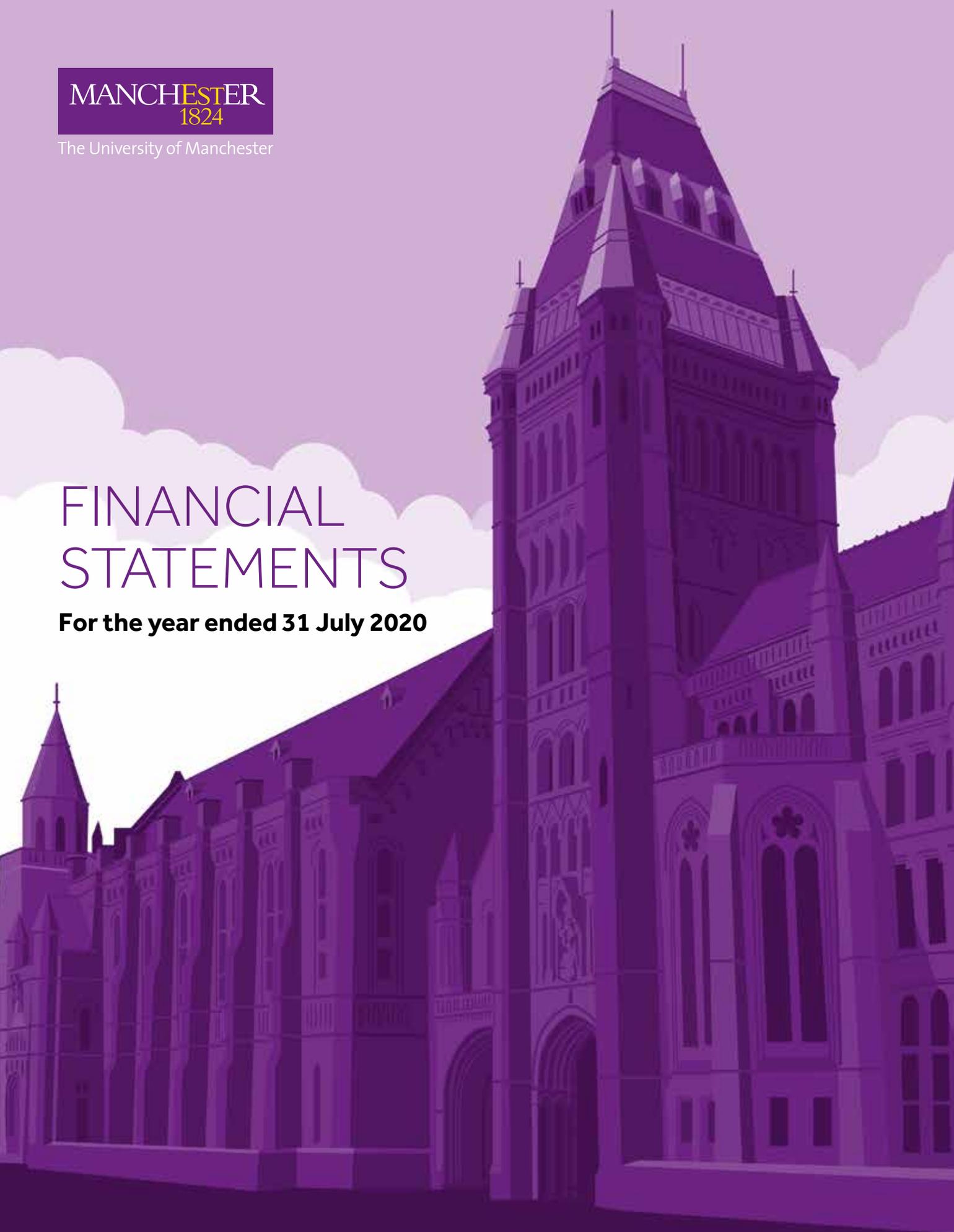


MANCHESTER
1824

The University of Manchester

FINANCIAL STATEMENTS

For the year ended 31 July 2020



OFFICERS AND ADVISERS

CONTENTS

- 1 Chair's foreword
- 2 Review of the year by Professor Dame Nancy Rothwell, President and Vice-Chancellor
- 5 Key performance indicators
- 6 The year in pictures
- 12 Financial review by Robert Fraser Chief Financial Officer
- 23 Corporate governance statement
- 27 Remuneration Committee report
- 32 Modern slavery and human trafficking statement
- 39 Statement of the Board of Governors' responsibilities for the year ended 31 July 2020
- 40 Independent auditor's report to the Board of Governors of The University of Manchester
- 50 Financial Statements for the year ended 31 July 2020
- 52 Statement of principal accounting policies
- 59 Consolidated statement of comprehensive income
- 60 Consolidated statement of changes in reserves
- 61 Consolidated statement of financial position
- 62 Consolidated statement of cash flows
- 63 Notes to the financial statements

The University of Manchester is registered in the United Kingdom and its business address is:

The University of Manchester
Oxford Road
Manchester
M13 9PL

OFFICERS

Chancellor

Mr Lemn Sissay, MBE

Pro-Chancellor

Mrs Gillian Easson, MA,FRSA

President and Vice-Chancellor

Professor Dame Nancy J 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 (Hons), Diploma IHM (from 1 September 2020)

Registrar, Secretary and Chief Operating Officer

Mr Patrick Hackett, BArch

Director of Finance

Mr Stephen Dauncey, BSc, FCCA (until 18 October 2019)

Mr David Soutter, BA MA FCA (12 August 19 – 30 June 2020)

Mr John Cunningham, BA Hons, FCCA (1st April – 31st July 2020)

Chief Financial Officer

Mr Robert Fraser BSc, MBA, CA (from 1 July 2020)

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

CHAIRS OF COMMITTEES OF THE BOARD OF GOVERNORS

Chair of Audit Committee

Mr Colin Gillespie, BSc (Hons), FCA

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 (Hons.) ACC

Chair of Nominations Committee

Mr Edward M Astle, MA, MBA

Chair of Staffing Committee

Mrs Ann Barnes, BA Hons, Diploma IHM

MEMBERSHIP OF THE BOARD OF GOVERNORS

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 General Secretary of the Students' Union

Category 2, lay members (13)

Mr Edward M Astle, MA, MBA, Chair (2021)

Mrs Ann Barnes, BA Hons, Diploma IHM (2023)

Mr Gary Buxton, MBE, BA Hons, ACC (2021)

Mr Michael Crick, BA (2021)
Mr Colin Gillespie, BSc (Hons), FCA (2022)

Mr Nick Hillman, MA (2022)
Mrs Caroline Johnstone, BA, CA (2023)

Mrs Bridget Lea, BA Hons (2023)
Dr Neil McArthur, MBE, CEng, FIMechE, FIET (2022)

Mr Robin Phillips, BA (Hons)(2022)
Mr Andrew Spinoza, BA, MCIPR (2021)

Mr Richard Solomons, BA (Econ) (Hons) (2021)

Mrs Alice Webb M.Eng, Hon DA (2021)

Category 3, members of the Senate (6)

Professor Claire Alexander, BA Hons, D Phi, FAcSS I (2022)
Professor Danielle George, MBE, BSc, PhD, FIET, FCGI (2022)

Dr Reinmar Hager, MSc, PhD (2023)

Professor Steven Jones, PhD, PFHEA (2021)

Dr Delia Vazquez, BA Hons, MPhil, PhD, CText FTI, SFHEA (2021)

Dr 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)

Nana Agyeman (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 Deputy Chair (31 August 2020)

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

Ms Sara Khan, BA (Hons) Liberation and Access Officer - Students' Union (30 June 2020)

Professor Aneez Esmail, PhD, MRCGP, MFPHM, FRCP (November 2019)

CHAIR'S FOREWORD

Edward M Astle

Chair of the Board of Governors and Pro-Chancellor



These financial statements cover a year in which every aspect of life has been marked by the impacts of COVID-19. Our University community has shown incredible resolve as we navigate these difficult times.

Like every organisation across the world, we have faced unprecedented challenges as a result of the COVID-19 pandemic. I and the Board are hugely proud of the way in which the whole University community has responded: the rapid move to online learning and remote working in the spring, the acceleration of research in COVID-19-related areas, the selfless help that staff, students and alumni provided to the NHS and those in need in Greater Manchester and beyond, and the generous donations exceeding more than £1 million for a student hardship fund.

The pandemic created significant financial uncertainty, to which the University's leadership were quick to respond with a wide range of cost-saving measures – including a voluntary reduction in their salaries – that contributed to the improved cash position. The key measure of the University's financial performance is our underlying financial surplus which we now calculate after depreciation and capital income to give a more accurate picture. This was 0.5% of income, down from 4.6% as recalculated for the prior year. Overall total comprehensive income increased to £135.2 million from a deficit of (£111.6 million) as a result of significant non-

cash adjustments, mainly relating to the USS pension scheme which, as the Chief Financial Officer explains on page 12, continues to be volatile.

The longer-term financial impacts of the pandemic are still uncertain for a sector already facing significant external pressures.

We, like all research-intensive universities, are critically dependent on international students for our financial sustainability. While our final numbers were strong overall, there will continue to be ongoing uncertainties for the international market. And we face other longer-term financial risks, not least in putting the USS pension scheme on a sustainable and affordable footing.

Notwithstanding the impact of COVID-19, as the Vice-Chancellor's report makes clear, the University continued to make good progress over the year against the ambitions set out in our new vision and strategic plan. At the same time, an incredible amount of work took place to ensure a safe return to campus for students, and subsequently in response to changing national and regional restrictions and guidance. The first months of the new academic year have unquestionably not been what any of us

would have wanted for our students, and the University has been working closely with student representatives on resolutions to some of the difficulties faced.

We have also been determined to retain a focus on our longer-term objectives. Equipping our students with skills for life and work, extending the frontiers of knowledge and finding solutions that benefit the whole of humanity through our research, and further extending our social and civic responsibility initiatives have never been more important.

In these exceptional circumstances I would like to finish by offering thanks – to board members who have gone the extra mile since the crisis struck, not just with the additional meetings and enhanced governance which we have put into place, but by drawing on their deep and diverse experience to help management navigate the crisis; to the Vice-Chancellor and her whole leadership team for their tireless efforts overseeing the response to such extraordinary challenges; to the alumni and donors who have been so generous; and most of all to our staff and students whose resilience, adaptability and collective endeavour are helping us through these uncharted waters.

PRESIDENT AND VICE-CHANCELLOR'S REVIEW OF THE YEAR

Professor Dame Nancy Rothwell

President and Vice-Chancellor



The year covered by these Financial Statements was unlike any other in our lifetime. When the COVID-19 pandemic took hold in the spring we moved quickly to ensure the safety of our staff and students, while many of our people worked selflessly to help the local, national and global recovery.

Throughout 2019/20, our staff and students have been remarkably resilient, flexible and innovative in response to the pandemic, and have demonstrated the humanity that is such an important value to our University. In such testing circumstances for the sector and indeed the world, we took immediate action to forecast and mitigate financial impacts. We report a modest surplus for the past year which now reflects a more accurate presentation of our financial position, taking into account depreciation and capital income, while still adjusting for the impact of pensions accounting. This is significantly lower than the previous year.

By any normal standards, the first half of the financial year was highly significant for the higher education sector. There was a general election and we saw responsibility for universities subsequently split across two ministerial portfolios. We also entered the transition period during which the UK's future relationship with the EU would be negotiated.

Pensions, pay and working conditions were high on the agenda. There was industrial action either side of Christmas 2019 by members of the University and College Union.

In January 2020 we set out our new vision and strategic plan for the University, *Our future*. We reaffirmed 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.

If the first half of the academic year was eventful, the second was unprecedented, as COVID-19 grew into a global pandemic. In March we took the decision to close our main campus for all but essential activities, and moved all teaching and campus events online. We switched the focus of some of our research to understanding the disease and how we can help society recover. Facilities and supplies were repurposed and donated to our health services.

Students, staff and alumni gave up their time to help others. Many worked on the frontline in the region's hospitals, others helped with manufacturing PPE and supported those who are vulnerable and isolated. Our final-year medical, nursing and healthcare students graduated early to begin working in the NHS. We stepped up fundraising, particularly for COVID-19 research and student support; our campaign for students placed in hardship by the pandemic raised more than £1 million. I have been extremely proud of the response of our whole community.

Even prior to the pandemic we needed to meet the commitment in *Our future* to generate a larger surplus to reinvest in core activities to allow us to deliver on our ambitions. Our international student fee income helps cover the costs of our research, which is underfunded. Like many international universities, we needed to plan for potentially significant reductions in this and related income, should there be a large drop in other students joining us.

Recognising the immediate and likely longer-term financial impacts of COVID-19, in May we instigated measures to make significant savings. We also made major non-pay savings because most activities on campus ceased, though many of these costs are deferred to later.

While total income was only down £33.7 million year on year to £1.06 billion, the operating surplus detailed on page 14 shows a significant reduction to £5.2 million (0.5%) for 2019/20 compared to £50.0 million (4.6%) for the prior year. It is important to note that we have included depreciation and capital income in our calculation of the surplus for 2019/20, and have recalculated 2018/19's surplus accordingly, as this is a more accurate reflection of our financial position. Total comprehensive income increased to £135.2 million from a deficit of (£111.6 million) in 2019, reflecting very significant year-on-year movements in pension provisions.

However, there is very significant financial uncertainty in 2020/21, as the pandemic continues to disrupt activity. The main factor driving our financial position is the recruitment of postgraduate taught and international students, and while we now know that we met or exceeded our recruitment targets, albeit with some variation across disciplines, the full picture remains unclear due to delayed start dates for some, a projected increase in dropouts, numbers of part-time students and an increase in bursary costs reflecting our success in recruiting widening participation students, rent rebates and potential claims for fee rebates. We also expect to face reduced income from many sources, as well as increased costs as we continue responding to COVID-19. The major deficit in the USS pension scheme continues to

be a concern for us and we are of course yet to discover the full impact of Brexit.

As we seek to operate safely and sustainably through these challenging circumstances I would like to thank colleagues across the University for their ongoing tireless work.

Many colleagues were involved in the detailed planning for welcoming new and returning students to campus, as well as a phased plan for bringing back colleagues who have been working from home. Nevertheless, as has been widely reported, in Semester 1 of the 2020/21 academic year, not everything went as we had hoped or planned. At the time of writing, we are in another national lockdown as COVID-19 cases have begun to surge again across the country. We are learning from recent experiences to provide a better experience for all in Semester 2, whether on campus or from home. The safety of our staff and students is paramount. All decisions and actions we take are informed by current UK government and Health and Safety Executive guidance, and scientific evidence. We have established the Foresight Group, chaired by the University's Deputy President and Deputy Vice-Chancellor, Luke Georghiou, to provide leadership on the medium to long-term future of our University in a post-COVID-19 world.

Beyond campus, we have been in constant dialogue with authorities, partners, and other universities. We have, for example, been discussing with the Greater Manchester Combined Authority our role in the economic recovery of the region and in addressing social inequalities. We were visited by Lord Bob Kerslake and his colleagues from the Civic University Commission to discuss how we can step up plans to contribute to economic growth and prosperity in their surrounding regions. It was also wonderful to hear that Greater Manchester (GM) was successful in its re-designation as an Academic Health Science Centre; reflecting the strength of the partnership between our universities and healthcare providers.

One of our flagship contributions to our region will be the establishment of Innovation District Manchester on the current north campus site. After a pause due to the pandemic, we have resumed the selection process for a development and investment partner and are now at the final stage.

While we have had to focus on immediate priorities, we have not lost sight of our longer-term ambitions in our strategic plan. In research and discovery, there were many highlights of which we can be proud. We maintained our highest-ever position (27th) in the QS World University Rankings in June, having also risen one place in the Academic Ranking of World Universities to reach our highest position of joint 33rd (though we subsequently dropped to

36th in August 2020, climbing one place among UK universities to 5th).

Total research income stood at £265 million, down from £324 million last year (largely because this represents research spend, which was markedly reduced from March), though there were many significant awards including a £16.5 million grant for transforming oncology at the world-renowned Christie NHS Foundation Trust, £7.8 million for a clinical trial of haematopoietic stem cell gene therapy, £5.5 million for new nuclear fuel manufacturing and characterisation, almost £5 million to support small and medium-sized enterprises in GM for innovation in sustainable plastics, and £1.9 million for research into cosmology and climate change on the China-Russia border.

There were multiple successes in our five research beacon areas. In advanced materials, the state-of-the-art Henry Royce Institute Hub Building was handed over by the contractors Laing O'Rourke. We held a shadow board meeting of the Manchester Graphene Company, a public-private partnership to commercialise our discoveries in graphene and related two-dimensional materials.

In cancer, we joined Cancer Research UK and The Christie Charitable Fund in the £20 million 'Re-Write Cancer' appeal for a new cancer research facility on the site of the destroyed Paterson Building. The campaign was launched by our alumnus and BBC broadcaster Mark Radcliffe, who unveiled a bench on campus. Emma Crosbie, our Professor of Gynaecological Oncology, was awarded a prestigious five-year Advanced Fellowship by the National Institute for Health Research.

A high-profile collaboration was established by our energy and climate experts in the Tyndall Centre with the electronic music act Massive Attack to examine the environmental impact of international touring. Professor Stefan Bouzarovski was one of only four people recognised by the European Union as an 'ordinary hero' in its Together We Protect campaign, recognising his impact in addressing energy poverty.

Our experts in global inequalities informed the independent UK2070 Commission for its inquiry into societal disparities in the UK. On World Mental Health Day, the Synergi Collaborative Centre, in which we are a collaborator, published the findings of its research into outcomes experienced by ethnic minority people in relation to severe mental illness. There were also sizeable funding awards for our Cathie Marsh Institute for Social Research and Manchester Institute for Collaborative Research on Ageing. As COVID-19 continues to make its impact felt across society, our experts in humanities have

been frequent voices of advice to authorities, the media and the public.

Several colleagues, PhD students and I went to Buckingham Palace to receive a Queen's Anniversary Prize for our research on industrial biotechnology, led by the Manchester Institute for Biotechnology (MIB). We were also pleased to learn that Professors Nigel Scrutton and Nick Turner were confirmed as Fellows of the Royal Society.

We entered into a strategic cooperation agreement with Finland's Aalto University to further research into artificial intelligence and health systems, and we were delighted that 11 of our colleagues won prizes awarded by the Royal Society of Chemistry, by far the highest number of any university.

We announced two new high-profile appointments in the humanities. Award-winning author, broadcaster and columnist Gary Younge joined us as a Professor of Sociology, while TV executive Sir Peter Bazalgette joined us as an Honorary Professor of Creative Industries. Sir Peter will act as an ambassador for our Creative Manchester initiative.

In teaching and learning, Professor April McMahon joined us as Vice-President for Teaching, Learning and Students. We also launched our new Institute for Teaching and Learning with the key remit to deliver on teaching excellence, and named our 11 inaugural Institute Fellows. We invested significantly in our online offering ahead of the new academic year, and appointed Professor Danielle George as Associate Vice-President for Blended and Flexible Learning.

At the start of the year we integrated our transformative projects for the student experience into one initiative, the Student Experience Programme. While we placed some of this activity on pause at the end of March, a core group of colleagues continued to work on the technology development, transition readiness and re-planning activity.

In the National Student Survey, our overall satisfaction score was 81%, which may have been influenced by industrial action, but is still disappointing as it is lower than the sector average of 83%.

The wellbeing of our students is of the highest importance. In November 2019 we formally launched our partnership with other Greater Manchester universities and our local NHS to deliver a fast-track service for students with mental health problems. We have continued to invest in support services as the new academic year has begun, in recognition of the difficulties many of our students have experienced in Semester 1, and have been working hard with student representatives to ensure our students are heard.

We are proud of the qualities that Manchester students develop through their learning and extra-curricular programmes such as Stellify and Learning through Research. It was therefore pleasing to see that Manchester was named the top UK university for graduate employability by *The Times* and *Sunday Times Good University Guide*, as well as the most targeted university by the UK's top 100 graduate employers, for the third year in a row, by High Fliers Research. I was also proud that two of our students, Aayush Chadha and Stefan Pricopie, won the Engineering and Economics prizes at this year's Undergraduate Awards.

Removing barriers to education is at the heart of our purpose and so it was heartening to see the continuing successes of our widening participation activities. We saw a significant increase in the number of participants in our Access Manchester schemes holding unconditional firm offers from universities, at the time of writing, this was up from 147 to 235 for the Manchester Access Programme and from 128 to 191 for the Manchester Distance Access Scheme. Our GM Higher partnership delivered 1,039 activities to 18,901 learners, while nearly 6,000 students received over £10.9 million of funding via the Manchester Bursary. In a survey of Year 7–11 pupils who took part in our Manchester Gateways Programme, 91% said they felt that they knew more about the benefits of university as a result.

Innovation is one of the themes of our strategic plan and we want students to have every opportunity to foster their creative and entrepreneurial skills. We launched a new two-year collaboration between our Masood Entrepreneurship Centre with University College London to demonstrate and evaluate effective practices in postdoctoral student engagement in knowledge exchange activities.

Our summer degree ceremonies sadly had to be postponed this year. Nonetheless, colleagues went to great efforts to deliver a programme of virtual celebrations. We are aiming, when possible, to extend future on-campus ceremonies to accommodate those who wish to celebrate their achievements in person.

Our commitment to social responsibility is a well-established goal of our University and we were keen to reaffirm this in our new strategic plan, placing an even greater emphasis on the environment. We were therefore delighted to be ranked eighth in the world and first in the UK in the *Times Higher Education (THE)* University Impact Rankings, which rates institutions on their contributions to the United Nations' Sustainable Development Goals. We also won the Institute of Environmental Management and Assessment's award for environmental sustainability for our 10,000 Actions initiative, which encourages staff to take personal actions to support sustainability.

A central issue that we care deeply about as a University community is equality, diversity and inclusion. Our latest average gender pay gap (for all staff in the University) is a difference of 17% (an improvement from 18.4% last year) and median of 12% (the same as last year), with women earning less than men. Men and women are paid the same for the equivalent roles, but we have more women in junior and part-time positions and fewer in the most senior roles. Nevertheless we aim to close this gap.

Tackling discrimination was an important topic of discussion following the killing of George Floyd in the US. Professor Nalin Thakkar, our Vice-President for Social Responsibility, issued a statement on behalf of our University reasserting that racism has no place here and we will do our utmost through our research, teaching and social responsibility to tackle not only racial hatred but discrimination and prejudice more widely and systemic inequities in our society. We're proud of our diverse community and we take a zero-tolerance approach to discrimination and harassment in all their forms. We have subsequently published our *Race Matters at Manchester* report and will be stepping up the current actions we have in place in this area.

We announced that we will end investments in fossil fuel companies by 2022, and 'decarbonise' all investments by 2038. These changes to our Socially Responsible Investment Policy go further than other fossil fuel divestment programmes in the higher education sector as they include a commitment to reduce the carbon intensity of the overall investment portfolio by 30% by 2022 and then to move as quickly as possible to net zero by, at latest, 2038.

In one of the public engagement highlights of the year, some of our academics, including Professors Brian Cox, Michael Wood, Nicky Cullum and myself, delivered talks from our own homes as part of our Lockdown Lectures series to help educate and entertain families.

Related to our commitment to social responsibility are our duties as a civic university. One example of this from the year was the launch of the Clean Air for Schools programme, the largest of its kind in the UK. Another example was Diversity Champions Manchester, a community project based at the University, which won the Equalities category of this year's Spirit of Manchester Awards.

We are also a proudly international university, with a strategic commitment to having influence on the global stage. In the *THE* league table of the most international universities, we rose six places to 25th. We hosted the second Global Universities Engagement Summit following the inaugural meeting in Melbourne in 2017.

Our cultural institutions, The John Rylands Library, Manchester Museum, the Whitworth and Jodrell Bank, were unable to open to the public during the lockdown and so launched a range of innovative digital resources. A major new development was the establishment of the Manchester Digital Collections, allowing access to some of the most significant printed books and manuscripts ever produced, all online.

Before activity on our Campus Masterplan was necessarily paused, we officially opened Unsworth Park, our new students' residences in Fallowfield.

Indeed, 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.

Simon Collins, an alumnus, donor and former head of the accountancy firm KPMG UK, took over as Chair of our Global Leadership Board (GLB) which advises and supports the University, particularly in relation to philanthropy. Rory Brooks, who served as Chair since the GLB was started in 2008, remains a member and will chair a new University international advisory board.

We conferred honorary doctorates on Sherry Coutu, entrepreneur and angel investor; Professor Dame Elizabeth Anionwu, who has had a prestigious career in health; Vincent Kompany, former captain of Manchester City Football Club and an alumnus of our MBA programme; and Lord Jim O'Neill, the acclaimed economist and holder of an honorary chair with us. It was also an honour to meet Ratan Tata, the Emeritus Chair of the Tata Group, and to confer on him an honorary Doctorate of Enterprise. In July we also announced that we would be conferring an honorary degree on our youngest-ever recipient, Marcus Rashford, the Manchester United and England footballer who has campaigned so impressively against child poverty during the pandemic.

There were also royal honours for two of our esteemed academics in January 2020: Professor of Development Studies David Hulme was awarded an OBE while Professor of Sustainable Chemical Engineering Adisa Azapagic received an MBE.

This was a year like no other, and the new academic year has already brought us new challenges. While much remains uncertain, and we must continue to learn and be agile in how we prioritise, we are sure that our vision and strategic plan sets out a clear path towards renewed strength and greater successes. I am immensely proud of how our people are working together and embodying the knowledge, wisdom and humanity that is at the heart of our University. Our shared values will be crucial as we navigate our way towards the future.

KEY PERFORMANCE INDICATORS

Growth in research expenditure¹ 0.4%

Total audited research expenditure in 2018/19 (latest available figure) was £558.0m, an increase of 0.4% on the previous year.

Growth in international student income of £25.1m (10.4%) during 2019/20

International student fee income (full and part-time) increased by £25.1m (10.4%) during 2019/20.

External borrowing as a percentage of income has increased from 35.8% to 37.0%

Operating surplus² is 0.5%

Operating surplus as a percentage of income decreased from 4.6% in 2018/19 to 0.5% in 2019/20 on a like-for-like basis.

¹ Total audited 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 on page 14, adjusted for actuarial gains or losses in respect of pension schemes, revaluation of the USS deficit provision and gains on investments (see page 14).



Professor Dame Nancy Rothwell
President and Vice-Chancellor

YEAR IN PICTURES

Manchester students claim top prizes in Undergraduate Awards

Aayush Chadha and Stefan Pricopie were the Global Winners in the Engineering and Economics categories, respectively, at the annual Undergraduate Awards in Dublin. Fellow Manchester student Samanyou Garg was the Regional Winner in the Computer Science category.



