



Statement *of* Accounts

2019/20

For the year ended 31 July 2020

Contents

4
Introduction from the Vice-Chancellor

6
Strategic report

22
Corporate governance

26
Independent auditor's report to the Council of Keele University

28
Accounts

29 Statement of comprehensive income

30 Statement of changes in reserves

31 Statement of financial position

32 Statement of cash flows

32 Statement of accounting policies

42 Notes to the accounts

70
Council members and professional partners

2nd

Ranked second in England for broad-based public universities for overall student satisfaction in the 2019 National Student Survey (NSS). This means that Keele has been ranked in the top 3 in seven of the last eight years.

97%

In the most recent national Research Excellence Framework (2014), 97% of our research was classified as world leading, or of international importance

13th

Ranked 13th globally for campus sustainability – UI Green Metric ranking 2018



Continued strong home undergraduate recruitment

96%

96% graduate employability – Higher Education Statistics Agency (HESA) Destinations of Leavers from Higher Education 2017

Top 5

Top 5 in the Teaching Excellence Framework (TEF) – Times Higher ranking of the TEF (broad-based Universities)

57th

Ranked 57th globally in the Times Higher Education University Impact Rankings 2019

Joint 1st

Joint 1st in England for student satisfaction with course – Guardian University League Table 2019



Introduction *from* the Vice-Chancellor

Keele continues to be recognised for our outstanding education, research expertise, and contributions to the community and wider region.

This year has seen the Keele University community rise to the unprecedented challenges posed by the Covid-19 pandemic. From our researchers and academics making their expertise and equipment available to help efforts to tackle the virus, to our medical and nursing students stepping forward to join the NHS frontline response, everyone at this University has risen to the challenge of dealing with the outbreak. Despite the disruption caused by Covid-19, there was still much to celebrate at Keele over the past academic year.

We began 2019/20 by being ranked in the UK Top 10 for the Best Student Experience in The Times and The Sunday Times Good University Guide 2020, with six of our subjects being ranked in the UK Top 20. Our Medicine course was ranked 3rd in England behind only Oxford and Cambridge.

Our research continued to make headlines around the world, with new research funding also reaching new heights. The estimated research income to Keele on grants starting in 2019/20 is £16.7m, with three valued at more than £1m.

This year also saw the launch of the Keele Doctoral Academy, an initiative designed to further increase the quality of our research output by bringing together research expertise from across Keele's academic and professional support services, to aid doctoral training, and develop research staff skill sets.

Throughout the year we have continued to highlight our commitment to an outstanding student experience and have been involved with several initiatives to promote good mental health among our students and in the wider community. In January we launched the £2.2 million Start to Success mental health partnership in collaboration with Staffordshire University and other regional partners, designed to develop an integrated community approach to mental health and wellbeing for students. This was followed in March by the signing of the Staffordshire Mental Health Concordat, focusing on meeting the needs of people experiencing a mental health crisis.

Keele's Root and Branch campaign continues to embed sustainability into everything that we do, and we are proud to have reduced our campus carbon footprint by 21% since 2016/17. This year has seen significant progress in some major campus-wide sustainability projects including our Smart Energy Network Demonstrator, HyDeploy (a trial to add hydrogen to our gas grid) and saw the development of the Institute for Sustainable Futures.

The University in the last twelve months continued to foster its strong partnership relationships with Keele Students' Union and the Keele Postgraduate Association. A partnership group has been formed to ensure that we meet regularly to discuss key issues for students and to work together to find ways to resolve them; this has worked particularly well with communication during the pandemic. We look forward to continuing to work closely with the students' unions and their representatives over the coming year.

For the 2019/20 academic year we continued to see a rise in Home Undergraduate recruitment, seeing the largest ever intake for this group. Keele welcomed a total of 2,574 Home/EU Undergraduate first year students in 2019, marking a 2.8% increase on 2018/19 and 5.3% increase on 2017/18. It is impressive that Keele can continue to increase its market share in this group considering increased competition from universities and a smaller pool of applicants due to a demographic dip of UK 18-year-olds.

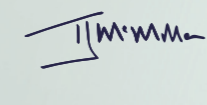
A 2019/20 key strategic priority was to redevelop our portfolio to be more attractive to International and EU undergraduates. Keele was on track developing its profile and reputation in its chosen international markets just as the Covid-19 pandemic spread across the world.

Despite the global pandemic, we have continued to grow our partnerships with the region, culminating in the opening of the new Keele Business School and Smart Innovation Hub within the new Denise Coates Foundation Building on campus. As part of our business engagement efforts this year, we have secured funding for our seventh Innovation Centre (IC7) building from the Research England Development Fund, the European Regional Development Fund - as part of the European Structural and Investment Funds Growth Programme 2014-2020 - and the UK government's Getting Building Fund. The vision for Keele's seventh Innovation Centre is to drive business growth and innovation, helping local businesses understand and adopt advanced data analytics which will help accelerate the development of more sophisticated approaches to health diagnostics, prognostics and treatment.

The Higher Education sector is facing an unprecedented financial threat due to the Covid-19 pandemic. It has been estimated that the sector as a whole faces around £2.6bn shortfall in revenue over the next 12 months. The University has completed extensive modelling on the financial impact of Covid-19 for the next academic year, with models showing various scenarios and their impacts on the University's finances. The budget for the University for the 2020/21 financial year shows a small surplus, although we now consider that the most likely impact in 2020/21 to be in the range of a £2m surplus to £5m deficit depending on the ability of students to remain on campus through the academic year. The University would take mitigating action as required to ensure that the budget and cash position remained within that range.

In June, we published our approach for the next academic year, which will come with new challenges for our research and teaching activities, but ones that we are ready to tackle thanks to our extensive preparations. These have been carefully drawn up with the latest Public Health England guidance in mind, taking account of the latest scientific advice and guidelines, with the benefit of being flexible and adaptable to reflect the changing national and international situation. The safety of our students and staff is our priority and remains at the core of our approach, and we will continually review our stance on teaching and research as the situation demands, ensuring we are always compliant with Covid-safe guidelines.

I would like to thank all of our colleagues, partners and stakeholders for your hard work this year and the way you have adapted to the uncertain circumstances this past year has presented, and I look forward to working with you for another year.



Professor Trevor McMillan
Vice-Chancellor, Keele University



STRATEGIC REPORT

Highlights of the year

- 1 We were pleased to have ranked in the **UK Top 10 for the Best Student Experience** in The Times and The Sunday Times Good University Guide 2020, with our Medicine course ranking 3rd in England behind only Oxford and Cambridge.
- 2 Keele's students, staff, and partners have all stepped up to meet the challenges of the Covid-19 pandemic. From **donating PPE to our local NHS and producing hand sanitiser in our labs**, to donating food and supplies to vulnerable people, the entire Keele community has done all it can to support the ongoing effort to tackle Covid-19.
- 3 We were proud to launch **Start to Success** – a new integrated community approach to mental health and wellbeing for students in further and higher education, in collaboration with Staffordshire University and other partners, as part of a £2.2 million project.
- 4 This year saw the launch of the **Keele Doctoral Academy**, which brings together expertise from across Keele's academic and professional support services, to develop research opportunities, doctoral training and support for our postgraduate research students.
- 5 Through various sustainability initiatives implemented on campus we have successfully **reduced our campus carbon footprint by 21% since 2016/17**, a testament to our ethos of embedding sustainability in all that we do.
- 6 This year saw the official opening of two exciting and innovative building projects on campus – the **Denise Coates Foundation Building**, home to our Business School; and our £34m state-of-the-art **Central Science Laboratories**.
- 7 Launched in November 2019, the "**Keele Deal – Health**" is a plan to address regional and national health care priorities to improve health and care for the population and support the key agendas of an integrated care system.
- 8 We were proud to be awarded a **Race Equality Charter (REC) Bronze Award** by Advance HE to recognise the University's commitment to tackling race equality in the Keele community and in higher education more broadly.
- 9 The estimated research income to Keele on **grants starting in 2019/20 is £16.7m**, with three valued at more than £1m.



Keele UNIVERSITY

- 98,900** items of PPE donated to our local NHS
- 5,000** Keele-trained nurses in the NHS
- 3,500** pioneering diagnostic tests to support national trials
- 1,100** litres of hand sanitiser made and donated to hospitals
- 200** newly-qualified medics and nurses on the NHS front line
- 120** vulnerable people provided with access to legal support
- 1** University

JOINING THE NATIONAL EFFORT TO TACKLE COVID-19

#WeAreTogether



start to SUCCESS

A new integrated community approach to mental health and wellbeing.

STRATEGIC REPORT

Financial Highlights

Total income of
£163.3m

Total income – income for the year totalled £163.3m, a decrease of £5.5m in income on 2018/19. This is mainly due to a reduction in one-off capital income on completed projects, with the impact of higher tuition income being offset by the negative effects of Covid-19.

Tuition fee income
£81.5m

Tuition Fee Income - tuition fee income increased slightly by £1.0m, to £81.5m. Strong Home/EU UG recruitment has offset slightly lower than expected Overseas and PGT recruitment.

Surplus before other gains

Surplus before other gains/ losses – ignoring the actuarial movement in staff costs, the consolidated operating surplus before other gains/ losses reduced slightly in 2019/20 to £2.6m from £3.8m. This includes depreciation and interest payable on loans and pensions. This was expected, and the reduced income has been largely offset by pay and non-pay savings.



Cash generation

£20.5m

Cash Generation – the University improved its cash generation from operating activities in the year and at year end had cash and cash equivalents of £20.5m (2018/19 £18.5m). In addition to this, the University has fixed asset investments that are invested in liquid funds that could be available to the University at short notice if required. At the date of signing these accounts the University had access to further undrawn bank borrowing facilities of £14m.

Staff costs



Staff costs – on-going staff costs (note 8) totalled £89m for 2019/20, equalling 55% of total income. The percentage compared to income figure has increased compared to 2018/19, but the University has managed to control the overall staff costs in the year.

Capital expenditure

£21.5m



Capital Expenditure – £21.5m of capital expenditure was realised on projects including the new Central Science Laboratories, Smart Energy Network Demonstrator and Denise Coates Foundation Building.

STRATEGIC PLAN – OUR FUTURE

Strategic performance

The University's previous strategic plan *Our Vision 2020*, was replaced by the new university strategic vision, *Our Future*, in July 2019 following approval from the University Council.

The creation of *Our Future* was intentionally designed to provide the University with a vision by which it would make decisions and pursue its ambitions, in what was set to be uncertain times. The vision is centred around five key tenets of a successful university, Purpose, People, Place, Partnerships and Performance. In the context of the emerging challenges that 2019/20 has presented the world, these five, core visions of our strategic priorities, has helped to inform and shape strategic decision making, through the most unprecedented of times.

Purpose

Keele's founding mission was to be *"making a difference in society by providing innovative, high-quality education for students from all backgrounds and by undertaking world-leading research that transforms understanding and brings benefit to society, communities and individuals."*

In the last six months, the Covid-19 pandemic has highlighted more than ever the important role that universities play in our communities and specifically, in response to the Covid-19 pandemic. Keele is part of the national response; our scientists are working hard to develop treatments/ vaccines; our healthcare practitioners are coordinating the regional and national response to the health care crisis, as well as working directly on the front line; and our social scientists are modelling the social impacts of the pandemic and their effects and contributing to national government advice on the topic.

Our commitment to high-quality education meant that we were able to fast-track the completion and graduation of our medical and nursing cohorts to ensure that the NHS had the resources it needed at this critical time. This year, we also had the additional challenge of meeting our educational

responsibilities, transitioning rapidly and successfully away from on-campus delivery in March, to high-quality online delivery. Prior to the pandemic, we were in the early stages of implementing an ambitious digital transformation across the University, and this ground-work, and the dedication and determination of our academic and support staff in schools who have worked to ensure the quality of education is still met via virtual means, has positioned us well to respond to the national crisis.

As we look ahead to the next 12 months, we have challenged ourselves to be at the heart of the local and regional recovery from the impact of the pandemic.

People

Keele's community is founded on its people; staff, students and partners. Our principles of collegiality, ambition, accountability, respect, fairness and consistency inform all that we do.

Our people had to adapt quickly to working from home when the March lockdown was introduced, and our response was driven by a commitment to being as flexible and supportive as we could to those who needed it. Students were particularly affected by the lockdown, many having to return home to continue their studies in the final weeks of Semester 2, several unable to return home and were in 'lockdown' on a reduced activity campus. The university provided support by waiving assessment for level 4 students, allowing automatic progression for those who were on track to pass, and by providing an alternative algorithm for level 5 and 6 students meaning that those affected by the pandemic would not be unduly penalised in their results. Our level 7 students benefitted from an enhanced extensions policy for Semester 2 assessments which would help

to mitigate the initial impact to studying practices. The university continues to take a sympathetic approach to students who now face adverse circumstances due to the pandemic.

Staff went above and beyond during this period to ensure that students received their full tuition and support and to keep in touch with colleagues to provide a vital support structure for staff during this time.

Earlier in the year, the university, like several others in the sector, saw industrial action from staff over the national USS pensions dispute. The university engaged with trade unions during this time to ensure that the student experience was not unduly affected, whilst allowing trade union members the right to strike. For some students, this has therefore meant that their studies have been impacted by both the industrial action and the pandemic this year. As such, withheld pay as a result of strike action was used to directly support students affected by the pandemic, through the University Hardship Fund.



Place

Our Future is clear, that Keele University is much more than our beautiful 600 acre campus. National 'lockdown' confirmed that Keele University is a powerful organisation which covers many corners of the globe and can 'work from home' when needed. As we look forward to the post-pandemic recovery, our place, in North Staffordshire, is a key focus for our efforts to help the economy of the region recover, as well as our broader place within society.

On the campus, we were pleased to formally open the Denise Coates Foundation Building, which co-houses our Business School and a number of local SMEs in partnership with Staffordshire County Council. We have also opened the new, flagship Central Science Laboratories building, creating a Science quarter on the campus. These two new capital developments emphasise the university's commitment to providing outstanding educational and research facilities for the use of students and staff. In addition, the new hotel development hosted externally by Marriott began to take shape on campus over 2019-20 academic year, with the planned completion and opening expected to take place in Spring 2021. The ground has also been broken for the build of the new Veterinary Science building, which will host the Keele half of the new Harper-Keele Vet School from 2021.

Partnerships

Our mutual commitment with our partners this year has been vital to the success of the institution. Our partnership with the NHS has been key, as we worked together to provide as much support to them during the most testing of times, through students on work placement, early graduation of final year students, some University staff members returning to front line activity and the mass production of hand sanitiser and donation of PPE supplies at the peak of the pandemic.

Our partnerships have extended beyond healthcare and moving beyond the pandemic, we recognise that partnerships are critical to almost all that we do. We have, over the last 12 months, expanded on our existing New Keele Deal, to bring further Keele Deals on Health (working in partnership with the NHS and other local health care partners) and Culture (a partnership with 6 local cultural organisations). As we move beyond the pandemic, we intend to launch Keele Deal | Recovery, building on the work already undertaken by the University in fulfilling its civic response to the pandemic (more details of which are available on our website: keele.ac.uk/coronavirus/response)

Performance

Our performance is evident through a broad range of measures; we continue to recruit good levels of students; our research impact and performance continues to demonstrate improvement; our regional and local links and impact are increasingly evident; our financial position continues to improve. A key driver for our financial position was the introduction of a three-year Financial Sustainability Plan, comprising of three-stages of cost-reduction, efficiency savings and growth. This scheme has generated confirmed savings of £7.6m in the two year to 31 July 2020, with a further year to run. Cost reductions were made during the 2018/19 and 2019/20 financial years through an ambitious voluntary severance scheme, which was carefully managed and planned by a Staffing Review Group, to ensure that the University's business could sustainably be delivered, whilst realising significant financial savings. This scheme, in conjunction with the Financial Sustainability Plan, has positioned the University well to respond to the financial challenges faced by the sector as a result of the pandemic.

The full strategic vision and any supporting documents can be found on the University website at keele.ac.uk/discover/strategicplanandmission

As we look ahead, the University, despite the potential challenges brought by Covid-19, intends to continue delivering the full Financial Sustainability Plan, including generating significant efficiencies throughout the 2020/21 academic year and growth in student numbers through an ambitious new portfolio of postgraduate taught programmes, flexible provision such as online and apprenticeship programmes and a repositioning of our Business School portfolio to better appeal to international markets.

We will also see a number of capital projects realised in the next financial year; the new Veterinary School and hotel, as referenced above. We continue to have ambitions around our on-campus Science Park and plan to begin development on a further Innovation Centre during the 2020-21 financial year.

The coronavirus pandemic has inevitably had a significant impact on the 'normal' operations of the university, but we have found that our flexible and responsive approaches have led to teaching, research and all University operations continuing effectively whilst staff and students were working from home. This has caused us to reflect on the traditional working models we have adopted at Keele and we can see opportunities and potential for the campus, if we were to continue with a more flexible approach to home/office working.

Our Keele Institute for Innovation and Teaching Excellent (KIITE) have also been working with our academic teams in Schools and Faculties to develop innovative online teaching techniques to support learning and teaching throughout the lockdown period and into 2020/21. This ensured that students received their full academic learning opportunities in 2019/20 and resulted in a successful summer exams period. It is pleasing to report that our student performance was unaffected by the pandemic lockdown, when it came to the end-of-year assessments and this is testament to the responsive nature of our academic staff and students.

Looking ahead, 2020/21 will be undoubtedly be a challenging year for the higher education sector and Keele will also be a part of this. We have been taking steps to make the campus covid-secure; re-engineering our teaching, research and social activities to make staff and students safe but welcome on campus whilst also preparing for our own and national priorities that will emerge in 2020/21.

We have assessed the impact of a non-agreed Brexit position by end of 2020; making provision where we can to mitigate the impact. We have considered the potential for local or regional lockdowns as a result of the pandemic and have put in place contingency arrangements that will ensure we continue to be able to operate successfully throughout the next academic year, and continue to provide students with an excellent student experience despite of any restrictions which may be in place.

Going Concern

Net cash generated from operating activities for 2019/20 was £6.3m, 3.9% of turnover. Cash generation is an area that the University is continually looking to improve, and despite the issues that Covid-19 brought to the University this represented a significant increase in operational cash generation. As noted above, this was facilitated by the Financial Sustainability Plan and voluntary severance schemes, together with a reduction of non-pay expenditure to offset some of the lost income.

The amount of cash and cash equivalents on the balance sheet increased from £18.5m at 31 July 2019 to £20.5m at 31 July 2020. This was generated through the improved operational cash generation, and control over net capital expenditure (net of capital grant income).

The University has fixed asset investments that are invested in liquid funds that could be available to the University at short notice if required. Additionally, the majority of the University's external loan funding of £68.7m is long term in nature. Cash flow forecasts show that the University is still able to ensure it has sufficient liquidity over the short, medium and long term. At the date of signing these accounts, the University also has access to revolving credit facilities of £14m (£10m Nat West and £4m Barclays) which can be used to support liquidity as and when required.

As with all other entities, the University has been financially and operationally impacted by Covid-19. However, the plans that have already been implemented together with the full suite of scenario planning forecasts that have been considered, provide the University Council with the confidence that the University has adequate resources to continue in operational existence for the foreseeable future and for at least 12 months from the date of signature of these financial statements.

Trade Union Representation time

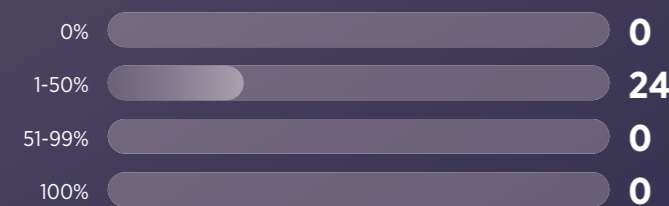
The Trade Union (Facility Time Publication Requirements) Regulations 2017 came into force on 1 April 2017. These regulations place a legislative requirement on relevant public sector employers to collate and publish, on an annual basis, a range of data on the amount and cost of facility time within their organisation. The regulations provide a framework for open and transparent monitoring and for demonstrating the effective use of taxpayer's money. The data below covers the relevant period of 1 April 2019 to 31 March 2020.



Relevant Union Officials



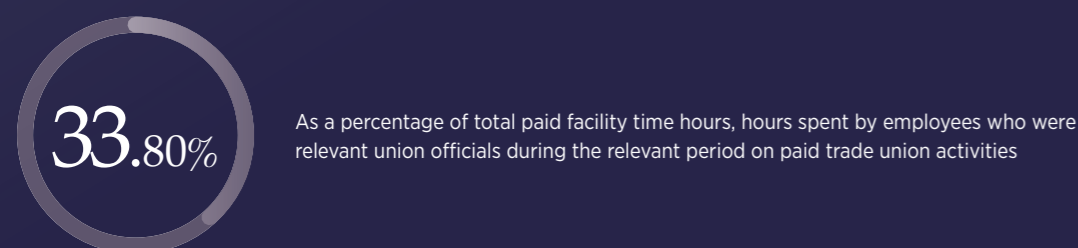
Percentage of time spent by Relevant Union Officials on facility time



Percentage of pay bill spent on facility time



Paid trade union activities



Gender Pay Gap

Building on the University's founding principles, our commitment to promoting equality and valuing diversity is at the centre of our efforts to ensure that all staff and students have the opportunity to flourish and fulfil their potential. In recent years the University has carried out an annual Equal Pay Analysis across our pay grades which demonstrates that there is no pay inequality within our Pay Grading Structure, i.e. we pay men and women equally for work at the same level. However, there is work to do in addressing our Gender Pay Gap which exists, not because of an equal pay failure, but due to issues relating to the composition of the workforce.

Keele's Gender Pay Gap is biased towards men. The gender pay gap includes every worker and employee; from frontline operational staff to members of the executive team. The composition of our workforce is therefore a key factor in understanding our gender pay gap. Put simply, we have more men in senior professorial roles and more women in administrative and operational positions.

While the gap reflects broader societal trends and career choices that disproportionately impact on women, we choose not to be complacent and use this to justify our gap. We recognise that we have a responsibility to address workplace barriers to gender equality and have an action plan in place which runs to 2021.

Since September 2005 the University has been a Member of the Athena SWAN Charter. The University and its Schools continue to strive towards higher levels of award recognition. Keele University is committed to the principles of the Athena SWAN Charter and values equality and diversity across its workforce. The University sees membership of the Charter as working towards sustaining equitable working environments enabling universities to identify themselves as employers of choice, not only to their staff, but to students, stakeholders, research councils and industry. Keele University currently holds an institutional Athena SWAN Bronze award, 1 departmental Silver award and 12 departmental Bronze awards.

