020	**2021**	2020
		£'000	£'000	**£'000**	£'000
Non current assets					
Intangible assets and goodwill	11	**17,392**	17,419	**17,391**	17,637
Tangible fixed assets	12	**2,015,990**	1,992,379	**2,014,804**	1,991,084
Heritage assets	13	**257,979**	257,637	**257,979**	257,637
Investments	14	**239,538**	216,547	**241,443**	218,502
Investments in associates	15	**10,411**	10,583	**-**	-
		2,541,310	2,494,565	**2,531,617**	2,484,860
Current assets					
Stock		**1,076**	1,142	**1,076**	1,142
Trade and other receivables	16	**125,765**	118,812	**126,514**	118,935
Investments	17	**260,000**	90,000	**260,000**	90,000
Cash and cash equivalents		**77,322**	120,107	**70,120**	111,344
		464,163	330,061	**457,710**	321,421
Less: Payables: amounts falling due within one year	18	**(470,729)**	(373,291)	**(469,304)**	(372,015)
Net current liabilities		**(6,566)**	(43,230)	**(11,594)**	(50,594)
Total assets less current liabilities		**2,534,744**	2,451,335	**2,520,023**	2,434,266
Payables: amounts falling due after more than one year	19	**(395,339)**	(396,539)	**(395,339)**	(396,539)
Provisions					
Pension provisions	21	**(245,079)**	(255,299)	**(245,079)**	(255,299)
Other provisions	21	**(22,306)**	(28,173)	**(22,306)**	(28,173)
Total net assets		**1,872,020**	1,771,324	**1,857,299**	1,754,255
Restricted Reserves					
Income and expenditure reserve - endowment reserve	22	**242,225**	220,541	**242,225**	220,541
Income and expenditure reserve - restricted reserve	23	**10,319**	17,177	**10,319**	17,177
Unrestricted Reserves					
Income and expenditure reserve - unrestricted reserve		**1,619,476**	1,533,606	**1,604,755**	1,516,537
Total Reserves		**1,872,020**	1,771,324	**1,857,299**	1,754,255

The financial statements were approved by the Governing Body on 7 January 2022 and were signed on its behalf on that date by:

Mr Edward Astle
Chair of the Board of Governors and Pro-Chancellor

Professor Dame Nancy Rothwell
President and Vice-Chancellor



Mr John Cunningham
Interim Chief Financial Officer

Consolidated Statement of Cash Flows

Year ended 31 July 2021

	Notes	Year ended 31 July 2021 £'000	Year ended 31 Jul 2020 £'000
Cash flow from operating activities			
Surplus for the year		84,786	119,671
Adjustment for non-cash items			
Depreciation and impairment	12	83,545	98,243
Amortisation of intangible assets	11	717	576
(Gain)/loss on investments		(23,359)	758
Decrease in stock		66	73
Increase in receivables	16	(6,953)	(849)
Increase in payables	18-19	99,191	5,641
Increase/(decrease) in pension provision	21	5,690	(127,132)
(Decrease)/increase in other provisions	14, 15 & 21	(4,360)	24,657
Receipt of donated equipment		-	(110)
Share of operating deficit/(surplus) in associate	15	172	(889)
Adjustment for investing or financing activities			
Investment income	5	(4,485)	(5,081)
Interest payable	9	17,899	17,895
New endowments	6	(142)	(167)
Profit on sale of fixed assets		-	90
Capital grant income		(43,495)	(53,977)
Assets transferred to other operating expenditure	11-12	125	1,685
Net cash inflow from operating activities		209,397	81,084
Cash flows from investing activities			
Proceeds from sales of fixed assets		8	2,935
Disposal of non current asset investments		1,274	56,090
Capital grant receipts		46,845	58,947
(Placement)/withdrawal of deposits		(170,000)	65,000
Investment income		4,485	5,081
Payments made to acquire fixed assets		(114,733)	(179,268)
Payments made to acquire investments		(2,413)	(458)
Net cash (outflow)/inflow from investing activities		(234,534)	8,327
Cash flows from financing activities			
Interest paid		(17,790)	(17,790)
Interest element of finance lease rental payment		-	-
Endowment cash received		142	167
Repayments of long-term loans	20	-	-
Net cash outflow from financing activities		(17,648)	(17,623)
(Decrease)/increase in cash and cash equivalents in the year	26	(42,785)	71,788
Cash and cash equivalents at beginning of the year	26	120,107	48,319
Cash and cash equivalents at the end of the year	26	77,322	120,107

Notes to the financial statements

Year ended 31 July 2021

1 Tuition fees and education contracts	Consolidated		University	
	2021	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
Full-time home and EU students	**223,961**	205,664	**223,961**	205,664
Full-time international students	**305,676**	250,959	**305,676**	250,959
Part-time students	**32,129**	28,992	**32,129**	28,992
Short course fees	**16,060**	19,110	**16,060**	19,110
Research training support grants	**54**	202	**54**	202
	577,880	504,927	**577,880**	504,927

2 Funding body grants	Consolidated		University	
	2021	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
Recurrent grant				
Research England recurrent grant	**79,195**	79,391	**79,195**	79,391
Office for Students recurrent grant	**29,195**	33,822	**29,195**	33,822
Office for Students capital grant	**16,075**	13,116	**16,075**	13,116
Other recurrent grants	**2,115**	2,070	**2,115**	2,070
Specific grants				
Special initiatives	**11,488**	5,109	**11,488**	5,109
	138,068	133,508	**138,068**	133,508

The OfS Accounts Direction requirement for the analysis of grant and fee income is set out below.

Grant and fee income analysis				
Grant income from the OfS	**35,191**	35,436	**35,191**	35,436
Grant income from other bodies	**369,536**	384,966	**369,505**	384,966
Fee income for taught awards (exclusive of VAT)	**537,534**	462,319	**537,534**	462,319
Fee income for research awards (exclusive of VAT)	**24,286**	23,498	**24,286**	23,498
Fee income from non-qualifying courses (exclusive of VAT)	**16,060**	19,110	**16,060**	19,110
	982,607	925,329	**982,576**	925,329

3 Research grants and contracts	Consolidated		University	
	2021	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
Research councils	**101,420**	117,630	**101,420**	117,630
UK based charities	**52,117**	55,595	**52,117**	55,595
UK central government, hospitals and health authorities	**33,004**	31,985	**33,004**	31,985
UK industry and commerce	**14,336**	20,470	**14,336**	20,470
Overseas	**33,834**	37,594	**33,834**	37,594
Other sources	**2,253**	1,440	**2,253**	1,440
	236,964	264,714	**236,964**	264,714

The above includes £13.0 m (2020: £33.6m) relating to income recognised in respect of capital additions.

Included within the above is £134.4m (2020: £149.5m) of income from UK Government sources. There are no significant unfulfilled conditions or contingencies relating to government income recognised. The University has not benefited from any other government revenue grants outside of that disclosed in notes 3 and 4 (2020 : nil).

Notes to the financial statements (continued)

Year ended 31 July 2021

4 Other income	Consolidated		University	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Residences, catering and conferences	**26,683**	39,315	**26,683**	38,835
Other grants	**35,449**	43,242	**35,418**	43,242
Income from supply of goods and services	**25,513**	20,077	**25,477**	20,019
Income from reimbursed salary costs	**13,921**	14,999	**13,921**	14,999
Premises income	**3,526**	2,751	**3,526**	3,887
Consultancy	**2,336**	2,176	**2,336**	2,176
Other capital income	**14,442**	7,258	**14,442**	7,258
Other	**13,869**	15,406	**15,243**	43,150
	135,739	145,224	**137,046**	173,566

Included within the above is £49.9m (2020: £62.4m) of income from UK Government sources. There are no significant unfulfilled conditions or contingencies relating to government income recognised. The University has not benefited from any other government revenue grants outside of that disclosed in notes 3 and 4 (2020 : nil).

Included within other grants is £3.7m relating to the Coronavirus Job Retention Scheme (2020: £9.7m).

5 Investment income	Consolidated		University	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Interest from short-term investments	**176**	1,881	**175**	1,879
Dividend income	**-**	197	**-**	197
Endowment income	**4,302**	3,003	**4,302**	3,003
Investment income	**7**	-	**7**	77
	4,485	5,081	**4,484**	5,156

6 Donations and endowments	Consolidated		University	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
New endowments	**142**	167	**142**	167
Donations	**7,040**	10,575	**7,040**	10,575
	7,182	10,742	**7,182**	10,742

7 Staff costs	Consolidated		University	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Staff Costs:				
Wages and salaries	409,297	429,104	402,958	420,844
Social security costs	44,229	46,123	43,768	45,568
Pension costs	126,001	105,183	125,185	104,157
Early retirement and voluntary severance (ERVS) scheme costs	3,899	18,903	3,907	18,508
	583,426	599,313	575,818	589,077
Change in USS deficit recovery plan	-	(111,567)	-	(111,567)
Settlement of UMSS liabilities by exiting employer	-	(3,724)	-	(3,724)
	583,426	484,022	575,818	473,786

Clinical Excellence Awards paid to NHS Consultants employed on joint contracts between the NHS and the University are not borne by the University and are excluded from the above analysis and from the analysis of remuneration of higher paid staff. These amount to £2.6m for the year ended 31 July 2021 (2020: £3.0m).

Termination benefits (including ERVS costs) amounting to £4.5m (2020 : £19.4m) were paid to members of staff who left the University or its subsidiaries for the year ended 31 July 2021. These payments were made to 923 people in the year ended 31 July 2021 (2020 : 870 people). The majority relate to the University voluntary severance scheme.

Staff costs of £3.7m were funded by the Coronavirus Job Retention Scheme (2020: £9.7m).

In June 2009 the University introduced a salary sacrifice arrangement known as PensionChoice for University employees who are members of the USS and UMSS pension schemes. Wages and salaries for the USS, UMSS and Pension Saver members participating in PensionChoice reflect the reduced gross pay earned by staff and the pension costs reflect the increased employer element of the USS, UMSS and Pension Saver pension contributions.

Change in USS deficit recovery plan - £nil (2020: £111.6m credit). In the prior year, this credit related to the impact of the latest schedule of contributions agreed during the year ended 31 July 2020, which resulted in a reduction to the provision due to a reduction in the deficit recovery period from March 2034 to March 2028. In the current year, there has been no change to the schedule of contributions. See notes 25(a) and 32 in respect of changes to the schedule of contributions post year end.

