University of Kent

ANNUAL REVIEW/ FINANCIAL STATEMENTS 2021

Professor Abdulrazak Gurnah

Our entire University community extend the warmest congratulations to our Emeritus Professor on his fantastic Nobel Prize in Literature Award.

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INTRODUCTION

I am pleased to introduce this year's annual review, which reflects another year of significant challenge as we adapt to the ongoing impact of the Covid-19 pandemic.

Over the last 12 months our staff and students have once again demonstrated incredible commitment and flexibility in the face of continued unprecedented difficulties, with a joint effort across the University helping us weather the worst of the financial storms brought about by Covid. I'd like to extend my thanks to our entire community for the part they have all played in helping us manage our response to this, including through measures such as our one-year pay freeze which I know will have been difficult for many. It has also been a real boost to welcome students and staff back to our campuses once more – bringing that buzz back which is what universities are all about.

Through this, we have also been able to continue our core focus in delivering excellence in education, innovative research and working as a civic university with our partners and stakeholders. Our Kent and Medway Medical School has now completed its first year, with its forward-thinking course preparing a new generation of doctors who will help meet local need. We have identified our first three Signature Research Themes, which will help us develop our global research profile in key areas of Environment, Food Systems and Natural Resources; Future Human; and Migration and Movement. Our Institute of Cultural and Creative Industries also continues to go from strength to strength, giving us a much more focused and engaged creative offer that builds on academic areas of strength and bringing together activity across our venues.

Alongside this we are making real progress in some of the enabling strands of our Strategy which will support this. Equality, Diversity and Inclusivity is core to our values and we are working closely with staff and student groups to embed our Challenging Racism strategy. A new People and Culture strategy will also help foster a more inclusive community, with a focus on employee engagement, leadership and management capability and ensuring we support our workforce to be curious, agile and well-equipped to meet the challenges of the future. We also retain a major focus on student recruitment, with priorities this year including building on work to enhance our digital presence and continuing to capture and articulate our brand purpose and identity so we are clear on the aspects that make Kent distinctive. At its heart, all of this is about making sure we are a place where people really want to work and study.

Importantly, we have also continued our work to deliver on our Financial Improvement Plan, with the majority of the work to reduce costs now complete and our focus increasingly turning to income. We remain on a path to return to surplus in 2022/23. Both this and work to embed the new organisational structures across the University have again required huge commitment from our staff and I remain extremely grateful for the way in which everyone has played their part. Being well-placed to respond to future challenges is critical as we negotiate what remains a difficult environment in the wider sector, particularly as we await the findings of the Comprehensive Spending Review for Higher Education and the outcome of the ongoing USS Pensions negotiations.

The year ahead will be about building on all of this as we navigate our way through the remaining twists and turns of Covid-19. We are greatly looking forward to further increasing face-to-face teaching next term while continuing to embrace the wider opportunities offered through online learning and Higher Degree Apprenticeships. Bringing our wider communities together through partnerships and initiatives will be at the heart of this, as we focus on collaborating with others for the benefit of all. This will include furthering the incredible ongoing impact of our students and staff this year – from our technicians, who recently received a Papin Prize for their work providing PPE to the local community, to our second Nobel Prize in Literature Award winner Professor Abdulrazak Gurnah. My thanks to all of you, students, staff and partners, who have supported each other and the University throughout this challenging period.

Professor Karen Cox
Vice-Chancellor and President

STRATEGY, VISION AND VALUES

The University of Kent is an exempt charity regulated by the Office for Students (OfS). The University's Royal Charter of 1965 established the University Council as the supreme governing body of the institution. The University Council serves as the University's board of trustees and has overall responsibility for the University's strategic aims and direction in the furtherance of the objects defined by the Charter.

Members of the University Council have regard to the Charity Commission's public benefit guidance when exercising any powers or duties to which the guidance is relevant. They also refer to the guidance issued by the Office for Students in its role as principal regulator.

From the Royal Charter, the objects of the University are:
"to advance education and disseminate knowledge by teaching, scholarship and research for the public benefit."

Vision, Values and Identity

Our Vision – by 2025

We will be delivering one of the best education and student experiences amongst UK universities that enables and inspires our students. We will be internationally known for a transformative student experience and employability outcomes regardless of background. Our discoveries and research will emphasise existing and new signature areas, where we match the best in the world.

Our education and research, and the talents of our staff and students, will support social, economic, cultural, intellectual and public life in ways that will make us one of the leading civic universities.

We will have a balanced portfolio of programmes having deepened our science and engineering base, grown our cultural, creative and digital offer and opened the new Kent and Medway Medical School.

We will remain distinctive among our peers in operating with a major stake in continental Europe, with a strong European dimension in our academic activity.

We will be delivering education in a variety of ways; face-to-face, online and through alternative routes, in particular, higher and degree apprenticeships.

Our Values

Our values are enduring. We have always been a university that equally values education and research, believing that one enhances the other. We work as a community, based on collegiality. Freedom of speech within the law and freedom of inquiry are fundamental. We are outward-looking; we embrace change and are willing to do things differently and see things differently. We value excellence and we support potential, wherever it may be found. Our university is based on equality, diversity, respect and we value each other. We are international in outlook.

STRATEGY DELIVERY TO DATE

Responding to and minimising the impact of Covid has remained the University's top priority over the past 18 months. However, alongside this, we have continued to make significant progress in the three main areas of our Kent 2025 strategy while taking on board a number of valuable lessons along the way.

- **To never underestimate our staff:** Our community has responded to a series of unprecedented challenges with flexibility, creativity and resilience.
- **More creative teaching:** We are understanding how to get best pedagogical value from a mix of online (for lectures) and enhanced face-to-face contact.
- **Better exams and assessments:** New procedures based on open exam questions and an extended response period (tailored to different time zones) have given us insights into a different way of assessing learning outcomes.
- **The move to online lectures/seminars** means that it is easier for larger groups to participate – and to do so from across the country (and indeed the world).
- **Equality, Diversity and Inclusivity:** The impact has varied among different groups of students. We are beginning to understand how, and what to do about it. Some students, especially those with disabilities, have benefited from the new emphasis on distance learning.
- **Research:** While many of the most crucial interactions and collaborations will still need personal contacts, the 'Zoom economy' has liberated us for more international interactions.
- **Student Recruitment:** Our move in 2019 to enhance our digital presence allowed us to pivot quickly to develop online open days, virtual tours, even our first hologram (https://holome.online/kent/).
- **New ways of working:** We will be rolling out new policies based around mixed home/office working. There will be implications for how we use our spaces.
- **How to use online meetings:** Notwithstanding 'Teams fatigue', there are some real benefits from reducing face-to-face meetings.
- **The vital importance of resilient and innovative digital capacity:** New digital strategies must be at the heart of Kent in future.

This has led to the publication of our mid-term strategy review, which brings together progress to date with how we can apply the lessons learned from Covid to outstanding areas of delivery. The last year has also seen key strategic development across the University, with the first year complete at our Kent and Medway Medical School, new strategies coming together that cover Medway, Sustainability and our Anti-Racism work, and our Institute of Cultural and Creative Industries going from strength to strength.

EDUCATION & STUDENT EXPERIENCE

Strategic Pillars

1 Education and Student Experience
We will offer one of the best education and student experiences in the UK

2 Research and Innovation
We will undertake research and innovation that is of the highest standards judged by international comparators

3 Engagement and Impact
We will be a leading civic university

1 Education and Student Experience

We want to share knowledge to challenge and transform our students, giving learners of all ages and backgrounds the chance to contribute to positive change, improving their lives and those of others. We will do this through an approach that engages our students as active participants in their learning experiences adopting the principles of co-creation and co-production.

Our teachers will be supported to deliver the highest levels of student satisfaction, embracing digital opportunities and placing personalisation at the heart of what we do. Through a combination of University-wide strategic projects and the sharing of excellent practice, we will support, encourage and enable teaching of the highest quality and embed innovative teaching methods across all courses.

Our research-informed teaching, new digital platforms and ways of learning will create a more personalised and inclusive approach, giving students a greater voice in the co-design of their education and experiences. Staff will be better equipped and supported to deliver life-changing educational opportunities, and we will continue to create world-class teaching and learning spaces, and online resources. We will transform our curriculum by placing student success at its heart, streamlining our portfolio, and adopting a consistent course structure that facilitates student choice.

A distinctive set of opportunities will allow our students to reach their full potential and optimise their employability. These opportunities will be built around interdisciplinary learning and personal development, including creative, digital, sustainability and entrepreneurial capabilities. All our students will have opportunities to engage in the biggest social, economic and environmental questions facing the world through programmes linked to relevant United Nations Sustainable Development Goals.

“We will transform our curriculum by placing student success at its heart”

RESEARCH & INNOVATION

2 Research and Innovation

Underlying all of our research and innovation activities will be a strong commitment to delivering significant cultural, social and economic benefits to regional, national and international communities. We will also ensure that our students at all levels receive a research-informed education and benefit from a range of opportunities to participate in research and knowledge exchange. We will engage proactively with business and industry, identifying all opportunities for knowledge exchange and enhancing both our standing within the Knowledge Exchange Framework (KEF) and our delivery of Knowledge Exchange.

Our ambitions for research and innovation can only be achieved if we have a supportive and inclusive research culture and environment, one that is people-centred and in which all participants in the research and innovation ecosystem are valued and rewarded for their contribution. We will ensure that we are a sector leader for the quality of our research culture and environment.

Following our submission to REF2021, we will build substantially on our existing strengths to enhance Kent's profile for research and innovation excellence in the following areas:

- Creativity, Culture and Heritage
- Cyber Security, Digital Technology and Communication
- Health, Social Care and Wellbeing
- Social Justice, Inequalities and Conflict
- Sustainability, Environment and Natural Resources

Institute of Cyber Security for Society (iCCS)

Professor Shujun Li

"We were delighted to launch the iCSS in January 2021, representing the University as an Academic Centre of Excellence in UK government recognised Cyber Security Research (ACE-CSR). iCSS is a University-wide hub promoting interdisciplinary research and educational activities in cyber security related topics. It enables internal and external collaboration in wider areas such as digital identity, privacy, online harms, digital forensics, cybercrime, cyber law, security management, cyber psychology, cyber conflict, blockchain and cryptocurrencies. We are looking forward to growing activities in cyber security research and education to the next level at Kent and beyond"

"We will ensure that we are a sector leader for the quality of our research culture and environment"

ENGAGEMENT & CIVIC MISSION

Institute of Cultural and Creative Industries (iCCi)
Professor Catherine Richardson

"iCCi has already made significant progress in growing our creative work and making stronger connections between our venues, teaching and research, and student experience and civic mission. There is a wealth of creative expertise across Kent, on our campuses, in our world-class cultural centres and the wider region, and our aim is to harness it to make this a distinctively appealing place to work and study: bringing creative professionals together with students and researchers to showcase innovation in the cultural and creative industries.

We have an exciting programme driving this, with projects like Creative Estuary already helping our region to reach its potential as a major cultural hub."

3 Engagement and Civic Mission

Our civic mission goes to the heart of who we are as a university and why we are here – to serve our communities by contributing actively and substantially to their health, wellbeing, prosperity and success. Our work in the coming years will be driven by this strong commitment. As the third pillar of the University's strategy, our civic mission will enhance both learning and teaching, and research and innovation, drawing out synergies and inspiring new perspectives and novel approaches that benefit all our communities.

We will contribute to our students' university experience by highlighting the value and meaning of active citizenship through enhanced volunteering opportunities, global experiences – both real and virtual – and through conveying a strong sense of the abiding values which drive and animate the University's work. An enhanced alumni strategy will reflect the fact that these values and this engagement represent lifetime commitments of the University towards our students.

We will develop and communicate an exciting and evidenced narrative of the University's significant contribution to our community, drawing on the widest possible range of exemplars to highlight that contribution and signal our further ambitions.

We will develop ever-closer partnerships with key bodies in our region – including local authorities, NHS Trusts, schools and colleges, and other agencies – underpinned by agreements to cement these partnerships but also to open up future collaborative opportunities to deliver an ambitious programme of positive change for the people and communities of Kent and Medway.

"We will contribute to our students' university experience by highlighting the value and meaning of active citizenship"

KENT 2025: NEXT STEPS

As we look to the year ahead, our focus is on taking forward our vision and building on work already underway to deliver against our Kent 2025 objectives. In doing this, there are five key aspects we want to focus on:

- **Remaining a 'dual intensity' university**, grounded in place. We will use co-production with students and partners to enrich our research and innovation while adding to the economy and society.
- **Education focused on individual needs**. Our education and student experience must reflect the increasing variety of courses and modes of delivery that our students need and want, while we will also work to implement interventions to close the gaps between under-represented groups and their peers
- **Embracing Partnerships**. Working with and through others will help us to transform ourselves – building relationships with organisations, employers and structures that strengthen the economy, health and society.
- **Digital transformation.** We will use digital technologies, data and digital approaches effectively, creatively, innovatively and in a research-informed way to enhance our students' learning and experience, and to improve the University's processes, infrastructure and physical estate.
- **Equality, Diversity and Inclusion.** This has always been at our core as an institution, but we will be more proactive in ensuring that these values drive forward all our strategies, plans and activity.

Alongside this we will build on work already underway to sharpen our purpose, based on a view of the world in which connection and collaboration are the lifeblood of learning, enriching through different perspectives and propelling new growth. We will work to bring together different people, perspectives, ideas and influences; and to challenge conventional wisdom and open minds in order to shape a better future.

Focussing on our Size and Shape is also a vital part of the next steps in our strategy. We want to ensure that what we look like is based on accurate projections around future growth, student mix, key themes and priorities. Detailed analysis of demographic changes, market trends and subject mix has been used to inform an evidence-based scenario that considers portfolio, markets, brand, and positioning. The new institutional planning and performance framework will also enable better management of actions related to delivering our KPIs. While league tables are not the ultimate objective, implementation of the measures in the Strategy are designed to enhance our reputation and enable us to restore our position as a university in the top 20-30 in the UK and achieve top 250-300 in the world.

Detailed workplans have been identified for each of the areas discussed in this review. While Kent 2025 has a continuing overarching vision, delivering all the objectives needed to make it a reality is self-evidently complex, with very many moving parts. That said, the challenges (such as a poor Staff:Student Ratio in some areas, potential challenge to our TEF gold, and uncertainty for REF) can be pitched in terms of opportunities (Signature Research Themes, embedding the Sustainable Development Goals); inclusion of research in our programmes and courses provides early exposure to research(ers) and interdisciplinarity. There are also links with student community, employability and problem-based learning.

SUSTAINABILITY STRATEGY

We have been working hard at Kent over a number of years to reduce the negative impact of our work on the climate and to the environment. However, we are now in a period of unprecedented pressure on the stability of the climate and ecosystems and have responded with a new Sustainability Strategy as we join others in striving towards a more environmentally sustainable world.

Our intention is that by 2025, people will be aware that we are a key player in addressing the climate and ecological emergency and are demonstrating clear and significant reductions in CO2 emissions. Every building on our campuses will be showing signs of having moved to more sustainable power, while our transport systems will be much less fossil-fuel based and our shops, cafés and restaurants will focus on more sustainable produce. Our green spaces will demonstrate our connection to the natural environment, making spaces for people to enjoy that protect, enhance and allow biodiversity to flourish.

We are firmly committed to working towards the United Nations Sustainable Development Goals. Our new Sustainability Strategy sets out the first four years of our ambition to reduce greenhouse gas emissions to net zero, regenerate our ecosystems, and educate a generation of citizens for a sustainable future. Our priorities in this are:

- Achieve net zero scope 1 and 2 carbon emissions by 2040 and scope 3 by 2050
- Regenerate the ecology of the campuses to mitigate biodiversity loss and decline in ecosystem services
- To ensure all students have access to learning, teaching and research that enhances understanding of sustainability
- Develop, manage and operate the campuses sustainably
- Work collaboratively with others to achieve local, regional and international impact on sustainability

Responsible procurement is also a key part of this, with a clear commitment at Kent to responsible, ethical and sustainable procurement activity, both directly and through its suppliers. Through working closely with the Estates department, projects and processes can be designed with a broader 'circular' approach in mind that considers how our wider activity helps to shift the way we consume and produce waste. Where waste is generated, schemes such as our Warp-It furniture re-use scheme can maximise the re-use potential and minimise the impacts on the environment.

Education is also a central theme in the Sustainability strategy, with a clear responsibility to supporting our graduates, regardless of their area of study, to have the competence to cope with conditions of uncertainty, complexity and rapid change, as well as being able to contribute positively to a more sustainable, safe and secure future.

Our strategic priorities are to:

13 CLIMATE ACTION — Achieve net zero scope 1 and 2 carbon emissions by 2040 and scope 3 by 2050

15 LIFE ON LAND — Regenerate the ecology of the campuses to mitigate biodiversity loss and decline in ecosystem services

4 QUALITY EDUCATION — To ensure all students have access to learning, teaching and research that enhances understanding of sustainability

11 SUSTAINABLE CITIES AND COMMUNITIES — Develop, manage and operate the campuses sustainably

12 RESPONSIBLE CONSUMPTION AND PRODUCTION — Promote and ensure responsible procurement and reduce the impact of consumption

17 PARTNERSHIPS FOR THE GOALS — Work collaboratively with others to achieve local, regional and international impact on sustainability

FINANCIAL STRATEGY REPORT

Financial Highlights for the Year to 31 July 2021

Financial performance and investment:	2020/21	2019/20	Movement
Total Comprehensive Income / (Expenditure)	£2.6m	£12.3m	-£9.7m
as % total income	1.1%	4.8%	
Underlying financial performance (see Financial Summary, p33)	**£4.0m**	**(£12.0m)**	**£16.0m**
Adjusted Net Operating Cashflow (ANOC)[1]	£12.4m	£5.7m	£6.7m
as % total income	5.0%	2.2%	
Total income	£251.0m	£259.5m	-£8.5m (-3.3%)
Tuition fee income	£162.3m	£161.5m	£0.8m (+0.5%)
Residences and Catering income	£26.2m	£29.0m	-£2.8m (-9.7%)
Staff expenditure for the year[2]	£140.9m	£158.0m	-£17.1m (-10.8%)
as % total income	56.1%	60.9%	
Capital Expenditure	£7.4m	£19.9m	-£12.5m
Liquidity, debt and financial viability:	**2020/21**	**2019/20**	
Current asset ratio[3]	0.93	0.79	
'Available cash reserves'[4] as days' expenditure	65 days	40 days	
Net debt (Outstanding loans less cash held)	£66.5m	£75.4m	
Net assets	£269.5m	£266.9m	

1 A measure of cash received in the year that could be used to meet future commitments, (Net cash inflow from operating activities plus cash received from investment & endowments, less interest paid on borrowing).
2 Total staff costs less the movements in provisions for pension deficit recovery plans and redundancy payments in relation to restructuring schemes.
3 A liquidity measure of ability to pay short term debts, calculated as the ratio between current assets and current liabilities.
4 Measured as cash in hand, short-term deposits and 90% of the market value of current asset investments.