A full gender gap report can be found on the University website, together with other equality, diversity and inclusion reports.

Ethical Investment Code of Practice

Keele University's Ethical Investment Code of Practice aims to ensure that its investments are managed in a productive but socially responsible manner which reflects the mission and values of the University. It is based on the premise that the University's choice of where to invest should be in line with its strategic aims and its environmental, social and ethical values. The Business Review Committee, on behalf of Council, will actively monitor and take a view on the ethical position of the University's investments. In particular, the Committee may advise against investment in areas which it considers to be ethically unacceptable.

Public Benefit Statement

Keele University is an exempt charity. In respect of the Charity Commission's guidance on public benefit, the Council has highlighted some of the ways in which the University has had a positive impact on society during 2019/20.

The unprecedented challenge posed to our University and the wider community by the Covid-19 pandemic has highlighted that our founding ethos of "the pursuit of truth in the company of friends" remains as true today as it did in 1949, and the initiatives included here are testament to our original mission and values.



Keele's expertise, research, and facilities have provided an invaluable resource to support the regional and national Covid-19 response

Responding to the Covid-19 crisis

Keele's expertise, research, and facilities have provided an invaluable resource to support the regional and national Covid-19 response since the start of the pandemic, with the University providing personnel, resources and equipment to help tackle the virus on all fronts including healthcare, as well as the social aspect of the pandemic by helping our local communities.

Throughout the pandemic, over 200 newly qualified medics and nurses from our Faculty of Health and Medical Sciences joined the NHS frontline, with students working in the local NHS Trust to provide patient care and reduce the strain on health services. The faculty has also trained 5,000 nurses and facilitated 3,500 diagnostic tests for local key workers to support a national diagnostic testing trial.

Almost 100,000 items of Personal Protective Equipment (PPE) were donated from Keele's teaching and research laboratories across the Faculties of Health and Natural Sciences to protect local healthcare providers, while researchers from the School of Pharmacy put the University's laboratories into practice to produce 1,100 litres of hand sanitiser for use by the local NHS Trust.

As well as responding to the healthcare challenges created by the pandemic, Keele academics and students have been crucial to the region's response to the social and community challenges posed by the virus. As the nation went into lockdown, our students volunteered to help local charities and gathered food donations to help the most vulnerable, as well as putting their specialist knowledge into practice by using a student-led community legal programme to help vulnerable people. Our academics have also put their expertise into practice, with Dr Helen Wells advising police on a strategy for making the roads safer as lockdown began to lift, and Professor Carolyn Chew-Graham sharing her expertise with Age UK to help older people improve their mental wellbeing and ease themselves safely out of isolation.



Keele research continued to make headlines and improve lives *across the world* this year.



€4m

Professor Maria Heckl has continued her €4 million study into emerging technology for combustion engines this year, saying the project has made “significant progress”

Professor Maria Heckl has continued her €4 million study into emerging technology for combustion engines this year, saying the project has made “significant progress”. Professor Heckl is leading a team of researchers who are addressing the technical challenges of hydrogen combustion, and said the progress that she and her team have made so far is “significant”, with some of their findings due to be presented at the 27th International Congress on Sound and Vibration, which will take place next year. The goal of the Pollution Know-how and Abatement project – POLKA – is to create new physical insights and advanced simulation tools to underpin the development of hydrogen-fuelled combustion systems such as gas turbines, aero-engines, boilers and furnaces.

Professor Lisa Dikomitis led a study into cluster headaches, a condition which her research found to be frequently mismanaged and misdiagnosed. The study highlighted tensions between primary and secondary care around referrals and the cost implications of prescribing treatment regimens, with clinicians who participated in the study acknowledging delays in diagnosis, misdiagnosis, and mismanagement of cluster headache, adding that they were aware of the potential impact cluster headache can have on patients’ mental health and ability to remain in employment. Following the publication of the study, sufferers have been in touch with Professor Dikomitis about their experiences which will potentially be included in the next phase of the research.

Professor of Clinical Oncology, Murray Brunt, published a study into radiotherapy treatments for women with breast cancer, which found that women who received fewer, larger doses experienced similarly low rates of late-onset side-effects as those receiving conventional treatment. Professor Brunt’s study should help doctors discuss the potential risks and benefits of different courses of radiotherapy with their patients, and for certain patients such as those who are more frail, the findings could offer a new choice for treatment. The research also provides evidence for an even larger national trial called FAST-Forward, which Professor Brunt is Chief Investigator on, which is investigating a change in clinical practice which should enable women to receive a shorter treatment overall.

Professor Clifford Stott is part of a research team which has successfully secured over £1.5 million from UK Research and Innovation (UKRI) for two studies to help societies better respond to mass emergencies, including Covid-19. The research projects will add further capacity to Keele’s Centre of Policing and Academic Collaboration (KPAC) which has been awarded the grants for two separate projects, which are focused on tackling the huge societal challenges in how nations respond to situations like the Covid-19 pandemic, as well as more immediate emergencies like terrorist attacks. For the first study, Keele academics including Professor Stott will examine how authorities handled the Covid-19 pandemic, and how their actions impacted upon people’s capacities and willingness to adhere to Government advice, to allow societies to better prepare to cope with future mass outbreaks of diseases. The second study will investigate the psychological dynamics of crowd ‘stampedes’ in response to a perceived hostile threat, such as a terrorist incident, and aims to understand how people respond collectively to a perceived state of emergency, even when this turns out to be a false alarm.

Dr Sammyh Khan and Dr Katie Wright-Bevans have been working with a local housing provider to improve the lives of local people in Newcastle-under-Lyme who are living in social housing. The study, funded by the Keele Institute for Social Inclusion, will involve Dr Khan and Dr Wright-Bevans drawing on existing data held by Aspire Housing to identify the key factors affecting the quality of life of residents in Newcastle-under-Lyme, including social, economic, political and environmental factors. The research team will also conduct interviews with residents in this area, asking them to identify the issues in these categories that have the biggest impact on their own lives, before presenting their findings back to stakeholders within the year to inform targeted interventions to improve these residents’ lives.

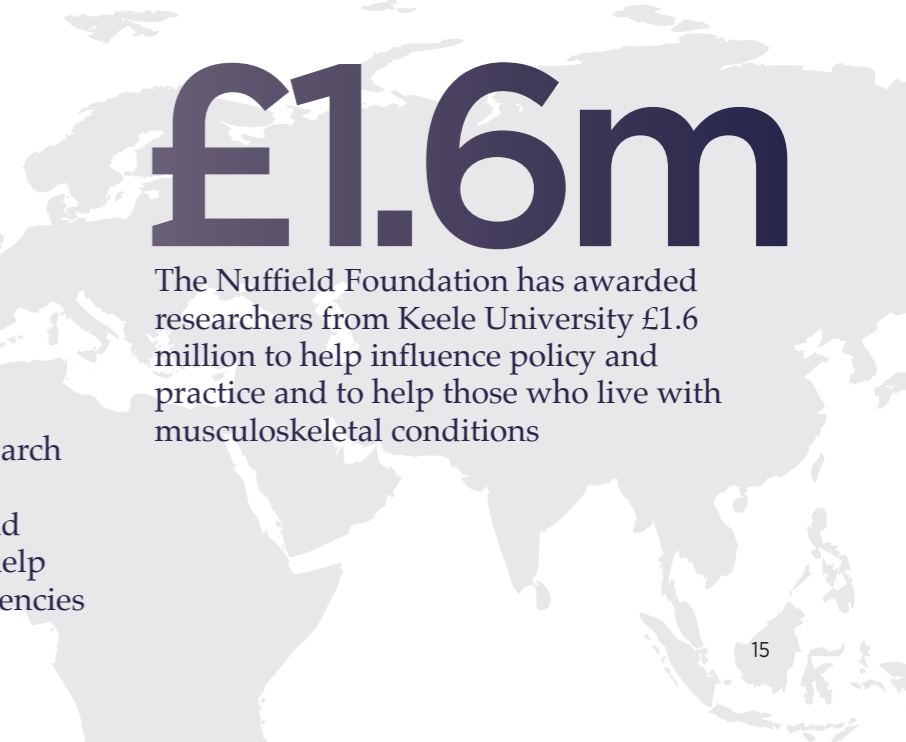
The Nuffield Foundation has awarded researchers from Keele University £1.6 million to help influence policy and practice and to help those who live with musculoskeletal conditions. Professor of Clinical Epidemiology George Peat from Keele’s School of Primary, Community and Social Care, has been awarded £1.3 million in partnership with the charity Versus Arthritis, who have contributed £250,000 towards the grants, to improve musculoskeletal health care quality. Additionally, GP Dr John Edwards, a senior lecturer in general practice, has been awarded £350,000 to study the impact musculoskeletal conditions have on outcomes of other illnesses, which will generate new knowledge, linking existing data sets to explore the causes and consequences of the condition.

Research that improves lives

Professor Toby Bruce led a study which aimed to promote natural methods of pest control, in a bid to improve farming practices for food security in Africa. Professor Bruce and his colleagues from research institutes in Kenya identified a gene present in certain varieties of maize, which allows the plant to “call for help” when attacked by pests, recruiting wasps as “bodyguards” to defend against the pest. As farmers look for alternative methods to control pests within their crops, it is hoped that the results of this study could provide a valuable resource for maize breeders wanting to promote the trait within their crops to improve natural defences.

Professor Mamas Mamas published research into the wider impact of Covid-19 on the nation’s health, highlighting some stark findings about the numbers of missed treatments and procedures which are believed to have been caused by the pandemic. Alongside colleagues from Oxford University, NHS Digital, University of Leeds, University College London, Imperial College London and Barts Health NHS Trust, Professor Mamas highlighted that the number of patients admitted to hospital with suspected heart attacks had fallen by 35% by the end of March 2020 and that overall, by May, there had been about 5,000 fewer patients admitted with heart attacks.

A study by **Dr Ross Wilkie** and PhD researcher Marty Parker looked at healthy working ages and how long someone can work for before retiring while still maintaining good health. The researchers studied data from the English Longitudinal Study of Ageing (ELSA) between 2002-2013, with linked NHS mortality records to identify the average number of years people spend both healthy and in work from age 50 onwards. This research gained international coverage and a Conversation article based on the research has been read by over 320,000 people.



£1.5m

Professor Clifford Stott is part of a research team which has successfully secured over £1.5 million from UK Research and Innovation (UKRI) for two studies to help societies better respond to mass emergencies

£1.6m

The Nuffield Foundation has awarded researchers from Keele University £1.6 million to help influence policy and practice and to help those who live with musculoskeletal conditions



Over the last year our students collectively donated over

20,000

hours of their time to support local causes



Education and the Student Experience

The student community at Keele is varied and diverse. Keele recruits from across the UK and the world, as well as locally, with approximately 40% of our students coming from the West Midlands.

During term time, over 7,000 students live on or within a ten-mile radius of campus, having a significant impact on the local community. Their wide-ranging interactions with the community, both on and off-campus, through their studies, their residency and activities such as volunteering, enrich both their experience and the companies, institutions and individuals with whom they interact.

Over the last year our students collectively donated over 20,000 hours of their time to support local causes, as well as their generous efforts to help the community during the pandemic. Keele has continued to affirm its reputation as a leading institution in the UK, ranking highly among prestigious UK universities in the latest league tables.

In the Guardian University Guide for 2020, Keele was named as the 2nd best place in England to study Medicine, ranking behind only Oxford, and ranked 3rd in England to study Politics, behind only Oxford and Cambridge. Other league tables have also recognised the teaching excellence on offer at Keele, with the Complete University Guide ranking our Forensic Science and Education courses Top 10 in England. Forensic Science was ranked No 1 in England in the 2021 edition of the guide, while Medicine ranked No 8 in England.

Keele has consistently ranked in the top three in England for student satisfaction of broad-based universities in the National Student Survey (2014-2019) and its Children's Nursing, Midwifery, Business Studies and Media Studies courses were ranked No 1 for student satisfaction in the NSS 2020.

Keele Students' Union has consistently been ranked for its high performance in the NSS. Along with the Teaching Excellence Framework Gold award, this highlights the breadth and quality of Keele's educational provision and student experience, producing graduates who have subject expertise and the skill sets that they need to make a difference to society.

In January, we launched the £2.2 million Start to Success mental health partnership in collaboration with Staffordshire University and other regional partners, designed to develop an integrated community approach to mental health and wellbeing for students. The project was awarded funding of £750,000 by the Office for Students and has been match-funded by Keele and Staffordshire universities, together with financial support from all other partners, with the project totalling £2.2million.

We will be working in partnership with local colleges and authorities, police and NHS providers, to effectively support students' transition into, through and out of higher education, especially those with circumstances that may contribute to them being more vulnerable to mental health issues.

This was followed in March by the signing of the Staffordshire Mental Health Concordat, focusing on meeting the needs of people experiencing a mental health crisis. This comes at a time when there's a growing concern for students' mental health following the Covid-19 pandemic, and we aim to incorporate the effects of that within the project.

Keele has expanded its courses on offer in 2020 including new course in Public Health BSc, including a pandemic management module, Smart Energy Management MSc, and we launched Keele's first 100% online courses for MBA programmes, MSc Computer Science, MSc Computer Science with AI, and MSc Computer Science with Data Analytics which aims to help fill the current skills gap in the UK.



Widening Participation

As a University that was founded on the principles of widening participation, Keele has always placed great importance on supporting underrepresented groups, both pre and post entry. Keele is also the lead institution for Higher Horizons+, one of the largest consortia in the Government-funded National Collaborative Outreach Programme and the premier provider of HE outreach in Cheshire, Shropshire and Staffordshire.

Keele oversees four outreach hubs at Keele, Staffordshire University, the University of Chester, and Harper Adams University, with 33 members of staff dedicated to producing and delivering rich and impartial activities to schools and colleges across the region.

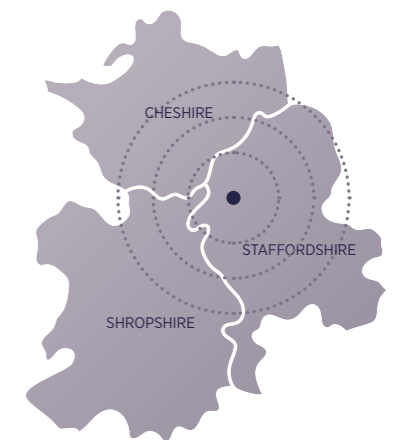
The academic year 2019/20 has been an unprecedented time due to the Covid-19 pandemic affecting how the consortium can deliver its support services. Higher Horizons+ has adapted to how it works online ensuring that whilst schools were closed, they were available to support teachers, parents and young people. Its activities have adapted to continue supporting students, such as the White Water Writers programme which helps students write stories that are published in a book, and this year the writing project launched a competition to encourage students to be creative during lockdown and write about their feelings and experience of living through a pandemic. Since schools were closed, the team have seen over 5,000 virtual interactions with young people as well as working in collaboration with other partners to leave materials for learning at local food banks.

During the previous academic year Higher Horizons+ delivered almost 700 events and activities generating over 34,000 learner interactions with 74% of learners engaged coming from quintile 1 and 2 postcode areas, which are areas with the lowest rate of participation in higher education in the UK.

Keele is continuing its commitment to Access projects to widen participation during Covid-19, such as the collaborative Explore University project. While Keele staff are currently unable to visit our partner primary schools due to the pandemic, we have worked with Staffordshire University to develop learning resources and a competition, which will be distributed around schools for pupils to take part in.

There are plans in place to run virtual versions of upcoming events such as the mature student conference, which introduces mature students (particularly those studying for Access to HE diplomas) to the courses and specific support available to them at Keele.

The University's work towards widening participation and equal opportunities for all was further exemplified by a Bronze award given to Keele by the Race Equality Charter, in recognition of its commitment to tackling race equality in the Keele community and in higher education more broadly.



Business Engagement

In the academic year 2019/20, Keele University supported 217 local businesses with innovation-led growth, research and development support, and a leadership programme for entrepreneurs and innovators across Stoke-on-Trent and Staffordshire, via the University's landmark New Keele Deal.

The Keele Deals are testament to the commitment that Keele has to the local area and have been praised by the UK Government. This academic year we launched our third Keele Deal, with a focus on working with local partners to address regional and national healthcare priorities. Keele Deal | Health will build on the existing relationships that the University has with key public and private sector healthcare organisations across Stoke-on-Trent, Staffordshire, Shropshire, Cheshire and Wolverhampton.

The New Keele Deal, a £70 million investment by a number of partners, continues to support long-term economic growth for the region, create high-value jobs, and provide opportunities for students and graduates to gain experience working in growing and innovative businesses.

The Deal, a concordat of local partners – including University Hospitals of North Midlands NHS Trust (UHNM), Staffordshire County Council, Stoke-on-Trent City Council, Newcastle-under-Lyme Borough Council and the Stoke-on-Trent and Staffordshire Local Enterprise Partnership – is building on £200m+ of annual gross value added (GVA) and 4,800 high-value jobs already provided by the direct economic impact of the University to the community, and enabling the University to contribute an extra £210m per year on top of this as a result of the Deal.

Furthermore, the Keele Deal Culture is set to boost the local creative economy by £36m.

Keele has promised to put the local economy and quality of life within Stoke-on-Trent and Staffordshire at the top of its list of priorities. Keele's efforts to help the local community during the Covid-19 pandemic further demonstrates Keele's commitment to the region and has been widely praised including by the Lord-Lieutenant of Staffordshire.

Due to Keele's Science and Innovation Park attracting pioneering innovative companies to the area, a vaccine to combat Covid-19 is set to be manufactured on campus, which will help showcase Staffordshire and the West Midlands as leaders in collaboration between universities, businesses, and NHS partnerships driving innovative approaches to global healthcare.

Cobra Biologics, which has two facilities on the University's Science and Innovation Park, has signed an agreement with AstraZeneca UK to manufacture the vaccine and is part of a programme with the University of Oxford to ensure broad and equitable supply of the vaccine throughout the world, at no profit during the Covid-19 pandemic.

In January 2020 we officially opened the new Denise Coates Foundation Building, a multi-million-pound state-of-the-art facility that will house both Keele Business School and incubated companies in a sector-leading Smart Innovation Hub. The Smart Innovation Hub provides accommodation to support the creation and growth of innovation-led businesses, alongside major new facilities to enable the University to grow its established programme of collaborative research, development and innovation support to local firms.

We announced this summer that the seventh Innovation Centre (IC7) building has been selected as one of 300 projects to receive funding from the government's "Getting Building Fund". The vision for Keele's seventh Innovation Centre is to drive business growth and innovation, helping local businesses understand and adopt advanced data analytics, including the use of Big Data, machine learning, artificial intelligence and complex systems based on the 'Internet of Things'. The Centre's initial programme will be launched in 2022 and will support over 400 SMEs over an 18 month period. The aim is for local businesses and purpose-led organisations to understand and make use of advanced data analytics to drive productivity, growth and improve social outcomes.

Professor McMillan has also been appointed to a leading business and universities taskforce to advise on the future of UK research and development. The taskforce has been formed by the National Centre of Universities and Business (NCUB), at the request of UK Research and Innovation (UKRI) and will focus on how partnerships between universities and businesses can be strengthened and maximised to drive growth and prosperity.

New Keele Deal is a
£70m
investment by a
number of partners

£200m+
annual gross value
added (GVA)

4,800
high-value jobs
already provided
by the direct
economic impact
of the University
to the community,
and enabling the
University to
contribute an extra
£210m per year on
top of this as a result
of the Deal.

Keele Deal Culture
is set to boost
the local creative
economy by
£36m

Healthcare

The University has a considerable impact upon society in the area of medicine and healthcare through our research, education and citizenship activities, as well as membership of trust and national advisory boards, charity work, and volunteering.

During 2020, Keele's healthcare staff and students have gone above and beyond to help care for the community with over 200 newly qualified medics and nurses joining the NHS frontline in response to the coronavirus, to reduce the strain on the NHS.

Keele merged two schools within the Faculty of Medicine and Health Sciences to form a new large single School of Medicine, bringing together major global research programmes and will continue to work in partnership with the NHS to help improve healthcare, recruitment and retention of health professionals within the local area. The School will offer undergraduate and postgraduate programmes in medicine, social work, public health, physician associate, counselling and psychotherapy, with a new course planned in paramedic science starting in 2021.

The development of medical technologies, interventional approaches, the patient experience, and service design and delivery are just some of the research activities undertaken which impact positively at a local, national, and international level.

The new IC7 building aims to drive business growth and innovation, helping local businesses understand and adopt advanced data analytics. The facility will help accelerate the development of more sophisticated approaches to health diagnostics, prognostics and treatment. Academic experts within the University are carrying out research to support health innovation, including the use of artificial intelligence (AI) to help improve treatments. Funding to launch a postgraduate conversion course specialising in AI and data science to teach skills to a range of industries including health, has also recently been secured.

The University has just over 2,000 undergraduate students studying professional programmes in the areas of medicine, midwifery, nursing, pharmacy, physiotherapy and radiography who are engaged in direct service delivery and patient care during their clinical placements.

This experience takes place within over twenty NHS trusts, 100 GP practices, and over 200 private, voluntary or independent providers, and spans the whole of the West Midlands, Cheshire, Liverpool, Wales and as far away as Kent and Durham. Keele students also undertake placements around the world in both a voluntary capacity or as a planned student exchange, having a global impact on health.

Over

2,000

undergraduate students studying
professional programmes in the
areas of healthcare

Sustainability

Keele's Root and Branch campaign continues to "embed sustainability in everything we do" and our vision is to be an international leader in campus sustainability encompassing activity across all aspects of the University estate and operations, our business activities, our engagement with the wider community, and in our core areas of education and research.

This year has seen significant progress in some major campus-wide sustainability projects such as our Smart Energy Network Demonstrator, HyDeploy (a trial to add hydrogen to our gas grid), and saw the development of the interdisciplinary research institute, the Institute for Sustainable Futures.

These initiatives will also allow the University to further develop its unique position as a campus which is on the scale of a small-town and that includes educational, research, residential and business communities, to be a genuine "living laboratory" where we can develop and test innovative sustainability solutions which can ultimately be introduced to wider society.