UMSS exit of participating employer £nil (2020: £3.7m). During the year ended 31 July 2020, due to a company restructure, two participating employers in UMSS (HECSU and Graduate Prospects) exited the scheme. The University agreed to take over the pension liabilities via a Flexible Apportionment Arrangement. In return the University received cash and a building worth £3.7m as payment for taking over this liability. As historically UMSS could not distinguish the pension liabilities that related to HECSU and Graduate Prospects, their pension liabilities and annual service cost had already been recognised by the University and therefore no additional provision for these pension liabilities was required.

	Consolidated		University	
Average staff numbers:	**2021 No.**	**2020 No.**	**2021 No.**	**2020 No.**
Academic	**2,783**	2,779	**2,783**	2,779
Research	**1,846**	1,923	**1,846**	1,923
Administrative and management	**1,563**	1,676	**1,466**	1,576
Clerical and secretarial	**1,839**	2,084	**1,831**	2,066
Technical	**2,061**	2,374	**1,987**	2,223
Total number of staff	**10,092**	10,836	**9,913**	10,567

The number of staff disclosed relate to full time equivalents.

Notes to the financial statements (continued)

Year ended 31 July 2021

7 Staff costs (continued)

The full-time equivalent basic salary of higher paid staff (which, following a change in OfS guidance, this year includes the salary of the President and Vice-Chancellor), excluding employer's pension contributions, was within the ranges set out below. The full-time equivalent basic salary is calculated prior to any adjustment for salary sacrifice and includes market supplements but excludes bonuses, allowances, clinical excellence awards and other such payments. Where all or a proportion of salary is reimbursed by another body (such as the NHS, Research Councils or though grants or scholarships) only any portion paid by or charged to the University is disclosed. Payments made on behalf of the NHS in respect of its contractual obligations to University staff under separate NHS contracts of employment are not included within this calculation. Of these staff, 8 staff held clinical roles in 2020/21 (2019/20: 6 staff). In addition for academics and other staff whose salary is partly funded by another body (e.g. research councils or other grant awarders), the basic salary is the amount paid by or charged to the University.

The number of higher paid staff has increased due to a combination of factors including promotion, increments and pay awards.

	Consolidated		University	
	2021 Average FTE Number of Employees	2020 Average FTE Number of Employees	**2021 Average FTE Number of Employees**	2020 Average FTE Number of Employees
£100,001 - £105,000	**38**	43	**38**	43
£105,001 - £110,000	**27**	37	**27**	37
£110,001 - £115,000	**27**	23	**26**	22
£115,001 - £120,000	**16**	16	**16**	16
£120,001 - £125,000	**12**	13	**11**	12
£125,001 - £130,000	**9**	6	**9**	6
£130,001 - £135,000	**6**	7	**6**	7
£135,001 - £140,000	**12**	10	**12**	10
£140,001 - £145,000	**7**	4	**7**	4
£145,001 - £150,000	**8**	8	**8**	8
£150,001 - £155,000	**5**	3	**5**	3
£155,001 - £160,000	**4**	2	**3**	1
£160,001 - £165,000	**2**	3	**1**	2
£165,001 - £170,000	**2**	2	**2**	2
£170,001 - £175,000	**2**	2	**2**	2
£175,001 - £180,000	**-**	1	**-**	1
£180,001 - £185,000	**2**	1	**2**	1
£185,001 - £190,000	**4**	2	**4**	2
£195,001 - £200,000	**2**	-	**2**	-
£200,001 - £205,000	**2**	2	**2**	2
£205,001 - £210,000	**1**	1	**-**	-
£210,001 - £215,000	**2**	1	**2**	1
£215,001 - £220,000	**-**	-	**-**	-
£230,001 - £235,000	**-**	-	**-**	-
£245,001 - £250,000	**1**	1	**-**	-
£250,001 - £255,000	**1**	-	**1**	-
£260,001 - £265,000	**1**	-	**1**	-
£275,001 - £280,000	**-**	-	**-**	-
£285,001 - £290,000	**-**	-	**-**	-
£300,001 - £305,000	**1**	1	**1**	1
£335,001 - £340,000	**1**	1	**1**	1
	195	190	**189**	184

7 Staff costs (continued)	Consolidated and University	
	2021 **£'000**	2020 £'000
Emoluments of the President and Vice-Chancellor:		
Salary	**252**	247
Benefits	**1**	1
Pension contributions to USS in respect of 2.1% enhanced opt-out	**5**	5
	258	253

The benefits received by the President and Vice-Chancellor comprise private medical healthcare cover solely for herself. The pension contributions to USS in respect of 2.1% enhanced opt-out is an employer obligation with no benefit to the employee. Information regarding the justification for the President and Vice-Chancellor's remuneration can be found within the Remuneration Committee report on page 30.

The Chair of the Board of Governors and Pro-Chancellor for 2020/21 has waived his right to fees in respect of the current and prior year.

Included in the costs reported are temination payments totalling £814k (2020:£768k) which were paid to 11 individuals (2020:12 individuals) whose annual remuneration exceeded £100,000.

The President and Vice-Chancellors' basic salary is 10.6 times the median pay of staff (£23,754) where the median pay is calculated on a full-time equivalent basis for the salaries paid by the University to its staff. All staff is defined as anyone included in the Real Time Information (RTI) submission to HMRC, which is a change from the previous year. For all staff, including those not on the RTI submission and including atypical staff her salary is 9.1 times the median pay of staff (£27,518). For all staff, including those not on the RTI submission but excluding atypical and other staff her salary is 6.9 times the median pay of staff (£36,474). Her total remuneration is 9.9 times the median total remuneration of all staff included in the RTI submission (£26,137) calculated on a full-time equivalent basis. For all staff, including those not on the RTI submission and including atypical staff her salary is 8.8 times the median total remuneration of staff (£29,175) and excluding atypical and other staff her total remuneration is 6.2 times the median total remuneration of staff (£41,627). The median pay and pay ratios derived exclude agency staff (as these are not paid through the University payroll system).

	2021 **£'000**	2020 £'000
Amount of expenses claimed by members of the Board of Governors during the year	**1**	10
Number of members of the Board of Governors claiming expenses	**4**	6

Key management personnel
Key management personnel are the members of the Senior Leadership Team as defined in the Remuneration Report on page 30 and comprises the President and Vice-Chancellor; Deputy President and Vice-Chancellor; the three Faculty Deans; the three Vice-Presidents of Policy (Teaching, Learning and Students; Research; and Social Responsibility); the Registrar and Chief Operating Officer; the Chief Financial Officer and the Director of Human Resources.

Compensation paid to key management personnel (including the President and Vice-Chancellor) within the year was as follows:

	Consolidated and University	
	2021 **£'000**	2020 £'000
Key management personnel	**2,022**	2,186

The Remuneration Committee Report on page 30 sets out more detail in respect of senior staff pay.

	Consolidated and University	
	2021 **£'000**	2020 £'000
Access and Participation staff costs		
Access Investment	**2,977**	2,735
Disability Support	**2,229**	1,941
Research and Evaluation	**675**	574
	5,881	5,250

Notes to the financial statements (continued)

Year ended 31 July 2021

8 Analysis of other operating expenses	Consolidated		University	
	2021	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
Academic and related expenditure	**95,960**	95,800	**103,391**	103,672
Central administration and services	**130,121**	107,411	**127,442**	104,244
Premises	**58,189**	57,032	**57,093**	55,814
Residences, catering and conferences	**6,834**	16,983	**9,756**	22,119
Research grants and contracts	**52,425**	59,827	**52,425**	59,827
Other expenses	**6,842**	415	**7,183**	1,831
	350,371	337,468	**357,290**	347,507

Lease payments recognised as an expense in the year amounted to £16.6m for the group (2020 restated : £7m)

	Consolidated	
	2021	2020
Included within operating expenses are the following costs:	**£000**	£'000
Fees payable to the University's auditor for the audit of the University and its subsidiaries' annual accounts (inclusive of VAT)	**181**	217
Non-audit fees payable to the University's auditor	**-**	-
Total fees	**181**	217

The disclosures above are for the Group. The University is not required, in its individual financial statements, to disclose separately information about fees for non-audit services provided to the University.

	Consolidated	
	2021	2020
	£000	£'000
Access and Participation Costs		
Access Investment	**3,449**	3,467
Financial Support (i)	**11,917**	12,406
Disability Support (ii)	**2,457**	2,123
Research and Evaluation	**702**	584
	18,525	18,580

Included in these costs above is £5,881k (2020: £5,250k) which is disclosed in note 7 Staff costs.

(i) includes £50k (2020: £24k) of Hardship fund payments awarded to students who were eligible for the Manchester Bursary

(ii) includes Disabled Students Premium Funding of £733k (2020: £755k).

A copy of the 2020/21 APP plan can be found at https://documents.manchester.ac.uk/display.aspx?DocID=44186

For Access Investment, Disability Support and Research and Evaluation

The University identified the proportions of staff time and non-staff resource required to support the governance, development, delivery and evaluation of these areas.
Using a standard template, a modelled costing of activity across all parts of the University was collected. They were required to identifiy all such activities that their teams undertook, reporting on time by staff member and expenses and a cost derived from this. This methodology has been previously verified and approved by the University's Planning and Resources Committee.
For activities that are of benefit to all students, a standard formula based on the number of Widening Participation (WP) students was used to estimate the percentage of expenditure which supports these students. This approach has previously been discussed with OfS (OFFA) who were supportive of this methodology.

For Financial Investment
Payments made to students from the Manchester Bursary, Manchester Access Programme and University Hardship Fund were taken from the financial systems and were analysed to exclude those that are not eligible to be included in the return (e.g. those for ELQ students).

Main Differences to APP plan

Financial support was slightly higher than plan due to a higher number of students being eligible for the Manchester bursary from their household income, plus increased hardship support due to Covid.

Disability support was higher than plan due to increased resources committed to counselling and mental health as a result of Covid.

Access and Research and Evaluation were slightly below plan due to some activities not being able to take place during Covid restrictions.