Gary Younge joins Manchester

Award-winning author, broadcaster and columnist Gary Younge joined the University as a Professor of Sociology in the School of Social Sciences.





Decarbonising our investment portfolio

In May, we announced that the University will end investments in fossil fuel reserve and extraction companies by 2022, and 'decarbonise' all investments by 2038.



Massive Attack collaborate with University's climate experts

Bristol-based band Massive Attack partnered with scientists at Manchester's Tyndall Centre to jointly examine the key impact areas of the music industry on the environment in the midst of the increasing climate emergency.

Queen's Award for industrial biotechnology

The Manchester Institute of Biotechnology collected the Queen's Anniversary Prize for Higher and Further Education at a special ceremony held at Buckingham Palace in February. The accolade recognises the environmental benefits of our pioneering expertise in industrial biotechnology.



Digital platform opens up historic collections

The University launched Manchester Digital Collections, an innovative digital platform that allows a global audience to view our library's vast collection of historic publications.



Mark Radcliffe launches Re-Write Cancer campaign on campus

Broadcaster and Manchester alumnus Mark Radcliffe unveiled an engraved park bench on campus to launch the 'Re-Write Cancer' fundraising campaign, a collaboration between the University, Cancer Research UK and The Christie Charitable Fund to help meet the cost of a new £150 million cancer research facility.



Image by Saif Khan



Army of student volunteers supporting the NHS

In April it was revealed that more than 450 medical and social care students across Manchester had stepped forward in less than a week to support NHS workers while they tackled the COVID-19 pandemic. Called the Manchester National Health Supporters, the network was the idea of Saif Khan, a fourth-year medical student at the University.



Image by Paul Heyes Photography

Manchester academic takes leadership role at city's Nightingale Hospital

In April Professor Tony Redmond from our Humanitarian and Conflict Response Institute was announced as the leader of the medical team at a temporary hospital, located in the Manchester Central conference venue, set up to meet demand during the initial surge of COVID-19 infections.



Image by Tony Right

Brian Cox launches Lockdown Lectures series

To help keep families inspired and entertained while schools were closed, many of our academics delivered online talks as part of our Lockdown Lectures series. First up was Professor Brian Cox, with other lecturers including Professors Dame Nancy Rothwell, David Olusoga, Nicky Cullum and Kostya Novoselov.



Image by Jill Jennings

University caterers partner with local food poverty charities

When campus closed and on-campus food and hospitality were suspended, our catering teams made delivery vans and kitchen space available to two charities – Fareshare Greater Manchester and Cracking Good Food – to help tackle food poverty during the lockdown.





Emergency Hardship Fund raises more than £1 million

COVID-19-focused research and student hardship caused by the pandemic were key fundraising priorities during the year. In June it was announced that more than £1 million had been raised for the latter, thanks to the generosity of donors.



FINANCIAL REVIEW

Robert Fraser

Chief Financial Officer

Operational and financial overview

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

Total comprehensive income has increased from a deficit of (£111.6m) to a surplus of £135.2m. As in 2019, pensions accounting has had a significant impact on this position. In 2020 a credit of £115.3m has been posted to the accounts through total staff costs in relation to pension schemes, whereas in 2019 a charge of (£143.3m), related to pension schemes was included in the accounts. Actuarial gains from our UMSS and GMPF pension schemes are also reflected in these figures, with a total gain of £15.5m this year, compared to a loss of £35.3m in the prior year. Excluding the effect of these and other specific accounting adjustments, the 2019/20 operating surplus of £5.2m has reduced by £44.8m from prior year.

The cash generated by operating activities has improved and the cash and current asset investments balance has increased by £6.8m, with the main driver being additional controls introduced to protect the cash position in response to risks associated with COVID-19. The cash position is a key measure of our financial sustainability and, as such, is closely managed as part of our financial performance and planning process.

Financial overview and key highlights

Key Highlights	2019/20	2018/19 Restated ³	% change
	£000	£000	
Income excluding capital income	1,010,219	1,009,779	0.0%
Capital income ¹	53,977	88,110	(38.7%)
Total income	1,064,196	1,097,889	(3.1%)
Tuition Fee income	504,927	483,282	4.5%
Research income excluding capital	231,111	256,461	(9.9%)
Research capital income	33,603	67,067	(49.9%)
Total research income	264,714	323,528	(18.2%)
Operating surplus (see operating surplus table)	5,228	50,060	(89.6%)
Operating surplus as % of income	0.5%	4.6%	
Reported total comprehensive income / (deficit)²	135,173	(111,591)	221.1%
Net assets	1,771,324	1,636,151	8.3%
Cash and short term investments	210,107	203,319	3.3%
Operating cashflow	81,084	46,125	76.0%
Tangible fixed assets	1,992,379	1,905,065	4.6%
Heritage assets	257,637	257,539	0.0%
Pension deficit	(255,299)	(397,933)	(35.8%)
Borrowings	(393,588)	(393,484)	0.0%

¹ 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.

² Total comprehensive income is the surplus/(deficit) for the year plus the actuarial gain or less the actuarial loss in respect of pension schemes.

³ 2018/19 figures have been restated - see prior year adjustment note 34 of the financial statements.

Pensions

On the face of the Statement of Comprehensive Income is a total credit of £115.3m as a result of pension adjustments. (2018/19 showed a total charge of £143.3m).

The largest adjustment of £111.6m relates to the decrease in the liability for the USS pension scheme. This adjustment relates to the adoption of the 31 March 2018 actuarial valuation which was flagged as a post balance sheet event in the 2018/19 financial statements. The previous deficit recovery plan required that the deficit contribution rate increased from the previous 2.1% to 5% with the duration of the recovery

plan extending until 31 March 2034. The new 2018 valuation has led to deficit contributions of 2% from 1 October 2019 to 30 September 2021 and then 6% to 31 March 2028.

As a consequence of the lower deficit, change in the quantum and duration of the required deficit contributions as well as changes in certain other assumptions (see note 21), the USS deficit provision has reduced from £248.4m as at 31 July 2019 to £124.5m as at 31 July 2020.

However as flagged in the Key Financial Risks table the position on USS remains very volatile and may lead to further abrupt movements in future.

Key Financial Risks

<p>COVID-19 Pandemic</p>	<p>Faced with a worldwide pandemic, the University acted swiftly to mitigate its impact on finances. Cost control measures were adopted regarding staff appointments and other operating expenses. In addition, where appropriate, the University furloughed staff. Sources of external financing have been obtained to ensure ongoing liquidity.</p> <p>There remains a grave financial risk from COVID-19 which the University is monitoring and mitigating against, especially if there are further local, national or international waves with associated containment measures implemented. The University is also aware of the reputational risks associated with any perceived mishandling of the crisis.</p> <p>There is continuing uncertainty over student numbers in future recruitment cycles and any recurrence of the virus may impact future intakes.</p> <p>The UK Government has remained committed to maintaining its support for research funding. However for Charities, donation income and fundraising has been significantly impacted which has already reduced funding for research activity. Global uncertainty may also mean industrial funders reduce their research funding and donations and endowment receipts may be impacted.</p> <p>The University has taken several actions to conserve cash by reducing discretionary expenditure. These actions included the following:</p> <ul style="list-style-type: none"> • Furloughing employees – £9.7m received in relation to the Job Retention Scheme • Slowing down of discretionary capital spend, saving over £70m • Controls over recruitment to posts • Other cost savings mainly from reduced estates maintenance projects, a reduction in halls and sports operations running costs and reduced expenditure on equipment and field trips. <p>The Board of Governors have reviewed three forecast scenarios, with the latest base case considered in January 2021 based on December 2020 actuals; and a downside scenario taking into account severe but plausible downsides.</p> <p>The University has carefully considered the latest base case, severe but plausible downside scenario, current position and trends since the year end and an assessment of the reverse stress tests, prior to RCF draw down. Having secured a £250m revolving credit facility ("RCF") we consider that sufficient headroom exists under the base case and severe downside scenario, to provide adequate flexibility to enable the University to continue to operate with confidence.</p> <p>Further details are contained within our going concern disclosures on page 21.</p>
<p>Both home and overseas tuition fees continue to face uncertainty</p>	<p>The May 2019 Augar review has not been adopted by the UK Government and the future of Higher Education funding remains uncertain.</p> <p>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.</p> <p>The major risks to our plans to grow international student fee income are the COVID-19 pandemic, tuition fee price growth, reliance on postgraduate taught students, increasing global competition, the political climate surrounding the immigration status of students and the geopolitical situation.</p>
<p>Pensions uncertainty may result in additional costs and industrial action</p>	<p>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. The scheme's actuarial valuation as at 31 March 2020 is currently underway. Should the valuation be concluded before the year ending 31 July 2021 and the level of deficit contributions and duration change, there could be a significant pension charge in the next and subsequent financial years and on-going increases in contributions and deficit to fund. If concluded after the 31 July 2021 year end, then this would be a significant post balance sheet events disclosure with the impact falling in the 2021/22 financial year. A pension scheme's deficit recovery plan is usually considered every three years when the triennial actuarial valuation has been completed. There is likely to be a significant swing in the size of the liability in future years until the sustainability of the scheme is resolved.</p>
<p>Staff costs must be managed and balanced with income growth</p>	<p>The University has limited influence over the continued growth in wages and salaries, as this is driven by contractual increments and the national pay bargaining. Deflationary pressures caused by the COVID-19 pandemic may exist in the short-term. However, staff costs must be managed in an environment where income growth is challenging. Projects to improve the efficiency of teaching, research and professional services are being progressed to balance cost growth with income.</p>
<p>Research cost recovery improvements are needed to ensure sustainability</p>	<p>A key factor of our strategy to increase research income is via initiatives to improve cost recovery. This is increasingly difficult to achieve and presents a risk for the sector, with full economic cost pricing proving hard to obtain from funders and the aforementioned pressures caused by COVID-19. Research funding in an increasingly multinational context continues to be highly competitive.</p>
<p>The impact of Brexit</p>	<p>Now that the UK has left the EU with a deal, the University can continue to directly apply for any Horizon Europe Scheme (the successor to the Horizon 2020 scheme) funding.</p> <p>It remains unclear as to the level of substitute funding the UK Government will provide, however, discussions are ongoing with UKRI regarding an alternative programme to replace the European Research Council (ERC) scheme should the UK be prevented from accessing these funds.</p> <p>The long term impact on attracting and retaining EU national staff and students remains unclear.</p>

1. OPERATING SURPLUS AND INCOME REVIEW

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

Operational performance

Operating surplus (excluding significant one-off pension adjustments) has reduced by £44.8m, with a decrease from 4.6% of income to 0.5%. As well as the significant one-off pension adjustments, this measure excludes non-cash items which are outside of the University's direct control such as changes in the market value of investments (£0.8m) and actuarial gains and losses related to the UMSS and GMPF pension schemes (£15.5m).

The University has experienced a particularly challenging year, with almost all areas of activity impacted to some degree by COVID-19 and closure of much of the University campus. This is reflected in the significantly reduced operating surplus. Reduction in income – in research as well as staff and student facing areas, such as catering outlets and student residences, has been mitigated by ongoing controls on expenditure and the application of the Coronavirus Job Retention Scheme.

Staff costs (excluding significant pension adjustments) have continued to grow in 2019/20. Some of these costs have been offset by increases to tuition fees income and a reduction in other operating expenditure. In 2019/20 the University spent a higher percentage of our income on staff costs (57.5% of income excluding capital compared to 55.7% in 2018/19). Wages and salaries growth is impacted by contractual increments and the national pay award, over which the University has limited control.

We have also seen a decrease in our other operating expenditure from 37.5% to 33.4% of our income (excluding capital), driven by the temporary pause of some research projects and cost control measures resulting from COVID-19 measures designed to protect the future cash position of the University.

With the volatility of the external landscape the financial resilience of the University is 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.

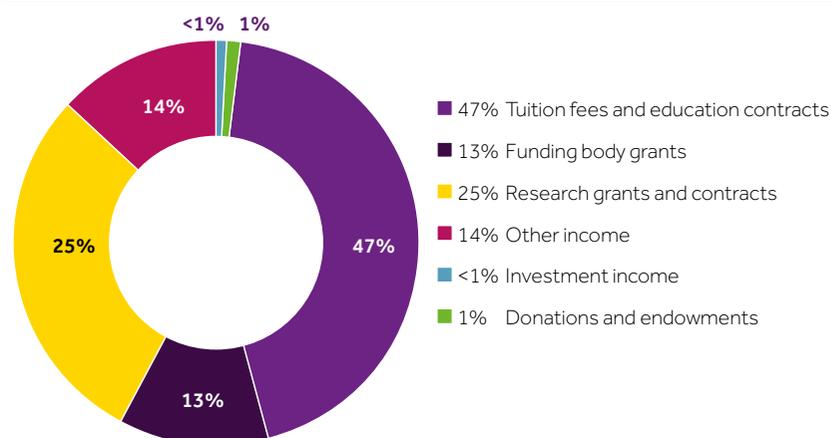
Operating surplus

	2019/20 £000	2018/19 Restated ² £000
Total comprehensive income as reported	135,173	(111,591)
<i>Adjust for:</i>		
Significant one-off pension adjustment	(115,291)	143,295
Loss/(gain) on investments	758	(4,308)
Loss/(gain) on disposal of fixed assets	90	(12,614)
Actuarial (gain)/loss in respect of pension schemes	(15,502)	35,278
Operating surplus	5,228	50,060
<i>Capital income</i>	<i>(53,977)</i>	<i>(88,110)</i>
<i>Operating deficit excluding capital income</i>	<i>(48,749)</i>	<i>(38,050)</i>
Total comprehensive income as % of total income	12.7%	(10.2%)
Operating surplus as % of total income	0.5%	4.6%

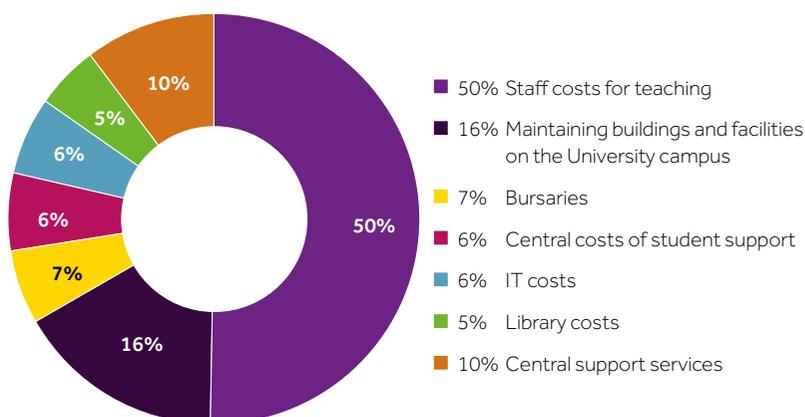
¹ The current and prior year operating surplus has been restated to now include depreciation and amortisation as well as capital income as these are operating costs and income. The contribution to capital projects (described as capital income) was £54.0m (2019: £88.1m)

² 2018/19 figures have been restated - see prior year adjustment note 34 of the financial statements.

2019/20 income split



What is your tuition fee spent on?



Total income

Total income was £1,064.2m, a reduction of 3.1% on 2018/19 with a reduction in research income resulting from the lockdown largely being offset by an increase in international tuition fees. At the point of lockdown, the majority of students were enrolled and teaching was successfully moved onto an online provision.

Our capital income has decreased by £34.1m to £54.0m. This is due to a 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 research equipment during lockdown.

Our two major sources of income are tuition fees (47% of total income, up from 44% in 2018/19) and research grants and contracts (25% of total income, down from 29% in 2018/19), this has changed from previous years as a result of the in year reduction in research income.

Teaching value for money

The University is committed to providing clarity about how we use student income to deliver a high quality student experience. Analysis of our 2018/19 income (the latest year for which we have the full analysis) from home and EU undergraduate students shows that half of the £9,250 tuition fee (50%) was spent on teaching salaries and administrative support for teaching, a movement of 2% from 48% in 2017/18. A significant proportion (16%) was invested in our estate and buildings to ensure that we have excellent facilities and buildings for learning.

Our teaching and learning activities can only be delivered with the support of central services, which account for 10% of the tuition fee, down from 12% in 2017/18. These services include the areas of social responsibility, compliance and risk management, finance and human resources.

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

2. TEACHING AND LEARNING

Teaching income

Income from tuition fees has increased by 4.5% to £504.9m in 2019/20. Full-time Home and EU student income has reduced from £208.0m in 2018/19 to £205.7m in 2019/20, an adverse variance of £2.3m reflecting slightly lower numbers in the year.

Full-time international student fee income has increased from £225.3m in 2018/19 to £251.0m

in 2019/20, growth of 11.4% from prior year. The growth in international students has mainly been driven by increases in UG and PGT student numbers with all three faculties growing PGT student numbers. COVID-19 had a limited impact on Home, EU and international students as teaching was rapidly transferred online upon campus closure. In 2019/20 the financial impact of COVID-19 was mainly on short, modular courses or summer schools where students had not registered at the point of lockdown.

Investments in teaching

Our capital masterplan has seen significant investment in our estate to support teaching and learning. The Manchester Engineering Campus Development (MECD) was progressing well prior to campus closure. Work continued following campus closure, however the build programme has been pushed back. This project will have a transformative impact on teaching and learning facilities on campus.

Investment has continued in our Student Experience Programme and the My Manchester digital platform with £6.3m of investment across the two programmes.

Teaching risks

International full-time fees make up 50% of our tuition fee income, an increase from 47% in 2018/19. The income generated from international student tuition fees is dependent on high numbers of post-graduate taught students. The demand for these programmes can be volatile and the long term impact of COVID-19 on these students is not yet known. International student numbers are reliant on students from a relatively small number of countries and so investment is ongoing to attract students from a broader range of countries in order to mitigate the risk of disruption to traditionally successful geographic areas.

Plans to expand online, blended, transnational education were being progressed prior to the impact of COVID-19. These plans continue with online learning being a key component of driving excellence in student experience. The risk in terms of the speed and scale of this expansion is being monitored and managed by the University leadership team.

The Augar review of post-18 education recommended a significant reduction in fees for home undergraduates, however this recommendation has not been adopted by the current government. Any major reduction in home fees would have a substantial impact on the sustainability of teaching of this group of students.

Teaching impact

The latter half of the 2019/20 academic year was dominated by the circumstances brought about by COVID-19. Academic and PS staff

across the University responded immediately to transfer teaching, learning and assessment and other related activities online for Semester 2. A bespoke student survey was conducted by the Students' Union towards the end of the semester, and Unit Evaluation Questionnaires were adapted to focus on the shift online. Overall, student feedback was good – a testament to the work and commitment of our colleagues, and the adaptability of our students. We are building on the lessons learned from last semester to provide a more designed, blended experience for new and returning students in Semester 1 of 2020/21 starting with a revised and enhanced welcome, induction and transition programme which will provide online and face-to-face activities to welcome all students back to campus. This work will also take us forward into the implementation of *Our future* particularly as we develop a new approach to flexible learning.

In 2020, the University's overall undergraduate student satisfaction, as measured in the National Student Survey (NSS) was 81% with a response rate of 60%, a clear decrease from 84% last year. Performance is mixed, with some excellent scores and strong improvements, but other areas where we will be taking a targeted approach to improvement in the coming year. Overall, there are particular weak spots we need to address, notably in assessment and feedback. Over the last year the University has continued to emphasise its commitment to enhance student satisfaction with continued development of our online support, promotion of interdisciplinary learning and student choice (UCIL) and opportunities to engage beyond the curriculum (Stellify). The rollout of the Student Experience Programme next year (delayed by the impact of COVID-19) will also see improvements to processes across all aspects of the student journey from application to graduation.

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 (WP) 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 2019/20 our outreach work was affected by COVID-19 and school/college closures from March 2020. This has significantly reduced the number of engagements with young people over the course of this academic year. However, we are able to

report on what was achieved up until March from when we transitioned some of our outreach and access activities online. Between October 2019 and March 2020, 842 secondary school pupils participated in our Manchester Gateways Programme. 353 primary and 918 secondary pupils were supported through our IntoUniversity Manchester North Centre. Based in a school, the Centre has been shut since March: however, it continued providing support to pupils who attend the after-school academic support sessions, making 1,130 phone calls. 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 2019/20, the partnership worked with 176 secondary schools and colleges across Greater Manchester engaging over 18,464 learners. Our commitment in this area is further emphasised by the strategic partnerships we have with a number of leading education charities including IntoUniversity, The Brilliant Club, ReachOut and the Tutor Trust.

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

Our flagship initiative, the Manchester Access Programme (MAP), supports outstanding Year 12/13 students from under-represented groups in Greater Manchester and with no immediate family history of participation in higher education to progress successfully into The University of Manchester and other research-intensive universities. MAP is now firmly embedded in the work of the University; in 2019/20 519 students completed MAP and since 2005 2,000 MAP students have been successful in gaining a place at The University of Manchester (not including 2020 entry, where student numbers are not yet finalised). In addition, many MAP students have also progressed to courses at other highly selective, research-intensive universities. As a result of the pandemic we moved the programme online and over 600 students joined the virtual launch events in April and have been participating in online activities since, including holding their Academic Tutor meetings via Zoom. 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 2019/20, 255 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. 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 2018/19 shows 7.4% of our entrants (350 students) were from Low Participation Neighbourhoods (LPNs, POLAR4, quintile 1). From 2020/21 we have set new, challenging targets 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 2019 entry shows that we are making good progress against this measure having reduced the ratio of POLAR4 quintile 5 and quintile 1 students entering the University to 4.5:1 from a baseline of 5.2:1. We recognise that some applicants may have previously faced social, socio-economic or educational disadvantages and, since 2019 entry, have been making contextual lower offers to students from areas of low progression into HE and schools and colleges where performance is below the national average.

Non-continuation at the University is low with only 3.6% of all entrants no longer in HE by 2018/19 (of entrants in 2017/18). There is no statistically significant difference in continuation rates between WP and non-WP students. Our data for 2017/18 indicates that 25.3% of our undergraduate students were from low income households of less than £25,000 per annum. The University is committed to ensuring that financial issues do not present an obstacle for learners to access the full student experience. Approximately a third of all our students will receive bursaries of up to £2,000 per year – and around 200 Widening Participation students will receive the University's targeted Undergraduate Access Scholarship in each year. 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 wifi dongles. Thanks to the generosity of many alumni, staff, students and friends, we can disburse upwards of £1.3m donated to the Emergency Hardship Fund for students, some of which is earmarked for projects dedicated to supporting WP students, from a laptop loan scheme to our Manchester Masters Bursaries.

As was reported last year, the metrics by which employability is measured have changed. Employability data is now captured via a new 'Graduate Outcomes Survey', which has replaced the Destinations of Leavers from Higher Education (DLHE) Survey. One significant difference with the new survey is the move of the census date from six months to 15 months after completion of degree. Destinations data on the University's 2017/18 graduates was collected through late 2019 and was published in July 2020.

Our initial analysis shows that the University performs well compared to the sector but is in the bottom half of the Russell Group for some of the anticipated key metrics. One area requiring further attention is the relatively high rates of unemployment, recognising that at the time of the survey a disproportionately large number of unemployed graduates (compared to other institutions) were due to start work or study within the next month. For the proportion in full-time employment, UoM performs well at 61%. The proportion of respondents whose main activity is further study (rather than as an additional activity) is in the middle of the Russell Group. The proportion of respondents who were unemployed and seeking work is relatively high, at 5%. There is likely to be a regional effect but it is not possible to analyse graduate locations for benchmarking institutions. If we assume that a high proportion of graduates stay close to their University, the analysis of unemployment by location of the HEI shows that unemployment is highest in Scotland, East Midlands, Northwest and Southwest, and 0.5-1.7% lower in the Southeast, Wales and Northern Ireland. Of those respondents whose main activity was work (either paid employment, self-employed/running own business and voluntary/unpaid work), 83% of UoM respondents were in occupations classified as highly skilled. This was just above the mid-point for the Russell Group. Our focus for Graduate Outcomes in the coming months is to improve our response rate to ensure our data is as comprehensive and representative as possible.

3. WORLD-CLASS RESEARCH

Research income

Total research income has reduced by 18.2% to £264.7m. Research income accounts for 24.9% of total income in 2019/20, a reduction of 4.6% from 2018/19.

Underlying research income (excluding capital income) has reduced by 9.9% year on year reversing the growth trend that has been experienced. However, this reduction is a direct result of the campus closure due to COVID-19 and some staff volunteering to assist the NHS as key workers. 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 and so this income is predominantly delayed rather than lost.

Our funding from UK Research Councils has seen a significant drop of £31.6m in the year, mainly due to a reduction in capital income relating to the Henry Royce Institute (£27.6m). The Henry Royce Institute has been brought into use, on schedule, during 2019/20. This Institute is the UK national centre for research and innovation of advanced materials, showcasing our position as a world-leader in developing new and existing materials and

supporting the University's 'Advanced Materials' research beacon.

Our research funding from international sources has seen a decrease of £8.3m, which is largely as a result of disruption caused by COVID-19. Much of this is a timing impact as activity has been re-planned in light of the campus reopening.

Prior to the impact of COVID-19, research income has grown for a number of years and a rebound from the current dip is anticipated. In many cases, activity has been delayed rather than ceasing and initial indications relating to the 'leading indicator' of new awards suggest a strong recovery from the dip in the prior year with an increase in total awards value likely to be in the region of £40m (to a total of c. £290m including capital).

Funding body grants

Income from funding bodies was £133.5m, an increase of £1.9m compared to the prior year. There was a £8.2m uplift in recurrent funding, mainly as a result of additional funding for research. £4.3m was brought forward from the 2020/21 allocation. This was part of the government response to COVID-19 to aid the sector's cash flows. This was a standard allocation to all institutes in receipt of QR funding, and was paid in line with Mainstream QR allocations. Also, prior to the known impact of COVID-19, Research England announced an additional £91m in QR funding to be allocated to institutes within their 2019/20 funding. This resulted in an uplift of £2.1m across mainstream and supervision QR funding at Manchester. Subsequent to this Manchester was awarded a further £1.5m of unrestricted QR funding within 2019/20.

This was partially offset by a reduction in capital income. In 2018/19 £5.4m of UKRPIF funding was received in relation to the AMBS capital build – this project ended within 2019 and so no further funding has been received.

Research risks

The research funding model presents a risk to the sustainability of research intensive Universities, with most funders not paying the full economic cost for research. As is seen at all research intensive Universities, international tuition fee income has to be used to subsidise research. Whilst this has the benefit to students of enabling research-led teaching, it restricts our ability to invest in research infrastructure and staffing. This is a particular risk in current times as a result of the possible long term impact of COVID-19 on international student recruitment.

A number of internal initiatives, aimed at improving research cost recovery, have continued implementation during 2019/20. However this has been particularly challenging following lockdown, with many research funders

coming under their own financial pressures.

