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# ANNUAL REPORT AND ACCOUNTS 2018/19

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UNIVERSITY OF LEEDS







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“LEEDS ASPIRES TO BE A WORLD-LEADING UNIVERSITY WHICH HAS STRONG LOCAL ROOTS AND IS TRULY INTERNATIONAL IN CHARACTER AND OUTLOOK.”

**Sir Alan Langlands**  
Vice-Chancellor

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If ever a year demands clarity and sharpness of vision, surely it is 2020! As we prepare for the dawn of a new decade, Leeds aspires to be a world-leading University which has strong local roots and is truly international in character and outlook. We will continue to inspire students and staff to be the best they can be through education and research that is pedagogically and scientifically sound, culturally and socially inclusive, and globally connected.

Achieving the right balance between sector-leading student education and globally-recognised research with each reinforcing and supporting the other, and both with an increasingly international focus is a tough ask. This has been our challenge in recent years and we are making good progress.

The Leeds Curriculum and Leeds for Life have research-based learning at their core and combine to develop independent critical thinkers, with broad intellectual horizons and to support the personal and academic development of all students. The Partnership between students and staff remains strong and our commitment to widening access and participation right across the student life cycle from primary school to graduation changes people's lives and enhances their life chances.

Our Gold award in the 2017 Teaching Excellence Framework commented on “evidence of a strong emphasis led from the most senior levels, placed on education that is inspired by discovery, global and cultural insights, ethics and responsibility, and employability”. This is reinforced by more recent external measurements which place us in the top three in the UK for teaching quality, in the top five in the Russell Group for student satisfaction and as one of the universities most targeted by leading employers.

It is also a source of great pride that Leeds University Union was not only the first students' union in the UK to be awarded 'excellent' status, under the National Union of Students' Quality Accreditation Scheme, but is now also the first to retain this hard-won accolade.

With the major research funders giving greater emphasis to challenge-led research and promoting a focus on collaboration across disciplines, universities, sectors and continents, we are well positioned for the future. We have been building capacity and capability in recent years through investment in infrastructure and people, ensuring that we have strong disciplines and a leading position on interdisciplinary working. This has proved to be vitally important at a time when research funding appears to be concentrated in fewer institutions through major national initiatives taken by UK Research and Innovation.

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Our careful development of interdisciplinary themes – in health, energy, water, culture, food and cities – has led to significant success in the Global Challenges Research Fund and the Newton Fund, with more than £45 million of awards in the period 2014 to 2019, supporting 170 projects in 40 countries, we ranked third in the UK for the value of awards (and joint second for the number of awards). Investment in state of the art technology organised in well designed research platforms has also ensured that we have benefitted significantly from the development of the new National Research Institutes, the Industrial Strategy Challenge Fund and national competitions for Doctoral Training and early career fellowships.

For example, the development of the Leeds Institute of Data Analytics enables us to lead for The Alan Turing Institute on urban analytics; investments in medicinal chemistry and the Astbury Centre for Structural Molecular Biology mean that we lead on next generation chemistry for The Rosalind Franklin Institute; and the development of the Bragg Centre for Materials Research consolidates our leadership position in The Henry Royce Institute on the themes of Atoms to Devices. A long term commitment to atmospheric science and the recent creation of the Priestley International Centre for Climate confirms our position as one of only four universities in the prestigious Met Office Academic Partnership and multiple investments in Engineering and Physical Sciences Research have consolidated our position as a Framework Partnership university with the Engineering and Physical Sciences Research Council.

We were ranked in the top 10 for research power and impact in the 2014 Research Excellence Framework (REF) and, more recently we have been ranked in the top 10 of UK universities receiving research council funding, with a leading position with the National Environment Research Council and The Arts and Humanities Research Council. New research awards received in 2018-19 totalled £196 million, an increase of 48% since 2013-14, and preparations for the 2020 REF are at an advanced stage.

The University Council remains committed to a rigorous approach to capital investment and we aim to take our proven track record of business collaboration to a new level through Nexus, a £40 million state of the art facility opened this year to connect businesses to our world-class research and expertise, encourage entrepreneurship and drive a culture of collaboration, innovation and impact across the Leeds City Region. Major new investments of about £300 million will be made over the next two to three years, including: the co-location of the schools of Physics and Computing as part of an integrated campus for engineering and physical sciences; major developments at the University farm; the development of a new technology park to accommodate The Institute of High Speed Rail and Systems Integration and the Centre for Innovation and Materials; and significant development of buildings and infrastructure in the Western Campus focused on the Business School and the School of Law. We are also investing in major programmes of IT development and new ways of working through the Student Life Cycle Programme and the Corporate Processes and Systems programme.

In 2019, we maintained our place as a top 100 university in the QS world rankings and have made great strides forward in delivering world-changing education and research through international collaboration. We now have five international offices, a network of 270,000 alumni in 190 countries and staff on campus from 90 different countries. Non EU international students in Leeds have increased by 35 per cent over the past two years to 9000 and more than 50 per cent of our research publications are the result of international collaborations.

The University continues to forge in depth relationships with selected overseas institutions and earlier this year we signed a partnership agreement with Karlsruhe Institute of Technology in Germany, which will lead to new research collaborations and exchange opportunities for students and staff. Our joint school of Engineering with South West Jiaotong University in China continues to go from strength to strength, with the first cohort of students graduating in summer 2020.

In preparing this foreword each year, I often observe that we are operating in a complex and uncertain environment. This has been more pronounced over the last year, in large part prompted by the politics and uncertainty of Brexit. The University aims to create the best possible environment for students, staff and research activity but of course we have to be conscious of the external environment and ready to respond to changes in policy and the economy. In the face of uncertainty we continue to stick resolutely to our core mission, promoting our education and research ambitions and our wider economic, social, environmental and cultural responsibilities, but we are also ready to adjust our plans if we need to. This year we are particularly proud to have set out ambitious steps to support the global transition to a low carbon future and recognise that this will be a challenge over many years.

During this year, we have seen a significant increase in pension liability as a result of the USS deficit recovery agreement, but as in previous years, we have a strong balance sheet which positions us well for the future.

Whilst we are pleased to report a healthy increase in total income and an underlying operating surplus which exceeds plan and shows a favourable variance against the 2017-18 reported underlying operating surplus, we are in no way complacent. We have assessed both the internal and external risks we could face and we are taking steps to improve efficiency and reduce costs where necessary, ensuring headroom for future developments. The underlying academic and financial strength of the University and our own track record of good stewardship means that we will continue to move forward with confidence.

Finally, I should report that I intend to step down as Vice-Chancellor next year, after seven years in office and forty-six years of continuous public service.

I feel very privileged to be the Vice-Chancellor at Leeds, a great University in a great City, and I look forward with enthusiasm to the remainder of my time here. There is a great deal to do in this academic year (2019-20) and I will continue to lead the University to the best of my ability and do everything I can to ensure a smooth transition to my successor. The University's collective commitment to advancing knowledge and opportunity will remain the touchstone for progress – and, in that connection, I pay tribute to the commitment, creativity and sheer hard work of all staff and students, without whom none of the achievements described in this report would have been possible. I also extend my appreciation to the Council, the Court, and the University Executive Group for their stewardship and wise counsel, and to our friends and alumni around the world for their generous support for our students and researchers.

**Sir Alan Langlands**  
Vice-Chancellor





“WITH A FINANCIAL POSITION AHEAD OF PLAN AND SOLID PROGRESS TOWARDS OUR EDUCATION AND RESEARCH TARGETS WE ARE IN A STRONG POSITION TO NAVIGATE OUR WAY THROUGH THESE UNCERTAIN AND CHALLENGING TIMES...”

**Jane Madeley**  
Chief Financial Officer

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# £792m

**Total Income (2017/18: £715m)**

### Overview

We are now approaching the latter stage of the 2015-20 strategic plan and are pleased to be able to report continued progress towards our ambitious research and international growth targets, while protecting and enhancing our strong student education performance and offering. These improvements have been enabled by a period of significant investment in both academic staff and new cutting-edge facilities and research infrastructure, which as planned have depressed operating surpluses in the short to medium term whilst the academic and financial benefits of these investments build.

For 2018/19 we report an operating surplus for the year (before the movement in the USS provision) of £38m representing 5% of total income, which is favourable to last year's surplus and the plan for the year.

In 2018/19, a 15% growth in fees income, including a 31% growth in international fee income, coupled with a 10% growth in research income contributed towards a total income growth of 11%. Once again we have seen year on year growth in research new awards with an increase of 12% from £175m in 2017/18 to £196m in 2018/19; this will translate into research income growth in future years.

The increase in staff costs (before the movement in the USS provision) of 6% and an 11% increase in other operating expenditure reflects our planned investments to support growth in research and student education activity, particularly servicing the 22% increase in international student numbers.



# 31%

growth in international  
fee income

Consolidated Financial Summary	2018/19 £000	2017/18 £000	Change %	Change £000
<b>Summary</b>				
Total income	791,850	714,584	11%	77,266
Expenditure (excluding movement on USS provision)	(754,049)	(705,301)	7%	(48,748)
<b>Underlying Surplus</b>	<b>37,801</b>	<b>9,283</b>	<b>307%</b>	<b>28,518</b>
USS provision movement <sup>1</sup>	(135,822)	653	(20,900%)	(136,475)
<b>Operating (Deficit)/Surplus</b>	<b>(98,021)</b>	<b>9,936</b>	<b>(1,087%)</b>	<b>(107,957)</b>
Other items	244	(2,300)	(111%)	2,544
<b>(Deficit)/Surplus</b>	<b>(97,777)</b>	<b>7,636</b>	<b>(1,380%)</b>	<b>(105,413)</b>
Actuarial (loss)/ gain	(29,999)	58,090	(152%)	(88,089)
<b>Total Comprehensive (Expenditure)/Income</b>	<b>(127,776)</b>	<b>65,726</b>	<b>(294%)</b>	<b>(193,502)</b>
<b>Tuition fee and education contracts</b>				
Home and EU students	208,915	196,672	6%	12,243
International students	155,576	118,890	31%	36,686
Other fees incl NHS teaching contract	35,691	33,651	6%	2,040
<b>Total</b>	<b>400,182</b>	<b>349,213</b>	<b>15%</b>	<b>50,969</b>
<b>Research grants and contracts</b>				
Research Councils, UK Charities and Government	117,447	102,562	15%	14,885
Industry, overseas and other	33,377	34,586	(3%)	(1,209)
<b>Total</b>	<b>150,824</b>	<b>137,148</b>	<b>10%</b>	<b>13,676</b>
<b>Capital expenditure</b>				
Externally funded	(16,860)	(17,188)	(2%)	328
University funded	(91,964)	(77,161)	19%	(14,803)
<b>Total</b>	<b>(108,824)</b>	<b>(94,349)</b>	<b>15%</b>	<b>(14,475)</b>
<b>Cash and borrowings</b>				
Cash and short-term investments	307,199	301,723	2%	5,476
Borrowings	(267,665)	(271,938)	(2%)	4,273
<b>Net funds</b>	<b>39,534</b>	<b>29,785</b>	<b>33%</b>	<b>9,749</b>

<sup>1</sup> A significant increase in the provision for the USS deficit recovery agreement following the finalisation of the 2017 actuarial valuation (discussed further in note 22). Following the completion of the 2018 actuarial valuation, a revised deficit recovery plan has been confirmed which is a non-adjusting post balance sheet event. Had the plan been in place at the year end, the cost of £136m would have been reduced to £49m.

## Chief Financial Officer's report

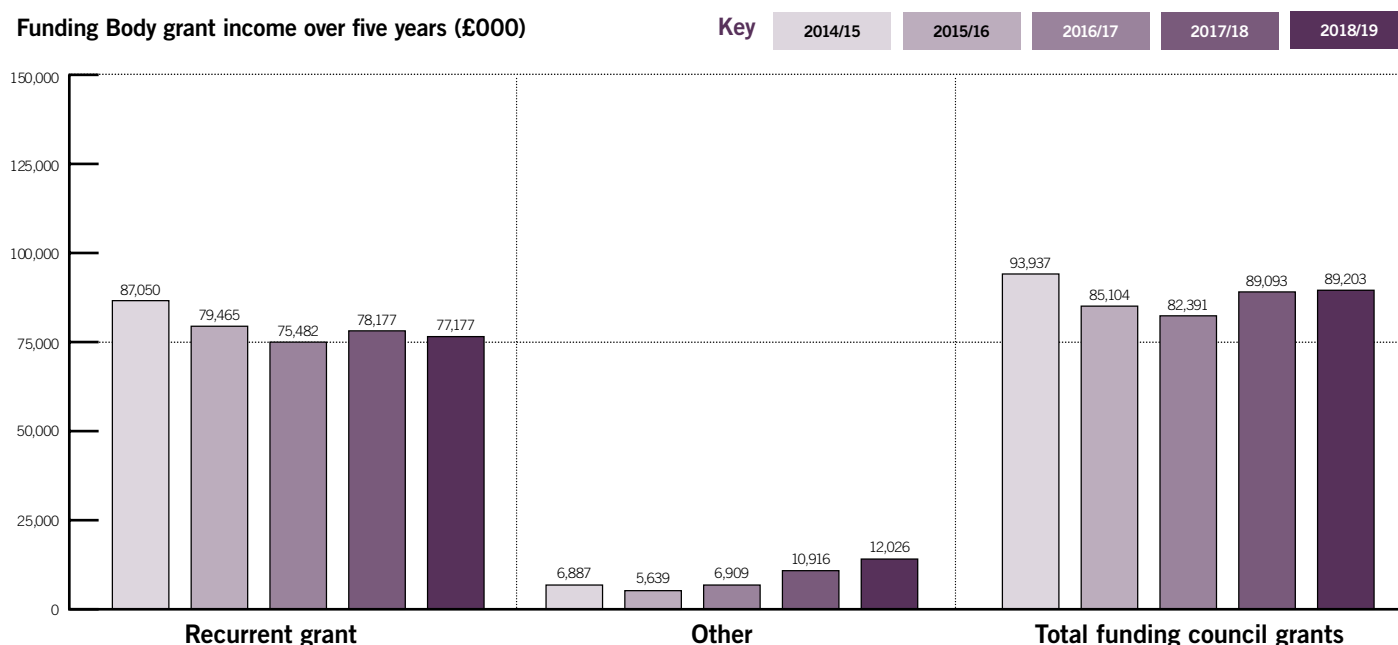
Our capital programme progresses in a measured way and during the year we invested £108m (2017/18: £94m) across a range of schemes which are highlighted in the balance sheet section of this report.

We continue to monitor financial risks, e.g. the potential impact of the Post 18 Funding review, pension scheme developments, and EU exit implications, alongside other significant strategic risks, and we develop and implement mitigating action plans as articulated within the strategic risk section of this report.

We are fully aware that the political stalemate within the UK and lack of progress in the EU exit negotiations have created uncertainty for EU nationals working at the University, prospective EU students, our participation in EU research funding and the Erasmus student mobility programme. Despite the uncertainty our EU student recruitment has remained strong this year; however we have seen a 16% fall in EU funded research awards. We are mindful not only of the obvious risk to EU funding streams but also of other Brexit risks for the sector, and for the general economy.

We are now well into the development of our post 2020 vision and strategy for the University which will stretch into the next decade. With a financial position ahead of plan and solid progress towards our education and research targets we are in a strong position to navigate our way through these uncertain and challenging times whilst also developing new plans to build on the current momentum. We have prepared for future developments systematically and will tackle our external financial risks in a considered and measured way to ensure that we thrive deep into the 2020s.

Funding Body grant income over five years (£000)



### Funding Body Grants

At £89m (11% of total income), Funding Council grant income is in line with last year. The recurrent teaching and research grant of £70m is also broadly the same as last year and we forecast that it will remain relatively static over the 5 year planning period. As our research and tuition fees income grow this funding stream will represent only around 9% of total income by 2023/24.



## Tuition fees and education contracts income over five years (£000)

Key

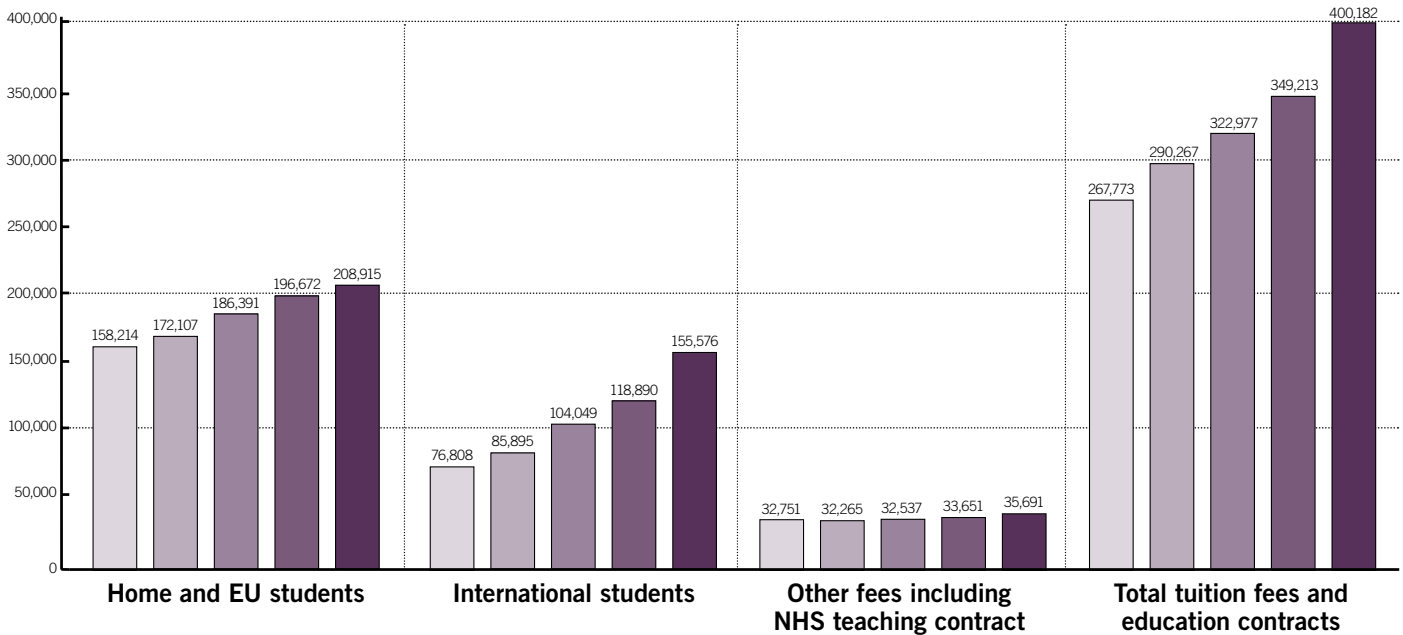
2014/15

2015/16

2016/17

2017/18

2018/19



### Tuition fees and education contracts

At £400m (15% higher than 2017/18), tuition fee income and education contracts now account for 51% of total income (2017/18: 49%).

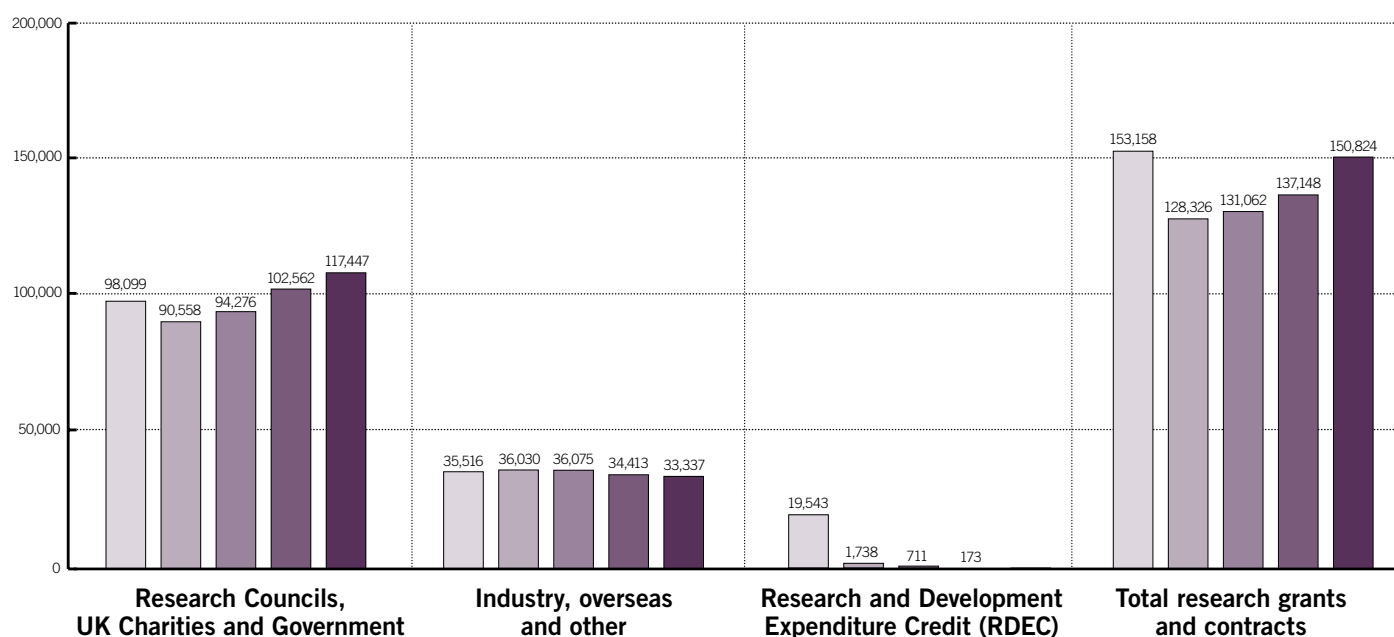
Fee income from our Home/EU students has grown by £12m (6%) compared to last year. We continue to report growth in overall undergraduate students, with nearly 700 more students than the previous year, and in the 2018/19 recruitment cycle we again secured one of the largest Home/ EU undergraduate intakes of high quality students (c.7500). Total Home/EU undergraduate students numbers reached over 23,700. However, we remain acutely aware of the increasingly competitive market, the exposure we face with such a high market share and demographic pressures and we continue to monitor and review our future Home undergraduate recruitment plans.

One of the three high level objectives of our international strategy is to achieve a sustainable student cohort mix by recruiting and supporting additional international students and staff to enhance the student experience and employability prospects for our international students. To support this objective we continue to focus on optimising our recruitment of high quality international students, reporting another double digit percentage growth in international fee income of 31% compared to last year. International student numbers across all cohorts increased by 22% from last year and it was particularly encouraging to see an 18% growth in undergraduate student numbers across all years; with the Business School delivering the highest growth followed by strong performances from the Faculties of Arts, Humanities & Cultures and of Social Sciences.

To date levels of EU student recruitment have continued to hold up and we can report a marginal annual increase across all cohorts from last year despite the decision of the UK to leave the EU and the ensuing uncertain political environment. We are conscious however that there is a risk of adverse impacts on EU student recruitment and again we continue to monitor and review our future recruitment plans.

## Research grants and contracts income over five years (£000)

Key 2014/15 2015/16 2016/17 2017/18 2018/19



### Research grants and contracts

Research income of £151m shows growth of £14m (10%).

In 2018/19 we were particularly successful in growing research funding from Research Councils (22%) and UK based charities (6%).