Summary of the year

Covid-19 placed considerable and unprecedented challenges on the University, to continue meeting the needs of our students and to ensure we could remain financially sound in the face of extreme uncertainty. The University community responded with considerable resilience, goodwill and flexibility to meet the challenge and we adapted behaviours and implemented plans to preserve our cashflows in the face of a constantly changing situation. These efforts have helped ensure that the University is in the best possible position as we continue to manage the slow emergence from the Covid pandemic and remaining uncertainty.

The University's Financial Framework forms a key part of our financial strategy and sets a range of measures against which we target performance and position, aiming to achieve above the minimum threshold levels. Our Financial Improvement Plan has been designed to bring performance back above these thresholds. Our work to deliver the University's Financial Improvement Plan has continued at pace during the pandemic and helped us to ensure we were able to respond to the challenge. In particular, the final stage of the University's restructuring project, Organising for Success, was completed, aimed at resizing and reshaping the University, enabling a reduction in staff costs which had risen to an unsustainable level as a result of external pressures and constraints outlined previously in this report. The majority of the cost reduction and efficiency measures have therefore been substantially implemented and the focus is now on enhancing our ability to generate increased, and increasingly diversified, income. Over 2020/21 and into 2021/22 our growth in delivery of Higher and Degree Apprenticeships and the successful opening of the new joint Medical School has set the tone for these developments.

Overall, our financial performance in 2020/21 was ahead of expectations, with a surplus of £2.6m, and an underlying performance (after adjusting for pension provision movements and one-off redundancy costs) of £4m. This was a £12m improvement on 2019/20, reflecting the strength of the delivery of the Financial Improvement Plan alongside the effectiveness of short-term, fast response measures to reduce costs. This ensured we could offset the impact of Covid-19 on our income, which had pronounced effects on our student accommodation income, conferencing activity and ability to deliver against externally funded research and innovation projects.

Good cash generation in the year and a lower level of capital spend of £7.4m resulted in an increased year-end cash level of £39.6m, equivalent to 65 days cash holding, above the University's financial framework minimum of 40 days. Our balance sheet has also strengthened with a current asset ratio of 0.93. The improved performance in 2020/21 has also meant that we will make some repayments to our lenders ahead of schedule, ensuring their continued confidence in us and supporting our long-term goals to be free of these obligations. This will help us during the coming years, enabling us to better secure the University's financial sustainability while also ensuring we can make the right level of investment in Kent's future.

Looking forward, Kent remains on a path to improved financial sustainability and early indications for 2021/22 are that, despite some variations between academic divisions, student recruitment overall has been consistent with the budget we set for a managed deficit. Heading into 2022/23 a return to a small surplus is expected with increased income generation.

The University has reviewed its future outlook and the profile of risks it faces alongside its ability to mitigate these risks promptly to ensure liquidity is maintained and banking covenants can be met. These risks include the potential for uncertainty over student recruitment, in an increasingly competitive sector, and the impact of forthcoming Government policy on Higher Education funding, as well as potential cost pressures from our pension schemes, social security changes and salary inflation. We have also taken account of our ability to cope with a potential further loss of income if Covid-19 pressures should result in a return to a national lockdown during 2021/22. Taking all the above into account, and with the knowledge that further mitigating actions remain available in the event of further adverse circumstances, the Council considers that the University can comply with its lending covenants and has adequate resources to continue in operational existence for the foreseeable future, being a minimum of twelve months from the date these accounts are approved.

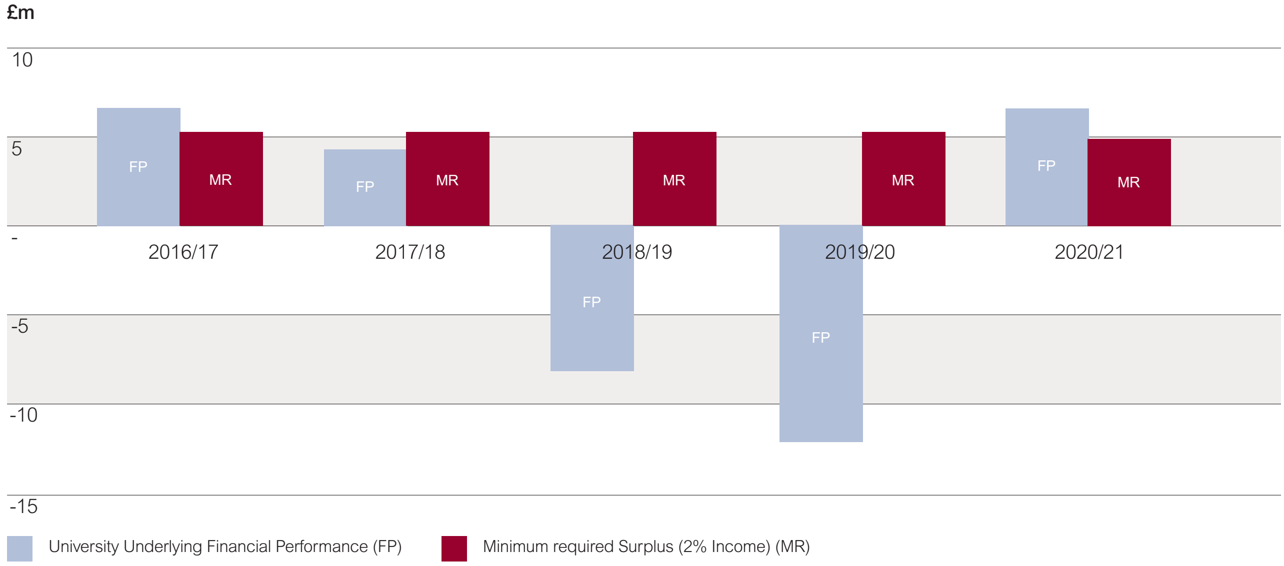
Financial performance

The University has a reported total surplus for the year of £2.6m. The table below shows the reported statutory surplus for the year as well as a number of non-operational, significant one-off items, which when excluded give rise to the underlying financial operating performance for the year.

The reconciliation of these two amounts is shown below:

	2020/21 £000	2019/20 £000	Change (%)
Total underlying income	**251,015**	259,487	-3.3%
Total underlying expenditure	**(247,149)**	(269,985)	-8.5%
Unrealised gain/(loss) on investments	**164**	(1,471)	
Underlying financial performance	**4,030**	(11,969)	
Total movement in pension scheme deficit provision (see Note 18)	**782**	33,817	
Cost of redundancy arising from major restructuring	(2,174)	(10,240)	
Sale of tangible assets	**-**	728	
Statutory Surplus/(Deficit) for the Financial Year	**2,638**	12,336	

Financial Performance 2016/17 – 2020/21



FINANCIAL STRATEGY REPORT (CONT)

The underlying financial performance shown in the table above, represents 1.6% of total income (2019/20: -4.6%), which is just below the 2% minimum required level set in the University's Financial Framework, designed to ensure that sufficient cash is generated for the maintenance of the estate and new capital investment to meet the estates strategy. The associated Adjusted Net Operating Cashflow as a percentage of income (see Financial Highlights, earlier) of 5.0% (2019/20: 2.2%) also falls below our internal target of 9%, but has improved since last year. Although income from residences and catering operations was again reduced due to the impact of Covid-19 during the year, pay and non-pay costs were also reduced. Further detail on movements in expenditure is provided in the sections below. This shows the progress being made over the past few years against the Financial Improvement Plan and significant work undertaken during the global pandemic to mitigate the income losses seen and ensure our ongoing financial sustainability.

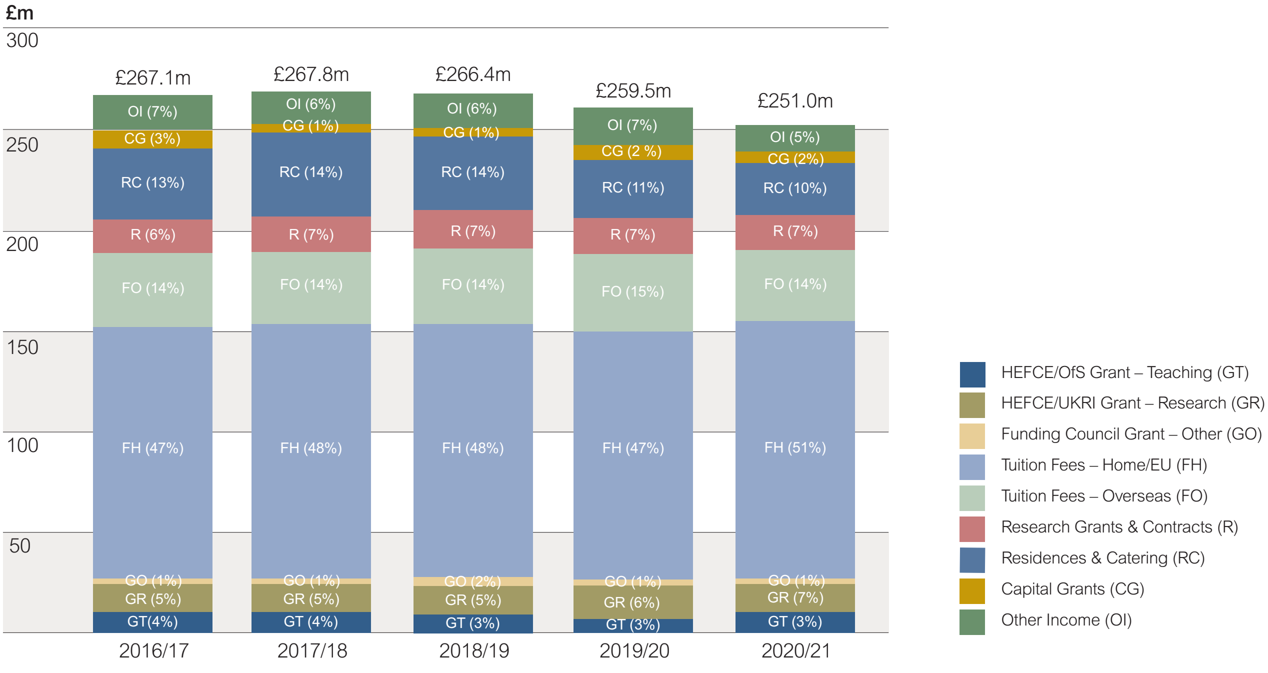
Income

Total income fell by £8.5m (3.3%) in the year to £251.0m due to further impacts of Covid-19 on activity levels, particularly during lockdown when the majority of student residences and catering outlets were closed for part of the year. This also includes a reduction of £2.7m in other capital grants, as, during 2019/20, some significant but one-off capital grants and donations had been received during 2019/20 as part-funding for the construction of the new building for the Kent and Medway Medical School (KMMS), which opened in October 2020.

Income from tuition fees and education contracts has increased by more than £0.7m during the year, despite a reduction in income from Overseas students (-£4.1m) due largely to the travel restrictions of Covid-19, which were than offset by increases in income from Home/EU full-time (+£3.9m) and Part-time (+£0.8m) students. Significant work has been undertaken over the last couple of years to respond to the extreme challenges of the changing environment for student recruitment, including influencing conversion behaviour; further work is also ongoing to review the attractiveness of the academic offer and the success of various marketing initiatives. This has been further supported by an increased focus on income generation and diversification within academic divisions through growth in areas of high demand and the introduction of new programmes. The increase in income from part-time students reflects the continued growth of Higher and Degree Apprenticeships, with new programmes continuing to be developed with support from the Digital and Lifelong Learning unit.

Recurrent grants from Funding Councils were £0.3m higher than last year, with a reduction of £0.1m in the recurrent teaching grant being more than offset by increased investment in research and innovation. In addition, capital grants of £3.3m (2019/20: £1.7m) were received from the OfS and Research England (RE) to support the provision of new and improved teaching and research facilities through the University's capital programme, including a £1m investment from the UKRI World Class Laboratories fund.

Analysis of income 2016/17 – 2020/21



Income from Research Grants and Contracts decreased by £0.4m (2.5%) in the year to £17.2m. The Covid-19 lockdowns resulted in lower activity levels during the year, particularly in subjects reliant on access to laboratories. The University has continued to work with funders to agree extensions for the completion of affected projects and activity is expected to increase in future years as activity returns to more normal levels and the targeted growth strategy is implemented. Income from consultancy and innovation grants and contracts has increased by £0.2m (5.5%) during the year. Work is ongoing to monitor performance and ensure that the activity continues to grow in the future and is supported by a newly restructured central team of staff supporting Research and Innovation work across all academic areas.

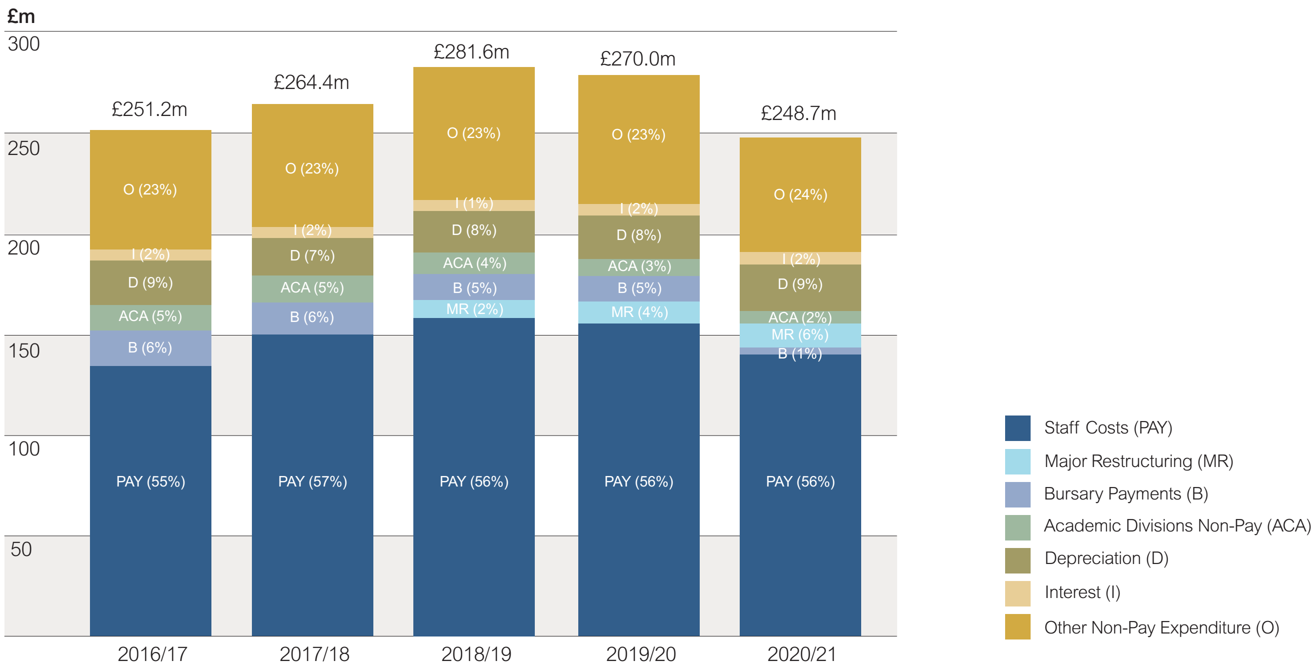
As noted above, income from Residences and Catering operations has suffered significantly from the impact of Covid-19 during the year, falling by a further £2.8m in 2020/21, beyond the reduction of £7.7m seen in 2019/20. The national lockdown during the winter period meant that the campus was closed for part of the year, and students who were not able to occupy their accommodation due to a lockdown were offered partial refunds for those periods. This lost income has been partly offset by reduced costs in this area and the furloughing of associated staff under the Government's Job Retention Scheme (JRS), but such a large reduction could not be wholly offset. This income is expected to return to more normal levels in 2021/22 with a return to activity on campus, although the future impact of Covid-19 remains uncertain.

Income from all other activities has fallen by £7.9m during the year to a total of £11.2m. This includes a reduction of £2.7m in capital grants and donations, following the one-off funding that had been received in 2019/20 for the construction of the new KMMS building. There has also been a reduction of £1.8m in grants received for specific activities, which was matched by reduced expenditure in these areas, although this is offset by £1.8m of JRS grant funding from the government in relation to furloughed staff. Other reductions are largely due to reduced footfall on campus due to Covid-19 restrictions, affecting usage of our Sports, Theatre and Music facilities as well as other income generating activities.

Expenditure

Staff pay expenditure, excluding exceptional costs relating to major restructuring, fell by 10.2% in the year to £139.9m. Whilst this includes a reduction in spend on seasonal staffing, particularly for housekeeping, catering and estates management, due to the closure of campus during lockdown, the majority of this reduction relates to the restructuring programme initiated in 2018/19, and largely concluded during 2020/21, which has reduced the overall staffing numbers. Total average staff numbers have fallen again during the year, with a reduction in Full Time Equivalents (FTE) of 186 (6.4%), on top of the reduction of 72 FTE (2.4%) in 2019/20. This is spread across most categories of staff, although there have more reductions in academic related and clerical staff than in other areas. This is partly due to the planned staff departures, but also

Analysis of expenditure* 2016/17 – 2020/21



*Excluding movements to the pension provision arising from changes to the deficit recovery plan.

FINANCIAL STRATEGY REPORT (CONT)

includes a higher than normal level of vacancies, following the completion of departmental restructures, for which recruitment is now actively underway. There was no national pay award during the year, and additional increments and promotions were frozen for one year as part of the mitigations against income losses. In addition to this, many senior members of staff took a voluntary reduction in pay of between 5 and 15%, running for 10 months from August 2020 to May 2021. Moving forward, employment costs will continue to experience inflation, with employers pension contributions for the Universities Superannuation Scheme (USS) increasing further, from 21.1% (since October 2019) to 21.4% from October 2021, contributions to the Superannuation Scheme of the University of London (SAUL) scheme increasing from 16% to 19% in April 2022 and to 21% in January 2023 (see Notes 29 and 30 for more details), as well as a return to normal increments and promotion processes, and the annual inflationary increases.

The University monitors its staff expenditure (excluding movements in pension provisions and costs of major restructuring) as a percentage of income, targeting a financial framework upper limit of 55% as part of its financial framework to ensure sustainability. During the year, this measure fell from 60.9% to 56.1%, as a result of the planned reduction in staff costs, but also due to the high level of staff vacancy, which cannot be sustained. Good progress has been made over recent years to address this through the University's Financial Improvement Plan, which will continue into 2021/22, aiming to identify and maintain recurrent savings in areas of contraction, weaker income generation and non-core activity, whilst enabling recruitment to vacant posts in other areas.

Other Operating Expenses have decreased by £7.9m (9.3%) in the year to £77.6m as all areas of the University were asked to reduce non-essential expenditure as mitigation to the loss of income due to Covid-19. There have also been a number of targeted efficiency initiatives led by the Procurement team, and work is on-going to ensure value for money in all areas. Within this overall cost, scholarship and bursary payments to students totalled £13.6m, including those funded by Research grants, with a further £3.9m of fee waivers, aimed at improving student recruitment, which have been set against reported income from tuition fees. This reflects the continued commitment of the University to widening access to higher education. Direct non-pay expenditure on running Academic Divisions has fallen by £2.3m during the year.