Brexit presents an ongoing risk for research activity. The transition agreement provides the security that the UK remains eligible for current awards from the Horizon 2020 scheme, however the participation in future schemes continues to be uncertain.

Impact of COVID-19

COVID-19 has disrupted all University activity since the middle of March 2020. Research continues where this is possible as colleagues contend with a variety of professional and domestic circumstances. In the immediacy of the lockdown the majority of our research laboratories closed – except those which were able to pivot to research the medical priorities of understanding and treating COVID-19 – and all research off-campus which involved travel, fieldwork or in-person contact with research participants was suspended. During this period research continued where possible by resequencing activities to focus on those which could be done remotely and adopting different methods of data collection, such as replacing in-person interviews with video-calls.

Following the Government's reduction of the COVID-19 alert level, a phased re-opening of research laboratories commenced and some research resumed off-site within a University framework of agreed principles and guidelines. Our research activity remains constrained by social distancing requirements: laboratories are operating at a reduced capacity, and many other areas of research have been unable to resume if it requires in-person contact, international travel or research conducted on the premises of other organisations. Nonetheless, our staff continue to demonstrate immense creativity, determination and resilience with their research.

A major body of new research developed rapidly through our work with partners from across society to understand COVID-19 and find solutions to its wide-ranging impacts on our lives. The University instigated the COVID-19 research rapid response group, working with the NHS and bringing together the research and innovation strengths of our partnerships in an unprecedented way to focus on solving this public health crisis. As well as the immediacy of health and social care the pandemic has created enormous economic, political, social and technological problems and changes in society, and many of these questions are being addressed by our researchers by refocussing existing projects or designing new ones.

More broadly, research applications and awards remain healthy overall, signalling our new pipeline of activity. We have been supported by those research funders who have released additional resource to help mitigate the disruption to current research programmes that

has been caused by COVID-19, and to support new research on COVID-19. These include national public funding from UKRI, and some major charities, notably the Wellcome Trust. However, many medical charities such as Cancer Research UK, have had to pause or cut in progress and new research programmes; as have some of our commercial industry funders. Furthermore, the UK's funding model for university research is predicated on universities making a contribution financed from international student fees and other funding streams; and universities' ability to make this contribution is going to be severely constrained for the short to medium-term due to the financial shock waves caused by the pandemic. In recognition of this the Government is developing a short-term stabilisation package of support for research, and has also initiated a research sustainability taskforce. In this turbulent context the full impact of COVID-19 on the amount and type of research we will deliver will not be apparent for some time to come.

Research impact

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

The University is at the forefront of tackling global inequalities, with more than 300 of our staff working in this area – from poverty to social justice, from living conditions to equality in the workplace. We are improving understanding of the world and changing it for the better. We seek to guide governments and policymakers towards new approaches to tackling poverty in countries such as Zimbabwe, Bangladesh and Tanzania and the University has been part of the response effort in significant global humanitarian crises in the Philippines, Gaza and Sierra Leone. We are currently helping to address the enormous challenges of dealing with COVID-19 in informal settlements. Our Global Development Institute (GDI) is the largest dedicated research and teaching institute of its kind in Europe. Our Humanitarian and Conflict Response Institute is the most significant teaching and research institute in the UK for humanitarian studies and one of the top five worldwide. It has recently been re-designated as a WHO Collaborating Centre for Conflict Analysis and Programming. The GDI is the lead partner on the FutureDAMS consortium which received £8m from the UKRI Global Challenges Research Fund to co-develop an approach and toolset to help design and plan better human interventions in complex human-engineered natural resource systems, with a focus on developing countries.

The University's work on advanced materials will allow people to work in the most demanding environments, on the frontiers of the energy sector or inside the human body. This research is developing innovative solutions to some of the world's most critical problems. The University is recognised as the leading global knowledge base in graphene and 2D materials, with more than 300 dedicated researchers, two Nobel laureates and more than £440m of investment. The University of Manchester Innovation Factory (formerly UMI3), the University's technology transfer organisation, has launched a number of spin-out businesses which use technology developed from our 2D materials research. One of these businesses enhances the performance of elastomers with 2D materials. Two use graphene to create new types of sensor, one of which measures small concentrations of polluting gasses in the atmosphere and the other measures variable force by means of a transparent and flexible interface. We host the national £235m Henry Royce Institute and the University's \$100m partnership with BP has created in Manchester an international hub for advanced materials expertise. A new National Research Facility in Lab-based X-ray Computed Tomography, representing a £10m investment from EPSRC, launched in November 2020. It will provide access and support for both academia and industry, running cutting-edge 3D imaging experiments.

In cancer research we are making a leading contribution to the fight against the disease. Survival rates have doubled in the last 40 years in the UK. The University's approach to cancer research spans the full spectrum of combating the disease, from early diagnosis to help for carers. Our breakthroughs include clinical trials with AstraZeneca for Anastrozole, which prevents relapses in breast cancer. More than 1.5m women have benefitted from breast cancer therapy developed by our researchers. We are partners in the Manchester Cancer Research Centre (MCRC) with the Christie NHS Foundation Trust and Cancer Research UK. Across the full domain of health research, six NHS trusts work with us as part of the Manchester Academic Health Science Centre, which was successfully renewed this year.

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

The University is also leading the European industrial renaissance driven by biotechnology, finding sustainable alternatives to the finite resources needed to manufacture products

that we use every day. In 2020 our pioneering expertise in industrial biotechnology has been recognised with the Manchester Institute for Biotechnology (MIB) named as winner of the Queen's Anniversary Prize for Higher and Further Education. MIB is at the forefront of designing a sustainable future for the UK and countries across the world. We have a grant portfolio in industrial biotechnology worth more than £100m and partnerships with leading companies – including GlaxoSmithKline, Shell, Unilever and Pfizer – 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.

The world faces some big questions on energy and environmental sustainability. We are finding the solutions that will allow us to continue to heat our homes, light our buildings and travel more efficiently. We have 600 staff researching energy solutions for the future and £80m of ongoing energy projects, covering generation, storage, systems and use. Our Dalton Nuclear Institute is the UK's most advanced academic centre for nuclear research and development and high-level skills development. Our Manchester Environmental Research Institute 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. In 2019, EPSRC awarded the University funding to bring together diverse groups from across the University to tackle the grand challenge of plastic waste. We will seek solutions to the challenge of plastics pollution through an integrated approach that explicitly couples Manchester's strength in sociotechnological understanding and influence to our industry-guided solutions across chemistry, safety, materials, engineering and social sciences.

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 different 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 collaboration through Health Innovation Manchester with the NHS, social care providers and industry is helping to accelerate 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. Our Digital Futures platform contributes to the delivery of the GM Digital Strategy. We have a vibrant programme of research which addresses different aspects of inequalities, including the work of our Centre on the Dynamics of Ethnicity (CODE) and the Work Equalities Institute (WEI). The Manchester Urban Observatory, a collaboration between all three Faculties, focuses on deploying air quality sensors within the Oxford Road Corridor, to create an urban living lab that enables us to study environmental and human health factors from the street level. And 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

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.

Since 2004 our commercialisation activities have contributed over £850m to the UK economy, which comprises £401m of gross value added, and £466m of third-party investment capital injected into the University's spin-out companies. In the five years to 31 July 2020, £348m of economic impact has been generated.

In the Reuters Top 100 ranking of the World's Most Innovative Universities, the University climbed four places to 49th (the 5th consecutive year-on-year increase since 2014), and was ranked 11th place in Europe and 5th in the UK.

The University has had a particularly successful year in business engagement which has included second position nationally in value of all collaborative research with business. Examples of collaboration include renewal of the Unilever, Boots and Akzo Nobel strategic partnerships, a £1m+ joint research centre with Tashan Technology and a £10m ERDF-Funded sustainability Hub to support Greater Manchester SMEs with plastics innovations.

Engagement and support with SMEs and companies in the region is enhanced by Knowledge Transfer Partnerships (KTP). Across 2018/19 the team secured 20 KTP applications worth £5.7m. 65% were with SMEs, with a focus on raising capabilities and levels of innovation in the business and 40% were with GM-based companies, demonstrating the support for economic wealth creation within the region and beyond. Projects have ranged from improving flavour profiles for a brewery, through to creating and embedding an intelligent system for speech processing to create new service

opportunities. The University has the highest number of KTPs in England.

Our success in supporting businesses is further reflected in the great impact of the Masood Enterprise Centre (MEC), which engages with 8000+ students across start up competitions, the Eli and Britt Harari Graphene Enterprise Award and alumni donations. Overall MEC supported 28 recognised start-ups, 99 businesses are still active after three years and it is estimated that over £1.5m external investment has been received.

The University of Manchester Innovation Factory (formerly UMI3) is the University's subsidiary responsible for identifying and leading the commercialisation of its innovations and intellectual property (IP). Its core mission is to use this IP to create positive social and economic impact. 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 works with academic and student inventors 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. This can be via technology licensing or the formation of new spin-out companies.

In 2019/20, there were more than 70 active spin-out companies employing over 500 people.

The Innovation Factory has the objective of creating between 15-20 new spin-out companies each year based on ideas coming from the University's three faculties. It also aims to increase the number and impact of deals signed with companies wishing to license the University's diverse portfolio of intellectual property. This year the Innovation Factory has created 10 new spinouts, a significant increase on previous years.

The organisation has recently been restructured to more effectively deliver its mission. It now comprises four main functional groups: Operations; Business Development; Finance, Legal and Portfolio Management and Information and Digital Marketing. New processes are also being developed to ensure that ideas with potential value are identified, rapidly evaluated and built into assets such as patents or new businesses.

The Innovation Factory will have 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.

4. SOCIAL RESPONSIBILITY

Our strategic priority given to social responsibility makes us unique among British

universities and reflects the commitment we have to social and environmental wellbeing – locally, nationally and internationally. Our strong performance on this agenda is reflected in coming top in the UK, for the second year in a row, in the 2020 THE Impact Ranking, based on the 17 United Nations Sustainable Development Goals (SDGs).

A new 'Social Responsibility Plan' was developed as part of the new *Our future* vision and strategic plan, focused around four new priorities: social inclusion; environmental sustainability; better health; and cultural engagement.

On social inclusion, priority was given to supporting young people and ensuring access to our programmes and engagement activities. During the UK lockdown we led online initiatives to reach over two million people to continue their education through lectures, tutoring, mentoring and other events. For example our Greater Science activity attracted over 90,000 engagements from young people, our Manchester Access Programme went wholly online and our students tutored hundreds of Year 11 learners online across Greater Manchester to progress in the studies through the Tutor Trust scheme. Our Emergency Hardship Fund raised £1 million from donors in over 80 countries for students who have financial challenges during the pandemic. And a Rapid Response Group was set up in light of Black Lives Matter that identified three key priorities for additional action. We continue to lead the UK for the number of School Governors, with 228 staff and 1,002 alumni supporting leadership in schools. Our Equity and Merit programme enrolled 10 distance learners and 18 campus-based students for Master's programmes from Uganda, Rwanda, Tanzania and Ethiopia. Our partnership with 'The Works' employment initiative supported a further 146 local people back into work (16 at the University of Manchester and the rest with partner organisations across the City region), bringing its total impact to 4,399 job creations since 2011. Over 50,000 student volunteering hours were recorded, a thousand of which were performed remotely during lockdown. We have also become the first UK higher education institution to adopt the Social Value Portal to help organise our spending practices and procurement processes in a more sustainable and impactful way.

On environmental sustainability we joined the Government's declaration of a climate emergency. We committed to end investment in fossil fuels and other carbon intensive industries. A plan was agreed to eliminate avoidable single-use plastics by 2022. 10,000 Actions won an IEMA Sustainability Impact Award and was also updated to include home-based content. And a first of its kind 'Clean Air for Schools' research and engagement programme was launched in Greater Manchester with Global Action Plan and the Philips Foundation. We organized a new

University College for Interdisciplinary Learning module, based on the SDGs. A record-breaking 350 students graduated with our unique Stellify award. And over 8,000 students from across the University completed the three different ethical grand challenges on sustainability, social justice and the workplace.

On better health, PS staff prioritised sharing, producing and testing hundreds of thousands of pieces of vital PPE across local healthcare providers. More than 600 staff and students were supported to be deployed to frontline health and social care activities. The UK's first Service Learning in Healthcare conference was organised. And a new citizen science project in our neighbouring Ardwick community was delivered to investigate residents' concerns about air quality and health.

On cultural engagement our Cultural Institutions ensured remote access to a wide range of initiatives during lockdown. Visitor numbers between 1 August 2019 – 17 March 2020 were 714,955 comprising of: Manchester Museum 220,219; the Whitworth 205,170; Jodrell Bank Discovery Centre 75,000; John Rylands Library 214,566. Our University Museum also had 455,024 digital engagements via their website, social media, live digital events and collections search (18th March to 31st July 2020) giving a total reach of 675,243. The Whitworth also had 292,302 digital engagements via website, social media, digital events and collections search and 491,166 users of Whitworth Park and the Art Garden, giving a total reach of 988,638. In addition, a successful Poems in a Pandemic initiative was introduced to capture school children's experience of lockdown. And our Race Relations Resource Centre – part of the University Library – launched COVID-19 Collecting to document and raise visibility of stories about the impact of pandemic on BAME communities.

5. FINANCIAL MANAGEMENT AND RISKS

Staff costs

Staff costs excluding pension adjustments but including ERVS have increased by £29.7m during 2019/20. The main driver of this increase is inflationary pay awards, increments and a large scale Voluntary Severance Scheme launched to reconfigure resources to better support strategic priorities as a result of the COVID-19 pandemic.

Staff costs, excluding ERVS costs, as a percentage of our income (excluding capital income) have marginally increased from 55.7% to 57.5%. Staff costs have continued to grow more quickly than income, exacerbated in 2020 by the impact of lockdown on key income areas.

Capital risks

As the majority of projects within the Capital

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

Campus masterplan and maintenance activity was impacted as a result of the campus shutting down due to COVID-19. Activity on masterplan projects did continue all the way through lockdown, however, this was at lower levels than expected. The University, via Capital Planning Sub Committee and Finance Committee, reviews risks, and those associated with cash flows are continuously monitored.

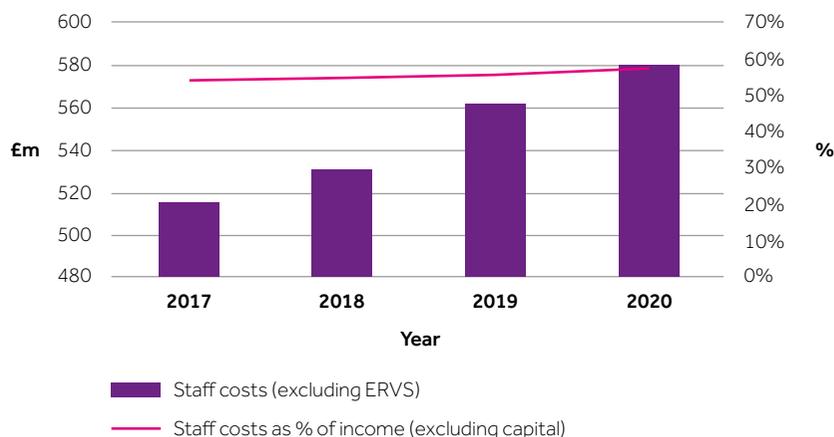
In September 2019 the University formally launched the search for an investment and development partner for ID Manchester. The procurement process was paused in March due to the COVID-19 pandemic and resumed in July 2020. The final partner selection will be made in Spring 2021. The University of Manchester's 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. ID Manchester will be a unique new neighbourhood. The vision draws on Manchester's ecosystem of ideas, discovery, research and development, and ID Manchester will provide the canvas on which all those strands can come together to take urban regeneration to a whole new level.

ID Manchester will also be key to realising the University's ambition to be recognised as the most innovative University in Europe and increasing the attractiveness of the University to students and academics, global partnerships and influence, and provide new opportunities around civic engagement and social responsibility.

Cash and liquidity and investments

Cash and current asset investments are at £210.1m, a small increase of £6.8m compared with prior year. This has resulted in an increase in liquidity days from 77 in 2018/19 to 81 in 2019/20 (where expenditure has been adjusted to exclude depreciation, amortisation, one-off non-cash movements in pension provisions and pension interest costs). The major cash outflow during the year continues to be planned investment in our Capital Masterplan, notably MECD, with cash expenditure on fixed assets of £179.3m. This is lower than the capital spend of £310.2m last year as the Capital Masterplan is nearing completion. In addition, as a result of the pandemic, capital spend was paused or deferred where not under contract.

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



Cash reserves remained at similar levels to the previous year despite the pandemic. This is due to the halting of some activities during the pandemic, significant restrictions on spend and some additional government funding (for example funding brought forward and the Job Retention Scheme).

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. The University has been confirmed as eligible for the Bank of England Covid Corporate Financing Facility which provides additional funding up to March 2022. The University may also avail itself of any additional measures introduced by the government in order to assist the HE sector as a result of the pandemic.

Endowment and investment performance continues to remain a risk with returns dependent on volatile financial markets due to the unknown impact of both the COVID-19 pandemic and Brexit.

FINANCIAL INSTRUMENTS

Financial risk management

The University's Treasury function monitors and manages the financial risks relating to our operations through internal risk reports, which analyse exposure by degree and magnitude of risks.

Compliance with policies and exposure limits is reviewed by Finance Committee on a regular basis. 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 at least annually.

Due to the deteriorating economic landscape, deposit terms have actively been shortened from a 6 month average to 3 months. The limits held with each counterparty have also been reduced in order to reduce default risk

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

The Trade Union (Facility Time Publication Requirements) Regulations 2017 1 April 2019 to 31 March 2020

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 2019 to 31 March 2020 is as follows:

Table 1: Relevant union officials

What was the total number of your employees who were relevant union officials during the relevant period?

Number of employees who were relevant union officials during the relevant period	37
Full-time equivalent employee number	36.2fte

Table 2: Percentage of time spent on facility time

How many of your employees who were relevant union officials employed during the relevant period spent a) 0%, b) 1%-50%, c) 51%-99% or d) 100% of their working hours on facility time?

Percentage of time	Number of Employees
0%	4
1-50%	29
51%-99%	1
100%	3

Table 3: Percentage of pay bill spent on facility time

Provide the figures requested in the first column of the table below to determine the percentage of your total pay bill spent on paying employees who were relevant union officials for facility time during the relevant period.

Provide the total cost of facility time	£324,359
Provide the total pay bill	£563,588,667
Percentage of the total pay bill spent on facility time, calculated as: (total cost of facility time ÷ total pay bill) x 100	0.06%

Table 4: Paid trade union activities

As a percentage of total paid facility time hours, how many hours were spent by employees who were relevant union officials during the relevant period on paid trade union activities?

Time spent on paid trade union activities as a percentage of total paid facility time hours calculated as:	7.50%
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(total hours spent on paid trade union activities by relevant union officials during the relevant period ÷ total paid facility time hours) x 100

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. More detail is set out below under Going Concern in relation to the University's liquidity position.

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 £167m are exposed to price risk but this exposure is within the University's risk appetite.

The University held £90m deposit investments with more than three 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. Any future short-term borrowing secured will be on a floating rate basis and so will be exposed to interest rate movements.

Going concern

The financial statements are prepared on a going concern basis. The Board of Governors consider the most appropriate going concern period to be to July 2022 which is the University's financial year end. Cash as at December 2020 was £276m.

Summary of the impact of lockdown in 2019/20 and 2020/21 to date

At the start of lockdown in March 2020, just like all Universities across the UK, the University followed Government guidance and temporarily closed its campuses to help stop the spread of coronavirus. Other significant impacts included moving to on-line teaching and the ceasing of all non-Government approved research activity.

Key revenue streams impacted were principally research income and accommodation fees.

The University has taken several actions to conserve cash. These actions included furloughing employees, slowing down of discretionary capital spend and controls over staff recruitment and operating expenditure.

In addition to the above actions that have already been taken, management have reviewed the broader cost base of the University in order to identify any further potential savings.

Current financing

The University's principal reliance for liquidity purposes is on the continued generation of revenue from tuition and accommodation fees (UK and overseas students) and research activity (see further below).

Private Placement

The University has a £99.5m private placement facility repayable in one payment in 2046 (Note 20).

The University has successfully negotiated changes to the covenants that relate to its private placement funding in November 2020. The key changes were in relation to the annualised service cost calculation and the gross debt to net asset test. These changes ensure that qualifying Revolving Credit Facilities (RCF) out to 31 December 2025 do not give rise to a breach of the covenants and also provide further longer-term protection against the possibility of increases to the USS pension liability. The covenant requirements relate to net assets, debt service cost and indebtedness.

Bond

The University has a £300m Bond listed on the London Stock Exchange which matures in 2053 with no capital repayments required beforehand. The Bond has no financial covenants but includes a negative pledge whereby the University cannot offer security without offering the same to the bondholders.

Compliance with covenants and event of default

The University is forecast to comply with the covenants and undertakings of the Private Placement and Bond during the going concern period under the base and downside scenarios discussed below except for the following circumstance.

Missed filing of financial statements 180 days after the 31 July 2020

The University missed the filing date of 27 January 2021 due to circumstances outside its control and informed the Private Placement noteholders of the event. The Financial Statements were signed on 29 January 2021.

A majority of the Private Placement noteholders have confirmed in writing that they consider the missed filing to be a remediable event within 30 days and therefore not an event of default.

Similarly, the University fulfilled its undertakings of the Bond by notifying the Bond Trustees and London Stock Exchange in order to fulfil its obligations under the Financial Conduct Authority regulations. The Board of Governors have sought legal advice and believe that the signing of the Financial Statements has cured this event and no event of default has been notified to the University.

New financing

The University obtained an unsecured club Revolving Credit Facility of £250m which expires at the end of January 2024. This has been put in place to ensure the University has access to short term finance facilities given the uncertain nature arising from the COVID 19 pandemic. The RCF financial covenants are the same as those of the Private Placement.

The RCF was signed on 29 January 2021.

Forecasting

The University has continually reassessed its latest forecast in light of the changing conditions, such as changing government restrictions due to the pandemic. The latest base case, prepared in January 2021, takes into account actual performance to the end of December 2020. The University has also run a severe but plausible downside scenario. The key variables that are subject to most judgement are the home and overseas tuition fees due to potential increased student attrition rates, reductions in residences

income and no commercial income. Research income is expected to remain at prior year levels. Mitigations such as stringent controls over staff recruitment and other operating expenditure and halting capital expenditure where not contracted were also factored into the downside scenario. The scenarios model the period to the end of July 2022 being the end of the financial year and 18 months from the signing of the Financial Statements.

The base case, and downside, were approved by the Board of Governors. Management concluded that this base case reflected their best estimate of the likely impact of COVID-19 on the University.

Base case scenario

The base case scenario uses the December 2020 actual results as its starting point. For 2020/21 it includes the impact of the current lockdown on residences income, significant and prudent attrition rates in certain areas with staff recruitment, expenditure and uncommitted capital spend continuing to run behind expectations. The base case assumes a return to some normality in 2021/22 but with a lower student base due to the built in attrition rates.

The base case uses the latest available management accounts information which shows an improving position over previous scenario and downside modelling.

From a going concern perspective, the monthly forecasting of the University's free cash balance in this scenario is the key area for consideration. Liquidity is the principal going concern risk as it is much more sensitive than the requirements for covenant compliance and there is significant headroom on the revised covenants during the going concern period. The base case, before usage of the committed RCF, shows a low point of cash at December 2021 and does not require any drawdown of the RCF during that period.

The OfS requires that universities have access to a minimum liquidity of 30 days operating expenditure, which includes an RCF. It is a reportable event to the OfS if this is not the case. This equates to a minimum cash balance for the University of at least £80m. As the University has access to a £250m RCF, it is at no risk of breaching this requirement.

Downside scenario

The severe but plausible downside scenario assumed decreases in overseas tuition fees of 30% and home tuition fees of 10% and that residences income would be halved. This forecast, before accessing the RCF and before mitigating actions, shows a cash low point in April 2022. Post mitigation the low point of cash is similarly in April 2022 and with the RCF available would still meet the requirements of the OfS.

Further actions possible

The University will continue to operate tight controls over its expenditure and to focus its resources on the critical areas of its activities in relation to teaching, research and social responsibility. Work is also being undertaken to look at the cost base of the University and to drive out savings and efficiencies without impacting its core mission. The overall impact of these cost cutting actions is to bolster the cash position of the University before usage of the RCF.

In the event of downside risks materialising there are additional mitigations within its control that the University can implement including further cost-cutting measures. The University now also has access to the £250 million RCF to provide additional liquidity, allowing time to plan and action these mitigations and others that it identifies.

As part of its on-going modelling and scenario planning the University is especially cognisant of the very significant potential increase in the cost of funding USS. The University will continue to input into the 2020 valuation process in order to protect its interests and to move towards USS reaching a sustainable and affordable position. With the RCF confirmed, the University considers that sufficient flexibility exists to manage increases in pensions contributions across the sector.

Reverse stress test

The University has considered a scenario to reverse stress test the model under which cash becomes negative before drawing down on the RCF. This allowed management to assess their current financial resources and the likelihood that such a 'business-breaking' scenario would occur.

The University has applied reverse stress testing to establish at which point the University comes close to having no cash. In this extreme scenario key assumptions are equivalent to (1) no 2021/22 overseas student recruitment; and (2) no overseas post-graduate taught students at all. Management were satisfied that it was remote that such assumptions would occur.

Conclusion

The Board of Governors have carefully considered the base case, downside scenario, current operations and trends since the year end, available financing and the assessment of the reverse stress tests and forecast covenant compliance. 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

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 2020 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 1993, 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 Governance Code of Practice 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). The CUC Code was revised and published in December 2014 and the University's governing body, the Board of Governors, has reviewed its operations against the Code to ensure all relevant provisions are addressed in its governance arrangements. The Code was updated in June 2018 to include further guidance on the composition and operation of Remuneration Committees and the University is compliant with this revised guidance. The code was substantially updated in September 2020 and the University is reviewing its governance arrangements against the revised Code (and the Code for Audit Committees published in June 2020) and this assessment will form part of the governance effectiveness review scheduled for 2021 (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'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 the management of 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 2019/20, 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 (Mr Astle's initial three year term as Chair was extended in 2018/19 for a further two years, i.e. until 31 August 2021). 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. The Chair is supported by a Deputy Chair. Until 31 August 2020 this was Mr John Stageman. Mr Stageman stepped down from the Board on 31 August 2020 and was replaced in the role of Deputy Chair by Mrs Ann Barnes. The current members of the Board of Governors are listed on the contents page.