In terms of the lead indicator of research performance, once again we have seen year on year growth in new awards with an increase of 12% from £175m in 2017/18 to £196m in 2018/19, despite a 16% reduction in EU funded research awards as previously mentioned. The overall number of awards secured this year was close to 1,000 which is similar to last year.

Our largest award this year was a 5 year award from the Natural Environment Research Council (NERC) for £31m to run the UK Government's large atmospheric research aircraft, which provides the UK atmospheric science community with a world-class platform for airborne research including improved modelling of air quality, extreme weather and climate risks across the UK and globally.

Our next two largest awards by value were; £4.7m from the Arts and Humanities Research Council (AHRC) for the Future Fashion Factory award, a project which researches and develops advanced digital and textile technologies to transform the industry's agility in the luxury fashion design process and £2.7m from the Royal Academy of Engineering for the INSILEX award, a prestigious 10-year Chair award focusing on developing emerging technology areas to deliver economic and social benefit to the UK.

In 2018/19 we were awarded funding from the Engineering and Physical Sciences Research Council (EPSRC) for a Doctoral Training Partnership. Funding was also awarded for the continuation of the Medical Research Council (MRC) Doctoral Partnership Grant for 2 years.

Land for the Leeds Engineering Technology site was acquired during the year. We have plans to develop on the site, the UK's first dedicated research centre for high speed rail and system integration (IHSRSI) and the Centre for Infrastructure Materials (CIM) with other facilities to follow. External capital funding support is being provided by the UK Research Partnership Investment Fund (UKRPIF), West Yorkshire Combined Authority (WYCA) and the EPSRC.

# £196m

research grants and contracts new awards



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The £11m development of the Centre of Innovation Excellence in Livestock (CIEL) facility was largely completed at the University farm during the year; it will provide new indoor housing and outdoor facilities for livestock along with an office, conference and welfare facilities for farm management and postgraduate researchers.

As mentioned last year we are one of a carefully selected group of universities playing a central role in the development of a major new national institute in data science and artificial intelligence (Turing) and earlier in the year we announced a total of 24 researchers who would begin fellowships at the Turing Institute. The prestigious fellowships were awarded to individuals with proven research excellence in data science, artificial intelligence or a related field.

We are continuing to identify key ways the University can address important societal challenges and we have been engaging intensively with key national and international bodies (DFID, UN, etc.) to align our research with the 'demand' from stakeholders and funders.

One example of where the University has been successful in building capacity to address societal challenges is our £45m portfolio of global challenges research, funded through the Global Challenges Research Fund (GCRF). Our GCRF portfolio is addressing all 17 UN sustainable development Goals via 164 projects in 37 countries. 93 projects have partners in Sub-Saharan Africa and together these have enabled the University to focus on improving good health and wellbeing through making cities and communities more sustainable in the face of extreme weather events and climate challenges.

### **Other income**

Other income including other operating income, investments, donations and endowments is £13m (9%) higher than last year with one new major alumni donation accounting for a large part of this growth. Other income incorporates £8m (2017/18: £7m) income from subsidiary undertakings – notably Weetwood Hall Ltd and Bright Beginnings Childcare Centre Leeds.

The University's 'Making a World of Difference' fundraising Campaign aims to raise £100m by 2020 and with £14.1m pledged in 2018/19 the Campaign total now stands at £97.4m, with the target well within reach.

During the year we received gifts from 3,875 alumni and other donors, and we have increased the number of alumni with whom we are in touch to over 270,000. Donations include a gift commitment of £8m from the Laidlaw Foundation towards the construction of a new building on the Western Campus to enhance student education, experience and opportunities, including facilities to support student enterprise and community outreach. Other gifts include a grant of £0.5m from the Asda Foundation to scale up the successful IntoUniversity partnership which supports educational achievement in disadvantaged communities in Leeds, and an award of £0.4m from the Education Endowment Foundation for a research project looking at raising attainment in schools. Other donations from individual donors will support a range of research projects as well as funding 163 widening participation scholarships and 21 PhD Scholarships.

In addition to scholarships, donations to the Footsteps Fund support a range of activities that enhance the student experience. This year, such activities include the Lifestyle and Wellbeing Programme: a collaborative project between the Student Counselling Centre and Sport & Physical Activity which takes a holistic approach to student wellbeing by focusing on both physical and mental health.

### Expenditure

The underlying increase in staff costs (before the movement in the USS provision) of £25m (6%) shows a slightly higher rate of growth compared to last year (4%). The majority of our major academic investments, including the recruitment of two cohorts of University Academic Fellows, are now embedded and contributing to the delivery of our ambitious research plans. The growth from last year includes some further planned investment to support growth in research and student education activity along with wage inflation and increments.

Increased other operating expenditure of £26m (11%) also includes planned new investments to support and deliver the growth in research and student education activity, especially securing the planned growth in international student recruitment.

This year we have also commenced a significant £100m five year programme of investment into two major enabling projects namely our Corporate Processes and Systems Programme (CPS) and the Student Lifecycle Programme (SLP). Both aim to improve, streamline and harmonise business processes and introduce modern and future proofed technology that is understood and enjoyed by its users and in the case of SLP to improve the student journey from initial enquiry through to graduation.

### Pensions

This year saw the finalisation of the 2017 actuarial valuation for the Universities Superannuation Scheme (USS), which resulted in a new deficit recovery agreement and significantly increased both the magnitude and the duration of payments, attributable to the increase in the Scheme deficit since the prior valuation.

Following the completion of the 2018 actuarial valuation, after the year end, a new schedule of contributions has been confirmed including a revised deficit recovery plan which has a significantly shorter duration. This plan represents a non-adjusting post balance sheet event as it was not in effect at the year end and so does not form part of the 2018/19 results; however its implementation will result in a gain in the 2019/20 accounts. Had the plan been in place at the year end, the one off cost of £136m would have been reduced to £49m.

The 2017 valuation showed a funding deficit of £7.5bn for the total scheme at March 2017, requiring a deficit recovery contribution of 5%, with the cost of providing future benefits rising substantially to 30.6%. Under the cost sharing rules of the Scheme, this required the total employer contribution rate to increase from 18% to 19.5% in April 2019, then to 22.5% in October 2019 and finally to 24.2% from April 2020 onwards.

FRS 102 and the HE SORP require that universities recognise a provision for the present value of payments to be made under the existing deficit recovery agreement for USS. This generated a cost of £136m in 2018/19 and resulted in a closing provision of £201m (2018:£66m).

This revised schedule of contributions requires the total employer contribution rate to increase from 18% to 19.5% in April 2019, to 21.1% in October 2019 and then to 23.7% from October 2021 onwards. The October 2021 rate has the potential to change in order to reflect the outcome of a 2020 valuation but any such change will not affect rates prior to October 2021.

The Joint Expert Panel (JEP), which was established to examine the valuation of the Universities Superannuation Scheme (USS) and to agree key principles to underpin the future approach of the University and College Union (UCU) and Universities UK (UUK) to the USS valuation, is expected to publish its second report in the autumn of 2019. The scope of this second phase of work had two parts; the first, concerned with the valuation process and governance, the second, with the long-term sustainability of the scheme. The timing of the publication of the report is intended to influence the 2020 valuation.

The University of Leeds Pension and Assurance Scheme (PAS) reports a Balance Sheet deficit of £1m at 31 July 2019, representing a deterioration of £35m from the prior year surplus position.



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**£108m**  
capital expenditure

The deterioration was driven by a reduction in the yield on high quality corporate bonds, which lowered the discount rate applied to the scheme's liabilities. This was only partially offset by the scheme's assets yielding a higher rate of return than the risk free rate. The valuation of the pension deficit at the year-end is estimated using actuarial assumptions and is subject to potentially significant fluctuation from year to year as it is sensitive to both the equity and corporate bond markets.

### Balance Sheet

Despite the increase in pension liability our underlying Balance Sheet remains strong and positions us well to manage our way through any significant income and cost risks that might crystallise in the short to medium term. Because of the current scale of economic and political uncertainty we will be cautious with regards to major new commitments in this period but can be confident in continuing with the investments to which we are already committed, knowing that each is supported by a strong business case, the benefits of which will contribute to delivering our ambitious strategic plan, and that the scale of the commitments is underpinned by our strong asset base.

Year on year net assets have fallen by £128m from £816m to £688m. This is mainly attributable to the finalisation of the USS deficit recovery plan (£136m), the deterioration in the PAS accounting valuation (£35m), and a decrease in working capital of £7m all of which have only been partially offset by an increase in fixed assets of £53m.

The net book value of tangible fixed assets (including heritage assets) has increased by £53m to £949m. The University has invested £108m predominantly in new academic facilities and infrastructure improvements in the year (2017/18: £94m).

Major capital schemes completed in 2018/19 or due for completion in 2019/20 include:

- £53m Generating Station Complex redevelopment joint with Leeds Teaching Hospitals Trust
- £38m Nexus, the new University innovation and enterprise centre
- £11m development of the Centre of Innovation Excellence in Livestock (CIEL) at the University farm to provide livestock research facilities
- £8m site acquisition for the Leeds Engineering Technology development
- £5m Newlyn building, part of the expansion of the Leeds University Business School

Major capital schemes under development or planned to begin in the next two years include:

- £96m Sir William Henry Bragg building development,
- £71m redevelopment to support the expansion of the Leeds University Business School
- £71m Leeds Engineering Technology development including a new Institute for High Speed Rail and System Integration and the National Centre for Infrastructure Materials both of which will be supported by a variety of external funding sources
- £32m refurbishment of the Faculty of Biological Sciences, the first phase of an overarching programme of development of the Faculty estate, which includes reconfiguration of research and teaching laboratories

The University retained £307m of cash investments at 31 July 2019 of which £114m was held on deposit with remaining terms of up to 10 months, £120m was held in four separate sterling liquidity funds, £50m was held in a cash plus fund and the remaining £23m was held on-call. The University treasury policy determines that we focus on the most secure institutions and funds, with a deposit limit of £50m for AAA rated institutions or funds, of £30m for AA, and of £15m for A.

A periodic review was completed by Moody's in July 2019 and the University of Leeds' credit rating was retained at Aa3. In November 2019 Moody's assessed the outlook of the sector, including the University of Leeds, to be negative, in line with their outlook of the UK Government. Moody's expectation is that universities will be negatively impacted by a weakening macroeconomic climate and the weaker institutional strength of the sovereign.

After standard loan repayments of £4m this year, the gearing ratio<sup>2</sup> at 31 July 2019 is 49% (2017/18: 40%); which we expect to be close to average for the sector when institutions reflect their USS deficit recovery provisions. Without the USS provision and PAS actuarial loss movements, gearing would have reduced to 38%.

At £82m, the value of the endowment portfolio increased by £5m year on year (2018: £77m) and generated the planned income level of £2m.

In anticipation of the University's public adoption of seven principles to guide our actions over the coming years in order to achieve a net carbon zero footprint by 2030, the University has implemented a Climate Active Strategy to its endowment investment policy and as a result has now withdrawn investment from significant fossil fuel extractors. Having done so, the University's exposure to fossil fuel extraction is now minimal, with the limited investment in this sector now focused on supporting companies who are evidently making the transition to alternative energy sources and a low carbon economy. The Climate Active Strategy will continue to guide the University's determined approach to responsible investment.

Working capital has decreased by £7m, primarily as a result of an increase in accruals and deferred income.

### Conclusion

As we head towards the latter stages of our current strategic plan and develop our post 2020 strategic plan it is pleasing that we report strong performance against our ambitious academic targets and a healthy financial performance. In both student education and research our year-on-year growth means we have positive momentum and we look towards the challenges and opportunities in the sector from a stable financial position.

In the short term delivering on the investments which are in train, assessing the funding and competitive landscape, and setting our ambition for investment and growth into the 2020's will be our priorities, with a likely rebalancing of our investment from capital build investment to technological and digital investment.

Whilst the environment in which we are operating is undoubtedly uncertain and likely to remain volatile for the short to medium term, we remain confident in our ability to deliver against our existing plans and we will be confident but measured in the development of our post 2020 strategic plan, cognisant of the challenging and competitive environment in which we will be operating.

**Jane Madeley**  
Chief Financial Officer

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<sup>2</sup> Calculated as external borrowing including service concession liabilities as a percentage of unrestricted reserves and unrestricted endowments

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“...we remain confident in our ability to deliver against our existing plans and we will be confident but measured in the development of our post 2020 strategic plan...”

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## **Risk management**

Effective risk management is synonymous with good management and good governance; and at the University it is one of the key institutional tools employed as we seek to meet our aims as set out in our Strategic Plan. The University Council has also adopted a statement of risk appetite to provide a helpful point of reference for the executive team and the Council when considering strategic decisions as below:

“The creation, dissemination and application of knowledge are at the heart of all that we do at the University. We are committed to providing a wide range of opportunities for our students and staff; ensuring excellence in every aspect of student education, research and innovation; and promoting enterprise and creativity. We recognise that in pursuance of ground-breaking research and innovative teaching, we will need to take risks; and subject to their robust assessment, we will not shy away from doing so.

Similarly, and notwithstanding the possibility of reputational damage, the University has a significant appetite for risk in encouraging critical enquiry, free debate and freedom of expression within the law.

In striving to achieve a balanced academic portfolio of development in a more uncertain environment, the University remains mindful of its responsibilities as a charity, and a body in receipt of public funds. In particular, the University’s approach to risk will be informed by the need to demonstrate responsible stewardship in all aspects of its business, especially in respect of institutional sustainability, governance, financial control, legal compliance, environmental sustainability and health and safety. Similarly, the University will also ensure that, in all matters it undertakes, the preservation of its reputation as a body committed to academic excellence, the fulfilment of its other values and the delivery of the best student experience possible under prevailing circumstances will all be paramount considerations.”

## **Process**

The University operates a systematic process of risk management which is both bottom up and top down, integrated into existing structures and aligned to its strategic aims. The approach is deliberately multi-faceted, to maximise the chances of successfully identifying risks and to ensure so far as possible that risks feature at the front of management thinking at all levels within the institution.

The Council is ultimately responsible for risk management arrangements, but the Audit and Risk Committee acts on behalf of the Council in overseeing those arrangements. At the executive level, risk management arrangements are the responsibility of the Chief Financial Officer, supported by the Director of Risk Management, whose office maintains an institutional risk register.

Risks are monitored in underlying committees and forums, with emerging and changing risks being brought to the attention of the University Executive Group throughout the year. The Audit and Risk Committee ensures that key risks are being actively managed with the appropriate strategies in place to address them.

Faculties and professional services risk registers ensure key operational risks are identified and managed by the appropriate functions within the University. All major programmes and projects have individual risk registers and risk assessment is incorporated into planning and decision-making processes. Internal Audit supports this process and undertakes reviews of key areas throughout the year according to a rolling audit plan.

We continue to benchmark ourselves against best practice and will be working on further enhancements to our process over the coming year.

## **Key risks**

The University Risk Register is formally reviewed and updated annually by the Audit and Risk Committee and approved by the University Council. In the analysis below we have extracted those risks from our register which we believe are key to the effective delivery of our strategy and our responses to them. In addition we have highlighted some key operational risks that require careful management across the institution.



## Chief Financial Officer's report

Strategic objectives	Risk	Risk details and responses
<b>Students</b>		
<b>To provide an outstanding education which will attract, excite and retain high-quality students from diverse backgrounds, and equip them to succeed in a competitive global employment market and to make a difference</b>	Risk of failure to deliver an excellent research-based student experience	<p>We pride ourselves on delivering consistent outstanding teaching, learning and outcome for our students, as recognised by our Teaching Excellence Framework (TEF) Gold status. We continue to perform well in the National Student Survey (NSS) with the latest results positioning Leeds in the top 3 for teaching in the Russell Group of research-intensive universities, and in the top 5 for overall student satisfaction.</p> <p>We do not take this success for granted and the DVC: Student Education leads the University's student education strategy. Multiple projects are ongoing to continue to enhance the experience of our students, including rethinking how education is delivered by schools and faculties, and how students are supported by our professional services.</p>
	Risk that political, policy and funding uncertainty results in changes that reduce the competitiveness of the sector	<p>There remains a lot of uncertainty related to student fees and funding following the Post-18 Education and Funding Review, with the Government yet to decide how to address the recommendations of the review.</p> <p>Given the current uncertainty, we continue to monitor these risks with a strong focus on a range of potential mitigating options, including careful consideration in financial planning and strategic investment decisions. Our mitigations have included work to de-risk our over-reliance on home undergraduates, as well as streamlining our education portfolio offer and removing programme complexity.</p>
<b>International</b>		
<b>To increase the University's international reach, ensuring that the impact of our education research and alumni community is globally relevant</b>	Risk of failure to optimise student cohort mix to create sustainable income streams, as well as the potential inability to form a global community of students and staff	<p>Significant work has been undertaken to deliver a rebalanced and sustainable student cohort mix which will increase the proportion of international students and further develop our teaching excellence, enriching the student experience and ensure global relevance and employability.</p> <p>Enhancements to our International leadership structure and capacity are now embedded and our focus will continue to be on maximising recruitment of high quality international students to rebalance the student cohort mix and to mitigate the risk of over-dependency on the home undergraduate market and the Brexit risk to levels of EU student recruitment.</p> <p>We are also very conscious of keeping pace with the changing needs of this international community, and ensure our staff have a strong focus on the international agenda. Whilst we continue to perform well in the International Student Barometer rankings, we recognise the need to continually improve our curricula, processes and staff development to equip ourselves for the wider needs of this diverse community.</p> <p>The DVC: International leads the University's international academic strategy with an objective to boost our global profile and standing, while generating new research and educational opportunities with overseas partners. We have seen consistent levels of growth in international student recruitment over the last few years and are proud to be ranked within the top 100 in the QS World University Rankings, with a ranking of 93 in both the 2019 and 2020 reports.</p>
	Risk of under-developed international academic and business links and collaborations	<p>We strive to form successful research partnerships with business and the public sector, facilitating staff exchange and sharing joint appointments between organisations. We need to continue to invest in infrastructure to support global collaborations and to drive cultural change internally to overcome perceived barriers to interdisciplinary working across our schools and faculties.</p> <p>Additionally, we continue to nurture a number of high quality international partnerships, particularly with Asia and EU-based institutions, but we recognise these collaborations take time to fully develop. We have established international offices with local expertise and are employing strategic funding initiatives to support staff mobility and encourage greater research collaborations with world-class global partners.</p>

Strategic objectives	Risk	Risk details and responses
<b>Research and Innovation</b>		
<b>To be an outstanding research university, securely placed in the UK's top ten and achieving significant increases in research quality, income and impact</b>	Risk of failure to deliver increase in research income, quality & impact	<p>We aim to be an outstanding research university, securely placed in the UK's top ten and achieving significant increases in research income, quality and impact. We need to continue to focus on high quality research outputs including academic citations, as well as non-academic impact case studies, to ensure we achieve a top ten Research Excellence Framework (REF) 2021 ranking in research power (we were ranked 10th in REF 2014).</p> <p>We continue to focus our attention on the outputs for the next REF and have implemented robust REF preparation processes and monitoring mechanisms to ensure the strongest return. This includes the establishment of: the REF Steering Group, led by the DVC: Research and Innovation; of REF review sub groups for each Unit of Assessment; and of a University Impact Group.</p> <p>Our research and innovation delivery plan will concentrate even more on challenge-led research with a focus on collaboration, on building capacity and capability, on the impact of research, and on tackling global grand challenges systematically. We have developed a robust Research &amp; Innovation Service (RIS) and a clear Business Engagement Framework (BEF) to enable us to drive our research agenda forwards.</p>
	Risk of the inability to create and enhance strategic partnerships and collaborations in education, research and innovation	Through our investment in the delivery of Major (market led) Research Initiatives we are developing new research and technology platforms, working in partnership across disciplines, institutions and continents; and building new relationships between academia and industry. For example, the Institute for High Speed Rail and System Integration at Leeds will ensure collaboration between the University, rail industry partners and the Leeds City Region Local Enterprise Partnership.
	Risk of failure to provide an integrated approach to enterprise which promotes creativity, innovation, enterprise and impact in the University and across the city region	<p>NEXUS, our new Innovation and Enterprise Centre, has been operational since early 2019 and along with our Corporate Engagement Strategy supports our drive to secure a step change in the volume and diversity of collaborative research and innovation activity.</p> <p>These will help us to improve research impact; to make mutually viable connections; to form research-led partnerships locally, nationally and internationally; and to understand and respond to external public and private sector funding opportunities.</p>
<b>Infrastructure and technology</b>		
<b>To ensure that our campus offers an exceptional student experience, providing leading-edge facilities for education, research and working with partners</b>	Risk of inability to deliver the required levels of investment in estates and IT infrastructure, and managing the related changes	<p>A long-term cash generation target has been established to provide a sufficient level of capital, equipment, IT and strategic investment on a recurrent basis. Whilst the ambition of our estates and capital equipment investment has been evident in recent years, we have also recognised the need to invest in our core underlying processes and systems to support the student lifecycle and our corporate back office services.</p> <p>To support this significant amount of change we have invested in dedicated programme management, including establishing standardised project management steering groups, boards and implementation groups, and enhancement of project management processes and gateway reviews to assist in coordination and leadership of projects and programmes. At an institutional level we have established a University Change Delivery Group (UCDG) to provide clear oversight and direction of these programme and to allow the prioritisation of our resources when necessary.</p>
	Risk of failure to deliver an effective digital learning strategy	An effective digital learning strategy is essential to respond to the current and future needs of our students and staff. There has been a level of under-investment in digital technology at the University in recent years and there is a continued need to invest in new digital education systems. We have ring-fenced a significant level of strategic funding to support the implementation of new technologies, supported by a Digital Education Service strategy and team.

## Key operational risks

The following operational risks have a key impact on everything we do at the University, and careful management of them is essential.

Operational risk	Risk details and responses
<b>Cost pressures</b>	
<b>Risk of failure to respond to the strong cost pressures on pensions and pay</b>	<p>As outlined in the Chief Financial Officer's Report, the 2018 USS valuation was completed after the year end resulting in a new schedule of contributions including payments to address the funding deficit of the scheme. We actively monitor the USS valuation position and continue to engage in employer consultations throughout the valuation process. We have expressed clear and consistent messages about our core interest in ensuring that USS is a fair, stable and sustainable scheme, and we believe this requires careful consideration of the level of risk and contributions that employers can sustainably afford and of options to reform the scheme which might be necessary.</p> <p>Strong interaction is in place between the University and local PAS Trustees, and we are able to influence the future benefits and investment strategy of the scheme.</p>
<b>Change management &amp; leadership development</b>	
<b>Risk of not responding to the significant amount of change ongoing at the University, and have leaders inadequately prepared to lead and manage this change</b>	<p>Change management and leadership development have become major topics for us given the significant amount of change we are undertaking in transforming processes, systems and ways of working. The organisation has recognised the need to do more on how we manage change and our leaders are supported by a dedicated Business Change team and by our Human Resources (HR) team.</p> <p>Our Business Change team continue to introduce a number of initiatives to support leaders in managing change, including a recently introduced Practical Guide for Delivering Change. Our HR team provides leadership development support through our management development and leadership programmes, which include specific modules on change management. The revised HR structure provides more senior support to leaders of change at the local level through the introduction of a business partnering model, and the allocation of dedicated HR resource to major change projects.</p>
<b>Brexit</b>	
<b>Risk of not adequately preparing ourselves for changes in EU research funding, student recruitment and mobility, and the impact of Brexit on our EU staff and students</b>	<p>We have been carefully planning for Brexit with a dedicated Brexit Strategy Group focused on the key strands of research funding, student recruitment and mobility, and the wellbeing and immigration impacts for staff and students. This has enabled us to develop an institutional approach to understanding and mitigating the impact of Britain's exit from the EU. In addition to this forum, senior colleagues directly input into Russell Group and Universities UK advisory groups to ensure that the sector continues to convey clear priorities for the Government's negotiations. At the time of writing we are also actively developing contingency plans in case of a no deal exit, and liaising with DfE, UKRI, UUK and RG colleagues to ensure the completeness of our plans for both the immediate departure date and beyond.</p> <p>The University continues to work with the sector to lobby for continued access to future platforms for research collaboration (Horizon and FP9) and student mobility (Erasmus 2021-2027). The Government has made an encouraging proposal in Sept 2019 to extend post study work visas to 2 years from the current 4 months. We also continue to lobby for a reformed post-Brexit immigration policy that encourages talented international students and staff to choose to come to the UK.</p> <p>We have significantly de-risked our financial plans to reflect the risk to EU income streams, but we also have plans to mitigate against this by growing research income from other sources and to recruit international students from outside the EU.</p>

**Jane Madeley**  
Chief Financial Officer



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“...we undertake research not just to improve our understanding of the world but also to have a positive impact on global society.”