The operating costs of Residences and Catering facilities have fallen by £4.4m in the year, reflecting the significant reduction in activity in this area as a result of Covid-19. This has been partly offset by an increase of £0.8m in payments relating to rental guarantees for unfilled rooms at Medway, resulting in a net decrease of £3.6m. Premises costs have increased by £0.3m, including the cost of adjustments made to buildings in line with Covid-19 guidance to ensure the safety of staff and students as they start to return to campus. Essential maintenance works also continued during this period, however, to ensure that facilities remain fit-for-purpose and up to the expectation of our staff, students and visitors. A major programme of work has been identified, much of which is planned to be completed over the next few years.

Interest paid on borrowing has increased by £0.8m during the year due to the amended interest rates agreed as part of the December 2020 financing arrangement with Lenders. The finance cost arising from the unwinding of the provision for the USS deficit recovery plan is £0.8m lower than last year as a result of changes to the pension scheme provision last year.

Cash flow

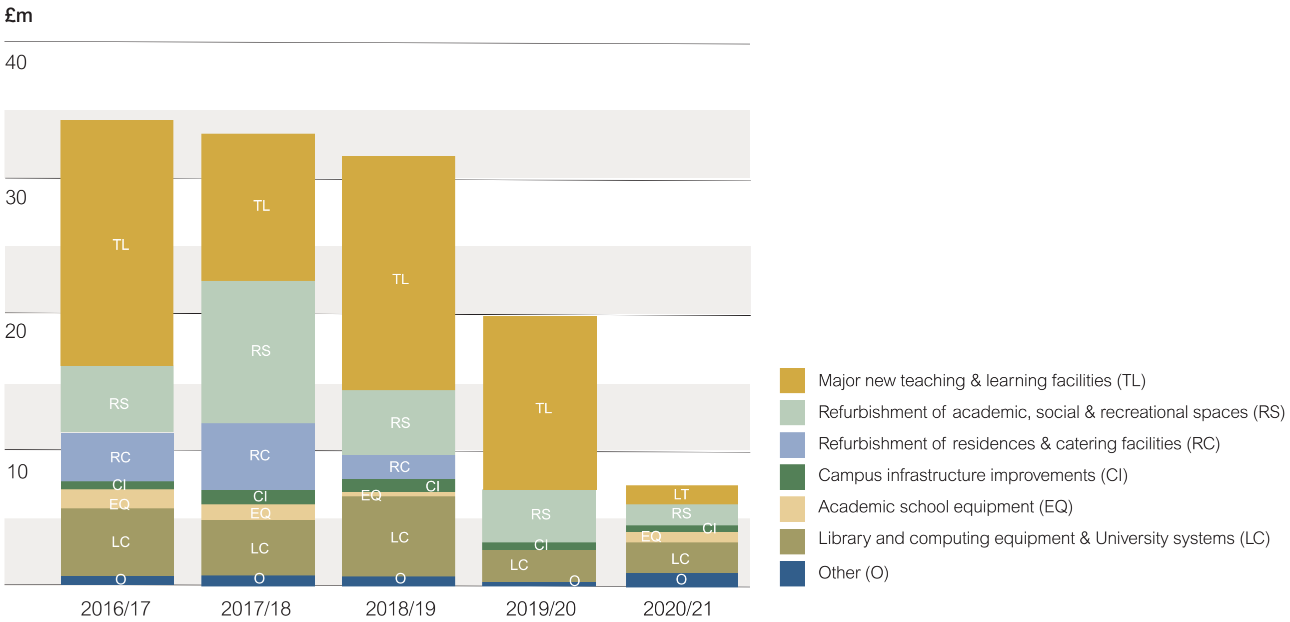
Net cash received from Operating Activities during the year was £17.3m, an increase of £9.0m from 2019/20. This reflects the success of the Covid-19 mitigations and the good progress made on the Financial Improvement Plan during the year. Overall cash balances rose by £11.8m during the year to £39.6m. The University monitors its available liquid reserves and aims to ensure cash levels held are equivalent to a minimum of 40 days' worth of expenditure, excluding depreciation, at any time; as at 31 July 2021 these liquid reserves represented around 65 days' expenditure (2020: 40 days), which is above this minimum level. However, at its lowest point, at the end of April, the value of liquid reserves held by the University fell to around 27 days' expenditure. This reduction in cash levels in April is due to the timing of UK/EU undergraduate tuition fee receipts from the Student Loans Company (SLC), with 50% of this annual income being received in the third week of May.

As at 31 July 2021 the University had net debt of £66.5m (2020: £75.4m) meaning that the cash and cash equivalents held were lower than the outstanding value of loans. This is within the University's Financial Framework and financial covenants agreed with lenders.

Balance sheet

The University's Consolidated Balance Sheet has improved during the year, with Net Assets of £269.5m (2020: £266.9m). There remains a net current liability of £4.6m, although this has improved compared to £13.5m in 2019/20; this results in a current asset ratio of 0.93 (2020: 0.79). Receivable balances have increased by £3.5m, including an increase in outstanding balances relating to research grants and contracts (£3.2m) and student income (£1.0m). The increase in research debtors is largely a timing issue, with activity in this area increasing towards the end of the financial year, as staff returned to campus. This is expected to return to more normal levels next year. The increase in student balances reflects a change in behaviour seen this year, largely due to the uncertainty caused by Covid-19. Outstanding balances are being actively pursued, and the provision for bad debts has been increased by £1.7m this to year in recognition of this change. Current liabilities have increased by £6.4m during the year, although this includes £11.6m of loan capital repayments due within one year, compared to nil the previous year as a result of the financing agreement with lenders. The underlying reduction of £5.2m is largely related to a signification release of accruals for redundancy payments, as the majority of staff departures agreed in previous years have now taken place.

Capital expenditure 2016/17 – 2020/21



The University's Balance Sheet recognises a provision for USS at 31 July 2021. This provision reflects the present value of the increased employer contributions being made under the deficit recovery plan agreed on completion of the 2018 actuarial valuation. Work has now been completed on the 2020 actuarial valuation for USS which will result in an increase to the provision in 2021/22. Further information on the pension schemes and their annual funding position can be found in Note 29 to the financial statements, with information on the new deficit recovery plan for the 2020 valuation at Note 30.

Capital expenditure and long-term borrowing

Capital expenditure amounted to just £7.4m (2019/20: £19.9m) in the year. The reduction reflects the need to balance the ongoing investment in the University's estate and systems, with the careful management of available cash balances. Spend during the year included the completion of the Pears Building, a new purpose-built facility for the Kent and Medway Medical School (KMMS), providing offices and teaching spaces including a GP training space, and the completion of facilities for the new Mechanical Engineering programme to support teaching and research in this area. Work has also progressed on a new Conference and events facility and Tennis Centre, due to be fully completed ahead of the 2022 summer conference season, which will provide year-round sports facilities for students as well as high quality space for use during our conference season. Work has also progressed on a major project to upgrade the Wi-Fi system across the University, and a major project to replace the student record system is almost complete. The chart above provides a breakdown on expenditure against different elements of the capital programme over the past five year.

The capital programme for the next five years was agreed by the University's Council in June 2021 and has been developed in conjunction with the University's Estates Strategy. Due to further expected challenges in income generation over the next few years and the need to conserve cash, the associated capital funding strategy does not include any further borrowing and has been developed to ensure the overall affordability of the operating requirements as well as capital developments. As a result, the projected capital spend for the five-year period from 2021/22 is just £59.2m compared to spend of £126.8m over the past 5 years. Our priorities during this time will be on delivering the facilities for the expansion of academic divisions that are recruiting well or will be recruiting to new programmes, establishing a new Student Hub and Professional Services Hub, completing the construction of the new Conference and events facility and Tennis Centre, enhancing the quality of the residential estate, as well as ensuring a safe and well-maintained campus at both Medway and Canterbury.

Outstanding bank loan debt has increased by £3.0m during the year. The agreement with the University's lenders in January 2020, and the subsequent amendment in December 2020 included the deferral of all capital repayments against existing borrowing for a period of time, plus deferral of interest payments due to EIB, effectively increasing the level of borrowing. In addition to this, the agreement provided a revolving credit facility of up to £12.4m

FINANCIAL STRATEGY REPORT (CONT)

between April and May 2021 to support cashflow management until the final payment from SLC is received. Due to the improved operating performance during the year only £3m of this facility was utilised. More information on the agreement can be found in Note 17. Overall borrowing levels stand at 42.3% of total income (2020: 39.7%), with most of this increase due to the abnormal reduction in income levels during the past two years arising from the Covid-19 impact on activity.

Future outlook, risks and going concern assessment

The challenges placed on the University, alongside the rest of the UK HE Sector, during the Covid-19 pandemic were extreme and truly unprecedented. The University's response to this was, however, equally remarkable and through the huge efforts, dedication and goodwill of staff across all areas, we have demonstrated that we can deal with such a challenge and take proactive and effective steps to mitigate the adverse impact of such an event. Whilst this hasn't been without its difficulties, this puts the University in a solid and confident position to face the uncertainties and challenges in the future, including further potential adverse effects of the Covid-19 pandemic.

In our last Annual Report for 2019/20 we included details of our updated Financial Improvement Plan, aimed at delivering operational and financial sustainability over the period to 2023/24. We also reported details of the successful negotiations with our lenders which concluded with an agreement to provide the University with tailored financing facilities, designed to address expected cash flow volatility, through to July 2024. These arrangements included a seasonal Revolving Credit Facility (RCF) available at specific times, providing additional liquidity when cash balances were projected to fall. Thus far, the University has only required to draw down a small portion of this and no longer expects to utilise this facility moving forward. We also anticipate making an early repayment of some of this debt, from the significant additional cash reserves built up during 2020/21. Our ability to make this repayment, as a result of the improved performance during the last financial year, has demonstrated to our lenders that we are planning and spending responsibly, paying caution to the risks we face and taking timely action to mitigate them. We are also, in parallel, in discussions with our lenders regarding the importance of investing in our teaching, facilities and the broader student experience, to ensure we remain competitive, and, equally, to increase our spending in areas that have been underinvested in recently, such as long-term maintenance. Ultimately, this is all aimed at enhancing our offer to students, improving our league table positions and increasing our resilience to deal with the economic, environmental and sector-specific threats that we face.

While we have been operating in an uncertain financial climate throughout 2020/21, we have continued moving, at pace, ≥towards delivery of many of the goals set out in its our Financial Improvement Plan. In particular, over £15m of the planned annual staff costs savings were achieved by the end of 2020/21 and the remaining £2m will be delivered in this coming year, one year ahead of schedule. Savings across non-pay have also been targeted and delivered and whilst non-pay was naturally depressed during the period of the pandemic, resultant changes in the way we work and deliver education has enabled a review of how and where we spend our money, with some of these unplanned savings flowing through to the coming year. Further areas of spend will be, again, targeted this year as the University plans to deliver another £1m of reductions in recurrent non-pay operating expenditure. With such a success story in reducing the University's cost base, the focus of our attention is now on income growth, not just in traditional areas of student recruitment, but across a more diverse portfolio, aimed at growing where the market (our students and employers) demands. This growth is already well underway in areas like Higher Degree Apprenticeships and as well as growing organically through new programmes such as Mechanical Engineering and the Kent and Medway Medical School, the University has also taken on over 300 students, transferred from Pearson College London. Growth across the traditional undergraduate and postgraduate portfolios is also planned but remains challenging, particularly as the real value of the UK undergraduate tuition fee continues to fall, making it difficult to sustain provision in some areas. Russell Group universities have become extremely competitive in recent years, increasing the number of places in the more traditional humanities and social science courses, which has led to a reduction in Kent's market share in these subject disciplines. This represents a threat to the sustainability of these academic areas which will need to be addressed if the situation does not ease up. As a result of Brexit, recruitment from EU countries has also become virtually non-existent, despite a marketing campaign which offered reduced fees to EU students during the transitional years. On the contrary, overseas student recruitment is buoyant and is helping to offset the reductions seen elsewhere. Early indications for 2021/22 show that, while still planning to deliver a deficit in 2021/22 as a result of the ongoing impact of the pandemic, which has depressed overall student recruitment once again and delayed the implementation of some growth plans, the University is likely to stay within its budget.

Risks

Ongoing adverse financial impact from the Covid-19 pandemic unfortunately remains one of the University's most significant risks. Over the last 18 months, the University has lost income, largely from its residential, catering and conferencing activities, of over £29m. Whilst the impact of this was successfully and fully mitigated, through both planned and unplanned reductions in expenditure, the uncertainty that Covid creates and the ability to fully mitigate the effect in the same timescales, presents a risk. In its scenario planning, the financial impact of a further lockdown and a subsequent reduction in students living on campus for a 6-week period, has been modelled. The University feels it can adequately respond to this scenario, drawing on its own cash reserves and by taking action to both reduce and delay spend.

The next greatest risk arises from the outcome of the Universities' Superannuation Scheme (USS) 2020 actuarial valuation. Whilst contributions have recently been stabilized, at a level of 21.4% for employers and 9.8% for members, thus avoiding the planned increases in October 2021 that had been agreed as part of the 2018 actuarial valuation, there remains a risk that if a new Benefit Reform Deed is not implemented by February 2022, contributions will increase further as set out in the 'second leg' of the updated Schedule of Contributions. Kent, like other USS employers, has reluctantly acknowledged that there is no other acceptable, or affordable option on the table and whilst it remains unhappy with this outcome, believes that the focus of the USS Trustee and UUK should now be on conducting the planned USS Governance Review and taking forward options to provide members with flexibility and options over the retirement savings. At the current time, members in the scheme are yet to be consulted with and given the strength of the UCU view that the reforms are not acceptable, industrial action is likely to take place across many HEIs. The University is concerned at this prospect and the damage this will cause to the student experience. Whilst such action is unlikely to lead to the complete withdrawal of the planned Benefit Reform Deed or a significant move away from this, any deviation from the current proposal will require a further period of consultation which will require this 'second leg' of contributions to kick in. There is therefore a risk that contributions could increase quite rapidly in a short period of time, by up to £5m in 2022/23, causing significant financial strain in the short-term.

The continuing freeze on UK undergraduate tuition fees, that has been in place since 2012[1], is expected to be ongoing for the foreseeable future, putting further pressure on the University's ability to operate sustainably. Growth in student recruitment and income diversification has therefore been deemed necessary, and is being targeted in the Financial Improvement Plan, in order to ensure ongoing academic sustainability. Further risks are associated with the Government's longer-term review of funding for Higher Education, which is likely to result in a White Paper before the end of December 2021, and, may include measures to limit the overall numbers of UK students entering Higher Education settings. It is also expected that further inflationary freezes will be applied to tuition fees, or worst case, that cuts may be implemented without redress to the loss in overall funding for universities. This ongoing uncertainty remains and continues to put the sector's long-term viability at risk. The sector will continue to lobby for more targeted Government support such that the negative impact on students can be minimised.

Alongside this, the student recruitment environment is expected to remain intensely competitive for all students. With increased competition within the sector for an expanding UK demographic of students, alongside a very steep decline in the number of EU applications, Kent has had to take a prudent view of the level at which student numbers can expand, and is aware that the offer to undergraduate and postgraduate applicants, from all territories, needs to remain relevant, engaging and well-marketed. Applicants and enrolments from International students, outside of the EU, have, however, recovered very strongly from the reduced levels during the pandemic and there is scope to make targeted increases in student numbers here.

The risks outlined above are considered to be those most significant to Kent. There are, of course, other risks and issues faced by the wider Higher Education sector that have persisted for some time and continue to be monitored and updated as further information becomes available; in particular, the increasing compliance burdens that are placed on the sector through the UK Visa and Immigration requirements, data reporting, Competition and Markets Authority guidance and requirements of the sector regulator, the Office for Students (OfS). Whilst we recognise and appreciate that some lenience has been provided throughout the period of the Covid-19 pandemic, this increased level of regulation adds an overall administrative burden, and operating cost. At Kent these areas of regulation are monitored regularly and further investment and reallocation of resources has been put into these areas of assurance and risk management to ensure we remain compliant.

Budget for 2021/22 and going concern assessment

The University's budget for 2021/22 was set in the context of a recruitment round impacted by the uncertainties of the Covid-19 pandemic, together with the resolution of the UK's departure from the EU. It charts the progress of the University toward improved financial sustainability as the cost savings measures within the Financial Improvement Plan have largely been delivered while the expected increases in income have had to be pushed back to 2022/23 as a result of the Covid-19 disruption.

The budgeted performance is for a managed deficit of £10.6m with an Adjusted Net Operating Cashflow of £4.6m, equivalent to 1.8% of income and year-end cash reserves equivalent to 18 days' worth of expenditure, with an expectation of a small surplus in 2022/23 and increased Operating Cashflows.

The latest forecast reflects the impact of the September admissions position, which has resulted in a significant reduction in new EU undergraduate entrants and a shortfall of UK undergraduate and postgraduate entrants, albeit partly offset by improved International recruitment. The University also continues to achieve higher levels of staff cost savings than budgeted, arising from higher vacancies due to the labour market and has seen improvements in the volumes of Higher Degree Apprenticeship students. As such, the University is forecasting that it will achieve, or perform better than, the budgeted result and due to an improved performance in 2020/21 is now forecasting higher year-end cash holding levels, equivalent to 30 days of expenditure.

This forecast operating performance for 2021/22, and the ongoing impact on cash reserves of planned future activity levels in 2022/23, together with the nature and extent of the risks identified above, has been considered by the University's Council in its review of going concern. An essential part of this review has been to stress test key assumptions within these forecasts and consider the

1 With the exception of a £250 uplift to the higher £9,000 fee from 2016/17.

FINANCIAL STRATEGY REPORT (CONT)

ability to mitigate adverse impacts on liquidity and compliance with financial covenants. The University has developed and analysed a plausible worst case scenario which models the combined adverse impacts of:

- a further lockdown in early 2022 which would potentially reduce accommodation occupancy and reduce income by £3.3m;
- a shortfall in achieving September 2022's forecast student recruitment, which has already been adjusted in the light of September 2021's experience, with a resultant further £0.4m reduction in tuition fee income;
- the failure to agree Benefit Reform within USS, leading to increased employer contributions in line with the "second leg". For Kent this would increase costs by £0.6m in 2021/22 and by £5m in 2022/23; and
- an increase in the annual inflationary staff settlement caused by macro-economic impacts. If the settlement is 1% higher than forecast this adds £1.7m of cost in 2022/23.

The University's review has assessed the quality and scale of mitigating actions available to address these adverse impacts on liquidity and covenant compliance, and demonstrated that these can successfully be resolved by deploying the most straightforward of the available mitigating measures should this prove necessary. This package, totalling £10.5m in 2022/23, includes taking increased account of achievable additional savings arising from staff vacancies, and a reduction in non-pay budgets that is milder than that achieved during 2020/21 and reducing new planned revenue expenditure. Taking all the above into account, and with the knowledge that further mitigating actions remain available in the event of worsened adverse circumstances, the Council considers that the University can comply with its lending covenants and has adequate resources to continue in operational existence for the foreseeable future, being a minimum of twelve months from the date these accounts are approved. For this reason, these accounts are prepared on a going concern basis.