Annual internal evaluations of overall Board effectiveness and individual member contribution are conducted and reported to the

final Board meeting of the academic year. In 2019/20, overall evaluation continued to be very positive with many areas of strength highlighted and the Board confirming its commitment to demonstrate and evidence appropriate and constructive challenge. The most recent external independent review of governance took place in 2017 and a further wide-ranging external review of governance is planned to take place in 2021.

In the months following the COVID-19 pandemic, the Board and its committees met virtually and more frequently to review the University's response to the crisis, including measures to ensure short-term and longer-term financial sustainability and preparations for a planned and phased return to campus in accordance with relevant government advice and guidance. To provide additional insight and challenge to the University's strategic, financial and operational approach in response to the pandemic, Deloitte was commissioned to act as a critical friend and trusted advisor to the senior leadership team and the Board in a short-term capacity.

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 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 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 Faculty updates).

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.

Senate also met more frequently (and virtually) in the wake of the COVID-19 pandemic to consider, for example, the shape of and preparations for the 2020/21 academic year including optimal blended combination of face-to-face and online delivery, and measures to minimise disruption to research.

The Board of Governors has an **Audit and Risk Committee**, a **Finance Committee**, a **Remuneration Committee**, a **Staffing Committee** and a **Nominations Committee**, which report directly to it. The Board has also established processes which ensure both that it is kept regularly advised on the strategic and policy elements of estates, human resources 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, this work continued in 2019/20.

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 an overhaul of the presentation and content of the institutional Risk Register.

The Audit and Risk Committee will also, whenever appropriate, provide explicit confirmation to the Board that necessary actions have been, or are being taken to remedy any significant failings or weaknesses identified from the review of the effectiveness of internal control. 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, the preparation of the financial statements, oversight of the

University's subsidiary companies and the management of capital projects and of University investments. It considers and forwards to the Board the University's long-term financial plans, recommendations concerning borrowing, University budgets, and the financial plans and forecasts provided to regulators. During 2019/20, the Board agreed to the addition of a Senate Board member to complement existing lay member and student membership.

The **Nominations Committee**, 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 and, in relation to Board appointments, has engaged professional search agents to assist with this task. Robust recruitment and appointment processes 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.

The **Remuneration Committee** provides a comprehensive report of its activity to the Board of Governors in July of each year. This provides information on its role, remit, and its 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. During 2019/20, the Board agreed to supplement existing lay membership with staff and student members during consideration of the remuneration of the President and Vice-Chancellor and other relevant matters. The Remuneration Committee report for the year ended 31 July 2020 is on page 27.

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 2019/20. 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 notified to it to dismiss members of academic and academic-related staff on grounds of redundancy. 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), which 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, 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, Human Resources, Capital Planning, Strategic Change and International), a time-limited **Transition Steering Group** and related Programme Boards (including a Foresight Group) focused on the medium to long term future of the University in a post COVID-19 world) were established to ensure optimal integration and coordination of the University's pandemic response.

The **Health, Safety and Wellbeing Committee**, is the University's principal committee responsible for the management of Health and Safety and wellbeing. The **Environmental Sustainability Committee** considers environmental and sustainability issues. 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 currently a much 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. Following consideration of recommendations arising from the most recent external review of governance and consultation with the Board and General Assembly, the membership of General Assembly will be reduced on a phased basis over the course of the next few years. In moving towards a smaller (approximately 80 members, compared to over 200 before reform began), more streamlined and less prescriptive membership, General Assembly's role in supporting the University's mission as a civic university will be strengthened.

The **Alumni Association** is the body of the University's graduates, and 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. General Meetings of the Association are held regularly, with its business between General Meetings conducted by an elected committee. 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 members of 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 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 exercises primary influence on 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, and 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 2020 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 acts, on behalf of the Board, in providing oversight of the University's review 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. As set out below, the University's approach is risk based, enabling evaluation of the likelihood and impact of risks being realised. 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 above relating to the work of the Audit and Risk Committee. The internal auditors have not identified any significant areas of weakness or significant deficiencies in internal control during the course of their audit work for the year ended 31 July 2020.

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 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 by the work of the internal auditors, Uniac, which is overseen by the Audit and Risk Committee, which also receives the report of the external auditors, Ernst & Young LLP (EY).

The system of internal financial control provides for comprehensive financial planning processes, assessments of annual income, expenditure, capital and cash flow budgets in conjunction with the monthly review of financial results, the reporting of variances and the projection of out-turns.

The University sets out matters concerning the broad policies relating to 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 (TRAC is an activity based costing system to help institutions understand the cost of their activities). 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 2018/19 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

A comprehensive **Risk Management** framework, defined in the University's Risk Management Policy, assists the management of the University in the identification of the key risks inherent in the delivery of the University's strategy and objectives. This is overseen by the Audit and Risk Committee in order to gain the necessary assurances on the efficacy of the framework and relay them to the Board of Governors. The Board, through the Audit and Risk Committee, PRC, and/or where appropriate through other ad-hoc due diligence groups, evaluates the risks inherent in all major plans and proposals, including the identification of the steps that would be required to mitigate, eliminate and control such risks. 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 catastrophic effect on the University and its business capability.

The institutional Risk Register has undergone a wide-ranging review in 2019/20 resulting in changes in presentation and content. 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 revised Risk Register reflects the University's experience of the impact of the COVID-19 pandemic on, for example, teaching, learning and research, the potential likely (although at this stage unquantified) impact on student recruitment (particularly international) and consequential financial implications. Mitigating measures were driven initially via the University's Major Incident Response Plan and the establishment of a Core Incident Group. Incident response measures, in light of government advice, included movement off campus, implementation of remote learning and working from home for the vast majority of staff and stringent cost control measures. After the immediate incident response phase, the University's planned approach included the establishment of the Transition Steering Group referred to above, with programme boards covering students; admissions; financial sustainability; campus reopening; employees; and a foresight group looking at longer term scenarios and implications. The Audit and Risk

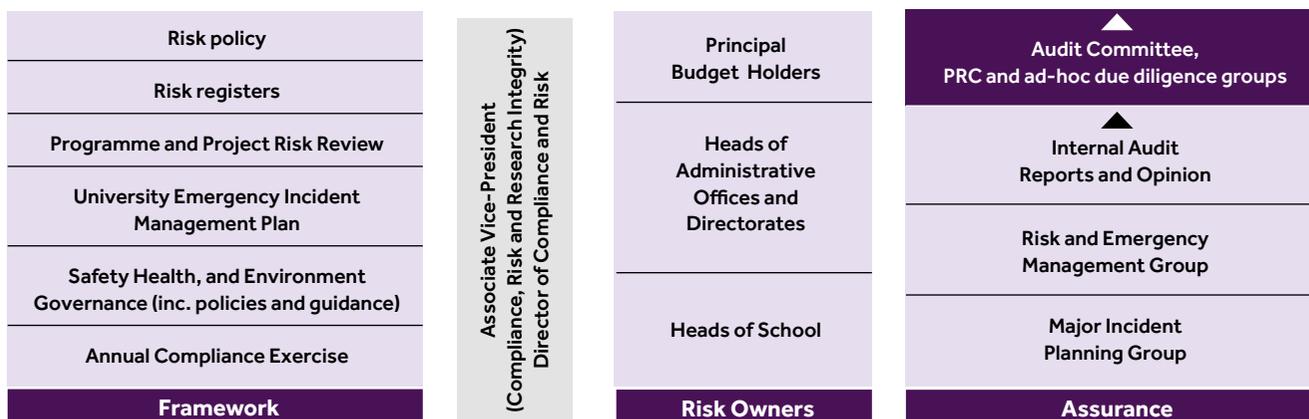
Committee continues to monitor the Register on a routine basis, with regular updates to the Board of Governors.

The Board of Governors has overall responsibility for the oversight of risk management within the University. The framework includes a risk policy, risk registers and maps (at School, Faculty, PS and University level) and the governance of health and safety, 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 eliminated and/or 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.

Board of Governors



REMUNERATION COMMITTEE REPORT FOR THE YEAR TO 31 JULY 2020

This report covers the following topics:

- The responsibilities of the Remuneration Committee and how the Committee fulfilled its remit during the year ended 31 July 2020
- The remuneration policies that the Committee operates for the Senior Leadership Team and other Senior Managers.

The 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) in June 2018 on the disclosure of senior pay in its published accounts.

Membership of the Committee

Mr Gary Buxton (*Chair*)

Mr Edward Astle

Mr Colin Gillespie

Dr John Stageman

(*ex officio, as Chair of the Finance Committee*)

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)

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 and to oversee their implementation within the University.
- (iv) To provide assurance to the Board that the University is adhering to guidance on senior pay as directed by the OfS and the CUC 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 and approve a report for the financial statements on the number of staff earning over £100,000 per annum;
- The Committee will annually, in July each year, present for the Board's approval, the Remuneration Policy in relation to senior staff and its forward work plan which the Board then delegates to the Remuneration Committee to execute on its behalf;
- To receive a report annually on the number and cost of termination payments;
- The Board had reviewed the membership of its sub committees and agreed a change to the membership of the Committee in relation to the discussion on the President and Vice-Chancellor's remuneration to include a staff and a student representative from the Board. The Director of Human Resources presented the terms of reference to the Committee for approval incorporating the change as agreed by the Board.

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;
- 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 summary report from the University's Senior Salary Review Group covering proposals for salary awards to be applied to academic related Grade 9 staff;
- a summary report of the annual salary review for non-clinical professors;
- a copy of the University's Gender Pay Gap Report;
- forward annual plan.

Key decisions taken in 2019/20

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.

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 TEF, Brexit 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, the University increased salaries across the workforce as a whole by 2.0 % (the nationally agreed pay award effective from 1st August 2019) and by an average of a further 1.5% to account for incremental progression i.e. a total of 3.5%. 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 since mid- March 2020.

The Committee's principal matters of business are:

- (i) To consider and determine on behalf of the Board of Governors (the Board) 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

The Committee approved the recommendation from the President and Vice-Chancellor for a zero pay award for 2020/21 for the Senior Leadership Team. The Committee also noted that the President and Vice-Chancellor and her senior leadership team had volunteered to take a 20% temporary reduction in salary.

Remuneration Policy for the Senior Leadership Team (2019/20)

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

Senior Leadership Team (2019/20)

Name	Role
Professor Dame Nancy J Rothwell	President and Vice-Chancellor
Professor Luke Georgiou	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 Director of Finance / Chief Financial Officer 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
<p>Base salary</p> <p>Supports the recruitment and retention of Senior Leaders with the experience and skills required to deliver the University's strategic plan.</p> <p>Salary increases whether consolidated or non-consolidated provide an opportunity to recognise outstanding individual contributions by Senior Leaders.</p>	<p>Base salary, paid monthly, reflects the size of the role (based on Hay consultants pay evaluation) and its responsibilities, individual performance assessed annually and the skills and experience of the individual.</p> <p>Increases to the President and Vice-Chancellor's base salary are approved by the Committee.</p> <p>For all other members of the Senior Leadership Team except the Director of HR and Director of Finance / Chief Financial Officer, recommendations for base pay increases are made by the President and Vice-Chancellor and approved by the Committee. Increases are effective from 1 April.</p> <p>The Registrar, Secretary and Chief Operating Officer makes recommendations to the Senior Salaries Review Group (SSRG) for the Director of HR and Director of Finance / Chief Financial Officer. Subsequently reported to and approved by the Committee. A national pay increase is effective from 1 August and any other performance increase is effective from 1 October.</p> <p>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.</p>	<p>Increases to base salary are determined annually taking into account:</p> <ul style="list-style-type: none"> • 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 <p>In benchmarking base salaries the Committee considers two comparator points being:</p> <ul style="list-style-type: none"> • The Upper Decile of the results of the UCEA Salary Survey across all Institutions; • The median of the Industrial and Service Sector with a range of 80%-120%. <p>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.</p>	<p>An individual's skills and experience in the role is one of the factors considered when setting base salary levels.</p> <p>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.</p>

Elements of Remuneration for the Senior Leadership Team (continued)

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
<p>Pension</p> <p>Supports recruitment and retention of Senior Leaders in line with market practice in the University sector.</p> <p>Provides flexibility for those who have reached HMRC limits for pension saving.</p>	<p>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.</p> <p>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.</p>	<p>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.</p> <p>The University currently contributes 21.1% of base salary to USS (inclusive of 2.0% deficit payment) and 14.38% of base salary to the NHS Pension Scheme.</p>	None applicable.
<p>Benefits</p> <p>To attract and retain Senior Leaders by providing benefits in line with market practice in the University sector.</p>	<p>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.</p> <p>The President and Vice-Chancellor receives private medical insurance.</p>	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 overall conclusion was that the President and Vice-Chancellor continues to do an outstanding job. Due to the COVID-19 pandemic and the impact of this on the University's financial position, the Committee agreed that it would not give a cost of living pay award to the President and Vice-Chancellor and her direct reports. 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.

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 increase takes 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. 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 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. In fact 66% of the pot was allocated.

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 median salary across all staffing groups (academic and PSS) is £40,472 per annum (this excludes on costs) and the President and

Vice-Chancellors salary is £260,399 per annum. The President and Vice-Chancellor's salary is 15 times greater than £17,361 per annum (2018/19: 15.8 times greater than £16,460 per annum) which is 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 below:

Median salary				
Year	Median Salary	President and Vice-Chancellor's Base Salary £	Ratio	
19/20	£33,797	£260,399 ¹	1 : 7.7 ¹	
18/19 restated ²	£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	
15/16	£34,576	£260,399	1 : 7.5	

¹The President and Vice-Chancellor's base salary and ratio 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 : 7.3 and a salary cost of £247k, as set out in note 7.

²2018/19 has been restated as the prior year report contained median remuneration rather than median salary

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 Committee.

Senior Leaders' service contracts and notice periods

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

Role	Terms	Names
President and Vice-Chancellor	Employed on a fixed term contract (ending 30 June 2024) which is renewable and is subject to six month notice period. Also holds a contract as Professor of Physiology which is retained when 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 but return to previous role. 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

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

Year	Remuneration
2019/20	£260,399*
2018/19	£260,399
2017/18	£260,399
2016/17	£260,399
2015/16	£260,399 (plus £12,128 supplement in lieu of pension from 1 April to 31 July)

To note:

From 1 April 2016 the President and Vice-Chancellor was in receipt of a supplement in lieu of the employer pension contribution (shown in the table above.) The 2.1% deficit funding into USS and any additional national insurance contribution is deducted from the amount shown. From 1 September 2017 the President and Vice-Chancellor elected not to receive the pension supplement.)

* The salary stated for the year ended 31 July 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 2020/21

The Committee intends that remuneration arrangements for 2020/21 will be operated in line with the policy set out above as directed by the Board of Governors taking account of the impact of COVID-19 on the University's finances and in line with the requirements of the OfS and the CUC Code for Higher Education Senior Staff.

MODERN SLAVERY AND HUMAN TRAFFICKING STATEMENT

Edward M Astle

Chair of the Board of Governors
and Pro-Chancellor

This statement is made in accordance with section 54(1) of the Modern Slavery Act 2015 and constitutes our slavery and human trafficking statement for the financial year ending 31st July 2020. This is our fifth statement under the Act and provides an overview of our activities in this area. It is being issued as normal though our business during the year has been severely impacted as a consequence of the COVID-19 pandemic with normal campus operations being largely suspended from mid-March onwards.

In the first quarter of 2020 an independent review of our approach to dealing with modern slavery was undertaken by Slave Free Alliance and as a result we have implemented a number of changes to improve what we do and the way that this is reported. One of the changes agreed was to restructure the lay-out of our report to aid transparency by mirroring the format suggested in the Modern Slavery Act 2015.

Our Organisation Structure, Business and Supply Chains

We are a UK Higher Education Institution which provides a wide range of teaching, research and related activities. Our main campus is in Manchester but our research and collaborative activities span the globe. In 2020 we have 40,250 students registered on undergraduate and post graduate courses on our campus and a further 3,450 studying outside the UK. We are one of the largest employers in Greater Manchester with 12,800 staff and an annual income in excess of £1 billion.

More information about us and our activities is available here: www.manchester.ac.uk

We are structured around three academic faculties comprised of individual schools: Biology, Medicine and Health (with 3 schools), Science and Engineering (with 2 schools), and Humanities (with 4 schools), and twenty one cross-disciplinary institutes. This facilitates work across disciplines, bringing innovative, and collaborative approaches to our research and teaching. In addition a Professional Services structure provides necessary administrative support. Our organisation is explained on our web-pages: www.manchester.ac.uk/discover/structure

In respect of modern slavery we have two main risk areas;

1. People: our large population of staff and students. In the latter category, for example, we have 11,545 non UK/EU students from many countries. We accord the welfare of staff, students and visitors the highest priority.
2. Supply chains: our campus comprises more than 300 buildings and we have a large and complex supply chain to support our academic activities and campus operations. We purchase a diverse range of works, goods and services and have in excess of 8,000 active suppliers listed on our Finance System. They provide us with items and services across all manner of spend from alkalines to zips. Regardless of what we buy we are committed to acquiring it in a responsible manner.

Our Policies and Processes relating to Slavery and Trafficking

Our approach around the issue of modern slavery is consistent with our civic origins and our mission to enhance society through activities in teaching, research and social responsibility. Our starting point is a zero tolerance of modern slavery and human trafficking and our internal policies and processes support this by;

- Integrating our actions with our well established risk management structures particularly around welfare and safeguarding procedures;
- Understanding our diverse supply base and the wider supply chain on which we rely through supplier engagement;
- Taking an informed risk based approach to prioritise what we do and target our actions;
- Promoting awareness and openness of the issue by sharing our experiences, collaborating within and outside the HE sector, and by taking opportunities to train our colleagues, students, suppliers, and others.

There is a clear chain of accountability for modern slavery; overall responsibility rests with our Board of Governors who have devolved

day-to-day responsibility for implementing and monitoring to the University's Professional Services function.

Following the independent review, oversight of this area has now been integrated within the portfolio of the Director of Risk and Compliance. Actions, across the University, will be co-ordinated through a group chaired by the Director of Risk and Compliance with senior representation from the following Directorates: Finance (Central Procurement Office), Human Resources, Legal Affairs and Board Secretariat, Social Responsibility, and Student Experience.

The University expects that all of its activities are carried out ethically and with integrity. Our clear commitment to a zero-tolerance approach to modern slavery is embedded in what we do to ensure that there is no modern slavery within our business, and we continue to work with our tier one suppliers to reduce the likelihood of modern slavery or human trafficking in our supply chains.

Our policies and procedures support this approach:

- We have had an Anti-Slavery and Human Trafficking Policy in place since 2016: <http://documents.manchester.ac.uk/DocuInfo.aspx?DocID=32018>
- We updated our approach to safeguarding during 2020, complementing and reinforcing our existing practice in this area, recognising the risk of slavery within an Adult Safeguarding Policy: www.staffnet.manchester.ac.uk/compliance-and-risk/safeguarding
- Annually we review our standard terms and conditions of business; they require legal compliance with the Modern Slavery Act 2015 and also that our suppliers work with us in tackling modern slavery throughout our shared supply chains.
- We continually review our procurement documentation and processes to ensure that they reflect best practice and support our objectives in this area. During the course of the year we have:

- Updated our Procurement Policy setting expectations around legal compliance including that relating to modern slavery and making specific reference to the UN Sustainable Development Goals (SDG) including SDG 8: Decent Work and Economic Growth, which provides for zero tolerance of forced labour, modern slavery and human trafficking as well as encouraging the protection of labour rights and working practices across supply chains.
- Adopted a new HE Sector Supply Chain Code of Conduct, based on a similar document created by Advanced Procurement for Universities and Colleges (APUC) in Scotland. This also makes clear reference to the SDGs and by utilising a common approach reinforces the behaviours with regard to social, ethical, economic and environmental practices we expect from our suppliers and their associated supply chains.

We remain committed to transparency as a means of driving up standards and highlighting human rights issues within supply chains, and we expect the same from our contractors, suppliers, business partners, and their supply chains. We signed up to Transparency in the Supply Chain (TISC) - the world's largest open data repository of Modern Slavery and Human Trafficking Statements - in 2017 and became a Public Partner in 2018 and our annual reports are available through their portal: <https://tiscreport.org/>.

Our Approach to Understanding and Managing Risk of Modern Slavery

As outlined above the two main risks areas for the University, in terms of slavery and trafficking, relate to people and supply chains.

The people issue was highlighted during the independent review. The University has responded by integrating modern slavery activities within its wider risk management framework and addressing specific risks through existing safeguarding structures. To support our work in this area, in addition to developing an adult safeguarding policy, the following will be developed fully once the University resumes normal activities:

- Modern slavery will be incorporated within the programme of annual risk and compliance training for senior staff;
- Utilising the effective channels and processes in place to support our Prevent Programme, targeted awareness raising will help to ensure that appropriate action is taken should any trafficking or slavery incidents be discovered;
- A range of actions to highlight modern slavery risks more widely, including: adding specific items on modern slavery within the schedule of regular risk and compliance updates, issuing news items through internal

web-pages, refreshing the content of the Risk and Compliance website, and embedding information within updates to the Senior Leadership Team.

In addition, and to raise the profile of the issue within the student body, the University will utilise its close contacts with its Students' Union and will mirror updates provided within the University for the Student Union Executive when the new leadership team takes up post.

In terms of supplier risks we have been working for several years to understand and address our supply chains. We acknowledge that there is a high likelihood that embedded within parts of our extended supply chains that some form of human exploitation is present. However, we do not condone this and take active steps to minimise this.

The first part of our due diligence process is to ensure that we deal with suitable and responsible suppliers. As a complex business we have a large and diverse supply base to enable us to carry out our wide range of teaching and research activities as well as our direct campus support operations. During 2018/19 we had 8,341 active suppliers set up on our finance system, and we see around 1,100 being added and retired each year.

However, the majority of our spending is with around 900 formally contracted suppliers with whom we either contract directly or through a public sector framework agreement. In both cases suppliers are subject to a full selection process which evaluates their capacity and capability to supply and includes assessments of, amongst other things, their supply chain practices and adherence to modern slavery legislation.

As an institution we make use of a number of external standards and agencies to provide assurance on labour practices for applicable products and processes. Of relevance to our commitments on zero tolerance of slavery and trafficking are the following:

- We have maintained Fairtrade status since 2005.
- We affiliated with the Worker Rights Consortium (WRC) between 2015 and 2019 when they stopped working in the UK HE Sector.
- We became the 5,000th organisation to be accredited with the Living Wage Foundation (LWF) in 2019.
- We affiliated with Electronics Watch (EW) as a member of our regional purchasing consortium (NWUPC) in 2019. EW assist public sector organisations to monitor rights of workers in the electronics industry. We have used for many years bespoke sector IT frameworks let by the London Universities Purchasing Consortium (LUPC), a founder member of EW.

- We signed up to the Gangmasters and Labour Abuse Authority (GLAA) construction protocol, to help prevent labour exploitation in that industry, in 2019.

Working with these organisations helps us to demonstrate good practice in our own business and encourage it amongst our contracted suppliers and their wider supply chains. Recognising the benefits of adopting widely accepted standards we continue to monitor the suitability of external validation in other areas as well.

The effectiveness of our approach to managing potential issues within our suppliers and supply chains depends upon two factors: (1) ongoing contract management processes, and (2) our ongoing supplier management practices.

Within the University we make use of a number of external framework contracts; high level ongoing contract management of these is undertaken by each letting authority. This includes monitoring of company capability and capacity as well as general reviews of their wider business practices to provide necessary assurance to contract users.

We work closely with two locally based procurement consortia: the North West Universities Purchasing Consortium (NWUPC) and The University Caterers Organisation (TUCCO), to manage risks through their contract management processes. Both these consortia have incorporated within their contract management practices physical supplier visits for UK based companies. Part of the visit includes a visual inspection of the premises, providing assurance around working practices and including looking for any signs of slavery. This provides good physical reassurance that actual working practice continues to meet our expectations. Unfortunately visits during this year have been restricted but they will resume once pandemic restrictions are relaxed.

Our own supplier management practices complement this and comprises of three elements: (1) our category management approach, (2) local contract management and (3) our active supplier engagement process.

We manage our suppliers using a category management model so that we can understand and manage risks within specific categories. Our high level supply chain risk is assessed using the UN Marrakech approach which provides a sound basis to focus our resources and actions. Effort is concentrated on categories and commodities that score highly on this and additional detail is provided in Schedule 1 below. Using this approach means we can target our limited resources to understand and promote best practice initially with our tier one suppliers but cascading this further as required, for example through our major construction contracts where sub-contractor appointments are of interest.

We undertake formal contract management for our directly let contracts and for the local delivery element of externally let contracts. Part of our contract management practice is to understand suppliers and their businesses and in particular to review their completion of our on-line supplier engagement tool.

Understanding our suppliers and their supply chains is central to our approach. During the year we have continued to use our on-line assessment tool to engage directly with all of our suppliers to identify their awareness of modern slavery and human trafficking. Each and every supplier is encouraged to share with us details of the impacts arising from their business activities, including slavery within their supply chains. This provides an opportunity for them to tell us how they are addressing these issues. To date over 1,900 suppliers have completed this information. A snapshot of this data is provided on pages 37 to 38.

We also provide support for our suppliers through our Central Procurement Office (CPO) web-pages including articulating clearly what is important to us from our suppliers. We have updated our on-line resources this year to provide more help and guidance for suppliers. Statistics from our web-pages confirm that external hits on our modern slavery pages and supplier pages are high.

We have continued work on mapping supply chains in high risk areas. This is a difficult process and we are collaborating with procurement colleagues in the sector to do this. Work on this has been halted as a result of COVID-19 but we are optimistic that it will start again next year, and that lessons on supply chain transparency resulting from the pandemic, will assist this exercise.

Staff Training and Promoting Awareness of Slavery and Human Trafficking

We remain committed to raising awareness of modern slavery amongst staff and we are in the process of incorporating relevant material into our schedule of annual risk and compliance refresher training. Wider staff training is facilitated through our staff sustainability engagement programme: 10,000 Actions. This has been updated during the year and the content of the Responsible Procurement module, which includes material on modern slavery, has been re-written. In addition the CPO web-pages have been fully re-written to include extra material on modern slavery, along with new links to external web-pages allowing staff to explore further material on the subject. Analysis of page visits over the year confirm that these pages remain in the top ten most visited on the CPO website.

Specific modern slavery training for our Estates professionals, in partnership with the GLAA,

had been planned to take place during the year but unfortunately had to be postponed as a result of our campus closedown. We will seek to re-arrange training for this high risk area in the coming 12 months.

Our central procurement team are all professionally qualified and maintain their certification by completing The Chartered Institute of Purchasing and Supply Ethical Procurement and Supply course annually. Skills and awareness, on aspects of modern slavery and human rights in a purchasing context, are kept up to date through a variety of bespoke training.