9 Interest and other finance costs	Consolidated		University	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Other loans	**17,899**	17,895	**17,899**	17,895
Interest on net defined pension liability	**2,007**	3,180	**2,007**	3,180
Unwinding of USS pension deficit funding	**909**	3,924	**909**	3,924
	20,815	24,999	**20,815**	24,999

10 Taxation	Consolidated		University	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Recognised in the Statement of comprehensive income				
Current tax				
Current tax	**(130)**	(176)	**(130)**	(167)
Foreign tax	**(25)**	46	**-**	-
Current tax credit	**(155)**	(130)	**(130)**	(167)
Deferred tax				
Origination and reversal of timing differences	**-**	(612)	**-**	-
Deferred tax credit	**-**	(612)	**-**	-
Total tax credit	**(155)**	(742)	**(130)**	(167)
Tax paid in year	**20**	-	**-**	-

Factors Affecting the tax charge:

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	Consolidated		University	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Surplus before taxation	**84,631**	118,929	**87,004**	147,123
Surplus multiplied by the standard rate of corporation tax in the UK of 19% (2020: 19%)	**16,080**	22,597	**16,531**	27,953
Effect of:				
Surplus falling within charitable exemption	**(16,531)**	(27,953)	**(16,531)**	(27,953)
Museum and galleries tax credit claim	**(130)**	(167)	**(130)**	(167)
Other differences attributable to subsidiaries and associates	**426**	5,393	**-**	-
Deferred tax movement	-	(612)	**-**	-
Total tax credit	**(155)**	**(742)**	**(130)**	**(167)**

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

Notes to the financial statements (continued)

Year ended 31 July 2021

11 Intangible assets and goodwill	Consolidated		University	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Cost				
At 1 August 2020	**22,267**	19,981	**22,767**	20,481
Assets transferred to other operating expenditure	**-**	(443)	**-**	(443)
Additions at cost	**689**	2,729	**689**	2,729
At 31 July 2021	**22,956**	22,267	**23,456**	22,767
Depreciation and amortisation				
At 1 August 2020	**4,848**	4,272	**5,130**	4,446
Amortisation	**717**	576	**935**	684
At 31 July 2021	**5,565**	4,848	**6,065**	5,130
Net book value				
At 31 July 2021	**17,391**	17,419	**17,391**	17,637

Included in intangible assets and goodwill is £16.4m (2020: restated £16.8m) of software costs that are under development and therefore not yet being amortised.

12 Tangible fixed assets

(a) Consolidated	Freehold land and buildings £'000	Assets under construction £'000	Fixtures, fittings, tools and equipment £'000	Total £'000
Cost				
At 1 August 2020	1,823,839	417,059	329,703	**2,570,601**
Transferred to other operating expenditure	-	(125)	-	**(125)**
Reclassification	10,436	-	(10,436)	**-**
Additions at cost	2,780	94,046	10,463	**107,289**
Transfers between categories	11,835	(19,478)	7,643	**-**
Disposals	(923)	-	(1,129)	**(2,052)**
At 31 July 2021	1,847,967	491,502	336,244	**2,675,713**
Depreciation				
At 1 August 2020	284,120	-	294,102	**578,222**
Charge for the year	53,846	-	27,449	**81,295**
Impairments	2,250	-	-	**2,250**
Disposals	(923)	-	(1,121)	**(2,044)**
At 31 July 2021	339,293	-	320,430	**659,723**
Net book value				
At 31 July 2021	**1,508,674**	**491,502**	**15,814**	**2,015,990**
At 1 August 2020	1,539,719	417,059	35,601	**1,992,379**

12 Tangible fixed assets (continued)

(b) University	Freehold land and buildings £'000	Assets under construction £'000	Fixtures, fittings, tools and equipment £'000	Total £'000
Cost				
At 1 August 2020	1,821,295	416,732	326,195	**2,564,222**
Transferred to other operating expenditure	-	(125)	-	**(125)**
Reclassification	10,436	-	(10,436)	**-**
Additions at cost	2,780	94,013	10,172	**106,965**
Transfers between categories	11,835	(19,296)	7,461	**-**
Disposals	(923)	-	(694)	**(1,617)**
At 31 July 2021	1,845,423	491,324	332,698	**2,669,445**
Depreciation				
At 1 August 2020	280,168	-	292,970	**573,138**
Charge for the year	53,846	-	27,024	**80,870**
Impairments	2,250	-	-	**2.250**
Disposals	(923)	-	(694)	**(1,617)**
At 31 July 2021	335,341	-	319,300	**654,641**
Net book value				
At 31 July 2021	**1,510,082**	**491,324**	**13,398**	**2,014,804**
At 1 August 2020	1,541,127	416,732	33,225	**1,991,084**

The University and its subsidiaries revalued some of its land and buildings on a fair value basis as at 31 July 2014, taking advantage of the transitional provisions of FRS 102 section 35.10. The University appointed Gerald Eve LLP, an independent external valuer which is regulated by the Royal Institution of Chartered Surveyors. The valuation was performed in accordance with the RICS Valuation – Professional Standards April 2015. In accordance with the FRS 102 transitional provisions these revised values are now used as the deemed cost of certain land and buildings going forward.

At 31 July 2021, freehold land and buildings included £219.8m (2020: restated £219.8m) in respect of freehold land which is not depreciated. The transfers between categories relates to assets that were previously under construction that were commissioned or became operational during the year.

The gain on disposal of fixed assets for the year ended 31 July 2021 was £Nil (2020 : loss £90k).

13 Heritage assets

The University revalued some of its heritage assets on a fair value basis as at 31 July 2014, taking advantage of the transitional provisions of FRS 102 section 35.10. The University appointed Sothebys, an independent external valuer. In accordance with the FRS 102 transitional provisions these revised values are now used as the deemed cost of certain heritage assets going forward. Heritage assets held at cost or valuation are not depreciated due to their indefinite life and high residual value.

Movement on heritage assets during the year ended 31 July 2021 and the previous four years was:

Consolidated and University **Cost**	**2021** **£'000**	**2020** **£'000**	**2019** **£'000**	**2018** **£'000**	**2017** **£'000**
At 1 August	257,637	257,539	257,239	256,039	255,483
Additions:					
Acquisitions purchased with specific donations	-	-	-	-	284
Acquisitions purchased with Endowment funds	275	-	-	-	-
Acquisitions purchased with University funds	67	98	-	-	-
Total cost of acquisition purchased	342	98	-	-	284
Value of acquisition by donation	-	-	300	1,200	-
Total acquisitions capitalised	342	98	300	1,200	284
Transfer from tangible fixed assets	-	-	-	-	272
At 31 July	**257,979**	**257,637**	**257,539**	**257,239**	**256,039**

Notes to the financial statements (continued)

Year ended 31 July 2021

13 Heritage assets (continued)

The University also holds heritage assets that are not capitalised as, due to their unique nature, reliable information on cost or valuation is not readily available on a cost-benefit basis. This is owing to the lack of information on original purchase cost and the fact that these assets are not readiily realisable. All costs incurred in relation to preservation and conservation are expensed as incurred. Key heritage assets held by the University fall into the categories detailed below. Their total value for insurance purposes is £1.4bn.

Whitworth Art Gallery

Whitworth Art Gallery houses and displays collections including flat textiles ranging from 3rd Century AD to the present day; 17th century to modern day wallpapers; selections of prints, pre-1880 watercolours and modern art and sculpture collections.

Manchester Museum

The Manchester Museum houses and displays various artefacts and fossils, in particular it has a substantial collection of ancient Egyptian artefacts as part of its archaeology collection. It also houses and displays collections in the fields of botany, anthropology and palaeontology as well as collections of rocks and minerals for example.

John Rylands Library Deansgate

John Rylands Library at Deansgate, Manchester is a Grade 1 listed building from the late 1800s styled in Victorian Gothic architecture. The building also houses and displays a rare collection of more than a million ancient books and manuscripts, including the oldest known piece of the New Testament, first editions by William Shakespeare and medieval manuscripts.

Jodrell Bank

The University owns the 76 metre Lovell telescope sited at Jodrell Bank in Cheshire and a UNESCO World Heritage Site. It was built in 1957, is a grade 1 listed building and remains one of the most powerful radio telescopes in the world. It is still in operation as a working telescope.

Tabley House

The University also owns Tabley House, an 18th century Palladian mansion in Cheshire. The house is let on a long-lease of 125 years to a third party. Part of the house is open to the public and houses and displays various painting and furniture collections from that era.

Policy for management, preservation, acquisition and disposal of assets

The collections are managed by dedicated directors at each site. They are supported by a team of highly skilled and experienced curators who have responsibility over specialised areas of the collections.

The condition of the assets is maintained through a programme of effective collection care to reduce damage and deterioriation by reducing risk from physical damage (including handling), theft and vandalism, fire and water/flood, inappropriate relative humidity and temperature, light, pollutants and museum pests. A rolling programme of remedial conservation is ongoing to stabilise assets which may be deteriorating over time.

Further information on the University's policies regarding conservation, preservation, management and disposal of heritage assets can be found on the University's website www.manchester.ac.uk/discover/open-public.

Each site maintains extensive databases which itemise the assets held, and online databases of the assets held at The Manchester Museum, The Whitworth Art Gallery and John Rylands Library are freely available to the general public.

For more details of the collection held at:

- The Manchester Museum please see	www.museum.manchester.ac.uk/collection
- The John Rylands Library please see	www.library.manchester.ac.uk/rylands/special-collections
- The Whitworth Art Gallery please see	www.whitworth.manchester.ac.uk/collection

Public access to the collections is delivered in a variety of ways:

- Gallery displays and a combination of permanent and temporary exhibitions at each site.
- Education and outreach activities such as school trips.
- Access by researchers and interested groups/individuals by arrangement.
- Loans out to UK and international museums and galleries, or other venues.

The directors at each site, in partnership with their curators, are responsible for the identification and purchase of further items to further enhance the cultural value of the collections to both students and the wider general public.