Management of performance and risks

The University measures its performance against peers and internal targets and reports annually on relevant key performance indicator (KPI) data to the University's Council. Our KPI measures focus on five key areas to track delivery against the University's refreshed strategy to 2025. These are Education, Research, Civic Mission, Sustainability and Governance. Monitoring is performed over baskets of individual KPIs. Specific areas of sustainability assessed include student recruitment, income generation, cash reserves and adequacy of the estate.

Other indicators monitored within this process include sector positioning, student satisfaction, completion and employability, research income generation and research impact as well as a range of measures of social and environmental impact. Each individual KPI is reported using a traffic light system to determine whether performance is on target or whether intervention or remedial action is required to improve performance. This information is consistent with data reported in returns submitted to OfS in the Annual Accountability process. Throughout the year, Council members received reports across the range of the University's activity, summarising performance in these areas. These included updates on student applications and registration, national and international league table rankings, research awards and partnerships and equality, diversity and inclusivity. The University also reports progress made against objectives set out in the Institutional Plan.

MEMBERSHIP OF THE COUNCIL

Membership of the Council

Chair of the Council:	Ursula Brennan
Deputy Chair of the Council / Chair of the Finance and Resources Committee:	Bob Scruton (to July 2021) Andrew Newell (from August 2021)
Vice-Chancellor and President:	Professor Karen Cox
Deputy Vice- Chancellor for Academic Strategy, Planning and Performance	Professor Georgina Randsley de Moura
Deputy Vice-Chancellor for Education and Student Experience:	Professor Richard Reece
President of Kent Union:	Joshua Frost (to March 2021) Aisha Dosanjh (from April 2021)
External members:	Colin Carmichael Martin Cook Neil Davies Sarah Gibson (to July 2021) Kim Lowe Gabriel MacGregor Mark Malcolmson Andrew Newell Gill Nicholls (from December 2020) Mark Preston Sir David Warren (to July 2021) Nicola Williams (from December 2020)
Staff and Student representatives:	Chris Barron (from August 2021) Mark Ellis (to July 2021) Dr Owen Lyne Alex Perkins (from August 2021) Patrick Stillman (to July 2021) Zarafshaan Tahir Zoe Wood (to July 2021) Professor Iain Wilkinson
Total Membership:	25
Secretary of the Council:	Dr Sinead Critchley
The Chairs of Council committees were as follows:	
Audit Committee:	Andrew Newell (to July 2021) Mark Preston (from August 2021)
Ethics Committee	Sarah Gibson
Finance and Resources Committee:	Bob Scruton (to July 2021) Andrew Newell (from August 2021)
Honorary Degrees Committee (Joint Committee with Senate)	Professor Karen Cox
Lay Nominations Committee:	Dame Ursula Brennan
Remuneration Committee:	Dame Ursula Brennan (to December 2020) Kim Lowe (from January 2021)
Safety Health and Environment Executive Committee:	Denise Everitt (to October 2020) Gabriel MacGregor (from October 2020)

STATEMENT OF RESPONSIBILITIES OF UNIVERSITY COUNCIL

In accordance with the University's Charter of Incorporation, the Council is "the supreme governing body of the University and …[is] responsible for the exercise of the University's powers" (extract from Section 6 of the Charter).

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's Charter and Statutes, United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland', the Statement of Recommended Practice: Accounting for Further and Higher Education (SORP 2019) and any subsequent amendments and the Office for Students' Accounts Directions.

In addition, within the terms and conditions of the Office for Students, the Council, through its accountable officer (the Vice-Chancellor and President), 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 the group and of its surplus or deficit, gains or losses, changes in reserves and cash flows of the group for that year.

In causing the financial statements to be prepared, the Council has ensured that:

- Suitable accounting policies are selected and applied consistently;
- Judgements and estimates are made that are reasonable and prudent;
- Applicable United Kingdom 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 unless it is inappropriate to presume that the University will continue in operation. The Council is satisfied that the University has adequate resources to continue in operation for the foreseeable future; for this reason the going concern basis continues to be adopted in the preparation of the financial statements;
- There is no relevant audit information of which the auditors are unaware; and
- Each member has taken all the steps that he or she ought to have taken to be aware of any relevant audit information and to establish that the auditors are aware of that information.

The Council has taken reasonable steps to:

- Ensure that funds from the Office for Students/Research England are used only for the purposes for which they have been given and in accordance with the Office for Students terms and conditions, Accounts Directions and any other conditions which the Office for Students and Research England 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;
- Ensure that the University has a robust and comprehensive system of risk management, control and corporate governance, which includes the prevention and detection of corruption, fraud, bribery and irregularities;
- Safeguard the assets of the University and prevent and detect fraud, bribery and other irregularities; and
- Secure the economical, efficient and effective management of the University's resources and expenditure.

The key elements of the University's system of internal financial control, which is designed to discharge the responsibilities set out above, include the following:

- Clear definitions of the responsibilities of, and the authority delegated to, Directors of Divisions and professional service departments and Heads of Schools;
- A comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets;
- Regular reviews of academic performance and financial results involving variance reporting and updates of forecast outturns;
- Clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the Council;
- Comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Finance and Resources Committee and the Council; and
- A professional Internal Audit Office whose annual programme takes into account matters included in the Risk Register and is approved by the Audit Committee in line with the Statement of Internal Control.

PRINCIPAL OFFICERS

Visitor	The Lord Archbishop of Canterbury
Chancellor	Gavin Esler
Chair of the Council	Dame Ursula Brennan
Vice-Chancellor and President	Professor Karen Cox
Deputy Chair of the Council	Andrew Newell
Deputy Vice-Chancellor, Academic Strategy, Planning and Performance	Professor Georgina Randsley de Moura
Deputy Vice-Chancellor, Education and Student Experience	Professor Richard Reece
Deputy Vice-Chancellor, Research & Innovation	Professor Shane Weller
Chief Financial Officer	Lisa-Jane Crudgington-Higham
Director of Human Resources and Organisational Development	Alison Ross-Green (to April 2021) Martin Atkinson (from April 2021)
Director of the Division of Arts and Humanities	Professor Simon Kirchin
Director of the Division of Natural Sciences	Professor Claire Peppiatt-Wildman
Director of the Division of Computing, Engineering and Mathematical Sciences	Professor Peter Hydon (to July 2021) Professor Ben Cosh (from August 2021)
Director of the Kent Business School	Professor Marian Garcia
Director of the Division of Human and Social Sciences	Professor David Wilkinson
Director of the Division for the study of Law, Society and Social Justice	Professor Toni Williams
Director of Governance and Assurance (Secretary to Council)	Dr Sinead Critchley

HONORARY DEGREES

Due to the restrictions of Covid-19 there was no congregation ceremony in 2020/21, therefore no honorary degrees were conferred.

STATEMENT OF CORPORATE GOVERNANCE & INTERNAL CONTROL

The Statement which follows is provided to enable readers of the Annual Review and Financial Statements of the University to obtain a better understanding of its governance and legal structure and applies to the 2020/21 financial year and to the date of the approval of the audited financial statements.

Values

The University of Kent is committed to providing high quality teaching, scholarship and research for public benefit. The University's values, published in its Kent 2025 Strategy, are as follows:

"We have always been a university that equally values education and research, believing that one enhances the other. We work as a community, based on collegiality. Freedom of speech within the law and freedom of inquiry are fundamental. We are outward looking, we embrace change and are willing to do things differently and see things differently. We value excellence and we support potential, wherever it may be found. **Our university is based on equality, diversity, respect and we value each other. We are international in outlook.**"

The University published its Ethics Code in May 2019 and 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) and with the guidance to universities given in The Higher Education Code of Governance published by the Committee of University Chairs (CUC) in December 2014 (updated September 2020). The University conducts its affairs in an open and transparent manner. Its constitutional documents, its financial statements (including the corporate governance statements) and details of its governance structures (including membership of the Council and all related committees) are publicly available on the University's website http://www.kent.ac.uk/governance/charity.html. The agendas and minutes of Council meetings are published on the University's website and are available to all staff and students of the University. The University is committed to achieving best practice in all aspects of Corporate Governance.

Constitution

The University is an exempt charity whose legal status derives from a Royal Charter originally granted in 1965 and subsequently updated. The University's objects, powers and framework of governance are set out in the Charter and supporting Statutes and Ordinances. The Charter and Statutes require the University to have three 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 exercise of the University's powers, oversight of the management and administration of the revenue and property of the University and its affairs. Council is responsible for ensuring the sustainability of the University and the protection of its reputation. It has overall responsibility for the mission and strategic vision of the institution and for ensuring that the interests of key stakeholders are met. Council membership consists of staff, students and lay members who are external to the University. The majority is held by the lay membership and the chair and deputy chair must be lay members. Members do not receive any payment for their work in relation to the Council. Members may, however, claim reimbursement of associated travel costs and expenses.

A Statement of the Council's Primary Responsibilities may be found on the University's website at: http://www.kent.ac.uk/governance/council/terms-of-reference/Primary%20Responsibilities.pdf.

The Senate is the academic authority of the University and draws its membership (59 members in 2020/21) mostly from the academic and research staff and students of the University. Senate is responsible for the teaching and research work of the University. The Vice-Chancellor and President is ex officio Chair of Senate. The Senate has a range of boards to undertake much of the detailed work including the Academic Strategy, Planning and Performance Board, Education and Student Experience Board, Research and Innovation Board, Graduate and Researcher College Board, and Research Ethics and Governance Board. It has a Joint Committee with Council for the award of Honorary Degrees.

The Court is a large formal body comprising about 450 members, chaired ex officio by the Chancellor. Many members of the Court are external, representing the regional community and other bodies with an interest in the work of the University. Other members include professorial staff and representatives of academic and non-academic staff and the student body. It provides an opportunity for the region to have an association with the University and provides a forum where members can be briefed and comment on key University activities and developments. The Court meets once a year and receives an annual review of the University and the annual accounts.

The Vice-Chancellor and President, the University's principal academic and administrative officer, has a general responsibility to the Council for maintaining and promoting the efficiency and good order of the University. The Vice-Chancellor and President is the Accountable Officer of the University and in that capacity can be required to appear before the Public Accounts Committee. The Vice-Chancellor and President is required to provide an annual report to Council each Autumn on matters delegated by the Council and those arising from the Statutes.

As chief executive of the University, the Vice-Chancellor and President advises the Council on the development of institutional plans, policies and strategy, the identification and planning of new developments and shaping of the institutional ethos. The Deputy Vice-Chancellors, Chief Financial Officer and other senior academic and administrative officers all contribute in various ways to aspects of this work but Council, as the University's governing body, has ultimate responsibility for University activities, for determining its future direction and for fostering an environment in which the University's mission is achieved.

The Secretary of the Council (and of the Court) is appointed by the Council under the provisions of the University Statutes. The Secretary has a key role in ensuring good governance. The Secretary maintains a Register of Interests of members of the Council and other staff which is available for consultation.

The Work of the Council and its Committees

Council has at least five business meetings and one strategy meeting each academic year. In the 2020/21 year there were eight business meetings. Key activities in 2020/21 included: student recruitment; a midpoint review of the Kent 2025 Strategy; sub-strategy initiatives including Medway and Internationalisation; progress of the Institute for Cultural and Creative Industries; review of Council effectiveness and ways of working; recruitment of Council lay membership; and financial sustainability. It has maintained oversight of the University's implementation of its duties under the Counter Terrorism and Security Act, the Modern Slavery Act and its responsibilities to protect free speech within the law.

Council has monitored institutional performance through Key Performance Indicators and league tables. Council is committed to equality, diversity and inclusivity and it has approved an annual report on the University's progress in this area. It continues to work with Senate to improve its oversight of academic governance and assurance. It has received regular reports of the meetings of Senate and reports on student recruitment, the National Student Survey and a report on student complaints and appeals including complaints to the Office of the Independent Adjudicator.

Council spent a considerable time discussing the higher education environment in 2020/21, particularly regarding the response to Covid-19, student recruitment issues and financial sustainability generally. The aim of the discussions has been to ensure that the University is able to make progress in realising its objectives and take appropriate steps to mitigate risks.

Much of Council's detailed work is delegated to committees. These committees, listed below, have written terms of reference and specified membership, including external members (from whom Council generally appoints chairs), designated quorums and generally meet two or three times per year.

The Finance and Resources Committee oversees all financial matters of the University and reports regularly to Council. It uses an agreed Financial Framework to guide its deliberations. It is responsible for scrutinising the University's budgets and financial forecasts and makes recommendations to Council for approval. It reports on the financial performance of the University on a quarterly basis and scrutinises the end of year financial statements in the light of comments from the External Auditors and the Audit Committee before making a recommendation to Council. University expenditure is governed by a scheme of delegation. The Finance and Resources Committee considers proposals for large items of expenditure and makes recommendations for items over £2m to Council for approval.

The Audit Committee has responsibility for making recommendations to Council for the appointment of the External and Internal Auditors. The Committee regularly considers reports from Internal Audit and the views of the External Auditors. It considers the annual update of the Risk Register and reviews the Risk Register each term. It considers regular reports on Value for Money and oversees the University's Corporate Standards for Data Quality. The Committee submits regular reports to Council summarising key aspects of its work. On the basis of its work throughout the year, the Committee makes an Annual Report to Council where it provides an opinion on the adequacy and effectiveness of the University's arrangements for risk management, control and governance; for promoting economy, efficiency and effectiveness (value for money) and the arrangements for the management and quality assurance of data returned to the Higher Education Statistics Agency (HESA), The Student Loans Company, and other bodies.

The Lay Nominations Committee is responsible for making recommendations to Council for the appointment of lay members. In fulfilling this responsibility it takes account of the balance of skills across the membership and the need for Council to be effective as the governing body. It also takes account of the University's policy on equality, diversity and inclusivity and has made a particular effort to improve the gender balance of Council membership. Two new lay members were recruited to Council for 2020/21 through an open competition and the recruitment process has just concluded for five new members to join in 2021/22.

The Remuneration Committee is responsible for considering the remuneration of the University's Vice-Chancellor and President, Deputy Vice-Chancellors and the Chief Finance Officer. In fulfilling this responsibility it considers performance against objectives set and benchmarking information from peer group institutions. The Committee reports to Council and provides a note of its methodology and the rationales for its decisions. The Committee also oversees the senior pay and reward policies for the University.

The Safety, Health and Environment Executive Committee is responsible for the University's safety, health and environment policies, their effectiveness and how they might be enhanced, setting performance standards and determining action where standards are not met. It provides an Annual Report to Council and reports regularly on issues as they arise. During 2020/21, Council asked the Vice-Chancellor to consider whether, given its operational focus, SHEEC should be stood down as a formal committee of Council; the Council governance oversight obligations in this regard are being transferred to Audit Committee.

STATEMENT OF CORPORATE GOVERNANCE & INTERNAL CONTROL (CONT)

The Ethics Committee was established by Council at its meeting in October 2016. The Committee has approved an overarching Ethics Code for the University which was published in the 2018/19 year. The Committee maintains oversight of the Code of Practice for the Protection and Freedom of Speech and the work of other bodies concerned with ethical matters including: the Anti-bribery and Corruption Review Group; the Development Office regarding fundraising; the Research Ethics and Governance Committee; and the International Partnerships Approval Panel.

Effectiveness of Council and its Committees

An external consultancy, Halpin, was appointed to lead a Review in the 2019/2020 academic year. The final report was delivered in April 2020 and its recommendations and considerations were reported to Council.

During 2020/21, Council made good progress against implementation of the recommendations, translating them into "How Council Will Work". Key changes included the appointment of a Senior Independent Governor, formal appraisal of the Chair and Deputy Chair, and informal, annual appraisal of the Council's effectiveness.

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

Statement of Internal Control

The University Council is responsible for ensuring the maintenance of a sound system of internal control that supports the achievement of the University's mission and strategic aims and objectives while safeguarding the public and other funds and assets for which the University is responsible, in accordance with the responsibilities assigned to the Council in the University's Charter and Statutes and the requirements of the Office for Students.

The University's system of risk management and internal control is designed to manage rather than eliminate the risk of failure to achieve institutional mission, strategic aims and objectives. It is an ongoing process which seeks to identify the principal risks to the achievement of the University's mission, strategic aims and objectives, to evaluate the nature and extent of those risks and to manage them by appropriate controls and mitigation. The profile and exposure to risk and the level of assurance over risk and internal control given by internal audit activity are monitored regularly so that any necessary remedial action can be taken. This process was in place for the year ended 31 July 2021 and up to the date of approval of the Financial Statements for 2020/21 and it accords with the guidance from the Office for Students.

An internal audit of risk management in 2019/20 identified that while there are strengths in the Risk Management process, there is scope for improvement and gave a 'limited assurance' opinion over this process. A project is underway to enhance the risk management system. The revised risk management framework will integrate with strategic planning, business planning and process review, and leverages existing business intelligence to provide the University Executive and Council with early warning of viable threats to the business model and ongoing financial sustainability.

During 2020/21, nine internal audits were completed across a range of financial, operational and strategic internal controls as well as governance arrangements and data quality. In all but two of these, the assurance provided was deemed "Satisfactory" or better. A limited assurance opinion was however given on an internal audit on of Higher Degree Apprenticeship activity, which identified the need for an integrated strategy and to assess the controls in place to ensure compliance with funding requirements; much of this work has already been undertaken by the University and is expected to be concluded in the coming month. An internal audit on Undergraduate and Postgraduate Student Recruitment was also given a limited assurance opinion and highlighted the need for improved planning of international recruitment activities to ensure targets are met, optimisation of resources and achievement of value for money on related contracts; this work is progressing well and following a restructuring of international recruitment activity, this area now falls within the University's Directorate for Marketing, Outreach and Recruitment Activity and will be aligned with the broader recruitment strategy and planning framework.

In summary, key aspects of the University's overall system of internal control, for which the Council has overall responsibility, are as follows:

- Every three or five years Council approves a new University Plan; the version in effect for the period of these accounts was that for 2020-2025 (and may be seen on the University's website as Our Strategy: Kent 2025). Council approved this plan during 2020/21 and will monitor progress towards its objectives;
- A Financial Strategy underpins the planned activity set out in the University Plan, with resource planning and the monitoring of performance being measured against an agreed Financial Framework set out within this. This Framework defines a range of measures and indicators which are set to target performance at or above a minimum threshold level. A Financial Improvement Plan is currently in operation to bring performance back above these thresholds;
- Council meets regularly to consider strategic, policy and oversight matters. These include the status of risks in the University's Risk Register and annual reports from the Audit Committee and the Head of Internal Audit, each including an evaluation of the assurance provided by internal controls;
- The Vice-Chancellor and President and Executive Group are responsible for the management of the University, including oversight of risk management and consideration of monitoring against risk and value for money (VfM);
- Internal Audit's work, focusing on areas considered to be high risk, plays a valuable role in providing assurance on the adequacy and effectiveness of risk management, control and governance arrangements and VfM. The Internal Audit Strategic Plan is regularly reviewed and flexed to address any issues that may arise;
- The Audit Findings Report of the External Auditors includes recommendations on improvements to internal controls identified during the course of the audit work. These are reviewed by management and actions taken where appropriate;

- The Audit Committee meets at least four times a year and receives regular reports from the Head of Internal Audit which include an independent opinion on the University's system of control and recommendations for improvement, and the termly monitoring reports on risk management and VfM. It also reviews progress on implementing Internal Audit and External Audit recommendations;
- The University's system of risk management during this interim redesign phase focuses on reviewing the most important risks, the Significant or Contingency Risks, and the actions taken to mitigate them, via monitoring reports.