We have hosted training events for our suppliers over the past two years to raise awareness of slavery and trafficking within supply chains, with the aim of working together to encourage transparency and end unacceptable practices. In 2018 we held an event for our estates suppliers and in 2019 we hosted a joint event with TUCO for our nationally contracted catering providers. Both sessions were well attended and well received and we had planned a similar event for our laboratory suppliers during 2020 but this will be re-scheduled for next year.

As part of our continuing awareness raising, we engage widely to share best practice and keep up to date on slavery and human trafficking developments within the supply chain. Within the Higher Education sector our Head of Procurement continues to chair a sector wide Responsible Procurement Group whose remit includes modern slavery.

As a member of Slave Free Alliance we belong to a network that actively supports victims of trafficking alongside providing help and resources to organisations to manage their supply chains more effectively. They are based in Manchester and we continue to support initiatives within our immediate region particularly as a member of the Greater Manchester Modern Slavery Business Network. This group has continued to meet, physically and virtually, to collaborate, share ideas and provide opportunities to explore issues and experiences to tackle trafficking and its impacts within our city. For example: as a result of sharing the guidance we produced, in collaboration with academic colleagues in the Alliance Manchester Business School (AMBS), to help SMEs respond to modern slavery, two members of the Network have adapted this and are using it within their own supply chains.

This demonstrates the positive impact that our research activities can have in a real world context. The University is undertaking research in several areas related to slavery and human trafficking. Within AMBS there is active research on supply chains, enabling technology to monitor the various links in these chains, and broader human rights issues within supply chains. Within our Humanities

Faculty, researchers are investigating how the criminal justice system is responding to slavery and trafficking both structurally and in terms of networks, traffickers and their victims. We continue to use this work to inform approaches within our own operational activities. The University of Manchester, like other research intensive universities, is able to integrate innovative research into practical application. Use of relevant networks enables us to disseminate information and enhance understanding of key human rights issues such as slavery and trafficking.



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

UNDERSTANDING OUR SUPPLIERS

We manage our suppliers through a category approach using a standard HE taxonomy that utilises 23 Level 1 codes further subdivided into 461 detailed level 2 codes. Suppliers are categorized based on their majority supply to us and we understand the risk of slavery in each area by applying the UN Marrakesh risk

profile allocated to each category which has been developed at a sector level by a group from the Higher Education Procurement Association (HEPA).

A summary of the 8,341 active suppliers in 2018/19 is provided below:

High Risk

41% of our suppliers are considered High Risk

Level 1 Category Codes	Number of Level 2 codes	Supplier Count
F - Furniture, Furnishings & Textiles	20	116
H - Janitorial & Domestic	13	75
M - Workshop, Engineering & Maintenance	19	310
W - Estates & Buildings	27	464
K - IT & Computer	23	423
Y - Facilities Operations	17	28
C - Catering	21	213
L - Laboratory	102	1,540
P - Printing	11	117
U - Health, Safety & Security	14	114

Medium Risk

12% of our suppliers are considered Medium Risk

Level 1 Category Codes	Number of Level 2 codes	Supplier Count
A - Audio-Visual & Multimedia	18	332
D - Medical	10	147
Q - Telecommunications	15	92
G - Sports & Recreation	9	0
E - Agricultural & Horticultural	16	56
N - Museums & Art	9	0
T - Travel & Transport	20	353

Low Risk

47% of our suppliers are considered Low Risk

Level 1 Category Codes	Number of Level 2 codes	Supplier Count
B - Library & Publications	21	325
J - Utilities	10	25
R - Professional & Bought in Services*	25	1,779
S - Stationary & Office Supplies	10	43
V - Vehicles & Fleet Management	14	30
X - Other (Rent, Rates, etc.)	17	1,759

*NB- This Category includes Recruitment Agencies which is High Risk

We also assess geographic risk based on the likelihood of use of forced and/or child labour of our suppliers using a country and product risk identified by the Anti-Slavery Organization: https://childhub.org/sites/default/files/anti_slavery_poster-final.pdf

High Risk

Area	Number of Suppliers by Registered Address	% of Total Suppliers
Africa	67	0.8
Asia	8	0.1
Central America	3	0.0
East Asia	68	0.8
South America	7	0.1
South Asia	45	0.5

Low Risk

Area	Number of Suppliers by Registered Address	% of Total Suppliers
Australasia	24	0.3
Europe	610	7.3
Middle East	15	0.2
North America	400	4.8
UK	7,094	85.0



Cross-referencing our list of suppliers against the 75 countries and 140 products listed by the Anti-Slavery Organizations list reveals 136 of our tier 1 suppliers are registered in 36 of the countries on that list. However, we have identified only 2 suppliers that fall into a category that may include a product on the list. We will investigate these further but they are both low value spends which we understand to be technical products unlikely to be produced using either forced or child labour.

ENGAGING OUR SUPPLIERS

All of our suppliers have been given the opportunity to complete our on-line assessment tool; this lets them tell us about the impacts (positive and negative) across the range of their business activities. The tables below provide a snapshot of what we have been told and what our suppliers are doing to combat modern slavery.

Engagement from suppliers has continued to grow year on year, and as of August 2020 over 1,900 have filled this in and have told us about aspects of their operations including their approach to modern slavery.

Engagement with our suppliers:

Our Supplier Tool	2019	2020
Suppliers have completed sustainability action plans	1,867	1,935
Suppliers have engaged with the Tool	1,537	1,606

The information provided helps us to better understand our supply base and the issues that they face. The data constitutes a rich source of information that allows us to assess the level of awareness of modern slavery and human trafficking, as well as the range of responses to it within our supply chains.

Of these suppliers they tell us that:

Our Supplier Tool	2019	2020
They have a head office outside the UK	18%	19%
They source >25% of goods / services they provide outside of Europe	21%	26%
They have a Corporate Social Responsibility or lead on on sustainability in their business	32%	31%

The evidence indicates that as suppliers are preparing for business after the UK leaves the EU, our suppliers and their supply chains are diversifying beyond Europe. It also suggests that some posts are disappearing, e.g. dedicated resource around sustainability and CSR, either due to cost pressures or as practice becomes more embedded within the mainstream. Both of these trends increase the need for due diligence on our part to understand and challenge our suppliers' supply chain practices.

Awareness of modern slavery amongst our suppliers has declined year-on-year for the first time:

Modern Slavery Data	2019	2020
Businesses are aware of the Modern Slavery Act	95%	94%
Businesses felt Modern Slavery is an issue for them	8%	9%

However, of those for whom slavery is an issue we know that:

Modern Slavery Data	2019	2020
Businesses who selected this issue have a CSR or lead on sustainability	46%	32%
Businesses selecting this issue have >25% of goods/services sourced from outside EU	29%	21%
Businesses who selected this issue have a head office outside the UK	14%	18%
Businesses selecting this as an issue are SME	76%	73%

The evidence seems to suggest that awareness of modern slavery is more widely disseminated, that it is relevant beyond those subject to UK legislation, and is also important to those who source mainly within Europe. This is encouraging and supports the view that understanding is key to tackling the problem. These responses reinforce our ongoing commitment to supporting SMEs to understand and respond to the issue.

One of our suppliers has told us:

"Our products are manufactured in the UK or EU, all personnel are employed in line with EU employment law. Supply of materials and components are sourced from an ethical source, we actively audit the supply base to ensure compliance with relevant ISO and EU requirements."

One of our suppliers has told us:

"We are committed to preserving human rights within our sphere of influence and welcome the Guiding Principles for Business and Human Rights adopted by the UN Human Rights Council. In the United Kingdom, we are required by the UK Modern Slavery Act to report on the steps and measures we are taking to counter forced labour and human trafficking."

Detailed Action Plans provide evidence that suppliers are developing actions to address slavery and trafficking within their businesses:

Supplier Action Plans	In Process		Completed		Not Started		With Evidence	
	2019	2020	2019	2020	2019	2020	2019	2020
Engage with your suppliers on Modern Slavery	32	40	27	28	85	93	30	34
Publish your 'Modern Slavery Act Transparency Statement'	16	25	42	41	86	96	32	32
Provide training for staff on Modern Slavery	23	27	26	29	95	100	28	29
Develop a robust approach to removing Modern Slavery from supply chains	31	43	41	37	72	83	36	38

Amongst our highest risk categories year-on-year results are mixed as the table below shows:

High Risk Areas	Estates and Buildings		IT and Computing		Catering	
	2019	2020	2019	2020	2019	2020
Number of registered suppliers in each group	128	126	128	129	75	75
Recognising Modern Slavery as an issue for their business	12%	12%	13%	14%	13%	11%

As part of our category management approach we will target these high risk areas to understand what is happening and work with suppliers and contract owners to make sure that modern slavery and human trafficking are being addressed adequately.

Over the coming year we will:



One of our suppliers has told us:

"At the induction training for all new staff, issues relating to Modern Slavery are discussed. Managers who work closely with our suppliers will monitor our supply chain, and are trained to identify any potential areas of concern."

STATEMENT OF THE BOARD OF GOVERNORS' RESPONSIBILITIES FOR THE YEAR ENDED 31 JULY 2020

Edward M Astle

Chair of the Board of Governors
and Pro-Chancellor

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 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.



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

In our opinion:

- The University of Manchester's group financial statements and parent institution's financial statements (the "financial statements") give a true and fair view of the state of the group's and of the institution's state of affairs as at 31 July 2020, and of the Group's and parent institution's income and expenditure, gains and losses and changes in reserves and of the Group's cash flows for the year then ended;
- the financial statements have been properly prepared in accordance United Kingdom Generally Accepted Accounting Practice;
- the financial statements have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education, relevant legislation and Office for Students requirements.

We have audited the financial statements of The University of Manchester which comprise:

Group	Parent institution
Consolidated statement of financial position as at 31 July 2020	University statement of financial position as at 31 July 2020
Consolidated statement of comprehensive income for the year then ended	University statement of comprehensive income for the year then ended
Consolidated statement of changes in reserves for the year then ended	University statement of changes in reserves for the year then ended
Consolidated statement of cash flows for the year then ended	Related notes 1 to 35 to the financial statements
Related notes 1 to 35 to the financial statements	Statement of principal accounting policies
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).

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 below. 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Board of Governors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

- the Board of Governors has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent institution's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Overview of our audit approach

Key audit matters	<ul style="list-style-type: none"> • Fraud in Revenue Recognition • Valuation of defined benefit liabilities in the University of Manchester Superannuation Scheme and the Greater Manchester Pension Fund • Valuation of defined benefit assets in the Greater Manchester Pension Fund • Going concern
Audit scope	<ul style="list-style-type: none"> • We performed an audit of the complete financial information of one component. • The component where we performed full audit procedures accounted for 99.8% of total income, 100% of Surplus before tax and 99.2% of Total assets.
Materiality	<ul style="list-style-type: none"> • Overall group materiality of £10.95m which represents approximately 1% of total income.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material

misstatement (whether or not due to fraud) that we identified. These matters included 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 our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p>Fraud in Revenue Recognition (£1,064m total income, PY comparative £1,098m)</p> <p><i>Refer to Accounting policies (pages 53 and 54); and Notes 1-6 of the Consolidated Financial Statements</i></p> <p>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.</p> <p>The number of revenue streams increases the risk of inappropriate revenue recognition.</p> <p>A risk of override exists, as described in ISA 240, and manifests itself through management recording revenue incorrectly around the year end date either through incorrect judgements being applied when determining whether performance conditions have been met and therefore the incorrect deferral or clawback of income or via manual journals posted during the financial statement close process.</p> <p><i>Research income (£264.7m; PY £323.5m): Of this £33.6m (PY £67.1m) has been considered within the capital income risk below.</i></p> <ul style="list-style-type: none"> Recognition requires judgement at year end in recognising accrued and deferred income which could result in recognising income in 2019/20 incorrectly either by recognising the incorrect value or recognising income that should be deferred until any performance related conditions are met. The impact of COVID-19 leading to reduced research activity in the final 4 months of 2019/20 increases the risk of fraud or error as further judgement will be required where activity against projects has fallen but overhead and staff costs have continued to be incurred. <p><i>Tuition fees (£504.9m; PY £483.2m):</i></p> <ul style="list-style-type: none"> Where there are courses spanning the financial year end the risk lies in recognising revenue in the correct financial year. 	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> Understanding the revenue processes for each material revenue stream. Identification and walkthrough of key controls over revenue processes for each material revenue stream. <p><i>Research income</i></p> <ul style="list-style-type: none"> Tested a sample of research income, deferred income and accrued income, verifying that judgment applied in recognising income was in accordance with the performance related conditions. This included verification to source documents such as contracts and agreement with funders, project budgets and performance to date. For each research project tested, confirmed that where income recognition to date is in excess of budgeted that this is appropriate and supportable to contract variations with funders. Independently inquired with the University's Research Office, Faculty Research Finance and Group Finance to 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. <p><i>Tuition fees</i></p> <ul style="list-style-type: none"> 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 income statement. Our expectation was calculated by disaggregating the data by programme of study and multiplying the student numbers by the average fee. Tested the accuracy of student numbers by sample testing data such as course type, fee and student registration back to individual student files and published fees for the academic year. Sample tested part time student fees and short course fees verifying the amounts back to invoices and cash. <p><i>Capital income</i></p> <ul style="list-style-type: none"> 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. 	<p>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.</p>

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p><i>Other income (£145.2m; PY £145.6m); Of this £7.3m (PY £2.1m) has been considered within the capital income risk below.</i></p> <ul style="list-style-type: none"> • There is a risk that revenue is recorded incorrectly around the year end date. <p><i>Capital income (included within research and other income) (£40.9m; PY £69.2m)</i></p> <ul style="list-style-type: none"> • Capital income recognition depends on the judgement of whether performance conditions apply to the income and have been met, with particular risk that deferred capital grants balances are not complete and therefore income has been recognised in the income statement incorrectly. <p><i>Donations and endowments (£10.7m; PY £6.1m);</i></p> <ul style="list-style-type: none"> • There is a risk that revenue is recorded incorrectly around the year end date. <p><i>Funding body grants (£133.5m; PY £131.7m);</i></p> <ul style="list-style-type: none"> • Since there is no material judgement associated with the recognition of the University's funding council grant income, we have determined that the risk of revenue recognition does not materialise within this area with the exception of our overriding risk of revenue being recognised incorrectly around the year end due to override. <p><i>Investment income (£5.1m; PY £7.6m);</i></p> <ul style="list-style-type: none"> • Revenue is not material in the current year. We do not consider there to be a risk of material manipulation for the year. <p>We consider this risk to be relevant to the Group (and the University as a single entity).</p> <p>Compared to the prior year the risk reflects the additional risks associated with the COVID-19 pandemic and the donations and endowments revenue stream becoming material.</p>	<p><i>Other income</i></p> <ul style="list-style-type: none"> • Performed substantive analytical review procedures over residence income by disaggregating by residency block and multiplying the average occupancy levels throughout the financial year with the average fee to calculate an expectation of income. We sample tested occupants back to source documents and agreed the fees back to published rates for the financial year. We have also sample tested fee refunds issued back to credit notes. • Performed substantive analytical review procedures over reimbursed salary costs by applying the expected pay increases to the prior year audited figure and compared this to the income recorded in the financial statements. • Substantively tested a sample of other income back to source documents, such as invoice, contracts, grant agreements and cash. <p><i>Donations and endowments</i></p> <ul style="list-style-type: none"> • Substantively tested a sample of income back to source documents, such as donation agreements and cash. <p><i>Procedures across all revenue streams:</i></p> <ul style="list-style-type: none"> • Performed an overall analytical review on revenue compared to prior year on an individual sub-stream basis to identify, understand and corroborate any unusual fluctuations, considering any contradictory evidence. • Performed cut off testing for a sample of transactions before and after the year end to confirm that they have been recorded in the correct financial year. • Undertook risk-based procedures to identify journals specifically raised to increase income and corroborated their purpose back to underlying evidence. <p>We performed full scope audit procedures over this risk, which covered 99.8% of the risk amount.</p>	

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p>Valuation of defined benefit liabilities in the University of Manchester Superannuation Scheme and the Greater Manchester Pension Fund (UMSS £876.6m and GMPF £144.6m, PY comparative UMSS £827.8m and GMPF £141.7m)</p> <p><i>Refer to Accounting policies (pages 56 and 57); and Notes 21 and 25 of the Consolidated Financial Statements</i></p> <p>The University recognises three material pension schemes in the Statement of Financial Position.</p> <p>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. The actuarial valuations of the schemes are prepared by an independent actuary and reviewed by management.</p> <p>Judgment is exercised by management, with input from the independent actuary, in determining actuarial assumptions used by the actuary in measuring the liabilities.</p> <p>We consider that the risk is that the gross pension liability is materially misstated as a result of inappropriate actuarial assumptions.</p> <p>The third material pension scheme, the Universities Superannuation Scheme (USS), is not identified as a significant risk to our opinion. This is a multi-employer pension scheme where the assets and liabilities cannot be allocated to individual employers. As there is an agreed schedule of deficit contributions, the liability arising from this is included in the financial statements. As the calculations and assumptions do not involve significant judgement or estimation by management we do not consider there to be a significant risk of material misstatement.</p> <p>We consider this risk to be relevant to the Group (and University as a single entity).</p> <p>The risk in relation to liabilities has remained consistent with the prior year. However, we have separated out the element included in the prior year related to the valuation of defined benefit assets and included this as a separate significant risk due to their differing characteristics.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> • Understanding managements process for determining the pension assumptions and liability calculation. • Identification and walkthrough of key controls, including those related to the provision of accurate data provided to the independent actuary and determining the assumptions used to calculate the liability. • Obtaining the report prepared by the independent actuary for each of the two Schemes to understand the key assumptions used in the calculation. We also confirmed management's approval of key assumptions and that those used did not differ from those proposed by the actuary. • EY actuarial specialists were used to review the financial and demographic assumptions used for the purposes of the disclosures and consider whether any assumptions fell outside of our acceptable range, including those such as the discount rate, salary increase, CPI and RPI. • Confirmed the independence of management's actuary and assessed their expertise and scope of work. • Considered the impact of judgements such as McCloud on the valuation of the pension liability. • Performed year on year analysis on the membership data used in the valuation to assess the completeness and accuracy of the membership numbers. • Testing the accuracy of key cashflows such as benefits paid by agreeing them to underlying evidence. • We reviewed the accounting entries and disclosures in the financial statements to ensure compliance with accounting standards. <p>We performed full scope audit procedures over this risk area, which covered 100% of the risk amount.</p>	<p>Based on the procedures performed we concluded that the assumptions were within our acceptable range.</p> <p>We concluded that the disclosures within the financial statements were appropriate.</p> <p>We concluded that 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.</p>

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p>Valuation of defined benefit assets in the Greater Manchester Pension Fund (£124.5m, PY comparative £130.1m)</p> <p><i>Refer to Accounting policies (pages 56 and 57); and Notes 21 and 25 of the Consolidated Financial Statements</i></p> <p>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.</p> <p>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.</p> <p>The GMPF includes a range of assets, some of which are deemed to be harder to value assets because there is less observable market data increasing the degree of estimation required in their valuation.</p> <p>The University's share of assets estimated by the actuary at the balance sheet date is £31.5m (£16.9m of specialised assets).</p> <p>In the prior year we included the valuation of the assets in both GMPF and UMSS schemes as a significant risk. We have refined the risk this year and consider the risk in the valuation of assets in the UMSS scheme to have decreased due to a reduction in the harder to value assets to nil.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> • Understanding managements process for determining the asset rollforward. • Identification and walkthrough of key controls, including those related to the provision of accurate data provided to the independent actuary and determining the assumptions used to calculate the assets. • Obtaining the report prepared by the independent actuary to understand the key assumptions used in the calculation. We also confirmed management's approval of key assumptions and that those used did not differ from those proposed by the actuary. • We have tested the accuracy of key cashflows such as contributions into the schemes. • Confirmed the independence of management's actuary and assessed their expertise and scope of work. • EY actuarial specialists were used to create an independent expectation of the asset value using management's information as at 31 July 2020 for comparison to the valuation included in the financial statements. • We calculated our own asset value by obtaining external indices for the different categories of assets to establish a reasonable range. • Reviewed the audit findings reported by the auditor of the GMPF to identify any errors or other matters in relation to the valuation of assets within the scheme. • 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 have received direct confirmation from the pension fund of the actual asset returns throughout the financial year and compared these to the returns applied by the actuary in calculating the asset value. • We reviewed the accounting entries and disclosures in the financial statements to ensure compliance with accounting standards. <p>We performed full scope audit procedures over this risk area, which covered 100% of the risk amount.</p>	<p>Based on the procedures performed we concluded that managements processes to be appropriate.</p> <p>We concluded that the asset rollforward performed by management's independent actuary demonstrated that the asset value was within an appropriate range.</p> <p>We concluded that the disclosures within the financial statements were appropriate.</p> <p>We concluded that the gross assets for the 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.</p>

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p>Going Concern</p> <p>Refer to Chair's Foreword (page 1), President and Vice-Chancellor's review of the year (pages 2 – 5), Financial review (pages 12 – 22), Corporate Governance Statement (pages 23 – 26), Remuneration Committee Report (pages 27 - 31), Going Concern section 1 and the Statement of the Accounting Policies (pages 52 - 58) and Note 32 of the financial statements.</p> <p>Going concern</p> <p>Uncertainties arise from the recent COVID-19 outbreak and their impact on the University's operations.</p> <p>Given the unprecedented impact of COVID-19 on all organisations and the macro-economic environment, accurate forecasting of prospective financial information and the development of credible future scenarios is challenging. The impact of the government restrictions on the University's revenues and costs give rise to the potential for material uncertainties over the University's ability to continue as a going concern.</p> <p>The University of Manchester is reliant on a range of facilities which include, a £300m public bond and a £100m private placement. The University has also finalised a £250m RCF and has been confirmed as eligible for the Bank of England COVID Corporate Financing Facility (CCFF) with an uncommitted facility of £525m. The CCFF has not been drawn down and therefore can be withdrawn prior to utilisation.</p> <p>For The University of Manchester the two potential uncertainties are:</p> <ul style="list-style-type: none"> • not having sufficient cash to meet their liabilities as they fall due; and • breaching any one of the covenants under the Private Placement or bond (see Accounting Policy note 1 on Going Concern for details in the section of the Statement of Accounting Policies) which, without intervention, would lead to immediate requirement to repay any outstanding balance. <p>There is a risk that the forecasts do not accurately reflect the future key assumptions, namely attrition rates for tuition fee income, occupancy rates for residency income, activity levels for research and other grant funding, staff costs and other operating costs, leading to inaccurate forecasting against which going concern is assessed.</p> <p>As set out in note 32 the University has signed an RCF to provide a £250million RCF from four banks over the period to 2024.</p>	<p>Going concern</p> <p>We have identified and walked through the process followed by management to prepare the revised forecasts.</p> <p>The audit engagement partner increased his time directing and supervising the audit procedures on going concern and understanding the latest position with respect to funding arrangements.</p> <p>Our work focussed on the University's approved base case, downside case, reverse stress test without the RCF, covenant compliance and whether the RCF funding is available during the going concern period.</p> <p>We obtained management's going concern papers which were prepared as at October 2020, November 2020 and January 2021.</p> <p>We have obtained a copy of the signed RCF dated 29 January 2021 for £250 m. We confirmed the terms and conditions to those included in the Going Concern assessment.</p> <p>We checked the arithmetical accuracy of management's model.</p> <p>We have assessed the reasonableness of the key assumptions used in the base case, namely attrition rates for tuition fee income, occupancy rates for residency income, activity levels for research and other grant funding, staff costs and other operating costs. This has been performed by:</p> <ul style="list-style-type: none"> • assessing the historical forecasting accuracy of the group by comparing actual revenue, costs and cash to those originally forecast for the previous periods; • considering the impact of any external information, such as government and regulator guidance on the opening and operation of universities during the pandemic, and challenging management on how this has been factored into their going concern assessment; • considering the reduction in forecast income within management's base case to our own independent assessment considering areas such as attrition rates for tuition fee income, occupancy rates for residency income and activity levels for research as those most likely to be affected by the impact of COVID-19; • considering attrition rates, student registrations and student applications in the post year end period and in prior years to those assumed by management in the base case; • challenging management on any contra indicators and factoring these into our independent downside scenario; 	<p>Going concern</p> <p>We reported to the Audit Committee that, based on testing performed, we concur with management that the going concern assumption adopted in the 2020 financial statements is appropriate and that no material uncertainties have been identified.</p> <p>We reviewed management's disclosures within the Going Concern section of the Accounting Policies and Note 32 and considered that they appropriately describe the University's assessment and conclusions on going concern.</p>

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p>Management have revised their forecasts to reflect the ongoing impact of COVID-19, which serves as the base case for the going concern assessment. These revisions have been informed by actual experience in relation to student registrations in Autumn 2020, occupancy levels through to January 2021, progression of research and continued cost management.</p> <p>A severe but plausible downside scenario (downside scenario) has been run based on the principal risks and uncertainties facing the University and their potential impact on attrition rates for tuition fee income, occupancy rates, staff costs and other operating costs and cash flows. A reverse stress test has been run to identify the scenario under which the group does not have sufficient liquidity as this is the most sensitive to downside.</p> <p>The results of the base and downside scenarios have been compared to the available liquidity, excluding the £250m RCF and £525m CCFF, and financial covenant compliance, during the going concern period to 31 July 2022.</p> <p>The University's bond, which is listed on the London Stock Exchange, requires the financial statements to be filed within 180 days of the financial year end. This has not happened. As such, the Bond Trustees have discretion to call an event of default. If this were called prior to signing the financial statements the University would need to assess the impact and respond accordingly.</p> <p>Based upon this assessment management consider the going concern basis of preparation remains appropriate and no material uncertainties exist</p>	<ul style="list-style-type: none"> comparing current performance to management's base case by obtaining the latest available management accounts as at 31 December 2020 to identify any issues with current performance and cashflows and to assess the reasonableness of assumptions; and testing the adjustments made between their first base case and the version prepared as at 31 December 2020, challenging management on their rationale for revisions made to their assumptions and agreement to underlying evidence. <p>We verified the cash starting position as at 31 December 2020 to bank and investment statements.</p> <p>We have confirmed that the Private Placement covenants have been amended and have reperformed management's forecast covenant compliance calculations to check for breaches of each covenant throughout the going concern period under the base case.</p> <p>We also considered the results of the downside case, to determine the impact of reasonably possible fluctuations in key assumptions on the University's available liquidity and covenant calculations. For the reverse stress test performed we assessed if the conditions were remote.</p> <p>We compared management's downside case to our own independent assessment considering areas such as attrition rates for tuition fee income, occupancy rates for residency income and activity levels for research as those most likely to be affected by the impact of COVID-19.</p> <p>We considered both the mitigating actions identified by management and included in their downside, as well as additional mitigations that had not been factored into the model, including a reduction in capital expenditure and further cost reductions. We also considered the feasibility of management being able to execute such mitigating actions.</p> <p>We assessed whether the headroom available under the base and downside case was sufficient with the inclusion of the RCF, by reference to Office for Students guidance on maintaining 30 days operational cash over a 3-month rolling period.</p> <p>We reviewed the appropriateness of management's going concern disclosure in describing the risks associated with its ability to continue to operate as a going concern for the period to 31 July 2022.</p> <p>We obtained the University's external legal advice that the late filing of the financial statements does not constitute an event of default. We have made enquiries of the Board of Governors to ensure that they have not been separately notified of an event of default.</p>	

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the group and effectiveness of group wide controls, changes in the business environment and other factors such as recent internal audit results when assessing the level of work to be performed at each entity.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the seven reporting components of the Group we selected one component, which represents the principal business unit within the Group, being the University as an entity. We performed an audit of the complete financial information of the University ("full scope component") based on its size or risk characteristics.