14 Non current investments

Analysis of closing balance	Consolidated 2021 £'000	Consolidated 2020 £'000	University 2021 £'000	University 2020 £'000
Interest in subsidiary undertakings (14a)	-	-	1,905	1,955
Investment properties (14b)	2,798	2,949	2,798	2,949
Investments carried at fair value through the Statement of Comprehensive Income (14c)	191,212	167,291	191,212	167,291
Investments carried at amortised cost (14d)	45,410	46,189	45,410	46,189
Investments held at cost less impairment (14e)	118	118	118	118
	239,538	216,547	241,443	218,502

Movement in year

Consolidated	Investment in subsidiary undertakings £'000	Investment properties £'000	Investments carried at fair value £'000	Investments carried at amortised cost £'000	Investments held at cost less impairment £'000	Total £'000
At 1 August 2020	-	2,949	167,291	46,189	118	216,547
Additions	-	-	411	495	1,507	2,413
Disposals	-	-	-	(1,274)	-	(1,274)
Revaluation of investment properties	-	(151)	-	-	-	(151)
Net appreciation of investment portfolio and other listed investments	-	-	23,510	-	-	23,510
Impairment provision in the year	-	-	-	-	(1,507)	(1,507)
At 31 July 2021	**-**	**2,798**	**191,212**	**45,410**	**118**	**239,538**

University	£'000	£'000	£'000	£'000	£'000	£'000
At 1 August 2020	1,955	2,949	167,291	46,189	118	218,502
Additions	-	-	411	495	1,507	2,413
Disposals	-	-	-	(1,274)	-	(1,274)
Revaluation of investment properties	-	(151)	-	-	-	(151)
Net appreciation of investment portfolio	-	-	23,510	-	-	23,510
Impairment provision in the year	-	-	-	-	(1,507)	(1,507)
Written off in the year	(50)	-	-	-	-	(50)
At 31 July 2021	**1,905**	**2,798**	**191,212**	**45,410**	**118**	**241,443**

Notes to the financial statements (continued)

Year ended 31 July 2021

14 Investments within fixed assets (continued)

(a) Interests in subsidiary undertakings

At year end, investments in subsidiary undertakings after provisions comprise:

	Group Holding %	University 2021 £	University 2020 £	Description
Graphene Enabled Systems Limited *	100	-	-	Assisted the commercialisation of Graphene through Spin out companies. Due to be wound up.
Manchester Innovation Limited	100	-	-	Dissolved 6 July 2021
The University of Manchester Innovation Centre Limited	100	1	50,000	Dissolved 6 July 2021
UMIST Ventures Limited *	100	1	1	Provision of staff to sister companies, now dormant
University of Manchester Innovation Factory Limited	100	50,000	50,000	Management of intellectual property
UMIP UPF Limited	100	10,000	10,000	Dissolved 27 April 2021
The University of Manchester Conferences Limited	100	2	2	Provision of catering staff
The University of Manchester Car Parks Limited	100	2	2	Maintenance and running of car park facilities
The University of Manchester Licensing Company Limited	100	1,000	1,000	Dormant
Vumpine Limited	50	50	50	Dormant
UMSS Limited	100	2	2	To undertake the duty of trustee of UMSS
The University of Manchester Worldwide Limited	100	1,843,722	1,843,722	Holding company
The University of Manchester Worldwide (Shanghai) Limited	100	-	-	Consultancy and management services
Manchester Business School America Inc	100	-	-	Dormant
Manchester Worldwide Institute of Higher Education (South East Asia) Ptd Ltd	100	-	-	Provision of distance learning
Manchester Worldwide PTE Ltd	100	-	-	Dormant
The University of Manchester (CLG)	100	-	-	Dormant
Owens College (CLG)	100	-	-	Dormant
Owens College Manchester (CLG)	100	-	-	Dormant
Manchester University (CLG)	100	-	-	Dormant
UMIST (CLG)	100	-	-	Dormant
		1,904,780	1,954,779	

Certain subsidiary undertakings above are shown as having nil cost of investment. In each case these are either indirectly owned as indicated, are limited by guarantee ('CLG') or are trusts.

Where applicable, the 'group holding' is equivalent to the proportion of voting rights and shares held.

All the subsidiary undertakings are incorporated in England and Wales, with the exception of the subsidiaries of The University of Manchester Worldwide Limited. Those subsidiaries marked with an asterisk (*) are in the process of being closed down.

All subsidiary undertakings prepare statutory accounts to the same year end date as the University with the exception of the Shanghai entity which has a year end date of 31 December.

(b) Investment properties

The investment properties totalling £2.8m (2020: £2.9m) were revalued on an open market basis as at 31 July 2015 by an external valuer, Edward Symmons LLP which is regulated by the Royal Institution of Chartered Surveyors. The valuation was performed in accordance with the RICS Valuation - Professional Standards 2014. This valuation has been updated as at 31 July 2021 by senior management at the University and there has been a reduction in value of £0.1m.

14 Investments within fixed assets (continued)	Consolidated		University	
(c) Investments carried at fair value	**2021 £'000**	2020 £'000	**2021 £'000**	2020 £'000
Listed investments	**189,677**	165,756	**189,677**	165,756
Other investments	**1,535**	1,535	**1,535**	1,535
	191,212	167,291	**191,212**	167,291
(d) Investments carried at amortised cost				
Long-term cash deposits and uninvested bank balances	**45,410**	46,189	**45,410**	46,189
	45,410	46,189	**45,410**	46,189
(e) Investments carried at cost less impairment				
Other investments	**118**	118	**118**	118
	118	118	**118**	118

15 Investments in Associates	Consolidated		University	
Analysis of closing balance	**2021 £'000**	2020 £'000	**2021 £'000**	2020 £'000
At 1 August 2020	**10,583**	9,694	**-**	-
Share of (losses)/profits	**(172)**	889	**-**	-
At 31 July 2021	**10,411**	10,583	**-**	-

The Group had the following associated undertakings as at 31 July 2021:

Name of associate	Class of share capital held	Proportion held by the University and Group	Share of net assets 2021	Share of net assets 2020
Manchester Science Partnerships Limited	£1 ordinary	12.2%	**10,411**	10,583
Financial year end 30 September				
			10,411	10,583

The associated company is accounted for using the equity method. The associate is incorporated in the United Kingdom.

The investment in North West Ehealth Ltd, previously classed as an associate, was diluted during the year following further investment into the company. It is now classed as a simple investment. No adjustment has been required to reflect this change in classification.

16 Trade and other receivables	Consolidated		University	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Trade receivables	**44,636**	51,624	**44,666**	51,515
Other receivables	**5,093**	11,049	**4,373**	10,280
Accrued income on research grants and contracts	**39,374**	24,742	**39,374**	24,742
Prepayments and other accrued income	**36,662**	31,397	**36,329**	30,867
Amounts due from subsidiary companies	**-**	-	**1,772**	1,531
	125,765	118,812	**126,514**	118,935

Included within the University is £nil (2020: £nil) relating to debtors due in over one year. There are no debtors due in over one year on a consolidated basis in both the current and prior year.

Notes to the financial statements (continued)

Year ended 31 July 2021

17 Current investments	Consolidated		University	
	2021	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
Deposits maturing:				
Between three months and one year	**260,000**	90,000	**260,000**	90,000
Balance at 31 July 2021	**260,000**	90,000	**260,000**	90,000

Deposits are held with banks and building societies operating in the London market and licensed by the Financial Services Authority with more than three months maturity at the balance sheet date. The interest rates for these deposits are fixed for the duration of the deposit at time of placement.

At 31 July 2021 the weighted average interest rate of these fixed rate deposits was 0.1% per annum (2020:0.75%) and the remaining weighted average period for which the interest rate is fixed on these deposits was 54 days (2020: 132 days). The fair value of these deposits was not materially different from the book value.

18 Payables: amounts falling due within one year	Consolidated		University	
	2021	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
Trade payables	**58,321**	27,636	**57,929**	27,212
Social security and other taxation payable	**12,747**	15,381	**12,482**	15,070
Amounts owed to group undertakings	**-**	-	**379**	947
Other payables	**36,229**	40,253	**35,736**	39,625
Deferred income on research	**161,224**	145,686	**161,224**	145,686
Accruals and other deferred income	**202,208**	144,335	**201,554**	143,475
	470,729	373,291	**469,304**	372,015

Accruals and deferred income includes an amount of £1.0m (2020 : £0.75m) in respect of the Alan Turing Institute, which is a commitment that the University has entered into over 5 years. The Institute is required to spend the funds for the purposes for which they were awarded.

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		University	
	2021	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
Donations	38,529	34,560	38,529	34,560
Grant income (excluding research)	70,766	26,335	70,765	26,331
Other income	26,625	22,341	26,365	21,999
	135,920	83,236	135,659	82,890

19 Payables: amounts falling due after more than one year	Consolidated		University	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Other loans	**393,698**	393,588	**393,698**	393,588
Other payables	**1,641**	2,951	**1,641**	2,951
	395,339	396,539	**395,339**	396,539

Other payables includes an amount of £1.39m (2020 restated: £1.69m) in respect of the Alan Turing Institute (see note 18 above).

20 Borrowings	Consolidated		University	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Bond	**294,152**	294,054	**294,152**	294,054
Other loans	**99,546**	99,534	**99,546**	99,534
	393,698	393,588	**393,698**	393,588
Analysis of unsecured loans:				
Due in five years or more	**393,698**	393,588	**393,698**	393,588
	393,698	393,588	**393,698**	393,588

Bond

In July 2013 an unsecured fixed rate public bond was issued for the sum of £300 million over a 40 year term with a coupon rate of 4.25%. It is listed on the London Stock Exchange. There are no capital payments to be made over the term, with the bond maturing in 2053.

The bond transaction costs of £7.5m are amortised over the life of the bond and charged to interest costs.

The University may, at its option, redeem some or all of the bond at the Redemption Price together with interest accrued to the date of redemption. The 'Redemption Price' shall be the higher of (a) the principal amount of the bond to be redeemed and (b) the product of the principal amount of the bond to be redeemed and the sum of the Gross Redemption Yield (4.25% Treasury Stocks due December 2055) and 0.15%.

Unsecured bank and other loans

Other loans with an interest rate of 5.04%, repayable by one repayment falling due in 2046 totalling £99.5m (2020: £99.5m).

The University has secured a three year club Revolving Credit Facility (RCF) of £250m which expires on 29th January 2024, although the University has the right to extend the RCF by up to a further two years. The University has not yet needed to draw down against this facility.

Notes to the financial statements (continued)

Year ended 31 July 2021

21 Provisions for liabilities

(a) Consolidated	Obligation to fund deficit on USS pension £'000	Defined benefit obligations (Note 25) £'000	Total pensions provisions £'000	Enhancements on termination £'000	Other provisions £'000	Total £'000
Balance at 1 August 2020	124,546	130,753	255,299	14,946	13,227	**283,472**
Utilised during the year	(5,780)	(26,720)	(32,500)	(14,572)	8,705	**(38,367)**
Charged to the Statement of Comprehensive Income	9,517	12,763	22,280	-	-	**22,280**
Balance at 31 July 2021	**128,283**	**116,796**	**245,079**	**374**	**21,932**	**267,385**

(b) University	Obligation to fund deficit on USS pension £'000	Defined benefit obligations (Note 25) £'000	Total pensions provisions £'000	Enhancements on termination £'000	Other provisions £'000	Total £'000
Balance at 1 August 2020	124,546	130,753	255,299	14,946	13,227	**283,472**
Utilised during the year	(5,780)	(26,720)	(32,500)	(14,572)	8,705	**(38,367)**
Charged to the Statement of Comprehensive Income	9,517	12,763	22,280	-	-	**22,280**
Balance at 31 July 2021	**128,283**	**116,796**	**245,079**	**374**	**21,932**	**267,385**

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

Since the year end, following the completion of the 2020 actuarial valuation, a new deficit recovery plan has been agreed, of which more detail is given in note 25(a). As at 31 July 2021 and with all other assumptions used to calculate the provision unchanged, this would have resulted in a revised provision of £397m, an increase of £269m from the current year end provision.