Council has undertaken an overall assessment of the effectiveness of risk management and internal control, informed by reports from the Audit Committee, the External Auditors in their Management Letter, the Internal Auditor, from the Vice-Chancellor and President, from other executive officers.

Council considered that, in the light of all the evidence, the University's internal control was sound for 2020/21 and to the date of its approval of these Financial Statements, and that is hereby confirmed for the record. The evidence taken into account by Council included the observations of the External Auditors on the Financial Controls, the Internal Audit Annual Report which provided "satisfactory assurance" and the outcomes of Internal Audit reviews over recent years, consideration of the arrangements for risk management and value for money and assurances from management on the prompt progress in addressing recommendations.

Signed on behalf of the University of Kent on 17 December 2021 by:

Dame Ursula Brennan
Chair of the Council

Professor Karen Cox
Vice-Chancellor and President

AUDITOR'S REPORT

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Opinion

We have audited the financial statements of University of Kent (the 'parent university') and its subsidiaries (the 'group') for the year ended 31 July 2021, which comprise Consolidated and University statements of Comprehensive Income and Expenditure, the Consolidated and University statements of financial position, the Consolidated and University statements of Changes in Reserves, the Consolidated statement of cash flows, a summary of significant accounting policies and notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent university's affairs as at 31 July 2021 and of the group's and the parent university's income and expenditure, gains and losses, changes in reserves and of the group's cash flows for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice: Accounting for Further and Higher Education published in October 2018.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Council's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the parent university's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the group or the parent university to cease to continue as a going concern.

In our evaluation of the Council's conclusions, we considered the inherent risks associated with the group's and the parent university's business model including effects arising from macro-economic uncertainties such as Brexit and Covid-19, we assessed and challenged the reasonableness of estimates made by the Council and the related disclosures and analysed how those risks might affect the group's and the parent university's financial resources or ability to continue operations over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the parent university's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Council's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the Council with respect to going concern are described in the 'Responsibilities of the Council for the financial statements' section of this report.

Other information

The Council are responsible for the other information. The other information comprises the information included in the annual report set out on pages 1-64, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

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misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Office for Students ('OfS') accounts direction (issued October 2019)

In our opinion, in all material respects:

- funds from whatever source administered by the parent university for specific purposes have been properly applied to those purposes and managed in accordance with the relevant legislation;
- funds provided by the OfS and UK Research and Innovation (including Research England) have been applied in accordance with the relevant terms and conditions; and
- the requirements of the OfS's accounts direction (issued October 2019) have been met.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the OfS accounts direction (issued October 2019) requires us to report to you where:

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

Responsibilities of Council for the financial statements

As explained more fully in the Statement of responsibilities of the Council set out on page 21, the Council is responsible for the preparation of the financial statements and for being satisfied they give a true and fair view, and for such internal control as the Council determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We obtained an understanding of the legal and regulatory frameworks applicable to the company and industry in which it operates through our general commercial and sector experience, discussions with management, inspection of legal correspondence and reviewing Care Quality Commission reporting. We determined that the following laws and regulations were most significant:
  - FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'
  - Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2019
  - OfS framework, Terms and Conditions of Funding, OfS Accounts Direction (October 2019), Relevant OfS regulatory notices and advices
  - CUC Code for Higher Education (June 2018)

CONTINUED OVERLEAF

AUDITOR'S REPORT (CONT)

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- We assessed the susceptibility of the financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the revaluation of the risk of management override of controls. We determined that the principal risks were in relation to:
  - Journal entries posted to income
- Our audit procedures involved:
  - Evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud;
  - Journal entry testing, with a focus on material journals.
- In addition, we completed audit procedures to conclude on the compliance of disclosures in the financial statements with applicable financial reporting requirements.
- These audit procedures were design to provide reasonable assurance that the financial statements were free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
  - Understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
  - Knowledge of the industry in which the client operates
  - Understanding of the legal and regulatory requirements specific to the entity
- Team communications in respect of potential non-compliance with laws and regulations and fraud included the potential fraud in income recognition through the inflation of income
- In assessing the potential risk of material misstatement, we obtained an understanding of:
  - The group and parent university's operations, including the nature of its income sources and services to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risk of material misstatement; and
  - The group and parent university's control environment, including:
    - Management's knowledge of relevant laws and regulations and how the group and parent university is complying with those laws and regulations;
    - The adequacy of procedures for authorisation of transactions;
    - Made inquiries to internal audit and reviewed any relevant internal audit reports relevant to the financial year; and
    - Procedures to verify that possible breaches of law and regulations are appropriately resolved.

Use of our Report

This report is made solely to the university's Council, as a body, in accordance with the charter and statutes of the university. Our audit work has been undertaken so that we might state to the university's 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 university and the university's Council as a body, for our audit work, for this report, or for the opinions we have formed.

Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants, London

17 December 2021

CONSOLIDATED & UNIVERSITY STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE

FOR THE YEAR ENDED 31 JULY 2021

	Consolidated & University Note	2020/21 £000	2019/20 £000
Income			
Tuition Fees & Education Contracts	1	**162,271**	161,536
Funding Council Grants	2	**30,392**	28,634
Research Grants & Contracts	3	**17,228**	17,663
Other Income	4	**40,350**	49,196
Investment Income	5	**181**	1,389
Donations & Endowments received	6	**593**	1,069
Total Income		**251,015**	259,487
Expenditure			
Staff Costs	7	**139,853**	155,766
Restructuring Costs	7	**2,174**	10,240
Decrease in pension provision arising from change in Schedule of Contributions	7	**-**	(32,651)
Other Operating Expenses	9	**77,580**	85,528
Depreciation	11	**23,454**	21,983
Interest & Other Finance Costs	8	**5,480**	5,542
Total Expenditure		**248,541**	246,408
Surplus before other gains		**2,474**	13,079
Gain/(Loss) on Investments		**164**	(1,471)
Gain on sale of tangible assets		**-**	728
Surplus and Total Comprehensive Income for the year		**2,638**	12,336
Represented by:			
Endowment comprehensive expenditure for the year		**(56)**	(940)
Restricted comprehensive (expenditure)/income for the year		**(139)**	290
Unrestricted comprehensive income for the year		**2,833**	12,986
		2,638	12,336

All income and expenditure recognised above relates to continuing operations.

STATEMENT OF CHANGES IN RESERVES

FOR THE YEAR ENDED 31 JULY 2021

	Statement of Comprehensive Income and Expenditure			
	Endowment	Restricted	Unrestricted	Total
	£000	£000	£000	£000
Consolidated				
Balance at 1 August 2019	**4,735**	**795**	**248,985**	**254,515**
Surplus/(deficit) for the year	(371)	458	12,249	12,336
Other comprehensive income	-	-	-	-
Release of restricted funds spent in year	(569)	(168)	737	-
Total comprehensive income/(expenditure) for the year	(940)	290	12,986	12,336
Balance at 1 August 2020	**3,795**	**1,085**	**261,971**	**266,851**
Surplus for the year	373	144	2,121	2,638
Other comprehensive income	-	-	-	-
Release of restricted funds spent in year	(429)	(283)	712	-
Total comprehensive income/(expenditure) for the year	(56)	(139)	2,833	2,638
Balance at 31 July 2021	**3,739**	**946**	**264,804**	**269,489**

	Statement of Comprehensive Income and Expenditure			
	Endowment	Restricted	Unrestricted	Total
	£000	£000	£000	£000
University				
Balance at 1 August 2019	**4,735**	**795**	**248,950**	**254,480**
Surplus/(deficit) for the year	(371)	458	12,249	12,336
Other comprehensive income	-	-	-	-
Release of restricted funds spent in year	(569)	(168)	737	-
Total comprehensive income/(expenditure) for the year	(940)	290	12,986	12,336
Balance at 1 August 2020	**3,795**	**1,085**	**261,936**	**266,816**
Surplus for the year	373	144	2,121	2,638
Other comprehensive income	-	-	-	-
Release of restricted funds spent in year	(429)	(283)	712	-
Total comprehensive income/(expenditure) for the year	(56)	(139)	2,833	2,638
Balance at 31 July 2021	**3,739**	**946**	**264,769**	**269,454**

CONSOLIDATED & UNIVERSITY STATEMENT OF FINANCIAL POSITION

AS AT 31 JULY 2021

	Note	Consolidated 2021 £000	Consolidated 2020 £000	University 2021 £000	University 2020 £000
Non-current assets					
Tangible Fixed Assets	11	**409,486**	425,498	**409,486**	425,498
Fixed Asset Investments	13	**1,497**	1,271	**1,497**	1,271
		410,983	426,769	**410,983**	426,769
Current assets					
Stocks		**679**	671	**679**	671
Trade & Other Receivables	14	**25,036**	21,528	**25,036**	21,528
Current Asset Investments	15	**833**	833	**833**	833
Cash & Cash Equivalents	22	**39,564**	27,760	**39,564**	27,760
		66,112	50,792	**66,112**	50,792
Creditors: amounts falling due within one year	16	**(70,714)**	(64,313)	**(70,749)**	(64,348)
Net current assets		**(4,602)**	(13,521)	**(4,637)**	(13,556)
Total assets less current liabilities		**406,381**	413,248	**406,346**	413,213
Creditors: amounts falling due after more than one year	17	**(101,028)**	(109,751)	**(101,028)**	(109,751)
Provisions					
Pension Provisions	18	**(35,864)**	(36,646)	(35,864)	(36,646)
		(35,864)	(36,646)	(35,864)	(36,646)
Net assets		**269,489**	266,851	**269,454**	266,816

	Note	Consolidated 2021 £000	Consolidated 2020 £000	University 2021 £000	University 2020 £000
Restricted reserves					
Endowment reserves	20	**3,739**	3,795	**3,739**	3,795
Restricted reserves	21	**946**	1,085	**946**	1,085
		4,685	4,880	**4,685**	4,880
Unrestricted reserves					
General Reserve		**264,804**	261,971	**264,769**	261,936
Total reserves		**269,489**	266,851	**269,454**	266,816

The financial statements on pages 29 to 64 were approved by the Council on 17 December 2021 and signed on its behalf by:

Professor Karen Cox,
Vice-Chancellor and President

Andrew Newell, Chair of the Finance and Resources Committee

Lisa-Jane Crudgington-Higham,
Chief Financial Officer

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 JULY 2021

	Note	2020/21 £000	2019/20 £000
Cash Flow from Operating Activities			
Surplus for the year		**2,638**	12,336
Adjustment for non-cash items			
Depreciation	11	**23,454**	21,983
(Gain) / Loss on investments		**(164)**	1,471
(Increase) / Decrease in stock		**(8)**	161
(Increase) / Decrease in debtors	14	**(3,550)**	67
(Decrease) / Increase in creditors	16/17	**(4,399)**	9,851
(Decrease) in pension provision	18	**(782)**	(33,817)
Adjustment for investing or financing activities			
Investment income	5	**(181)**	(1,389)
Interest payable	8	**5,213**	4,429
Endowment income	20	**(105)**	(50)
Gain on the sale of tangible fixed assets		**-**	(728)
Capital grant income	2/4	**(4,856)**	(6,067)
Net cash inflow from operating activities		**17,260**	8,247
Cash flows from investing activities			
Proceeds from sale of tangible assets		**-**	1,331
Capital grant receipts		**4,826**	6,067
Investment income	5	**183**	1,396
Payments made to acquire tangible assets	11	**(8,370)**	(19,812)
New non-current asset investments	13	**(62)**	-
Withdrawal of deposits		**-**	10,962
		(3,423)	**(56)**
Cash flows from financing activities			
Interest paid	8	**(5,177)**	(3,969)
Endowment cash received	20	**175**	50
New secured loans	17	**5,969**	1,046
Repayments of amounts borrowed		**(3,000)**	(2,355)
		(2,033)	**(5,228)**
Increase in cash and cash equivalents in the year		**11,804**	**2,963**
Cash and cash equivalents at beginning of the year		**27,760**	24,797
Cash and cash equivalents at end of the year		**39,564**	27,760

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

A General information

The University of Kent was established by Royal Charter in 1965. It is an exempt charity in accordance with Schedule 3 of the Charities Act 2011. The University is registered with the Office for Students. The address of the registered office is:

The University of Kent
The Registry
Canterbury
Kent CT2 7NZ
United Kingdom

B Basis of preparation

These financial statements have been prepared in accordance with the United Kingdom Accounting Standards, including Financial Reporting Standard 102 (FRS102) 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, 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 Research England Grant.

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

The financial statements have been prepared under the historical cost convention modified by the revaluation of certain fixed assets and investments.

The financial statements are prepared in sterling which is the functional currency of the University and rounded to the nearest £'000.

Going concern

The University's activities, together with the factors likely to affect its future development, performance and position, are set out in the Financial and Strategic Report, which forms part of these Financial Statements. This report also describes the financial position of the University, its cash flows, liquidity position and borrowing facilities.

The latest forecast reflects the impact of the September admissions position, which has resulted in a significant reduction in new EU undergraduate entrants and a shortfall of UK undergraduate and postgraduate entrants, albeit partly offset by improved International recruitment. The University also continues to achieve higher levels of staff cost savings than budgeted, arising from higher vacancies due to the labour market and has seen improvements in the volumes of Higher Degree Apprenticeship students. As such, the University is forecasting that it will achieve, or perform better than, the budgeted result and due to an improved performance in 2020/21 is now forecasting higher year-end cash holding levels, equivalent to 30 days of expenditure.

This forecast operating performance for 2021/22, and the ongoing impact on cash reserves of planned future activity levels in 2022/23, together with the nature and extent of the risks faced by the University, has been considered by the University's Council in its review of going concern. An essential part of this review has been to stress test key assumptions within these forecasts and consider the ability to mitigate adverse impacts on liquidity and compliance with financial covenants. The University has developed and analysed a plausible worst case scenario which models the combined adverse impacts of:

- a further lockdown in early 2022 which would potentially reduce accommodation occupancy and reduce income by £3.3m;
- a shortfall in achieving September 2022's forecast student recruitment, which has already been adjusted in light of September 2021's experience, with a resultant further £0.4m reduction in tuition fee income;
- the failure to agree Benefit Reform within USS, leading to increased employer contributions in line with the "second leg". For Kent this would increase costs by £0.6m in 2021/22 and by £5m in 2022/23; and
- an increase in the annual inflationary staff settlement caused by macro-economic impacts. If the settlement is 1% higher than forecast this adds £1.7m of cost in 2022/23.

The University's review has assessed the quality and scale of mitigating actions available to address these adverse impacts on liquidity and covenant compliance, and demonstrated that these can successfully be resolved by deploying the most straightforward of the available mitigating measures should this prove necessary. This package, totalling £10.5m in 2022/23, includes taking increased account of achievable additional savings arising from staff vacancies, and a reduction in non-pay budgets that is milder than that achieved during 2020/21 and reducing new planned revenue expenditure. Taking all the above into account, and with the knowledge that further mitigating actions remain available in the event of worsened adverse circumstances, the Council considers that the University can comply with its lending covenants and has adequate resources to continue in operational existence for the foreseeable future, being a minimum of twelve months from the date these accounts are approved. For this reason, these accounts are prepared on a going concern basis.

C Basis of consolidation

The consolidated financial statements include the University and all of its subsidiary undertakings. Intra-group transactions are eliminated fully on consolidation. In accordance with FRS102, the activities of Kent Union have not been consolidated because the University does not exert control or dominant influence over those activities.

The University has taken the exemption under section 3.3 of the SORP (1.12(b) of FRS102) to not produce a cash flow statement for the University in its separate financial statements.

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (CONT)

D Income recognition

Tuition fees

Income from tuition fees is stated gross and recognised over the related study period. Where the tuition fee has been reduced by a payment discount or University fee waiver, the income receivable is shown net of the discounted amount. University funded bursaries and scholarships paid to students are accounted for gross as expenditure.

Revenue grants

Grants funding, including funding council block grant, research grants from government sources, and grants (including research grants) from non-government sources are recognised as income when the University is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors in the Statement of Financial Position and released to income as the conditions are met.

Donations and endowments

Non-exchange transactions without performance related conditions are accounted for as donations or endowments.

Donations and endowments with donor imposed restrictions on the use of the funds (which do not amount to performance conditions) are recognised as income within the Consolidated Statement of Comprehensive Income and Expenditure when the University becomes entitled to them. Income is retained within a restricted reserve until such time that expenditure is incurred in line with the restrictions. This income is then released to general reserves through a reserve transfer.

Income in respect of donations and endowments without donor imposed restrictions is recognised in income when the funds are receivable and recorded within unrestricted reserves.

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

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

1. Restricted donations – the donor has specified that the donation must be used for a specific purpose;
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 purpose, 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 used for a specific purpose.

Investment income

Income from cash deposits and investments is credited to income in the period in which it is earned.

Capital grants

Grants or Donations received from any source for the purpose of purchasing or constructing fixed assets are recognised as income as performance conditions are met. This will normally be at the point the asset is brought into use, or in line with phased completion of large construction projects, depending on the terms of the grant.

Other income

All other income for the sale of goods and services, including Residences and Catering, is recognised within the Consolidated Statement of Comprehensive Income and Expenditure when the goods or services are supplied to the external customer, or the terms of the contract have been satisfied.

E Agency arrangements

Any funds that the University receives and disburses whilst acting as agent on behalf of a funding body and where the University is exposed to minimal risk or enjoys minimal economic benefit in relation to the transaction, such as externally funded bursaries and scholarships where the funder determines the recipient, are excluded from the Consolidated Statement of Comprehensive Income. Any commissions received in this respect are credited to the Consolidated Statement of Comprehensive Income and Expenditure as earned.

F Foreign currency translation

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the dates of the transactions. Assets and liabilities denominated in foreign currencies are translated into sterling either at year end rates or, where there are related forward foreign exchange contracts, at contract rates. All resulting exchange differences are taken to the Consolidated Statement of Comprehensive Income in the period in which they arise.

G Employee benefits

Short-term employee 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 (such as holiday allowances) are accrued within staff costs and measured as the additional amount the University expects to pay as a result of unused entitlement.

Post-employment benefits (pensions)

Retirement benefits for most employees of the University are provided by the Universities Superannuation Scheme (USS) and the Superannuation Arrangements of the University of London (SAUL).