The Root and Branch campaign has also helped the University launch further campus sustainability initiatives and communicate the benefits to everybody across our campus community and beyond. Notable achievements this year include:

- Keele has reduced its campus carbon footprint by 21% since 2016/17.
- Continued reduction in electricity use (9%), fossil gas (12%) and water consumption (13%) since 2016/17.
- The ground-breaking HyDeploy pilot trial got underway in January, with hydrogen gas being blended into the campus gas network in a promising new initiative which could generate a drastic reduction in carbon dioxide emissions. The first initial results reported this year have been promising, with users reporting no differences using the hydrogen blended gas.

- Close to 100% of our undergraduate programmes integrate opportunities to explore related sustainability challenges.
- Keele ranked in the Top 25 of the UI Green Metric World Rankings for the fourth consecutive year, securing 24th place out of 780 universities that entered from around the world.
- We have been chosen to be a partner to help design a new zero carbon smart energy system for the Staffordshire town of Rugeley, contributing to the design of a Smart Local Energy System that will demonstrate how such a system can reduce carbon and energy costs for residents, whilst providing a catalyst for town regeneration and employment creation.
- Keele was one of just two UK universities to sign up for Covering Climate Now, a media collaboration more than 200 organisations and news outlets from around the world devoted to covering global climate emergency news.
- We continued to invest in renewable energy on campus with planning permission being granted for solar panels and wind turbines on the edge of the campus, which will generate up to 80% of the electricity used at Keele.
- We have partnered with Newcastle-under-Lyme Borough Council to work together on climate sustainability in order to reduce the region's carbon footprint, while Professor Zoe Robinson delivered sustainability training to Staffordshire Moorlands District Council.
- We were named as one of the Top 35 universities in Europe for our social and economic impact in the 2019 Times Higher Education University Impact Rankings, including Top 25 for Affordable and Clean Energy.
- Keele was shortlisted for a record six categories at the 2019 Green Gown Awards which celebrate sustainability in higher education, with an Environment and Sustainability student winning Student Sustainability Champion and Keele was highly commended in the Benefiting Society award category.
- In the last three years the Warp-It reuse furniture scheme has saved 11 tonnes of CO2, five tonnes of waste, and £27,000 in procurement and disposal costs.
- Before the country went into lockdown in March, students donated food to the local Trussell Trust Foodbank. Over the last seven years Keele students have donated over 10 tonnes of food in total equating to over 23,000 meals.
- A generous student set up a Beauty Bank donating more than 3,000 items to local charities including the food bank.



Professor T J McMillan
Vice-Chancellor



D Hall
Treasurer
November 2020

CORPORATE GOVERNANCE

Statement

The following statement is provided to enable readers of the Annual Review and Statement of Accounts of Keele University to obtain a better understanding of its governance and legal structure. It covers the period 1 August 2019 to 31 July 2020 and up to the date of approval of the audited financial statements.

The effect of the Covid-19 Pandemic on Corporate Governance in 2020

The Covid-19 pandemic resulted in significant changes to the operation of the University from March 2020 onwards when lockdown commenced. The vast majority of staff moved to home working and students to online learning. The University rapidly had to make fundamental changes to its governance processes to ensure that decision-making was both agile and transparent and responsive to the fast pace of change.

In order to do this, the Council delegated its authority to a group of senior Council members (the Senior Council Members Group, SCM) which included the Chair, Deputy Chairs and Honorary Treasurer. The Business Review Committee and Nominations & Governance Committee also delegated authority to the SCM. The Council was assured that excessive use would not be made of the delegated powers and that continued, valued input from full Council including staff and student members was ensured. The SCM met virtually on a fortnightly basis and all decisions of the SCM were reported to the Council. In this way, the overuse of Chair's Powers by the Chair of Council, which was not considered to be good governance, has also been avoided.

At the same time as establishing the SCM, the Council appointed the Chair of the Audit & Risk Committee and Deputy Pro-Chancellor to the role of Senior Independent Member to provide scrutiny and oversight of decision-making.

The delegation was originally put in place until 1 September 2020, but a virtual meeting of full Council was convened on 18 August 2020 and it was agreed that the delegation would continue until 1 January 2021 due to the continued turbulent and unpredictable times and need for swift action. The Council was mindful that the delegation should not continue for longer than was necessary and kept the position under regular review.

The Council remained fully informed of developments throughout the pandemic in the following ways:

- Monthly Webinars on key topics, for example, finance, staff and student welfare, risk management, the effect of Covid-19 on education and research
- Monthly virtual drop-in sessions with the Vice-Chancellor
- Fortnightly reports from the Secretary to Council
- Minutes of the meetings of the SCM
- Copies of all emails sent to staff and students

The Audit & Risk Committee and Senior Remuneration Committee continued to meet throughout but held virtual meetings focussed on essential business.

The Senate dealt with some essential business by correspondence, with the Chair taking Chair's action on the final decision, taking into account the comments and feedback received from members. A virtual meeting of the full Senate was also held.

During this period, the University has developed good practice regarding the effective operation of 'e-governance' processes, which will also inform approaches to effective governance during the coming year.

Legal Status of the University

Keele University is an independent corporation and is the successor to the University College of North Staffordshire, founded in 1949. The University derives its legal status from the Royal Charter granted in 1962 (as subsequently amended) and the status of its degrees is recognised by the University of Keele Act 1962. Like many English universities, the University is a charity exempt from registration with the Charity Commission and the Office for Students (OfS) is the principal charity regulator for the University. This means that members of the Council have the responsibilities of charity trustees in relation to ensuring the institution's work is for the public benefit and that it complies with Charity Commission expectations.

How the University is governed

The University is committed to exhibiting best practice in all aspects of corporate governance. The University, like other public bodies, has a duty to conduct its affairs in a responsible and transparent way and to take into account the requirements of its funding bodies and the Higher Education Code of Governance published by the Committee of University Chairs (CUC). The University also conducts its business in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership). The CUC Code was revised and published in December 2014 and the University is confident that it has in place the primary elements of the Code and that it meets the supporting statements that underpin the primary elements. The CUC published a Higher Education Audit Committees Code of Practice in May 2020, which identified the key principles and elements that form an effective Audit Committee. The University's Audit & Risk Committee has formally adopted the Code. The University is also committed to the principles of academic freedom and equality of opportunity in its approach to governance.

The University has a responsibility to ensure that slavery and human trafficking are not taking place in our business or in our supply chains. Our Modern Slavery and Human Trafficking Statement can be accessed on our website at: [keele.ac.uk/modern-slavery](https://www.keele.ac.uk/modern-slavery)

In line with CUC guidance and sector best practice, the University commissioned a review of Council effectiveness during the 2017/18 financial year, which was undertaken by the Leadership Foundation for Higher

Education. The review concluded that the Council and governance generally was sector leading in a number of areas, for example, board culture, the streamlined and effective approach to decision-making, secretariat support, the Charing of meetings, briefings on the wider HE policy landscape and a shared commitment and endeavour from members and the executive to ongoing improvements in University governance.

In June 2017, the Higher Education Funding Council for England (the predecessor to the OfS) completed a quinquennial Assurance Review of the University to examine how the University exercises accountability for the public funding it receives. The report was based on the most recently submitted annual accountability returns, the minutes of Council, the Business Review Committee and the Audit & Risk Committee meetings in the 12 months prior to the Review and interviews with members of the Council and the executive. HEFCE concluded that it was able to place reliance on the University's accountability information and made only minor observations in respect of our reporting.

The University operates a continuous approach to reviewing the effectiveness of the Council in order to ensure that it maintains its position as an exemplar of good governance. In 2019-2020, a 360 degree review of the Chair took place and a development session for all non-executive members of the Council was held to explore and confirm that it received sufficient information and assurance from the executive to allow it to make robust decisions and that it was able to fulfil its role in questioning, challenging and supporting the executive. A small number of actions were identified that would be implemented in 2020-2021.

The University's Corporate Governance Framework

The University's powers and framework of governance are set out in the Charter, its supporting Statutes, Ordinances and Regulations. These currently require the University to have two separate bodies, each with clearly defined functions and responsibilities, to oversee and manage its activities, as follows:

- The Council is the supreme governing body, responsible for the finance, property, investments and general business of the University, and for setting the general strategic direction of the institution. Council members are sometimes referred to as the Trustees of the University. The Council has a majority of members from outside the

University (described as lay members), from whom its Chair and Deputy Chairs must be drawn. Members also include representatives of the University's academic and support staff and student body. For a full list of Council members who have served during the last year see the penultimate page of this report.

- The Senate is the academic authority of the University and draws its membership entirely from the academic and academic-related staff and the students of the institution. Its role is to regulate and superintend the education, welfare and discipline of students and the promotion of learning and research. The Vice-Chancellor is the Chair of the Senate. A light-touch review of its effectiveness was also undertaken during 2017/18, alongside the review of Council.

The principal academic and administrative officer of the University is the Vice-Chancellor, who has a general responsibility to the Council for maintaining and promoting the efficiency and good order of the University. Under the terms of the OfS Regulatory Framework for Higher Education in England, the Vice-Chancellor is the Accountable Officer of the University.

The Council has a number of committees, which undertake a lot of the detailed scrutiny on behalf of the Council and their decisions are reported back to the Council and, where relevant, the Senate. All committees are formally constituted with written terms of reference and have majority lay member representation.

The University has two executive committees with responsibility for Health & Safety and Equality, Diversity & Inclusion, which have lay representation from the Council.

The Council approved a new University Strategy 'Our Future' in May 2019, which is articulated through five strands: Purpose, Performance, People, Place and Partnerships. A new set of key performance indicators were developed and a comprehensive review of the Corporate Risk Register was subsequently undertaken in line with the new Strategy. The performance indicators are reviewed at each meeting of Council and the Corporate Risk Register is reviewed at each meeting of the Audit & Risk Committee and subsequently Council.

Council Committees

The Business Review Committee provides detailed scrutiny on behalf of the Council on matters concerning the operation and financial sustainability of the University. It receives and recommends approval to the Council of the draft budget, financial forecasts and statutory accounts, monitors financial performance against agreed plans and budgets, receives reports on the University's wholly-owned subsidiary companies and monitors the University's portfolio of investments.

There was a review of the Nominations Committee in 2019 and it was renamed the Nominations & Governance Committee and its remit widened to include advising Council on matters relating to corporate governance arrangements, ensuring that the University pursues best practice and complies with external governance requirements in addition to advising Council on the appointment of new members, members of the College of Fellows and the Chancellor. The Committee takes into account skills and experience and seeking to ensure the promotion of equality and diversity in reflecting both the diversity of society and the needs of the University in all of its appointments. The University, in accordance with guidance based on the Lambert Report, normally advertises vacancies nationally against defined person specifications.

The Senior Remuneration Committee determines the remuneration of the most senior academic and academic related staff, including the Vice-Chancellor. The University adopted the CUC HE Senior Staff Remuneration Code, which was published on 6 June 2018 and demonstrates Council's leadership and stewardship in seeking to protect the University's reputation and provide greater assurances to key stakeholders and partners, including the student community and wider society.

The Audit & Risk Committee meets at least three times a year, with the University's external and internal auditors in attendance. The Committee considers detailed reports together with recommendations for the improvement of the University's systems of internal control and management's responses and implementation plans. The Audit & Risk Committee undertakes an annual appraisal of its effectiveness and prepares an Annual Report for both Council and the OfS. It also receives and considers reports from the OfS as they affect the University's business and monitors adherence to the regulatory requirements. Whilst senior executives attend meetings of the Audit & Risk Committee, they are not members of the Committee and the

Committee members meet both the Internal and External Auditors on their own for independent discussions at least once a year.

Statement of Primary Responsibilities - The Role of Council

The appointment and powers of the Council are laid down by the Charter and Statutes of the University. Its main general responsibilities are as follows:

- 1 To approve the mission and strategic vision of the institution, long-term academic and business plans and key performance indicators, and to ensure that these meet the interests of stakeholders.
- 2 To delegate authority to the Vice-Chancellor, as chief executive, for the academic, corporate, financial, estate and personnel management of the institution. To establish and keep under regular review the policies, procedures and limits within such management functions as shall be undertaken by and under the authority of the head of the institution.
- 3 To ensure the establishment and monitoring of systems of control and accountability, including financial and operational controls and risk assessment, and procedures for handling internal grievances and for managing conflicts of interest.
- 4 To ensure that processes are in place to monitor and evaluate the performance and effectiveness of the institution against the plans and approved key performance indicators, which should be, where possible and appropriate, benchmarked against other comparable institutions.
- 5 To establish processes to monitor and evaluate the performance and effectiveness of the governing body itself.
- 6 To conduct its business in accordance with best practice in higher education corporate governance and with the principles of public life drawn up by the Committee on Standards in Public Life.
- 7 To safeguard the good name and values of the institution.

- 8 To appoint the Vice-Chancellor as chief executive, and to put in place suitable arrangements for monitoring his/her performance.
- 9 To appoint a secretary to the governing body and to ensure that, if the person appointed has managerial responsibilities in the institution, there is an appropriate separation in the lines of accountability.
- 10 To be the employing authority for all staff in the institution and to be responsible for establishing a human resources strategy.
- 11 To be the principal financial and business authority of the institution, to ensure that proper books of account are kept, to approve the annual budget and financial statements, and to have overall responsibility for the institution's assets, property and estate.
- 12 To be the institution's legal authority and, as such, to ensure that systems are in place for meeting all the institution's legal obligations, including those arising from contracts and other legal commitments made in the institution's name.
- 13 To ensure, subject to the relevant legislation, that appropriate arrangements are in place for the management and operation of such companies as are wholly or partly owned by the University.
- 14 To accept ultimate responsibility for the health and safety of employees, students and other individuals while they are on the institution's premises and in other places where they may be affected by its operations. And to ensure that the institution has a written statement of policy on health and safety and arrangements for the implementation of that policy.
- 15 To make such provision as it thinks fit for the general welfare of students, in consultation with the Senate.
- 16 To act as trustee for any property, legacy, endowment, bequest or gift in support of the work and welfare of the institution.
- 17 To ensure that the institution's constitution is followed at all times and that appropriate advice is available to enable this to happen.

Preparation of the Financial Statements

In accordance with the University Statutes, the Council is responsible for governing, managing and regulating the finances, accounts, investments, property, business and all affairs whatsoever of the University and is required to present audited financial statements for each financial year.

The Council is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time, the financial position of the University and to enable it to ensure that the financial statements are prepared in accordance with the University Statutes, the Statement of Recommended Practice: Accounting for Further and Higher Education Institutions and other relevant accounting standards. In addition, within the terms of the OfS's Regulatory Framework for Higher Education in England. The Council, through its accountable officer, is required to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the University and of the surplus or deficit and cash flows for that year.

In preparing the financial statements, Council has ensured that:

- suitable accounting policies are selected and applied consistently;
- judgements and estimates are made that are reasonable and prudent;
- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- financial statements are prepared on the going concern basis.

The Council has taken reasonable steps to:

- ensure that funds from the OfS are used only for the purposes for which they have been given and in accordance with the Regulatory Framework for Higher Education in England and any other conditions which it may from time to time prescribe;
- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- safeguard the assets of the University and prevent and detect fraud and other irregularities;

- secure the economical, efficient and effective management of the University's resources and expenditure;
- ensure that material risks are identified, carefully considered and properly managed and that appropriate risk management procedures and processes are in place across the University.

Risk Management and the System of Internal Control

As the governing body of Keele University, the Council has responsibility for maintaining a sound system of internal control that supports the achievement of policies, aims and objectives, while safeguarding public and other funds and assets for which the University is responsible in accordance with the responsibilities assigned to the governing body in the University's Charter and Statutes and in the OfS's Regulatory Framework for Higher Education in England. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it can, therefore, only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an on-going process designed to identify the principal risks to the achievement of policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. The University has reviewed and updated its risk management procedures, which continue to enable it to be fully compliant with OfS requirements.

The University has a published Risk Management Policy, which was approved by the Council in June 2011 and reviewed and updated in November 2011, November 2015 and November 2019. This policy identifies clearly and distinguishes the roles and responsibilities of both the Council and the executive. A key element of the policy is the Corporate Risk Register, which is intrinsically linked to the University's Strategic Plan.

The University employs UNIAC to undertake its internal audit functions. The internal auditors submit regular reports to the Audit & Risk Committee, including the head of internal audit's independent opinion on the adequacy and effectiveness of the system of internal control, together with recommendations for improvement. The Chair of Audit & Risk Committee provides the Council with regular reports concerning internal control.

The Council's review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the

executive managers within the University 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.

Value for Money

The University strives to apply value for money considerations to all its processes and activities and this is supported by strong awareness and vigilance across the executive. The Council and the Audit & Risk Committee have adequate and effective arrangements in place to ensure value for money in accordance with the OfS's Regulatory Framework for Higher Education in England. The Audit & Risk Committee also receives a comprehensive report on the Transparent Approach to Costing (TRAC) analysis undertaken by the University and submitted to the OfS in January of each year. In addition, all relevant internal audit review undertaken and submitted to the Audit & Risk Committee makes specific observations and judgements concerning the value for money demonstrated.

Register of Interests

The University maintains a Register of Interests of members of the Council and the executive, which may be consulted by arrangement with the Secretary to the Council. Lay members of the Council receive no remuneration for their role although they are reimbursed for travelling and other expenses incurred in attending Council and Committee meetings and other University business in their official capacity. The total sum of expenses claimed by members of the Council for the year to 31 July 2020 was £3,427 to 8 members (2019: £6,330 to 10 council members).

Further Information

Any enquiries about the constitution and governance of the University should be addressed to the Secretary to the Council.

INDEPENDENT AUDITOR'S REPORT TO THE

Council of Keele University

Opinion

We have audited the financial statements of Keele University ("the University") for the year ended 31 July 2020 which comprise the Statement of Comprehensive Income and Expenditure, Statement of Changes in Reserves, Balance Sheet, Statement of Cash Flows and related notes, including the Statement of Accounting Policies.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the University's affairs as at 31 July 2020 and of the Group's and the University's income and expenditure, gains and losses and changes in reserves, and of the Group's cash flows, for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, and with the 2015 *Statement of Recommended Practice – Accounting for Further and Higher Education*; and
- meet the requirements of the Accounts Direction dated 25 October 2019 issued by the Office for Students.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The Council has prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the University or to cease their operations, and they have concluded that the Group and the University's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the Council's conclusions, we considered the inherent risks to the Group's business model, including the impact of Brexit, and analysed how those risks might affect the Group and the University's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group or the University will continue in operation.

Other information

The Council is responsible for the other information, which comprises the Strategic Report and Corporate Governance Statement. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

Council responsibilities

As explained more fully in the "Preparation of the Financial Statements" section of the Corporate Governance statement set out on page 25, the Council is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent 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 it either intends to liquidate the group or the parent University or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at frc.org.uk/auditorsresponsibilities

Report on other legal and regulatory requirements

We are required to report on the following matters by the Accounts Direction dated 25 October 2019 issued by the Office for Students ('the Accounts Direction').

In our opinion, in all material respects:

- funds from whatever source administered by the Group or the University for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- income has been applied in accordance with the University's Statutes; and
- funds provided by the Office for Students and Research England have been applied in accordance with these conditions and the terms and conditions attached to them.

Matters on which we are required to report by exception

We are required by the Accounts Direction to report to you where the University has an access and participation plan that has been approved by the Office for Students' director of fair access and participation and the results of our audit work indicate that the Group's and the University's expenditure on access and participation activities for the financial year disclosed in Note 33 has been materially misstated.

We are also required by the Accounts Direction to report to you where the results of our audit work indicate that the Group's and the University's grant and fee income, as disclosed in Note 3 to the financial statements has been materially misstated.

We have nothing to report in these respects.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Council, in accordance with of the Charters and Statutes of the institution and section 124B of the Education Reform Act 1988. 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 for our audit work, for this report, or for the opinions we have formed.

Tim Cutler

For and on behalf of KPMG LLP,
Statutory Auditor
Chartered Accountants,
1 St Peters Square,
Manchester M2 3AE

26 November 2020

**Consolidated and University Statement of Comprehensive Income ("SOCl")
Year Ended 31 July 2020**

| | Notes | Year ended 31 July 2020 | | Year ended 31 July 2019 | |
|--|-------|-------------------------|---------------------|-------------------------|---------------------|
| | | Consolidated £'000 | University £'000 | Consolidated £'000 | University £'000 |
| Income | | | | | |
| Tuition fees and education contracts | 1 | 81,511 | 81,511 | 80,460 | 80,460 |
| Funding body grants | 2 | 25,160 | 25,160 | 22,370 | 22,370 |
| Research grants and contracts | 4 | 15,042 | 15,042 | 17,079 | 17,079 |
| Other Income | 5 | 37,275 | 37,421 | 38,501 | 38,651 |
| Other Income – capital income | 5 | 2,781 | 2,781 | 8,389 | 8,389 |
| Investment Income | 6 | 1,421 | 1,488 | 1,765 | 1,880 |
| Donations and endowments | 7 | 124 | 124 | 280 | 280 |
| Total Income | | 163,314 | 163,527 | 168,844 | 169,109 |
| Expenditure | | | | | |
| Staff costs – pay (including Voluntary Severance) | 8 | 90,222 | 90,222 | 93,658 | 93,658 |
| Staff costs – actuarial movement | 8 | (33,642) | (33,642) | 39,327 | 39,327 |
| Other operating expenses | 9 | 56,684 | 56,107 | 59,022 | 58,930 |
| Depreciation | 13 | 9,006 | 8,909 | 7,852 | 7,755 |
| Interest and other finance costs | 10 | 4,754 | 4,754 | 4,547 | 4,547 |
| Total expenditure | 11 | 127,024 | 126,350 | 204,406 | 204,217 |
| Surplus / (deficit) before other gains/ losses | | 36,290 | 37,177 | (35,562) | (35,108) |
| Loss on disposal of tangible assets | | (481) | (481) | (87) | (87) |
| Gain / (loss) on investment property | 13 | (750) | (750) | 650 | 650 |
| Gain / (loss) on investments | | (62) | (62) | 1,252 | 1,252 |
| Surplus / (deficit) before tax | | 34,997 | 35,884 | (33,747) | (33,293) |
| Taxation | 12 | - | - | - | - |
| Surplus / (deficit) for the year | | 34,997 | 35,884 | (33,747) | (33,293) |
| Other comprehensive income and expenditure | | | | | |
| Actuarial loss in respect of pension schemes | 32 | (5,719) | (5,719) | (711) | (711) |
| Total comprehensive income and expenditure for the year | | 29,278 | 30,165 | (34,458) | (34,004) |
| Represented by: | | | | | |
| Endowment comprehensive income for the year | 23 | (100) | (100) | 69 | 69 |
| Restricted comprehensive income for the year | 24 | 1,488 | 1,488 | - | - |
| Unrestricted comprehensive income for the year | | 27,890 | 28,777 | (34,527) | (34,073) |
| | | 29,278 | 30,165 | (34,458) | (34,004) |

All items of income and expenditure relate to continuing activities.