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The work of the University – a charity – is by its nature directed to the public benefit. We educate students so that they can fulfil their personal potential and so that they can make a better contribution to society; and we undertake research not just to improve our understanding of the world but also to have a positive impact on global society.

The attainment of these objectives is underpinned by the Strategic Plan agreed by our trustees, the University Council. The way in which public benefit is achieved is illustrated more explicitly in the following sections, which go on to exemplify the University’s commitment to accountability, openness and transparency.

### **Students**

In 2018/19, over 38,100 students benefited from the delivery of some 1,150 programmes; and more than 12,400 students graduated in the year. Our confidence in the quality of our delivery of student education is underpinned by external validation by the Quality Assurance Agency for Higher Education, as well as by our scores in the 2019 National Student Survey (NSS).

Like all other universities, the University of Leeds charges tuition fees to students. In 2012/13 the annual tuition fee for most full-time undergraduates was capped at £9,000. The Higher Education and Research Act 2017 permitted institutions that participated successfully in year 1 of the Teaching Excellence Framework to apply a 2.8% inflationary fee uplift. At Leeds, this uplift means new Home/EU undergraduate entrants have been paying £9,250 since 2017/18.

The University’s commitment to encourage students from all backgrounds to realise their potential includes investment in financial and non-financial support targeted at under-represented groups. Alongside government loans, UK and EU students from disadvantaged backgrounds can access non-repayable financial support, bursaries and scholarships; and the Leeds Hardship Fund is available to all students facing a specific financial need. Financial support is delivered in tandem with non-financial support to ease transition and maximise engagement through schemes such as the Plus Programme. In 2018/19, the University committed £19.48 million towards financial support, access, student success and progression activity.

We engage with communities, families, more than 78,000 learners and over 1,000 schools to support progression to higher education as part of our commitment to recruiting the brightest and best students regardless of background. Our partnership with IntoUniversity provides intensive and targeted support to some of the most disadvantaged communities in the City, in Harehills and Beeston. As the lead partner for the Go Higher West Yorkshire partnership of twelve regional Higher Education (HE) providers, the University provides additional support for local schools and colleges by delivering a co-ordinated and collaborative programme of outreach to raise aspirations and aid decision-making at key transition points. This includes work targeted at students living in areas of social disadvantage and care leavers. As part of our work on sustainability recorded on page 20, we also work closely with learners and their families to welcome them onto campus, enhancing their knowledge of sustainability for example, by planting student designs for biodiversity-rich flower beds on campus and interactive sessions in the Bike Hub.

Our contextual admissions schemes ensure that students can demonstrate their academic potential through more than grades alone. This has contributed to an increase in the number of entrants from widening participation and black and minority ethnic backgrounds. Work continues to support entrants through the Lifelong Learning Centre and the Plus Programme. This is achieved through development of networks, sense of belonging and bespoke opportunities to increase employability.

### Research

The University is a major research-intensive institution, and its research benefits the public directly or indirectly. Our medical researchers are investigating new drugs and surgical robots to help to tackle 21st century healthcare needs; our engineers and scientists are pushing back the boundaries of scientific knowledge; our research into the arts continues to enrich the nation's cultural life; and our social scientists are addressing key political, social, environmental and economic issues. In the 2014 assessment of research – the REF – nearly 83% of research at Leeds during the review period was rated as 'world-leading' or 'internationally excellent'. Leeds was ranked 9th within the sector for the impact of its research.

Once concluded, and unless contractual restrictions apply, research completed by our staff is placed in the public domain via refereed journals and other print or online publications and via an institutional repository. Where our research has commercial applications, we ensure that the benefits that accrue from the intellectual property are divided fairly between staff and the University.

### Cultural activity

The University plays an active role in the cultural life of the City, facilitated through the work of our Cultural Institute, which aims to increase pioneering research collaborations with creative-sector partners, to widen cultural engagement and participation and to build the skills of our students.

The University continues to make a major contribution to the cultural life of Leeds through our vibrant programme of performances, exhibitions and workshops. Our well-established International Concert Series provides a programme of classical and contemporary music which attracts audiences to the Clothworkers Concert Hall in the School of Music – now an All-Steinway School. The University's two licensed theatres *stage@leeds* and Workshop Theatre provide facilities and support for artist development, showcasing new work from both student productions and professional companies.

In 2018/19, we welcomed over 40,000 individuals to our on-campus galleries, museums and archives, including The Stanley and Audrey Burton Art Gallery, the Treasures of the Brotherton Gallery and the Marks & Spencer Company Archive. Cultural events on campus included Leeds Light Night in October 2018, which was celebrated with six free public events across campus; and the International Medieval Congress, Europe's largest annual gathering in the humanities.

The University plays an important role in developing creative opportunities for young people, by contributing to initiatives such as the National Saturday Art & Design Club; *stage@leeds* youth theatre; and the University's continued support of LeedsCEP (Leeds Local Cultural Education Partnership), which connects art and cultural organisations, educational institutions and local authorities together to address pressing issues facing young people in Leeds.

The University has strengthened cultural partnerships with Leeds City Council and other organisations, in particular through the launch of a city-wide Leeds Arts, Health and Wellbeing Network. We also work in partnership with many cultural organisations in Leeds such as Leeds Museums and Galleries, Yorkshire Dance, Northern Ballet, Leeds Playhouse, Ilkley Literature Festival, Leeds Digital Festival and Yorkshire Sculpture International. We are the principal partner of the world-renowned Leeds International Piano Competition; and our long-standing collaboration with Opera North (through DARE) continues to deliver benefit.

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We support the Manifesto for Public Engagement and our work here has been enhanced by catalyst seed funding from Research Councils UK (RCUK). Activities to promote public engagement included the University's research open day 'Be Curious' in March 2019; and the 14th annual Leeds Festival of Science, co-ordinated by the University and partners across Leeds, which offered an extensive programme of events and workshops for schools and the general public.

### **Sustainability and the community**

The University is committed to economic, social, cultural and environmental development. Our approach to this is guided by UN Sustainable Development Goals (SDGs): we are a signatory of the UN Accord that commits the University to embedding the SDGs into our decision-making and the curriculum. Our user-led and solutions-focused research aims to tackle global challenges through interdisciplinary work on such themes as cities; climate change; culture; data analytics; energy; food; health; social change; structural biology; and water.

Our commitment to ensuring that we create positive value for society is driven by our Sustainability Strategy. This is articulated within four interconnected themes on which progress is tracked within annual sustainability reports.

*Embedding Sustainability through Collaboration* places sustainability at the core of our processes and systems. This year we rolled out our new engagement programme, Blueprint, which brings together schools and services from across the University to develop sustainability action plans, bespoke to each team. The plans address material impacts of each school and service and link actions directly to the strategic aims of the University, ensuring that all our activity creates social value. We have also further strengthened our approach to sustainable construction and procurement and have seen a 47% increase in student volunteers completing sustainability-related activities on campus and in the local community.

*Building Knowledge and Capacity* encompasses both the University's core academic mission and the foundations for a sustainable society. This year, over 5,000 undergraduates took up opportunities to study sustainability as part of their formal curriculum through our Creating Sustainable Futures module theme. Students are also given the chance to share research and ideas at our annual Student Sustainability Research Conference; and corporate training reinforces the integration of sustainability into staff decision-making. Our world-class research builds knowledge through our Living Lab Programme, an initiative which brings together research, education and operations, using the University as a test bed for sustainable solutions for the city and beyond. In 2018/19, 48 Living Lab projects brought sustainable solutions to life.

Partnership-focused initiatives underpin *Being a Positive Partner in Society*, our approach to social responsibility. The University's commitment to sustainable futures is reflected in the year-on-year expansion of our 'Sustainability into Schools' collaborative project, while the Go Global and Intercultural Ambassador schemes enable international and UK students to co-produce a range of activities for community groups, schools and other students. Generous support from our alumni and Santander Universities has now funded 662 student-led projects since the Leeds for Life Foundation began in 2008, enabling students to make a positive, worldwide contribution to society.

Upwards of 200 distinct volunteering opportunities with local charities and community groups are available to students at any one time through our dedicated volunteering team, and more than 3,000 students engage in local community volunteering each year. An increasing number of our third-sector partnerships lead to longer-term paid placements or internships. During 2018/19 our undergraduate and postgraduate students continued to offer educational support through the Students into Schools programme, now in its 20th year. The scheme remains a key part of our commitment to widen access to Higher Education throughout West Yorkshire and has provided the equivalent of £2m in classroom support since its initiation. The 'Societies Into Schools' strand of the programme continues to expand, with a more diverse range of societies undertaking outreach work in 2018/19.



Our Student Citizenship programme supports students to be responsible citizens and create positive social change. We engaged with over 3,017 households – the second year of increased activity in this area. We run the Neighbourhood Helpline in partnership with the other universities and colleges in the city to help resolve neighbourhood issues involving our students and we work with the police and Leeds City Council to tackle inconsiderate behaviour.

The Positive Impact Partners Scheme facilitates partnerships between the University and third sector organisations in order to create positive social change. Staff contributions totalled 868 hours, providing a saving for the third sector of over £65,000 since the scheme began. We also extended our School Governors programme, which now includes 207 governors from across the University, supporting local schools this year through over 7,500 hours (equal to almost £1,229k in financial support).

*Making the Most of Resources* constitutes a key fourth theme. We manage our resources based on the principles of a circular economy intended to reduce consumption and increase collaborative use and purchasing. To date we have seen an overall carbon reduction of 28% based on our 2005/06 baseline and will develop a new Climate Plan in 2019/20. Meanwhile, we have pledged to go single-use plastic-free by 2023. On a city scale we are working with Leeds City Council and other anchor institutions to improve local air quality through the promotion of sustainable travel options: this year, we increased the number of electric charging points on campus and enlarged our Bike Hub fleet; and 95% of students and 75% of staff travelled sustainably to the University.

We continue to manage our investment portfolio to support decarbonisation, through the use of a climate active strategy, which aims to drive behavioural change via a combination of divestment and engagement. We have fully divested from significant fossil fuel extractors; and the Council has approved seven bold principles to help tackle climate crisis. [http://www.leeds.ac.uk/info/130582/values\\_and\\_responsibility/726/the\\_climate\\_crisis\\_our\\_principles\\_for\\_action](http://www.leeds.ac.uk/info/130582/values_and_responsibility/726/the_climate_crisis_our_principles_for_action)

These principles reflect the University's determination to take a lead in mobilising its combined knowledge, influence, assets and community to help the world transition to a net-zero carbon future, and to protect ecosystems, biodiversity and the sustainability of the natural environment. In adopting the principles, we have set ourselves the target of securing a net zero carbon footprint by 2030, and to work towards having no direct carbon emissions by 2050.

### Equality and inclusion

The University's Equality and Inclusion (E&I) Framework and Strategy sets out four priorities to support our Equality Mission to be a beacon of excellence within the sector and promote a culture of inclusion, respect and equality of opportunity for all. Our activities are guided by these priorities to develop a University-wide culture which promotes equality and inclusion; to integrate and embed equality into all aspects of University business; to attract, retain, support and develop an excellent workforce from across the world; and to ensure a world-class student experience through inclusion and academic excellence.

Staff-related activities supporting the attainment of the University's Equality Mission include delivery of the Leeds Gender Framework. All our Science, Technology, Engineering, Mathematics and Medicine faculties and schools hold a Silver or Bronze Athena SWAN award – a significant University achievement – and one school was upgraded to Silver this year. We supported the participation of a further 15 women on the 2018/19 Advance HE programme for Women in Leadership ('Aurora'); and the three female co-chairs of the 'Women at Leeds Network' recruited last year are now helping to strengthen activities under the Leeds Gender Framework. The criteria for our 'Women of Achievement' awards that recognise the contribution of our female staff were refreshed this year to ensure that we can acknowledge the contribution of women from all backgrounds through this initiative on International Women's Day 2020. Our 'Women in Leadership Roles Forum' continues to support the contribution of our senior female leaders. While these measures will take time to effect long-term change, we are already beginning to see their impact and short-term dividends. Meanwhile, consistent with statutory requirements, information on our Gender Pay Gap and a plan of action to continuously reduce our gap overall can be found at <https://equality.leeds.ac.uk/initiatives/leeds-gender-framework/gender-pay-gap-2018>

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We are strengthening recruitment, support and progression for other under-represented staff groups and increasing the consideration of 'intersectionality' within our work. We are accelerating our efforts on LGBT and race inclusion, better supporting disabled staff and improving the diversity of staff at all levels of the University.

We are pleased with the uptake of our mandatory training module, which is embedding E&I in our everyday culture and all aspects of University business. We have also focused work on developing a strategic approach to addressing sexual harassment on campus; and developed a trans inclusion policy, with guidance and training to support implementation.

We support the needs of our diverse staff, students and visitors by continuing to invest in campus accessibility and infrastructure: we have improved signage; and increased the numbers of prayer spaces, breastfeeding and baby changing areas, and gender-neutral toilets.

The University continues to address areas of under-representation. Students from less advantaged backgrounds have the opportunity to progress through our Access to Leeds scheme, which supports the recruitment of the brightest and best students regardless of background; and the University's Plus Programme has been designed to promote their retention, academic success and employability. In 2018, 990 Access to Leeds Students registered onto our undergraduate programmes. Work is also under way to provide more inclusive opportunities and support, alongside developing inclusive curricula and learning and teaching practices.

## Public benefit and accountability

Detailed equality monitoring data are published at <https://equality.leeds.ac.uk/equality-data>: a snapshot of data for 2018/19 (at 1 December 2018) follows:

### University of Leeds student diversity profile

Where information is known	Home and EU students	Overseas
Female	60%	58%
Age (21 and over)	26%	65%
Black and minority ethnic+	18%	96%
Disabled	12%	2%
Low SEC participation++	23%	–
<b>Total student headcount</b>	<b>36,810*</b>	–

\* Excludes certain students for diversity monitoring purposes.

+ Some students do not disclose their ethnicity: this information is from known student data.

++ Undergraduate students only.

### Staff in post by protected characteristic

Characteristic	Protected characteristic	% where known
Gender	Female	55%
	Male	45%
Age	50-59	21%
	60+	9%
Ethnicity	Black and minority ethnic	10%
Disability	Disabled	4%
Caring responsibilities	Carers	24%
Sexual orientation	Bisexual	2%
	Gay man/woman	2%
Faith/belief	Christian	24%
	Muslim	2%
	Hindu	1%
	Jewish	1%
	No faith	36%
<b>Total staff headcount</b>	<b>8,879</b>	–

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## Maintaining standards

As part of our commitment to maintaining and supporting the highest standards in research, the University supports and upholds the principles articulated in the Concordat to Support Research Integrity. Our Research Ethics Policy and ethical review procedures seek to protect all groups involved in research – including participants, researchers, funders and the University itself – and to ensure that ethical issues are sufficiently addressed. Developmental support and training for researchers includes dedicated research ethics training provision for both staff and students, comprising workshops and supplementary online resources. A review of research ethics structures, processes and training is ongoing.

We have an established University Research Ethics Committee (UREC), supported by a network of faculty-level research ethics committees that engage staff and students. UREC has oversight of matters of general policy and principle on research; approval of proposals for research with significant ethical dimensions (including research involving human subjects or their data); and consideration of the impact of research upon the natural environment. A proportion of projects is audited each year to ensure that work is being conducted in accordance with ethical review outcomes.

Outcomes from an internal audit of the ethical review process included confirmation of significant good practice in the review process and the substantial amount of information, guidance and training available to support staff with their research proposals. The use of a light-touch process for lower risk proposals in order to accommodate high-volume was also commended; and the introduction of an electronic ethical review system will streamline the process.

The University has a protocol for investigating and resolving allegations of misconduct in academic research. We are committed to ensuring that any such allegations are subject to full, fair and quick investigation. Of the five allegations lodged in session 2018/19, three were dismissed after preliminary investigation indicated that they had no substance and one is undergoing formal investigation. After preliminary investigation indicated that the other allegation had substance, appropriate action was taken to address the complainant's concerns.

Our Code of Practice on Whistleblowing sets out how we will handle complaints of suspected malpractice or impropriety. Two anonymous allegations lodged under the code in 2018/19 in respect of conflicts of interest were judged to be without substance, although there were lessons to be learnt.

Similarly, the University operates a complaints procedure which provides for both informal and formal resolution of concerns about any aspect of a student's academic or pastoral experience. During 2018/19 the University received 87 formal student complaints (63 in 2017/18), which included complaints about deficiencies in standards of service and failure to meet obligations in terms of advertised provision and contractual requirements for academic and support services.

During the year the University also considered 274 appeals from taught students against academic judgements relating to results declared for the 2017/18 session (against 209 last year). Of these 31% were conceded by their school or upheld (in full or in part), 42% were rejected and in 26% cases the appeals were withdrawn by the student. A further 10 appeals were submitted by postgraduate researchers (10 in 2017/18): of these, five have been conceded by their school or upheld (in full or in part), three were rejected and two were under consideration at the year end.

Nine students lodged petitions with the OIA during 2018/19, eight against academic appeals dismissed by the University, and one arising from the University's Fitness to Study Procedure. One case was withdrawn by the complainant, two cases were not accepted by the OIA as they were ineligible under its rules, three cases have been dismissed and the remaining three were either currently suspended or still under review by the OIA at the end of the year.



### Use of animals in research

The University of Leeds carries out research using animals to improve the health and welfare of human beings and animals, to provide a better understanding of the animals themselves and for educational purposes. It uses animals only when there are no alternatives, and is firmly committed to the replacement, reduction and refinement of the use of animals in research ('the 3Rs').

Research involving animals is driving fundamental advances in understanding, treating and curing a range of health problems including cancer, heart disease, diabetes and mental illness, thus reducing unnecessary suffering. In addition, our researchers continue to develop new strands of thinking to tackle future issues. Research carried out at Leeds using small and large animal models has contributed to the development, commercialisation and clinical use of novel regenerative acellular biological scaffolds which enable tissue regeneration in the body by the patient's own cells. Use of animal models in Leeds also led to the first significant improvement in the recovery of voluntary control of movement in people with severe spinal cord injury.

We use alternatives to animals wherever possible – including computer modelling, synthetic tissue culture, cell and molecular biology, and research with human subjects – and we are actively involved in developing alternatives to animal tissue use. However, these alternatives cannot yet properly reproduce the complex biological characteristics of human beings and animals, and nor can they replicate the study of animals in their natural environment. Whenever animals do have to be used as part of a study, they are treated with dignity, and cared for by professionally qualified staff. All research programmes using animals are carried out to high standards and with recognition that living species are involved. Research programmes using animals operate within a strict framework of legal controls. Projects must also be approved by an ethical review committee, and researchers are trained in the ethical dimensions of their work and in standards of animal care, welfare and accommodation.

### Freedom of information and data protection

During 2018/19 we received 491 requests explicitly under the Freedom of Information Act (FOI) – a 16.5% increase on the number (421) received in 2017/18. The trends persist of broader and more complex requests and 'clusters' of requests associated with events or themes being explored in the media. Almost 20% of requests emanated from journalists. Common themes included student mental health and well-being; sexual assault and harassment; HR and procurement statistics; and IT systems and security. We responded to the vast majority of requests within the twenty-day period required by the Act, with extensions negotiated in a very small number of complex cases.

The University's arrangements for meeting its responsibilities under data protection legislation are set out in a detailed Code of Practice and associated guidance, which is also available online. During 2018/19 the University received 28 data subject access requests, compared to 10 in the previous year. This 75% increase may have arisen from the increased visibility of individual rights afforded by the General Data Protection Regulation (GDPR) that replaced the Data Protection Act in May 2018 and with revocation of a small fee. The requests originated primarily from individuals engaged in complaints or disciplinary procedures, from unsuccessful applicants to courses and jobs and from students who were not progressing on or who had failed their courses. Delivery of the third and final phase of the University's programme to ensure full compliance with the GDPR will optimise consistency across the University's IT applications, systems and file store and deliver new online training.

No complaints relating to the FOI or GDPR were lodged with the Information Commissioner's Office.

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## Fundraising

The University fundraises from alumni, corporates, trusts and foundations and other individuals. Activities include major gifts fundraising, which involves fundraisers engaging personally with potential donors and usually involves small events; face-to-face meetings and visits to campus; and grant applications to charitable trusts and foundations. Our direct marketing programme circulates two direct mail fundraising appeals a year, together with occasional legacy appeals; and we run three telephone fundraising appeals annually. In partnership with Leeds University Union, we ran a crowdfunding pilot this year to raise money for student facing projects. This was successful, raising over £6k for two student projects and will be rolled out in the next academic year.

We do not use third parties to fundraise on our behalf but do use a third party design and print agency for our direct mail appeal. Calling is undertaken on campus by a team of trained and supervised student callers. Our work is supported by guidance on working with vulnerable people in a fundraising context, which specifies compliance with the Institute of Fundraising Code of Practice. All fundraisers are required to be knowledgeable about this guidance.

We have paid the voluntary £1k levy to the Fundraising Regulator and have signed up to its Code of Fundraising Practice. No complaints were lodged during the year.

## Trade Union Facility Time

In common with other public sector organisations, the University is required under regulation 8 of The Trade Union (Facility Time Publication Requirements) Regulations 2017 to publish, in a prescribed form, specific information regarding facility time for the recognised campus trade unions. This follows below:

**Table 1: relevant union officials**

Total number of employees who were relevant union officials during the period 01.04.2018 to 31.03.2019.

Number of employees who were relevant union officials during the relevant period	Full-time equivalent employee number
21	6.4

**Table 2: Percentage of time spent on facility time**

The number of employees who were relevant union officials employed during the period 01.04.2018 to 31.03.2019, spent the following percentage of their working hours on facility time.

Percentage of time	Number of employees
0%	0
1%-50%	20
51%-99%	0
100%	1

**Table 3: Percentage of pay bill spent on facility time**

Information Requested	Figures
Provide the total cost of facility time	£264,961.35
Provide the total pay bill	£393,177,000
Provide the percentage of the total pay bill spent on facility time, calculated as: (total cost of facility time / total pay bill) x 100	0.067%

**Table 4: Paid trade union activities**

The number of hours 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: (Total hours spent on paid trade union activities by relevant union officials during the relevant period / total paid facility hours) x 100	6.53%
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## Corporate governance

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This statement covers the period 1 August 2018 to 31 July 2019 and up to the date of approval of the audited financial statements.