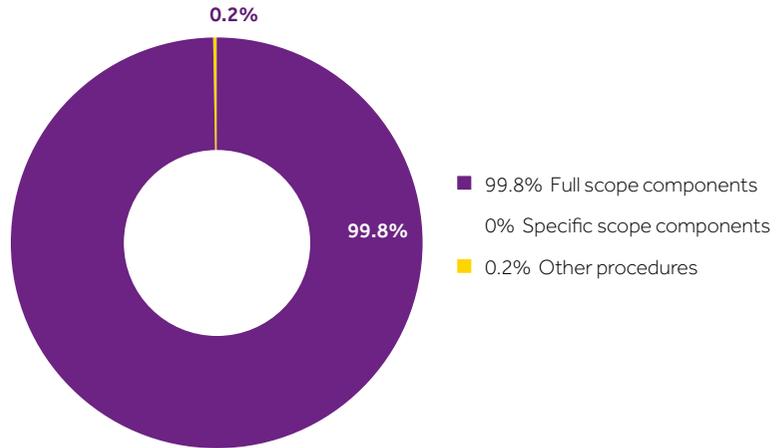
Except as explained below, we did not perform any audit procedures in respect of the other components because we did not consider there to be any accounts that had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile. This was consistent with the approach that we followed in the previous year.

For the current year, the full scope component contributed 99.8% (2019: 99.8%) of the Group's total income, 100% of the Group's Surplus before tax (2019: 100% of Group Deficit before tax) and 99.2% (2019: 98.3%) of the Group's Total assets.

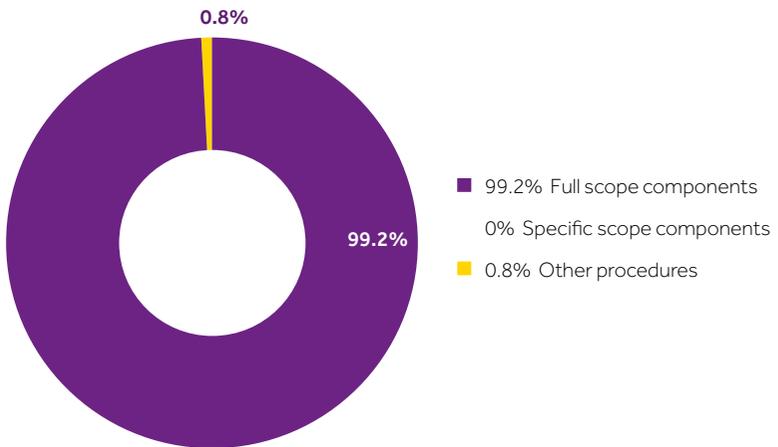
Of the remaining 7 components that together represent 0.2% of the Group's total income, none are individually greater than 1% of the Group's total income. For these components, we performed other procedures, including confirming cash balances, analytical review and testing of consolidation journals and intercompany eliminations to respond to any potential risks of material misstatement to the Group financial statements.

The charts (right) illustrate the coverage obtained from the work performed by our audit teams.

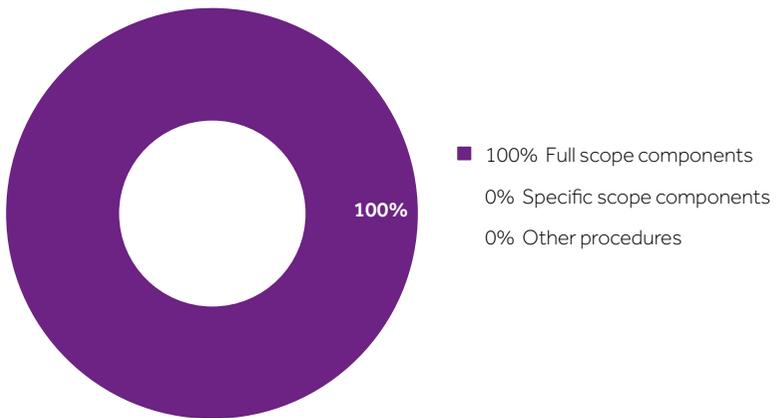
Total income



Total assets



Deficit before tax



Involvement with component teams

All audit work performed for the purposes of the audit was undertaken by the Group audit team.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be £10.95 million (2019: £11.04 million), which is approximately 1% (2019: 1%) of total income. We believe that total income provides us with a basis that is the most relevant for measuring the performance of the University by users of the financial statements of Higher Education providers.

We determined materiality for the parent institution to be £10.95 million (2019: £10.99 million), which is 1% (2019: 1%) of group total income.

During the course of our audit, we reassessed initial materiality based on forecast figures and decreased the materiality level for the Group and the University to reflect the draft financial statements outturn.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 75% (2019: 75%) of our planning materiality, namely £8.2m (2019: £8.29m). We have set performance materiality at this percentage due to our assessment of the control environment in place at the University and the low level of findings and adjustments found in the prior year and previous audits.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to

the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the performance materiality allocated to the component was £8.2m (2019: £8.27m).

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.55m (2019: £0.55m), which is set at 5% of materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Other information includes the Officers and Advisers, Chair's forward, Review of the year, Key performance indicators, The year in pictures, Financial Review, Corporate Governance Statement, Remuneration Committee report and Modern slavery and trafficking statement and Statement of the Board of Governor's responsibilities. The Board of Governors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion 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 where:

- the University's grant and fee income, as disclosed in note 35 to the financial statements, has been materially misstated
- the University'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 set out on page 39, the Board of Governors is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the 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 financial statements, the Board of Governors is responsible for assessing the group and 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

The objectives of our audit, in respect to fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and determined that the most significant are the Office for Students Terms and conditions of funding for higher education institutions and the Higher Education and Research Act 2017.
- We understood how The University of Manchester is complying with those frameworks by documenting the oversight of those charged with governance, considering the potential for override of controls or other inappropriate influence over the financial reporting process, the culture of honesty and ethical behaviour and whether a strong emphasis is placed on fraud prevention, which may reduce opportunities for fraud to take place, and fraud reporting and deterrence, which could persuade individuals not to commit fraud because of the likelihood of detection and punishment.
- We assessed the susceptibility of the group's financial statements to material misstatement, including how fraud might occur by the use of journal entries or off ledger adjustments, accounting for significant or unusual items, or in applying bias to estimates and judgements.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved making enquiries of Director of Legal Affairs and Board

Secretariat, the Chief Financial Officer and the Chair of the Audit Committee, inspecting the work performed by internal audit, reading the minutes of the Finance Committee, Board of Governors and Audit Committee, testing manual journal entries and testing estimates for unexpected changes in assumptions.

- The University operates in the Higher Education sector, which is a regulated by the Office for Students. As such, the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of specialists where appropriate.

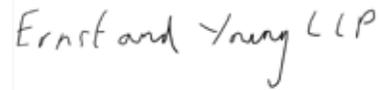
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters we are required to address

- We were appointed by The University of Manchester on 23 April 2015 to audit the financial statements for the year ending 31 July 2015 and subsequent financial periods. We were appointed as auditors by The Board of Governors and signed an engagement letter on 23 April 2015.
- The period of total uninterrupted engagement including previous renewals and reappointments is 5 years, covering the years ending 2015 to 2020.
- 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 the audit.
- The 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.



Ernst & Young LLP

Birmingham

29 January 2021

Notes:

1. The maintenance and integrity of the University of Manchester web site is the responsibility of the Board of Governors; 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 web site.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.





FINANCIAL STATEMENTS

For the year ended 31 July 2020

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.

The University's activities, together with the factors likely to affect its future development, performance and position, are set out in the Chief Financial Officer's Financial Review of the year which forms part of the Board of Governors' Report. The Board of Governors' Report also describes the financial position of the University, its cash flows, liquidity position and borrowing facilities. The University's objectives, policies and processes for managing its capital; its financial risk management objectives and its exposure to credit and liquidity risks are set out on page 20.

Going concern

The financial statements are prepared on a going concern basis. The Board of Governors consider the most appropriate going concern period to be to July 2022 which is the University's financial year end. Cash as at December 2020 was £276m.

Summary of the impact of lockdown in 2019/20 and 2020/21 to date

At the start of lockdown in March 2020, just like all Universities across the UK, the University followed Government guidance and temporarily closed its campuses to help stop the spread of coronavirus. Other significant impacts included moving to online teaching and the ceasing of all non-Government approved research activity.

Key revenue streams impacted were principally research income and accommodation fees.

The University has taken several actions to conserve cash. These actions included furloughing employees, slowing down of discretionary capital spend and controls over staff recruitment and operating expenditure.

In addition to the above actions that have already been taken, management have reviewed the broader cost base of the University in order to identify any further potential savings.

Current financing

The University's principal reliance for liquidity purposes is on the continued generation of revenue from tuition and accommodation fees (UK and overseas students) and research activity (see further below).

Private Placement

The University has a £99.5m private placement facility repayable in one payment in 2046 (Note 20).

The University has successfully negotiated changes to the covenants that relate to its private placement funding in November 2020. The key changes were in relation to the annualised service cost calculation and the gross debt to net asset test. These changes ensure that qualifying Revolving Credit Facilities (RCF) out to 31 December 2025 do not give rise to a breach of the covenants and also provide further longer-term protection against the possibility of increases to the USS pension liability. The covenant requirements relate to net assets, debt service cost and indebtedness.

Bond

The University has a £300m Bond listed on the London Stock Exchange which matures in 2053 with no capital repayments required beforehand. The Bond has no financial covenants but includes a negative pledge whereby the University cannot offer security without offering the same to the bondholders.

Compliance with covenants and event of default

The University is forecast to comply with the covenants and undertakings of the Private Placement and Bond during the going concern period under the base and downside scenarios discussed below except for the following circumstance.

Missed filing of financial statements 180 days after the 31 July 2020

The University missed the filing date of 27 January 2021 due to circumstances outside its control and informed the Private Placement noteholders of the event. The Financial

Statements were signed on 29 January 2021.

A majority of the Private Placement noteholders have confirmed in writing that they consider the missed filing to be a remediable event within 30 days and therefore not an event of default.

Similarly, the University fulfilled its undertakings of the Bond by notifying the Bond Trustees and London Stock Exchange in order to fulfil its obligations under the Financial Conduct Authority regulations. The Board of Governors have sought legal advice and believe that the signing of the Financial Statements has cured this event and no event of default has been notified to the University.

New financing

The University has obtained an unsecured club Revolving Credit Facility of £250m which expires at the end of January 2024. This has been put in place to ensure the University has access to short term finance facilities given the uncertain nature arising from the COVID-19 pandemic. The RCF financial covenants are the same as those of the Private Placement.

The RCF was signed on 29 January 2021.

Forecasting

The University has continually reassessed its latest forecast in light of the changing conditions, such as changing government restrictions due to the pandemic. The latest base case, prepared in January 2021, takes into account actual performance to the end of December 2020. The University has also run a severe but plausible downside scenario. The key variables that are subject to most judgement are the home and overseas tuition fees due to potential increased student attrition rates, reductions in residences income and no commercial income. Research income is expected to remain at prior year levels. Mitigations such as stringent controls over recruitment and other operating expenditure and halting capital expenditure where not contracted were also factored into the downside scenario. The scenarios model the period to the end of July 2022, being the end of the financial year and 18 months from the signing of the Financial Statements.

The base case, and downside, were approved by the Board of Governors. Management concluded that this base case reflected their best estimate of the likely impact of COVID-19 on the University.

Base case scenario

The base case scenario uses the December 2020 actual results as its starting point. For 2020/21 it includes the impact of the current lockdown on residences income, significant and prudent attrition rates in certain areas with recruitment, expenditure and uncommitted capital spend continuing to run behind expectations. The base case assumes a return to some normality in 2021/22 but with a lower student base due to the built in attrition rates.

The base case uses the latest available management accounts information which shows an improving position over previous scenario and downside modelling.

From a going concern perspective, the monthly forecasting of the University's free cash balance in this scenario is the key area for consideration. Liquidity is the principal going concern risk as it is much more sensitive than the requirements for covenant compliance and there is significant headroom on the revised covenants during the going concern period. The base case, before usage of the committed RCF, shows a low point of cash at December 2021 and does not require any drawdown of the RCF during that period.

The OfS requires that universities have access to a minimum liquidity of 30 days operating expenditure, which includes an RCF. It is a reportable event to the OfS if this is not the case. This equates to a minimum cash balance for the University of at least £80m. As the University has access to a £250m RCF, it is at no risk of breaching this requirement.

Downside scenario

The severe but plausible downside scenario assumed decreases in overseas tuition fees of 30% and home tuition fees of 10% and that residences income would be halved. This forecast, before accessing the RCF and before mitigating actions, shows a cash low point in April 2022. Post mitigation the low point of cash is similarly in April 2022 and with the RCF available would still meet the requirements of the OfS.

Further actions possible

The University will continue to operate tight controls over its expenditure and to focus its resources on the critical areas of its activities in relation to teaching, research and social responsibility. Work is also being undertaken to look at the cost base of the University and to drive out savings and efficiencies without impacting its core mission. The overall impact of these cost cutting actions is to bolster the cash position of the University before usage of the RCF.

In the event of downside risks materialising there are additional mitigations within its control that the University can implement

including further cost-cutting measures. The University now also has access to the £250 million RCF to provide additional liquidity, allowing time to plan and action these mitigations and others that it identifies.

As part of its on-going modelling and scenario planning the University is especially cognisant of the very significant potential increase in the cost of funding USS. The University will continue to input into the 2020 valuation process in order to protect its interests and to move towards USS reaching a sustainable and affordable position. With the RCF confirmed, the University considers that sufficient flexibility exists to manage increases in pensions contributions across the sector.

Reverse stress test

The University has considered a scenario to reverse stress test the model under which cash becomes negative before drawing down on the RCF. This allowed management to assess their current financial resources and the likelihood that such a 'business-breaking' scenario would occur.

The University has applied reverse stress testing to establish at which point the University comes close to having no cash. In this extreme scenario key assumptions are equivalent to (1) no 2021/22 overseas student recruitment; and (2) no overseas post-graduate taught students at all. Management were satisfied that it was remote that such assumptions would occur.

Conclusion

The Board of Governors have carefully considered the base case, downside scenario, current operations and trends since the year end, available financing and the assessment of the reverse stress tests and forecast covenant compliance. 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.

Prior year adjustment

The prior year results have been restated in order to reinstate a building that was omitted in error from the University's fixed asset register and financial statements at the time of the adoption of FRS 102 in the year ended 31 July 2016. The building was included in the list of buildings revalued at the time and therefore has been reinstated at this valuation as a proxy for deemed cost less accumulated depreciation to date. This prior year adjustment is explained in full in note 34 to 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 2020.
- 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 2020. 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 and 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 and 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 2020. 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 income and expenditure account 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

Leases in which the University assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Leased assets acquired by way of finance lease and the corresponding lease liabilities are initially recognised at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Leased assets acquired by way of finance lease are depreciated over the duration of the lease.

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 software 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 life which is usually 3 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 for 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 part 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 Statement of Financial Position 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 profit and loss 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. 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 to exclusively charitable purposes.

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

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

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 is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date. 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 on an individual grant basis 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 £0.3m as at 31 July 2020.

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 £0.2m and a 1% decrease in the yield would increase the valuation by £0.4m.

Impairments

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

Management have considered the current plans in relation to vacating North Campus and the emerging position in relation to the procurement of a joint venture partner for this site, now labelled ID Manchester. As a result certain buildings on North Campus have been impaired and also the depreciation thereon has been accelerated for the remaining buildings that form part of the ID Manchester demise. It has been assumed that these buildings will be fully depreciated by July 2022 (i.e. a remainder of 2 years) when the University plans to vacate the site and take up occupation in Manchester Campus Engineering Development (MECD). This has given rise to an increase in the depreciation charge of £4.4m per annum. Should the site have been depreciated until July 2021, this would have given rise to an increase in the depreciation charge of a further £2.9m per annum and if until July 2023, a reduction of £1.5m per annum from the £4.4m per annum.

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. Provisions includes £14.9m in relation to termination costs as a result of a voluntary severance (VS) scheme. The provision is calculated on the basis of the individual employee liabilities for those who have applied for and have been accepted for VS.

Other provisions of £13.2m 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.

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 in 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 the future 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 2020 or close to the year end. They therefore include the impact of the pandemic.

GMPF's assets include £8.7m that is invested in property. Due to difficulties obtaining valuations during the pandemic, there is some uncertainty around the valuations of the scheme's property investments. The University does not consider the impact of this uncertainty to be material.

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 inflations, changes in staff numbers and the prevailing rate of discount. 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.

25 CHANGES IN ACCOUNTING POLICIES

Following the 2017 triennial review of FRS 102, the University has prepared its financial statements in accordance with the revised provisions of FRS 102 and the 2019 edition of the SORP. This is updated from the previous 2015 version, and adopted for the first time in the financial year ended 31 July 2020. This has not given rise to any changes in accounting policies.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 July 2020

	Notes	Consolidated		University	
		Year Ended 31 July 2020 £'000	Year Ended 31 July 2019 £'000 Restated*	Year Ended 31 July 2020 £'000	Year Ended 31 July 2019 £'000 Restated*
Income					
Tuition fees and education contracts	1	504,927	483,282	504,927	483,282
Funding body grants	2	133,508	131,653	133,508	131,653
Research grants and contracts	3	264,714	323,528	264,714	323,528
Other income	4	145,224	145,649	173,566	142,881
Investment income	5	5,081	7,639	5,156	7,889
Donations and endowments	6	10,742	6,138	10,742	6,138
Total income		1,064,196	1,097,889	1,092,613	1,095,371
Expenditure					
Staff costs	7	599,313	569,656	589,077	556,110
Change in USS deficit recovery plan	7	(111,567)	165,100	(111,567)	165,100
Settlement of UMSS liabilities by exiting employer	7	(3,724)	-	(3,724)	-
UMSS change in benefits structure	7	-	(27,267)	-	(27,267)
Past service costs	7	-	5,462	-	5,462
Total staff costs		484,022	712,951	473,786	699,405
Other operating expenses	8	337,468	378,674	347,507	388,503
Depreciation and amortisation	11 & 12	98,819	78,800	97,793	77,869
Interest and other finance costs	9	24,999	23,601	24,999	23,601
Total expenditure		945,308	1,194,026	944,085	1,189,378
Surplus / (deficit) before other gains and share of operating surplus of associates		118,888	(96,137)	148,528	(94,007)
(Loss)/gain on disposal of fixed assets	12	(90)	12,614	(934)	12,614
(Loss)/gain on investments (including investment properties)		(758)	4,308	(471)	4,220
Share of operating surplus in associates	15	889	2,706	-	-
Surplus / (deficit) before tax		118,929	(76,509)	147,123	(77,173)
Taxation	10	742	196	167	202
Surplus/(deficit) after tax and for the year		119,671	(76,313)	147,290	(76,971)
Other comprehensive income					
Actuarial gain/(loss) in respect of pension schemes	25	15,502	(35,278)	15,502	(35,278)
Total comprehensive income / (deficit) for the year		135,173	(111,591)	162,792	(112,249)
Endowment comprehensive (deficit)/income for the year		(17,850)	3,299	(17,850)	3,299
Restricted comprehensive (deficit)/income for the year		(66,907)	43,950	(66,907)	43,950
Unrestricted comprehensive income/(deficit) for the year		219,930	(158,840)	247,549	(159,498)
		135,173	(111,591)	162,792	(112,249)

All items of income and expenditure relate to continuing activities

*31 July 2019 figures have been restated - see prior year adjustment note 34

CONSOLIDATED STATEMENT OF CHANGES IN RESERVES

Year ended 31 July 2020

(a) Consolidated	Income and expenditure account			Total
	Endowment	Restricted	Unrestricted	
	£'000	£'000	£'000	£'000
Balance at 1 August 2019 as previously reported	238,391	84,084	1,283,770	1,606,245
Prior year adjustment - see note 34	-	-	29,906	29,906
Balance at 1 August 2019 restated	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
Balance at 1 August 2018 as previously reported	235,092	40,134	1,441,542	1,716,768
Prior year adjustment - see note 34	-	-	30,974	30,974
Balance at 1 August 2018 restated	235,092	40,134	1,472,516	1,747,742
Surplus/(deficit) from the income and expenditure statement restated	3,299	54,535	(134,147)	(76,313)
Other comprehensive income/(deficit)	-	-	(35,278)	(35,278)
Release of restricted funds spent in year	-	(10,585)	10,585	-
Total comprehensive income/(deficit) for the year restated	3,299	43,950	(158,840)	(111,591)
Balance at 31 July 2019 restated	238,391	84,084	1,313,676	1,636,151
(b) University	Income and expenditure account			Total
	Endowment	Restricted	Unrestricted	
	£'000	£'000	£'000	£'000
Balance at 1 August 2019 as previously reported	238,391	84,084	1,239,082	1,561,557
Prior year adjustment - see note 34	-	-	29,906	29,906
Balance at 1 August 2019 restated	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
Balance at 1 August 2018 as previously reported	235,092	40,134	1,397,512	1,672,738
Prior year adjustment - see note 34	-	-	30,974	30,974
Balance at 1 August 2018 restated	235,092	40,134	1,428,486	1,703,712
Surplus/(deficit) from the income and expenditure statement restated	3,299	54,535	(134,805)	(76,971)
Other comprehensive income/(deficit)	-	-	(35,278)	(35,278)
Release of restricted funds spent in year	-	(10,585)	10,585	-
Total comprehensive income/(deficit) for the year restated	3,299	43,950	(159,498)	(112,249)
Balance at 31 July 2019 restated	238,391	84,084	1,268,988	1,591,463

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 July 2020

	Notes	Consolidated		University	
		2020 £'000	2019 £'000 Restated*	2020 £'000	2019 £'000 Restated*
Non current assets					
Intangible assets and goodwill	11	17,419	15,709	17,637	16,035
Fixed assets	12	1,992,379	1,905,065	1,991,084	1,868,297
Heritage assets	13	257,637	257,539	257,637	257,539
Investments	14	216,547	274,932	218,502	272,291
Investments in associates	15	10,583	9,694	-	-
		2,494,565	2,462,939	2,484,860	2,414,162
Current assets					
Stock		1,142	1,215	1,142	1,204
Trade and other receivables	16	118,812	117,963	118,935	128,995
Investments	17	90,000	155,000	90,000	155,000
Cash and cash equivalents		120,107	48,319	111,344	38,794
		330,061	322,497	321,421	323,993
Less: Payables: amounts falling due within one year	18	(373,291)	(348,231)	(372,015)	(346,250)
Net current liabilities		(43,230)	(25,734)	(50,594)	(22,257)
Total assets less current liabilities		2,451,335	2,437,205	2,434,266	2,391,905
Payables: amounts falling due after more than one year	19	(396,539)	(397,612)	(396,539)	(397,612)
Provisions					
Pension provisions	21	(255,299)	(397,933)	(255,299)	(397,933)
Other provisions	21	(28,173)	(5,509)	(28,173)	(4,897)
Total net assets		1,771,324	1,636,151	1,754,255	1,591,463
Restricted Reserves					
Income and expenditure reserve - endowment reserve	22	220,541	238,391	220,541	238,391
Income and expenditure reserve - restricted reserve	23	17,177	84,084	17,177	84,084
Unrestricted Reserves					
Income and expenditure reserve - unrestricted reserve		1,533,606	1,313,676	1,516,537	1,268,988
		1,771,324	1,636,151	1,754,255	1,591,463
Total Reserves		1,771,324	1,636,151	1,754,255	1,591,463

*31 July 2019 figures have been restated - see prior year adjustment note 34.

The financial statements were approved by the Governing Body on 29 January 2021 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 Robert Fraser
Chief Financial Officer

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 July 2020

	Notes	Year ended 31 July 2020 £'000	Year ended 31 July 2019 £'000 Restated*
Cash flow from operating activities			
Surplus / (deficit) for the year		119,671	(76,313)
Adjustment for non-cash items			
Depreciation	12	98,243	77,738
Amortisation of intangible assets	11	576	1,062
Loss / (gain) on investments		758	(4,308)
Decrease / (increase) in stock		73	(201)
(Increase) / decrease in receivables	16	(849)	1,092
Increase / (decrease) in payables	18-19	5,641	(4,664)
(Decrease) / increase in pension provision	21	(127,132)	140,986
Increase in other provisions	14 & 21	24,657	3,472
Receipt of donated equipment		(110)	(300)
Share of operating surplus in associate	15	(889)	(2,706)
Non controlling Interest		-	-
Adjustment for investing or financing activities			
Investment income	5	(5,081)	(7,639)
Interest payable	9	17,895	18,597
New endowments	6	(167)	(1,227)
Profit on sale of fixed assets		90	(12,614)
Capital grant income		(53,977)	(88,110)
Assets transferred to other operating expenditure	11-12	1,685	1,260
Net cash inflow from operating activities		81,084	46,125
Cash flows from investing activities			
Proceeds from sales of fixed assets		2,935	8,414
Disposal of non current asset investments		56,090	79,498
Capital grant receipts		58,947	85,287
Withdrawal of deposits		65,000	100,000
Investment income		5,081	7,639
Payments made to acquire fixed assets		(179,268)	(310,158)
Payments made to acquire investments		(458)	(1,221)
Net cash inflow / (outflow) from investing activities		8,327	(30,541)
Cash flows from financing activities			
Interest paid		(17,790)	(18,597)
Endowment cash received		167	1,227
Repayments of long-term loans		-	(10,179)
Net cash outflow from financing activities		(17,623)	(27,549)
Increase / (decrease) in cash and cash equivalents in the year	26	71,788	(11,965)
Cash and cash equivalents at beginning of the year	26	48,319	60,284
Cash and cash equivalents at the end of the year	26	120,107	48,319

* 31 July 2019 figures have been restated - see prior year adjustment note 34.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2020

1 Tuition fees and education contracts	Consolidated		University	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Full-time home and EU students	205,664	208,002	205,664	208,002
Full-time international students	250,959	225,258	250,959	225,258
Part-time students	28,992	28,973	28,992	28,973
Short course fees	19,110	20,763	19,110	20,763
Research training support grants	202	286	202	286
	504,927	483,282	504,927	483,282

2 Funding body grants	Consolidated		University	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Recurrent grant				
Office for Students recurrent grant	113,213	105,050	113,213	105,050
Office for Students capital grant	13,116	18,897	13,116	18,897
Other recurrent grants	2,070	2,070	2,070	2,070
Specific grants				
Special initiatives	5,109	5,636	5,109	5,636
	133,508	131,653	133,508	131,653

The OfS Accounts Direction requirement for the analysis of Grant and fee income is set out in Note 35.