The accompanying notes and policies on pages 29 to 70 form part of these financial statements.

ACCOUNTS
**Statement of
Comprehensive Income
and Expenditure**

Consolidated and University Statement of Changes in Reserves
Year Ended 31 July 2020

| Consolidated | Income and expenditure account | | | Total £'000 |
|--|---------------------------------------|---------------------|-----------------------|-----------------|
| | Endowment £'000 | Restricted £'000 | Unrestricted £'000 | |
| Balance at 1 August 2018 | 1,073 | - | 156,317 | 157,390 |
| Deficit for the year from the income and expenditure statement | 69 | - | (33,816) | (33,747) |
| Other comprehensive income and expenditure | - | - | (711) | (711) |
| Release of restricted funds spent in year | - | - | - | - |
| Total comprehensive income for the year | 69 | - | (34,527) | (34,458) |
| Balance at 1 August 2019 | 1,142 | - | 121,790 | 122,932 |
| Surplus for the year from the income and expenditure statement | (100) | 1,488 | 33,609 | 34,997 |
| Other comprehensive income and expenditure | - | - | (5,719) | (5,719) |
| Release of restricted funds spent in year | - | - | - | - |
| Total comprehensive income for the year | (100) | 1,488 | 27,890 | 29,278 |
| Balance at 31 July 2020 | 1,042 | 1,488 | 149,680 | 152,210 |
| University | Income and expenditure account | | | Total |
| | Endowment £'000 | Restricted £'000 | Unrestricted £'000 | £'000 |
| Balance at 1 August 2018 | 1,073 | - | 155,095 | 156,168 |
| Deficit for the year from the income and expenditure statement | 69 | - | (33,362) | (33,293) |
| Other comprehensive income and expenditure | - | - | (711) | (711) |
| Release of restricted funds spent in year | - | - | - | - |
| Total comprehensive income for the year | 69 | - | (34,073) | (34,004) |
| Balance at 1 August 2019 | 1,142 | - | 121,022 | 122,164 |
| Surplus for the year from the income and expenditure statement | (100) | 1,488 | 34,496 | 35,884 |
| Other comprehensive income and expenditure | - | - | (5,719) | (5,719) |
| Release of restricted funds spent in year | - | - | - | - |
| Total comprehensive income for the year | (100) | 1,488 | 28,777 | 30,165 |
| Balance at 31 July 2020 | 1,042 | 1,488 | 149,799 | 152,329 |

See note 23 for endowment reserves and note 24 for restricted reserves.

Consolidated and University Statement of Financial Position
Year Ended 31 July 2020

| Notes | Year ended 31 July 2020 | | Year ended 31 July 2019 | |
|---|-------------------------|---------------------|-------------------------|---------------------|
| | Consolidated £'000 | University £'000 | Consolidated £'000 | University £'000 |
| Non-current assets | | | | |
| Tangible assets | 13 | 289,786 | 286,857 | 279,106 |
| Investment Properties | 13 | 8,650 | 8,650 | 9,400 |
| Heritage assets | 13 / 14 | 12,116 | 12,116 | 12,116 |
| Investments | 15 | 36,122 | 36,122 | 39,448 |
| Investments in joint venture | 16 | - | - | - |
| | | 346,674 | 343,745 | 340,070 |
| Current assets | | | | |
| Stock | 17 | 4,271 | 173 | 15,387 |
| Trade and other receivables | 18 | 13,927 | 17,229 | 17,773 |
| Cash and cash equivalents | 26 | 20,511 | 20,470 | 18,467 |
| | | 38,709 | 37,872 | 51,627 |
| Less: Creditors: amounts falling due within one year | 20 | 46,921 | 46,697 | 50,830 |
| | | (8,212) | (8,825) | 797 |
| Net current assets / (liabilities) | | | | |
| | | 338,462 | 334,920 | 340,867 |
| Total assets less current liabilities | | | | |
| | | 338,462 | 334,920 | 340,867 |
| Creditors: amounts falling due after more than one year | 21 | (116,508) | (112,847) | (120,957) |
| | | (116,508) | (112,847) | (117,651) |
| Provisions | | | | |
| Pension provisions | 22 | (68,876) | (68,876) | (96,422) |
| Other provisions | 22 | (868) | (868) | (556) |
| | | (69,744) | (69,744) | (96,978) |
| Total Net Assets | | 152,210 | 152,329 | 122,932 |
| Restricted Reserves | | | | |
| Income and expenditure reserve – endowment reserve | 23 | 1,042 | 1,042 | 1,142 |
| Income and expenditure reserve – restricted reserve | 24 | 1,488 | 1,488 | - |
| Unrestricted reserves | | | | |
| Income and expenditure reserve – unrestricted reserve | | 149,680 | 149,799 | 121,790 |
| | | 152,210 | 152,329 | 122,932 |

The financial statements were approved by the Governing Body on 19 November 2020 and were signed on its behalf on that date by:

T. J. McMillan, Vice-Chancellor

Dame J. Williams, Chair of Council

P. W. Buttery, Director of Finance

D. Hall, Treasurer

Consolidated Statement of Cash Flows
Year Ended 31 July 2020

| Consolidated | Notes | 31 July 2020 | 31 July 2019 |
|---|-------|-----------------|--------------|
| | | £'000 | £'000 |
| Cash flows from operating activities | | | |
| Surplus / (deficit) for the year | | 34,997 | (33,747) |
| Adjustment for non-cash items | | | |
| Depreciation | 13 | 9,006 | 7,852 |
| Impairment of Tangible Assets | 13 | 1,341 | 270 |
| Loss / (gain) on investment property | 13 | 750 | (650) |
| Loss / (gain) on investments | | 62 | (1,252) |
| Decrease in stock | 17 | 543 | 348 |
| Decrease / (increase) in debtors | | 1,376 | (599) |
| Decrease in creditors | | (6,494) | (523) |
| Pension movements included in staff costs | 8 | (33,643) | 39,327 |
| Interest payable on pension schemes | 10 | 1,741 | 1,443 |
| KSS deficit contributions paid | 32 | (1,363) | (1,240) |
| Increase / (decrease) in other provisions | | 312 | (2,130) |
| Adjustment for investing or financing activities | | | |
| Investment Income | 6 | (1,421) | (1,765) |
| Interest payable (including loan interest) | 10 | 3,013 | 3,104 |
| Endowment income | 7 | (2) | (179) |
| Loss on disposal of tangible assets | | 481 | 87 |
| Capital grant income | | (4,353) | (9,825) |
| Cash flows from operating activities | | 6,326 | 521 |
| Taxation | | - | - |
| Net cash inflow from operating activities | | 6,326 | 521 |
| Cash flows from investing activities | | | |
| Proceeds from sales of tangible assets | | - | 32 |
| Capital grant receipts | | 8,540 | 8,254 |
| Disposal of non-current asset investments | | 8,954 | 7,272 |
| Investment income | | 1,456 | 1,797 |
| Payments made to acquire tangible assets | | (12,586) | (31,701) |
| New non-current asset investments | | (5,689) | (5,568) |
| | | 675 | (19,914) |
| Cash flows from financing activities | | | |
| Interest paid | | (3,017) | (3,104) |
| Endowment cash received | | 22 | 179 |
| New loans | | - | - |
| Repayments of amounts borrowed | | (1,962) | (1,962) |
| | | (4,957) | (4,887) |
| Increase / (decrease) in cash and cash equivalents in the year | | 2,044 | (24,280) |
| Cash and cash equivalents at beginning of the year | 26 | 18,467 | 42,747 |
| Cash and cash equivalents at end of the year | 26 | 20,511 | 18,467 |

Statement of Accounting Policies
For the year ended 31 July 2020
1. General information

Keele University is registered with the Office for Students in England. The address of the registered office is Keele, Staffordshire, ST5 5BG.

2. Statement of compliance

The Consolidated and University financial statements have been prepared in accordance with United Kingdom Accounting Standards, including Financial Reporting Standard 102 (FRS 102) and the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education (2019 edition). They have also been prepared in accordance with the 'carried forward' powers and duties of previous legislation (Further and Higher Education Act 1992 and the Higher Education Act 2004) and the new powers of the Higher Education and Research Act 2017 during the transition period to 31 July 2019, the Royal Charter, the Accounts Direction issued by the Office for Students (OfS), the Terms and conditions of funding for higher education institutions issued by the Office for Students and the Terms and conditions of funding for higher education institutions issued by the Office for Students and the Terms and conditions of Research England Grant.

The University is a public benefit entity and therefore has applied the relevant public benefit requirement of the applicable UK laws and accounting standards.

3. Basis of preparation

The Consolidated and University financial statements have been prepared under the historical cost convention, with the exception of certain investment properties which have been revalued to fair value as at the year ended 31 July 2020.

The University has been impacted operationally and financially by Covid-19 during the year ended 31 July 2020 and will continue to be so during the year to 31 July 2021. In response to Covid-19, the University reduced non-pay expenditure and halted any new capital projects that required University funds to mitigate the impact of lost income from accommodation refunds and on-campus activities (including catering, retail, sports centre and conferences). The University utilised the Government's Job Retention Scheme for staff on furlough but did not utilise any other Government assistance. Ignoring the actuarial movements in staff costs, the University made a small surplus for the year and improved both net cash inflow from operating activities and cash and cash equivalents. For the year ended 31 July 2021, the University has recruited in line with the budget for home undergraduate students, our primary source of income. Additionally, we are able to accommodate students in the majority of our Halls of Residence in line with central Government advice and staff at the University are making a great effort to welcome students into a safe and caring environment. No staff will receive an inflationary pay increase for 20/21.

The Group and University's activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report which forms part of the Council's Report. The Council's Report also describes the financial position of the University, its cash flows, liquidity position and borrowing facilities. The financial statements have been prepared on a going concern basis which the Council's Report consider to be appropriate for the following reasons.

The Council have prepared cash flow forecasts for a period of 13 months from the date of approval of these financial statements. After reviewing these forecasts the Council is of the opinion that, taking account of severe but plausible downsides, including the anticipated impact of Covid-19, the Group and parent University will have sufficient funds to meet their liabilities as they fall due over the period of 12 months from the date of approval of the financial statements (the going concern assessment period).

The University worked through a range of different scenarios during the summer of 2020 which highlighted the different financial impacts of Covid-19 through a range of areas. Various assumptions were made on tuition fee income, accommodation income and "on-campus" income, additional costs arising from Covid-19 social distancing and Health and Safety requirements together with requirements for cost savings. The 2020/21 Budget includes these agreed financial impacts and mitigating savings arising from Covid-19, based on the scenario that has borne the closest to date. To further improve liquidity, the University has looked to pare back capital expenditure, with any new capital projects being primarily funded from external grants. After the balance sheet date but before the date of signing these accounts, the University has signed a £10m four-year revolving credit facility with National Westminster Bank. No banking covenants have been breached or are expected to be breached during the going concern assessment period.

The University is a member of the Universities Superannuation Scheme (USS), which is currently undergoing a valuation as at 31 March 2020. This valuation must be completed and filed with the Pensions Regulator by 30 June 2021. The USS Trustee has consulted with Universities UK (who represent University employers) on a range of issues, and Universities UK had until 11 November to provide a consolidated response. Clearly, there is a risk that contributions to USS will increase, but equally a balance needs to be struck with affordability for both employer and employee. If no agreement can be reached by 30 June 2021, under the 2018 valuation Employer pension costs will increase from 21.1% to 23.7% from 1 October 2021, and using the increased 23.7% rate the University is still able to continue as a going concern.

Consequently, the Council is confident that the Group and parent University will have sufficient funds to continue to meet their liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

These financial statements are presented in sterling (rounded to £'000), which is the functional currency of the group.

4. 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.

5. Basis of Consolidation

The consolidated financial statements include the financial statements of the University and all its subsidiaries for the financial year to 31 July 2020. Details of these companies are provided in note 14 (b).

Statement of Accounting Policies (continued)
For the year ended 31 July 2020

Basis of Consolidation (continued)

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. Goodwill arising on consolidation (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) is capitalised on acquisition.

Intra-group transactions are eliminated on consolidation. Gains or losses on any intra-group transactions are eliminated in full. Amounts in relation to debts and claims between undertakings included in the consolidation are also eliminated. Balances between the University and any associates and joint ventures are not eliminated. Normal trading transactions that are not settled by the balance sheet date are included as current assets or liabilities. Any gains or losses are included in the carrying amount of assets of either entity, the part relating to the University's share is eliminated.

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

The consolidated financial statements do not include the income and expenditure of the Students' Union or Postgraduate Association as the University does not exert control or dominant influence over their policy decisions, but simply provides grant funding. The Students' Union and Postgraduate Association are both separately registered with the Charity Commission.

6. Income recognition

Income from the sale of goods or services is credited to the 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 which is not a discount and credited to the Statement of Comprehensive Income and Expenditure over the period in which students are studying. Where the amount of the tuition fee is reduced, income receivable is shown net of the discount. Externally funded bursaries and scholarships are accounted for gross as expenditure and not deducted from income.

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

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

In both 2000/01 and 2006/07 the University received premiums for the lease of student accommodation to Keele Residential Funding plc, previously Owengate (Keele) plc. These premiums are held under Creditors on the balance sheet and are being released to the Statement of Comprehensive Income and Expenditure over the period of the respective lease agreements on a straight-line basis.

The income received for student lettings of the Halls is recognised as income in full, with any payments that are made to Keele Residential Funding Plc being accounted for as non-pay expenditure.

Funds the University receives and disburses as paying agent on behalf of a funding body are excluded from the Statement of Comprehensive Income and Expenditure of the University where the University is exposed to minimal economic benefit related to the transaction.

Grant funding

Government revenue grants, including Funding Council block grant and Government research grants, are recognised within the Statement of Comprehensive Income and Expenditure over the periods in which the University recognises the related costs for which the grant is intended to compensate. Where part of a Government grant is deferred it is recognised as deferred income within creditors and allocated between creditors due within one year and due after more than one year as appropriate.

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

Donations and endowments

Non exchange transactions without performance related conditions are donations and endowments. Donations and endowments with donor imposed restrictions are recognised within the Statement of Comprehensive Income and Expenditure when the University is entitled to the funds. 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 recorded in the Statement of Comprehensive Income and Expenditure when the University is entitled to the funds.

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

Statement of Accounting Policies (continued)
For the year ended 31 July 2020

Income recognition (continued)

There are four main types of donations and endowments 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 assets, and the University has the power to use the capital.
4. Restricted permanent endowments – the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective.

Capital grants

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

7. Accounting for retirement benefits

The two principal pension schemes for the University's staff are the Universities Superannuation Scheme ("USS") and the Keele Superannuation Scheme ("KSS"). The schemes are defined benefit schemes which are externally funded. Each fund is valued every three years by professionally qualified independent actuaries.

The USS is a multi-employer defined benefit scheme for which it is not possible to identify the assets and liabilities to Institution at members due to the mutual nature of the scheme and therefore this scheme is accounted for as a defined contribution retirement benefit scheme. A liability is recorded within provisions for any contractual commitment to fund past deficits within the USS scheme.

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 income statement in the periods during which services are rendered by employees.

Multi-employer schemes

Where the University is unable to identify its share of the underlying assets and liabilities in a multi-employer scheme on a reasonable and consistent basis, it accounts as if the scheme were a defined contribution scheme. Where the University has entered into an agreement with such a multi-employer scheme that determines how the University will contribute to a deficit recovery plan, the University recognizes a liability for the contributions payable that arise from the agreement, to the extent that they relate to the deficit, and the resulting expense is recognised in expenditure.

Defined benefit schemes

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. Under defined benefit plans, the University's obligation is to provide the agreed benefits to current and former employees, and actuarial risk (that benefits will cost more or less than expected) and investment risk (that returns on assets set aside to fund the benefits will differ from expectations) are borne, in substance, by the University. The net liability is recognised in the balance sheet in respect of each scheme and is the present value of the defined benefit obligation at the reporting date less the fair value of the plan assets at the reporting date.

The Group should recognise a liability for its obligations under defined benefit plans net of plan assets. This net defined benefit liability is measured as the estimated amount of benefit that employees have earned in return for their service in the current and prior periods, discounted to determine its present value, less the fair value (at bid price) of plan assets. 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.

Further detail is provided on the specific pension schemes in note 32 to the accounts.

Universities Superannuation Scheme

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

Statement of Accounting Policies (continued)
For the year ended 31 July 2020

Accounting for retirement benefits (continued)

Keele Superannuation Scheme

The University operates the KSS providing benefits based on final pensionable pay for those staff who were both still members of the Scheme on 31 December 2013 and employed by the University upon retirement. All other members benefits being based on upon pay at the date of leaving KSS or the University revalued by CPI to the date of becoming a pension member. The assets of the scheme are held separately from those of the University. The scheme is closed to future accrual. Pension scheme assets are measured using market values. The Scheme is contracted out of the State Second Pension (S2P).

Annually the University engages independent actuaries to calculate the obligation for KSS. The present value is determined by discounting the estimated future payments at a discount rate based on market yields on high quality corporate bonds denominated in sterling with terms approximating to the estimated period of the future payments.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as actuarial gains and losses. The cost of the defined benefit plan, recognised in expenditure as staff costs, except where included in the cost of an asset, comprises the increase in pension benefit liability arising from employee service during the period and the cost of plan introductions, benefit changes, curtailments, and settlements. The net interest cost is calculated by applying the discount rate to the net liability. This cost is recognised in expenditure as a finance cost.

Others

The University participates in the Local Government Pension Scheme ("LGPS"). This is a defined benefit scheme which is externally funded. The assets of the LGPS are measured using closing market values.

Annually the University engages independent actuaries to calculate the obligation for LGPS. The present value is determined by discounting the estimated future payments at a discount rate based on market yields on high quality corporate bonds denominated in sterling with terms approximating to the estimated period of the future payments.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as actuarial gains and losses. The cost of the defined benefit plan, recognised in expenditure as staff costs, except where included in the cost of an asset, comprises the increase in pension benefit liability arising from employee service during the period and the cost of plan introductions, benefit changes, curtailments, and settlements. The net interest cost is calculated by applying the discount rate to the net liability. This cost is recognised in expenditure as a finance cost.

A small number of staff are also in the NHS pension scheme. The amount charged to the Statement of Comprehensive Income and Expenditure represents the contributions payable to the scheme in respect of the accounting period.

8. Foreign currency

Transactions in foreign currencies are converted into sterling at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to sterling at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the Statement of Comprehensive Income and Expenditure.

9. 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.

10. Accounting for Research and Development

Expenditure on pure and applied research is treated as a part of the continuing activities of the University. Expenditure on development activities is carried forward and amortised over the period expected to benefit.

11. Fixed assets

Fixed assets are stated at deemed cost less accumulated depreciation.

Land and Buildings

Land and buildings are capitalised at cost on initial recognition. After initial recognition land and buildings are subsequently measured at cost less accumulated depreciation and accumulated impairment losses. Certain items of land and buildings that had been revalued to fair value on transition to the 2015 FE HE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Statement of Accounting Policies (continued)
For the year ended 31 July 2020

Fixed assets (continued)

Freehold land is not depreciated as it is considered to have an indefinite useful life. Freehold buildings are depreciated by component from the date of completion over their expected useful economic lives ("UEL") on a straight-line basis as follows:

| | |
|---------------------|----------|
| Structure | 50 years |
| Plant and Machinery | 25 years |
| Fit Out | 15 years |
| Refurbishments | 10 years |

Where an item of land and buildings comprise two or more major components with substantially different UEL's, each component is accounted for separately and depreciated over its individual UEL. Expenditure relating to subsequent replacement of components is capitalised as incurred to the extent that they increase the expected future benefits to the University.

Leasehold land and buildings are depreciated over the life of the lease up to a maximum of 50 years.

No depreciation is charged on assets in the course of construction.

Depreciation methods, useful lives and residual values are reviewed at the date of preparation of each Balance Sheet.

Equipment and Furniture

Equipment, including computers and software, and furniture costing less than £20,000 is written off to the Statement of Comprehensive Income and Expenditure in the year of acquisition. All other equipment is capitalised, including equipment used for research. Capitalised equipment and furniture is stated at cost and depreciated from the month of purchase over its expected useful life of between 4 to 10 years. Equipment acquired for specific research projects is written off over the same length as the remaining research project life, in order to better match depreciation and usage.

Depreciation methods, useful lives and residual values are reviewed at the date of preparation of each Balance Sheet.

Impairment

A review for impairment of a tangible fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of the tangible fixed asset may not be recoverable. If there is an indication of impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised when it arises. If an impairment loss subsequently reverses, the carry amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised when it arises.

Borrowing costs

Borrowing costs are recognised as expenditure in the period in which they are incurred.

12. Service Concession Arrangements

Fixed assets held under service concession arrangements are recognised in the Balance Sheet at the present value of the minimum lease payments when the assets are bought 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.

The Keele Residential Fund agreement is not treated as a service concession arrangement, and as such no financial liability was created and the Halls of Residence were valued in use as part of fixed assets.

13. Leases

Finance leases

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

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

Assets held under finance leases are depreciated over the shorter of the lease term or the useful economic lives of equivalent owned assets.

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 lease term.

Statement of Accounting Policies (continued)
For the year ended 31 July 2020

14. Heritage assets

Heritage assets are individual objects, collections, specimens or structures of historic, scientific or artistic value that are held and maintained principally for their contribution to knowledge and culture.

Heritage assets costing in excess of the capitalisation threshold of £20,000 will be capitalised and recognised at their cost or value where reasonably obtainable. The University uses the valuation for insurance purposes as the basis for the value reflected in the financial statements. The University's significant donated assets are works of art, porcelain and antiques. These are accounted for as heritage assets.

Heritage assets are revalued in line with insurance valuations, with any movements taken to the Statement of Comprehensive Income and Expenditure. The valuations are usually carried out every five years, and on an interim basis for specific items.