From 1 October 2016 USS changed from a defined benefit only scheme to a hybrid pension scheme, providing defined benefits (for all members) as well as defined contribution benefits. The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the assets are not attributed to individual institutions and a scheme-wide contribution rate is set. The 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 FRS102 "Employee benefits", the University therefore accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the Consolidated Statement of Comprehensive Income represents the contributions payable to the scheme.

The University has entered into an agreement (the Recovery Plan) that determines how each employer within the scheme will fund the overall deficit. Therefore, a provision is recognised for the contributions payable which arise from the agreement, to the extent that they relate to the deficit, with related expenses being recognised through the Consolidated Statement of Comprehensive Income.

SAUL is a multi-employer defined benefit scheme. The assets of the scheme are held in separate trustee administered funds. The University is not expected to be liable to SAUL for any other current participating employers' obligations under the Rules of SAUL, but in the event of the insolvency of any of the participating employers, the amount of any pension funding shortfall (which cannot otherwise be recovered) in respect of that employer will be spread across the remaining participating employers and reflected in the next actuarial valuation. Informal reviews of the position of the schemes are carried out between formal valuations. The University is unable to identify its share of the underlying assets and liabilities of the schemes on a consistent and reasonable basis and therefore, as required by FRS102, accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the Consolidated Statement of Comprehensive Income represents the contributions payable to the scheme.

H Tangible fixed assets

Land and buildings

Land held was valued as at 31 July 2014 by an external valuer, Gerald Eve LLP, a regulated firm of Chartered Surveyors. A valuation was prepared in accordance with the requirements of the RICS Valuation – Professional Standards, April 2015, and FRS 102. The valuation was undertaken on a Fair Value basis and has been reported under the special assumptions to exclude any value of development opportunities for which planning permission would be required and has not been granted or where development has not yet commenced.

In keeping with the transitional rules set out in FRS102 this land valuation is retained to be used as its 'deemed cost' going forward. Land purchased since 1 August 2014 is shown at cost. Freehold land is not depreciated.

Buildings are included in the Balance Sheet at cost less accumulated depreciation. Finance costs which are directly attributable to the purchase or construction of land and buildings are capitalised as part of the cost of those assets.

Buildings under construction are accounted for at cost, based on the value of architects' certificates and other direct costs incurred to 31 July each year. They are not depreciated until they are brought into use. Once a building is brought into use any elements with significant value and a materially different life are depreciated separately from the main structure.

Costs incurred in relation to land and buildings after the initial purchase or construction are capitalised to the extent that they increase the expected future benefits to the University.

Depreciation on buildings is provided on a straight-line basis over their expected useful economic lives as follows:

Building structure	80 years
Roofing & windows	30 years
Mechanical & electrical systems	25 years
Refurbishment of general facilities	15 years
Refurbishment of residential facilities	10 years
Refurbishment of dining & trading facilities	5 years

Where assets are recognised in respect of service concession arrangements or finance leases they are valued at the present value of future minimum lease payments. These assets are depreciated over the length of the lease term, or where lower, the useful economic life of the asset as above.

Where material, a depreciable asset's anticipated useful economic life is reviewed annually and the accumulated and future depreciation adjusted in accordance with FRS102. A review for potential indicators of impairment is carried out at each year end, and if events or changes in circumstances indicate that the carrying amount of assets may not be recoverable, a calculation of the impairment is completed and the arising impairment values charged against the asset and to the SOCIE.

Site works

Site works on University campuses, when capitalised, are depreciated over useful economic lives as follows:

Infrastructure works	30 years
Groundworks & landscaping	25 years
Roads, footpaths & car parks	15 years

Equipment

Equipment and software costing less than £20,000 per individual item or group of related items is written off in the year of acquisition. All other equipment and systems developments are capitalised at cost. Costs relating to major system developments in progress are not depreciated until the system is brought into use.

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (CONT)

Capitalised equipment and systems are depreciated over its useful economic life as follows:

General equipment and furniture	5 to 10 years
Major Management Information System developments	8 years
Computer equipment and systems	3 to 5 years
Equipment acquired for specific research or other projects	Project life (generally 3 years)

All depreciation charges are calculated annually from the year in which assets come into use.

Where Tangible Fixed Assets are acquired with the aid of specific grants, the cost is capitalised and depreciated in accordance with the above policy, with the related grant income recognised in line with Accounting Policy D.

I Investments

Fixed asset investments that are not listed on a recognised stock exchange are carried at historical cost less any provision for impairment of their value.

Other investments are initially recognised at cost and subsequently measured at fair value at each reporting date. Where fair value cannot be reliably measured or investments are not publicly traded, they will be measured at cost less impairment.

Investments in funds intended to be held for the long term in order to generate ongoing income to fund activities are reported as fixed asset investments. All other funds are reported as current asset investments.

Any subsequent increase or decrease in value is recognised within the Consolidated Statement of Comprehensive Income and transferred to restricted or unrestricted reserves as appropriate.

J Stocks

Stock is held at the lower of their cost and net realisable value. Where necessary, provision is made for obsolete, slow moving and defective stocks.

K Taxation

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 Para 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 (CTA) 2010, and section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

In the event that non-primary purpose trading losses arise, the University treats the trades concerned as falling within Section 44 of the CTA 2010 as being carried out on a commercial basis with a view to realisation of gain within the larger undertaking of the University so that Section 37 of the CTA 2010 applies to allow the non-primary purpose loss to be offset against the surplus for which tax exemption is disapplied by virtue of the existence of the non-primary purpose trading loss.

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

As commercial organisations, the University's subsidiary companies are subject to corporation tax and VAT.

L Financial instruments

The University has applied the recognition, measurement and disclosure requirements of sections 11 and 12 of FRS 102 in relation to basic and complex financial instruments.

Financial assets are initially measured at transaction price (including transaction costs) and subsequently held at cost, less any impairment. Financial liabilities are classified according to the substance of the financial instrument's contractual obligations, rather than the legal form. Financial liabilities are initially measured at transaction price (including transaction cost) and subsequently held at amortised cost.

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.

Cash & cash equivalents

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

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value. These include term deposits (maturity generally being less than three months from the placement date) and other instruments held as part of the University's treasury management activities.

Cash and cash equivalents contains sums relating to endowment reserves which have restrictions on their use. Note 20 summarises the balances of restricted endowment funds.

Loans

Loans are measured at amortised cost using the effective interest method and are subject to an annual impairment review.

Short term debtors and creditors

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

M Provisions

General

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

Pension

Provisions are recognised in respect of the deficit recovery plan of the University's pension schemes as detailed in Accounting Policy G.

N Leases & service concession arrangements

Operating leases

An operating lease is defined as one where the lessor retains most of the risks and rewards of ownership of the asset.

All operating lease payments are included in the Consolidated Statement of Comprehensive Income in the period to which the payment relates. Future liabilities under such operating leases are disclosed as a financial commitment in the notes to the accounts.

Rental payments received are credited to the Consolidated Statement of Comprehensive Income in the period to which the income relates. Lease premiums received at the start of a lease are credited to the Consolidated Statement of Comprehensive Income as rental income over the minimum lease term.

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.

Assets acquired by finance lease and the associated lease liability are reported at the lower of fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

Service concession arrangements

Service concession arrangements are lease arrangements whereby the lessor also provides services (eg maintenance and operation) alongside provision of the assets and any significant residual value of the asset passes to the University at the end of the lease. Any service concession arrangement liability is valued at the present value of future minimum lease payments with a corresponding asset being created within Property, Plant and Equipment assets and depreciated in line with accounting policy H.

O Accounting for jointly controlled assets and operations

The University accounts for its share of joint ventures using the equity method.

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

P Reserves

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

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

Q Significant estimates and judgements

The University considers the following areas to be significant areas of estimates or judgements which could have a significant impact on the financial statements.

Significant accounting estimates

Recoverability of debtors

The provision for doubtful debts is based on our estimate of the expected recoverability of these debts. Assumptions are made based on the level of debtors which have defaulted historically, combined with current economic knowledge. The provision is based on the current situation of the customer, the age of the debt and the nature of the amount due.

Retirement benefit obligations

As the University is contractually bound to make deficit recovery payments to USS, these are recognised as a liability on the balance sheet. The provision is based on the USS deficit recovery plan agreed after the 2018 actuarial valuation, which requires deficit payments of 2% of salaries from 1 October 2019 to 30 September 2021 and then payments of 6% of salaries from 1 October 2021 to 31 March 2028.

The major assumptions used to calculate the current provision required in relation to this obligation are:

	2021	2020
Discount rate	0.87%	0.73%
Salary growth*	3.5%	3.5%

* The assumptions on salary growth includes the estimated impact of inflation as well as increments & promotions on total staffing costs.

Following the end of the financial year, a new deficit recovery plan was agreed with an effective date of 1 October, based on the 2020 actuarial valuation. Further information on the impact of this on the provision is provided in Note 30.

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (CONT)

Depreciation

The useful economic lives used in the calculation of depreciation charges are a significant area of estimate. The lives used in these financial statements for all groups of fixed assets are shown in accounting policy H and the impact can be seen in note 11.

Significant judgements and assumptions

Income recognition

Judgement is applied in determining the value and timing of certain items of income to be included in the financial statements. This includes determining when performance conditions have been met, and determining the income associated with partially delivered services, where the delivery has not been fully completed at the end of the financial year.

Pension scheme assumptions

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 that provided by USS and SAUL. 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 is recognised in the surplus or deficit for the year in accordance with section 28 of FRS102. The University is satisfied that the scheme provided by USS meets the definition of a multi-employer scheme and has therefore recognised the discounted fair value of the contractual contributions under the Recovery Plan in existence at the date of approving the financial statements.

Service concession arrangements

Contracts have been reviewed and judgement applied in determining whether they meet the criteria for Service Concession arrangement. The treatment of these arrangements is shown in accounting policy N, and information on these contracts and their impact in the financial statements is shown in Note 12.

Revaluation of land

The valuation of the land now taken forward as deemed cost is a significant judgement, based on an external valuation as at 31 July 2014 but reviewed annually by management for any indication of impairment. Further information on the basis of the valuation and the impact on the financial statements can be seen in Note 11.

Financing arrangement

The financing agreement signed in January 2020, and subsequently amended in December 2020, modified the terms of the previously existing loan arrangements. Under FRS 102 s11, a substantial debt modification should be treated as if the original debt was extinguished, and a new liability recognised. The changes to all loans were therefore been assessed to determine the level of change. The University is satisfied that the changes to the interest rate and timing of capital repayments for loans from National Westminster Bank and Scottish Widows do not constitute a significant debt modification. Loans from the European Investment Bank were previously unsecured, and have now been secured; this is in addition to the changes made to interest rates and capital repayment dates. These changes are deemed to have constituted a significant debt modification in accordance with FRS102 s11. Further information is provided in Note 17.

NOTES TO THE ACCOUNTS

1 Tuition fees and education contracts

	2020/21 £000	2019/20 £000
Full-time Home & EU Students	**118,073**	114,703
Full-time International Students	**35,068**	38,918
Part-time Fees	**6,717**	5,654
Research Training Support Grants	**1,724**	1,121
Short Course Fees	**689**	1,140
	162,271	**161,536**

2 Funding council grants

	2020/21 £000	2019/20 £000
Recurrent Grant		
Teaching & Research funding (OfS; RE)	**24,797**	24,387
Higher Education Innovation Fund (HEIF)	**1,251**	1,366
Capital Grants (CIF)	**3,261**	1,738
Specific Grants		
Education and Skills Funding Agency (ESFA)	**69**	331
All Other Grants	**1,014**	812
	30,392	28,634

3 Research grants and contracts

	2020/21 £000	2019/20 £000
Research Councils	**7,651**	6,966
UK Based Charities	**2,560**	2,549
UK Industry & Commerce	**259**	282
Government (UK & EU)	**6,213**	6,947
Other Grants and Contracts	**545**	919
	17,228	17,663

Note: The source of grant and fee income included in Notes 1-3 above is as follows:

	2020/21 £000	2019/20 £000
Grant income from the OfS	**10,412**	9,814
Grant income from other bodies	**27,562**	25,455
Fee income for taught awards (excl. VAT)	**159,858**	156,986
Fee income for research awards (excl. VAT)	**1,724**	3,375
Fee income for non-qualifying courses (excl. VAT)	**689**	1,175
	200,245	196,805

NOTES TO THE ACCOUNTS (CONT)

4 Other income

	2020/21 £000	2019/20 £000
Residences, Catering & Conferences	**26,216**	29,037
Other Income Generating Activities	**5,481**	6,162
Other Revenue Grants	**4,322**	4,325
Capital Grants (non-funding council)	**1,595**	4,329
Other Income	**2,736**	5,343
	40,350	49,196

Income from Residences, catering and conferences has fallen by £2.8m compared to 2019/20. This is due to the ongoing impact of Covid-19 as the campuses were closed at the beginning of the year as part of the national lockdown, and students were offered partial refunds for the periods they were not able to take up their accommodation.

'Other capital grants' in 2020/21 and 2019/20 largely relate to one-off grants and donations in connection with the construction of a new building on the Canterbury campus for the Kent and Medway Medical School, which opened for the first cohort of students in October 2020.

'Other income' includes rental income on University owned properties, fees and charges received in relation to non-commercial activities and income received for the provision of non-standard services to students.

The balance of grant funding held within deferred income until performance conditions are met is reported in Note 16.

5 Investment income

	2020/21 £000	2019/20 £000
Investment Income on Endowments	**104**	97
Other Investment Income	**8**	1,190
Other Interest Receivable	**69**	102
	181	1,389

6 Donations and endowments received

	2020/21 £000	2019/20 £000
New Endowments	**105**	50
Donations with Restrictions	**144**	440
Unrestricted Donations	**344**	579
	593	1,069

7 Staff costs

The average number of persons (including senior post holders) employed by the University during the year expressed as full time equivalents (FTE) was:

	2020/21 Avge FTE No.	2019/20 Avge FTE No.
Academic Staff	**859**	904
Research Staff	**183**	186
Teaching only Staff *	**31**	58
Academic Related Staff	**463**	556
Clerical Staff	**628**	675
Manual & Ancillary	**372**	390
Technical	**187**	140
	2,723	2,909

*Teaching only staff relates to postgraduate students who are also paid a salary for the provision of teaching services to undergraduate students.

The above figures exclude 106 FTE (2019/20: 102 FTE) in relation to employees classified as Casual workers that are paid by timesheet.

Staff Costs for the above persons:

	2020/21 £000	2019/20 £000
Wages & Salaries	**109,957**	123,436
Social Security Costs	**10,451**	12,224
Other Pension Costs (Note 29)	**20,494**	22,385
Sub-total	**140,902**	158,045
Pension provision movements (Excl. one-off movements)	**(1,049)**	(2,279)
Decrease in pension provision arising from change in Schedule of Contributions	**-**	(32,651)
Restructuring Costs	**2,174**	10,240
	142,027	133,355

In 2018/19 the University launched the Kent Voluntary Severance Scheme (KVSS) with the aim of reducing our staff costs in the future. This scheme had two phases, with the majority of restructuring costs in 2018/19 relating to agreed voluntary redundancies within the first phase and costs in 2019/20 and 2020/21 relating to agreed voluntary redundancies within the second phase, including those arising from the University's organisational change programme, Organising for Success (O4S). All other Restructuring Costs relate to early retirements and redundancy payments arising from major restructuring of University activities.

The pension provision movement consists of movements to the total provision offset by the unwinding of existing provisions against additional contributions paid in the year. This includes a one-off decrease in the provision of £32.7m following the completion of the 2018 valuation in September 2019, which partly reversed the one-off increase to the provision in 2018/19 arising from the completion of the 2017 valuation. This is shown separately from other staff costs on the face of the Statement of Comprehensive Income and Expenditure.

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NOTES TO THE ACCOUNTS (CONT)

7 Staff costs (cont)

Staff Costs by Department:

	2020/21 £000	2019/20 £000
Academic Departments	**80,258**	90,465
Academic Services	**9,421**	10,854
Research Grants & Contracts	**8,880**	9,749
Student & Staff Facilities	**6,063**	6,823
General Educational Expenditure	**8,452**	8,219
Administration & Central Services	**12,782**	13,965
Residences & Catering	**9,205**	9,311
Premises	**4,061**	6,032
Pension provision movements (excluding one-off movements)	**(1,049)**	(2,279)
Other	**1,780**	2,627
Sub-total	**139,853**	155,766
Restructuring Costs	**2,174**	10,240
Decrease in pension provision arising from change in Schedule of Contributions	**-**	(32,651)
Total Staff Costs by Department	**142,027**	133,355

Payments for loss of office included in total staff costs above	**2,364**	10,962
Number of staff to which this relates	**133**	253

Included within the cost of payments for loss of office in 2020/21 is £2.2m in relation to KVSS and O4S (2019/20: £10.2m).

Access and Participation expenditure – staff costs

Included within total staff costs reported above, costs in relation to Access and Participation activities are:

	2020/21 £000	2019/20 £000
Access Investment	**1,704**	2,050
Financial Support	**-**	-
Disability support (excl. expenditure included above)	**1,131**	1,140
Research and Evaluation	**49**	49
	2,884	3,239

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7 Staff costs (cont)

Senior Staff pay:

	Number of Staff	
	2020/21	2019/20
Basic annual salary (per 1.0 FTE)		
£100,000 - £104,999	**2**	4
£105,000 - £109,999	**5**	5
£110,000 - £114,999	**8**	6
£115,000 - £119,999	**6**	9
£120,000 - £124,999	**5**	6
£125,000 - £129,999	**-**	1
£130,000 - £134,999	**4**	5
£135,000 - £139,999	**2**	1
£140,000 - £144,999	**1**	1
£145,000 - £149,999	**-**	-
£150,000 - £154,999	**-**	-
£155,000 - £159,999	**-**	-
£160,000 - £164,999	**-**	-
£165,000 - £169,999	**-**	-
£170,000 - £174,999	**-**	2
…		
£240,000 - £244,999	**1**	1

Key Management Personnel

Key management personnel, identified by the University as members of its Executive Group, are those persons having authority and responsibility for planning, directing and controlling the activities of the institution. Staff costs includes compensation paid to key management personnel consisting of salary and benefits including any employer's pension contribution and other equivalent payments

	2020/21 £000	2019/20 £000
Key management personnel compensation	**2,015**	2,027

The Executive Group of the University of Kent consists of 12 (2019/20: 15) people including the Vice-Chancellor. The number of members reduced during 2020/21 as some senior staff retired and the transition to the new senior management structure implemented as part of the University's organisational change project, O4S, was completed. The amount reported above includes the part-year cost of those who have now left. Costs during the year included voluntary salary reductions of 15% made by all members of the Executive Group, except the Vice-Chancellor and President (who volunteered a 20% reduction as noted blow), from August 2020 to May 2021.