The University is an independent corporation established by Royal Charter 'as a teaching and examining body ... to cultivate and promote arts, science and learning'. These objects, and its powers and framework of governance, are set out in the Charter and the supporting Statutes, amendments to which must be approved by the Privy Council. It receives substantial public funding and, by virtue of the educational nature of its objectives, is an exempt charity under Schedule 3 of the Charities Act 2011.

The Council is satisfied that the University has had regard to, and materially complies with, the Higher Education Code of Governance published by the Committee of University Chairs (CUC) in December 2014, and that it also complies with relevant provisions in the First (1995) and Second (1996) Reports of the Committee on Standards in Public Life. The University is in any case committed to upholding the highest standards of corporate governance and continues to work to secure best practice in all aspects of governance, with support from the Nominating and Governance Committee in particular (see below).

### The Council

The Council is the governing body of the University. As such, it has a collective responsibility to promote the University's wellbeing and to ensure its sustainability. The specific responsibilities of the Council are outlined in its Statement of Primary Responsibilities as set out on page 31 but, in essence, it is responsible for approving corporate strategy and associated plans and budgets; for determining major business decisions and corporate policy; for the framework of governance and management; and for monitoring institutional and executive performance. The Council is also responsible for confirming annually to the Office for Students (OfS) that the methodologies used to secure continuous improvement of the student academic experience and student outcomes are, to the best of its knowledge, robust and appropriate; and that the standards of the University's awards have been appropriately set and maintained. These responsibilities are 'reserved' to the Council and, as a general rule, cannot be delegated. Other responsibilities have been delegated to committees and officers in accordance with a scheme of delegation .  
[www.leeds.ac.uk/secretariat/documents/scheme\\_of\\_delegation.pdf](http://www.leeds.ac.uk/secretariat/documents/scheme_of_delegation.pdf)

The Council normally has six business meetings a year and two away-days. It has 23 members, the majority of whom are lay. (Lay members are those who are neither employees nor students of the University.) Also included in its membership are representatives of the staff and students. For the purposes of charity law, members of the Council are the trustees of the University and, in this connection, they have had regard to the Charity Commission's guidance on public benefit. They do not receive fees or other remuneration for serving as members or trustees.

As the (lay) Chair of the Council, the Pro-Chancellor, Mr David Gray, plays a key role in the governance of the institution while remaining outside the day-to-day executive management. Members of the Council are listed in the table on page 30, together with their attendance at meetings. The University maintains a Register of Interests of members of the Council (and senior officers) which may be consulted by arrangement with the Secretary to the University, Mr Roger Gair.

### The Senate

The Senate is responsible to the Council for academic governance, and especially for regulating the admission of students; the curriculum and assessment; maintenance and enhancement of academic standards; and the award of degrees and other qualifications. The Senate consists of some 160 members of the academic staff and 19 student members; slightly over half of the staff members are elected.

In addition to its responsibility for academic governance, the Senate has an advisory role extending across most aspects of the University's work. It also serves as a two-way channel of communication, thus underpinning collegiality; and is responsible in particular for advising the Council on academic and related strategies.

The Senate may discuss and declare an opinion on any matter whatsoever relating to the University, and is given the opportunity to comment on policy questions and other matters (including the allocation of general revenue) affecting the academic work of the University.

### University Committees

The principal committees of the Council include the following.

- The Audit and Risk Committee (chaired by Mr Ed Anderson), which meets five times a year, has a significant role in reviewing the effectiveness of the systems of internal control, including financial procedures and risk management (see below), taking into account advice from the University's auditors.

The Committee also

- › reviews the control and quality assurance of data returned to external authorities and for meeting the compliance demands of various agencies
- › reviews aspects of the University's financial statements, including the audit report, the statement of primary responsibilities of the Council and the statement of internal control
- › provides the Council with assurances, including on compliance with the OfS's ongoing conditions of registration, and the terms and conditions of funding of the OfS and of Research England as appropriate
- › considers and advises the Council on the appointment of the internal and external auditors, and monitors annually their performance and effectiveness
- The Strategy and Investment Committee (chaired by the Deputy Pro-Chancellor, Mr Quentin Woodley<sup>3</sup>), monitors the development and implementation of the University's strategy and advises the Council on major investment decisions. The work of the Committee includes
  - › annually reviewing progress with the student education, research and innovation, and international strategies, staffing plans, the capital plan, and the five-year financial forecasts
  - › considering, at least annually, reports from members of the executive, and on the Integrated Planning Exercise
  - › maintaining an overview of changes in the strategic landscape
  - › considering at each meeting the capital programme monitoring dashboard
  - › reviewing, as necessary, the implementation of specific strategic initiatives
  - › advising the Council on major funding and borrowing decisions, including any significant changes to treasury policy

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<sup>3</sup>Chaired by Liz Barber from 1 August 2019.

- The Nominating and Governance Committee (chaired by the Pro-Chancellor),
  - › brings forward to the Council nominations to fill vacancies for lay members of the Council and its Committees;
  - › is required in this respect to have regard to the need to draw members from a wide variety of backgrounds, and also to strike an appropriate balance between continuity and rotation in the membership of the governing body; and
  - › considers annually the potential for improvements in governance
- The Health and Safety Committee (chaired by the Vice-Chancellor), maintains an overview of the University's arrangements for securing the health and safety of staff, students and visitors.
- The Remuneration Committee is chaired by the Deputy Pro-Chancellor<sup>4</sup>, and its other members are the Pro-Chancellor, Ed Anderson, Caroline Johnstone and Amanda Mellor<sup>5</sup> (all of whom are lay members of Council). The Committee's main responsibility is to determine the salaries of the Vice-Chancellor and other members of the University Executive Group: in so doing, the Committee has regard to the CUC's Higher Education Senior Staff Remuneration Code. The Committee makes an annual report to the Council, which is publicly available.
- The Gift Acceptance Committee (chaired by the Pro-Chancellor), scrutinises and – after considering any strategic, financial, legal, ethical and reputational issues – approves or otherwise solicitation or acceptance of gifts with a value over £150,000.
- The Equality and Inclusion Committee (chaired by the Vice-Chancellor), reviews the strategy and processes by which the University encourages good practice and innovation in securing equality and inclusion across all of its activities.
- The Animal Welfare and Ethical Review Committee promotes the welfare of animals held or used by the University under the Animals (Scientific Procedures) Act 1986 and monitors compliance with relevant legislation.

Committees of the Senate include the Taught Student Education Board, the Graduate Board; the International Strategy Board and the Research and Innovation Board.

### The Court

The University Court, which has some 80 members (the majority lay) and which meets at least twice a year, stands beyond the University's main decision-making machinery. The Court serves as a symbol of – and indeed a mechanism for – the University's accountability to the wider community and to different constituencies of stakeholder: it is empowered to ask questions about, and express an opinion on, any matter whatsoever concerning the University; and to convey such opinions to the Council.

The Court is responsible for the appointment of the Chancellor and for the award of honorary degrees.

### Senior officers and executive management

As the chief executive and senior academic officer of the University, the Vice-Chancellor, Sir Alan Langlands, exercises considerable influence on the development of institutional strategy, the identification and planning of new developments and the shaping of the institutional ethos. He is formally responsible to the Council – within a prescribed framework – for the operational management of all aspects of the University's work; and, under their respective terms and conditions of funding, is the 'accountable officer' who reports to the OfS and Research England on behalf of the University.

The University's Executive Group (UEG) consists of the Vice-Chancellor, the Deputy Vice-Chancellors, the Chief Operating Officer, the faculty executive deans, the Chief Financial Officer, the Marketing Director, the Director of Human Resources, the Director of Campus Development and the Secretary. The Vice-Chancellor delegates responsibility for specific aspects of the University's management to his colleagues on the UEG but retains ultimate responsibility for their work: executive deans and senior officers are responsible to the Council (through the Vice-Chancellor) for the leadership and overall management of the faculties and the professional services.

The UEG's formal terms of reference include protecting and promoting the interests of students; nurturing the wider University community in furtherance of the education and research mission of the institution; ensuring the academic development of the University and securing its academic and financial sustainability; formulating the University's Strategic Plan, and ensuring its implementation and the achievement of key objectives and performance targets; identifying and managing risks; and resource allocation. Members of the UEG are listed on page 30.

### Internal control

The Council is responsible for ensuring a sound and effective system of internal control that supports the fulfilment of the University's policies, aims and objectives whilst safeguarding public and other funds and assets. The system of internal control is designed to manage rather than eliminate these risks of failure: it can provide reasonable but not absolute assurance.

The approach to internal control is risk-based. As described above (pages 14-17), there is an ongoing process designed to: identify the principal risks (whether business, operational, compliance or financial) to the achievement of policies, aims and objectives; evaluate the nature and likelihood of principal risks becoming a reality, and the potential impact; take steps to manage risks efficiently, effectively and economically; review high-ranking risks (in terms of likelihood and impact) during the year; and make regular reports on internal control and risk to the Council (as well as the University Executive Group and the Audit and Risk Committee) to assure it that procedures are in place for the identified risks to be managed. This process has been in place for the year ended 31 July 2019 and up to the date of the approval of the audited financial statements.

Detailed review and monitoring of the system of internal control is carried out on behalf of the Council by the Audit and Risk Committee, from which the Council receives periodic reports. The Committee itself receives regular reports from the internal auditors; those reports include an independent opinion on the adequacy and effectiveness of the University's arrangements for risk management, governance, internal control, and securing value for money, with recommendations for improvement where appropriate. On the basis of the work they carried out during 2018/19, the internal auditors were of the opinion that the University's arrangements were generally satisfactory with some improvements required (the same opinion as the one provided in 2017/18). They also confirmed that in their view there were no significant internal control issues which required inclusion in this annual governance statement.

The Committee also seeks assurance that the University has in place adequate and effective arrangements for the management and quality assurance of data provided to the Higher Education Statistics Agency, the OfS, Research England, the Student Loans Company and other bodies.

<sup>4</sup> Quentin Woodley until 31 July 2019, Liz Barber for 2019/20 onwards.

<sup>5</sup> Caroline Johnstone and Amanda Mellor were succeeded by Helen Grantham and Iain Moffatt on 1 August 2019.



## Corporate governance

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Review of the system of internal control is informed too by the work of executive managers, who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors in their management letter and other reports.

### Financial control

The Council is required to secure the economical, efficient and effective management of the University's resources and expenditure and to safeguard its assets (including preventing and detecting corruption, fraud and bribery). In so doing, it has to ensure that funds from the OfS, Research England and as appropriate other funders are used only for the purposes for which they have been given and in accordance with the terms and conditions of funding of those bodies; and that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources.

The University discharges these responsibilities through a system of internal financial control. Key elements of this system include a comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets, together with monthly reviews of financial results involving variance reporting and updates of forecast out-turns.

Requirements for approval and control of expenditure are clearly defined and formalised, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the Council and recorded in the University's Scheme of Delegation. The Scheme of Delegation also includes clear definitions of the responsibilities of, and the authority delegated to, academic and administrative heads. This system is underpinned by comprehensive Financial Regulations which detail financial controls and procedures; and by a professional internal audit team whose annual programme is approved by the Audit and Risk Committee.

The Council is also responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the University and which ensure that the financial statements are prepared in accordance with the University's Charter, the Statement of Recommended Practice on Accounting for Further and Higher Education and other relevant law and UK Accounting Standards. In addition, within the terms and conditions of funding of the OfS and Research England, the Council, through its accountable officer, is required to ensure annually that financial statements are prepared, audited and presented which give a true and fair view of the state of affairs of the University at the end of the financial year, and of the surplus or deficit and cash flows for that year.

In causing the financial statements to be prepared, the Council has ensured that suitable accounting policies are selected and applied consistently; applicable accounting standards have been followed (subject to any material departures disclosed and explained in the financial statements); and that judgements and estimates are made that are reasonable and prudent.

### Risk management

The management of risk is integral to the work of the Council and constitutes a significant part of the University's system of internal control. As part of this process, the Council regularly considers the strategic direction of the University and institutional plans, and receives regular reports on progress against key performance indicators (KPIs), strategic initiatives and other significant projects and risk factors. The Council also requires regular reports via the Audit and Risk Committee on the steps that executive leads are taking to manage the risks associated with the achievement of the University's strategic objectives. These reporting mechanisms are underpinned by a robust methodology for identifying and prioritising risks. An institutional risk register is maintained; annual risk returns are received from executive deans of faculty; and risk awareness training is provided from time to time.

This process, which accords with CUC guidance, was further tested during the year as part of the Audit and Risk Committee's rolling programme of risk review. The Committee reviewed the University's risk management arrangements and the institutional risk appetite statement. Overall, the Committee was content that an appropriate framework to identify, assess and manage risk was in place.

As explained above (pages 14-17), we have been developing more sophisticated risk management arrangements in response to current challenges posed by the environment and a greater level of scrutiny in higher education. Key risks which could directly threaten financial sustainability are described on pages 14-17 in the Chief Financial Officer's report.

The Council has reviewed the reports of the strategic risks and their evaluation and management, and concurs with the view of the Audit and Risk Committee that the University's arrangements for identifying, evaluating and managing its significant risks are embedded into ongoing operations.

### Going concern

The Council is satisfied that the University has significant financial resources, a strong underlying financial performance, the flexibility to cope with reasonable financial pressures, and a longer-term financial forecast that underpins the delivery of a broader strategic plan.

The Council is satisfied therefore that the University has adequate resources to continue in operational existence for the foreseeable future. Accordingly, it continues to adopt the going concern basis in preparing the Annual Report and Accounts.

## Members of the University Council 2018/19

Member of Council	Brief pen-portrait	Attendance (6 Ordinary meetings, 2 Away Days)
David Gray	Pro-Chancellor and Chair of Council since 2013; former CEO and Chairman of Eversheds International; consultant to Eversheds Sutherland LLP; former member of the DWF LLP Board	6 + 2
Sir Alan Langlands	Vice-Chancellor since 2013; former Chief Executive of the HEFCE (2009-13); previously Principal and Vice-Chancellor of the University of Dundee; former Chief Executive of the NHS in England	6 + 2
Ed Anderson	Chairman of National Savings and Investments; Chairman of the Airport Operators Association; Non-Executive Director of Tablet Publishing Company; Lord Lieutenant of West Yorkshire; former Managing Director of Leeds Bradford International Airport; former Chairman of Yorkshire Building Society	5 + 2
Liz Barber	Director of Finance, Regulation and Markets for Kelda Group, owners of Yorkshire Water; previously Partner with Ernst & Young for 9 years; Non-Executive Director and Chair of Audit Committee of KCOM plc; member of HRH Prince Charles' Accounting for Sustainability CFO Network	5 + 0
Victoria Blake	Student Talent Spotting Officer, Educational Engagement; President, UCU, University of Leeds Branch	4 + 1
Rachael Brown	Athena SWAN Project Officer; ; Member-nominated Director of Pension and Assurance Scheme – PAS Trustee	6 + 1
Seb Elsworth	Chief Executive of Access – the Foundation for Social Investment	6 + 1
Serene Esuruoso	Education Officer, Leeds University Union	6 + 2
Paul Gittins	Director, Group Strategy and Competitive Analysis, Capgemini	1 + 0
Michael Howell	Engineer and Business Executive; Non-Executive Director of Wabtec Inc.; Non-Executive Director of Gama Aviation plc; Court member and former Master of the Clothworkers' Company of London; and former Chairman of the City & Guilds of London Institute	6 + 1
Caroline Johnstone	Non-Executive Director and Chair of Audit Committee of Synthomer plc; Non-Executive Director and Chair of Audit Committee of Shepherd Group Ltd; Director of CA Johnstone Limited, consulting services; Chartered Accountant (former partner with PricewaterhouseCoopers); Chair and Non-Executive Director of Reece Group Limited; Non-Executive Director of Spirax Sarco plc	4 + 1
Pam Jones	Professor of Biomedical Research, Director of Leeds Institute of Biomedical and Clinical Sciences, Faculty of Medicine and Health	5 + 2
Roger Marsh	Chartered Accountant; business recovery specialist; Chair, Leeds City Region Enterprise Partnership and NP11; Rail Review Expert Challenge Panel; member, West Yorkshire Combined Authority; Transport for the North Partnership Board; Chair of Strategic Oversight Board, Northern Powerhouse Investment Fund; Chair, Piece Hall Trust; Council Member, Institute of Directors; former Senior Partner for Yorkshire & The Humber, PricewaterhouseCoopers	4 + 1
Amanda Mellor	Group Secretary and Head of Corporate Governance, Marks & Spencer Group plc; Non-Executive Director, Volution Group plc	4 + 0
Christopher Morris	Union Affairs Officer, Leeds University Union	6 + 2
Yvette Oade	Chief Medical Officer and Deputy Chief Executive of Leeds Teaching Hospitals NHS Trust; formerly Chief Medical Officer of Hull and East Yorkshire Hospitals NHS Trust; former Deputy Chief Executive, and Consultant Paediatrician in Calderdale and Huddersfield Foundation NHS Trust	4 + 1
Leyla Okhai	Director, Diverse Minds UK Ltd – providing workplaces with training, coaching and consultancy on mental health, wellbeing and inclusion	4 + 1
Martin Pelan	Senior Student Support Officer, School of Politics and International Studies	4 + 2
Geoff Potter	Director and founder, Avebury Public Relations Ltd; Senior Partner with Instinctif Partners; formerly responsible for worldwide Corporate Communications for Glaxo/Glaxo Wellcome/ GlaxoSmithKline; Deputy Chairman, Ryedale Festival	4 + 1
Janet Sheriff	Head Teacher, Prince Henry's Grammar School Specialist Language College, Otley; CEO, Collaborative Learning Trust	3 + 2
Mark Taylor-Batty	Senior Lecturer in Theatre Studies, School of English; Committee member, UCU, University of Leeds Branch	4 + 2
Luke Windsor	Professor of Music Psychology, School of Music; Deputy Dean, Faculty of Arts, Humanities and Cultures	5 + 2
Quentin Woodley	Deputy Pro-Chancellor; Director Emeritus, McKinsey & Company; Director, Woodley Pension Trustees Ltd; Chartered Accountant	6 + 2

Two Officers and Trustees of LUU (Christopher Morris (Union Affairs Officer) and Serene Esuruoso (Education Officer)) were members from 1 July 2018 to 30 June 2019. They were replaced, respectively, on 1 July 2019 by Lauren Huxley and Abiha Khan. Paul Gittins, Caroline Johnstone, Amanda Mellor, Luke Windsor and Quentin Woodley stepped down from the Council's membership on 31 July 2019; they were replaced on 1 August 2019 by Tom Clark, Helen Grantham, Robert Kelsall, Iain Moffatt and Tim Smith.

## Members of the University Executive Group 2018/19

<b>Sir Alan Langlands</b> Vice-Chancellor (Chair)
<b>Francesca Fowler</b> Director of Human Resources
<b>Roger Gair</b> University Secretary
<b>Jo Holmes</b> Marketing Director
<b>Dennis Hopper</b> Director of Campus Development
<b>Jane Madeley</b> Chief Financial Officer
<b>Tim Peakman</b> Chief Operating Officer
<b>Professor Lisa Roberts</b> Deputy Vice-Chancellor: Research and Innovation
<b>Professor Tom Ward</b> Deputy Vice-Chancellor: Student Education
<b>Professor Hai-Sui Yu</b> Deputy Vice-Chancellor: International
<b>Professor Andy Dougill</b> Executive Dean, Faculty of Environment
<b>Professor Frank Finlay</b> Executive Dean, Faculty of Arts, Humanities and Cultures
<b>Professor Jeremy Higham</b> Executive Dean, Faculty of Social Sciences <sup>6</sup>
<b>Professor Peter Jimack</b> Executive Dean, Faculty of Engineering <sup>7</sup>
<b>Professor John Ladbury</b> Executive Dean, Faculty of Biological Sciences
<b>Professor Peter Moizer</b> Executive Dean, Faculty of Business
<b>Professor Stephen Scott</b> Executive Dean, Faculty of Mathematics and Physical Sciences <sup>8</sup>
<b>Professor Paul Stewart</b> Executive Dean, Faculty of Medicine and Health

<sup>6</sup> Faculty of Education, Social Sciences and Law to 31 January 2019.

<sup>7</sup> From 1 August 2019, two faculties will combine to form the Faculty of Engineering and Physical Sciences, of which Professor Stephen Scott will be Executive Dean.

<sup>8</sup> As Footnote 7.

### Statement of Primary Responsibilities of the Council

Within the framework laid down by the Charter and Statutes, the primary responsibilities of the Council are as follows:

#### Corporate strategy

Having regard to the interests of stakeholders:

- to approve or modify the University's mission and objectives, the strategic and operational plans designed to secure those objectives (including academic, financial, physical, staffing and capital strategies), and the underlying values and principles that shape the work of the University;
- to approve the University's annual general revenue budget and the main features of the mechanisms for allocating resources within that budget; and to ensure that the University remains solvent and that, taking one accounting period with another, its total expenditure is not greater than its total income;
- to take steps to ensure that all individuals within the University are treated fairly, with dignity and respect; that the opportunities the University provides are open to all; and that the University provides a safe, supportive and welcoming environment for staff, students and visitors; to make such provision as it thinks fit for the general welfare of students, in consultation with the Senate; and to initiate remedial action in the event of a systematic failure within the institution to respond adequately to a deterioration in the University's performance, management or reputation.

#### Corporate policies

To exercise overall responsibility for the well-being of staff and students, for the education of students, and for the University's assets, property and estate, and specifically:

- as the employing authority for all staff within the institution, to approve or modify the main features of the University's employment policies and procedures;
- to approve or modify the University's policy on health and safety, and other significant University policies and to satisfy itself that arrangements are in place for the implementation of those policies; to review annually a report from the Senate on the assurance of the quality of the education provided to the University's students;
- to approve major projects and business proposals, including in particular any projects or proposals with a value of over £3m (or £5m in respect of the University's estate) and any proposals for educational provision overseas;
- to approve the annual statement of accounts; and to act as trustees for, or to make appropriate alternative arrangements for the trusteeship of, any property, legacy, endowment, bequest or gift in support of the work and welfare of the University.

#### Operational management and systems

To approve or modify the main features of the University's overall governance and management structures, its systems of risk management, internal financial management and control and accountability, and its financial regulations and procedures; and in that regard:

- to approve or modify the overall constitutional and organisational structure and shape of the University, including, subject to the approval of the Privy Council, amendments to the Charter and Statutes;

- to ensure that systems are in place for meeting all of the University's legal obligations, including those arising from contracts and other commitments made in the University's name;
- to direct the form, use and custody of the common seal;
- to appoint the Vice-Chancellor; and, when necessary, to propose his or her removal from office in accordance with the provisions of Statute VII;
- to make nominations to the office of Chancellor;
- to appoint the Pro-Chancellor and Deputy Pro-Chancellors;
- to appoint – and where appropriate, remove from office – deputy vice-chancellors and pro-vice-chancellors;
- to appoint – and where appropriate, remove from office – a secretary to the Council, to safeguard the secretary's ability to carry out the responsibilities of that office, and, having regard to any other managerial responsibilities undertaken by the secretary, to ensure an appropriate separation in the lines of accountability;
- to appoint lay members of the Council;
- to remove members of the Council on the basis set out in Statute II;
- to ensure that University business is conducted in accordance with best practice in corporate governance within higher education, and with the principles of public life laid down by the Committee on Standards in Public Life;
- to ensure that funds provided by the HEFCE, the Office for Students and Research England are used in accordance with their respective terms and conditions;
- to ensure that reasonable arrangements are in place to safeguard the good name and values of the University, to ensure compliance with the University's constitution and to manage risk;
- to ensure that proper books of accounts are kept, to appoint the University's external and internal auditors and the University's bankers, and to approve the University's banking mandates;
- to establish, and as necessary review, procedures for handling internal grievances and for managing conflicts of interest;
- to approve or to amend, as necessary, the terms of the Trust Deeds of any University trusts; and
- to determine the basis on which any of the Council's functions shall be delegated to committees and individuals, and thereafter to satisfy itself as to the proper and effective discharge of any delegated functions.