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

15. Investment Properties

Investment property is land or a building, or part of a building, held for rental income or capital appreciation rather than for use in delivering services. Mixed use property is separated between investment property and property, plant and equipment where the separate portions can be sold separately or leased out under a finance lease. Where the fair value of the investment property portion cannot be reliably measured, the entire property has been included within property, plant and equipment. Where investment property, or a component of that property, is rented to another group entity the property has been accounted for within property, plant and equipment.

Investment properties are initially measured at cost and then subsequently at fair value at the end of each reporting date, with changes in fair value recognised in the Statement of Comprehensive Income and Expenditure. Investment properties are not depreciated but are revalued or reviewed annually according to market conditions as at the reporting date.

16. Investments

Investments in jointly controlled entities, associates and subsidiaries are carried at cost (less impairment) in the University's separate financial statements. Investments are held in the Balance Sheet as basic financial assets and are measured in accordance with Note 25.

17. Accounting for Joint Operations, Jointly Controlled Assets and Joint Ventures

A joint venture is an entity where the University has joint control and is entitled to a share of the net assets and liabilities. The University accounts for its share of joint ventures using the equity method, which involves recognition in the Statement of Comprehensive Income and Expenditure of the University's share of the joint venture's net surplus or deficit for the year.

The interest in a joint venture is carried in the Balance Sheet as the University's share in the net assets of the joint venture together with any goodwill less any impairment loss. When the University's share in a loss exceeds the carrying amount of the joint venture, the carrying amount is reduced to zero. No further losses are recognised, unless the University has responsibility for obligations relating to the joint venture.

The University accounts for its share of transactions from joint operations and jointly controlled assets through the Statement of Comprehensive Income and Expenditure.

18. Stock

Stock is held at the lower of cost and net realisable value. Stock held under Maintenance and Building stores is held using an average cost. Food and beverage stock is held at latest cost.

The development land for sale is valued on a "per acre" basis for the remaining unsold plots on the development site by an external valuer, unless a separate plot specific valuation has been performed. The building under construction is work-in-progress held at cost.

19. Cash and cash equivalents

Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty. Cash equivalents are short term (maturity being less than three months from the placement date), highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value.

20. Provisions, contingent liabilities and contingent assets

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.

Statement of Accounting Policies (continued)
For the year ended 31 July 2020

Provisions, contingent liabilities and contingent assets (continued)

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

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

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

21. Taxation

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

Deferred tax is provided in full on timing differences that exist at the reporting 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 reporting 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 the reversal of deferred tax liabilities or other future taxable profits. Deferred tax assets and liabilities are not discounted.

The University is an exempt charity within the meaning of Schedule 3 of the Charities Act 2011. It is therefore a charity within the meaning of Paragraph 1 of Schedule 6 to the Finance Act 2010 and accordingly, the University is potentially exempt from UK Corporation Tax in respect of income or capital gains received within categories covered by 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 group receives no similar exemption in respect of Value Added Tax ("VAT"). Irrecoverable VAT on expenditure (revenue and capital) is included in the costs of such expenditure.

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

22. Reserves

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

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

23. Financial instruments

The Group and University has elected to adopt Sections 11 and 12 of FRS 102 in respect of the recognition, measurement, and disclosure of financial instruments. Financial assets and liabilities are recognised when the Group and University becomes party to the contractual provision of the instrument and they are classified according to the substance of the contractual arrangements entered into. A financial asset and a financial liability are offset only when there is a legally enforceable right to set off the recognised amounts and an intention either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets

Basic financial assets include trade and other receivables, cash and cash equivalents, and investments including commercial paper (i.e. deposits and bonds). These assets are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest rate method. Financial assets are assessed for indicators of impairment at each reporting date. If there is objective evidence of impairment, an impairment loss is recognised in the statement of comprehensive income.

For financial assets carried at amortised cost the impairment loss is the difference between the carrying amount of the asset and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate.

Other financial assets, including investments in equity instruments which are not subsidiaries, associates, or joint ventures are initially measured at fair value, which is typically the transaction price. These assets are subsequently carried at fair value and changes in fair value at the reporting date are recognised in the statement of comprehensive income. Where the investment in equity instruments are not publicly traded and where the fair value cannot be reliably measured the assets are measured at cost less impairment.

Financial assets are de-recognised when the contractual rights to the cash flows from the asset expire or are settled or substantially all of the risks and rewards of the ownership of the asset are transferred to another party.

Statement of Accounting Policies (continued)
For the year ended 31 July 2020

Financial instruments (continued)

Financial liability

Basic financial liabilities include trade and other payables, bank loans, and intra-group loans. These liabilities are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Debt instruments are subsequently carried at amortised cost using the effective interest rate method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down.

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest rate method.

Derivatives, including forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date the derivative contract is entered into and are subsequently re-measured at their fair value at the reporting date. Changes in the fair value of derivatives are recognised in the statement of comprehensive income in finance costs or finance income as appropriate, unless they are included in a hedging arrangement.

To the extent that the Group and University enters into forward foreign exchange contracts which remain unsettled at the reporting date the fair value of the contracts is reviewed at that date. The initial fair value is measured as the transaction price on the date of inception of the contracts. Subsequent valuations are considered on the basis of the forward rates for those unsettled contracts at the reporting date. The Group and University does not apply hedge accounting in respect of forward foreign exchange contracts held to manage cash flow exposures of forecast transactions denominated in foreign currencies.

Financial liabilities are de-recognised when the liability is discharged, cancelled, or expires.

24. Significant estimates and judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. These judgements, estimates, and associated assumptions are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Management consider the areas set out below to be those where critical accounting judgements have been applied and the resulting estimates and assumptions may lead to adjustments to the future carrying amounts of assets and liabilities:

Recoverability of debtors

The provision for doubtful debts is based on an estimate of the expected recoverability of those debts. Assumptions are made based on the level of debtors which have defaulted historically, coupled with current economic knowledge. The provision is based on the current situation of the customer, the age profile of the debt and the nature of the amount due. At the reporting date, the bad debt provision is £783k (2019: £499k).

Impairment of assets

At each reporting date, assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss as a result of any indications. If there is an indication of impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If the estimated recoverable amount is lower, the carrying value is reduced to its estimated recoverable amount and an impairment loss is recognised immediately in the period it arises. During the year, the Group recognised an impairment charge of £1,341k (2019: £270k).

Investment properties

Properties are revalued to their fair value at the reporting date by an independent external team of chartered surveyors (Gerald Eve LLP). This is updated annually by them following a site visit, based on the current tenant rents and an estimate of the rental yield going forward. During the year, the Group recognised a loss on investment property of £750k (2019: gain of £650k).

The outbreak of Covid-19, declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020, has impacted global financial markets. In the UK, market activity is being impacted in all sectors. As at the valuation date, Gerald Eve LLP considered that they can attach less weight to previous market evidence for comparison purposes to inform opinions of value. The response to Covid-19 as at 31 July 2020 meant that the valuer was faced with an unprecedented set of circumstances on which to base their judgement. Their valuations are therefore reported on the basis of 'material valuation uncertainty' per VPGA 10 of the RICS Valuation – Global Standards. Consequently, less certainty – and a higher degree of caution – should be attached to their valuation than would normally be the case.

Statement of Accounting Policies (continued)
For the year ended 31 July 2020

Significant estimates and judgements (continued)

Useful economic life (UEL) of tangible assets

Property, plant and equipment represent a significant proportion of the Group's and University's total assets. Therefore, the estimated useful lives can have a significant impact on the depreciation charged and the reported performance. Useful lives are determined at the time the asset is acquired, and the UEL of its assets is reviewed annually. The UEL are based on historical experience with similar assets as well as anticipation of future events. The UEL is shown in Statement of Accounting Policies section 11.

Provisions

Management apply judgement to arrive at the best estimate for any obligation required. The amount recognised as a provision is management's best estimate of the present value of the amount required to settle the obligation. To arrive at this amount, management assess the likelihood and extent of any future settlement and make judgements based on these.

Employee leave accrual

A liability for holiday pay is recognised due to accounting standards necessitating that short-term employee benefits be charged to the Statement of Comprehensive Income and Expenditure as the employee service is received. Information has been gathered from the HR/Payroll system on holiday balances, with assumptions having been made for staff where this information was not possible to collect. These balances were then applied against individual pay data to calculate the employee leave accrual. At the reporting date, the employee leave accrual in Creditors: amounts falling due within one year is £3,500k (2019: £2,600k), with the increase arising due to staff delaying their annual leave this year compared to the prior year.

Income recognition

Judgement is applied in determining the value and timing of certain income items to be recognised in the financial statements. This includes determining when performance related conditions have been met, and determining the revenues associated with partially delivered courses and training where the activities have not been fully completed at the reporting date.

Retirement benefits

Keele Superannuation Scheme and Local Government Pension Scheme

The cost of defined benefit pension plans are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long-term nature of these plans, such estimates are subject to significant uncertainty. The actuarial assumptions are set by the University, having first considered actuarial advice. In determining the appropriate discount rate, the University considers the interest rates of corporate bonds with an AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables. Future salary increases for KSS are based on expected future inflation rates, and for LGPS are based on the most recent actuarial valuation for the Staffordshire Local Government Pension fund. Further details are given in note 32.

University Superannuation Scheme

FRS 102 makes the distinction between a Group Plan and a multi-employer scheme. A Group Plan consists of a collection of entities under common control typically with a sponsoring employer. A multi-employer scheme is a scheme for entities not under common control and represents (typically) an industry-wide scheme such as 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 the Statement of Comprehensive Income and Expenditure in accordance with section 28 of FRS 102. The University is satisfied that USS meets the definition of a multi-employer scheme and has therefore recognised the discounted fair value of the contractual contributions under the recovery plan in existence at the date of approving the financial statements.

Notes to the Accounts
For the year ended 31 July 2020

| | Notes | Year ended 31 July 2020 Consolidated and University £'000 | Year ended 31 July 2019 Consolidated and University £'000 |
|---|-------|--|--|
| 1 Tuition fees and education contracts | | | |
| Home and EU students | | 71,426 | 67,109 |
| International students | | 7,226 | 8,492 |
| Short course fees | | 747 | 937 |
| Degree Apprenticeships | | 719 | 234 |
| Home and EU fees paid by the Department of Health | | 1,352 | 3,467 |
| Other fees | | 41 | 221 |
| | | 81,511 | 80,460 |

| | Notes | Year ended 31 July 2020 Consolidated and University £'000 | Year ended 31 July 2019 Consolidated and University £'000 |
|---|-------|--|--|
| 2 Funding body grants | | | |
| Recurrent grants | | | |
| Office for Students (OfS) / Research England (RE) | | 18,709 | 16,827 |
| Capital Grant | | 1,572 | 1,186 |
| Specific grants | | | |
| Office for Students | | 3,496 | 3,145 |
| Higher Education Innovation Fund (HEIF) | | 1,383 | 1,212 |
| | | 25,160 | 22,370 |

Recurrent grants

The University receives recurrent annual funding from OfS and RE. The OfS recurrent funding is based is to support high-cost subject funding and targeted allocations to support important or vulnerable features of higher education in accordance with key OfS policy initiatives.

The University recognised the Teaching and Research capital income in full during 2019/20 for the OfS and Research England grant year from 1 April 2020 to 31 March 2021. There is no other funding body capital grant income.

Specific grants

The specific grant from the OfS relates primarily to the National Collaborative Outreach Programme (NCOP), where the income and expenditure are matched. RE provides HEIF funding for knowledge exchange to support and develop a broad range of knowledge-based interactions between universities and the wider world, which result in benefits to the economy and society.

| | Notes | Year ended 31 July 2020 Consolidated and University £'000 | Year ended 31 July 2019 Consolidated and University £'000 |
|---|-------|--|--|
| 3 Grant and fee income | | | |
| Grant income from the OfS | | 14,165 | 13,461 |
| Grant income from other bodies (incl furlough income) | | 16,874 | 17,640 |
| Fee income for taught awards | | 79,752 | 78,232 |
| Fee income for research awards | | 794 | 680 |
| Fee income from non-qualifying courses | | 965 | 1,548 |
| | | 112,550 | 111,561 |

Grant income from the OfS

This includes grants by the OfS for the provision of education, the provision of facilities and the carrying on of other activities. This includes recurrent teaching funding (including targeted allocations, high-cost subject funding, National Collaborative Outreach Programme ("NCOP") funding and any other recurrent teaching funding) and non-recurrent funding (including grants for capital infrastructure, challenge competitions or any other non-recurrent grant funding) from the OfS.

Grant income from other bodies

This includes grants by UKRI, Research England or any other body. This includes the knowledge exchange funding that is distributed by both UKRI and the OfS in the form of Higher Education Innovation Funding.

Fee income for taught awards

This includes fee income for higher education courses for taught awards (from students directly or via the Student Loans Company or any other body paying fees on behalf of the student). These include undergraduate and postgraduate taught awards.

Notes to the Accounts
For the year ended 31 July 2020

3 Grant and fee income (continued)

Fee income for research awards

This includes fee income for research awards, including postgraduate research awards but excluding research training support grants.

Fee income from non-qualifying courses

This includes fees paid by students (or by others on behalf of students) for non-credit-bearing courses, further education courses, research training support or any other course that are not included under fee income for taught awards or fee income for research awards.

| | Year ended 31 July 2020 Consolidated and University £'000 | Year ended 31 July 2019 Consolidated and University £'000 |
|--|--|--|
| 4 Research grants and contracts | | |
| Research councils | 2,536 | 3,266 |
| Capital income | - | 250 |
| Research charities | 1,896 | 2,152 |
| UK central government | 7,540 | 7,662 |
| UK industry & commerce | 433 | 371 |
| Other | 2,637 | 3,378 |
| | 15,042 | 17,079 |

"Other" above includes EU government bodies, UK local authorities, health and hospital sources and other UK, EU and overseas sources.

| | Notes | Year ended 31 July 2020 Consolidated £'000 | Year ended 31 July 2020 University £'000 | Year ended 31 July 2019 Consolidated £'000 | Year ended 31 July 2019 University £'000 |
|--|-------|--|--|--|--|
| 5 Other income | | | | | |
| Residences, catering and conferences | | 15,022 | 15,022 | 18,430 | 18,430 |
| KRF rental payment received | 31(e) | 4,725 | 4,725 | 4,621 | 4,621 |
| KRF premium release | 31(e) | 2,842 | 2,842 | 2,842 | 2,842 |
| Other services rendered | | 1,136 | 1,136 | 1,352 | 1,352 |
| Coronavirus Job Retention Scheme grant | | 1,561 | 1,561 | - | - |
| Other income | | 11,989 | 12,135 | 11,256 | 11,406 |
| | | 37,275 | 37,421 | 38,501 | 38,651 |
| Other capital grants | | 2,781 | 2,781 | 8,389 | 8,389 |
| | | 40,056 | 40,202 | 46,890 | 47,040 |

During the year, the University recognised the balance of the capital income of £2,781k (2018/19: £8,389k) relating to the opening of the Denise Coates Foundation Building in September 2019, which incorporates the Keele Business School and Smart Innovation Hub.

| | Notes | Year ended 31 July 2020 Consolidated £'000 | Year ended 31 July 2020 University £'000 | Year ended 31 July 2019 Consolidated £'000 | Year ended 31 July 2019 University £'000 |
|---------------------------------------|-------|--|--|--|--|
| 6 Investment income | | | | | |
| Investment income on endowments | 23 | 3 | 3 | 6 | 6 |
| Decrease in fair value of derivatives | | 138 | 138 | 110 | 110 |
| Other investment income | | 1,280 | 1,347 | 1,649 | 1,764 |
| | | 1,421 | 1,488 | 1,765 | 1,880 |

| | Notes | Year ended 31 July 2020 Consolidated £'000 | Year ended 31 July 2020 University £'000 | Year ended 31 July 2019 Consolidated £'000 | Year ended 31 July 2019 University £'000 |
|-----------------------------------|-------|--|--|--|--|
| 7 Donations and endowments | | | | | |
| New endowments | | 22 | 22 | 179 | 179 |
| Unrestricted donations | | 102 | 102 | 101 | 101 |
| | | 124 | 124 | 280 | 280 |

There are no donations or endowments being held in the Balance Sheet not recognised as income.

Notes to the Accounts
For the year ended 31 July 2020

| | Year ended 31 July 2020 Consolidated and University £'000 | Year ended 31 July 2019 Consolidated and University £'000 |
|---|--|--|
| 8 Staff costs | | |
| Salaries | 69,611 | 70,675 |
| Social security costs | 6,298 | 6,544 |
| Occupational pension costs (see note 32) | | |
| - Employer contributions | 13,238 | 11,883 |
| - Actuarial movements on pension provisions | <u>(33,642)</u> | <u>39,327</u> |
| | 55,505 | 128,429 |
| Severance costs | 1,075 | 4,556 |
| Total | <u>56,580</u> | <u>132,985</u> |
| | £'000 | £'000 |
| Analysed as: | | |
| On-going staff costs | 89,147 | 89,102 |
| Severance costs (see below) | <u>1,075</u> | <u>4,556</u> |
| | 90,222 | 93,658 |
| Actuarial movements on pension provisions | <u>(33,642)</u> | <u>39,327</u> |
| Total | <u>56,580</u> | <u>132,985</u> |

The above severance costs were payable to 52 post-holders (2019: 142). All severance costs associated with the University voluntary severance scheme were approved through a Staff Review Group and Post Approval Scrutiny Group.

A general pay award of 1.80% was made from 1 August 2019 for all staff on the Keele Spine, except for staff on spine points 2 -16 who received a higher award of up to 3.65%. Operational staff received a pay award of between 3.00% and 6.20% from 1 April 2020. Staff on NHS pay scales received pay awards in line with their nationally agreed scale.

| Average staff numbers by major category: | Year ended | |
|--|---------------------|---------------------|
| | 31 July 2020 FTE | 31 July 2019 FTE |
| Academic / Research | 675 | 685 |
| Technical | 86 | 85 |
| Academic Related | 312 | 308 |
| Secretarial / Clerical | 424 | 438 |
| Other | 257 | 250 |
| Total | <u>1,754</u> | <u>1,766</u> |

| Emoluments of the Vice-Chancellor (Professor McMillan) | Year to | |
|--|-----------------------|------------------------------------|
| | 31 July 2020 £'000 | Period to 31 July 2019 £'000 |
| Basic salary | 238 | 234 |
| Payments in lieu of pension contributions | 38 | 37 |
| Non-taxable benefit – Clock House residence | 10 | 10 |
| Remuneration excluding pension contributions | <u>286</u> | <u>281</u> |
| Contributions to USS – Death In Service | 5 | 5 |
| Total Remuneration | <u>291</u> | <u>286</u> |

The Vice-Chancellor is required by the University to have accommodation on campus. The Clock House residence benefit is the market value equivalent of the rental on the property. The University paid contributions to the University Superannuation Scheme for the Death In Service element only. The Vice-Chancellor had no salary sacrifice arrangements, and did not receive any bonus or expenses allowance in the current or previous year. The emoluments of the Vice-Chancellor are shown on the same basis as for higher paid staff.

Basis of the remuneration package of the Vice-Chancellor

The remuneration of the Vice-Chancellor is reviewed annually by the Senior Remuneration Committee with reference to the terms set out in the "Salary Review Framework for the Vice-Chancellor" which was adopted in August 2013 and updated in July 2018 to align with the principles of the Committee of University chairs (CUC) voluntary Higher Education Remuneration Code for Senior Staff published in June 2018. The Committee has regard for the promotion of equality and diversity, and ensures equality of opportunity in the way it conducts itself and in the transaction of its business. Committee members consider the public interest and the safeguarding of public funds alongside the interests of the institution when considering all forms of payment, reward and severance to the staff within its remit.

Notes to the Accounts
For the year ended 31 July 2020

8 Staff costs (continued)

In the previous financial year, the Senior Remuneration Committee determined that a policy of senior pay restraint should be adopted resulting in a decision that there would be no salary review for senior staff including the Vice-Chancellor during 2019-20. However, the Vice-Chancellor's salary was uplifted in line with the national award of 1.8% that was applied to all staff at the University.

During the year, the Committee conducted its business via email in March 2020 and through a virtual meeting in July 2020. The membership of the Committee is:

| Name | Position | Dates of "meeting" attended | |
|----------------------------|-----------------------------|-----------------------------|-----------|
| | | March 20 | July 20 |
| Mrs Sally Bucknall (Chair) | Deputy Pro-Chancellor | Yes | Apologies |
| Mr Richard Callaway | Deputy Pro-Chancellor | Yes | Yes |
| Mr David Hall | Treasurer | Yes | Yes |
| Professor Alistair Ulph | Deputy Pro-Chancellor | Yes | Apologies |
| Dame Jo Williams | Pro-Chancellor | Yes | Yes |
| Secretary in attendance: | | | |
| Mrs Rachel Adams | Director of Human Resources | Yes | Yes |

The Vice-Chancellor may be in attendance at the Committee, except for an item where their remuneration is under consideration. The Vice-Chancellor did not attend either meeting in the year.

Context in which Keele University operates

The University operates in the United Kingdom Higher Education sector, which is both competitive and complex. There is competition across the sector to recruit both UK and International students for undergraduate and postgraduate studies, alongside the desire of all institutions to attract and retain a high quality of academic and professional service staff. This obviously includes key management personnel, including the Vice-Chancellor. Alongside teaching, research is the other key strand of the sector, an area that encompasses varied specialisms, funding streams and requirements. As a result of the staff involved in teaching and research, universities are able to engage in innovation, business engagement and technology transfer, or collectively knowledge exchange.

Terms of the Vice-Chancellor's Salary Review

In considering any pay increase, Senior Remuneration Committee takes into account the following:

1 The size and complexity of the role, relevant market comparators, pay ratio data and other metrics as appropriate and the need to protect the strategic interests of the University.

The Vice Chancellor's salary is benchmarked annually against the salary data for comparable roles and institutions set out within the latest available UCEA Remuneration Report, as a basis for ensuring broad based fairness and comparability. However it is not the intention that the salary is automatically adjusted to reflect a specific percentile point or range.

2 Performance in role

The Vice Chancellor's performance is reviewed annually by the Chair of Council with due consideration of both long and short term objectives. Only in the case where the Vice Chancellor is deemed to have demonstrated significant achievement and exceptionality of performance in his/her role against key performance indicators and personal objectives will a salary review based on performance be considered.