The major assumptions used to calculate the obligation are:

	2021	2020
Discount rate	**0.89%**	0.73%
Salary growth	**2.9% for the first year and then 3.65% thereafter**	1.40% for the first two years and then 3.65% thereafter

Sensitivity analysis

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

Change in assumptions at 31 July 2021	Approximate impact
0.5% pa decrease in discount rate	£2.6m
0.5% pa increase in salary inflation over duration	£2.5m
0.5% pa increase in salary inflation year 1 only	£0.6m
0.5% increase in staff changes over duration	£2.6m
0.5% increase in staff changes year 1 only	£0.6m
1% increase in deficit contributions	£21.9m

Other provisions

Other provisions include the following: £10.1m provision relating to the exit from the North Campus (2020: nil); £10.6m in relation to provisions for onerous contracts (2020: £8.3m); £0.5m dilapidations provisions (2020: £2.8m) and £0.7m for other provisions (2020: £2.1m).

22 Endowment Reserves (Consolidated and University)

Net assets relating to endowments are as follows:	Restricted permanent endowments £'000	Unrestricted permanent endowments £'000	Expendable endowments £'000	2021 Total £'000
Balances as at 1 August 2020				
Capital	141,732	12,672	54,918	**209,322**
Accumulated income	7,870	-	3,349	**11,219**
	149,602	12,672	58,267	**220,541**
New endowments	61	70	11	**142**
Reclassification of endowments:				
Capital	251	-	(251)	**-**
Investment income	2,806	284	1,212	**4,302**
Expenditure from capital and income	(1,386)	(284)	(2,014)	**(3,684)**
	1,732	70	(1,042)	**760**
Increase in market value of investments	13,636	1,370	5,918	**20,924**
At 31 July 2021	164,970	14,112	63,143	**242,225**
Represented by:				
Capital	155,680	14,112	59,322	**229,114**
Accumulated income	9,290	-	3,821	**13,111**
	164,970	14,112	63,143	**242,225**
The following assets are currently held relating to endowments:				
Investments	98,397	8,920	37,494	**144,811**
Property	19,494	1,767	7,428	**28,689**
Cash	47,079	3,425	18,221	**68,725**
	164,970	14,112	63,143	**242,225**

Major endowments

There are no charitable funds that are over 5% of net assets. Set out below are details of material charitable funds.

	Capital Value at 31 July 2021 £'000	Opening accumulated income £'000	Dividend income £'000	Expenditure from income £'000	Endowment transfers £'000	Closing accumulated Income £'000
Significant funds and charities which are over 1% of net assets						
Hallsworth Fund	**34,925**	431	700	(324)	-	**807**
Simon Fund	**19,287**	362	386	(248)	-	**500**
Funds and charities which are less than 1% of net assets						
Fellowships and scholarships (30 funds)	**33,034**	1,429	662	(370)	-	**1,721**
Prize funds (7 funds)	**3,092**	279	62	(42)	-	**299**
Chairs and lectureships (14 funds)	**31,753**	1,120	643	(347)	-	**1,416**
Other (66 funds)	**107,023**	7,598	1,849	(1,079)	-	**8,368**
	229,114	**11,219**	**4,302**	**(2,410)**	**-**	**13,111**

Notes to the financial statements (continued)

Year ended 31 July 2021

22 Endowment Reserves (Consolidated and University) (continued)

Hallsworth Fund

This restricted permanent endowment is to assist and advance the study of Political Economy by the establishment of Research Fellowships and Visiting Professorships. It also provides resources to assist projects of research in Political Economy and the publication of books and documents in that field. The original governing document of this endowment was altered by the Charity Commission in 1998. The management and administration of this Fund is run by the Hallsworth Committee which is appointed as trustee by the Board of Governors.

Simon Fund

This restricted permanent endowment, operated by the Simon Fund Committee, primarily funds the appointment of Fellowships and Visiting Professorships in the field of Social Sciences, Professorial Industrial and Professorial Fellowships, and Engineering Research Scholarships. Its purpose is also to promote research and teaching in the Social Sciences and a substantial portion of the income is to be used for Senior Fellowships. It also funds various ad hoc projects approved by the Simon Fund Committee.

23 Restricted Reserves (University and Consolidated)

Reserves with restrictions are as follows:	Capital Grants Unspent £'000	Other Restricted Funds/ Donations £'000	2021 Total £'000
Balance as at 1 August 2020	16,730	447	**17,177**
New grants	1,667	-	**1,667**
Capital grants utilised	(8,647)	-	**(8,647)**
New donations with restrictions	-	122	**122**
Balance as at 31 July 2021	**9,750**	**569**	**10,319**

24 Financial Instruments

	Consolidated		University	
Categories of financial instruments	**2021 £'000**	2020 £'000	**2021 £'000**	2020 £'000
Financial assets				
Financial assets at fair value through Statement of Consolidated Income				
Listed investments	**189,677**	165,756	**189,677**	165,756
Other investments	**1,535**	1,535	**1,535**	1,535
Financial assets that are equity instruments measured at cost less impairment				
Other investments	**118**	118	**118**	118
Financial assets that are debt instruments measured at amortised cost				
Long-term cash deposits and uninvested bank balances	**45,410**	46,189	**45,410**	46,189
Bank and building society deposits maturing between 3 months and one year	**260,000**	90,000	**260,000**	90,000
Cash and cash equivalents	**77,322**	120,107	**70,120**	111,344
Trade and other receivables	**49,729**	62,673	**50,811**	63,326
	623,791	486,378	**617,671**	478,268
Financial liabilities measured at amortised cost				
Loans	**393,698**	393,588	**393,698**	393,588
Trade and other payables	**96,191**	70,840	**95,685**	70,735
	489,889	464,428	**489,383**	464,323

25 Pension schemes

Different categories of staff were eligible to join one of five different schemes:

- Universities Superannuation Scheme (USS)
- University of Manchester Superannuation Scheme (UMSS)
- Greater Manchester Pension Fund (GMPF)
- National Health Service Pension Scheme (NHSPS).
- University of Manchester Pension Saver (UoMPS), with effect from 1 January 2019

According to the requirements of FRS102 (28), the net pension costs within the year, and movement within the pension schemes in the year are as follows:

25 Pension schemes (continued)	Consolidated		University	
Statement of Comprehensive Income - net pension cost in year	**2021 £'000**	2020 £'000	**2021 £'000**	2020 £'000
USS	**92,377**	77,147	**91,623**	76,183
UMSS	**25,168**	21,483	**25,168**	21,483
GMPF	**1,498**	1,278	**1,498**	1,278
NHSPS	**2,913**	2,792	**2,913**	2,792
University of Manchester Pension Saver	**4,030**	2,458	**3,968**	2,396
Other	**15**	25	**15**	25
Pension costs within on-going staff costs (note 7)	**126,001**	105,183	**125,185**	104,157
Change in USS deficit recovery plan	**-**	(111,567)	**-**	(111,567)
UMSS change in benefits structure	**-**	(3,724)	**-**	(3,724)
Pension costs/(income) shown separately on the face of the Statement of Comprehensive Income	**-**	(115,291)	**-**	(115,291)
Interest on net defined pension liability (note 9)	**2,007**	3,180	**2,007**	3,180
Total pension costs / (income)	**128,008**	(6,928)	**127,192**	(7,954)

	Consolidated		University	
Other comprehensive income - actuarial (loss)/gain in respect of pension schemes	**2021 £'000**	2020 £'000	**2021 £'000**	2020 £'000
University of Manchester Superannuation Scheme	**(1,117)**	24,195	**(1,117)**	24,195
Greater Manchester Pension Fund	**17,027**	(8,693)	**17,027**	(8,693)
	15,910	15,502	**15,910**	15,502
Balance sheet - Pension scheme deficits (note 21)	**2021 £'000**	2020 £'000	**2021 £'000**	2020 £'000
University of Manchester Superannuation Scheme	**113,903**	110,669	**113,903**	110,669
Greater Manchester Pension Fund	**2,893**	20,084	**2,893**	20,084
	116,796	130,753	**116,796**	130,753

(a) The Universities Superannuation Scheme

The institution participates in Universities Superannuation Scheme (USS) which is the main scheme covering most academic and academic-related staff. The Scheme is a hybrid pension scheme, providing defined benefits (for all members), as well as defined contribution benefits. The assets of the scheme are held in a separate trustee-administered fund.

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

The total cost charged to the Consolidated Statement of Comprehensive Income is £92,377,000 (2020: £77,147,000) including PensionChoice.

Under the deficit recovery plan in place at year end, deficit recovery contributions due within one year for the institution were £16,574,000 (2020: £5,797,000).

As at 31 July 2021 the latest available complete actuarial valuation of the Retirement Income Builder section of the Scheme at the year end date was as at 31 March 2018 ("the valuation date"), which was carried out using the projected unit method. A valuation as at 31 March 2020 has since been completed, see below.

Notes to the financial statements (continued)

Year ended 31 July 2021

25 Pension schemes (continued)

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 USS 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 £63.7 billion and the value of the scheme's technical provisions was £67.3 billion indicating a shortfall of £3.6 billion 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.

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%
Pension increase (CPI)	Term dependent rates in line with the difference between the Fixed Interest and Index Linked yield curves, less 1.3% p.a.

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

	2018 valuation
Mortality base table	Pre-retirement: 71% of AMC00 (duration 0) for males and 112% of AFC00 (duration 0) for females. Post-retirement: 97.6% of SAPS S1NMA "light" for males and 102.7% of RFV00 for females.
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 would increase to 6%. The 2021 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	average 3.54% p.a.	average 3.09% p.a.