3 Research grants and contracts	Consolidated		University	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Research councils	117,630	149,273	117,630	149,273
UK based charities	55,595	58,828	55,595	58,828
UK central government, hospitals and health authorities	31,985	43,449	31,985	43,449
UK industry and commerce	20,470	24,490	20,470	24,490
Overseas	37,594	45,859	37,594	45,859
Other sources	1,440	1,629	1,440	1,629
	264,714	323,528	264,714	323,528

The above includes £33.6m (2019: £67.1m) relating to income recognised in respect of capital additions.

Included within the above is £149.5m (2019: £192.7m) 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 note 4 (2019: nil).

4 Other income	Consolidated		University	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Residences, catering and conferences	39,315	54,588	38,835	51,906
Other grants	43,242	32,853	43,242	32,853
Income from supply of goods and services	20,077	18,220	20,019	18,158
Income from reimbursed salary costs	14,999	13,666	14,999	13,666
Premises income	2,751	3,950	3,887	3,187
Consultancy	2,176	2,953	2,176	2,953
Other capital income	7,258	2,146	7,258	2,146
Other	15,406	17,273	43,150	18,012
	145,224	145,649	173,566	142,881

Included within the above is £62.4m (2019: £47.9m) 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 note 4 (2019: nil).

Included within other grants is £9.7m relating to the Coronavirus Job Retention Scheme (2019: £nil).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 July 2020

5 Investment income	Consolidated		University	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Interest from short-term investments	1,881	2,939	1,879	2,939
Dividend income	197	1,074	197	1,074
Endowment income	3,003	3,620	3,003	3,620
Investment income	-	6	77	256
	5,081	7,639	5,156	7,889

6 Donations and endowments	Consolidated		University	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
New endowments	167	1,227	167	1,227
Donations	10,575	4,911	10,575	4,911
	10,742	6,138	10,742	6,138

7 Staff costs	Consolidated		University	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Staff Costs:				
Wages and salaries	429,104	415,590	420,844	405,184
Social security costs	46,123	44,380	45,568	43,591
Pension costs	105,183	102,256	104,157	100,853
Early retirement and voluntary severance (ERVS) scheme costs	18,903	7,430	18,508	6,482
	599,313	569,656	589,077	556,110
Change in USS deficit recovery plan	(111,567)	165,100	(111,567)	165,100
Settlement of UMSS liabilities by exiting employer	(3,724)	-	(3,724)	-
UMSS change in benefits structure	-	(27,267)	-	(27,267)
Past service costs	-	5,462	-	5,462
	484,022	712,951	473,786	699,405

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 £3.0m for the year ended 31 July 2020 (2019: £3.8m).

Termination benefits (including ERVS costs) amounting to £19.4m (2019: £7.9m) were paid to members of staff who left the University or its subsidiaries for the year ended 31 July 2020. These payments were made to 870 people in the year ended 31 July 2020 (2019: 454 people). The majority relate to the University voluntary severance scheme.

Staff costs of £9.7m were funded by the Coronavirus Job Retention Scheme (2019: £nil).

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 - £111.6m credit (2019: £165.1m charge). As set out in note 25 (a), this change in the USS deficit recovery plan of £111.6m relates to the impact of the increase in deficit contribution rates from 2.1% to 6% and change in duration from the period ending March 2034 to March 2028.

UMSS exit of participating employer - £3.7m (2019: £nil). 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 has been required.

UMSS change in benefits structure - £nil (2019: £27.3m). As set out in note 25 (d) this related to the reduction in the UMSS liability as a consequence of the benefit restructure within the scheme that took place with effect from 1 January 2019.

Past service cost - £nil (2019: £5.5m). This related to provisions for the additional costs required by UMSS and GMPF of meeting the Guaranteed Minimum Pensions (GMP) indexation and for GMPF the cost of meeting the McCloud judgement. Further details are set out in notes 25 (d) and (e).

7 Staff costs (continued)	Consolidated		University	
	2020	2019	2020	2019
	No.	No.	No.	No.
Average staff numbers:				
Academic	2,779	2,723	2,779	2,723
Research	1,923	1,931	1,923	1,931
Administrative and management	1,676	1,667	1,576	1,533
Clerical and secretarial	2,084	2,021	2,066	1,994
Technical	2,374	2,386	2,223	2,206
Total number of staff	10,836	10,728	10,567	10,387

The number of staff disclosed relate to full time equivalents.

The basic salary of higher paid staff (other than the President and Vice-Chancellor), excluding employer's pension contributions, was within the ranges set out below. Basic salary is prior to any adjustment for salary sacrifice and excludes market supplements, allowances, clinical excellence awards and other one-off payments. 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, 6 staff held clinical roles in 2019/20 (2018/19: 13 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	
	2020	2019	2020	2019
	Average FTE Number of Employees	Average FTE Number of Employees	Average FTE Number of Employees	Average FTE Number of Employees
£100,001 - £105,000	43	42	43	41
£105,001 - £110,000	37	47	37	46
£110,001 - £115,000	23	23	22	23
£115,001 - £120,000	16	7	16	7
£120,001 - £125,000	13	6	12	5
£125,001 - £130,000	6	6	6	6
£130,001 - £135,000	7	6	7	6
£135,001 - £140,000	10	7	10	7
£140,001 - £145,000	4	5	4	5
£145,001 - £150,000	8	3	8	3
£150,001 - £155,000	3	2	3	2
£155,001 - £160,000	2	-	1	-
£160,001 - £165,000	3	-	2	-
£165,001 - £170,000	2	6	2	4
£170,001 - £175,000	2	1	2	1
£175,001 - £180,000	1	1	1	1
£180,001 - £185,000	1	-	1	-
£185,001 - £190,000	2	2	2	2
£195,001 - £200,000	-	2	-	2
£200,001 - £205,000	2	-	2	-
£205,001 - £210,000	1	1	-	1
£210,001 - £215,000	1	-	1	-
£215,001 - £220,000	-	1	-	1
£230,001 - £235,000	-	1	-	-
£245,001 - £250,000	1	-	-	-
£275,001 - £280,000	-	1	-	1
£285,001 - £290,000	-	1	-	1
£300,001 - £305,000	1	1	1	1
£335,001 - £340,000	1	-	1	-
	190	172	184	166

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 July 2020

7 Staff costs (continued)	Consolidated and University	
	2020 £'000	2019 £'000
Emoluments of the President and Vice-Chancellor:		
Salary	247	260
Benefits	1	1
Pension contributions to USS in respect of 2.1% enhanced opt-out	5	5
	253	266

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 27.

The Chair of the Board of Governors and Pro-Chancellor for 2019/20 has waived his right to fees in respect of current and prior year.

Included in the costs reported are termination payments totalling £768k (2019 : £299k) which were paid to 12 individuals (2019 : 3 individuals) whose annual remuneration exceeded £100,000

The President and Vice-Chancellors' basic salary is 8.7 times the median pay of staff (£28,331) where the median pay is calculated on a full-time equivalent basis for the salaries paid by the University to its staff, including atypical staff (as defined by HESA). Excluding atypical staff her salary is 7.3 times the median pay of staff (£33,797). Her total remuneration is 8.7 times the median total remuneration of staff (£29,175) calculated on a full-time equivalent basis including atypical staff. Excluding atypical staff her total remuneration is 6.4 times the median total remuneration of staff (£40,472). The median pay and pay ratios derived exclude agency staff (as these are not on the University payroll system) and fee records (as these do not record FTE numbers).

	2020 £'000	2019 £'000
Amount of expenses claimed by members of the Board of Governors during the year	10	16
Number of members of the Board of Governors claiming expenses	6	6

Key management personnel

Key management personnel are the members of the Senior Leadership Team as defined in the Remuneration Report on page 27 and comprising 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 Director of Finance / 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	
	2020 £'000	2019 £'000
Key management personnel	2,186	2,126

The Remuneration Committee Report on page 27 sets out more detail in respect of senior staff pay.

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

As set out in the Office for Students Accounts Direction, prior year comparatives are not required for Access and Participation costs.

8 Analysis of other operating expenses	Consolidated		University	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Academic and related expenditure	95,800	111,496	103,672	118,684
Central administration and services	107,411	105,281	104,244	101,647
Premises	57,032	59,922	55,814	60,299
Residences, catering and conferences	16,983	20,445	22,119	26,404
Research grants and contracts	59,827	79,588	59,827	79,588
Other expenses	415	1,942	1,831	1,881
	337,468	378,674	347,507	388,503

Lease payments recognised as an expense in the year amounted to £8.9m for the group (2019: £18.3m)

	Consolidated	
	2020 £'000	2019 £'000
Included within operating expenses are the following costs:		
Fees payable to the University's auditor for the audit of the University and its subsidiaries' annual accounts	217	169
Non-audit fees payable to the University's auditor	-	-
Total fees	217	169

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
	2020 £'000
Access and Participation costs	
Access Investment	3,467
Financial Support (i)	12,406
Disability Support (ii)	2,123
Research and Evaluation	584
	18,580

As set out in the Office for Students Accounts Direction, prior year comparatives are not required for Access and Participation costs.

Included in these costs above is £5,250k which is disclosed in note 7 Staff costs

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

(ii) includes Disabled Students Premium Funding of £755k

"A copy of the 2019/20 APP plan can be found at <http://documents.manchester.ac.uk/display.aspx?DocID=37810>

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 identify 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).

Access and Participation spend is £0.2m below that in the plan. With financial support broadly in line, the reduction in other spend is predominantly due to the reduction in and cancellation of activities since March due to COVID-19.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 July 2020

9 Interest and other finance costs	Consolidated		University	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Bank loans	-	807	-	807
Other loans	17,895	17,790	17,895	17,790
Interest on net defined pension liability (see notes 25(d) and (e))	3,180	3,209	3,180	3,209
Unwinding of USS pension deficit funding	3,924	1,795	3,924	1,795
	24,999	23,601	24,999	23,601

10 Taxation	Consolidated		University	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000

Recognised in the Statement of comprehensive income

Current tax

Current tax	(176)	(202)	(167)	(202)
Foreign tax	46	(9)	-	-
Current tax credit	(130)	(211)	(167)	(202)

Deferred tax

Origination and reversal of timing differences	(612)	15	-	-
Deferred tax (credit)/expense	(612)	15	-	-
Total tax credit	(742)	(196)	(167)	(202)

Tax paid in year		29	-	-
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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	
	2020 £'000	2019 £'000 Restated	2020 £'000	2019 £'000 Restated
Surplus / (deficit) before taxation	118,929	(76,509)	147,123	(77,173)
Surplus / (deficit) multiplied by the standard rate of corporation tax in the UK of 19% (2019: 19%)	22,597	(14,537)	27,953	(14,663)
Effect of:				
Surplus falling within charitable exemption	(27,953)	14,663	(27,953)	14,663
Museum and galleries tax credit claim	(167)	(202)	(167)	(202)
Other differences attributable to subsidiaries and associates	5,393	(135)	-	-
Deferred tax movement (see note 21)	(612)	15	-	-
Total tax expense	(742)	(196)	(167)	(202)

The prior year adjustment set out in note 34 has no impact on the prior year tax charge.

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.

11 Intangible assets and goodwill	Consolidated		University	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Cost				
At 1 August 2019	19,981	10,513	20,481	11,013
Assets transferred to other operating expenditure	(443)	-	(443)	-
Additions at cost	2,729	9,468	2,729	9,468
At 31 July 2020	22,267	19,981	22,767	20,481
Depreciation and amortisation				
At 1 August 2019	4,272	3,210	4,446	3,276
Amortisation	576	1,062	684	1,170
At 31 July 2020	4,848	4,272	5,130	4,446
Net book value				
At 31 July 2020	17,419	15,709	17,637	16,035

Included in intangible assets and goodwill is £15.1m (2019: £14.1m) of software costs that are under development and therefore not yet being amortised.

12 Tangible fixed assets					
	Freehold land and buildings	Lease premium	Assets under construction	Fixtures, fittings, tools and equipment	Total
(a) Consolidated	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 August 2019 as previously reported	1,594,266	-	441,596	321,374	2,357,236
Prior year adjustment (see note 34)	35,248	-	-	-	35,248
At 1 August 2019 as restated	1,629,514	-	441,596	321,374	2,392,484
Transferred to other operating expenditure	-	-	(1,242)	-	(1,242)
Additions at cost	1,824	-	175,410	12,590	189,824
Transfers between categories	195,526	-	(198,705)	3,179	-
Disposals	(3,025)	-	-	(7,440)	(10,465)
At 31 July 2020	1,823,839	-	417,059	329,703	2,570,601
Depreciation					
At 1 August 2019 as previously reported	205,306	-	-	276,771	482,077
Prior year adjustment (see note 34)	5,342	-	-	-	5,342
At 1 August 2019 as restated	210,648	-	-	276,771	487,419
Charge for the year	73,472	-	-	24,771	98,243
Disposals	-	-	-	(7,440)	(7,440)
At 31 July 2020	284,120	-	-	294,102	578,222
Net book value					
At 31 July 2020	1,539,719	-	417,059	35,601	1,992,379
At 1 August 2019 as restated	1,418,866	-	441,596	44,603	1,905,065

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 July 2020

12 Tangible fixed assets (continued)

(b) University	Freehold land and buildings £'000	Lease premium £'000	Assets under construction £'000	Fixtures, fittings, tools and equipment £'000	Total £'000
Cost					
At 1 August 2019 as previously reported	1,552,844	5,400	441,596	314,459	2,314,299
Prior year adjustment (see note 34)	35,248	-	-	-	35,248
At 1 August 2019 as restated	1,588,092	5,400	441,596	314,459	2,349,547
Transferred to other operating expenditure	-	-	(1,242)	-	(1,242)
Additions at cost	37,743	-	175,083	12,225	225,051
Transfers between categories	195,526	-	(198,705)	3,179	-
Disposals	(66)	(5,400)	-	(3,668)	(9,134)
At 31 July 2020	1,821,295	-	416,732	326,195	2,564,222
Depreciation					
At 1 August 2019 as previously reported	201,776	1,553	-	272,579	475,908
Prior year adjustment (see note 34)	5,342	-	-	-	5,342
At 1 August 2019 as restated	207,118	1,553	-	272,579	481,250
Charge for the year	73,050	-	-	24,059	97,109
Disposals	-	(1,553)	-	(3,668)	(5,221)
At 31 July 2020	280,168	-	-	292,970	573,138
Net book value					
At 31 July 2020	1,541,127	-	416,732	33,225	1,991,084
At 1 August 2019 as restated	1,380,974	3,847	441,596	41,880	1,868,297

The consolidated and University brought forward tangible fixed assets have been restated as a result of a prior year adjustment which is explained in note 34.

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 2020, freehold land and buildings included £217.0m (2019: £217.0m) in respect of freehold land which is not depreciated.

During the year the University reviewed its depreciation method for certain buildings situated on its North Campus and determined that these now have a shorter useful economic life. This has given rise to increased annual depreciation of £12.1m charged through the Statement of Comprehensive Income.

The loss on disposal of fixed assets for the year ended 31 July 2020 was £90k (2019: £12.6m gain). The gain in the prior year comprised an "overage" receipt of £8.4m and £4.2m insurance proceeds in relation to the 2017 Paterson fire. The overage receipt was an additional payment made to the University as a result of an increase in property value post sale completion.

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.

13 Heritage assets (continued)

Movement on heritage assets during 2019/20 and over the preceeding five years was as follows:

Consolidated and University	2020	2019	2018	2017	2016
	£000	£000	£000	£000	£000
At 1 August 2019	257,539	257,239	256,039	255,483	255,053
Additions:					
Acquisitions purchased with specific donations	-	-	-	284	-
Acquisitions purchased with University funds	98	-	-	-	-
Total cost of acquisitions purchased	98	-	-	284	-
Value of acquisitions by donation	-	300	1,200	-	430
Total acquisitions capitalised	98	300	1,200	284	430
Transfer from tangible fixed assets	-	-	-	272	-
At 31 July 2020	257,637	257,539	257,239	256,039	255,483

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 readily 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 deterioration 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 July 2020

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/search-resources/guide-to-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	Consolidated		University	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Interest in subsidiary undertakings (14a)	-	-	1,955	718
Investment properties (14b)	2,949	3,811	2,949	3,811
Investments carried at fair value through the Statement of Comprehensive Income (14c)	167,291	271,003	167,291	267,644
Investments carried at amortised cost (14d)	46,189	-	46,189	-
Investments held at cost less impairment (14e)	118	118	118	118
	216,547	274,932	218,502	272,291

Movement in year

	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
Consolidated						
At 1 August 2019	-	3,811	271,003	-	118	274,932
Additions	-	-	-	-	458	458
Disposals	-	-	(56,090)	-	-	(56,090)
Transfers between categories	-	-	(46,189)	46,189	-	-
Revaluation of investment properties	-	(862)	-	-	-	(862)
Net appreciation of investment portfolio and other listed investments	-	-	102	-	-	102
Impairment provision in the year	-	-	(1,535)	-	(458)	(1,993)
At 31 July 2020	-	2,949	167,291	46,189	118	216,547
University	£'000	£'000	£'000	£'000	£'000	£'000
At 1 August 2019	718	3,811	267,644	-	118	272,291
Additions	1,242	-	3,071	-	458	4,771
Disposals	(5)	-	(56,090)	-	-	(56,095)
Transfers between categories	-	-	(46,189)	46,189	-	-
Revaluation of investment properties	-	(862)	-	-	-	(862)
Net appreciation of investment portfolio	-	-	390	-	-	390
Impairment provision in the year	-	-	(1,535)	-	(458)	(1,993)
At 31 July 2020	1,955	2,949	167,291	46,189	118	218,502

14 Non current investments (continued)**(a) Interests in subsidiary undertakings**

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

	Group Holding %	University 2020 £	2019 £	Description
Graphene Enabled Systems Limited	100	-	-	Assisting the commercialisation of Graphene through Spin out companies
Manchester Innovation Limited *	100	-	-	Previously constructed a biotech incubator building, now dormant
The University of Manchester Innovation Centre Limited *	100	50,000	50,000	Previously owned and operated a biotech incubator building, now dormant
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	Previously invested in the UMIP Premier Fund, now dormant
The University of Manchester Conferences Limited	100	2	2	Management of conference and catering facilities
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	601,288	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) Pte Ltd	100	-	-	Provision of distance learning
UoM Singapore PTE Ltd	100	-	5,260	Dissolved 4 September 2019
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
		1,954,779	717,605	

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

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 UoM Singapore PTE Ltd and the subsidiaries of The University of Manchester Worldwide Limited.

Those subsidiaries marked with an asterisk are in the process of being closed down. Their assets have been transferred to the University at book value.

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 £2.9m (2019: £3.8m) 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 2020 by senior management at the University.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 July 2020

	Consolidated		University	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
(c) Investments carried at fair value				
Listed investments	165,756	267,644	165,756	267,644
Other investments	1,535	3,359	1,535	-
	167,291	271,003	167,291	267,644

(d) Investments carried at amortised cost

Long-term cash deposits and uninvested bank balances	46,189	-	46,189	-
	46,189	-	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	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Analysis of closing balance				
At 1 August 2019	9,694	7,296	-	308
Share of profits	889	2,706	-	-
Provision against investments	-	(308)	-	(308)
At 31 July 2020	10,583	9,694	-	-

The Group had the following associated undertakings as at 31 July 2020:

Name of associate	Class of share capital held	Proportion held by the University and Group	Share of net assets 2020 £'000	Share of net assets 2019 £'000
Manchester Science Partnerships Limited Financial year end 30 September	£1 ordinary	12.2%	10,583	9,694
North West EHealth Ltd Financial year end 31 December	£1 ordinary	40%	-	-
			10,583	9,694

The associated companies are accounted for using the equity method. All associated companies were incorporated in the United Kingdom.

16 Trade and other receivables	Consolidated		University	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Trade receivables	51,624	49,071	51,515	48,331
Other receivables	11,049	10,909	10,280	10,115
Accrued income on research grants and contracts	24,742	27,557	24,742	27,557
Prepayments and other accrued income	31,397	30,426	30,867	29,630
Amounts due from subsidiary companies	-	-	1,531	13,362
	118,812	117,963	118,935	128,995

Included within the University is £nil (2019: £9.1m) relating to debtors due in over 1 year. There are no debtors due in over one year on a consolidated basis in both the current and prior year.

17 Current investments	Consolidated		University	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Deposits maturing:				
Between three months and one year	90,000	155,000	90,000	155,000

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 2020 the weighted average interest rate of these fixed rate deposits was 0.75% per annum (2019: 1.05%) and the remaining weighted average period for which the interest rate is fixed on these deposits was 132 days (2019: 117 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	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Trade payables	27,636	33,716	27,212	32,919
Social security and other taxation payable	15,381	13,504	15,070	12,908
Amounts owed to group undertakings	-	-	947	1,141
Other payables	40,253	39,841	39,625	39,432
Deferred income on research	145,686	110,953	145,686	110,953
Accruals and other deferred income	144,335	150,217	143,475	148,897
	373,291	348,231	372,015	346,250

Accruals and deferred income includes an amount of £0.75m (2019 : £1.25m) 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 other deferred income are the following items of income which have been deferred until specific performance related conditions have been met.

	Consolidated		University	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Donations	34,560	33,578	34,560	33,578
Grant income (excluding research)	26,335	25,097	26,331	25,097
Other income	22,341	24,962	21,999	24,323
	83,236	83,637	82,890	82,998

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 July 2020

19 Payables: amounts falling due after more than one year	Consolidated		University	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Other loans	393,588	393,484	393,588	393,484
Other payables	2,951	4,128	2,951	4,128
	396,539	397,612	396,539	397,612

Other payables includes an amount of £1.75m (2019 : £2.75m) 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 it has been awarded.

20 Borrowings	Consolidated		University	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Unsecured borrowings at amortised cost:				
Bond	294,054	293,961	294,054	293,961
Other loans	99,534	99,523	99,534	99,523
	393,588	393,484	393,588	393,484
Analysis of unsecured loans:				
Due in five years or more	393,588	393,484	393,588	393,484
	393,588	393,484	393,588	393,484

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 (2019: £99.5m).

See Note 32 for details of additional borrowing facilities which the University has secured after the year end.

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	Deferred tax £'000	Total £'000
Balance at 1st August 2019	248,369	149,564	397,933	-	4,897	612	403,442
Movement during the year	(4,952)	(29,250)	(34,202)	14,946	8,330	(28)	(10,954)
(Credited)/charged to the Statement of Comprehensive Income	(118,871)	10,439	(108,432)	-	-	(584)	(109,016)
Balance at 31 July 2020	124,546	130,753	255,299	14,946	13,227	-	283,472

(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	Deferred tax £'000	Total £'000
Balance at 1 August 2019	248,369	149,564	397,933	-	4,897	-	402,830
Utilised during the year	(4,952)	(29,250)	(34,202)	14,946	8,330	-	(10,926)
(Credited)/charged to the Statement of Comprehensive Income	(118,871)	10,439	(108,432)	-	-	-	(108,432)
Balance at 31 July 2020	124,546	130,753	255,299	14,946	13,227	-	283,472

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

Following the completion of the 2018 actuarial valuation, a new deficit recovery plan has been agreed of which more detail is given in note 25 (a). This new plan requires deficit payments of 2% of salaries from 1 October 2019 to 30 September 2021 and then payments of 6% of salaries from 1 October 2021 to 31 March 2028. As a consequence the deficit provision has decreased significantly from the prior year of which £111.6m is due to the change in the deficit contributions contractual commitment.

The major assumptions used to calculate the obligation are:

	2020	2019
Discount rate	0.73%	1.58%
Salary growth	1.40% for the first two years and then 3.65% thereafter	3.40% for the first year 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 2020	Approximate impact
0.5% pa decrease in discount rate	£3.0m
0.5% pa increase in salary inflation over duration	£3.0m
0.5% pa increase in salary inflation year 1 only	£0.1m
0.5% increase in staff changes over duration	£3.0m
0.5% increase in staff changes year 1 only	£0.6m
1% increase in deficit contributions	£20.0m

Other provisions

Other provisions includes the following: £8.3m in relation to provisions for onerous contracts (2019: nil); £2.8m dilapidation provisions for buildings (2019: £4.9m); £1.0m in relation to fire damage to a building (2019: nil); and £1.1m for costs associated with provision of alternative facilities after the Paterson fire (2019: nil).

The provision for Enhancements on termination of £14.9m relates to amounts payable to staff who have successfully applied for voluntary severance under the University scheme which ended on 31 July 2020 and one subsidiary scheme which ended on 31 August 2020.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 July 2020

21 Provisions for liabilities (continued)

Deferred tax (Consolidated)	2020 £'000	2019 £'000
Difference between accumulated depreciation and capital allowances	-	597
Other timing differences	-	15
Balance at 31 July 2020	-	612

The deferred tax liability has been reversed in full during the year due to the closure of certain subsidiaries and the transfer of their assets to the University (see note 14a).