3 Affordability – the University's financial position – current and longer terms.

Any increase considered against 1) and 2) above is balanced against available and projected long term funding, expenditure priorities, discretionary pay expenditure, and pay as a percentage of income in the short to medium term

4 National Pay Restraint and any associated Public and Employee Relations issues

Any recommended increase is considered within the context of the relevant pay climate. The Vice Chancellor's remuneration package is published annually within the annual statutory accounts which are available on the University's website and the University must be able to properly explain any enhancements based on the strategic interests of the institution.

Pay ratio of the Vice-Chancellor compared to the median pay of staff

The ratio has been calculated using the OfS Accounts Direction guidance, which states the calculation "must include all employees who are required to be included in real-time reporting to HMRC. Employees that are not required to be included in real-time reporting to HMRC should be excluded from the calculation of the remuneration of 'all other staff'". This includes all substantive staff together with all sessional and casual staff and anyone else paid through the payroll but excludes Agency Staff.

Notes to the Accounts
For the year ended 31 July 2020

8 Staff costs (continued)

The median pay is calculated on a full-time equivalent basis for the salaries paid by the University to the staff.

| | Year ended | |
|--|--------------|--------------|
| | 31 July 2020 | 31 July 2019 |
| | Pay multiple | Pay multiple |
| Basic salary of Vice-Chancellor compared to median of University staff | 8.91 | 9.17 |
| | | |
| | Pay multiple | Pay multiple |
| Total remuneration of Vice-Chancellor compared to median of University staff | 9.48 | 9.51 |

Remuneration of other higher paid staff (excluding the Vice-Chancellor)

The number of staff with a basic salary of over £100,000 per annum has been included below. Basic salary excludes (amongst other items) bonuses, market supplements, allowances, clinical excellence awards, compensation for loss of office, employer pension contributions, employer National Insurance and expenses. Payments made on behalf of the NHS in respect of its contractual obligations to University staff under separate NHS contracts of employment are not included within remuneration. In line with the Office for Students Accounts Direction, staff who joined or left part-way through a year who would have received salary in these bands in a full year but did not in this part year are excluded.

| | Year ended | |
|----------------------|--------------|--------------|
| | 31 July 2020 | 31 July 2019 |
| | Number | Number |
| £100,000 to £104,999 | 2 | 6 |
| £105,000 to £109,999 | 6 | 2 |
| £110,000 to £114,999 | 1 | 1 |
| £115,000 to £119,999 | 1 | 1 |
| £120,000 to £124,999 | - | - |
| £125,000 to £129,999 | 1 | 1 |
| £130,000 to £134,999 | - | 1 |
| £135,000 to £139,999 | 1 | - |
| £140,000 to £144,999 | 1 | 1 |
| £145,000 to £149,999 | - | 1 |
| £150,000 to £154,999 | 1 | - |
| | 14 | 14 |

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the University through the University Executive Committee.

Key management personnel costs are based on 15 (2019: 16) University employees. Compensation consists of salary, benefits, compensation for loss of office, employer's national insurance and employer's pension contribution.

| | Year ended | |
|---------------------------------|--------------|--------------|
| | 31 July 2020 | 31 July 2019 |
| | £'000 | £'000 |
| Key management personnel | 2,376 | 2,470 |

9 Other operating expenses

| | Notes | Year ended 31 July 2020 | | Year ended 31 July 2019 | |
|--------------------------------------|-------|-------------------------|------------|-------------------------|------------|
| | | Consolidated | University | Consolidated | University |
| | | £'000 | £'000 | £'000 | £'000 |
| Other operating expenses include: | | | | | |
| External auditors remuneration | | | | | |
| Audit services | | 74 | 68 | 43 | 38 |
| Taxation and other advisory services | | 76 | 76 | 18 | 18 |
| Internal auditors remuneration | | 102 | 102 | 105 | 105 |
| Impairment of Tangible Assets | 13 | 1,341 | 1,484 | 270 | 270 |
| Operating lease rentals | | | | | |
| Land and buildings | | - | 141 | - | 127 |
| Other | | 212 | 212 | 232 | 232 |

Notes to the Accounts
For the year ended 31 July 2020

10 Interest and other finance costs

| | | Year ended | Year ended |
|-------------------------------|----|--------------|--------------|
| | | 31 July 2020 | 31 July 2019 |
| | | Consolidated | Consolidated |
| | | and | and |
| | | University | University |
| | | £'000 | £'000 |
| Loan interest | | 3,009 | 3,096 |
| Exchange differences | | 4 | 8 |
| | | 3,013 | 3,104 |
| Net charge on pension schemes | 32 | 1,741 | 1,443 |
| | | 4,754 | 4,547 |

11 Analysis of total expenditure by activity

| | Year ended 31 July 2020 | | Year ended 31 July 2019 | |
|---------------------------------------|-------------------------|----------------|-------------------------|----------------|
| | Consolidated | University | Consolidated | University |
| | £'000 | £'000 | £'000 | £'000 |
| Academic | 56,670 | 56,670 | 58,671 | 58,671 |
| Academic services | 14,382 | 14,382 | 13,318 | 13,318 |
| Central administration | 13,312 | 13,312 | 12,343 | 12,343 |
| General education | 4,498 | 4,498 | 5,034 | 5,034 |
| Staff and student facilities | 5,741 | 5,741 | 6,204 | 6,204 |
| Premises | 17,254 | 17,254 | 19,545 | 19,545 |
| Residences, catering and conferences | 20,528 | 20,528 | 20,982 | 20,982 |
| Research grants and contracts | 13,192 | 13,192 | 14,455 | 14,455 |
| Scholarships, bursaries and prizes | 4,997 | 4,997 | 5,382 | 5,382 |
| Other expenses | 8,345 | 8,345 | 4,400 | 4,400 |
| Staff costs – actuarial movement | (33,642) | (33,642) | 39,327 | 39,327 |
| Restructuring | 1,073 | 1,073 | 4,556 | 4,556 |
| Total University expenditure | 126,350 | 126,350 | 204,217 | 204,217 |
| Subsidiary and consolidation | 674 | - | 189 | - |
| Total Consolidated expenditure | 127,024 | 126,350 | 204,406 | 204,217 |

12 Taxation

| | Year ended 31 July 2020 | | Year ended 31 July 2019 | |
|--------------------------|-------------------------|------------|-------------------------|------------|
| | Consolidated | University | Consolidated | University |
| | £'000 | £'000 | £'000 | £'000 |
| Current tax | - | - | - | - |
| Deferred tax | - | - | - | - |
| Total tax expense | - | - | - | - |

The University has not provided a full tax reconciliation disclosure as tax is not material to the financial statements. The University does not believe that any current taxation will be payable by the group.

Notes to the Accounts
For the year ended 31 July 2020

13 Tangible Assets

| Consolidated | Freehold Land and Buildings | Leasehold Land and Buildings | Equipment | Assets in the Course of Construction | Tangible Assets Total | Investment Properties | Heritage assets | Total |
|-------------------------|-----------------------------|------------------------------|---------------|--------------------------------------|-----------------------|-----------------------|-----------------|----------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Cost / valuation | | | | | | | | |
| At 1 August 2019 | 267,934 | 413 | 19,424 | 30,772 | 318,543 | 9,400 | 12,116 | 340,059 |
| Additions | 17,956 | - | 1,573 | 1,979 | 21,508 | - | - | 21,508 |
| Valuation decrease | - | - | - | - | - | (750) | - | (750) |
| Transfers | 21,499 | - | 1,181 | (22,680) | - | - | - | - |
| Disposals | - | - | - | (481) | (481) | - | - | (481) |
| At 31 July 2020 | 307,389 | 413 | 22,178 | 9,590 | 339,570 | 8,650 | 12,116 | 360,336 |
| Depreciation | | | | | | | | |
| At 1 August 2019 | 26,709 | 41 | 12,687 | - | 39,437 | - | - | 39,437 |
| Charge for the year | 7,479 | 8 | 1,519 | - | 9,006 | - | - | 9,006 |
| Impairment | 1,341 | - | - | - | 1,341 | - | - | 1,341 |
| Disposals | - | - | - | - | - | - | - | - |
| At 31 July 2020 | 35,529 | 49 | 14,206 | - | 49,784 | - | - | 49,784 |
| Net book value | | | | | | | | |
| At 31 July 2020 | 271,860 | 364 | 7,972 | 9,590 | 289,786 | 8,650 | 12,116 | 310,552 |
| At 31 July 2019 | 241,225 | 372 | 6,737 | 30,772 | 279,106 | 9,400 | 12,116 | 300,622 |
| University | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Cost / valuation | | | | | | | | |
| At 1 August 2019 | 264,442 | 413 | 19,345 | 30,772 | 314,972 | 9,400 | 12,116 | 336,488 |
| Additions | 18,100 | - | 1,573 | 1,979 | 21,652 | - | - | 21,652 |
| Valuation decrease | - | - | - | - | - | (750) | - | (750) |
| Transfers | 21,499 | - | 1,181 | (22,680) | - | - | - | - |
| Disposals | - | - | - | (481) | (481) | - | - | (481) |
| At 31 July 2020 | 304,041 | 413 | 22,099 | 9,590 | 336,143 | 8,650 | 12,116 | 356,909 |
| Depreciation | | | | | | | | |
| At 1 August 2019 | 26,238 | 41 | 12,614 | - | 38,893 | - | - | 38,893 |
| Charge for the year | 7,385 | 8 | 1,516 | - | 8,909 | - | - | 8,909 |
| Impairment | 1,484 | - | - | - | 1,484 | - | - | 1,484 |
| Disposals | - | - | - | - | - | - | - | - |
| At 31 July 2020 | 35,107 | 49 | 14,130 | - | 49,286 | - | - | 49,286 |
| Net book value | | | | | | | | |
| At 31 July 2020 | 268,934 | 364 | 7,969 | 9,590 | 286,857 | 8,650 | 12,116 | 307,623 |
| At 31 July 2019 | 238,204 | 372 | 6,731 | 30,772 | 276,079 | 9,400 | 12,116 | 297,595 |

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

At 31 July 2020, freehold land and buildings included £34,643k university and £34,935k consolidated (2019 - £34,518k University; £34,810k Consolidated) in respect of freehold land that is not depreciated. There are no leased assets included in the above, other than the Leasehold Land and Buildings.

The investment properties held by the University currently totalling £8,650k (2019: £9,400k) were valued on a fair value basis as at 31 July 2020 by an external valuer (GeraldEve LLP), which is regulated by the RICS. The historical cost of these investment properties is £6,900k (2019: £6,900k). The valuations have been carried out in compliance with the Practice Statements contained within the Valuation – Global Standards 2020 of the Royal Institution of Chartered Surveyors (RICS). The critical assumption made relating to the valuations is a net yield on the properties of between 8.5% - 10.0% (2019: between 9.0% and 9.5%).

Notes to the Accounts
For the year ended 31 July 2020

14 Heritage assets

Consolidated and University

The University has a number of different types of heritage assets, some of which it owns, and some of which are held on loan deposit. On-deposit and loan items are not included within the valuation total for the University. During the year, the heritage assets were not revalued for insurance purposes, although there was a specific valuation of new items carried out in December 2019 by Hansons Auctioneers and Valuers Ltd. The total heritage assets are split between:

Library: Archives and Special Collections

The University holds a large number of manuscripts, archives and other special collections; these collections are housed in the University Library. They are held and maintained principally for their contribution to knowledge and culture.

Collections are acquired by deposit, gift and purchase. The University is committed to ensuring that these collections are exploited to their maximum advantage and made available efficiently and effectively. The University's collecting policy states that material should conform to at least one of the following criteria:

- It fits with the current or future teaching and research profile of the University
- It is of strategic local interest
- It supplements an existing collection
- It is material generated by the University and considered worth preserving.

The collections were professionally valued for insurance purposes during 2015/16 by Hansons Auctioneers and Valuers Ltd. The valuation of items owned by the University totalled £6,972k.

Listed below are the collections owned by the University:

Arnold Bennett Papers
Wilfred Bloor Papers
Goldendale Iron Company
T.E. Hulme Archive
William Jack Collection
The Foundations of British Sociology Archive (formerly called the LePlay Collection)
Lord Lindsay Papers
Local Collection
Karl Mannheim Papers
Pape Collection
Raymond Richards Collection
Sneyd Family Papers
Warrillow Collection
Josiah Clement Wedgwood Collection
Jeavons Collection of 20th Century Slides
An Illuminated Manuscript
Reserve stock (13,529 other titles held by the University)
George Thomas Baggaley – Finishing Designs
Ray Pahl Papers

Additionally, within the Hansons Auctioneers and Valuers Ltd insurance valuation there were items that were not owned by the University and were on deposit, valued at a total of £977k. As noted in the 2018/19 financial statements, the University has been loaned the Joyce Holliday Archive. As part of the valuation undertaken during the year by Hansons Auctioneers and Valuers Ltd, a value of £5k was attached to this Archive, although no value has been assigned to this in the financial statements as this is on loan.

Other than above, no significant additions or disposals have occurred of University owned Archives and Special Collections in this or the previous four years.

Other Miscellaneous Artefacts

The University has various miscellaneous artefacts that it owns, mainly situated in Keele Hall and the Library. These are classed as follows:

- Silver and Plated Ware
- Ceramics
- Furniture
- Sculpture
- Pictures (including Drawings and Prints)

During 2015/16, the collections were professionally valued for insurance purposes by Hansons Auctioneers and Valuers Ltd. The new valuation totalled £5,144k. Additionally, within the valuation there were items that were not owned by the University and were on deposit, valued at a total of £241k.

**Notes to the Accounts
For the year ended 31 July 2020**

14 Heritage assets (continued)

As part of the valuation undertaken during the year by Hansons Auctioneers and Valuers Ltd, several items were valued. In line with the Accounting Policy, as none of the items were individually over £20k, no value has been attributed to these in the financial statements.

Other than above, no significant additions or disposals have occurred of University owned Artefacts in this or the previous four years.

15 Non-Current Investments

| Consolidated | Keele Residential Fund (see 15a) | | (see 15b) | (see 15c) | (see 15d) | Total |
|------------------------|----------------------------------|--------------------------------|----------------------|------------------------|-------------------------------|---------------|
| | Stanhope Capital | Nat West Guaranteed Investment | Subsidiary companies | Investment in spinouts | Other fixed asset investments | |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| At 1 August 2018 | 21,798 | 18,020 | - | - | 82 | 39,900 |
| Additions | 4,720 | 848 | - | - | - | 5,568 |
| Disposals | (5,371) | (1,901) | - | - | - | (7,272) |
| Change in market value | 1,252 | - | - | - | - | 1,252 |
| At 1 August 2019 | 22,399 | 16,967 | - | - | 82 | 39,448 |
| Additions | 4,884 | 805 | - | - | - | 5,689 |
| Disposals | (6,616) | (2,337) | - | - | - | (8,953) |
| Change in market value | (62) | - | - | - | - | (62) |
| At 31 July 2020 | 20,605 | 15,435 | - | - | 82 | 36,122 |

| University | Keele Residential Fund (see 15a) | | (see 15b) | (see 15c) | (see 15d) | Total |
|------------------------|----------------------------------|--------------------------------|----------------------|------------------------|-------------------------------|---------------|
| | Stanhope Capital | Nat West Guaranteed Investment | Subsidiary companies | Investment in spinouts | Other fixed asset investments | |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| At 1 August 2018 | 21,798 | 18,020 | - | - | 82 | 39,900 |
| Additions | 4,720 | 848 | - | - | - | 5,568 |
| Disposals | (5,371) | (1,901) | - | - | - | (7,272) |
| Change in market value | 1,252 | - | - | - | - | 1,252 |
| At 1 August 2019 | 22,399 | 16,967 | - | - | 82 | 39,448 |
| Additions | 4,884 | 805 | - | - | - | 5,689 |
| Disposals | (6,616) | (2,337) | - | - | - | (8,953) |
| Change in market value | (62) | - | - | - | - | (62) |
| At 31 July 2020 | 20,605 | 15,435 | - | - | 82 | 36,122 |

15 (a) Keele Residential Fund Investments

The Keele Residential Fund investments relate to monies generated from the financial restructuring deals in 1999 and 2007, and can be categorised as follows:

Stanhope Capital Investment Funds and Refurbishment Funds

The strategic asset investment funds are an overall fund managed by Stanhope Capital on behalf of the University. The fund is held over a variety of different investments. Where an element of the fund is held in liquid assets, this is shown as cash and cash equivalents with the rest shown as non-current asset investments above. All of the investments are shown at market value, as provided by the Investment managers, with any changes in market value being adjusted for in the Statement of Comprehensive Income and Expenditure.

National Westminster Bank plc (Nat West) Guaranteed Investment Contract

The Nat West Guaranteed Investment Contract is a separate fixed interest cash account against which a specified annual amount is drawn down by the University to use for the Halls of Residence refurbishment works. The ability of the University to draw down against the profile is subject to confirmation by Keele Residential Funding plc, and the final draw down is in 2029 when the balance in the account will be £nil. The whole of the Guaranteed Investment Contract is included in fixed asset investments.

**Notes to the Accounts
For the year ended 31 July 2020**

15 (b) Investment in wholly owned subsidiary companies

The University had the following investments in wholly owned subsidiary companies as at 31 July 2020, all of which had a 31 July year end:

| Name of Investment | Class of share | Proportion held by University | Nature of business |
|--|----------------|-------------------------------|--|
| Keele University Science and Business Park Ltd | Ordinary | 100% | Land development and associated activity |
| Keele Facilities Management Ltd | Ordinary | 100% | Dormant company |
| Keele Hotels Ltd | Ordinary | 100% | Dormant company |

All of the above companies are registered in England and Wales. There were no acquisitions in the year. The University does not believe that there is any material difference between the cost and market value of the shares in the above companies, and the investment is shown at cost.

15 (c) Investment in spin out companies

The University had the following investment in a spin out company as at 31 July 2020:

| Name of Investment | Class of share | No of shares purchased | Proportion held by University & Group | Nature of business |
|--|--|------------------------|---------------------------------------|--------------------------------|
| Prescribing Decision Support Limited (PDS) | £1 Ordinary (1,000) £1 Ordinary B (100) | 250 - | 25.0% - | Software to assist pharmacists |

The University does not believe that there is any material difference between the cost and market value of the shares in PDS, and the investment is shown at cost. Where the University holds 20% or more of the share capital of any spin out company, the University does not account for these investments as associates but holds them as simple investments in line with those in which it has a less than 20% shareholding. This is on the basis that the University merely holds the shares as an investment, and does not seek to exercise any significant influence over the operating and financial policies of a spin out company.

15 (d) Other Investments

The University holds the following equity shares, which are accounted for at cost as a simple investment:

| £ | Shares held in | Description |
|--------|---------------------|---|
| 31,761 | CVCP Properties PLC | CVCP Properties plc is a company owned by 100 Higher Education institutions, whose executive heads are members of Universities UK. |
| 49,850 | KRF Holdings Ltd | The University holds 99.7% of the shares, being "A" Ordinary shares. These shares have no voting rights, and the holders of this class of shares do not have any right to appoint directors of the company. Consequently, the University has no Board representation. On the basis that the University lacks the ability to control the entity, KRF Holdings Ltd has not been consolidated into the accounts and is included at cost. |

Notes to the Accounts
For the year ended 31 July 2020

16 Investment in jointly controlled company and other partnerships

(a) Keele Seddon Limited

The University held a 50% share of Keele Seddon Limited, a company limited by ordinary shares. This was a jointly controlled special purpose vehicle company whose business was land development, and was owned equally by the University and Seddon Homes Limited. The project for which the company was formed was completed during the financial year, and as such Keele Seddon Limited applied to Companies House on 3 April 2020 to be voluntarily dissolved and struck off the Companies House register. The Registrar at Companies House confirmed that the company was formally dissolved on 6 October 2020.

(b) Joint contracts and partnerships

The University operates a number of collaborative provision arrangements with other Universities and educational establishments, as follows:

| Partner | Country | Type of arrangement |
|--|----------------|---------------------|
| Active | | |
| Beijing Foreign Studies University | China | Joint Award |
| Foundation for International Medical Education and Research | USA | Validation |
| Harper Adams University | United Kingdom | Joint Award |
| Shaw Education Trust and Keele and North Staffordshire Primary SCITT | United Kingdom | Franchising |
| Undergoing teach out | | |
| International Study Centre: Bellerbys Education Services Limited (by September 2020) | United Kingdom | Articulation |
| Staffordshire University (by September 2021) | United Kingdom | Joint Award |

During the year, the University partnered with Higher Education Partners ("HEP"), an online programme manager, to help deliver degree programmes online from the 2020/21 academic year. HEP will provide dedicated support to enable Keele to develop and implement cutting-edge online learning resources to expand its product offering and to ensure the University continues to deliver an outstanding student experience. The partnership will complement Keele's on-campus taught education. HEP will initially support the promotion and student recruitment of the new MBA programme delivered by the Keele Business School, and the MSc Computer Science, MSc Computer Science with AI and MSc Computer Science with Data Analytics.

17 Stock

| | At 31 July 2020 | | At 31 July 2019 | |
|-----------------------------------|-----------------------|---------------------|-----------------------|---------------------|
| | Consolidated £'000 | University £'000 | Consolidated £'000 | University £'000 |
| Work in progress – Building works | - | - | 10,573 | - |
| Finished goods | 173 | 173 | 186 | 186 |
| Development land | 4,098 | - | 4,628 | - |
| | <u>4,271</u> | <u>173</u> | <u>15,387</u> | <u>186</u> |

18 Trade and other receivables

| | At 31 July 2020 | | At 31 July 2019 | |
|---|-----------------------|---------------------|-----------------------|---------------------|
| | Consolidated £'000 | University £'000 | Consolidated £'000 | University £'000 |
| Amounts falling due within one year: | | | | |
| Research grants receivables | 1,516 | 1,516 | 1,597 | 1,597 |
| Other trade receivables | 2,232 | 2,232 | 4,492 | 4,492 |
| Other receivables | 2,527 | 2,474 | 1,793 | 1,652 |
| Prepayment and accrued income | 4,658 | 4,658 | 6,731 | 6,724 |
| Amounts due from subsidiary companies | - | 25 | - | 11,262 |
| | <u>10,933</u> | <u>10,905</u> | <u>14,613</u> | <u>25,727</u> |
| Amounts falling due after one year: | | | | |
| Prepayment and accrued income | 2,994 | 2,994 | 3,160 | 3,160 |
| Amounts due from subsidiary companies | - | 3,330 | - | 1,625 |
| | <u>13,927</u> | <u>17,229</u> | <u>17,773</u> | <u>30,512</u> |

Within the prepayments balances are deferred costs relating to the Keele Residential Funding agreements in 1999 and 2007, which are being expended over the life of the leases.