Remuneration for the Vice-Chancellor and President

	2020/21 £000	restated 2019/20 £000
Professor Karen Cox		
Basic salary	**240**	240
Payments in lieu of pension contributions	**37**	37
Voluntary reduction in salary and other payments	**(38)**	(18)
Pension contributions	**6**	5
Total Emoluments for the Year	**245**	264

CONTINUED OVERLEAF

NOTES TO THE ACCOUNTS (CONT)

7 Staff costs (cont)

From 1 April 2020 to 31 March 2021 the Vice-Chancellor and President volunteered a 12-month pay reduction of 20% in response to the financial challenges being placed on the University from the Covid-19 pandemic. This is shown separately in the analysis above, and the restatement of 2019/20 relates wholly to a change in presentation to enable a direct comparison of each pay component and the reduction applied in each year.

The Vice-Chancellor and President's basic salary, excluding the impact of any voluntary reductions, in 2020/21 was 8.46 times the median pay of all staff (2019/20: 8.47 times), where the median pay is calculated on a full-time equivalent basis for the salaries paid by the University to its staff.

The Vice-Chancellor and President's total remuneration, excluding the impact of any voluntary reductions, in 2020/21 was 8.32 times the median total remuneration of staff (2019/20: 8.99 times), where the median total remuneration is calculated on a full-time equivalent basis for the total remuneration by the University of its staff.

Where the median pay ratio is calculated on a full time equivalent basis for all staff, the pay ratio is distorted by the inclusion of a high number of (mainly student) staff on flexible/atypical timesheet contracts where we aim to provide employment experience. Given the distorting effect of these contracts on the pay ratio, a ratio which excludes these staff is also given (below) for comparison purposes

The Vice-Chancellor and President's basic salary, excluding the impact of any voluntary reductions, in 2020/21 was 7.10 times the median basic salary of all substantive staff (2019/20: 7.04 times). The Vice-Chancellor and President's total remuneration, excluding the impact of any voluntary reductions, in 2020/21 was 7.22 times the median total remuneration of all substantive staff (2019/20: 7.17 times), where the median pay is calculated on a full-time equivalent basis for the salaries paid by the University to its substantive staff.

Justification for salary of Vice-Chancellor and President

University Context

With approximately 19,000 students, the University of Kent is a substantial and complex institution which plays an important role in the regional economy of Kent, contributing £0.9bn for the south-east economy and employing approximately 4,500 members of staff, the majority of whom live in the area.

Awarded a gold rating, the highest, in the UK Government's Teaching Excellence Framework (TEF), Kent is ranked 50th in the Guardian University Guide 2022 and in the top 20 for research intensity in the Time Higher Education (THE). Kent Business School is among the 'triple crown' business schools worldwide and Kent is in the top 400 in the THE World University Rankings.

We are one of the country's leading academic institutions producing world-class research, rated internationally excellent and leading the way in many fields of study. We are a forward-thinking research institution, committed to the transformative power of education and research and to the development and support of our students and staff. Our aim is to deliver one of the best education and student experiences, enhanced by a research-rich environment that enables and inspires our students.

In 2020, Kent welcomed its first intake of students to the Kent and Medway Medical School and the opening of the new Pears Building builds on high-quality teaching and research strengths. The new Parkinson's Centre for Integrated Therapy will pioneer new treatments that could give hope to thousands of sufferers of Parkinson's disease. The University won the Guardian University Award for Digital Innovation for our innovative and highly acclaimed One Hour Degree.

Kent retains its commitment to Medway, with a new Medway strategy that sets out an exciting vision for the region with a distinct and professionally-aligned portfolio and enhanced regional and civic focus aligned to the regional needs of Medway and its people. Building on existing excellence in education and research, Kent will seek to strengthen relationships with industry, business and the third sector through the development of a University Enterprise Zone, and enhance opportunities to access HE through increased provision and support for flexible lifelong learning and CPD. This approach will strengthen the coherence and value of the existing offer and broaden the commitment to the delivery of a positive and transformative campus and student experience.

In June 2021, Kent was awarded a Silver Athena Swan award and is committed to this progressive charter, adopting the principles of Athena SWAN within University policies, practices, action plan and culture to transform gender equality within higher education and research.

7 Staff costs (cont)

Pressure on the Higher Education sector continues with financial, regulatory and political challenges exacerbated by the Covid-19 pandemic, creating truly unprecedented operating conditions. In response, Kent launched a significant change programme in 2020, to enable it to adapt to a changing environment while also introducing a series of measures to improve its financial sustainability in the longer term. Over the past year, significant progress has been made in organisational transformation and in returning the University to a more stable financial footing.

Value and performance of the Vice-Chancellor and President

In reviewing the performance of the Vice-Chancellor and President, it was acknowledged that the environment within the Higher Education sector and for Kent as an institution continues to be extremely challenging. Given this context, the extensive feedback collected by the Chair of Council from a wide range of stakeholders, and the assessment of progress against objectives, the Remuneration Committee concluded the Vice-Chancellor had provided clear leadership through the Covid-19 pandemic and had succeeded in maintaining momentum against all objectives while navigating an extremely difficult year for the University. It was also noted that the Vice-Chancellor remains in a strong position to lead the institution through the current challenging times. The Vice-Chancellor's pay remains below the target pay zone for her role as set out in the University's Senior Reward Policy (based on peer group market data), however, given the financial environment, no awards were made to the Vice-Chancellor or Executive Group members who all voluntarily surrendered pay over the past year in recognition of the University's financial position.

Process for determining pay of the Vice-Chancellor and President

As a part of its commitment to transparency, the Remuneration Committee has developed a Senior Reward Policy, published on the University website. This policy is applicable to the Vice-Chancellor and President, as well as the members of the Executive Group, and incorporates requirements relating to individual performance assessment, including appraisal against detailed objectives, and the link to pay decisions. The Chair of Council prepares a detailed appraisal of the Vice-Chancellor's performance against objectives based on 360-degree feedback from internal and external stakeholders, which is submitted to the Remuneration Committee.

The University's Remuneration Committee makes all decisions on pay for the Executive Group of the University (including the Vice-Chancellor and President), with delegated responsibility for decision-making on these matters from Council. In addition, as a part of its governance role, the Remuneration Committee monitors the application of Kent's reward policies across all staff groups, including other senior staff. The Committee consists of members of Council, and going beyond the requirements of the CUC Code, a student member and a staff member. An external advisor, with experience of senior pay elsewhere in the public and HE sectors joined the Committee in 2019/20.

The Vice-Chancellor is not a member of the Remuneration Committee. No members of staff, including the Vice-Chancellor, are present at Remuneration Committee during discussions about their own remuneration.

A report of the Committee's decisions is provided to Council each year. The University makes a transparent and detailed disclosure on how the Remuneration Committee determines senior pay in its Annual Review & Financial Statements, and follows Office for Students requirements on senior pay and the CUC Governance Code.

NOTES TO THE ACCOUNTS (CONT)

8 Interest and other finance costs

	2020/21 £000	2019/20 £000
Loan Interest	5,213	4,429
Pension Scheme Finance Costs	267	1,113
Other Interest charged	-	-
	5,480	5,542

9 Other operating expenses

	2020/21 £000	2019/20 £000
Academic Divisions	5,660	7,993
Academic Services	8,603	8,112
Research Grants and Contracts	3,295	3,309
Bursary Payments to Students	13,640	13,369
Student & Staff Facilities	4,787	4,924
General Educational Expenditure	7,163	7,809
Administration & Central Services	3,778	2,965
Residences & Catering	14,571	18,146
Premises	14,017	13,692
Other Expenses	2,066	5,209
	77,580	85,528

	2020/21 £000	2019/20 £000
Other Operating Expenses include:		
Operating Lease Rentals:		
Land and buildings	962	1,179
Other	677	477
Auditors' Remuneration for audit services for the year	111	151
Auditors' Remuneration for prior year audit services recognised in the current year	30	75
Auditors' Remuneration for non-audit services for the year	8	12
Auditors' Remuneration for prior year non-audit services recognised in the current year	2	-

Auditors' remuneration for prior year audit services recognised in both 2020/21 and 2019/20 relate to additional fees charged in relation to the completion of the review of going concern up to the signing of the previous years' financial statements.

9 Other operating expenses (cont)

Access and Participation expenditure

	2020/21 £000	Restated 2019/20 £000
Access investment	**2,170**	2,519
Financial support	**4,954**	4,208
Disability support	**1,218**	1,252
Research and Evaluation	**49**	49
	8,391	8,028

The total spend reported here includes £2,884k (2019/20: £3,239k) included in total staff costs and reported in Note 7.

The restatement for 2019/20 relates to the final return made to the OfS, which was updated following a query from OfS during the review period, after the financial statements for the year were signed.

The University's Access and Participation plan, agreed with the OfS, is available on the University website at:
/www.kent.ac.uk/applicants/policies/access-and-participation-plan

10 Surplus/(Deficit) on operations for the year

The Surplus/(Deficit) on operations for the year is made up as follows:

	2020/21 £000	2019/20 £000
University surplus/(deficit) on operations for the year	**2,638**	12,336
Surplus generated by subsidiary companies	**-**	-
	2,638	12,336

Details of the University's subsidiary companies can be found in Note 13.

NOTES TO THE ACCOUNTS (CONT)

11 Tangible fixed assets

					Consolidated and University
	Land and Buildings £000	Service Concession Arrangement Assets £000	Assets Under Construction £000	Equipment and Systems £000	**Total £000**
Cost or Valuation					
At 1 August 2020	553,081	10,172	18,348	50,352	**631,953**
Additions	2,355	-	-	4,201	**6,556**
Assets under construction	-	-	886	-	**886**
Transfers	18,317	-	(18,317)	-	**-**
Disposals	(2,368)	-	-	(1,953)	**(4,321)**
At 31 July 2021	571,385	10,172	917	52,600	**635,074**
Depreciation					
At 1 August 2020	179,407	1,474	-	25,574	**206,455**
Charge for the Year	17,075	173	-	6,206	**23,454**
Disposals	(2,368)	-	-	(1,953)	**(4,321)**
At 31 July 2021	194,114	1,647	-	29,827	**225,588**
Net Book Value					
At 31 July 2021	**377,271**	**8,525**	**917**	**22,773**	**409,486**
At 1 August 2020	373,674	8,698	18,348	24,778	**425,498**
Financed by:					
Capital Grant	46,804	-	41	1,972	**48,817**
Other	330,467	8,525	876	20,801	**360,669**
	377,271	8,525	917	22,773	**409,486**

The disposal of land and buildings relates to the write off of building refurbishment costs, and associated accumulated depreciation, within leased buildings for which notice to quit was given during the year. Equipment disposals in the year relate to the removal of fully depreciated assets, which are no longer in use, from both cost and accumulated depreciation.

Land was acquired both by gift and purchase (historic cost of £5.8m) and is stated at a valuation of £132.7m (2020: £132.7m) and not depreciated. A valuation was prepared by Gerald Eve LLP, a regulated firm of surveyors, in accordance with the requirements of RICS Valuation – Professional Standards April 2015, on a fair value basis as at 31 July 2014, and is reported under the special assumptions to exclude any development opportunities for which planning permission would be required and has not been granted or where development has not yet commenced. The land was included in the Balance Sheet at this valuation, which was taken forward as deemed cost under the exemption on transition to FRS102 and the excess of the valuation over original cost was taken to the General Reserve. As at 31 July 2021 a review of property values has found no indications of impairment as defined in section 27 of FRS102.

No interest has been capitalised in the year (Note 8). Total interest capitalised to date included in the cost of Land and Buildings, amounts to £2.7m at 31 July 2021 (2020: £2.7m).

12 Service concession arrangements

The University has two service concession arrangements where delivery has commenced. These relate to the student accommodation at the Turing and Keynes developments, built and operated by UPP Limited. For the Keynes Extension the minimum guarantee had expired before 1 August 2014, therefore no liability is recorded in these financial statements. For Turing College the minimum guaranteed payment period expired during 2014/15, therefore no liability is recorded in these financial statements.

The assets relating to these agreements are held within fixed assets and depreciated over the life of their respective agreements.

13 Fixed asset investments

	Consolidated and University	
	2021	2020
	£000	£000
Cost of Investment in Subsidiary Companies	**-**	-
Cost of Investment in Other Companies (Incl. Spin-Out Companies)	**65**	65
Investment in funds	**1,432**	1,101
Bonds	**-**	93
Long term cash deposits	**-**	12
	1,497	1,271

Name of Subsidiary Companies	**Holding**	
Canterbury Business School Limited	100% owned	Dormant
Invicta Technology Investments Limited	100% owned	Dormant
Kent Business School Limited	100% owned	Dormant
Kent Enterprise Limited	100% owned	Dormant
Kent Management School Limited	100% owned	Dormant
Kent Property Services Limited	100% owned	Dormant
Summer Academy Limited	100% owned	Dormant

14 Trade and other receivables

	Consolidated		University	
	2021	2020	**2021**	2020
Amounts falling due within one year:	**£000**	£000	**£000**	£000
General Receivables	**6,116**	6,894	**6,116**	6,894
Research Grants and Contracts	**11,539**	8,382	**11,539**	8,382
Prepayments & Accrued Income	**7,381**	6,252	**7,381**	6,252
	25,036	21,528	**25,036**	21,528

NOTES TO THE ACCOUNTS (CONT)

15 Current asset investments

	Consolidated and University	
	2021	2020
	£000	£000
Short-term investment in funds	**-**	-
Short-term bonds	**-**	-
Short-term deposits	**833**	833
	833	833

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

16 Creditors: amounts falling due within one year

	Consolidated		University	
	2021	2020	**2021**	2020
	£000	£000	**£000**	£000
Bank Loans Due for Repayment (Note 17)	**11,559**	-	**11,559**	-
Research Grants Received on Account	**21,107**	18,508	**21,107**	18,508
Deferred Income	**15,921**	13,498	**15,956**	13,533
Creditors & Accrued Liabilities	**16,453**	26,111	**16,453**	26,111
Taxation and Social Security	**5,674**	6,196	**5,674**	6,196
	70,714	64,313	**70,749**	64,348

Deferred Income

Bank loans due for repayment within one year relate to amounts due under the financing arrangement with lenders due to the improved operating cashflow during the year. Further detail is provided in Note 17.

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

	Consolidated		University	
	2021	2020	**2021**	2020
	£000	£000	**£000**	£000
Capital Grants	**-**	-	**-**	-
Other Grant income	**3,959**	2,845	**3,959**	2,845
	3,959	2,845	**3,959**	2,485

17 Creditors: amounts falling after more than one year

	Consolidated		University	
	2021	2020	**2021**	2020
	£000	£000	**£000**	£000
Borrowing secured on University Land & Buildings	**106,105**	103,136	**106,105**	103,136
Less: Loans repayable within one year	**(11,559)**	-	**(11,559)**	-
	94,546	103,136	**94,546**	103,136
Other Long-Term Liabilities	**6,482**	6,615	**6,482**	6,615
	101,028	109,751	**101,028**	109,751
Payable as Follows:				
Due between one and two years	**9,184**	17,750	**9,184**	17,750
Due between two and five years	**22,130**	16,420	**22,130**	16,420
Due after five years	**69,714**	75,581	**69,714**	75,581
	101,028	109,751	**101,028**	109,751

Lender	**Amount £000**	Interest rate (%)	**Term (years)**	**Maturity Date**
National Westminster Bank plc	4,898	8.77*	27	Jul 2024
National Westminster Bank plc	6,487	6.63	25	Nov 2028
National Westminster Bank plc	10,398	6.17	25	Oct 2030
Scottish Widows Limited	8,690	6.96	24	Jun 2029
European Investment Bank	46,618	4.25	25	Mar 2040
European Investment Bank	25,000	3.80	25	Sept 2042
European Investment Bank	4,014	4.39	5	Jul 2024
	106,105			

* The interest rate for this loan is 8.77% until January 2022, after which it falls to 2.01% until it is repaid.

The above loans all meet the criteria for Basic Financial Instruments according to section 11 of FRS102.

On 29 January 2020 the University entered into new financing arrangements with its existing lenders; this was followed by a further agreement on 23 December 2020, to amend and extend the financing arrangement. This included the agreement of new terms that will apply to all existing borrowing facilities until 31 July 2024, including revisions to the suite of financial covenants, harmonised across all three lenders.

As a result of this new arrangement, from the date of the related agreement, the interest rates payable on existing loans have changed from those previously reported. The interest rates on the loans from National Westminster Bank were further amended in May 2021 by an Amendment Agreement to reflect the move from LIBOR to SONIA based rates. The updated interest rates are shown in the table above.

These new terms also included a re-profiling of the existing repayment schedule, under which capital repayments on all loans were deferred to April 2023, except where annual operating cashflow exceeds the level agreed in the plan, at which point some repayments become due during the following year. The amount of repayments due within one year relate to the application of this clause.

NOTES TO THE ACCOUNTS (CONT)

17 Creditors: amounts falling after more than one year (cont)

Under FRS102 s11 the changes to loans from the European Investment Bank under the new arrangement, including the provision of security, constitute a significant debt modification. As required by FRS102, these loans have therefore been treated as if they were extinguished, and new liabilities have been recognised. As the new liability has been recognised at the same value as the previous outstanding balance, and no cash movements took place, this has not resulted in any charges through the Statement of Comprehensive Income and Expenditure or Statement of Cashflows, but these loans are now analysed as secured borrowings above.

The new arrangement, specifically the agreed deferral of some interest payments, also gives rise to the effective establishment of new loans from the European Investment Bank (EIB). These are repayable in full, along with the deferred capital repayments on all other borrowing, by July 2024.

All loans are now secured against University owned land and buildings on both the Canterbury campus and the Medway campus.

18 Provisions for liabilities

		Consolidated and University	
	Obligation fund deficit on USS £000	Other Pension £000	**Total Pension Provision £0000**
Balance at 1 August 2020	36,596	50	**36,646**
Utilised in the Year	(1,256)	-	**(1,256)**
Additions in Year	474	-	**474**
Balance at 31 July 2021	35,814	50	**35,864**

Pension Deficit

The obligation to fund past deficits on the University's Superannuation Scheme (USS) arises from the contractual obligation with the USS to fund deficit payments in accordance with the agreed deficit recovery plan. In calculating this provision, management have estimated future staffing levels and salary inflation for the duration of the contractual obligation. Key assumptions are set out below and further information is provided in Note 29.

Following the completion of the 2018 actuarial valuation, a new deficit recovery plan was agreed during 2019/20. This new plan requires deficit payments of 2% of salaries from 1 October 2019 to 30 September 2021 and then payments of 6% of salaries from 1 October 2021 to 31 March 2028. As a result of change in the Schedule of Contributions agreed with the USS Trustee and the level of deficit contributions contractually committed to under the revised Schedule, the deficit provision has decreased by £33.5m from the previous year. Further detail on the assumptions used to calculate the provision are provided in Accounting Policy Q (Significant estimates and judgements). See also Note 7 (Staff costs) and Note 29 (Pension schemes).

The Other Pensions Provision relates to amounts payable to part-time members of staff following decisions by the European Court of Justice, pending the outcome of UK Industrial Tribunal cases. The amount provided is based on assessment of individual cases based on prior claim experience.