#### Monitoring of institutional performance

To monitor and evaluate the performance and effectiveness of the University against approved plans, key performance indicators agreed by the Council and benchmarking data for comparable institutions, and also:

- to monitor the progress of major business projects;
- to confirm that the performance of the Vice-Chancellor and other executive officers is systematically monitored against institutional objectives and plans; and likewise
- to establish processes to monitor and evaluate the performance and effectiveness of the Council itself.

**Opinion**

In our opinion the financial statements of the University of Leeds (the ‘university’) and its subsidiaries (the ‘group’):

- give a true and fair view of the state of the group’s and university’s affairs as at 31 July 2019 and of the group’s and the university’s income and expenditure, gains and losses and changes in reserves and cash flows for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland” and the Statement of Recommended Practice: Accounting for Further and Higher Education.

We have audited the financial statements which comprise:

- the consolidated and university statement of comprehensive income and expenditure;
- the consolidated and university balance sheets;
- the consolidated and university statements of changes in reserves;
- the consolidated statement of cash flows;
- the statement of principal accounting policies; and
- the related notes 1 to 32.

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



**Basis for opinion**

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

We are independent of the group and the university in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council’s (the ‘FRC’s’) Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC’s Ethical Standard were not provided to the group or the university.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Summary of our audit approach**

<b>Key audit matters</b>	<p>The key audit matters that we identified in the current year were:</p> <ul style="list-style-type: none"> <li>• the cut-off of deferred research grant income;</li> <li>• the accounting for capital projects; and</li> <li>• the valuation of USS defined benefit obligations.</li> </ul> <p>Within this report, any new key audit matters are identified with  and any key audit matters which are the same as the prior year identified with .</p>
<b>Materiality</b>	<p>The materiality that we used for the group financial statements was £7.9m (2018 £7.2m) which was determined on the basis of 1% of income (2018 1% of income).</p>
<b>Scoping</b>	<p>Our group audit was scoped by obtaining an understanding of the Group and its environment, including group-wide controls, and assessing the risks of misstatement at the group level. The group audit, including audit of the consolidation, the University and the subsidiaries is performed primarily at the University of Leeds.</p>
<b>Significant changes in our approach</b>	<p>There were no significant changes in our approach compared to prior years.</p>



## Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the governing body's use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the governing body has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the university'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.

**We have nothing to report in respect of these matters.**

## 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 forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Cut off of deferred research grant income >

<p><b>Key audit matter description</b></p>	<p>The University's research function carry out a significant number of research projects and programs which are funded by various donors, including Research Councils and charities. Some of these grants are subject to performance conditions, which, if not met, would result in the grant being repaid to the grant payer.</p> <p>We have identified a key audit matter in relation to deferred research grant income totalling £81m at the year-end (2018: £69m) as disclosed in note 20 of the accounts. There is a risk around the year-end that the judgements taken could lead to a cut-off error and that income is recognised in the incorrect period.</p> <p>Sector expectations may place pressure on management to influence the recognition of income. This could result in the misstatement, due to error or fraud, of the deferral of the income to assist in meeting current and future expectations.</p> <p>Details of the accounting policies applied are set out on page 46.</p>
<p><b>How the scope of our audit responded to the key audit matter</b></p>	<ul style="list-style-type: none"> <li>• We evaluated the design and implementation of key controls relating to income recognition for research grants;</li> <li>• We performed focused testing on a sample of research grants to validate that income has been recognised in line with fulfilment of the associated performance conditions;</li> <li>• We have challenged management's assessment of the classification of these items and the completeness of their impact on the income recognised in the year; and</li> <li>• We have reviewed correspondence and contracts to assess the risk of clawback of funding.</li> </ul>
<p><b>Key observations</b></p>	<p>Based on the work performed, we are satisfied that the balances recognised in relation deferred research grant income, and the related disclosures given, are satisfactory.</p>

## Accounting for capital projects >

<b>Key audit matter description</b>	<p>The University is nearing completion of its 5 year investment programme. At the balance sheet date, costs totalling £108m (2018: £94m) have been capitalised in year in relation to this programme in the year as per note 12.</p> <p>There are a number of judgements related to the capitalisation of capital projects to meet the requirements set out in the 'Property, Plant and Equipment' section of the HE SORP.</p> <p>Key judgements include whether costs incurred in the early stage of a capital project are recoverable, the treatment of overheads including own labour costs, the treatment of expenditure on existing fixed assets which may be of a maintenance nature, and treatment of costs which relate to a capital project but which are themselves of a revenue nature.</p> <p>The accounting policies adopted have been disclosed on page 46 of the accounts.</p>
<b>How the scope of our audit responded to the key audit matter</b>	<ul style="list-style-type: none"><li>• We evaluated the design and implementation of key controls relating to accounting for capital projects;</li><li>• We have challenged management's judgements in relation to a sample of assets capitalised in the year, understanding the substance of the transaction, agreeing through to supporting documentation and physical verification of the asset; and</li><li>• We have made enquiries of the Estates department and reviewed the capital programme timetable to understand the nature of capital projects and assessed any indications of impairment of other assets scheduled to be replaced.</li></ul>
<b>Key observations</b>	<p>Based on the work performed, we are satisfied that the balances recognised in relation to the accounting for capital projects and the related disclosures given, are satisfactory.</p>

## Valuation of defined benefit obligations >

<b>Key audit matter description</b>	<p>As described in the statement of accounting policies, the group participates in the Universities Superannuation Scheme ('USS').</p> <p>As per note 29 in the accounts, in respect of USS, at 31 July 2019, the group recognised a liability of £201m in relation to future deficit recovery payments the University is contractually bound to make.</p> <p>We have identified a key audit matter in relation to the valuation of the defined benefit obligations under the USS Scheme, accounted for in line with the 'Employee Benefits' section of the HE SORP. This includes the appropriateness of the assumptions used, some of which are University specific. The assumptions are particularly subjective and small amendments to an assumption can result in a significant change to the scheme liabilities.</p> <p>The accounting policies adopted by the University have been disclosed on page 46 of the accounts.</p>
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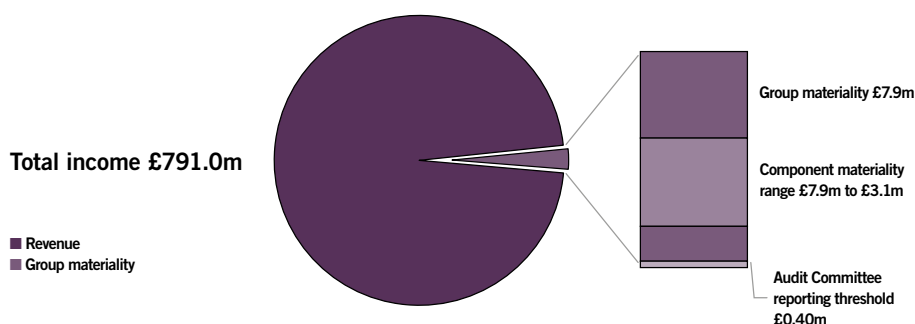
<b>How the scope of our audit responded to the key audit matter</b>	<ul style="list-style-type: none"> <li>• We evaluated the design and implementation of key controls relating to the valuation USS defined benefit obligations;</li> <li>• We have reviewed the methodology applied in valuing the USS liabilities recognised, with reference to the British Universities Finance Directors Group guidance and models, and evaluated the key assumptions around salary inflation and future headcount.</li> <li>• We have used internal actuarial specialists to review the assumptions used in the valuation and compare these to sector practice.</li> <li>• We have considered the consistency of the key assumptions year on year and obtained evidence to support the University specific assumptions determined by management.</li> </ul>
<b>Key observations</b>	Based on the work performed, we are satisfied that the balances recognised in relation to valuation of defined benefit obligations and the related disclosures given, are satisfactory.

### Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

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

	Group financial statements	University financial statements
<b>Materiality</b>	£7.9m (2018: £7.2m)	£7.8m (2018: £7.1m)
<b>Basis for determining materiality</b>	1% of total income (2018: 1%)	1% of total income (2018: 1%)
<b>Rationale for the benchmark applied</b>	We continue to use total income as the benchmark for determining materiality as we deem this reflects the underlying performance of the business and is a key metric for users of the financial statements.	We continue to use total income as the benchmark for determining materiality as we deem this reflects the underlying performance of the business and is a key metric for users of the financial statements.



We agreed with the Audit and Risk Committee that we would report to the Committee all audit differences in excess of £0.4m (2018: £0.4m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit and Risk Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

The component materiality applied ranged from between 40% and 99.1% of Group materiality (£3.1m to £7.8m) dependent on our assessment of risks specific to each component and based on the component's income.

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## An overview of the scope of our audit

Our group audit was scoped by obtaining an understanding of the group and its environment, including group-wide controls, and assessing the risk of material misstatement at the group level. The group audit, including audit of the consolidation, the University, the subsidiaries, joint ventures and associates is performed primarily at the University of Leeds.

At the group level, we also tested the consolidation process, including carrying out procedures on the joint venture and associate entities which were not subject to audit. Full scope audits were performed on the University and its subsidiaries covering 100% of the group's total income (2018: 100%), and 100% of the group's total net assets (2018: 100%). There have been no significant changes in our scoping compared to prior year.

## Other information

The Council (as the governing body) is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our 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 this other information, we are required to report that fact.

**We have nothing to report in respect of these matters.**

## Responsibilities of the Council

As explained more fully in the Council's statement of primary responsibilities, the Council 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 Council determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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



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## **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.

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud are set out below.

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

## **Extent to which the audit was considered capable of detecting irregularities, including fraud**

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

### **Identifying and assessing potential risks related to irregularities**

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- enquiring of management, internal audit and the Audit and Risk Committee, including obtaining and reviewing supporting documentation, concerning the group's policies and procedures relating to:
  - › identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - › detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - › the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations;
- discussing among the engagement team and involving relevant internal specialists, including tax, pensions and IT specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, we identified potential for fraud in deferred research grant income recognition and accounting for capital projects; and
- obtaining an understanding of the legal and regulatory framework that the group operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the group. The key laws and regulations we considered in this context included the Higher Education Act and Office for Students (OfS) regulations.

### **Audit response to risks identified**

As a result of performing the above, we identified deferred research grant income recognition and accounting for capital projects as key audit matters. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters. As a result of performing the above, we did not identify any key audit matters related to the potential risk of fraud or non-compliance with laws and regulations.

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

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, the Audit and Risk Committee and legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with relevant regulatory authorities, including the OfS; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

## **Report on other legal and regulatory requirements**

### **Opinions on other matters prescribed by the Office for Students (OfS) “Regulatory Advice 9: Accounts Direction”**

#### **In our opinion, in all material respects:**

- funds from whatever source administered by the university for specific purposes during the year ended 31 July 2019 have been applied to those purposes and managed in accordance with relevant legislation;
- funds provided by the OfS and Research England have been applied in accordance with the terms and conditions of the Accounts Direction and any other terms and conditions attached to them during the year ended 31 July 2019; and
- the requirements of the OfS’s accounts direction (applied as disclosed in note 2 to the accounting policies ) have been met.

#### **Other matters**

##### **Auditor tenure**

Following the recommendation of the audit and risk committee, we were appointed by the Council in April 2004 to audit the financial statements for the year ending 31 July 2005 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 15 years, covering the years ending 2005 to 2019.

##### **Consistency of the audit report with the additional report to the audit committee**

Our audit opinion is consistent with the additional report to the audit and risk committee we are required to provide in accordance with ISAs (UK).

##### **Use of our report**

This report is made solely to the Council in accordance with the Accounts Direction issued by the Office for Students dated 19 June 2018. Our audit work has been undertaken so that we might state to the Council those matters we are required to state to it in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council as a body, for our audit work, for this report, or for the opinions we have formed.

**Paul Thomson (Senior statutory auditor)**

**For and on behalf of Deloitte LLP**

**Statutory Auditor**

**Leeds, United Kingdom**

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# ANNUAL ACCOUNTS

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# Consolidated and University Statement of Comprehensive Income and Expenditure

for the year ended 31 July 2019

	Notes	2018/19		2017/18	
		Consolidated £000	University £000	Consolidated £000	University £000
<b>Income</b>					
Tuition fees and education contracts	1	400,182	398,849	349,213	347,800
Funding body grants	2	89,203	89,203	89,093	89,093
Research grants and contracts	3	150,824	150,824	137,148	137,148
Other income	4	130,362	124,727	127,545	120,485
Investment income	5	6,097	6,213	3,964	4,031
Donations and endowments	6	15,182	15,182	7,621	7,621
<b>Total income</b>		<b>791,850</b>	<b>784,998</b>	714,584	706,178
<b>Expenditure</b>					
Staff costs	7	411,991	407,816	387,408	383,378
Movement on USS provision	22	135,822	135,822	(653)	(653)
<b>Total staff costs</b>		<b>547,813</b>	<b>543,638</b>	386,755	382,725
Other operating expenses	9	274,600	272,163	248,111	245,160
Depreciation and amortisation	11, 12	56,215	55,621	58,025	57,433
Interest and other finance costs	8	11,243	11,243	11,757	11,757
<b>Total expenditure</b>	9	<b>889,871</b>	<b>882,665</b>	704,648	697,075
<b>Operating (deficit)/surplus</b>		<b>(98,021)</b>	<b>(97,667)</b>	9,936	9,103
Realised (loss)/gain on disposal of fixed assets		(2,166)	(2,150)	49	54
Unrealised gain/(loss) on investments		4,114	3,639	(862)	(862)
Share of operating surpluses/(deficits) in jointly controlled entities		34	–	(341)	–
Share of operating deficits in associates		(1,741)	–	(1,070)	–
<b>(Deficit)/surplus before tax</b>		<b>(97,780)</b>	<b>(96,178)</b>	7,712	8,295
Taxation	10	3	–	(76)	(48)
<b>(Deficit)/surplus for the year</b>		<b>(97,777)</b>	<b>(96,178)</b>	7,636	8,247
Actuarial (loss)/gain in respect of pension schemes	29	(29,999)	(29,999)	58,090	58,090
<b>Total comprehensive (expense)/income for the year</b>		<b>(127,776)</b>	<b>(126,177)</b>	65,726	66,337
Represented by:					
Endowment comprehensive income for the year		5,148	5,148	4,427	4,427
Restricted comprehensive income for the year		8,617	8,617	1,068	1,068
Unrestricted comprehensive (expense)/income for the year		(141,541)	(139,942)	60,231	60,842
		<b>(127,776)</b>	<b>(126,177)</b>	65,726	66,337

All items of income and expenditure relate to continuing activities.



# Consolidated and University Statement of Changes in Reserves

for the year ended 31 July 2019

	Notes	Income and expenditure account			Total £000
		Endowment £000	Restricted £000	Unrestricted £000	
<b>Consolidated</b>					
<b>Balance at 1 August 2017</b>		<b>72,747</b>	<b>6,558</b>	<b>670,770</b>	<b>750,075</b>
Surplus from the statement of comprehensive income		4,427	1,068	2,141	7,636
Other comprehensive income	29	–	–	58,090	58,090
<b>Total comprehensive income for the year</b>		<b>4,427</b>	<b>1,068</b>	<b>60,231</b>	<b>65,726</b>
<b>Balance at 31 July 2018</b>		<b>77,174</b>	<b>7,626</b>	<b>731,001</b>	<b>815,801</b>
Surplus/(deficit) from the statement of comprehensive income		5,148	8,617	(111,542)	(97,777)
Other comprehensive expense	29	–	–	(29,999)	(29,999)
<b>Total comprehensive income/(expense) for the year</b>		<b>5,148</b>	<b>8,617</b>	<b>(141,541)</b>	<b>(127,776)</b>
<b>Balance at 31 July 2019</b>		<b>82,322</b>	<b>16,243</b>	<b>589,460</b>	<b>688,025</b>

	Notes	Income and expenditure account			Total £000
		Endowment £000	Restricted £000	Unrestricted £000	
<b>University</b>					
<b>Balance at 1 August 2017</b>		<b>72,747</b>	<b>6,522</b>	<b>669,533</b>	<b>748,802</b>
Surplus from the statement of comprehensive income		4,427	1,068	2,752	8,247
Other comprehensive income	29	–	–	58,090	58,090
<b>Total comprehensive income for the year</b>		<b>4,427</b>	<b>1,068</b>	<b>60,842</b>	<b>66,337</b>
<b>Balance at 31 July 2018</b>		<b>77,174</b>	<b>7,590</b>	<b>730,375</b>	<b>815,139</b>
Surplus/(deficit) from the statement of comprehensive income		5,148	8,617	(109,943)	(96,178)
Other comprehensive expense	29	–	–	(29,999)	(29,999)
<b>Total comprehensive income/(expense) for the year</b>		<b>5,148</b>	<b>8,617</b>	<b>(139,942)</b>	<b>(126,177)</b>
<b>Balance at 31 July 2019</b>		<b>82,322</b>	<b>16,207</b>	<b>590,433</b>	<b>688,962</b>

# Consolidated and University Balance Sheet

for the year ended 31 July 2019

	Notes	2018/19		2017/18	
		Consolidated £000	University £000	Consolidated £000	University £000
<b>Non-current assets</b>					
Intangible assets	11	1,300	1,300	1,896	1,896
Fixed assets	12	918,966	910,253	866,515	855,132
Heritage assets	13	29,732	29,732	29,480	29,480
Investments	15	79,057	91,231	77,271	89,390
Investments in jointly controlled entities	16	226	–	236	–
Investments in associates	17	714	–	1,925	–
Retirement benefit asset	29	–	–	33,736	33,736
		<b>1,029,995</b>	<b>1,032,516</b>	1,011,059	1,009,634
<b>Current assets</b>					
Stock		555	518	641	378
Trade and other receivables	18	97,141	100,306	81,144	85,363
Investments	19	114,135	114,135	103,839	103,839
Cash and cash equivalents		193,064	191,744	197,884	193,247
		<b>404,895</b>	<b>406,703</b>	383,508	382,827
Less: Creditors: amounts falling due within one year	20	(230,090)	(231,476)	(202,139)	(200,995)
<b>Net current assets</b>		<b>174,805</b>	<b>175,227</b>	181,369	181,832
<b>Total assets less current liabilities</b>		<b>1,204,800</b>	<b>1,207,743</b>	1,192,428	1,191,466
Creditors: amounts falling due after more than one year	21	(296,103)	(298,348)	(302,113)	(302,095)
<b>Provisions</b>					
Pension provisions	22	(201,503)	(201,503)	(66,329)	(66,329)
Other provisions	22	(19,169)	(18,930)	(8,185)	(7,903)
<b>Total net assets</b>		<b>688,025</b>	<b>688,962</b>	815,801	815,139

# Consolidated and University Balance Sheet

for the year ended 31 July 2019

	Notes	2018/19		2017/18	
		Consolidated £000	University £000	Consolidated £000	University £000
<b>Restricted Reserves</b>					
Income and expenditure reserve – endowment reserve	23	<b>82,322</b>	<b>82,322</b>	77,174	77,174
Income and expenditure reserve – restricted reserve	24	<b>16,243</b>	<b>16,207</b>	7,626	7,590
<b>Unrestricted Reserves</b>					
Income and expenditure reserve – unrestricted		<b>589,460</b>	<b>590,433</b>	731,001	730,375
<b>Total Reserves</b>		<b>688,025</b>	<b>688,962</b>	815,801	815,139

The financial statements were approved by Council on 28 November 2019 and were signed on its behalf on that date by:

**Sir Alan Langlands**

Vice-Chancellor

**David Gray**

Pro-Chancellor and Chair of Council

**Jane Madeley**

Chief Financial Officer

# Consolidated Statement of Cash Flows

for the year ended 31 July 2019

	Notes	2018/19 £000	2017/18 £000
<b>Cash flow from operating activities</b>			
(Deficit)/surplus before tax		(97,780)	7,712
<b>Adjustment for non-cash items</b>			
Depreciation	12	55,248	57,072
Amortisation of intangibles	11	967	953
Donated heritage assets		(93)	(805)
(Gain)/loss on investments		(4,114)	862
Defined benefit pension adjustment		5,407	5,399
Decrease/(increase) in stock		86	(64)
Increase in debtors		(7,400)	(4,848)
Increase in creditors		27,204	15,493
Increase/(decrease) in pension provision		132,058	(4,813)
Increase in other provisions		11,028	550
Share of operating (surpluses)/deficits in jointly controlled entities		(34)	341
Share of operating deficits in associates		1,741	1,070
<b>Adjustment for investing or financing activities</b>			
Investment income	5	(6,097)	(3,964)
Interest and other finance costs	8	11,243	11,757
Endowment income	6	(187)	(2,200)
Loss/(gain) on disposal of fixed assets		2,166	(49)
Capital grant income		(24,859)	(17,188)
<b>Net cash inflow from operating activities</b>		<b>106,584</b>	<b>67,278</b>
<b>Cash flows from investing activities</b>			
Proceeds from sales of fixed assets		14	16,018
Capital grant receipts		16,559	15,283
Disposal of non-current asset investments		1,013	4,279
Addition of deposits		(10,296)	(3,980)
Investment income		5,783	3,896
Payments made to acquire fixed assets	12	(107,817)	(93,629)
Payments made to acquire intangible assets	11	(371)	(24)
Payments made to acquire heritage assets	13	(159)	(72)
New non-current asset investments	15, 17	(1,279)	(3,140)
<b>Net cash outflow from investing activities</b>		<b>(96,553)</b>	<b>(61,369)</b>

# Consolidated Statement of Cash Flows

for the year ended 31 July 2019

	Notes	2018/19 £000	2017/18 £000
<b>Cash flows from financing activities</b>			
Interest paid		(8,630)	(8,760)
Interest element of service concession payments	14	(1,128)	(1,150)
Endowment cash received	6	187	2,200
Increase in borrowings		–	337
Repayments of amounts borrowed		(4,330)	(4,260)
Capital element of service concession payments		(970)	(635)
<b>Net cash outflow from financing activities</b>		<b>(14,871)</b>	<b>(12,268)</b>
<b>Tax received/(paid)</b>		<b>20</b>	<b>(8)</b>
<b>Decrease in cash and cash equivalents in the year</b>		<b>(4,820)</b>	<b>(6,367)</b>
Cash and cash equivalents at beginning of the year		197,884	204,251
Cash and cash equivalents at end of the year		193,064	197,884
<b>Analysis of net funds</b>			
Cash and cash equivalents		193,064	197,884
Investments		114,135	103,839
Unsecured fixed rate public bond		(247,793)	(247,736)
Secured loans		(19,872)	(24,202)
<b>Net funds at 31 July</b>		<b>39,534</b>	<b>29,785</b>



# Statement of Accounting Policies

for the year ended 31 July 2019

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## 1. University Information

"The University is an independent corporation established by Royal Charter in 1904 'as a teaching and examining body... to cultivate and promote arts, science and learning'. These objects, and its powers and framework of governance, are set out in the Charter and its supporting Statutes, amendments to which must be approved by the Privy Council. It receives substantial public funding and, by virtue of the educational nature of its objectives, is an exempt charity under Schedule 3 of the Charities Act 2011.