Since the year end, following the completion of the 2020 actuarial valuation, a new deficit recovery plan has been agreed. The 2020 actuarial valuation revealed a shortfall in the assets, when measured against the Scheme's technical provisions. The size of the shortfall is dependent on whether the anticipated benefit structure reforms and covenant support measures are implemented and a 'Benefit Change Deed' is entered into on or before 28 February 2022. If this takes place, the shortfall as at 31 March 2020 is £14.1bn. If no deed is entered into, the reduced level of covenant support results in an increase to the technical provisions and the shortfall as at 31 March 2020 is £18.4bn.

If the Benefit Change Deed is entered into within the timescale set out above, the revised plan requires deficit recovery payments of 6.3% from 1 April 2022 to 31 March 2038. This would increase the deficit provision from £128.3m as at the year end to £397.1m, (assuming no other changes to assumptions). This would be an increase of £268.8m. If this revised contractual commitment had been agreed before 31 July 2021, the University would have showed a deficit for the year (before other comprehensive income) of £198.7m instead of the reported surplus of £70.1m.

25 Pension schemes (continued)

If the Benefit Change Deed is not entered into within the timescales set out above, the revised plan requires the following deficit recovery payments:

3% from 1 October 2022 to 31 March 2023

6% from 1 April 2023 to 30 September 2023

9% from 1 October 2023 to 31 March 2024

12% from 1 April 2024 to 30 September 2024

15% from 1 October 2024 to 31 March 2025

18% from 1 April 2025 to 30 September 2025

20% from 1 October 2025 to 31 July 2032

This would increase the deficit provision at 31 July 2021 to £608.4m, an increase of £480.1m (assuming no other changes to assumptions).

(b) NHS Pension Scheme

The University of Manchester also participates in the NHSPS. The notional assets of NHSPS are assessed by the Government Actuary and the benefits are underwritten by the Government.

The NHS Pension Scheme is a defined benefit public service pension scheme, which operates on a pay-as-you-go basis. A new reformed scheme was introduced on 1 April 2015 that calculates pension benefits based on career average earnings. Transitional arrangements permit individuals who on 1 April 2012 were within ten years of normal pension age to continue participating in the old 'final salary' NHS Pension Scheme arrangements (the 1995 and 2008 sections).

The scheme is not designed to be run in a way that would enable members to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS Body of participating in the scheme is taken as equal to the contributions payable to the scheme for the accounting period.

An HM Treasury pension scheme valuation for funding purposes was carried out as at March 2016. The Scheme Regulations have been changed to allow contribution rates to be set by the Secretary of State for Health, with the consent of HM Treasury, and consideration of the advice of the Scheme Actuary and appropriate employee and employer representatives as deemed appropriate. The contribution rate payable by the University during the year ended 31 July 2021 was equal to 20.68% of the total pensionable salaries, 6.3% of which is settled centrally by NHS England. This is in accordance with the conclusion of the Government Actuary's report on the scheme.

The total pension cost for the University of Manchester was £2.9m (2020: £2.5m).

(c) University of Manchester Pension Saver

This is a Defined Contribution Scheme that was set up with effect from 1 January 2019 following the restructure of the UMSS scheme and its closure to new joiners (see note 25 (d)). The Pension Saver is run by Legal and General as a group personal pension scheme.

All new employees that were previously entitled to join UMSS are now automatically enrolled in the Pension Saver. The default position is that employees pay contributions of 4% of pensionable salary and the University pays 13.5%. Alternatively employees can contribute 0% to 7% and the University will contribute 9.5% to 16.5% dependent upon level of employee contributions.

The total consolidated pension cost for the University of Manchester was £4.0m (2020: £2.5m).

(d) University of Manchester Superannuation Scheme

UMSS is a defined benefit scheme in the UK. The benefits were restructured with effect from 1 January 2019. The final salary section (1/80th final pensionable salary and 3/80th cash) and the Career Average Revalued Earnings (CARE) section (1/80th and 3/80th cash) were closed on 31 December 2018. All existing UMSS members now receive a defined benefit provision under a new 1/100th pension plus 3/100th cash CARE section with effect from 1 January 2019. The scheme is closed to new joiners, who now join a new defined contribution (DC) scheme called the University of Manchester Pension Saver - see note 25 (c).

A full actuarial valuation was carried out at 31 July 2019 and this most recent full valuation showed a deficit of £133.4m. The University has agreed with the trustees that it will eliminate the deficit over a period of 11 years and 1 month from 1 November 2020 by the payment of annual contributions of £6.5m per annum, payable quarterly and increasing in line with RPI each 1 August, plus £10k per month in respect of Graduate Prospects and HECSU liabilities. With effect from 1 August 2021, the University has agreed to pay contributions at the rate of 24.6% of pensionable pay for CARE members who participate in PensionChoice and 18.1% of pensionable pay for those who do not. The University also agreed to pay £1.7m per annum in respect of expenses. During the year there was a Flexible Apportionment Arrangement whereby the University took over the employer pension liabilities of the International Society which exited the scheme. This has minimal impact on the University's deficit payment obligations.

The best estimate of contributions to be paid by the University and its subsidiaries to the scheme for the year commencing 1 August 2021 is £25.9m.

Notes to the financial statements (continued)

Year ended 31 July 2021

25 Pension schemes (continued)

The full actuarial valuation was updated to 31 July 2021 on an FRS 102 (28) basis by a qualified actuary, independent of the scheme's sponsoring employer. The major assumptions used by the actuary are detailed below:

	2021	2020
Discount rate	**1.70%**	1.60%
Inflation (RPI)	**3.20%**	2.85%
Inflation (CPI)	**2.60%**	2.05%
Salary growth	**2.9% for one year, then 3.65% p.a. thereafter**	1.4% p.a. for the first two years, then 3.65% p.a. thereafter
Allowance for revaluation of deferred pensions of RPI or 5% if less	**3.20%**	2.85%
Allowance for revaluation of deferred pensions of CPI or 5% if less	**2.60%**	2.05%
Allowance for pension in payment increases of RPI or 5% if less	**3.07%**	2.78%
Allowance for pension in payment increases of CPI or 5% if less	**2.58%**	2.12%
Allowance for pension in payment increases of CPI or 3% if less	**2.12%**	1.82%
Allowance for commutation of pension for cash at retirement	**No allowance**	No allowance

The mortality assumptions adopted imply the following life expectancies:	**2021 Life expectancy at age 62 Years**	2020 Life expectancy at age 62 Years
Male retiring in 2021	**23.6**	23.6
Female retiring in 2021	**25.7**	25.6
Male retiring in 2041	**24.7**	24.7
Female retiring in 2041	**26.9**	26.9

The assets and liabilities within the scheme at 31 July were as follows:	**2021 £'000**	2020 £'000	2019 £'000
Equities	**167,355**	182,851	179,867
Bonds	**507,456**	456,730	388,521
Property	**134,032**	126,352	121,497
Fair value of scheme assets	**808,843**	765,933	689,885
Present value of defined benefit obligation	**(922,746)**	(876,602)	(827,849)
Deficit in the scheme	**(113,903)**	(110,669)	(137,964)

The pension scheme has not invested in any of the University's own financial instruments or in properties or other assets used by the group.

The amounts recognised in the group statement of comprehensive income and expenditure are analysed as follows: *Recognised in Statement of Comprehensive Income:*	**2021 £'000**	2020 £'000
Current service cost	**23,035**	19,781
Expenses	**1,788**	1,702
	24,823	21,483
Reduction in liability following change in benefit structure	**345**	-
Total operating charge	**25,168**	21,483
Net interest cost	**1,769**	2,966
Total recognised in surplus for the year	**26,937**	24,449
Taken to Other Comprehensive Income:		
Return on scheme assets (excluding amounts included in net interest cost)	**28,145**	52,604
Experience gains and losses	**7,191**	10,557
Remeasurements - changes in demographic and financial assumptions	**(36,453)**	(38,966)
Total amount recognised in Other Comprehensive Income	**(1,117)**	24,195

25 Pension schemes (continued)

(d) University of Manchester Superannuation Scheme

Reconciliation of opening and closing balances of the defined benefit obligation	2021 £'000	2020 £'000
At start of year	**876,602**	827,849
Current service cost	**23,035**	19,781
Expenses	**1,788**	1,702
Interest expense	**14,044**	18,233
Contributions by scheme participants	**433**	548
Actuarial losses	**29,262**	28,409
Benefits paid	**(22,763)**	(19,920)
Losses/(gains) due to benefit changes	**345**	-
At end of year	**922,746**	876,602

The English High Court ruling in Lloyds Banking Group Pension Trustees Limited v Lloyds Bank plc and others was published on 26 October 2018, and held that UK pension schemes with Guaranteed Minimum Pensions (GMPs) accrued from 17 May 1990 must equalise for the different effects of these GMPs between men and women. The case also gave some guidance on related matters, including the methods for equalisation.

The trustees of the scheme have obtained advice covering the impact of the ruling on this scheme and are considering with the employer on the method to adopt. An allowance for the additional liabilities as a result of this ruling is included within the defined benefit obligation.

The defined benefit cost for the year ended 31 July 2021 includes an estimated past service cost of £345,000 in respect of a plan amendment. This has arisen following a High Court case on 20 November 2020 which ruled that transfers out of the Plan, between 17 May 1990 and 28 October 2018, need to be revisited and equalised for GMP (if applicable).

Reconciliation of opening and closing balances of the fair value of scheme assets	2021 £'000	2020 £'000
At start of year	**765,933**	689,885
Interest income	**12,275**	15,267
Actuarial gains	**28,145**	52,604
Contributions by the University and subsidiaries	**24,820**	27,549
Contributions by scheme participants	**433**	548
Benefits paid	**(22,763)**	(19,920)
At end of year	**808,843**	765,933

The actual return on the scheme assets over the year ended 31 July 2021 was £40.4m (2020: £67.9m).

Sensitivity analysis

As set out in the accounting policies, there are some critical judgements made in estimating the UMSS pension liability. The sensitivity of the principal assumptions used to measure the scheme liabilities are set out below:

Change in assumptions at 31 July 2021	Approximate impact
0.1% pa decrease in discount rate	2% or £18.5m increase in liability
0.1% pa increase in inflation linked assumptions	2% or £18.5m increase (of inflation linked liabilities)
One year increase in life expectancy	4% or £36.9m increase in liability

Notes to the financial statements (continued)

Year ended 31 July 2021

25 Pension schemes (continued)

(e) Greater Manchester Pension Fund (GMPF)

The GMPF is a career average revalued earnings (CARE) defined benefit scheme and a separate fund within the local government pension scheme (LGPS). The LGPS is regulated by statute, with separate regulations for England and Wales and for Scotland. The benefits of LGPS funds are determined nationally by regulation and meet the definition of a defined benefit scheme. LGPS is a funded scheme, with some 100 separate funds administered locally by administering bodies. Each fund has many employing authorities. The LGPS is not therefore a national multi-employer scheme, but each separate LGPS fund is a multi-employer scheme. The University of Manchester is a member of one of these funds, the GMPF, which is administered by Tameside Metropolitan Borough Council.