Notes to the Accounts
For the year ended 31 July 2020

19 Current Investments

Current asset investments include deposits held with banks and building societies operating in the London market and licenced by the Financial Services Authority with more than three months but less than twelve months maturity at the balance sheet date. The University does not hold any deposits with a maturity of three months or greater. As such, any liquid investments held are classified as cash and cash equivalents.

20 Creditors: amounts falling due within one year

| | At 31 July 2020 | | At 31 July 2019 | |
|---|-----------------------|---------------------|-----------------------|---------------------|
| | Consolidated £'000 | University £'000 | Consolidated £'000 | University £'000 |
| Unsecured loans (see note 21a) | 1,962 | 1,962 | 1,962 | 1,962 |
| Trade payables | 3,058 | 3,058 | 5,079 | 5,079 |
| Other creditors | 668 | 668 | 670 | 503 |
| Social security and other taxation payable | 1,963 | 1,963 | 2,195 | 2,195 |
| Accruals and deferred income | 26,374 | 26,140 | 26,241 | 24,918 |
| Research grants and contract advances | 7,254 | 7,254 | 8,997 | 8,997 |
| Payments received on account | 2,500 | 2,500 | 2,406 | 2,406 |
| Amounts due to subsidiary companies | - | 10 | - | 22 |
| Deferred income: Keele Residential Funding premium (see Note 21b) | 2,842 | 2,842 | 2,842 | 2,842 |
| Derivative (see note 25) | 300 | 300 | 438 | 438 |
| | <u>46,921</u> | <u>46,697</u> | <u>50,830</u> | <u>49,362</u> |

Deferred income

Included within creditors falling due within one year are the following items of income which have been deferred until specific performance related conditions have been met.

| | At 31 July 2020 Consolidated and University £'000 | At 31 July 2019 Consolidated and University £'000 |
|-------------------------------------|--|--|
| Capital grant income | 8,073 | 6,319 |
| Research grants received on account | 1,086 | 997 |
| Other income | 10 | 18 |
| | <u>9,169</u> | <u>7,334</u> |

21 Creditors: amounts falling due after more than one year

| | At 31 July 2020 | | At 31 July 2019 | |
|---|-----------------------|---------------------|-----------------------|---------------------|
| | Consolidated £'000 | University £'000 | Consolidated £'000 | University £'000 |
| Unsecured loans (see note 21a) | 66,793 | 66,793 | 68,755 | 68,755 |
| Deferred income: Keele Residential Funding premium (see Note 21b) | 46,054 | 46,054 | 48,896 | 48,896 |
| Other long-term creditors | 3,661 | - | 3,306 | - |
| | <u>116,508</u> | <u>112,847</u> | <u>120,957</u> | <u>117,651</u> |

21 (a) Mortgages and unsecured loans

| | At 31 July 2020 Consolidated £'000 | At 31 July 2019 Consolidated £'000 |
|-----------------------------------|--|--|
| | Analysis of secured and unsecured loans: | |
| Due within one year or on demand | 1,962 | 1,962 |
| Due between one and two years | 1,962 | 1,962 |
| Due between two and five years | 5,886 | 5,886 |
| Due in five years or more | 58,945 | 60,907 |
| | <u>68,755</u> | <u>70,717</u> |
| Total secured and unsecured loans | | |
| Secured loans | - | - |
| Unsecured loans repayable by 2042 | 68,755 | 70,717 |
| | <u>68,755</u> | <u>70,717</u> |

**Notes to the Accounts
For the year ended 31 July 2020**
21 Creditors: amounts falling due after more than one year (continued)

The loans are all held by the University, with no loan facilities in the subsidiary companies. As at 31 July 2020, the loans comprise of the following:

| Lender | Term | Balance £'000 | Interest rate % |
|---|-----------|------------------|--|
| Royal Bank of Scotland | 2029 | 3,405 | LIBOR hedged at 5.22% plus agreed margin |
| Royal Bank of Scotland | 2029 | 2,000 | 9.19% fixed |
| Royal Bank of Scotland | 2029 | 2,284 | LIBOR plus agreed margin |
| Barclays Bank | 2035 | 10,000 | Mix of 6.885% fixed and LIBOR plus agreed margin |
| Barclays Bank (Revolving credit facility) | 2022 | - | Variable rate plus 1.25% margin |
| Lloyds Bank | 2034 | 6,066 | Mix of 5.715% fixed and LIBOR plus agreed margin |
| Barings Bank | 2037/2042 | 45,000 | 3.27% Series A and 3.37% Series B Senior Notes |
| Total | | 68,755 | |

21 (b) Keele Residential Funding premium

The Keele Residential Funding premium represents the premiums received on the lease of student accommodation to Keele Residential Funding plc. The premiums are held as deferred income in creditors, and are being released on a straight-line basis over the period of the lease agreements.

22 Provisions for liabilities
Consolidated and University
Obligation to fund deficit on pensions for:

| | USS £'000 | KSS £'000 | LGPS £'000 | Total Pensions Provisions £'000 | Pay and severances £'000 | Other provisions £'000 | Total Other Provisions £'000 |
|---|---------------|---------------|---------------|--|--------------------------------|------------------------------|------------------------------------|
| At 1 August 2019 | 60,551 | 35,461 | 410 | 96,422 | 556 | - | 556 |
| Utilised in year | - | - | - | - | (556) | - | (556) |
| Transfer from statement of comprehensive income | (32,532) | 6,044 | 305 | (26,183) | - | - | - |
| University deficit contributions | - | (1,363) | - | (1,363) | - | - | - |
| Additions | - | - | - | - | 868 | - | 868 |
| At 31 July 2020 | 28,019 | 40,142 | 715 | 68,876 | 868 | - | 868 |

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 32.

In the year to 31 July 2019, a new deficit recovery plan was put in place following the 2017 actuarial valuation, which gave rise to a significant increase in the deficit provision to £60.6 million. A £39.5 million charge to staff costs was made in the year for USS due to the change in the deficit contributions contractual commitment. In the year to 31 July 2020, the 2018 actuarial valuation was completed, which put in place a new deficit recovery plan, of which more detail is given in note 32. This substantially reversed the charge made in 2019 for USS deficit recovery charges, and a £33.5m credit to staff costs was made in the year for USS.

The major assumptions used to calculate the obligation are:

| | 2020 | 2019 | |
|-----------------------------|-------|-------|--|
| Discount rate | 0.73% | 1.60% | (based on rate issued by Mercers in their workings for the sector through BUFDG) |
| Salary growth – Year 1 | 1.50% | 4.00% | (includes spine and grade point increases, and estimated national pay awards) |
| Salary growth – Year 2 & on | 3.50% | 4.00% | |

**Notes to the Accounts
For the year ended 31 July 2020**
22 Provisions for liabilities (continued)
Sensitivity analysis

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

| Change in assumptions at 31 July 2020 | Approximate impact |
|---------------------------------------|--------------------|
| 0.5% change in the salary inflation | £0.7m |
| 0.5% change in the staff numbers | £0.7m |
| 0.5% change in the discount rate | £0.7m |

KSS and LGPS deficit

These relate to pension scheme obligations that have been calculated by actuaries. See note 32 for further details.

Pay and severances

The University has recently completed a voluntary severance scheme. The provision relates to severance payments that the University and individuals have agreed by 31 July, but the University had not paid by that date.

23 Endowment Reserves

Restricted net assets relating to endowments are as follows:

| Consolidated and University | Restricted permanent endowments £'000 | Unrestricted permanent endowments £'000 | Expendable endowments £'000 | 2020 Total £'000 |
|----------------------------------|--|--|--------------------------------|---------------------|
| Balances at 1 August 2019 | | | | |
| Capital | 251 | - | - | 251 |
| Accumulated income | 79 | - | 812 | 891 |
| | 330 | - | 812 | 1,142 |
| New endowments | 1 | - | 22 | 23 |
| Investment income | 1 | - | 2 | 3 |
| Expenditure | - | - | (126) | (126) |
| | 2 | - | (102) | (100) |
| At 31 July 2020 | 332 | - | 710 | 1,042 |
| Represented by: | | | | |
| Capital | 251 | - | - | 251 |
| Accumulated income | 81 | - | 710 | 791 |
| | 332 | - | 710 | 1,042 |

Analysis by type of purpose:

| | 2020 Total £'000 | 2019 Total £'000 |
|----------------------------|---------------------|---------------------|
| General fund | 373 | 478 |
| Hardship fund | 35 | 35 |
| Prize funds | 191 | 189 |
| Scholarships and bursaries | 408 | 406 |
| Student Loans | 35 | 34 |
| | 1,042 | 1,142 |

The funds are held as cash and cash equivalents.

There are no deficit balances as at 31 July 2019 or 31 July 2020.

Notes to the Accounts
For the year ended 31 July 2020

27 Consolidated reconciliation of net debt

| | Year ended 31 July 2020 Consolidated | | | |
|---|---|-----------------|------------------------------|-----------------|
| | £'000 | £'000 | | |
| Net debt 1 August 2019 | | 52,688 | | |
| Movement in cash and cash equivalents (note 26) | (2,044) | | | |
| Repayment of loans | (1,962) | | | |
| New finance leases | - | | | |
| Changes in market value | (138) | | | |
| Change in net debt | | (4,144) | | |
| Net debt 31 July 2020 | | 48,544 | | |
| Analysis of net debt: | | | | |
| | 31 July 2020 Consolidated | | 31 July 2019 Consolidated | |
| | £'000 | £'000 | £'000 | £'000 |
| Cash and cash equivalents (note 26) | | (20,511) | | (18,467) |
| Borrowings: amounts falling due within one year | | | | |
| Unsecured loans | 1,962 | | 1,962 | |
| Bank overdraft | - | | - | |
| Derivatives | 300 | | 438 | |
| | | 2,262 | | 2,400 |
| Borrowings: amounts falling due after more than one year | | | | |
| Unsecured loans | 66,793 | | 68,755 | |
| Derivatives | - | | - | |
| | | 66,793 | | 68,755 |
| Net debt | | 48,544 | | 52,688 |

28 Capital and other commitments

Provision has not been made for the following capital commitments:

| | 31 July 2020 Consolidated and University £'000 | 31 July 2019 Consolidated and University £'000 |
|--|---|---|
| Commitments contracted for (order placed but work not completed) | <u>2,187</u> | <u>7,230</u> |

29 Contingent liabilities

| | 31 July 2020 Consolidated and University £'000 | 31 July 2019 Consolidated and University £'000 |
|------------------------------------|---|---|
| Repurchase of houses sold to staff | <u>13,384</u> | <u>13,252</u> |

The University has a stock of houses on campus that is available to purchase or rent for employees under various Schemes. If a house is purchased by an individual, the University covenants to re-purchase the house from that person if they are unable to sell to another eligible person. The contingent liability represents the stock of houses that the University would be liable to purchase if all of the owners called on the University to do so as at 31 July at an estimated market value.

During the year, construction work continued for an independent operator to build and open a new hotel on campus. The hotel is due to be completed in early 2021. As part of the agreements, upon practical completion of the Hotel, the University is required to underwrite the lease rental of up to £800k per annum for 37 years as an "income guarantee" to Legal & General who will be long leasing the land and providing the funds to the external developer for the construction of the Hotel.

Notes to the Accounts
For the year ended 31 July 2020

30 Leases

(a) Lease commitments

Total rentals payable under operating leases:

| Consolidated | 31 July 2020 | | 31 July 2019 | |
|--|-----------------------------|---------------------------|-----------------------------|---------------------------|
| | Land and Buildings £'000 | Equipment leases £'000 | Land and Buildings £'000 | Equipment leases £'000 |
| Payable during the year | <u>-</u> | <u>212</u> | <u>-</u> | <u>232</u> |
| Future minimum lease payments due: | | | | |
| Not later than 1 year | - | 161 | - | 161 |
| Later than 1 year and not later than 5 years | - | 202 | - | 363 |
| Later than 5 years | - | - | - | - |
| Total lease payments due | <u>-</u> | <u>363</u> | <u>-</u> | <u>524</u> |
| University | | | | |
| | 31 July 2020 | | 31 July 2019 | |
| | Land and Buildings £'000 | Equipment leases £'000 | Land and Buildings £'000 | Equipment leases £'000 |
| Payable during the year | <u>129</u> | <u>212</u> | <u>127</u> | <u>232</u> |
| Future minimum lease payments due: | | | | |
| Not later than 1 year | 131 | 161 | 130 | 161 |
| Later than 1 year and not later than 5 years | 537 | 202 | 560 | 363 |
| Later than 5 years | 277 | - | 465 | - |
| Total lease payments due | <u>945</u> | <u>363</u> | <u>1,155</u> | <u>524</u> |

The equipment relates to a contract that the University has in place for multifunctional printing devices.

The land and buildings relate to a lease that the University has with Keele University Science and Business Park Limited for the lease of part of the Sustainability Hub building.

(b) Lessor disclosures

Total rentals receivable as lessor:

| | 31 July 2020 £'000 | 31 July 2019 £'000 |
|--|--------------------------|--------------------------|
| Future minimum lease receipts due: | | |
| Not later than 1 year | 4,651 | 4,537 |
| Later than 1 year and not later than 5 years | 19,795 | 19,312 |
| Later than 5 years | 151,873 | 157,007 |
| Total lease receipts due | <u>176,319</u> | <u>180,856</u> |

The lease relates to the leasehold interest in the University Halls of Residence property held by KRF Holdings Ltd. There are no financial restrictions imposed by the lease agreement. There is no contingent rent recognised as income.

Further details of the KRF agreement are disclosed under note 31 (e).

**Notes to the Accounts
For the year ended 31 July 2020**

31 Related Party Transactions

During the year the group entered into transactions, in the ordinary course of business, with other related parties. The University has taken advantage of the exemption within FRS 102 and has not disclosed transactions with other group entities where it holds 100% of the voting rights. Included within the financial statements are the following transactions with related parties:

31 (a) Payment for services provided to the University by trustees

The University's council members are the trustees for charitable law purposes. Due to the nature of the University's operations and the composition of the Council, being drawn from public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the Council may have an interest. All transactions involving organisations in which a member of Council may have an interest are conducted at arms-length and in accordance with the University's Financial Regulations and usual procurement procedures. There were no payments for services provided by a trustee in the year (2019 – £nil). Please refer to the Corporate Governance Statement for the total expenses paid to council members.

31 (b) Joint Ventures

The University held shares in a joint venture company, Keele Seddon Ltd. During the year, the company was voluntarily dissolved. Work to the value of £nil (2019: £nil) was carried out in the year by Keele Seddon Ltd. As at the date of dissolution, there were no balances owed between either party (2019: £314k in trade debtors).

31 (c) Keele Superannuation Scheme ("KSS")

KSS is a final salary defined benefit scheme in the United Kingdom, with the assets held in separate trustee-administered funds. The University is the principal employer. KSS is closed to future service benefit accrual. Accordingly, no further contributions by either members or the University to KSS have been made with the exception of the deficit funding contributions paid by the University in line with the recovery plan. For the year ended 31 July 2020, these were £1,363k (2019: £1,240k), which included £nil (2019: £nil) outstanding contributions at the balance sheet date.

The University settles the pensions payable of £1,630k (2019: £1,534k) through its payroll. These costs are then recharged by the University to the Scheme.

From 1 August 2015, as the Scheme has become a closed scheme, the administrative expenses of £201k (2019: £200k) have been re-imbursed by the University, including Trustees Indemnity Insurance. The University recovers VAT on behalf of the Scheme, in relation to VAT levied on administration expenses. At the year end the amount due to the University was £nil (2019: £nil).

31 (d) Transactions with Keele University Students' Union ("KSU") and Keele Postgraduate Association ("KPA")

The President of KSU and the President of the KPA are Council members during their term of office. As such they are trustees of the University, and transactions are required to be disclosed between the University and the two bodies.

During the year, grants were awarded to KSU of £1,119k and £267k (2019 - £1,621k) and to the KPA of £55k (2019 - £54k). At the year end, £nil (2019 - £100k) was owed to KSU and £267k was prepaid on the balance sheet, and £nil (2019 - £nil) was owed to the KPA.

During the year, sales of £17k (2019 - £1k) were made by the group to KSU and £1k (2019 - £8k) to the KPA, with a related debtor of £nil (2019 - £nil) and £nil (2019 - £nil) respectively on the balance sheet. During the year, £53k (2019 - £313k) was purchased by the group from KSU and there was a trade creditor balance of £1k (2019 - £28k). For the KPA, the University purchased items from them for £19k (2019 - £nil) and had a trade creditor balance of £1k (2019 - £nil).

31 (e) Keele Residential Funding ("KRF") agreement

The term Keele Residential Funding ("KRF") is used to describe several linked transactions running throughout the financial statements. The principle relationships and transaction flows are described in this note.

During the financial year 1999/2000, the University undertook a securitisation deal in respect of the rental income flow from its Halls of Residence up to 2029 with Keele Residential Funding plc. In 2006/07, this was extended to 2047. The University received a premium on both occasions, and this premium (together with associated costs) is being released to the Statement of Comprehensive Income and Expenditure over the life of the agreements. The residual premium and associated costs are recognised as deferred income and prepayments respectively on the Balance Sheet.

The university collects rent on behalf of Keele Residential Funding plc under a Letting Services agreement and passes these rents over on an annual basis. Halls of Residence rental income is recognised in full within income for the University, with the payment to Keele Residential Funding plc being a cost recognised in other operating expenses. Keele Residential Funding plc pays the University a management fee for the management of the Halls of Residence, which is included within income, and disclosed in note 5 to the accounts.

As part of these agreements, the University leases a proportion of its student accommodation portfolio to Keele Residential Funding plc. The assets leased remain on the balance sheet of the University, because the substance of the transaction is that they will fully revert back to the University at the end of the agreement in 2047. The updated net book value on the University fixed asset register as at 31 July 2020 of these assets is £86,973k (2019: £89,573k).

**Notes to the Accounts
For the year ended 31 July 2020**

31 Related Party Transactions (continued)

Additionally, the University has a contractual duty to maintain and refurbish the student halls of residence. Investments of £26,794k (2019: £27,928k) have been set aside in fixed asset investments as at 31 July 2020 to enable the University to meet its future obligations in respect of the agreed refurbishment programme. These investments are shown as part of the Keele Residential Funding investments. The University is required to ensure funds are maintained at a level to ensure compliance with agreed maintenance programmes and failure to comply may result in monies being withheld from annual University facilities management payments due from Keele Residential Funding plc.

As highlighted in note 15(d), the University holds shares in KRF Holdings Ltd, but does not consolidate its accounts into the University accounts. KRF Holdings Ltd owns 100% of the share capital of Keele Residential Funding plc, which owns 100% of the share capital of KRF Management Ltd.

32 Pension Schemes

The University contributes to the following pensions schemes:

| Name of pension scheme | Type of pension scheme accounted as |
|---|--|
| (i) Universities' Superannuation Scheme (USS) | Multi-employer (Contributions plus recognise contractual commitment to fund past deficits) |
| (ii) Keele Superannuation Scheme (KSS) | Defined benefit |
| (iii) Local Government Pension Scheme (LGPS) | Defined benefit |
| (iv) National Health Service Pension Scheme (NHSPS) | Multi-employer (Contributions only) |
| (v) National Employment Savings Trust (NEST) | Defined contribution |

The two principal pension schemes for University staff are USS and KSS. The assets of these pension schemes are held in separate trustee administered funds.

| | Year Ended 31 July 2020 £'000 | Year Ended 31 July 2019 £'000 |
|---|--|--|
| Contributions paid | | |
| USS | 12,519 | 11,148 |
| KSS | - | - |
| LGPS | 224 | 248 |
| NHSPS (includes accrual for additional NHS pension costs) | 478 | 474 |
| NEST | 17 | 13 |
| | 13,238 | 11,883 |
| Actuary adjustment | | |
| USS | (33,501) | 39,464 |
| KSS | 61 | 68 |
| LGPS | (202) | (205) |
| | (33,642) | 39,327 |
| Total pension cost for year (charged to staff costs in the Statement of Comprehensive Income and Expenditure as per Note 8) | (20,404) | 51,210 |
| | Year Ended 31 July 2020 £'000 | Year Ended 31 July 2019 £'000 |
| Net interest charge on pension schemes in the Statement of Comprehensive Income and Expenditure | | |
| USS | 969 | 450 |
| KSS | 766 | 979 |
| LGPS | 6 | 14 |
| Total net interest charge on pension schemes in the Statement of Comprehensive Income and Expenditure (as per note 10) | 1,741 | 1,443 |
| | Year Ended 31 July 2020 £'000 | Year Ended 31 July 2019 £'000 |
| Actuarial (gain) / loss in respect of pension schemes in the Statement of Comprehensive Income and Expenditure | | |
| KSS | 5,218 | 712 |
| LGPS | 501 | (1) |
| Total actuarial (gain) / loss in respect of pension schemes in the Statement of Comprehensive Income and Expenditure | 5,719 | 711 |

The pension scheme liability on the Balance Sheet is disclosed in note 22.

Notes to the Accounts
For the year ended 31 July 2020

32 Pension Schemes (continued)

(i) The Universities Superannuation Scheme (USS)

The total cost credited (2019: charged) to salaries in the Statement of Comprehensive Income and Expenditure is £20,982k (2019: £50,612k). Also, interest was charged of £969k (2019: £450k).

The latest available complete actuarial valuation of the Retirement Income Builder is at 31 March 2018 (the valuation date), which was carried out using the projected unit method. A valuation as at 31 March 2020 is underway but not yet complete. Since the institution cannot identify its share of USS Retirement Income Builder (defined benefit) assets and liabilities, the following disclosures reflect those relevant for those assets and liabilities as a whole.