**Address: University of Leeds, Woodhouse Lane, Leeds, England LS2 9JT**

**Royal Charter Number: RC000658"**

## 2. Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2015 and in accordance with Financial Reporting Standards (FRS 102). The University is a public benefit entity and therefore has applied the relevant public benefit requirement of FRS 102. The financial statements are prepared in accordance with the historical cost convention as modified by the revaluation of endowment asset investments, listed fixed asset investments, heritage assets and certain other fixed assets.

These financial statements have also been prepared in accordance with the Office for Students Accounts Direction dated June 2018, except for the disclosures in note 7, which have been prepared in accordance with paragraph 12 of the OfS Accounts Direction issued October 2019. We have chosen to adopt the provisions of these specific paragraphs early in accordance with paragraph 6 of the 2019 Accounts Direction in order to provide more meaningful information to the users of the financial statements. Comparative disclosures in note 7 have been restated to comply with the new requirements for consistency.

As per the going concern section of the Corporate Governance report, the University continues to adopt the going concern basis in preparing the Annual Report and Accounts.

The financial statements are prepared in Sterling which is the functional currency of the group and rounded to the nearest £000.

## 3. Exemptions under FRS 102

The University has taken the exemption under section 3.3 of the SORP (1.12(b) of FRS 102) to not produce a cash flow statement for the University in its separate financial statements.

## 4. Basis of consolidation

The consolidated financial statements combine the financial statements of the University, its subsidiary undertakings with a 31 July year-end, and one subsidiary undertaking, University of Leeds Farms Limited, with a 30 April year-end. The results of subsidiaries acquired or disposed of during the period are included in the Consolidated Statement of Comprehensive Income and Expenditure from the date of acquisition 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 jointly controlled entities are accounted for using the equity method.

## 5. Income recognition

Income from the sale of goods or services is credited to the Consolidated Statement of Comprehensive Income and Expenditure 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 and credited to the Consolidated Statement of Comprehensive Income and Expenditure over the period in which students are studying. Bursaries and scholarships are accounted for gross as expenditure and not deducted from income.

Investment income is credited to the Consolidated Statement of Comprehensive Income and Expenditure on a receivable basis.

Funds the University receives and disburses as paying agent on behalf of a funding body are excluded from the income and expenditure of the University where the University is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

The University had no significant income or operating surplus from activities other than its principal activity or from activities outside of the United Kingdom and as a result, no segmental reporting is presented.

### Grant funding

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

# Statement of Accounting Policies

for the year ended 31 July 2019

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## Donations and endowments

Donations and endowments are non-exchange transactions without performance related conditions. Donations and endowments with donor imposed restrictions are recognised in income when the University is entitled to the funds. The 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 funds.

Investment income and movement in the fair value 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 may spend the endowment in full.
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.

## Capital grants

Capital grants are recognised in income when the University is entitled to the funds subject to any performance related conditions being met. Where grant funded assets are in the course of construction, we consider on a case by case basis whether their construction constitutes a performance related condition. In the event that it does, income will be recognised as the expenditure to complete the asset is incurred.

## 6. Total return

The University operates a total return endowment investment management policy for permanent endowments and an associated total return accounting policy. Total return accounting allows the spending of permanent endowment investment gains regardless of whether they are realised/unrealised capital gains or dividend/interest income. Investment gains on permanent endowment assets are recognised in the Statement of Comprehensive Income as accrued. The gains are recorded within the University's permanent endowment reserves as unapplied return. For permanent endowments unapplied return is transferred to unrestricted reserves as expenditure is incurred against the charitable purposes of each endowment.

UK charity law requires the University to maintain the charitable benefit of all permanent endowments in perpetuity. The University has adopted a policy of indexing brought forward permanent endowment capital by the Consumer Price Index (CPI) to maintain the original capital value in real terms. To achieve this, a transfer is made on an annual basis from unapplied return to an indexation reserve (a subset of permanent endowment capital).

## 7. Accounting for retirement benefits

The principal pension schemes for the University's staff are the Universities Superannuation Scheme (USS) and, for support staff, there is a choice between the University of Leeds Defined Contribution Plan (DC Plan) and the University of Leeds Pension and Assurance Scheme (PAS). Under auto enrolment regulations the DC Plan is the default scheme for support staff. USS and PAS are defined-benefit schemes which are externally funded and contracted out of the State Second Pension Scheme. The funds are valued every three years by actuaries using the Projected Unit Method, the rates of contribution payable being determined by the trustees on the advice of the actuaries. The USS is a multi-employer scheme for which it is not possible to identify the assets and liabilities to institutional members due to the mutual nature of the Scheme and therefore this scheme is accounted for as a defined contribution retirement benefit scheme, as required by Section 28 of FRS 102 "Employee benefits". As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period. Since the University has entered into a deficit recovery agreement, a liability is recognised for the discounted present value of the contributions payable that arise from the agreement to the extent that they relate to the deficit. For the other defined benefit scheme, PAS, the cost of providing benefits is determined using the Projected Unit Method, with actuarial valuations being carried out at each Balance Sheet date. Actuarial gains and losses are recognised in full in the period in which they occur. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested. The pension deficit recognised in the Balance Sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, and the pension asset represents the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refund and reductions in future contributions to the scheme.

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### Defined benefit plan

Defined benefit plans are post-employment benefit plans other than defined contribution plans. 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 Group recognises 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. The calculation is performed by a qualified actuary using the projected unit credit method. 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.

### Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which the company 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 Statement of Comprehensive Income in the periods during which services are rendered by employees.

## 8. 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.

## 9. Service concession arrangements

Fixed assets held under service concession arrangements are recognised on the Balance Sheet at the present value of the minimum lease payments when the assets are brought into use with a corresponding financial liability. Payments under the service concession arrangement are allocated between service costs, finance charges and financial liability repayments to reduce the financial liability to nil over the life of the arrangement.

## 10. Operating leases

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

## 11. Foreign currency

Transactions in foreign currencies are translated to Sterling 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 Sterling at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in Surplus or Deficit.

## 12. Fixed assets

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Residential buildings have been revalued to fair value prior to the date of transition to the 2015 FE HE SORP, and are measured on the basis of deemed cost, being the revalued amount. Costs incurred in relation to land and buildings after initial purchase or construction, and prior to valuation, are capitalised to the extent that they increase the expected future benefits to the University.

Where parts of a fixed asset have different useful lives, they are accounted for as separate items of fixed assets. Land is not depreciated as it is considered to have an indefinite useful life. Buildings under construction are not depreciated until they are completed. Buildings are depreciated in equal instalments over their expected useful lives as follows:

Buildings are depreciated in equal instalments over their expected useful lives as follows:

Academic buildings	50 years
Residences	30 years
Laboratories, lecture theatres and other major building refurbishment	30 years
Other building refurbishment	10 years

# Statement of Accounting Policies

for the year ended 31 July 2019

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## Equipment

In the accounts of the University, but not the subsidiary undertakings, individual items or groups of related items costing less than £25,000 are written off in the year of acquisition. All other equipment is capitalised.

In the accounts of the University, capitalised equipment is stated at cost and depreciated in equal instalments over its expected useful life as follows:

Computing equipment	4 years
Equipment acquired for specific research projects	project life
Other equipment	10 years
Motor vehicles	4 years
Furniture	5 years

## Impairment

A review for impairment of property, plant and equipment is carried out if events or changes in circumstances indicate that the carrying amount of the property, plant and equipment may not be recoverable.

## Borrowing costs

Borrowing costs are recognised as expenditure in the period in which they are incurred and are not separately identified and capitalised.

## 13. Heritage assets

Works of art and other valuable artefacts valued at over £25,000 have been capitalised and recognised at their cost or value where 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.

## 14. Intangible assets

Intangible assets which cost more than £25,000 are capitalised at cost and are amortised over four years representing the estimated economic life of the assets.

Intangible assets are subject to periodic impairment reviews as appropriate.

## 15. Investments

Non current asset investments are held on the Balance Sheet at amortised cost less impairment where the shares are unlisted and hence the fair value cannot be reliably determined. Listed investments are held at fair value with movements recognised as surplus or deficit. Investments in jointly controlled entities, associates and subsidiaries are carried at cost less impairment in the University's accounts. Current asset investments are held at fair value with movements recognised in the Surplus or Deficit.

## 16. Stock

Except for farming stock which is professionally valued, stock is stated at the lower of cost and net realisable value. Cost is determined on a first in first out basis and includes all direct costs incurred. Net realisable value is based on estimated selling price allowing for all further costs.

## 17. Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits, either repayable on demand or with a maturity of up to three months from the initial investment. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value.

## 18. Financial assets and liabilities

Financial assets and liabilities are recognised when the University becomes a party to the contractual provision of the instrument.

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a finance transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the Balance Sheet when, and only when there exists a legally enforceable right to set off the recognised amounts and the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised when and only when:

- the contractual rights to the cash flows from the financial asset expire or are settled,
- the Group transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or
- the Group, despite having retained some significant risks and rewards of ownership, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

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## Investments

Investments in non-convertible preference shares and non-puttable ordinary or preference shares (where shares are publicly traded or their fair value is reliably measurable) are measured at fair value through profit or loss. Where fair value cannot be measured reliably, investments are measured at cost less impairment. In the University Balance Sheet, investments (including investments in associates) are measured at cost less impairment. For investments in subsidiaries acquired for consideration, cost is measured by reference to the nominal value only of the shares issued. Any premium is ignored.

## Loans

Loans which are basic financial instruments (as defined in paragraph 11.9 of FRS 102) are initially recorded at the transaction price, net of any transaction costs. Subsequently, they are measured at amortised cost using the effective interest rate method and are subject to an annual impairment review. Other debt instruments not meeting these conditions are measured at fair value through profit or loss.

## Public bonds

Bonds are initially measured at the proceeds of issue less all transaction costs directly attributable to the issue. After initial recognition, the bonds are measured at amortised cost using the effective interest rate method. Under this method the discount at which the bonds were issued and the transaction costs are accounted for as an additional interest expense over the term of the bonds.

## 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.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

## Fair value measurement

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

## 19. Provisions

Provisions are recognised in the financial statements when:

- (a) the University has a present obligation (legal or constructive) as a result of a past event;
- (b) it is probable that an outflow of economic benefits will be required to settle the obligation; and
- (c) 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.

## 20. Taxation

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

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

The University's subsidiaries are liable to Corporation Tax in the same way as other commercial organisations.

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.

The University's principal activities are exempt from VAT but certain ancillary supplies and services are liable to VAT at various rates. Expenditure includes irrecoverable VAT charged by suppliers to the University. The University does not have to pay Stamp Duty Land Tax when buying and leasing a property.

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. The deferred tax is measured at the rate expected to apply in periods in which the timing differences are expected to reverse, based on the tax rates and laws that are enacted or substantively enacted at the Balance Sheet date. Unrelieved tax losses and other deferred tax assets shall be recognised only to the extent that it is probable that they will be recovered against future taxable profits. Deferred tax assets and liabilities are not discounted.



# Statement of Accounting Policies

for the year ended 31 July 2019

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## 21. Reserves

Reserves are classified as restricted or unrestricted. Restricted endowment reserves include balances which, through endowment to the University, are held as a restricted fund which the University invest to generate a return.

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

## 22. Significant estimates and judgements

Significant estimates and judgements used in the preparation of the financial statements are as follows:

### Significant estimates

#### Retirement benefits obligations

The University operates its own defined benefit scheme, the University of Leeds Pension and Assurance Scheme (PAS), and participates in the Universities Superannuation Scheme (USS). Actuarial valuations are carried out as determined by the trustees at intervals of not more than three years.

PAS pension costs under FRS 102 are calculated by the University's actuary based upon the latest actuarial valuation and assumptions agreed by management following actuarial advice. These assumptions are documented in note 29.

The USS scheme is accounted for as a defined contribution scheme as insufficient information is available to use defined benefit accounting. FRS 102 makes the distinction between a group plan and a multi-employer scheme. A group plan consists of a collection of entities under common control typically with a sponsoring employer. A multi-employer scheme is a scheme for entities not under common control and represents (typically) an industry-wide scheme such as USS. The accounting for a multi-employer scheme where the employer has entered into an agreement with the scheme that determines how the employer will fund a deficit results in the recognition of a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and the resulting expense in profit or loss in accordance with section 28 of FRS 102. The directors are satisfied that the scheme provided by USS meets the definition of a multi-employer scheme and has therefore recognised the discounted fair value of the contractual contributions under the funding plan in existence at the date of approving the financial statements.

The USS deficit recovery plan defines the deficit payment required as a percentage of future salaries until 2034. These deficit contributions will be reassessed with each triennial valuation of the scheme. The provision is sensitive to the salary inflation and the size of University's membership, and these assumptions are established by management with reference to the University's agreed strategic plan.

The deficit recovery plan agreed after the 2017 actuarial valuation has been used to calculate the provision in these accounts. The 2018 valuation was completed after the year-end and incorporated a significantly reduced deficit recovery payment period. It is the judgement of the University that the 2017 plan forms the correct basis for the deficit recovery provision at the Balance Sheet date. Further information on this judgement is presented in note 22.

### Significant judgements

#### Assets under construction

The University is undergoing a period of significant capital expenditure. A judgement must be made as to when an asset ceases to be classified as under construction and is available for use. Assets under construction are held at cost and depreciation commences once the asset is available to use. This judgement therefore affects both the classification of the asset in note 12 and the depreciation charge for the year.

# Notes to the accounts

for the year ended 31 July 2019

## 1 Tuition fees and education contracts

	2018/19		2017/18	
	Consolidated £000	University £000	Consolidated £000	University £000
Full-time Home/EU students	203,537	203,537	191,693	191,693
Full-time Students from outside the EU	154,984	154,984	118,143	118,143
Part-time Home/EU students	5,378	5,378	4,979	4,979
Part-time Students from outside the EU	592	592	747	747
Research Training Support Grants	13,774	13,774	13,350	13,350
Short Course Fees	15,331	13,998	12,194	10,781
NHS Teaching Contract	6,586	6,586	8,107	8,107
	<b>400,182</b>	<b>398,849</b>	349,213	347,800

## 2 Funding body grants

### Recurrent grants:

HEFCE	–	–	47,213	47,213
OfS	25,669	25,669	6,137	6,137
UKRI	44,166	44,166	15,311	15,311
HEFCE Capital	–	–	9,516	9,516
OfS Capital	2,006	2,006	–	–
UKRI Capital	5,336	5,336	–	–

### Specific grants:

Higher Education Innovation Fund	4,112	4,112	3,794	3,794
Widening Participation	1,499	1,499	1,525	1,525
Collaborative Outreach	3,691	3,691	3,863	3,863
Global Challenges Research Fund	1,585	1,585	1,353	1,353
Other (less than £0.5m each)	1,139	1,139	381	381
	<b>89,203</b>	<b>89,203</b>	89,093	89,093

## 3 Research grants and contracts

Research Councils (UK)	70,882	70,882	58,076	58,076
UK Based Charities	24,294	24,294	22,846	22,846
UK Government	22,271	22,271	21,640	21,640
UK Industry	8,257	8,257	8,186	8,186
European Commission	17,954	17,954	18,895	18,895
Other Grants & Contracts	7,166	7,166	7,505	7,505
	<b>150,824</b>	<b>150,824</b>	137,148	137,148

## Notes to the accounts

for the year ended 31 July 2019

### 4 Other income

	2018/19		2017/18	
	Consolidated £000	University £000	Consolidated £000	University £000
Residences, Catering and Conferences	62,764	58,178	58,678	53,970
Health Authorities	12,996	12,996	12,160	12,160
Subscriptions	2,921	2,921	2,859	2,859
Grants	7,064	7,064	10,417	10,417
Other Services Rendered	16,307	16,307	13,746	13,746
National Institute for Health Research (NIHR)	16,321	16,321	17,918	17,918
Other Income	11,989	10,940	11,767	9,415
	<b>130,362</b>	<b>124,727</b>	127,545	120,485

### 5 Investment income

Income from expendable endowments	54	54	46	46
Income from permanent endowments	2,591	2,591	2,382	2,382
Income from short-term investments	2,638	2,638	1,485	1,485
Other investment income	814	930	51	118
	<b>6,097</b>	<b>6,213</b>	3,964	4,031

### 6 Donations and endowments

New endowments	187	187	2,200	2,200
Donations with restrictions	13,412	13,412	3,824	3,824
Unrestricted donations	1,583	1,583	1,597	1,597
	<b>15,182</b>	<b>15,182</b>	7,621	7,621

### 7 Staff costs

	Consolidated	
	2018/19 Number	2017/18 Number
<b>Average staff numbers (full-time equivalents) by major category</b>		
Academic/Teaching	2,268	2,187
Research	1,091	1,019
Management/Professional	1,409	1,346
Support	2,969	2,874
	<b>7,737</b>	7,426

## 7 Staff costs (continued)

	2018/19		2017/18	
	Consolidated £000	University £000	Consolidated £000	University £000
<b>Staff costs</b>				
Wages and salaries	323,981	320,108	305,494	301,738
Social security costs	31,920	31,700	29,480	29,265
Movement on USS provision due to changes in deficit recovery plan and assumptions	135,822	135,822	(653)	(653)
Other pension costs	51,800	51,718	46,806	46,747
Apprenticeship levy	1,475	1,475	1,387	1,387
Severance payments	2,815	2,815	4,241	4,241
	<b>547,813</b>	<b>543,638</b>	386,755	382,725

Severance payments were payable to 174 individuals (2018: 223).

	2018/19 £000	2017/18 £000
<b>Emoluments of the Vice-Chancellor</b>		
Salary	281	281
Employer contributions to defined benefit scheme	13	13
Benefits in kind	–	–
Total	<b>294</b>	294

The emoluments of the Vice-Chancellor represent in year earnings.

The Remuneration Committee assessed the remuneration package of the Vice-Chancellor (VC) at its July 2019 meeting. The committee reviewed the VC's performance over the preceding 12 months against a number of key objectives covering regulatory compliance, academic performance and financial performance. In addition, specific objectives relating to the development of the next University strategy, and the matters of succession planning, had also been set. The committee then considered feedback on the VC and his performance during the year, gathered by the Chair of Council through meetings with members of Council and the VC's direct reports. Having considered personal performance, the Committee also looked at the University's KPIs, and concluded that both individual and University performance was strong despite the significant degree of challenge continuing to face the sector.

Data relating to the remuneration packages of VC roles across Russell Group Universities of comparable size and complexity, plus roles across both public sector (local authority) and NHS positions, were reviewed to benchmark existing remuneration. The Committee were content that the existing remuneration offer was justifiable and that an increase in line with the nationally negotiated sector position could be offered given that the University (as led by the Vice-Chancellor) continues to meet (and in many cases, exceed) stretching objectives set by Council. However, the Committee acceded to the VC's request that he receives no salary increase for the third consecutive year, and consequently the remuneration package remains unchanged.

It was also confirmed that the Vice-Chancellor holds a number of external appointments (see link), but receives no income from these positions. [http://www.leeds.ac.uk/secretariat/documents/council\\_register\\_of\\_interests\\_2018-19.pdf](http://www.leeds.ac.uk/secretariat/documents/council_register_of_interests_2018-19.pdf).

The Office for Students requires the University to publish two key ratios to show the relationship of the remuneration of the Vice-Chancellor to that of employees within the institution. Prepared in accordance with paragraph 12 of the OfS Accounts Direction issued October 2019; we have chosen to adopt the provisions early in accordance with paragraph 6. Comparative disclosures have been restated. See page 46, Accounting Policy 2.

The Vice-Chancellor's basic salary is 10.4 times the median pay of staff (Restated 2018: 10.6), where the median pay is calculated on a full time equivalent basis for the salaries provided by the University to its staff.

The Vice-Chancellor's total remuneration is 9.9 times the median total remuneration of staff (Restated 2018: 9.9), where the median total remuneration is calculated on a full time equivalent basis for the total remuneration of its staff.

In the interests of transparency, the University provides two further ratios to show the relationship of the remuneration of the Vice-Chancellor to that of employees within the institution (a calculation that excludes those individuals who are engaged on worker contracts):

The Vice-Chancellor's basic salary is 8.2 times the median pay of employees (Restated 2018: 8.4), where the median pay is calculated on a full time equivalent basis for the salaries provided by the University to its employees.

The Vice-Chancellor's total remuneration is 7.4 times the median total remuneration of employees (Restated 2018: 7.6), where the median is calculated on a full time equivalent basis for the total remuneration of its employees.

# Notes to the accounts

for the year ended 31 July 2019

## 7 Staff costs (continued)

	Consolidated	
	2018/19 Number	Restated 2017/18 Number
<b>Basic salary of other higher paid staff calculated on a full-time equivalent basis</b>		
£100,000 – £104,999	23	44
£105,000 – £109,999	53	21
£110,000 – £114,999	13	11
£115,000 – £119,999	9	6
£120,000 – £124,999	16	16
£125,000 – £129,999	10	8
£130,000 – £134,999	9	5
£135,000 – £139,999	4	4
£140,000 – £144,999	5	3
£145,000 – £149,999	2	3
£150,000 – £154,999	2	3
£155,000 – £159,999	4	2
£160,000 – £164,999	–	1
£165,000 – £169,999	1	1
£170,000 – £174,999	1	3
£175,000 – £179,999	2	2
£180,000 – £184,999	2	–
£185,000 – £189,999	1	–
£190,000 – £194,999	1	1
£195,000 – £199,999	–	1
£200,000 – £204,999	1	2
£205,000 – £209,999	2	1
£210,000 – £214,999	1	–
£215,000 – £219,999	–	1
£220,000 – £224,999	1	–
£225,000 – £229,999	–	–
	<b>163</b>	<b>139</b>

Prepared in accordance with paragraph 12 of the OfS Accounts Direction issued October 2019; we have chosen to adopt the provisions early in accordance with paragraph 6. Comparative disclosures have been restated. See page 46, Accounting Policy 2. Requirements have been updated to include both basic salary and market supplements and we have reassessed what payments should be included in the disclosure.

### Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the University and are represented by the University's Executive Group (UEG). UEG consists of the Vice-Chancellor, Chief Operating Officer, Deputy Vice-Chancellors, Executive Deans, Chief Financial Officer, Marketing Director, Director of Human Resources, Director of Campus Development and the University Secretary. Staff costs include compensation paid to key management personnel including any employer's pension contribution.