A full actuarial valuation was carried out at 31 March 2019 and this most recent full valuation showed a surplus of £529m for all members and a funding level of 102%. The University currently pays contributions at a rate of 22.9% of pensionable pay and annual additional contributions towards the deficit of £729k for 2020/21 (£771k for 2019/20). The contribution rate of 22.9% remains unchanged for the year commencing 1 August 2021.

The best estimate of contributions to be paid by the University and its subsidiaries to the scheme for the year commencing 1 August 2021 is £1.4m (2020: £1.6m).

The full actuarial valuation was updated to 31 July 2020 on an FRS 102 (28) basis by a qualified actuary, independent of the scheme's sponsoring employer. The major assumptions used by the actuary are detailed below:

	2021	2020
Discount rate	**1.55%**	1.30%
Inflation (CPI)	**2.80%**	2.20%
Salary growth	**3.53%**	2.90%
Pension increase rate	**2.80%**	2.20%

The mortality assumptions adopted imply the following life expectancies:

	2021	2020
	Life expectancy at age 65 Years	Life expectancy at age 65 Years
Male retiring in 2021	**20.5**	20.5
Female retiring in 2021	**23.3**	23.1
Male retiring in 2041	**21.9**	22.0
Female retiring in 2041	**25.3**	25.0

The assets and liabilities within the scheme at 31 July were as follows:	**2021**	2020	2019
	£'000	£'000	£'000
Fair value of scheme assets	**147,351**	124,541	130,075
Present value of defined benefit obligation	**(150,244)**	(144,625)	(141,675)
Deficit in the scheme	**(2,893)**	(20,084)	(11,600)

The split of assets by type is as follows:	**2021**	2020	2019
Equities	**71%**	67%	69%
Bonds	**15%**	18%	14%
Property	**6%**	7%	8%
Cash	**8%**	8%	9%

25 Pension schemes (continued)

The pension scheme has not invested in any of the University's own financial instruments or in properties or other assets used by the group. The University's fair value of plan assets is approximately 1% of the Fund's total.

The amounts recognised in the group statement of comprehensive income and expenditure are analysed as follows:

	2021 £'000	2020 £'000
Recognised in Statement of Comprehensive Income:		
Current service cost	**1,431**	1,250
Past service cost	**67**	28
Total operating charge	**1,498**	1,278
Net interest cost	**238**	214
Total recognised in surplus for the year	**1,736**	1,492

The current service cost includes an allowance for administration expenses of 0.3% (2020: 0.3%) of payroll.

Taken to Other Comprehensive Income:		
Return on scheme assets (excluding amounts included in net interest cost)	**23,952**	(5,484)
Remeasurements - changes in demographic and financial assumptions	**(8,773)**	(18,360)
Other experience	**1,848**	15,151
Total amount recognised in Other Comprehensive Income	**17,027**	(8,693)

Reconciliation of opening and closing balances of the defined benefit obligation	**2021 £'000**	2020 £'000
At start of year	**144,625**	141,675
Current service cost	**1,431**	1,250
Past service cost	**67**	28
Interest expense	**1,838**	3,050
Contributions by scheme participants	**202**	249
Contributions by the employer to the unfunded scheme	**(101)**	(93)
Actuarial losses	**6,925**	3,209
Benefits paid	**(4,743)**	(4,743)
At end of year	**150,244**	144,625
Analysis of defined benefit obligation		
Present value of funded liabilities	**148,722**	143,002
Present value of unfunded liabilities	**1,522**	1,623
	150,244	144,625
Reconciliation of opening and closing balances of the fair value of scheme assets		
At start of year	**124,541**	130,075
Interest income	**1,600**	2,836
Actuarial gains/(losses)	**23,952**	(5,484)
Contributions by the University	**1,799**	1,608
Contributions by scheme participants	**202**	249
Benefits paid	**(4,743)**	(4,743)
At end of year	**147,351**	124,541

Notes to the financial statements (continued)

Year ended 31 July 2021

25 Pension schemes (continued)

The actual return on the scheme assets over the year ended 31 July 2021 was 20.7% (2020: -2.3%)

Sensitivity analysis

As set out in the accounting policies, there are some critical judgements made in estimating the GMPF pension liability. The sensitivity of the principal assumptions used to measure the scheme liabilities are set out below:

Change in assumptions at 31 July 2021	Approximate impact
0.1% decrease in discount rate	2% or £2.4m increase in liability
0.1% pa increase in salary increase rate	0% or £0.2m increase in liability
0.1% pa increase in pension increase rate	1% or £2.2m increase in liability
1 year increase in life expectancy	4% or £5.9m increase in liability

The principal demographic assumption is the longevity assumption (i.e. member life expectancy). For sensitivity purposes it is estimated that a one year increase in life expectancy would increase the University's liability by around 3% - 5%.

26 Reconciliation of cash flow to Statement of Financial Position

	At 1 August 2020 £'000	Cash Flows £'000	At 31 July 2021 £'000
Cash and cash equivalents	120,107	(42,785)	**77,322**
	120,107	(42,785)	**77,322**

27 Consolidated reconciliation of net debt

	At 1 August 2020 £'000	Cash Flows £'000	Non cash changes £'000	At 31 July 2021 £'000
Cash and cash equivalents	120,107	(42,785)	-	**77,322**
Current investments (note 17)	90,000	170,000	-	**260,000**
Debt due after one year (note 20)	(393,588)	-	(110)	**(393,698)**
Net debt	(183,481)	127,215	(110)	**(56,376)**

28 Capital and other commitments

Provision has not been made for the following capital commitments at 31 July 2021	Consolidated 2021 £'000	Consolidated Restated 2020 £'000	University 2021 £'000	University Restated 2020 £'000
Authorised not contracted for	**105,069**	198,063	**105,069**	198,063
Contracted not provided	**76,665**	95,494	**76,665**	95,494
	181,734	293,557	**181,734**	293,557

29 Lease obligations

	Land & Buildings £'000	Other Leases £'000	2021 Total £'000	2020 Restated £'000
Payable during the year	15,098	1,463	**16,561**	7,082
Future minimum lease payments due:				
Not later than one year	13,474	508	**13,982**	16,341
Later than one year but not later than five years	14,455	413	**14,868**	15,820
Later than five years	9,265	323	**9,588**	9,830
Total lease payments due	37,194	1,244	**38,438**	41,991

The prior year values have been restated.

30 Contingent liabilities

	Consolidated		University	
	2021 **£'000**	2020 £'000	**2021** **£'000**	2020 £'000
Guarantees				
Bank guarantee	**230**	230	**-**	-

The bank guarantee relates to a guarantee given by UMIST Ventures Ltd. (a wholly owned subsidiary) in respect of one of the University's spin-outs.

31 Related party transactions

The operating statements of the University include transactions with related parties. In accordance with FRS102 these are disclosed where members of the University of Manchester's Board of Governors or Senior Leadership Team (SLT) disclose an interest in a body with whom the University undertakes transactions which are considered material to the University's Financial Statements and/or the other party. Due to the nature of the University's operations and the composition of the Board, being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the Board or SLT may have an interest. All transactions involving organisations in which a member of the Board or SLT may have an interest, including those identified below, are conducted at arms length and in accordance with the University's Financial Regulations and usual procurement procedures. Only transactions or balances over £100k are listed below.

An updated register of the interests of the members of the Board of Governors is maintained.

The University has taken advantage of the exemption within FRS 102 and has not disclosed transactions with other group entities where it holds 100% of the voting rights. Included within the financial statements are the following transactions with related parties:

	Income recognised within the financial statements £'000	**Expenditure recognised within the financial statements £'000**	**Balance due to the University recognised within the financial statements £'000**	**Balance due from the University recognised within the financial statements £'000**
AstraZeneca plc	-	1,507	-	32
Cancer Research UK	30,247	1	-	8,901
Department for Education	5,301	-	-	39
European Commission	16,735	-	5,099	-
Foods Standards Agency	113	-	-	-
GlaxoSmithKline plc	162	-	83	-
Innovate UK	333	-	40	-
Manchester University NHS Foundation Trust	19,202	12,909	2,295	-
Market & Opinion Research International Ltd t/a Ipsos MORI	-	1,022	-	-
PricewaterhouseCoopers	201	-	-	-
Universities UK	-	181	-	-
University of Manchester Students' Union	183	381	43	-
Newcastle University	215	1,438	8	-
	72,692	**17,439**	**7,568**	**8,972**

Notes to the financial statements (continued)

Year ended 31 July 2021

31 Related party transactions (continued)

AstraZeneca plc
AstraZeneca is a global integrated biopharmaceutical company. One member of the Board of Governors is a retired employee of the company.

Cancer Research UK
Cancer Research UK is a registered charity, whose aim is to reduce the number of deaths from cancer. As the world's largest independent cancer research charity it conducts research into the prevention, diagnosis and treatment of the disease. Research activities are carried out in institutes, universities and hospitals across the UK, both by the charity's own employees and by its grant-funded researchers. One member of the Board of Governors is a member.

Department for Education (DfE)
The Department for Education is a department of Her Majesty's Government responsible for child protection, education, apprenticeships and wider skills in England. One member of the Board of Governors has declared this company as a client.

European Commission
The European Commission is the executive branch of the European Union, responsible for proposing legislation, implementing decisions, upholding the EU treaties and managing the day-to-day business of the EU. A member of the senior leadership team is a member of a committee of this organisation.

Food Standards Agency (FSA)
The Food Standards Agency is a non-ministerial government department of the Government of the United Kingdom. It is responsible for protecting public health in relation to food in England, Wales and Northern Ireland. One member of the Board of Governors has declared FSA as a client.

GlaxoSmithKline plc (GSK)
GSK is a major pharmaceutical company. One member of the Board of Governors acts as a consultant for the company.

Innovate UK
Innovate UK is the United Kindgdom's innovation agency, a non-departmental public body operating at arm's length from the Government as part of the United Kingdom Research and Innovation organisation. One member of the Board of Governors has declared that they are the Chairman of the Major Awards Committee Biomedical Catalyst.