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

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

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

Discount rate (forward rates) Years 1-10: CPI + 0.14% reducing linearly to CPI – 0.73%
Years 11-20: CPI + 2.52% reducing linearly to CPI +1.55% by year 21
Years 21+: CPI +1.55%

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

| Mortality base table | 2018 valuation |
|----------------------------------|---|
| | <u>Pre-retirement:</u> 71% of AMC00 (duration 0) for males and 112% of AFC00 (duration 0) for females. |
| | <u>Post-retirement:</u> 97.6% of SAPS S1NMA "light" for males and 102.7% of RFV00 for females. |
| Future improvements to mortality | CMI_2017 with a smoothing parameter of 8.5 and a long term improvement rate of 1.8% p.a. for males and 1.6% p.a. for females. |

The current life expectancies on retirement at age 65 are:

| | (2018 valuation) 2020 | (2017 valuation) 2019 |
|-----------------------------------|--|--|
| Males currently aged 65 (years) | 24.4 | 24.6 |
| Females currently aged 65 (years) | 25.9 | 26.1 |
| Males currently aged 45 (years) | 26.3 | 26.6 |
| Females currently aged 45 (years) | 27.7 | 27.9 |

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

| | 2020 | 2019 |
|------------------------------------|-------------|-------------|
| Discount rate | 0.73% | 1.60% |
| Pensionable salary growth - Year 1 | 1.50% | 4.00% |
| - Year 2 onwards | 3.50% | 4.00% |

Notes to the Accounts
For the year ended 31 July 2020

32 Pension Schemes (continued)

(ii) Keele Superannuation Scheme (KSS)

The KSS is a final salary defined benefit scheme in the United Kingdom that pays out pensions at retirement based on service and final pay, with the assets held in separate trustee-administered funds. The employer cash contribution made for the year ended 31 July 2020 was £1,363k (2019: £1,240k), with £201k (2019: £200k) of expenses paid by the University on behalf of the Scheme. This includes £nil (2019: £nil) outstanding contributions at the balance sheet date.

In 2013, it was decided to close KSS to future service benefit accrual and to transfer active members to USS. Therefore, no further contributions by either members or the University have been made in this financial year, with the exception of the deficit funding contributions paid by the University in line with the recovery plan agreed between the University and the KSS Trustees that began in November 2015.

Assumption

The following information is based upon a full actuarial valuation of KSS at 1 August 2017.

The principal financial assumptions used to calculate scheme liabilities under FRS102 are:

| | At 31 July 2020 %pa | At 31 July 2019 %pa |
|--|------------------------|------------------------|
| Discount rate | 1.50 | 2.20 |
| Rate of increase in salaries | 3.10 | 3.40 |
| Price Inflation (RPI) | 3.10 | 3.40 |
| Price Inflation (CPI) | 2.35 | 2.65 |
| Rate of increase of pensions in payment and deferred pensions: | | |
| Pre 1 August 2001 Service | 4.00 | 4.20 |
| 1 August 2001 to 30 November 2006 Service | 3.10 | 3.30 |
| Post 1 December 2006 Service | 2.05 | 2.10 |
| Commutation allowance (Members commute % of their pension) | 25% | 25% |

No allowance has been assumed for early retirement.

The most significant non-financial assumption is the assumed level of longevity. The table below shows life expectancy assumptions (in years) used in the accounting assessments based on the life expectancy of male and female members at age 65.

| | Current Pensioner aged 65 (Male) | Non-pensioner currently aged 45 (Male) | Current Pensioner aged 65 (Female) | Non-pensioner currently aged 45 (Female) |
|-----------------|-------------------------------------|---|---------------------------------------|---|
| At 31 July 2020 | 22 | 23 | 23 | 25 |
| At 31 July 2019 | 22 | 23 | 23 | 25 |

The actuarial tables used for this are 102% S2PA with CMI 2018 improvements trending to 1.25% (2019: 102% S2PA with CMI 2018 improvements trending to 1.25%).

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions, which, due to the timescale covered, may not necessarily be borne out in practice.

Scheme assets of KSS

The assets in the scheme were:

| | Fair value as at | |
|---------------------------------|-------------------------------------|-----------------------|
| | 31 July 2020 £'000 | 31 July 2019 £'000 |
| Equities / Return seeking Funds | 17,226 | 17,086 |
| Corporate bonds | 13,330 | 12,560 |
| Cash | 2 | 93 |
| Total | 30,558 | 29,739 |

Notes to the Accounts
For the year ended 31 July 2020

32 Pension Schemes (continued)

The scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were:

| | At 31 July 2020 £'000 | At 31 July 2019 £'000 |
|---|----------------------------------|----------------------------------|
| Analysis of the amount shown in the balance sheet for KSS | | |
| Scheme assets | 30,558 | 29,739 |
| Scheme liabilities | (70,700) | (65,200) |
| Deficit in the scheme – recorded within pension provisions (note 21) | (40,142) | (35,461) |
| Total operating charge | | |
| Staff costs and administrative expenses | 261 | 268 |
| Analysis of the amount charged to interest payable for KSS | | |
| Interest on net deficit | 766 | 979 |
| Total profit and loss charge before deduction for tax | 1,027 | 1,247 |
| | Year to 31 July 2020 £'000 | Year to 31 July 2019 £'000 |
| Analysis of other comprehensive income for KSS: | | |
| Experience gain on assets | 585 | 1,035 |
| Loss on liabilities | (5,803) | (1,747) |
| Total other comprehensive income before deduction for tax | (5,218) | (712) |
| | At 31 July 2020 £'000 | At 31 July 2019 £'000 |
| Cumulative actuarial loss recognised as other comprehensive income for KSS | | |
| Cumulative actuarial losses recognised at the start of the year | 15,207 | 14,495 |
| Cumulative actuarial losses recognised at the end of the year | (20,425) | (15,207) |
| Analysis of movement in deficit for KSS | | |
| Deficit at beginning of year | (35,461) | (34,942) |
| Contributions paid by the University | 1,363 | 1,240 |
| Administration expenses paid by the University | 201 | 200 |
| Total operating charge | (261) | (268) |
| Other finance charges | (766) | (979) |
| Deficit at end of year | (40,142) | (35,461) |
| | At 31 July 2020 £'000 | At 31 July 2019 £'000 |
| Analysis of movement in the present value of KSS liabilities | | |
| Present value of KSS liabilities at the start of the year | 65,200 | 64,600 |
| Total operating charge | 261 | 268 |
| Interest cost | 1,416 | 1,799 |
| Actuarial loss | 5,803 | 1,747 |
| Actual benefit payments | (1,719) | (2,946) |
| Administration expenses paid by KSS | (261) | (268) |
| Present value of KSS liabilities at the end of the year | 70,700 | 65,200 |

Notes to the Accounts
For the year ended 31 July 2020

32 Pension Schemes (continued)

| | At 31 July 2020 £'000 | At 31 July 2019 £'000 |
|--|-----------------------------|-----------------------------|
| Analysis of movement in the fair value of scheme assets | | |
| Fair value of assets at the start of the year | 29,739 | 29,658 |
| Expected return on assets | 650 | 820 |
| Actuarial gain on assets | 585 | 1,035 |
| Contributions paid by University | 1,363 | 1,240 |
| Administration expenses reimbursed by the University | 201 | 200 |
| Actual benefit payments | (1,719) | (2,946) |
| Administration expenses paid by KSS | (261) | (268) |
| Fair value of scheme assets at the end of the year | 30,558 | 29,739 |

KSS assets do not include any of the University's own financial instruments, or any property occupied by the University.

| | Year to 31 July 2020 £'000 | Year to 31 July 2019 £'000 |
|--|----------------------------------|----------------------------------|
| Actual return on Scheme assets | | |
| Expected return on assets | 650 | 820 |
| Actuarial gain on assets | 585 | 1,035 |
| Actual return on Scheme assets before administration expenses | 1,235 | 1,855 |
| Administration expenses | (261) | (268) |
| Actual return on Scheme assets before administration expenses | 974 | 1,587 |

The University expects to contribute in the region of £1,600k to the scheme in the next year, through deficit contributions and expenses payments.

(iii) Local Government Pension Scheme (LGPS)

LGPS is a contributory defined benefit pension scheme administered by Staffordshire County Council. The scheme is governed by the Public Service Pensions Act 2013 (as amended). The fund is administered in accordance with the following secondary legislation:

- the Local Government Pension Scheme Regulations 2013 (as amended)
- the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.
- the Statement of Recommended Practice (SORP) The Financial Reports of Pension Schemes (as amended in 2014).

The employer contribution (including contributions in respect of unfunded benefits) made for the year ended 31 July 2020 was £224k (2019: £251k). This includes £nil (2019: £nil) outstanding contributions at the balance sheet date.

For the year ended 31 July 2020, the University has been contributing at a rate of 32.0% from 1 August 2019 to 31 March 2020 and 34.40% from 1 April 2020, with agreed lump sum contributions to the scheme of £264k for the year to 31 March 2020 and £88k for the year to 31 March 2021. Employee contributions were tiered at 6.50% and 6.80% of pensionable salaries.

Assumptions

The following information is based upon a full formal actuarial valuation of LGPS as at 31 March 2019 projected forward to 31 July 2020 by a qualified independent actuary. There is an allowance for the impact of the recent McCloud ruling, as there was in the year to 31 July 2019.

The 2019 formal funding valuation included an allowance for full Guaranteed Minimum Pension Benefits (GMP) indexation within the LGPS. The rolled forward position to 31 July 2020 therefore includes this allowance.

The principal financial assumptions used to calculate scheme liabilities under FRS102 are:

| | At 31 July 2020 %pa | At 31 July 2019 %pa |
|---|------------------------|------------------------|
| Discount rate | 1.30 | 2.10 |
| Price Inflation (RPI) | 3.10 | 3.50 |
| Price Inflation (CPI) | 2.20 | 2.50 |
| Rate of increase in salaries | 2.60 | 2.90 |
| Rate of increase of pensions | 2.20 | 2.50 |
| Commutation allowance (Members commute % of their pension) – pre-April 2008 service | 50% | 50% |
| -post-April 2008 service | 75% | 75% |

Notes to the Accounts
For the year ended 31 July 2020

32 Pension Schemes (continued)

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

| | Current Pensioner aged 65 (Male) | Non-pensioner currently aged 45 (Male) | Current Pensioner aged 65 (Female) | Non-pensioner currently aged 45 (Female) |
|-----------------|-------------------------------------|---|---------------------------------------|---|
| At 31 July 2020 | 21.2 | 22.1 | 23.6 | 25.0 |
| At 31 July 2019 | 21.1 | 22.2 | 23.5 | 24.8 |

Life expectancy is based on the fund's VitaCurves with improvements in line with the CMI 2018 model, an allowance for smoothing of recent mortality experience and long term rates of 1.25% p.a for males and females.

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions, which, due to the timescale covered, may not necessarily be borne out in practice.

Scheme assets of LGPS

The assets in the scheme were:

| | Fair value as at | |
|---------------------------------|-----------------------|-----------------------|
| | 31 July 2020 £'000 | 31 July 2019 £'000 |
| Equities / Return Seeking Funds | 2,771 | 3,130 |
| Corporate bonds | 1,082 | 907 |
| Property | 390 | 363 |
| Cash | 86 | 136 |
| Total | 4,329 | 4,536 |

The scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were:

| | At 31 July 2020 £'000 | At 31 July 2019 £'000 |
|---|-----------------------------|-----------------------------|
| Analysis of the amount shown in the balance sheet for LGPS | | |
| Scheme assets | 4,329 | 4,536 |
| Scheme liabilities | (5,044) | (4,946) |
| Deficit in the scheme – recorded within pension provisions (note 21) | (715) | (410) |
| Current service cost | 24 | 32 |
| Past service costs | - | 14 |
| Total operating charge | 24 | 46 |
| Analysis of the amount charged to interest payable for LGPS | | |
| Interest income on net assets | (96) | (112) |
| Interest cost on defined benefit obligation | 102 | 126 |
| Net charge to other finance income | 6 | 14 |
| Total profit and loss charge before deduction for tax | 30 | 60 |
| Analysis of other comprehensive income for LGPS: | | |
| Experience gain on assets | (324) | 249 |
| Experience loss on liabilities | 173 | (1) |
| Change in demographic assumptions | (23) | 241 |
| Change in financial assumptions | (327) | (488) |
| Total other comprehensive income before deduction for tax | (501) | 1 |

Notes to the Accounts
For the year ended 31 July 2020

32 Pension Schemes (continued)

| | At 31 July 2020 £'000 | At 31 July 2019 £'000 |
|--|-----------------------------|-----------------------------|
| Cumulative actuarial loss recognised as other comprehensive income for LGPS | | |
| Cumulative actuarial losses recognised at the start of the year | (882) | (881) |
| Cumulative actuarial losses recognised at the end of the year | 381 | 882 |

Analysis of movement in deficit for LGPS

| | At 31 July 2020 £'000 | At 31 July 2019 £'000 |
|--|-----------------------------|-----------------------------|
| Deficit at beginning of year | (410) | (602) |
| Contributions or benefits paid by the University | 226 | 251 |
| Current service cost | (24) | (46) |
| Past service cost | - | - |
| Other finance charges | (6) | (14) |
| Deficit at end of year | (715) | (410) |

| | At 31 July 2020 £'000 | At 31 July 2019 £'000 |
|--|-----------------------------|-----------------------------|
| Analysis of movement in the present value of LGPS liabilities | | |
| Present value of LGPS liabilities at the start of the year | 4,946 | 4,764 |

| | | |
|---|--------------|--------------|
| Current service cost | 24 | 46 |
| Interest cost | 102 | 126 |
| Actuarial loss | 177 | 248 |
| Contributions paid by scheme members | 5 | 5 |
| Actual benefit payments | (210) | (243) |
| Administration expenses paid | - | - |
| Present value of LGPS liabilities at the end of the year | 5,044 | 4,946 |

| | At 31 July 2020 £'000 | At 31 July 2019 £'000 |
|--|-----------------------------|-----------------------------|
| Analysis of movement in the fair value of scheme assets | | |
| Fair value of assets at the start of the year | 4,536 | 4,162 |

| | | |
|---|--------------|--------------|
| Expected return on assets | 96 | 112 |
| Actuarial gain on assets | (324) | 249 |
| Actual contributions paid by University | 226 | 251 |
| Contributions paid by scheme members | 5 | 5 |
| Actual benefit payments | (210) | (243) |
| Administration expenses paid | - | - |
| Fair value of scheme assets at the end of the year | 4,329 | 4,536 |

LGPS assets do not include any of the University's own financial instruments, or any property occupied by the University.

| | Year to 31 July 2020 £'000 | Year to 31 July 2019 £'000 |
|--|----------------------------------|----------------------------------|
| Actual return on Scheme assets | | |
| Expected return on assets | 96 | 112 |
| Actuarial gain on assets | (324) | 249 |
| Actual return on Scheme assets before administration expenses | (228) | 361 |
| Administration expenses | - | - |
| Actual return on Scheme assets before administration expenses | (228) | 361 |

The University expects to contribute in the region of £107k to the scheme in the next year through deficit contributions and on-going service costs.

(iv) National Health Service Pension Scheme (NHSPS)

The University also participates in the National Health Service Pension Scheme (NHSPS) which is contracted out of the State Second Pension (S2P). The notional assets of NHSPS are assessed by the Government Actuary and the benefits are underwritten by the Government.

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

**Notes to the Accounts
For the year ended 31 July 2020**

32 Pension Schemes (continued)

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

An HM Treasury pension scheme valuation for funding purposes was carried out as at March 2012. The Scheme Regulations have been changed to allow contribution rates to be set by the Secretary of State for Health, with the consent of HM Treasury, and consideration of the advice of the Scheme Actuary and appropriate employee and employer representatives as deemed appropriate.

The contribution rate payable by the University during the year to 31 March 2020 was equal to 14.30% (plus a 0.08% scheme administration levy) (2019 – 14.30% plus 0.08%) of the total pensionable salaries in accordance with the conclusion of the Government Actuary's report on the scheme, and the University contributed £425k (2019:£428k).

The Department of Health and Social Care has confirmed that the employer contribution rate will increase from 14.30% to 20.60% per cent (20.68% including the 0.08% scheme administration levy) from 1 April 2019. The increase is required to meet the cost of scheme benefits, following advice from the Government Actuary's Department as part of the 2016 scheme valuation process. Employers who are outside of this scope (including University medical schools) will receive additional funding to meet part of the cost increase but will need to cover the remaining proportion of the cost increase relating to this change. The University has incurred £53k (2019: £46k) for the year to reflect these additional costs.

33 Access and Participation Plan

Access and Participation Plans ("APPs") set out how a higher education provider will improve equality of opportunity in higher education. They must be approved by the OfS if the provider wants to charge higher tuition fees. APP's have been introduced from 2019/20 and replace the old Access Agreements that were previously approved by the Office for Fair Access. Consequently, 2019/20 is the first reportable year for an APP (no comparative numbers), and under its Accounts Direction for the year ended 31 July 2020 the OfS requires disclosure of the APP spend classified as per the above note.

The Keele APP articulates our ongoing commitment to improving equality of opportunity for underrepresented groups to access, succeed in and progress from higher education. Our latest Plan incorporates contributions from colleagues across our university community. Keele has an approved APP for 2019/20 and for 2020/21 to 2024/25. The APP for Keele can be accessed on either the OfS website or the Keele website on:

<https://www.keele.ac.uk/access-plan/>

Expenditure incurred during the year on the APP in the four sectors identified by the OfS was:

| | At 31 July 2020 £'000 |
|--|--------------------------------------|
| Access investment | 1,116 |
| Financial support provided to students | 2,567 |
| Support for disabled students | 691 |
| Research and evaluation related to access and participation activities | 105 |
| Total access and participation expenditure | 4,479 |

Included within the above expenditure is £1,482k of staff costs that are also included in Note 8 "Staff costs".

Variance to submitted 2019/20 APP

The actual access expenditure is £208k below reported expenditure to OfS from 2018/19 and £508k below the planned expenditure in the 2019/20 APP. This is partly due to reduced activity during Covid-19 with many planned events not taking place and staffing resource redirected, and partly due to a planned shift of resources from access towards success and progression (in line with our APP for 2020/21 onwards).

Spend on financial support is £382k above the planned level from the 2019/20 APP and £211k above equivalent spend in 2018/19. This is primarily due to a higher number of students qualifying for bursaries predicated on household income. It is also partly due to increased expenditure on student hardship support during Covid-19.

Expenditure on support for disabled students has increased compared to 2018/19. This is significantly due to an increased focus within Student Services on mental health and disabled student support during Covid-19.

Expenditure on research & evaluation is primarily drawn from the Planning & Analysis team and from the Keele Institute for Innovation and Teaching Excellence (KIITE). These areas of expenditure align with the plans in our APP for 2020/21. As this is a new category for the 2019/20 APP, there is no equivalent spend from 2018/19 nor is there target spend in our 2019/20 APP.

34 Subsequent Events

In September 2020, the Trustee of the USS Pension Scheme (USS) launched a consultation with Universities UK on key aspects of the scheme's 2020 valuation. The scope of this exercise covers a wide range of potential outcomes - reflecting issues still to be resolved on employer support as well as uncertainties for the higher education sector and financial markets in general - but, based on the proposals put forward, the Trustees have indicated that the fund's deficit at 31 March 2020 could range from between £9.8bn and £17.9bn.

**Notes to the Accounts
For the year ended 31 July 2020**

34 Subsequent Events (continued)

This would represent a significant deterioration from the £3.6bn deficit established under the 2018 valuation (and against which the current recovery plan is set) and a return to the levels of shortfall experienced under the previous 2017 valuation (£11.8bn).

At this stage, no outcome is agreed, and the USS Trustee has until 30 June 2021 to conclude the valuation. The cost of continuing to offer current benefits in this context would be significant. However, other measures are being considered to reduce the deficit or to make the scheme affordable for employers and employees, and is still being widely debated across the sector and by the Trustee of the Pension Scheme. For the 2019-20 financial year, this is a non-adjusting event.

Council Members *and* Professional Partners

The following were members of Council for the period from 1 August 2019 to the date the Financial Statements were approved (unless noted):

Council Members

Members Ex-Officio

The Pro-Chancellor

Dame Jo Williams

The Deputy Pro-Chancellors

Richard Barnes

Sally Bucknell

Richard Callaway

Professor Alistair Ulph (until 31 August 2019)

The Vice-Chancellor

Professor Trevor McMillan BSc, PhD, Hon MRCP, Hon FRCP

The Treasurer

David Hall FCA

The Deputy Vice-Chancellor & Provost

Professor R. Mark Ormerod

Members of University Staff

Professor P. Andras

Dr R. Leach (until 23 September 2020)

E. Colley (from 1 September 2019)

Professor L. Dikomitis
(from 1 September 2020)

Professor N. Forsyth
(until 31 August 2020)

V. Hooper (until 31 August 2019)

Lay Members appointed by the Council

R. Bagley

D. Brown (from 1 September 2019)

P. Clark (until 31 August 2020)

A. Harris (until 31 August 2019)

P. Harris (from 14 April 2020)

S. Hashmi

M. Lukha

S. Ramery (until 31 August 2019)

S. Schaefer

Dr L. Thompson (from 1 September 2019)

Professor A. Ulph (until 31 August 2020)

Student Representatives

A. Holden (from 1 July 2019 to
3 April 2020)

M. Chappell (from 14 April to
30 June 2020)

J. Karimi (from 1 July 2020)

K. Charlton

In attendance

Dr M. Bacon – Chief Operating Officer

P. Buttery – Director of Finance

R. Adams – Director of HR

Dr H. Galbraith – Secretary to Council

Professional Partners

External Auditors

KPMG LLP

1 St Peters Square, Manchester M2 3AE

Bankers

National Westminster Bank

High Street, Newcastle-under-Lyme

Staffordshire ST5 1PP

Internal Auditors

UNIAC

Oxford Road, Manchester M1 7ED

University Status

The University of Keele (trading as Keele University) was established by Act of Parliament and the granting of a Royal Charter in 1962. Prior to this, the University was founded as the University College of North Staffordshire in 1949.

The University is a charity, but it is not a "Registered Charity". Instead it holds charity status as one of the exempt charities listed in Schedule 2 of the Charities Act 1993 (An exempt charity is exempt from certain requirements, notably the need to register with the Charity Commission). The University preserves its exempt status under the Charities Act 2006 and the Office for Students (OfS) is the University's principal regulator.

Although the University is not a company, it has a Companies House registration number of RC000655 as a Company Incorporated by Royal Charter in England and Wales. Royal Charter companies are not obliged to register any documents with Companies House.



[keele.ac.uk/statementofaccounts](https://www.keele.ac.uk/statementofaccounts)