	£000	£000
<b>Key management personnel compensation</b>	<b>3,588</b>	<b>3,489</b>



## 8 Interest and other finance costs

	2018/19		2017/18	
	Consolidated £000	University £000	Consolidated £000	University £000
Interest payable on bank loans	834	834	966	966
Interest payable on bond	7,835	7,835	7,835	7,835
Pension scheme charges	1,446	1,446	1,806	1,806
Service concessions finance charge	1,128	1,128	1,150	1,150
	<b>11,243</b>	<b>11,243</b>	11,757	11,757

## 9 Analysis of total expenditure by activity

Academic departments	303,404	303,404	285,785	285,785
Research grants and contracts	146,960	146,960	134,561	134,561
<b>Total teaching and research</b>	<b>450,364</b>	<b>450,364</b>	420,346	420,346
Admin and Corporate Services	120,591	118,499	117,684	115,892
Premises	97,626	97,715	80,278	79,736
Residences, catering and conferences	76,380	71,953	70,117	65,989
Other expenses	9,088	8,312	15,618	14,507
Pensions provisions not allocated to departments	135,822	135,822	605	605
	<b>889,871</b>	<b>882,665</b>	704,648	697,075

### Other Operating Expenditure

Equipment purchases and maintenance	23,461	23,315	24,969	24,843
Estate repairs and maintenance	20,335	19,725	5,420	5,136
Consumables and laboratory expenditure	26,568	26,525	26,158	25,529
Printed materials, books and periodicals	10,800	10,800	9,860	9,860
Printing, stationary and office expenses	4,785	4,689	4,699	4,652
Travel and subsistence	16,017	15,927	14,572	14,484
Fellowships, scholarships and prizes	53,936	53,936	54,732	54,732
Heat, light, water and power	14,617	14,356	12,792	12,571
Rent, rates and insurance	22,576	22,880	18,305	18,378
Grants to Student Union	3,518	3,518	2,836	2,836
Fees and expenses	67,945	68,823	57,093	57,428
Recruitment, training and welfare	5,617	5,597	4,694	4,665
Auditors remuneration in respect of audit	135	95	118	88
Auditors remuneration in respect of audit related services	47	47	100	3
Other expenses	4,243	1,930	11,763	9,955
	<b>274,600</b>	<b>272,163</b>	248,111	245,160

Fees and expenses include contracted internal audit fees of £190k (2018: £178k).

# Notes to the accounts

for the year ended 31 July 2019

## 9 Analysis of total expenditure by activity (continued)

### Trustees

During the year, no trustee received or waived any remuneration for serving as a trustee.

The total expenses paid to five trustees was £6k (2017/18: £7k to ten trustees). This represents travel and subsistence expenses incurred in attending Council meetings, conferences and events in their official capacity as Council members.

## 10 Taxation

	2018/19		2017/18	
	Consolidated £000	University £000	Consolidated £000	University £000
<b>Recognised in the statement of comprehensive income</b>				
<b>Current Tax</b>				
UK Corporation tax on profit for the year	–	–	17	–
Malaysian Corporation tax on profits for the period	12	–	–	–
Adjustment in respect of previous years	(25)	–	–	–
	(13)	–	17	–
<b>Deferred Tax</b>				
Origination and reversal of timing differences	28	–	11	–
Adjustment in respect of prior period	(18)	–	–	–
	10	–	28	–
UK Corporation tax on Research and Development Expenditure Credit (RDEC) adjustment in respect of previous years	–	–	48	48
<b>Total tax (credit)/charge in the year</b>	<b>(3)</b>	<b>–</b>	<b>76</b>	<b>48</b>

## 11 Intangible Assets

	2018/19		2017/18	
<b>Software</b>				
Opening balance	1,896	1,896	2,825	2,825
Additions in the year	371	371	24	24
Amortisation charge for the year	(967)	(967)	(953)	(953)
Closing balance	1,300	1,300	1,896	1,896

## 12 Fixed Assets

	Freehold land and buildings	Equipment	Assets under construction	Service concession arrangement land and buildings (Note 14)	Heritage assets	Total
	£000	£000	£000	£000	£000	£000
<b>Consolidated</b>						
<b>Cost or valuation</b>						
At 1 August 2018	943,884	162,129	111,723	37,718	29,480	<b>1,284,934</b>
Additions	19,893	11,651	75,616	657	1,007	<b>108,824</b>
Disposals	(38)	(4,788)	–	–	(755)	<b>(5,581)</b>
Transfers	44,344	105	(44,449)	–	–	<b>–</b>
<b>At 31 July 2019</b>	<b>1,008,083</b>	<b>169,097</b>	<b>142,890</b>	<b>38,375</b>	<b>29,732</b>	<b>1,388,177</b>
<b>Depreciation</b>						
At 1 August 2018	283,140	98,558	–	7,241	–	<b>388,939</b>
Charge for the year	40,497	12,862	–	1,889	–	<b>55,248</b>
Disposals	(26)	(4,682)	–	–	–	<b>(4,708)</b>
<b>At 31 July 2019</b>	<b>323,611</b>	<b>106,738</b>	<b>–</b>	<b>9,130</b>	<b>–</b>	<b>439,479</b>
<b>Net book value</b>						
<b>At 31 July 2019</b>	<b>684,472</b>	<b>62,359</b>	<b>142,890</b>	<b>29,245</b>	<b>29,732</b>	<b>948,698</b>
At 1 August 2018	660,744	63,571	111,723	30,477	29,480	<b>895,995</b>
<b>University</b>						
<b>Cost or valuation</b>						
At 1 August 2018	929,142	156,548	111,723	37,718	29,480	<b>1,264,611</b>
Additions	22,207	11,386	75,616	657	1,007	<b>110,873</b>
Disposals	–	(3,901)	–	–	(755)	<b>(4,656)</b>
Transfers	44,344	105	(44,449)	–	–	<b>–</b>
<b>At 31 July 2019</b>	<b>995,693</b>	<b>164,138</b>	<b>142,890</b>	<b>38,375</b>	<b>29,732</b>	<b>1,370,828</b>
<b>Depreciation</b>						
At 1 August 2018	278,343	94,415	–	7,241	–	<b>379,999</b>
Charge for the year	40,198	12,567	–	1,889	–	<b>54,654</b>
Disposals	–	(3,810)	–	–	–	<b>(3,810)</b>
<b>At 31 July 2019</b>	<b>318,541</b>	<b>103,172</b>	<b>–</b>	<b>9,130</b>	<b>–</b>	<b>430,843</b>
<b>Net book value</b>						
<b>At 31 July 2019</b>	<b>677,152</b>	<b>60,966</b>	<b>142,890</b>	<b>29,245</b>	<b>29,732</b>	<b>939,985</b>
At 1 August 2018	650,799	62,133	111,723	30,477	29,480	<b>884,612</b>

Included in consolidated freehold land and buildings is land valued at £34.2m which is not depreciated (2018: £34.2m).  
Included in University freehold land and buildings is land valued at £32.9m (2018: £32.9m) which is not depreciated.

# Notes to the accounts

for the year ended 31 July 2019

## 13 Heritage Assets

The University has been fortunate to receive donations of a variety of cultural items and collections for over 100 years. Many items have also been purchased to augment existing collections and/or add to the variety of items within a special area of interest. Most of these purchases have been funded by benefaction.

Heritage Assets are held at market value established by specialist University personnel. Heritage Assets include many unique items (and collections), such as hand-written manuscripts and original art works, the current value of which can only be estimated, as they cannot be matched to identical items available on the market. Many other items are extremely rare, though not unique, and identical items may not appear on the market for decades.

Heritage Assets are classified into three main categories: Special collections, Art collections and University of Leeds International Textile Archive (ULITA).

### Special collections

The Special collections contain individual items and constituent collections consisting primarily of books and manuscripts. Constituent collections are characterised as such when their contents are acquired together from a single source or when they are generally used in association with each other, for example, the 'archive' of an organisation or person.

### Art collections

The Art collections consist of individual paintings and drawings, collections of drawings, and sculptures.

### ULITA

This category consists of tapestries, pattern books, stencils and fibre collections.

### Preservation and management

The custodianship of these items has been given to specific areas and persons for their care and maintenance.

All the collections are valued for insurance purposes at £32m. In addition, collections are held for other organisations for custodial purposes, notably Ripon Cathedral's heraldry collection, and these are insured separately.

	Consolidated and University				
	Special collections £000	Art collections £000	ULITA £000	2018/19 Total £000	2017/18 Total £000
At 1 August	21,715	7,240	525	29,480	28,603
Additions	848	159	–	1,007	877
Disposals	–	(755)	–	(755)	–
<b>At 31 July</b>	<b>22,563</b>	<b>6,644</b>	<b>525</b>	<b>29,732</b>	<b>29,480</b>

	2019 £000	2018 £000	2017 £000	2016 £000	2015 £000
<b>Purchases</b>					
Special collections	–	72	–	185	298
Art collections	159	–	–	–	133
<b>Donations</b>					
Special collections	848	–	35	1,500	–
Art collections	–	805	755	–	25
<b>Total additions</b>	<b>1,007</b>	<b>877</b>	<b>790</b>	<b>1,685</b>	<b>456</b>

Additions during the year are represented by a donated library of furniture history (£848k) and two purchased sculptures (£159k).

## 14 Service Concession Arrangements

### Movement in service concession arrangement assets

The asset value of the service concession included in the Balance Sheet as at 31 July 2019 is £29,245k (2018: £30,477k). The reduction of £1,232k is as a result of depreciation £1,889k less additions of £657k.

### Movement in service concession arrangement liabilities

The total liabilities relating to the service concession included in the Balance Sheet as at 31 July 2019 were £31,261k (2018: £32,231k). The sum of £2,754k was repaid during the year (2018: £2,657k).

	Consolidated and University	
	2018/19 £000	2017/18 £000
At 1 August	32,231	32,865
Additions in the year	656	873
Interest charge for the year	1,128	1,150
Repayments made during the year	(2,754)	(2,657)
At 31 July	31,261	32,231

### Future commitments

The following table analyses the University and the Group's future commitments in relation to service concession arrangements.

	Payable in 1 year £000	Payable in 2–5 years £000	Payable in 6+ years £000	Total £000
Liability repayments	1,739	5,798	23,724	31,261
Finance charge	1,094	3,848	5,002	9,944
	2,833	9,646	28,726	41,205

On 8 July 2002 the University entered into a 30 year contract with a third-party provider for the provision and maintenance of James Baillie Park, providing accommodation to 563 students. The assets and liabilities relating to this scheme are recognised on the University's Balance Sheet.

Service commenced on 20 September 2003 and the contract will finish on 19 September 2033. The University has an annual occupancy guarantee amounting to committed occupancy of 80% (100% occupancy has been agreed for 2019/20) recorded within other operating expenses.



# Notes to the accounts

for the year ended 31 July 2019

## 15 Non-current investments

	2018/19			2017/18		
	Subsidiary companies £000	Other fixed asset investments £000	Total £000	Subsidiary companies £000	Other fixed asset investments £000	Total £000
<b>Consolidated</b>						
Cost or valuation at 1 August 2018	–	77,271	77,271	–	78,266	78,266
Additions	–	749	749	–	2,890	2,890
Disposals	–	(962)	(962)	–	(3,719)	(3,719)
Revaluation of listed investments	–	1,999	1,999	–	(166)	(166)
Cost or valuation at 31 July 2019	–	79,057	79,057	–	77,271	77,271
<b>University</b>						
Cost or valuation at 1 August 2018	8,044	81,346	89,390	4,644	82,111	86,755
Additions	–	1,278	1,278	3,400	3,140	6,540
Disposals	–	(962)	(962)	–	(3,739)	(3,739)
Revaluation of listed investments	–	1,999	1,999	–	(166)	(166)
Revaluation of other investments	–	(474)	(474)	–	–	–
Cost or valuation at 31 July 2019	8,044	83,187	91,231	8,044	81,346	89,390

Included in the University's balance sheet but not consolidated is investments in associates and joint ventures amounting to £4,130k (2018: £4,075k).

### Listed investments

Name of company	Nature of business
Tissue Regenix Plc	International medical technology company
Tracsis Plc	A technology provider to the rail industry
Xeros Plc	Laundering systems and cleaning technologies
Avacta Group Plc	Provides analytical and diagnostic technology, consumables and reagents to the drug development and healthcare sectors
IP Group Plc	Commercial development of research generated intellectual property
Getech Group Plc	Provider of geoscience and geospatial products and services to de-risk exploration programmes and improve management of natural resources
Gunsynd Plc	Investing in the natural resources sector

In addition to the above investments the University also has a mixed portfolio of listed investments which is managed to support the endowment funds of £74.4m (2018: £69.1m).

## Subsidiary companies

Details of the trading companies, all registered in England (except where stated), in which the University held directly or indirectly more than 50% of the voting rights are as follows:

Name of company	Percentage voting rights	Nature of business
Bright Beginnings Childcare Centre Leeds	100%	Childcare facilities and services
Leeds Innovation Centre Ltd	100%	Business accommodation and facilities management
Leeds Ventures Ltd	100%	Advisory services for the University's customers in China
Leeds Ventures Malaysia Sdn Bhd	100%	Advisory services for the University's customers in Malaysia
LUNAC Therapeutics Ltd	100%	Early stage IP exploitation of novel therapeutic technology
Nexus Leeds Ltd	100%	Business accommodation and facilities management
University of Leeds Farms Ltd	100%	Farming
University of Leeds IP Ltd	100%	Intellectual property management
Weetwood Hall Ltd	100%	Hotel and conference centre

Leeds Ventures Malaysia Sdn Bhd, registered in Malaysia, is a wholly owned subsidiary of Leeds Ventures Ltd. All other subsidiaries are directly owned by the University.

## 16 Investments in jointly controlled entities

The University holds shares of jointly controlled entities as follows:

Name of company	Percentage voting rights	Nature of business
Stem Learning Ltd	25%	Continuous professional development for science teachers and technicians
Leeds Boathouse Ltd	25%	Rowing club partnership
N8 Ltd	13%	Enabling northern businesses to access world-class knowledge to gain a significant competitive advantage
Worldwide Universities Network	4%	Collaboration of Universities to achieve international objectives in research and graduate education

### Jointly controlled entities' financial summary – University share

	2018/19 £000	2017/18 £000
<b>Income and Expenditure Account</b>		
Income	92	76
Deficit before tax	(9)	(9)
<b>Balance Sheet</b>		
Non-current assets	212	222
Current assets	70	61
<b>Total Assets</b>	<b>282</b>	<b>283</b>
Creditors: amounts falling due within one year	(56)	(47)
Creditors: amounts falling due after more than one year	–	–
<b>Total Creditors</b>	<b>(56)</b>	<b>(47)</b>
Share of net assets	<b>226</b>	236

The investment in Stem Learning has been derecognised, in accordance with Section 15 of FRS 102. This is due to the company recognising liabilities relating to USS, which has resulted in the University's share of their net losses exceeding the investment value.

# Notes to the accounts

for the year ended 31 July 2019

## 17 Investment in Associates

Details of the other trading companies, all registered in England, in which the University holds directly or indirectly 20% or more of the voting rights are as follows:

Name of company	Percentage voting rights	Nature of business
Acuity Robotics Ltd	50.0%	Software developer for the robotics industry
Redbrick Molecular Ltd	50.0%	Provision of chemical building blocks and fragments
Petriva Ltd	49.9%	Software to analyse and visualise petrophysical data for the oil and gas industry
Keracol Ltd	49.8%	Functional, natural, sustainable cosmetics
Dietary Assessment Ltd	49.7%	Data processing, hosting and related activities
Optimus Vitrum	47.9%	Engineering company
Cell Lane Ltd	42.9%	Mammalian cell separation
SatSense Ltd	36.4%	Provision of near real time satellite data to provide ground deformation information
Ultramatis Ltd	30.0%	Ultrafast lasers to functionalise glass
Celltron Network Ltd	30.0%	Ultrafast communications in optical networks
Edgetic Ltd	29.3%	Artificial Intelligence Software for management of Data Centre Infrastructures
Creavo Ltd	22.3%	Medical magnetometry
Relitect Ltd	22.2%	Multiplexed electrochemical biosensors

### Movement in share of net assets in the year

	Consolidated	
	2018/19 £000	2017/18 £000
Balance at 1 August	1,925	2,765
Investment in associate	150	250
New associate investment	380	–
Dilution of shareholding	–	(24)
Disposal of shareholding	–	25
Transfer to other trade receivables	–	(20)
Share of loss in year	(1,741)	(1,071)
Balance at 31 July	714	1,925

## 18 Trade and Other Receivables

	2018/19		2017/18	
	Consolidated £000	University £000	Consolidated £000	University £000
<b>Amounts falling due within one year</b>				
Research grant receivables	29,224	29,224	28,209	28,209
Other trade receivables	34,333	33,972	30,717	30,250
Prepayments and accrued income	33,559	33,601	22,166	22,085
Amounts due from subsidiary companies	–	3,509	–	4,819
Deferred tax asset	8	–	19	–
Corporation tax	17	–	33	–
	<b>97,141</b>	<b>100,306</b>	81,144	85,363

Included within the University's amounts due from subsidiary companies is £2.9m which is due after more than one year (2018: £3.6m).

## 19 Current Investments

Short term deposits	<b>114,135</b>	<b>114,135</b>	103,839	103,839
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At 31 July 2019 the weighted average interest rate of these fixed rate deposits was 0.9% per annum and the remaining weighted average period for which the interest rate was fixed on these deposits was 53 days. The fair value of these deposits was not materially different to the book value.

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

## 20 Creditors: amounts falling due within one year

Secured loans	<b>4,420</b>	<b>4,420</b>	4,330	4,330
Unsecured fixed rate public bond	<b>975</b>	<b>975</b>	955	955
Service concession arrangements (note 14)	<b>1,739</b>	<b>1,739</b>	1,626	1,626
Trade payables	<b>36,978</b>	<b>36,094</b>	33,923	33,348
Social security and other taxation payable	<b>15,101</b>	<b>14,913</b>	12,371	12,195
Amounts due to subsidiary companies	–	<b>2,549</b>	–	102
Accruals and deferred income	<b>170,877</b>	<b>170,786</b>	148,934	148,439
	<b>230,090</b>	<b>231,476</b>	202,139	200,995

### Deferred income

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

Research grants received on account	<b>81,177</b>	<b>81,177</b>	69,406	69,406
Grant income and donations	<b>17,810</b>	<b>17,810</b>	15,433	15,433
	<b>98,987</b>	<b>98,987</b>	84,839	84,839

## Notes to the accounts

for the year ended 31 July 2019

### 21 Creditors: amounts falling due after more than one year

	2018/19		2017/18	
	Consolidated £000	University £000	Consolidated £000	University £000
Deferred income	4,311	6,556	4,855	4,837
Service concession liabilities due after one year (note 14)	29,522	29,522	30,605	30,605
Secured loans	15,452	15,452	19,872	19,872
Unsecured fixed rate public bond	246,818	246,818	246,781	246,781
	<b>296,103</b>	<b>298,348</b>	302,113	302,095

Analysis of secured and unsecured loans:

<b>Due within one year or on demand (Note 20)</b>	<b>5,395</b>	<b>5,395</b>	5,285	5,285
Due between one and two years	3,042	3,042	4,715	4,715
Due between two and five years	5,936	5,936	6,719	6,719
Due in five years or more	253,292	253,292	255,219	255,219
<b>Due after more than one year</b>	<b>262,270</b>	<b>262,270</b>	266,653	266,653
<b>Total secured and unsecured loans</b>	<b>267,665</b>	<b>267,665</b>	271,938	271,938

In February 2016 an unsecured fixed rate public bond was issued for the sum of £250 million over a 34 year term with a coupon rate of 3.125%. It is listed on the London Stock Exchange. There are no capital repayments to be made over the term, with the bond maturing in 2050.

The bond transaction costs of £3.4m are being amortised over the life of the bond and charged to interest and other finance costs.

Bank loans at commercial rates are repayable by instalments falling due between 1 August 2019 and 10 February 2030 and are secured either on a portion of the freehold land and buildings of the Group or by a negative pledge over the University's assets.

Included in the above are the following:

Lender	Amount (£000)	Term	Interest rate (%)	Borrower
Barclays	5,547	25 years to 2025	0.9	University of Leeds
Barclays	10,750	20 years to 2030	4.7	University of Leeds
Barclays	1,500	10 years to 2020	1.7	University of Leeds
RBS	1,738	25 years to 2021	9.4	University of Leeds
	<b>19,535</b>			

## 22 Provisions for liabilities

	<b>Consolidated</b>				
	Obligation to fund deficit on USS Pension	Defined Benefit Obligations (Note 29)	<b>Total Pensions Provisions</b>	Other Provisions	<b>Total</b>
	£000	£000	<b>£000</b>	£000	<b>£000</b>
At 1 August 2017	69,885	18,406	<b>88,291</b>	7,353	<b>95,644</b>
Utilised in year	(4,814)	16,790	<b>11,976</b>	(3,291)	<b>8,685</b>
Additions	1,258	(68,932)	<b>(67,674)</b>	4,123	<b>(63,551)</b>
Transfer to asset	–	33,736	<b>33,736</b>	–	<b>33,736</b>
At 1 August 2018	66,329	–	<b>66,329</b>	8,185	<b>74,514</b>
Utilised in year	(2,925)	–	<b>(2,925)</b>	(4,803)	<b>(7,728)</b>
Additions	137,268	831	<b>138,099</b>	15,787	<b>153,886</b>
<b>At 31 July 2019</b>	<b>200,672</b>	<b>831</b>	<b>201,503</b>	<b>19,169</b>	<b>220,672</b>

	<b>University only</b>				
	Obligation to fund deficit on USS Pension	Defined Benefit Obligations (Note 29)	<b>Total Pensions Provisions</b>	Other Provisions	<b>Total</b>
	£000	£000	<b>£000</b>	£000	<b>£000</b>
At 1 August 2017	69,885	18,406	<b>88,291</b>	7,353	<b>95,644</b>
Utilised in year	(4,814)	16,790	<b>11,976</b>	(3,291)	<b>8,685</b>
Additions	1,258	(68,932)	<b>(67,674)</b>	3,841	<b>(63,833)</b>
Transfer to asset	–	33,736	<b>33,736</b>	–	<b>33,736</b>
At 1 August 2018	66,329	–	<b>66,329</b>	7,903	<b>74,232</b>
Utilised in year	(2,925)	–	<b>(2,925)</b>	(4,760)	<b>(7,685)</b>
Additions	137,268	831	<b>138,099</b>	15,787	<b>153,886</b>
<b>At 31 July 2019</b>	<b>200,672</b>	<b>831</b>	<b>201,503</b>	<b>18,930</b>	<b>220,433</b>

### USS deficit

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 29.

The adoption of the new deficit recovery plan following the 2017 actuarial valuation has given rise to a significant increase in the deficit provision which has increased from £66.3m to £200.7m. £135.8m of this increase is attributable to the changes in the assumptions used to calculate the provision, primarily due to the new schedule of contributions following the 2017 valuation. More details on the 2017 actuarial valuation are set out in note 29.

Since the year end, following the completion of the 2018 actuarial valuation, a new deficit recovery plan has been agreed. As at 31 July 2019, with a discount rate updated to reflect the shorter duration of payments and with all other assumptions used to calculate the provision unchanged, this would have resulted in a revised provision of £114.0m, a decrease of £86.7m from the current year end provision.

### 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:

<b>Change in assumptions at 31 July 2019</b>	<b>Approximate increase to provision</b>
0.5% pa decrease in discount rate	£9m
0.5% pa increase in salary inflation over duration	£9m
0.5% pa increase in salary inflation year 1 only	£1m
0.5% increase in staff changes over duration	£9m
0.5% increase in staff changes year 1 only	£1m

Other provisions comprise restructuring, early retirement and other items expected to be utilised within the next three years.