Manchester University NHS Foundation Trust
The Manchester University NHS Foundation Trust formed when the University of South Manchester and Central Manchester University Hospitals NHS Foundation Trusts merged on 1 October 2017. The Trust runs Altrincham Hospital, Manchester Royal Infirmary, Royal Eye Hospital, Royal Manchester Children's Hospital, St Mary's, Trafford General Hospital ,Withington Community Hospital, Wythenshawe Hospital, and the University Dental Hospital. It works closely with the University in the teaching of medical students, as well as research. A member of the senior leadership team is a non executive director of the Trust.

Market & Opinion Research International Ltd t/a Ipsos MORI
Ipsos MORI is a market research company. It was formed by a merger of Ipsos UK and MORI in October 2005. The company is a member of the British Polling Council and Market Research Society. One member of the Board of Governors has declared that a family member is an employee.

PricewaterhouseCoopers
PricewaterhouseCoopers is a multinational professional services network with headquarters in London, United Kingdom. PwC ranks as the second largest professional services firm in the world and is one of the Big Four auditors, along with Deloitte, EY and KPMG. One member of the Board of Governors is an ex-partner of this company.

Universities UK
Universities UK is the collective voice of 137 universities in England, Scotland, Wales and Northern Ireland. Their member universities' core purpose is to maximise their positive impact for students and the public, both in the UK and globally through teaching, research and scholarship. One member of the Board of Governors is a member of a group to appoint USS Trustee Board directors.

University of Manchester Students' Union
The University of Manchester Students' Union is the representative body for students at the University of Manchester. Two members of the Board of Governors are members of this organisation.

Newcastle University
Newcastle University is a research intensive university. One member of the Board of Governors chairs a unit there.

32 Events after the reporting period

As set out in notes 21 and 25(a) in respect of USS, since the year end and following the completion of the 2020 actuarial valuation, a new deficit recovery plan has been agreed. This amends the existing deficit recovery plan that was agreed as a result of the 2018 actuarial valuation. If a Benefit Change Deed is entered into on or before 28 February 2022, the revised plan requires deficit recovery payments of 6.3% from 1 April 2022 to 31 March 2038. This would increase the deficit provision from £128.3m as at the year end to £397.1m (assuming no other changes to assumptions), an increase of £268.8m. If this revised contractual commitment had been agreed before 31 July 2021, the University would have showed a deficit for the year (before other comprehensive income) of £198.7m instead of the reported surplus of £70.1m. If the Benefit Change Deed is not accepted, then the deficit provision would increase to £608.4m, an increase of £480.1m.

33 Amounts disbursed as agent (Consolidated and University)

DFE -Student training bursaries (formerly the National College for Teaching and Leadership)

Student Training Bursaries	**2021** **£000**	2020 £000
Balance unspent at beginning of year	**52**	132
Funding Council grants	**5,030**	4,510
Disbursed to students	**(4,992)**	(4,590)
Balance unspent at year end	**90**	52

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

34 US Department of Education Financial Responsibility Supplemental Schedule

In satisfaction of its obligations to facilitate students' access to US federal financial aid, the University is required, by the US Department of Education, to present the following Supplemental Schedule in a prescribed format.

The amounts presented within the schedules have been:

- prepared under the historical cost convention, subject to the revaluation of certain fixed assets;
- prepared using United Kingdom generally accepted accounting practice, in accordance with Financial Reporting Standard 102 (FRS 102) and the Statement of Recommended Practice: Accounting for Further and Higher Education (2019 edition);
- presented in pounds sterling.

The schedules set out how each amount disclosed has been extracted from the financial statements. As set out above, the accounting policies used in determining the amounts disclosed are not intended to and do not comply with the requirements of accounting principles generally accepted in the United States of America.

Page	**Line item/related disclosures**		**2020/21**		**2019/20**	
	Primary Reserve Ratio	**Expendable Net Assets**	**£000**	**£000**	**£000**	**£000**
51	Consolidated Statement of Financial Position - Income and expenditure reserve - unrestricted reserve	Net assets without donor restrictions		1,619,476		1,533,606
51	Consolidated Statement of Financial Position - Income and expenditure reserve - restricted reserves	Net assets with donor restrictions		252,544		237,718
79	Related party balances due to the University (note 31)	Secured and Unsecured related party receivable	7,568		9,465	
79	Related party balances due to the University (note 31)	Unsecured related party receivable		7,568		9,465
60,61,63	Tangible Fixed Assets (note 12) plus Heritage Assets (note 13) plus Investment Property (note 14)	Property, plant and equipment, net (includes Construction in progress)	2,276,767		2,252,965	
60,61,63	Fixed Assets (note 12) plus Heritage Assets (note 13) plus Investment Property (note 14) less additions and transfers during the year	Property, plant and equipment - pre-implementation		2,169,261		2,063,043

Notes to the financial statements (continued)

Year ended 31 July 2021

34 US Financial Responsibility Supplemental Schedule (continued)

Page	Line item/related disclosures		2020/21		2019/20	
	Primary Reserve Ratio	Expendable Net Assets	£000	£000	£000	£000
N/a	Not applicable - the University's borrowings are not linked to fixed asset additions	Property, plant and equipment - post-implementation with outstanding debt for original purchase		-		-
60,61	Freehold land and buildings additions (note 12) plus Fixtures, fittings, tools and equipment additions (note 12) plus Heritage asset additions (note 13)	Property, plant and equipment - post-implementation without outstanding debt for original purchase		13,585		14,512
12	Assets under construction additions less transfers to other operating expenditure (note 12)	Construction in progress		93,921		175,410
N/a	Not applicable - the University does not have any finance lease balances outstanding	Lease right-of-use asset, net	-		-	
N/a	Not applicable - the University does not have any finance lease balances outstanding	Lease right-of-use asset pre-implementation		-		-
N/a	Not applicable - the University does not have any finance lease balances outstanding	Lease right-of-use asset post-implementation		-		-
N/a	Not applicable - the University does not have goodwill balances outstanding	Intangible assets - goodwill		-		-
60	Intangible assets and goodwill (note 11)	Intangible assets - other intangible assets		17,391		17,419
68	Total pension provisions (note 21)	Post-employment and pension liabilities		245,079		255,299
67	Borrowings at 31 July 2021 (note 20)	Long-term debt - for long term purposes	393,698		393,588	
67	Borrowings at 31 July 2020 (note 20)	Long-term debt - for long term purposes pre-implementation		393,588		393,484
N/a	Not applicable - the University did not draw down on any new borrowings in 2020/21	Long-term debt - for long term purposes post-implementation		-		-
N/a	Not applicable - the University did not draw down on any new borrowings in 2020/21	Line of Credit for Construction in process		-		-
N/a	Not applicable - the University does not have any finance lease balances outstanding	Lease right-of-use asset liability	-		-	
N/a	Not applicable - the University does not have any finance lease balances outstanding	Pre-implementation right-of-use leases		-		-
N/a	Not applicable - the University does not have any finance lease balances outstanding	Post-implementation right-of-use leases		-		-
N/a	Not applicable - the University does not have annuities	Annuities with donor restrictions		-		-
69	Expendable endowments (note 22)	Term endowments with donor restrictions		63,143		58,267
N/a	Not applicable - the University does not have life income funds	Life income funds with donor restrictions		-		-

34 US Financial Responsibility Supplemental Schedule (continued)

Page	Line item/related disclosures		2020/21		2019/20	
	Primary Reserve Ratio	**Expendable Net Assets**	**£000**	**£000**	**£000**	**£000**
69	Permanent endowments (note 22)	Net assets with donor restrictions: restricted in perpetuity		179,082		162,274*
		Total Expenses and Losses				
49	Consolidated Statement of Comprehensive Income - Total expenditure	Total expenses without donor restrictions - taken directly from Statement of Activities		1,038,874		945,308
49	Investment income plus gain on investments less share of operating deficit in associate plus actuarial gain	Non-Operating and Net Investment (loss)		(43,582)		(20,714)
54	Investment income (note 5) plus net appreciation of investments carried at fair value (note 14)	Net investment losses		(27,995)		(5,185)
N/a	Not applicable	Pension-related changes other than net periodic costs		-		-
	Equity Ratio	**Modified Net Assets**				
51	Consolidated Statement of Financial Position - Income and expenditure reserve - unrestricted reserve	Net assets without donor restrictions		1,619,476		1,533,606
51	Consolidated Statement of Financial Position - Income and expenditure reserve - restricted reserves	Net assets with donor restrictions		252,544		237,718
N/a	Not applicable - the University does not have goodwill balances outstanding	Intangible assets - goodwill		-		-
60	Intangible assets and goodwill (note 11)	Intangible assets - other intangible assets		17,391		17,419
79	Related party balances due to the University (note 31)	Secured and Unsecured related party receivable	7,568		9,465	
79	Related party balances due to the University (note 31)	Unsecured related party receivable		7,568		9,465
		Modified Assets				
51	Consolidated Statement of Financial Position - Total Assets	Total Assets		3,005,473		2,824,626
N/a	Not applicable - the University does not have any finance lease balances outstanding	Lease right-of-use asset pre-implementation		-		-
N/a	Not applicable - the University does not have any finance lease balances outstanding	Pre-implementation right-of-use leases		-		-
N/a	Not applicable - the University does not have goodwill balances outstanding	Intangible assets - goodwill		-		-
60	Intangible assets and goodwill (note 11)	Intangible assets - other intangible assets		17,391		17,419
79	Related party balances due to the University (note 31)	Secured and Unsecured related party receivable	7,568		9,465	

Notes to the financial statements (continued)

Year ended 31 July 2021

34 US Financial Responsibility Supplemental Schedule (continued)

Page	Line item/related disclosures		2020/21		2019/20	
	Equity Ratio	**Modified Assets**	**£000**	**£000**	**£000**	**£000**
79	Related party balances due to the University (note 31)	Unsecured related party receivable		7,568		9,465
	Net Income Ratio					
49	Consolidated Statement of Comprehensive Income - Unrestricted comprehensive income for the year	Change in Net Assets Without Donor Restrictions		85,870		219,930
49	Consolidated Statement of Comprehensive Income - Total income less Investment income	Total Revenue and Gains		1,095,833		1,059,025

** Note that this number has been restated from the prior submission, where it also included restricted reserves (which are not restricted in perpetuity) in error.*

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