22 Endowment Reserves (Consolidated and University)

Restricted net assets relating to endowments are as follows:

	Restricted permanent endowments £'000	Unrestricted permanent endowments £'000	Expendable endowments £'000	2020 Total £'000
Balances as at 1 August 2019				
Capital	152,012	15,070	58,700	225,782
Accumulated income	8,385	-	4,224	12,609
	160,397	15,070	62,924	238,391
New endowments	76	66	25	167
Reclassification of endowments:				
Capital	(10,452)	(2,474)	12,926	-
Accumulated income	(378)	-	378	-
Investment income	1,918	184	901	3,003
Expenditure from capital and income	(2,056)	(184)	(18,927)	(21,167)
	(10,892)	(2,408)	(4,697)	(17,997)
Increase in market value of investments	97	10	40	147
At 31 July 2020	149,602	12,672	58,267	220,541
Represented by:				
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

The following assets are currently held relating to endowments:

Non current asset investments held at fair value

Investments	83,617	7,476	32,400	123,493
Property	18,349	1,641	7,110	27,100
Cash	47,636	3,555	18,757	69,948
	149,602	12,672	58,267	220,541

22 Endowment Reserves (continued)**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 2020	Opening accumulated income	Dividend income	Expenditure from income	Endowment transfers	Closing Accumulated Income
	£'000	£'000	£'000	£'000	£'000	£'000
<i>Significant funds and charities which are over 1% of net assets</i>						
Hallsworth Fund	31,515	650	457	(676)	-	431
Simon Fund	17,410	435	253	(206)	(132)	350
<i>Funds and charities which are less than 1% of net assets</i>						
Fellowships and scholarships (30 funds)	29,825	1,649	434	(546)	-	1,537
Prize funds (7 funds)	2,807	238	41	-	-	279
Chairs and lectureships (15 funds)	28,991	1,377	425	(502)	-	1,300
Other (63 funds)	98,774	8,260	1,393	(2,463)	132	7,322
	209,322	12,609	3,003	(4,393)	-	11,219

Endowment Funds (continued)

The University has one connected institution which, under paragraph 28 of Schedule 3 to the Charities Act 2011, is exempt from registration with the Charity Commission. This connected institution is the Friends of the Whitworth and its income is less than £100,000 per annum.

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, Engineering Research Scholarships and a grant for entertainment. 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 (Consolidated and University)

Reserves with restrictions are as follows:

	Capital Grants Unspent	Other Restricted Funds/Donations	2020 Total
	£'000	£'000	£'000
Balance as at 1 August 2019	84,059	25	84,084
New grants	29,847	-	29,847
Capital grants utilised	(97,176)	432	(96,744)
Expenditure	-	(10)	(10)
Balance as at 31 July 2020	16,730	447	17,177

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 July 2020

24 Financial Instruments	Consolidated		University	
	2020	2019	2020	2019
Categories of financial instruments	£'000	£'000	£'000	£'000
Financial assets				
<i>Financial assets at fair value through Statement of Consolidated Income</i>				
Listed investments	165,756	267,644	165,756	267,644
Other investments	1,535	3,358	1,535	-
<i>Financial assets that are equity instruments measured at cost less impairment</i>				
Other investments	118	118	118	118
<i>Financial assets that are debt instruments measured at amortised cost</i>				
Long-term cash deposits and uninvested bank balances	46,189	-	46,189	-
Bank and Building Society deposits maturing between 3 months and one year	90,000	155,000	90,000	155,000
Cash and cash equivalents	120,107	48,319	111,344	38,794
Trade and other receivables	62,673	59,980	63,326	71,808
	486,378	534,419	478,268	583,364
<i>Financial liabilities measured at amortised cost</i>				
Loans	393,588	393,484	393,588	393,484
Trade and other payables	70,840	77,685	70,735	77,620
	464,428	471,169	464,323	471,104

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:

Statement of Comprehensive Income - net pension (income)/cost in year	Consolidated		University	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
USS	77,147	74,725	76,183	73,384
UMSS	21,483	22,735	21,483	22,735
GMPF	1,278	1,144	1,278	1,144
NHSPS	2,792	2,693	2,792	2,693
University of Manchester Pension Saver	2,458	937	2,396	875
Other	25	22	25	22
Pension costs within ongoing staff costs (note 7)	105,183	102,256	104,157	100,853
Change in USS deficit recovery plan	(111,567)	165,100	(111,567)	165,100
Settlement of UMSS liabilities by exiting employer	(3,724)	-	(3,724)	-
UMSS change in benefits structure	-	(27,267)	-	(27,267)
Past service costs	-	5,462	-	5,462
Pension costs shown separately on the face of the Statement of Comprehensive Income (115,291)	143,295	143,295	(115,291)	143,295
Interest on net defined pension liability (note 9)	3,180	3,209	3,180	3,209
Total pension (income)/costs	(6,928)	248,760	(7,954)	247,357

25 Pension schemes (continued)	Consolidated		University	
Other comprehensive income - actuarial gain/(loss) in respect of pension schemes	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
University of Manchester Superannuation Scheme	24,195	(30,392)	24,195	(30,392)
Greater Manchester Pension Fund	(8,693)	(4,886)	(8,693)	(4,886)
	15,502	(35,278)	15,502	(35,278)
Balance sheet - Pension scheme deficits (note 21)	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
University of Manchester Superannuation Scheme	(110,669)	(137,964)	(110,669)	(137,964)
Greater Manchester Pension Fund	(20,084)	(11,600)	(20,084)	(11,600)
	(130,753)	(149,564)	(130,753)	(149,564)

(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 through the Consolidated Statement of Comprehensive Income.

The total cost charged to the Consolidated Statement of Comprehensive Income is £77,147,000 (2019: £74,725,000) including PensionChoice, but excluding the impact of the change in the deficit recovery plan, as shown in note 25.

Deficit recovery contributions due within one year for the institution are £5,797,000 (2019: £4,963,000)

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

Since the institution cannot identify its share of 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:

Mortality base table	2018 valuation 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 July 2020

25 Pension schemes (continued)

The current life expectancies on retirement at age 65 are:

	2018 valuation	2017 valuation
Males currently aged 65 (years)	24.4	24.6
Females currently aged 65 (years)	25.9	26.1
Males currently aged 45 (years)	26.3	26.6
Females currently aged 45 (years)	27.7	27.9

The funding position of the scheme has since been updated on an FRS 102 basis:

A new deficit recovery plan was put in place as part of the 2018 valuation, which requires payment of 2% of salaries over the period 1 October 2019 to 30 September 2021 at which point the rate will increase to 6%, until 31 March 2028. The 2020 deficit recovery liability reflects this plan. The liability figures have been produced using the following assumptions:

	2020	2019
Discount rate	0.73%	1.58%
Pensionable salary growth	average 3.09% p.a.	average 3.48% p.a.

In the year ended 31 July 2019, the liability was based on the previous deficit recovery plan, which required payment of 5% of salaries over the period 1 April 2020 to 30 June 2034.

The reduction in the term of the deficit recovery plan has given rise to a substantial reduction in the deficit provision which has decreased from £248.4 million to £124.5 million as set out in note 21. £111.6 million of this decrease is attributable to the change in the deficit contributions contractual commitment. See also note 7 in respect of significant one-off pension costs / gains.

A further full valuation as at 31 March 2020 is currently underway. As the valuation has only recently commenced there is still work to be done agreeing the technical provisions assumptions, the extent of future investment risk, the future service cost, the duration of the deficit period and the level of deficit contributions. Rule changes in respect of strengthening the employer covenant are also under consideration including restrictions on employer exits, debt monitoring and pari passu arrangements. The valuation must be completed by 30 June 2021. However it is generally anticipated that there will be a significant increase in the deficit provision as at 31 July 2021 (assuming the valuation is completed by then).

(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 2020 was equal to 16.18% of the total pensionable salaries up until end March 2020, with an increase of 4.5% to 20.68% with effect from 1 April 2020. The employer rate is currently 20.68%, with the balance being met by NHS England. This is in accordance with the conclusion of the Government Actuary's report on the scheme.

The Supreme Court has refused permission for the Government to appeal the Court of Appeal's December 2018 judgment in respect of the cases of McCloud and Sargeant. This means that the Court of Appeal's judgment stands, and that 'transitional protection' gave rise to unlawful discrimination in the Judges' and Firefighters' schemes. The Government will now be required to introduce a remedy to compensate individuals for the difference in treatment since 2015 in those schemes. The Government is considering the impact of this judgment on transitional protection arrangements in the NHS Pensions.

The total pension cost for the University of Manchester was £2.8m (2019: £2.7m).

25 Pension schemes (continued)**(c) University of Manchester Pension Saver**

This is a new 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 contribution.

The total consolidated pension cost for the University of Manchester was £2.4m (2019: £0.9m).

(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 2016 and this most recent full valuation showed a deficit of £207.4m. The University has agreed with the trustees that it will eliminate the deficit over a period of 17 years and 6 months from 1 August 2017 by the payment of annual contributions of £6.0m per annum, increasing in line with RPI each 1 August until 31 January 2035. With effect from 1 January 2019, the University has agreed to pay contributions at the rate of 26.25% of pensionable pay for CARE members who participate in PensionChoice and 19.75% of pensionable pay for CARE members who do not participate in PensionChoice. The full actuarial valuation as at 31 July 2019 has not yet been finalised and agreed between the Trustees and the University however the updated membership data has been used to inform the 2020 FRS102 valuation.

The best estimate of contributions to be paid by the University and its subsidiaries to the scheme for the year commencing 1 August 2020 is £28.3m.

The full actuarial valuation was updated to 31 Jul 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:

	2020	2019
Discount rate	1.60%	2.20%
Inflation (RPI)	2.85%	3.25%
Inflation (CPI)	2.05%	2.25%
Salary growth	1.4% p.a. for the first two years, then 3.65% p.a. thereafter	3.40% for the first year and then 3.65% thereafter
Allowance for revaluation of deferred pensions of RPI or 5% if less	2.85%	3.25%
Allowance for revaluation of deferred pensions of CPI or 5% if less	2.05%	2.25%
Allowance for pension in payment increases of RPI or 5% if less	2.78%	3.15%
Allowance for pension in payment increases of CPI or 5% if less	2.12%	2.15%
Allowance for pension in payment increases of CPI or 3% if less	1.82%	2.15%
Allowance for commutation of pension for cash at retirement	No allowance	No allowance

The mortality assumptions adopted imply the following life expectancies:

	2020	2019
	Life expectancy at age 62 Years	Life expectancy at age 62 Years
Male retiring in 2020	23.6	24.3
Female retiring in 2020	25.6	26.3
Male retiring in 2040	24.7	25.4
Female retiring in 2040	26.9	27.5

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 July 2020

25 Pension schemes (continued)

(d) University of Manchester Superannuation Scheme

	2020 £'000	2019 £'000	2018 £'000
Equities	182,851	179,867	237,993
Bonds	456,730	388,521	253,751
Property	126,352	121,497	117,053
Fair value of scheme assets	765,933	689,885	608,797
Present value of defined benefit obligation	(876,602)	(827,849)	(741,580)
Deficit in the scheme	(110,669)	(137,964)	(132,783)

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:

	2020 £'000	2019 £'000
<i>Recognised in Statement of Comprehensive Income:</i>		
Current service cost	19,781	21,023
Expenses	1,702	1,712
	21,483	22,735
Reduction in liability following change in benefit structure	-	(27,267)
Past service cost	-	4,000
Total operating charge	21,483	(532)
Net interest cost	2,966	3,090
Total recognised in surplus for the year	24,449	2,558

The £27.3m reduction in liability in the year ended 31 July 2019 relates to the benefit restructure detailed above which took effect from 1 January 2019. The £4m past service cost relates to an approximate allowance for Guaranteed Minimum Pensions (GMP) equalisation. This additional provision is as a consequence of the High Court decision on 26 October 2018 which requires schemes with members with GMPs to take action to address inequalities in those GMPs if they were contracted-out of the State scheme between 1978 and 1997. See also note 7 in respect of significant one off pension costs / gains.

Taken to Other Comprehensive Income:

Return on scheme assets (excluding amounts included in net interest cost)	52,604	55,646
Experience gains and losses	10,557	379
Remeasurements - changes in demographic and financial assumptions	(38,966)	(86,417)
Total amount recognised in Other Comprehensive Income	24,195	(30,392)

25 Pension schemes (continued)**(d) University of Manchester Superannuation Scheme**

Reconciliation of opening and closing balances of the defined benefit obligation		
	2020	2019
	£'000	£'000
At start of year	827,849	741,580
Current service cost	19,781	21,023
Expenses	1,702	1,712
Interest expense	18,233	19,647
Contributions by scheme participants	548	729
Actuarial losses	28,409	86,038
Benefits paid	(19,920)	(19,613)
Past service cost - loss due to benefit changes	-	4,000
Gain on curtailment	-	(27,267)
At end of year	876,602	827,849
Reconciliation of opening and closing balances of the fair value of scheme assets		
	2020	2019
	£'000	£'000
At start of year	689,885	608,797
Interest income	15,267	16,557
Actuarial gains	52,604	55,646
Contributions by the University and subsidiaries	27,549	27,769
Contributions by scheme participants	548	729
Benefits paid	(19,920)	(19,613)
At end of year	765,933	689,885

The actual return on the scheme assets over the year ended 31 July 2020 was £67.9m (2019: £72.2m).

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 2020	Approximate impact
0.1% pa decrease in discount rate	2% or £17.5m increase in liability
0.1% pa increase in inflation linked assumptions	2% or £17.5m increase (of inflation linked liabilities)
One year increase in life expectancy	2% or £17.5m increase in liability

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 July 2020

25 Pension schemes (continued)

(e) Greater Manchester Pension Fund (GMPF)

The GMPF is a 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 £750k 2018/19 and £771k for 2019/20. The contribution rate of 22.9% remains unchanged for the year commencing 1 August 2020.

The best estimate of contributions to be paid by the University and its subsidiaries to the scheme for the year commencing 1 August 2020 is £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:

	2020 £'000	2019 £'000
Discount rate	1.30%	2.20%
Inflation (CPI)	2.20%	2.25%
Salary growth	2.90%	3.60%
Pension increase rate	2.20%	2.25%

The mortality assumptions adopted imply the following life expectancies:

	2020	2019
	Life expectancy at age 65 Years	Life expectancy at age 65 Years
Male retiring in 2020	20.5	20.6
Female retiring in 2020	23.1	23.1
Male retiring in 2040	22.0	22.0
Female retiring in 2040	25.0	24.8

	2020 £'000	2019 £'000	2018 £'000
The assets and liabilities within the scheme at 31 July were as follows:			
Fair value of scheme assets	124,541	130,075	125,562
Present value of defined benefit obligation	(144,625)	(141,675)	(131,358)
Deficit in the scheme	(20,084)	(11,600)	(5,796)

	2020	2019	2018
The split of assets by type is as follows:			
Equities	67%	69%	68%
Bonds	18%	14%	16%
Property	7%	8%	7%
Cash	8%	9%	9%

25 Pension schemes (continued)**(e) Greater Manchester Pension Fund (GMPF)**

The pension scheme's assets include £8.7m that is invested in property. Due to difficulties obtaining valuations during the pandemic, there is some uncertainty around the valuations of the property investments. The University does not consider the impact of this uncertainty to be material.

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:

	2020 £'000	2019 £'000
<i>Recognised in Statement of Comprehensive Income:</i>		
Current service cost	1,250	1,144
Past service cost	28	1,462
Total operating charge	1,278	2,606
Net interest cost	214	119
Total recognised in surplus for the year	1,492	2,725

The current service cost includes an allowance for administration expenses of 0.3% (2019: 0.3%) of payroll.

The past service cost in the year ended 31 July 2019 relates to both an approximate allowance for Guaranteed Minimum Pensions (GMP) equalisation and for the McCloud judgement. The GMP provision (£0.4m) is as a consequence of the High Court decision on 26 October 2018 which requires schemes with members with GMPs to take action to address inequalities in those GMPs if they were contracted-out of the State scheme between 1978 and 1997. The McCloud judgement provision (£1.1m) relates to a Public service age discrimination case where the Supreme Court ruled in December 2018 that transitional arrangements made in 2015 as a result of public sector scheme reforms were unlawful and must be remedied. See also note 7 in respect of significant one-off pension costs / gains.

Taken to Other Comprehensive Income:

Return on scheme assets (excluding amounts included in net interest cost)	(5,484)	3,830
Remeasurements - changes in demographic and financial assumptions	(18,360)	(8,716)
Other experience	15,151	-
Total amount recognised in Other Comprehensive Income	(8,693)	(4,886)

	2020 £'000	2019 £'000
Reconciliation of opening and closing balances of the defined benefit obligation		
At start of year	141,675	131,358
Current service cost	1,250	1,144
Past service cost	28	1,462
Interest expense	3,050	3,471
Contributions by scheme participants	249	251
Contributions by the employer to the unfunded scheme	(93)	(129)
Actuarial losses	3,209	8,716
Benefits paid	(4,743)	(4,598)
At end of year	144,625	141,675
Analysis of defined benefit obligation		
Present value of funded liabilities	143,002	139,959
Present value of unfunded liabilities	1,623	1,716
	144,625	141,675
Reconciliation of opening and closing balances of the fair value of scheme asset		
At start of year	130,075	125,562
Interest income	2,836	3,352
Actuarial (losses) / gains	(5,484)	3,830
Contributions by the University	1,608	1,678
Contributions by scheme participants	249	251
Benefits paid	(4,743)	(4,598)
At end of year	124,541	130,075

The actual return on the scheme assets over the year ended 31 July 2020 was -2.3% (2019: 5.8%).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 July 2020

25 Pension schemes (continued)

(e) Greater Manchester Pension Fund (GMPF)

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 2020	Approximate impact
0.5% pa decrease in discount rate	8% or £11.9m increase in liability
0.5% pa increase in salary increase rate	1% or £1.0m increase in liability
0.5% pa increase in pension increase rate	7% or £10.6m 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 2019 £'000	Cash Flows £'000	At 31 July 2020 £'000
Cash and cash equivalents	48,319	71,788	120,107

27 Consolidated reconciliation of net debt

	Consolidated		University	
	At 1 August 2019 £'000	Cash Flows £'000	Non cash changes £'000	At 31st July 2020 £'000
Cash and cash equivalents	48,319	71,788	-	120,107
Current investments (note 17)	155,000	(65,000)	-	90,000
Debt due after one year (note 20)	(393,484)	-	(104)	(393,588)
Net debt	(190,165)	6,788	(104)	(183,481)

28 Capital and other commitments

Provision has not been made for the following capital commitments at 31 July 2020	Consolidated		University	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Authorised not contracted for	93,271	127,861	93,271	127,861
Contracted not provided	80,043	328,784	80,043	328,784
	173,314	456,645	173,314	456,645

29 Lease obligations

	2020		2019	
	Land & Buildings £'000	Other Leases £'000	Total £'000	£'000
Payable during the year	8,052	885	8,937	18,331
Future minimum lease payments due:				
Not later than one year	17,562	562	18,124	10,458
Later than one year but not later than five years	24,715	665	25,380	20,965
Later than five years	49,403	278	49,681	44,847
Total lease payments due	91,680	1,505	93,185	76,270

30 Contingent liabilities

	Consolidated		University	
	2020 £'000	2019 £'000	2020 £'000	2019 £'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 FRS 102 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 arm's 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	Expenditure recognised within the financial statements	Balance due to the University recognised within the financial statements	Balance due from the University recognised within the financial statements
	£'000	£'000	£'000	£'000
AstraZeneca Plc	3,921	1,626	1,664	147
Bruntwood Group Limited	12	3,753	7	57
Cancer Research UK LTD	32,233	-	-	2,543
Department for Business, Energy and Industrial Strategy (BEIS)	152	-	1	-
Department for Education	1,508	5	1	-
Department for International Trade (DIT)	179	-	-	-
European Commission	16,356	-	4,102	-
Food Standards Agency	562	-	7	-
GlaxoSmithKline plc	1,313	-	547	-
Innovate UK	149	-	-	-
Manchester Science Partnerships Ltd	6	173	-	-
Manchester University NHS Foundation Trust	19,585	8,590	1,314	919
Market & Opinion Research International Limited t/a Ipsos MORI	-	811	-	273
Medical Research Council (MRC)	12,561	100	495	2
Royal Northern College of Music	60	324	-	45
Siemens plc	69	117	18	-
The Royal Society of Chemistry	123	57	9	1
The University of Liverpool	2,511	3,054	1,039	427
The University of Newcastle upon Tyne	1,070	1,596	260	29
Universities UK	-	101	-	99
The Northern Powerhouse Partnership Limited	37	-	-	-
N8 Limited	-	60	-	-
University of Manchester Students' Union	184	479	1	17
	92,591	20,846	9,465	4,559

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 July 2020

31 Related party transactions (continued)

AstraZeneca plc

AstraZeneca is a global integrated biopharmaceutical Company. Two members of the Board and a member of the Senior Leadership Team have declared they are former employees and members of the AstraZeneca pension fund.

Bruntwood Group Limited

Bruntwood is a property company offering office space, serviced offices, retail space and virtual offices. One member of the Board of Governors has declared Bruntwood as a client.

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 of this body.

Department for Business, Energy and Industrial Strategy (BEIS)

The Department for Business, Energy and Industrial Strategy is a department of the government of the United Kingdom. One member of the Board of Governors has declared BEIS as a client.

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 the Department as a client.

Department for International Trade

The Department for International Trade is a United Kingdom government department responsible for striking and extending trade agreements between the United Kingdom and non EU states. One member of the Board of Governors has declared the Department 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. One member of the Senior Leadership Team has declared that they are a member of European Commission Advisory Committee.

Food Standards Agency

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 Kingdom'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 Science Partnerships Ltd

MSP is a partnership organisation that started life over 30 years ago as a strategic initiative by Manchester's local authority and universities. Its purpose was to deliver the primary goal of the city's post-industrial strategy – to grow a new knowledge economy. One member of the Senior Leadership Team has declared that they are a Member of Board in the company.

Manchester University NHS Foundation Trust

The Manchester University NHS Foundation Trust formed when the University Hospital 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 University's Senior Leadership Team is a non-executive director of the Trust.

Market & Opinion Research International Limited 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.

Medical Research Council (MRC)

The Medical Research Council aims to improve human health through world-class medical research. They support research across the biomedical spectrum and in all major disease areas. One member of the Board of Governor chairs an MRC Committee.

31 Related party transactions (continued)

Royal Northern College of Music

The Royal Northern College of Music is a conservatoire located in Manchester, England. It is one of four conservatoires associated with the Associated Board of the Royal Schools of Music. One member of the Senior Leadership Team has declared that they provide strategic advisory and mentoring support to the company.

Siemens

Siemens AG is a German multinational conglomerate company headquartered in Munich and the largest industrial manufacturing company in Europe with branch offices abroad. The principal divisions of the company are Industry, Energy, Healthcare (Siemens Healthineers), and Infrastructure & Cities, which represent the main activities of the company. One member of the Board of Governors has declared Siemens Digital Technology Division as a client and one member of the Board of Governors is an employee of Siemens.

The Royal Society of Chemistry

The Royal Society of Chemistry (RSC) is a learned society (professional association) in the United Kingdom with the goal of "advancing the chemical sciences". One member of the Board of Governors has declared that they are a Member and Chartered Chemist.

University of Liverpool

The University of Liverpool is a research university. One member of the Board of Governors is a member of an Institute of that university.

University of Newcastle upon Tyne

The University of Newcastle upon Tyne is a university in the North East of England. One member of the Board of Governors chairs a unit there.

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 acts as a member of the group for the company.

University of Manchester Students' Union

The University of Manchester Students' Union is the representative body for students at the University of Manchester. The General Secretary of the Union is an ex-officio member of the Board of Governors, and an additional member of the Students' Union Executive team is a member of the Board in Category 5.

The Northern Powerhouse Partnership Limited (NPP)

NPP is an independent body that was launched in 2016 to represent the voice of business and civic leaders across the North. Its key objective is to increase the impact and contribution of the North of England to the UK economy. One member of the Board of Governors is a director of the company.

N8 Limited

N8 Limited receives and allocates research grant funding to the eight research intensive universities in the North of England. The University pays an annual membership fee to the company to help fund its operations. One member of the Board of Governors is a director of the company.

32 Events after the reporting period

Bank financing

Since the year end, should it be required, the University has secured access to short term borrowing facilities out to March 2022 comprising the Bank of England Covid Corporate Financing Facility (CCFF).

As at the date of signing the University has completed a bank financing exercise to secure a three year club Revolving Credit Facility (RCF) of £250m. This facility will provide the additional financial flexibility to protect against downside risk. The RCF has the same financial covenant requirements as the Private Placement.

Missed filing of financial statements 180 days after 31 July 2020

The University missed the filing date of 27 January 2021 due to circumstances outside its control and informed the Private Placement noteholders of the event. The Financial Statements were signed on 29 January 2021. A majority of the Private Placement noteholders have confirmed in writing that they consider the missed filing to be a remediable event within 30 days and therefore not an event of default.

Similarly, the University fulfilled its undertakings of the Bond by notifying the Bond Trustees and London Stock Exchange in order to fulfil its obligations under the Financial Conduct Authority regulations. The Board of Governors has sought legal advice and believe that the signing of the Financial Statements has cured this event and no event of default has been notified to the University.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 July 2020

33 Amounts disbursed as agent (Consolidated and University)

The National College for Teaching and Leadership (formerly the Training and Development Agency for Schools (TDA))

Student Training Bursaries	2020	2019
	£'000	£'000
Balance unspent at beginning of year	132	73
Funding Council grants	4,510	4,301
Disbursed to students	(4,590)	(4,242)
Balance unspent at year end	52	132

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 Prior year adjustment

During the year it was identified that a building owned by the University had been omitted in error from the University's financial records at the time of the revaluation as at 31 July 2014 (see note 12 for details of this revaluation). A prior year adjustment has therefore been made to restate tangible fixed assets to include this building. The adjustment made comprises reinstating this building at its valuation as at 31 July 2014 which is taken to be its deemed cost. The appropriate depreciation has been charged from 31 July 2014 to date. The prior year adjustment comprises the following: the deemed cost of £35.2m; accumulated depreciation to 31 July 2018 of £4.3m and £1.1m depreciation charge for the year ended 31 July 2019. Therefore the consolidated and University net assets have been restated at £30.9m and £29.9m as at 1 August 2018 and 1 August 2019 respectively.

	Consolidated	University
	2019 £'000	2019 £'000
Statement of Comprehensive Income		
Depreciation and amortisation as previously reported	77,732	76,801
Prior year adjustment	1,068	1,068
Depreciation and amortisation restated	78,800	77,869
Total comprehensive income as previously reported	(110,523)	(111,181)
Prior year adjustment	(1,068)	(1,068)
Total comprehensive income restated	(111,591)	(112,249)
Statement of Financial Position		
Fixed assets as previously reported	1,875,159	1,838,391
Prior year adjustment	29,906	29,906
Fixed assets restated	1,905,065	1,868,297
Total net assets as previously reported	1,606,245	1,561,557
Prior year adjustment	29,906	29,906
Total net assets restated	1,636,151	1,591,463

35 Grant and fee income analysis

	Consolidated		University	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Grant income from the OfS	35,436	37,258	35,436	37,258
Grant income from other bodies	384,966	416,001	384,966	416,001
Fee income for taught awards (exclusive of VAT)	462,319	440,034	462,319	440,034
Fee income for research awards (exclusive of VAT)	23,498	22,485	23,498	22,485
Fee income from non-qualifying courses (exclusive of VAT)	19,110	20,763	19,110	20,763
Total grant and fee income	925,329	936,541	925,329	936,541

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