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## 23 Endowment Reserves

### Permanent Endowments

	Consolidated and University						Total £000
	Unrestricted			Restricted			
	Capital £000	Unapplied return £000	Total £000	Capital £000	Unapplied return £000	Total £000	
Capital	18,190	–	<b>18,190</b>	42,123	–	<b>42,123</b>	<b>60,313</b>
Unapplied return	–	4,728	<b>4,728</b>	–	9,875	<b>9,875</b>	<b>14,603</b>
<b>Balance as at 31 July 2018</b>	<b>18,190</b>	<b>4,728</b>	<b>22,918</b>	<b>42,123</b>	<b>9,875</b>	<b>51,998</b>	<b>74,916</b>
Investment income	–	797	<b>797</b>	–	1,793	<b>1,793</b>	<b>2,590</b>
New endowments	1	–	<b>1</b>	165	–	<b>165</b>	<b>166</b>
Indexation	684	–	<b>684</b>	1,261	–	<b>1,261</b>	<b>1,945</b>
Market value gains	–	722	<b>722</b>	–	1,665	<b>1,665</b>	<b>2,387</b>
Released to unrestricted reserves	–	(529)	<b>(529)</b>	–	(1,268)	<b>(1,268)</b>	<b>(1,797)</b>
<b>Balance as at 31 July 2019</b>	<b>18,875</b>	<b>5,718</b>	<b>24,593</b>	<b>43,549</b>	<b>12,065</b>	<b>55,614</b>	<b>80,207</b>
<b>Represented by:</b>							
Capital	18,875	–	<b>18,875</b>	43,549	–	<b>43,549</b>	<b>62,424</b>
Unapplied return	–	5,718	<b>5,718</b>	–	12,065	<b>12,065</b>	<b>17,783</b>
	18,875	5,718	<b>24,593</b>	43,549	12,065	<b>55,614</b>	<b>80,207</b>

### Restricted expendable endowments

	£000
<b>Balance as at 31 July 2018</b>	<b>2,258</b>
New endowments	21
Investment income	54
Expenditure	(305)
Increase in market value of investments	87
<b>Balance as at 31 July 2019</b>	<b>2,115</b>

Endowment analysis by type of purpose:

	Consolidated and University			2018/19 Total £000	2017/18 Total £000
	Restricted permanent £000	Unrestricted permanent £000	Restricted expendable £000		
	Chairs	9,212	–		
Lectureships	3,825	1,153	–	<b>4,978</b>	4,689
Fellowships	11,627	185	–	<b>11,812</b>	11,114
Scholarships	17,053	1,973	469	<b>19,495</b>	18,084
Prizes	5,820	431	64	<b>6,315</b>	5,859
Specific funds	13	–	964	<b>977</b>	1,036
General funds	8,064	20,851	592	<b>29,507</b>	27,696
	55,614	24,593	2,115	<b>82,322</b>	77,174
<b>Analysis by asset:</b>					
Non current investments				<b>74,416</b>	69,075
Cash and cash equivalents				<b>7,906</b>	8,099
				<b>82,322</b>	77,174

## 24 Restricted Reserves

	2018/19		2017/18	
	Consolidated £000	University £000	Consolidated £000	University £000
Balances at 1 August	7,626	7,590	6,558	6,522
New restricted grants and donations	8,954	8,954	4,398	4,398
Expenditure	(337)	(337)	(3,330)	(3,330)
<b>Balances at 31 July</b>	<b>16,243</b>	<b>16,207</b>	7,626	7,590

## 25 Capital Commitments

Provision has not been made for the following capital commitments at 31 July:

	2018/19	2017/18
Commitments contracted for	92,576	114,426

Capital commitments in the year principally comprise contracted work in respect of the Sir William Henry Bragg building (£51m) and the expansion of the Biological Science building (£17m).

## 26 Lease Obligations

Total rentals payable under operating leases:

	Consolidated and University			
	Buildings £000	Equipment £000	2018/19 Total £000	2017/18 Total £000
<b>Expenditure during the year</b>	17,902	464	<b>18,366</b>	15,314
<b>Future minimum lease payments due:</b>				
Not later than 1 year	14,785	385	<b>15,170</b>	16,098
Later than 1 year and not later than 5 years	26,998	380	<b>27,378</b>	33,809
Later than 5 years	11,340	4	<b>11,344</b>	15,657
<b>Total lease payments due</b>	53,123	769	<b>53,892</b>	65,564

## 27 Connected Charitable Institutions

Bright Beginnings Childcare Centre Leeds is a connected charitable company of the University. Its charitable objects are the advancement of education nursery education and childcare facilities for the staff and students of the University of Leeds.

	2018/19 £000	2017/18 £000
<b>Bright Beginnings Childcare Centre Leeds:</b>		
Member's funds at 1 August	562	354
Income	1,665	1,773
Expenditure	(1,541)	(1,565)
<b>Member's funds at 31 July</b>	<b>686</b>	562

# Notes to the accounts

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## 28 Financial instruments

	2018/19		2017/18	
	Consolidated £000	University £000	Consolidated £000	University £000
<b>Financial assets</b>				
<b>Financial assets at fair value through Statement of Comprehensive Income</b>				
Listed investments	77,311	77,311	75,425	75,425
<b>Financial assets that are equity instruments measured at cost less impairment</b>				
Other investments	1,746	5,876	1,846	5,921
<b>Financial assets that are debt instruments measured at amortised cost</b>				
Cash and cash equivalents	193,064	191,744	197,884	193,247
Other investments	114,135	114,135	103,839	103,839
Other debtors	78,306	81,456	72,787	77,025
	<b>385,505</b>	<b>387,335</b>	374,510	374,111
<b>Financial liabilities</b>				
<b>Financial liabilities measured at amortised cost</b>				
Secured and unsecured loans	267,665	267,665	271,938	271,938
Service concessions	31,261	31,261	32,231	32,231
Trade creditors	37,042	36,094	33,923	33,348
Other creditors	86,987	89,309	76,466	75,896
	<b>422,954</b>	<b>424,328</b>	414,558	413,413

Financial assets held at fair value through Statement of Comprehensive Income comprise listed investments which are measured at their quoted market price.

## 29 Pension Schemes

The principal pension schemes for the University's staff are the Universities Superannuation Scheme (USS) and, for support staff, there is a choice between The University of Leeds Defined Contribution Plan (DC Plan) or the University of Leeds Pension and Assurance Scheme (PAS). The assets of the schemes are held in separate trustee-administered funds. USS is a hybrid scheme, comprised of a mixture of defined benefit and defined contribution benefits. PAS is a defined-benefit scheme. Both are externally funded and are valued every three years by actuaries, the rates of contribution payable being determined by the trustees on the advice of the actuaries.

The DC Plan, which was introduced from 1 March 2013, is the main auto-enrolment vehicle for University support staff. The investment of scheme contributions for the DC Plan is managed by The People's Pension.

The University also contributes to the Teachers' Pension Scheme (TPS) which has 10 members, and the National Health Service (NHS) Pension Scheme which has 162 members, both multi-employer schemes.

### Total pension costs for the University and its subsidiary undertakings (excluding USS provision movement)

	2018/19 £000	2017/18 £000
USS	35,754	31,320
PAS	13,491	13,332
DC Plan	1,346	1,062
Other pension schemes	1,209	1,092
<b>Total pension cost</b>	<b>51,800</b>	<b>46,806</b>

### The Universities Superannuation Scheme

USS is a hybrid scheme, being a mixture of defined benefit and defined contribution benefits, and the assets of the scheme are held in a separate fund administered by the trustee, Universities Superannuation Limited. The scheme is in the main for Academic, Academic-Related and Professional Staff of all pre-1992 UK Universities and some other employers. It is a multi-employer scheme for which it is not possible to accurately identify assets and liabilities to institutional members due to the mutual nature of the scheme, and therefore has been accounted for as a defined contribution scheme.

As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period, except for payments under the agreed deficit recovery plan. The University is required to contribute a specified percentage of payroll costs to the pension scheme to fund the benefits payable to the University's employees. In 2019 the percentage was 18% up to 31 March 2019 and 19.5% thereafter (2018: 18% for the full year). A provision is held for the estimated present value of the amounts expected to be payable under the agreed deficit recovery plan (see note 22).

The appointment of directors to the board of the trustee is determined by the Company's Articles of Association. Four of the directors are appointed by Universities UK; three are appointed by the University and College Union, of whom at least one must be a USS pensioner member; and a minimum of three and a maximum of five are independent directors appointed by the board. Under the scheme trust deed and rules, the employer contribution rate is determined by the trustee, acting on actuarial advice.

The latest actuarial valuation for the scheme was at 31 March 2017 (the valuation date), which was carried out using the projected unit method.

Since the institution cannot identify its share of scheme assets and liabilities, the following disclosures reflect those relevant for the scheme as a whole.

The 2017 valuation was the fourth 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 £60.0 billion and the value of the scheme's technical provisions was £67.5 billion indicating a shortfall of £7.5 billion. The assets therefore were sufficient to cover 89% of the benefits which had accrued to members after allowing for expected future increases in earnings. These figures will be revised following the 2018 Scheme Valuation.

## Notes to the accounts

for the year ended 31 July 2019

### 29 Pension Schemes (continued)

Defined benefit liability numbers for the scheme have been produced using the following assumptions:

	2019	2018
Discount rate	2.44%	2.64%
Pensionable salary growth	n/a	n/a
Pension increases (CPI)	2.11%	2.02%

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 2017 actuarial valuation. The mortality assumptions used in these figures are as follows:

	2019	2018
Mortality base table	<p><b>Pre-retirement:</b> 71% of AMCO0 (duration 0) for males and 112% of AFC00 (duration 0) for females.</p> <p><b>Post retirement:</b> 96.5% of SAPS S1NMA "light" for males and 101.3% of RFV00 for females</p>	<p><b>Pre-retirement:</b> 71% of AMCO0 (duration 0) for males and 112% of AFC00 (duration 0) for females.</p> <p><b>Post retirement:</b> 96.5% of SAPS S1NMA "light" for males and 101.3% of RFV00 for females.</p>
Future improvements to mortality	CMI_2016 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	CMI_2016 with a smoothing parameter of 8.5 and a long term improvement rate of 1.8% pa for males and 1.6% pa for females

#### The current life expectancies on retirement at age 65 are:

	2019	2018
Males currently aged 65 (years)	24.6	24.5
Females currently aged 65 (years)	26.1	26.0
Males currently aged 45 (years)	26.6	26.5
Females currently aged 45 (years)	27.9	27.8

## 29 Pension schemes (continued)

### University of Leeds Pension and Assurance Scheme (PAS)

PAS is a defined benefit scheme for support and technical staff within the University. Triennial valuations are carried out by professionally qualified independent actuaries. The last valuation took place as at 31 March 2017. The results of the PAS valuation showed a funding level of 107% and a surplus of £31.0m.

PAS contributions	Final salary		Career Revalued Benefit	
	Employee	Employer	Employee	Employer
Pre 1 April 2016	7.50%	18.15%	6.50%	18.15%
Post 1 April 2016	7.50%	16.00%	6.50%	16.00%

A contribution rate of 0.5% applies to provide death in service cover within PAS for members of the DC Plan. The University will continue to pay the PPF levy, the cost of benefit augmentations and the cost of any ill health early retirements.

PAS final salary members who are promoted to a USS eligible grade are now permitted, under USS rules, and with the agreement of the University, to remain in PAS. Members are made aware of this choice.

#### Assumptions

The financial assumptions used to calculate scheme liabilities under FRS 102 are:

	At 31 July 2019 %p.a.	At 31 July 2018 %p.a.
Price Inflation (RPI)	3.15	3.15
Price Inflation (CPI)	2.15	2.15
Rate of increase in salaries	3.90	3.90
Rate of increase of pensions in payment	2.15	2.15
Discount rate	2.10	2.70
Mortality assumption (pre and post retirement)	<b>S2PA rated by +1 year CMI 2018 with a long term rate of 1.5% pa for both males and females</b>	S2PA rated by +1 year CMI 2016 with a long term rate of 1.5% pa for both males and females

The most significant non-financial assumption is the assumed level of longevity. The table below shows the life expectancy assumptions used in the accounting assessments based on the life expectancy of male and female members at age 60.

	2019	2018
Male Pensioner	25.4	26.1
Male Non-pensioner (currently aged 40 in 2018)	27.2	28.0
Female Pensioner	27.5	28.1
Female Non-pensioner (currently aged 40 in 2018)	29.4	30.0

#### Scheme assets

The assets in the scheme were:

	Fair value as at	
	31 July 2019 £000	31 July 2018 £000
Equities	355,665	363,149
Property	57,741	49,928
Bonds and cash	112,022	81,244
<b>Total</b>	<b>525,428</b>	<b>494,321</b>



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### 29 Pension schemes (continued)

	Fair value as at	
	31 July 2019 £000	31 July 2018 £000
<b>Analysis of the amount shown in the balance sheet for PAS</b>		
Scheme assets	525,428	494,321
Scheme liabilities	(526,259)	(460,585)
<b>(Deficit)/Surplus in the scheme – net pension liability recorded within pension provisions (Note 22)</b>	<b>(831)</b>	<b>33,736</b>
Current service cost	15,229	15,652
Past service cost	461	0
Non-investment expenses	654	589
Total operating charge	16,344	16,241
<b>Analysis of the amount credited to other finance income/charged to interest payable</b>		
Net interest	(839)	549
<b>Net (credit)/charge to other finance income</b>	<b>(839)</b>	<b>549</b>
<b>Total charge before deduction for tax</b>	<b>15,505</b>	<b>16,790</b>
<b>Analysis of other comprehensive income</b>		
Actuarial (loss)/gain on defined benefit obligation	(49,343)	35,137
Actuarial gain on assets	19,344	22,953
<b>Amount recognised in Other Comprehensive Income</b>	<b>(29,999)</b>	<b>58,090</b>

## 29 Pension schemes (continued)

	2018/19 £000	2017/18 £000
<b>Analysis of movement in (deficit)/surplus</b>		
<b>Surplus/(deficit) at beginning of year</b>	<b>33,736</b>	(18,406)
Contributions or benefits paid by the University	10,937	10,842
Current service cost	(15,229)	(15,652)
Past service cost	(461)	0
Non-investment expenses	(654)	(589)
Net Interest credit/(charge)	839	(549)
(Loss)/gain recognised in other comprehensive income	(29,999)	58,090
<b>(Deficit)/surplus at end of year</b>	<b>(831)</b>	33,736
<b>Analysis of movement in the present value of liabilities</b>		
<b>Present value of liabilities at the start of the year</b>	<b>460,585</b>	479,720
Current service cost (net of member contributions)	15,229	15,652
Past service cost	461	0
Actual member contributions	273	281
Interest cost	12,487	12,518
Actuarial loss/(gain)	49,343	(35,137)
Actual benefit payments	(12,119)	(12,449)
<b>Present value of liabilities at the end of the year</b>	<b>526,259</b>	460,585
<b>Analysis of movement in the fair value of scheme assets</b>		
<b>Fair value of assets at the start of the year</b>	<b>494,321</b>	461,314
Interest income on assets	13,326	11,969
Non-investment expenses	(654)	(589)
Actuarial gain on assets	19,344	22,953
Actual contributions paid by University	10,937	10,842
Actual member contributions	273	281
Actual benefit payments	(12,119)	(12,449)
<b>Fair value of scheme assets at the end of the year</b>	<b>525,428</b>	494,321
PAS assets do not include any of the University's own financial instruments, or any property occupied by the University.		
<b>Actual return on Scheme assets</b>		
Interest income on assets	13,326	11,969
Asset gain	19,344	22,953
	<b>32,670</b>	34,922

### University of Leeds Defined Contribution Pension Plan (DC Plan)

To comply with Pensions Automatic Enrolment legislation, from 1 March 2013 the University introduced a new defined contribution plan, the University of Leeds Defined Contribution Plan (DC Plan). This is the default scheme for all new eligible support staff employees, although they can still opt to join the CARE section of PAS within 12 months of joining the University.

The DC Plan had 1,129 contributing members at 31 July 2019 (2018: 1,032). The default contribution rate is 3% member and 6% employer. Some members pay a higher contribution rate and this is matched by the University, up to a maximum 10% employer contribution.

# Notes to the accounts

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## 30 Related Parties

Due to the nature of the University's operations it is inevitable that transactions will take place with organisations, from the public and private sectors, in which a University member of staff may have an interest. Any such transactions are conducted at arm's length and in accordance with the University's Financial Regulations and usual procurement procedures.

Related party transactions during the year and outstanding balances at the year end are detailed below:

Related Party	Income		Expenditure		Balance due to the University		Balance payable by the University	
	18/19 £000	17/18 £000	18/19 £000	17/18 £000	18/19 £000	17/18 £000	18/19 £000	17/18 £000
Ahead Partnership <sup>6</sup>	1	–	52	144	–	–	–	–
Association of MBAs <sup>15</sup>	–	–	10	26	–	–	–	–
British Heart Foundation <sup>16</sup>	4,748	3,613	–	5	852	528	–	–
Clothworkers Company <sup>7</sup>	20	90	–	–	20	–	–	–
DWF LLP <sup>2</sup>	–	9	–	–	–	36	–	–
EPSRC <sup>14</sup>	30,845	21,629	–	–	10	47	–	1
Kcom <sup>5</sup>	–	–	94	97	–	–	–	2
Kelda Group Limited <sup>5</sup>	57	–	–	–	14	–	–	–
Leeds Community Healthcare NHS Trust <sup>14</sup>	132	174	46	18	8	19	–	1
Leeds International Pianoforte Competition <sup>4,1</sup>	30	12	72	120	–	2	–	2
Leeds Teaching Hospitals NHS Trust <sup>8,10,16</sup>	16,358	15,169	7,116	6,024	3,593	2,064	369	337
Leeds Trinity University <sup>4</sup>	68	87	146	101	42	14	–	–
Leeds University Union <sup>11</sup>	935	312	882	3,648	370	325	10	53
Marks & Spencer <sup>9</sup>	15	14	–	7	12	1	–	–
Medical Schools Council <sup>16</sup>	3	1	23	22	–	6	–	–
N8 <sup>1</sup>	–	–	60	60	–	–	–	–
NCUK <sup>12</sup>	–	–	372	432	–	–	3	–
Northern Health Science Alliance <sup>16</sup>	–	–	22	–	–	–	–	–
Opera North <sup>4</sup>	–	–	87	86	–	–	–	–
Russell Group of Universities <sup>1</sup>	–	–	80	75	–	–	–	–
Southern Universities Management Services <sup>13</sup>	–	–	40	39	–	–	–	–
Synthomer Plc <sup>8</sup>	2	8	2	–	–	–	–	–
Three Sixty Water <sup>5</sup>	–	–	7	5	–	–	–	–
UKRI <sup>14</sup>	114,768	73,387	–	–	15	–	–	–
UNISON <sup>3</sup>	3	2	77	83	–	–	–	7
Universities UK <sup>1</sup>	6	–	72	67	–	–	–	6
White Rose Consortium <sup>1</sup>	–	–	7	–	–	–	–	–
Worldwide Universities Network <sup>1</sup>	38	36	50	58	36	–	–	–
Yorkshire Cancer Research <sup>10</sup>	3,430	1,939	164	–	748	403	–	–
Yorkshire Universities <sup>1</sup>	13	40	21	46	–	3	–	–
Yorkshire Water <sup>5</sup>	227	130	362	472	–	–	–	24

- <sup>1</sup> Sir Alan Langlands, Vice-Chancellor, was a board member of the following organisations which had transactions with the University during the year: Yorkshire Universities, N8 Ltd, Worldwide Universities Network, Russell Group of Universities, White Rose Consortium, Universities UK. He is also a trustee of Leeds International Pianoforte Competition.
- <sup>2</sup> David Gray, Pro-Chancellor and Chair of Council, was a Non Executive Director at DWF LLP until 31st July 2018.
- <sup>3</sup> Nick Allen, member of Council until 31st July 2018, is Chair of the University of Leeds branch of UNISON.
- <sup>4</sup> Ed Anderson, member of Council and Chair of the Audit & Risk Committee, is a former Chair of Governors (and currently Pro-Chancellor) at Leeds Trinity University. He is also a director of Opera North and a trustee of Leeds International Pianoforte Competition.
- <sup>5</sup> Liz Barber, member of Council, holds directorships at Kcom plc, Kelda Group Limited, Three Sixty Water and Yorkshire Water.
- <sup>6</sup> Nigel Foster, member of Council until 31st July 2018, is a director at Ahead Partnership
- <sup>7</sup> Michael Howell, member of Council, is a member of Court for the Clothworkers Company.
- <sup>8</sup> Caroline Johnstone, member of Council until 31st July 2019, is a vice-chairman, director and chair of the audit committee of Leeds Teaching Hospitals NHS Trust. She is also a Non Executive Director and Chair of the Audit Committee at Synthomer Plc.
- <sup>9</sup> Amanda Mellor, member of Council until 31st July 2019, is a director of Marks & Spencer Group plc.
- <sup>10</sup> Yvette Oade, member of Council, is a trustee of Yorkshire Cancer Research and Chief Medical Officer at Leeds Teaching Hospitals NHS Trust
- <sup>11</sup> Two Members of Council are officers of Leeds University Union (LUU): Chris Morris, Union Affairs Officer, served until 30 June 2019 before being succeeded by Lauren Huxley. Serene Esuruoso, Education Officer, served until 30 June 2019 before being succeeded by Abiha Khan.
- <sup>12</sup> Jo Holmes, Marketing Director, is a director of NCUK Ltd.
- <sup>13</sup> Dennis Hopper, Director of Facilities Management, is a director of Southern Universities Management Services.
- <sup>14</sup> Jane Madeley, the Chief Financial Officer, was an independent member of the Audit Risk and Assurance Committee of the Engineering and Physical Sciences Research Council (EPSRC) until 31 October 2018. On 1 February 2018, she was appointed as an independent member of the Audit Risk and Performance Committee of United Kingdom Research and Innovation (UKRI), an organisation which brings together the 7 Research Councils (of which EPSRC is one), Innovate UK and Research England. She is also a non-executive director and Chair of the Audit Committee for Leeds Community Healthcare NHS Trust.
- <sup>15</sup> Peter Moizer, Executive Dean of the Faculty of Business, is a Trustee for the Association of MBAs.
- <sup>16</sup> Paul Stewart, Executive Dean of the Faculty of Medicine and Health, is a non-executive director of the Leeds Teaching Hospitals NHS Trust, Chair of the Chairs & Programme Grants Committee of the British Heart Foundation, a member of Council and the Executive for the Medical Schools Council and a Director of the Northern Health Science Alliance.

## 31 Amounts Disbursed as Agent

### The National College for Teaching and Leadership (NCTL)

	2018/19 £000	2017/18 £000
At 1 August	88	80
Returns	(88)	8
At 31 July	–	88

The above training bursaries from the NCTL were available solely for students in Initial Teacher Training; the University acts only as a paying agent. The bursaries and related disbursements are therefore excluded from the Statement of Comprehensive Income and Expenditure. The contract with NCTL has now ended.

## 32 Non Adjusting Event After the Reporting Period

As set out in Note 22 in respect of the USS pension scheme, a new schedule of contributions based on the 2018 actuarial valuation has been agreed. If this schedule had been agreed prior to the year-end then the provision for the obligation to fund the deficit on the USS pension would have been reduced by £86.7m, resulting in a closing provision of £114.0m. The effect of the new schedule will be reflected in the University's Financial Statements for the year ending 31 July 2020.



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