19 Financial instruments

The carrying value of the University and Group's financial assets and liabilities are summarised by category below:

	Note	Consolidated 2021 £000	Consolidated 2020 £000	University 2021 £000	University 2020 £000
Financial assets					
Measured at fair value through Income and Expenditure:					
Investments (Incl. endowments)	13/15	**1,432**	1,194	**1,432**	1,194
Cash deposits	13/15	**833**	845	**833**	845
Cash & Cash Equivalents		**39,564**	27,760	**39,564**	27,760
Measured at undiscounted amount receivable:					
Trade and other receivables	14	**17,655**	15,276	**17,655**	15,276
Measured at cost less impairment:					
Investment in other companies	13	**65**	65	**65**	65
		59,549	45,140	**59,549**	45,140
Financial liabilities					
Measured at undiscounted amount payable:					
Trade and other creditors payable	16	**37,560**	44,619	**37,560**	44,619
Salix revolving green fund	17	**320**	320	**320**	320
Measured at amortised cost:					
Loans payable	17	**106,105**	103,136	**106,105**	103,136
		143,985	148,075	**143,985**	148,075

The University and Group's income, expenditure, gains and losses in respect of financial instruments are summarised below:

	Note	Consolidated 2021 £000	Consolidated 2020 £000	University 2021 £000	University 2020 £000
Interest income / (expense):					
Interest receivable from financial assets measured at fair value through Income and Expenditure	5	**181**	1,389	**181**	1,389
Interest payable for financial liabilities measured at amortised cost	8	**(5,213)**	(4,429)	**(5,213)**	(4,429)
		(5,032)	(3,040)	**(5,032)**	(3,040)
Fair value gains / (losses):					
Gain / (loss) on financial assets measured at fair value through Income and Expenditure		**164**	(1,471)	**164**	(1,471)
		164	(1,471)	**164**	(1,471)

NOTES TO THE ACCOUNTS (CONT)

20 Endowment reserves

	Unrestricted Permanent £000	Restricted Permanent £000	**Total Permanent £000**	Restricted Expendable £000	Consolidated and University **2021 Total £000**	2020 Total £000
Balance at 1 August						
Capital	374	663	**1,037**	2,303	**3,340**	4,074
Accumulated Income	-	227	**227**	228	**455**	661
	374	890	**1,264**	2,531	**3,795**	4,735
New Endowments	-	-	**-**	105	**105**	50
Investment Income	10	33	**43**	61	**104**	97
Expenditure	(10)	(29)	**(39)**	(390)	**(429)**	(569)
Increase in Market Value of Investments	46	118	**164**	-	**164**	(518)
Total endowment comprehensive income / (expenditure) for the year	46	122	**168**	(224)	**(56)**	(940)
Balance at 31 July	**420**	**1,012**	**1,432**	**2,307**	**3,739**	**3,795**
Represented by:						
Capital Value	420	796	**1,216**	2,068	**3,284**	3,340
Accumulated Income	-	216	**216**	239	**455**	455
	420	1,012	**1,432**	2,307	**3,739**	3,795
Analysis by Purpose						
Chairs & lectureships	-	732	**732**	251	**983**	1,036
Student financial support	-	94	**94**	1,249	**1,343**	1,310
Prize funds	-	8	**8**	193	**201**	205
Other	420	178	**598**	238	**836**	725
Capital initiatives	-	-	**-**	376	**376**	519
	420	1,012	**1,432**	2,307	**3,739**	3,795
Analysis by Asset						
Equities					**1,276**	1,124
Bonds					**-**	79
Cash & Short term deposits					**2,463**	2,592
					3,739	3,795

21 Restricted reserves

			Consolidated and University	
	Revenue Grants	Donations	**2021 Total**	2020 Total
	£000	£000	**£000**	£000
Balance at 1 August	85	1,000	**1,085**	795
New Grants	-	-	**-**	18
New Donations	-	144	**144**	440
Expenditure	(17)	(266)	**(283)**	(168)
Balance at 31 July	68	878	**946**	1,085

	2021	2020
Analysis by Purpose	**£000**	£000
Scholarships and bursaries	**762**	868
Research support	**32**	30
Prize funds	**68**	85
Other	**84**	102
	946	1,085

22 Cash and cash equivalents

			Consolidated and University	
		1 August 2020	Cash flows	**31 July 2021**
	Note	£000	£000	**£000**
Cash and cash equivalents		27,760	11,804	**39,564**
		27,760	11,804	**39,564**

23 Consolidated reconciliation of net debt

	Note	**2021 £000**
Net Debt 1 August 2020		**75,376**
Movement in cash and cash equivalents	22	**(11,804)**
Other non-cash changes		**2,969**
Net Debt 31 July 2021		**66,541**
Change in Net Debt		**(8,835)**

	2021	2020
Analysis of net debt:	**£000**	£000
Cash and cash equivalents	**39,564**	27,760
Borrowing falling due within one year	**11,559**	-
Borrowing falling due after more than one year	**94,546**	103,136
Total borrowing	**106,105**	103,136
Net Debt	**66,541**	75,376

NOTES TO THE ACCOUNTS (CONT)

24 Capital commitments

	Consolidated and University 2021 £000	2020 £000
Contractual Commitments at 31 July	**1,436**	2,086

25 Financial commitments

At 31 July, there were commitments under non-cancellable operating leases as follows:

	Land and Buildings £000	Other £000	Consolidated and University Total 2021 £000	Total 2020 £000
Paid during year	962	677	**1,639**	1,656
Payable within one year	1,016	664	**1,680**	1,765
Payable within two and five years inclusive	2,163	1,396	**3,559**	4,777
Payable after five years	2,855	-	**2,855**	3,727
	6,034	2,060	**8,094**	10,269

26 Contingent liabilities

A contingent liability exists in relation to the agreement with a third party contractor who continues to maintain student residences it constructed on behalf of the University. Under this agreement the University is contracted to pay the difference between actual rooms occupied and an agreed minimum level of occupation. For the 2020/21 financial year this payment amounted to £2.6m (2019/20 £1.8m).

27 Related party transactions

Council members: expenses and related party transactions

During the 2020/21 financial year expenses totalling £1,056 (2019/20: £2,849) were paid to 1 member of Council while acting in their role as Trustee (2019/20: 10 members). Council members do not receive remuneration in respect of their Trustee roles.

As the University's Council includes members drawn from public and private sector organisations, some transactions take place with organisations in which a member of Council may have an interest. However, all such transactions are conducted at arm's length and in accordance with the University's Financial Regulations and normal procurement procedures. There is no direct benefit to Members of Council.

The University maintains a Register of Interests and if a potential conflict of interest arises, the member concerned would identify this and not take part in any discussions and decision making on these matters. The table below shows transactions with related parties of the University, including members of Council (see page 20). All transactions involving organsations in which a member of Council may have an interest are conducted at arm's length under normal market conditions and in accordance with the University's financial regulations and normal procurement procedures.

27 Related party transactions (cont)

Year ended 31 July 2021

	Amounts Receivable £000	Amounts payable £000	**Balance due to/(from) the University £000**
Biochemical Society	5	-	-
Canterbury City Council	5	5	5
Kent Union	4,381	2,991	561
KM Television Ltd	71	426	18
Maidstone and Tunbridge Wells NHS Trust	-	83	(5)
Medway Council	12	24	(1)
Mid Kent College	5	52	-
SAUL Trustee Company	12	101	4
University of Kent Academies Trust	10	20	(15)

28 Linked charities

The University has carried out a review and does not have any linked charities.

29 Pension schemes

The two principal pension schemes for the University's staff are the Universities Superannuation Scheme (USS) and the Superannuation Arrangements of the University of London (SAUL).

The total pension cost for the University and its subsidiaries are:

	2020/21 £000	2019/20 £000
Contributions to USS	**16,064**	17,712
Contributions to SAUL	**4,390**	4,647
Contributions to Other Schemes	**40**	27
Total Pension Cost (Note 7)	**20,494**	22,385

CONTINUED OVERLEAF

NOTES TO THE ACCOUNTS (CONT)

29 Pension schemes (cont)

USS Pension Scheme

The total pension cost for the University charged to the Statement of Comprehensive Income in the year 2020/21 was £16,063,617 (2019/20: £17,711,561). This includes £1,297,332 (2020: £1,456,882) outstanding contributions at the balance sheet date.

The University is required to contribute a specified percentage of payroll costs to the pension scheme to fund the benefits payable to the University's employees. In 2020/21 the percentage was 21.1% from 1 October 2019 (2019/20: 19.5% to 30 September 2019, 21.1% from 1 October 2019).

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 was finalised in in October 2021, see note 30 for further information.

Since the University cannot identify its share of the USS Retirement Builder (defined benefit) assets and liabilities, the following disclosures reflect those relevant for those assets and liabilities as a whole.

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

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

Discount rate (forward rates)	Years 1-10: CPI +0.14% reducing linearly to CPI -0.73% Years 11-20: CPI +2.52% reducing linearly to CPI +1.55% by year 21 Years 21+: CPI +1.55%
Pension Increase (CPI)	Term dependant rates in line with the differences between Fixed Interest and Index Linked yield curves, less 1.3% p.a.

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

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

29 Pension schemes (cont)

The current life expectancies on retirement at age 65 are:

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

The funding position of the scheme has been updated since the valuation date on an FRS102 basis:

Existing Benefits	2021	2020
Scheme assets	**£80.6bn**	£66.5bn
Total scheme liabilities	**£116.1bn**	£96.9bn
FRS 102 total scheme deficit	**£35.5bn**	£30.4bn
FRS 102 total funding level	**69%**	69%
Key assumptions used are:		
Discount rate	**2.15%**	2.59%
Pensionable salary growth	**2.50%**	4.20%

The deficit recovery plan put in place as part of the 2018 valuation required 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 2021 deficit recovery provision reflects this plan. Further information on the current provision for the deficit recovery plan is included in accounting policy Q – Significant Judgements and Estimates. Since the end of the financial year a new deficit recovery plan has been put in place, based on the 2020 valuation. Further information on this is shown in Note 30.

SAUL Pension Scheme

The University participates in the Superannuation Arrangements of the University of London ("SAUL"), which is a centralised defined benefit scheme within the United Kingdom and was contracted-out of the Second State Pension (prior to April 2016). SAUL is an independently-managed pension scheme for the non-academic staff of over 50 colleges and institutions with links to higher education. Pension benefits accrued within SAUL currently build up on a Career Average Revalued Earnings ("CARE") basis.

The University is not expected to be liable to SAUL for any other current participating employer's obligations under the Rules of SAUL, but in the event of an insolvency of any participating employer within SAUL, an amount of any pension shortfall (which cannot otherwise be recovered) in respect of that employer may be spread across the remaining participating employers and reflected in the next actuarial valuation.

SAUL's statutory funding objective is to have sufficient appropriate assets to meet the costs incurred by the Trustee in paying SAUL's benefits as they fall due (the "Technical Provisions"). The Trustee adopts assumptions which, taken as a whole, are intended to be sufficiently prudent for pensions and benefits already in payment to continue to be paid and for the commitments which arise from Members' accrued pension rights to be met.

The Technical Provisions assumptions include appropriate margins to allow for the possibility of events turning out worse than expected. However, the funding method and assumptions do not completely remove the risk that the Technical Provisions could be insufficient to provide benefits in the future.

CONTINUED OVERLEAF

NOTES TO THE ACCOUNTS (CONT)

29 Pension schemes (cont)

A formal actuarial valuation of SAUL is carried out every three years by a professionally qualified and independent actuary. The last actuarial valuation was carried out with an effective date of 31 March 2020. Informal reviews of SAUL's position, reflecting changes in market conditions, cash flow information and new accrual of benefits, are carried out between formal valuations.

The funding principles were agreed by the Trustee and employers in June 2021 and will be reviewed again at SAUL's next formal valuation in 2023.

At the 31 March 2020 valuation SAUL was 94% funded on its Technical Provisions basis. However, market movements following the valuation date were positive and the Trustee and employers agreed to allow for post-valuation experience up to 30 April 2021. As SAUL was in surplus on its Technical Provisions basis at that date, no deficit contributions were required. However, the Trust and the Employers have agreed that the ongoing Employers' contributions will increase from a rate of 16% of CARE salaries to 19% of CARE salaries from 1 April 2022 and to 21% of CARE salaries from 1 January 2023.

The University is a Participating Employer in SAUL. The actuarial valuation applies to SAUL as a whole and does not identify surpluses or deficits applicable to individual employers. As a whole the market value of SAUL's assets at 31 March 2020 was £3,612m representing 94% of the liabilities. The market value of SAULs assets as at 30 April 2021 was £4,369m representing 109% of the estimated liabilities.

It is not possible to identify an individual Employer's share of the underlying assets and liabilities of SAUL. The University accounts for its participation in SAUL as if it were a defined contribution scheme and pension costs are based on the amounts actually paid (i.e. Cash amounts) in accordance with paragraph 28.11 of FRS102.

As there was a Technical Provisions deficit at 31 March 2020, allowing for post valuation experience to 30 April 2021, SAUL has a Technical Provisions surplus. Therefore, no deficit contributions were required following the 2020 valuation and there is no defined benefit liability (ie, the present value of any deficit contributions due to SAUL) to be recognised by the University.

The SAUL pension cost for the University was £4,390,397 (2019/20: £4,646,839). This includes £373,277 (2020: £375,394) outstanding contributions at the balance sheet date.

30 Events after the reporting period

USS Pension Scheme – Provision for deficit recovery plan

The Universities Superannuation Scheme 2020 valuation has now been signed and filed with The Pensions Regulator with an effective date of 1 October 2021. The 2020 Valuation came into effect with a dual rate schedule of contributions:

- leg 1 includes a small increase in contribution rates from the 2018 Valuation and a longer deficit recovery period as a result of the decision to proceed with benefit change by the Joint Negotiating Committee (JNC) subject to member consultation;
- leg 2 includes more significant increases in contribution rates from the 2018 Valuation and shorter deficit recovery period, which only becomes applicable if the JNC recommended deed on benefit changes has not been executed by 28 February 2022.

For both legs of the 2020 valuation, the future service cost of funding the current benefits is different than it was under the 2018 valuation.

The deficit recovery contributions (DRCs) in the dual rate schedule of contributions (SoC) differ in size and duration between the first and second legs.

30 Events after the reporting period (cont)

In the first leg of the SoC:

- DRCs under the 2018 valuation (2% up to 30/9/2021) cease from 1 October 2021;
- DRCs under leg 1 of the 2020 valuation commence from 1 April 2022 and include allowance for the fact that until 1 April 2022 the contributions payable under this leg of the SoC are less than the contributions required to fund the unchanged benefits accruing in that period;
- From 1 April 2022, when the proposed benefit changes are assumed to have been implemented, the DRCs are equal to 6.3% of salaries and are payable for the length of the recovery plan until 31 March 2038.

In the second leg of the SoC, which only becomes applicable if the JNC recommended deed on benefit changes has not been executed by 28 February 2022:

- DRCs commence from 1 October 2022 and include allowance for the fact that until 1 October 2022 the contributions payable under this leg of the SoC are less than the contributions required to fund the benefits accruing in that period.
  - From 1 October 2022 DRCs commence at 3% then increase every 6 months (the difference between 37% required to fund future service cost and the total contributions being collected) until they reach 20% at 1 October 2025. They remain at this level until 31 July 2032. The higher DRCs and shorter recovery period reflect the lower level of covenant support provided under this leg.

These changes will have a significant impact on the value of the pension provision held in relation to the USS scheme, which will be seen in the 2021/22 financial statements. The provision held at the end of 2020/21 is £36.6m, calculated as at 31 July 2021; under leg 1 of the new SoC, this would increase by £72.6m to £108.4m, with the increase being seen as a cost through the SOCI. If Leg 2 is triggered in February 2022, this would result in a further increase of £62.5m to a total provision of £170.9m.

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NOTES TO THE ACCOUNTS (CONT)

31 US Department of Education financial responsibility supplemental schedule

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

The amounts presented within the schedules have been:

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

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

Primary Reserve Ratio

Line item/ related disclosures	Expendable Net Assets:	2021 £000	2021 £000	2020 £000	2020 £000
SOFP (Unrestricted reserves / General Reserve)					
Statement of Financial Position – Net assets without donor restrictions	Net assets without donor restrictions		**264,804**		261,971
SOFP (Restricted reserves)					
Statement of Financial Position – Net assets with donor restrictions	Net assets with donor restrictions		**4,685**		4,880
Note 27					
Statement of Financial Position – Related party Secured and Unsecured related party receivable		**4,501**		5,732	
Note 27					
Statement of Financial Position – Related party receivable and Related party note disclosure Unsecured related party receivable			**4,501**		5,732
Note 11					
Statement of Financial Position – Property, plant and equipment, net	Property, plant and equipment net (includes Construction in progress)	**409,486**		425,498	
See Supplemental Note PPE – A					
Statement of Financial Position – Property, plant and equipment, net – pre-implementation	Property, plant and equipment – pre-implementation		**363,330**		376,954
See Supplemental Note PPE – C					
Statement of Financial Position – Property, plant and equipment, net	Property, plant and equipment – post-implementation without outstanding debt for original purchase		**45,239**		30,196
See Supplemental Note PPE – B					
Note of the Financial Statements – Statement of Financial Position – Construction	Construction in process		**917**		18,348

31 US Department of Education financial responsibility supplemental schedule (cont)

Primary Reserve Ratio (cont)

Line item/ related disclosures	Expendable Net Assets:	2021 £000	2021 £000	2020 £000	2020 £000
Statement of Financial Position (Pension Provisions)					
Statement of Financial Position – Post employment and pension liabilities + Split of Pensions from short term creditors	Post-employment and pension liabilities		**38,374**		39,418
Note 17					
	Long-term debt – for long term purposes		**101,028**		109,751
Note 17					
	Long-term debt – for long term purposes pre-implementation		**101,028**		109,751
Note 20 – Restricted Expendable					
	Term endowments with donor restrictions		**2,307**		2,531
Note 20 – Restricted Permanent					
	Net assets with donor restrictions: restricted in perpetuity		**1,012**		890
	Total Expenses and Losses:				
Statement of Comprehensive Income and Expenditure (Total expenditure not including pension provision and Endowment expenditure for the year and Restricted expenditure for the year)	Total expenses without donor restrictions – taken directly from Statement of Activities		**248,346**		279,059
Statement of Comprehensive Income and Expenditure (Loss on Investments – Gain on sale of tangible assets)	Non-operating and Investment (gain)		**-**		(728)
Statement of Comprehensive Income and Expenditure ((Gain)/Loss on Investments)	Non-operating and Investment (gain)		**(164)**		1,471
Statement of Comprehensive Income and Expenditure (Pension Provision)	Pension-related changes other than net periodic costs		**-**		(32,651)

CONTINUED OVERLEAF

NOTES TO THE ACCOUNTS (CONT)

31 US Department of Education financial responsibility supplemental schedule (cont)

Equity Ratio

Line item/ related disclosures		2021 £000	2021 £000	2020 £000	2020 £000
	Modified Net Assets:				
SOFP (Unrestricted reserves / General Reserve)					
Statement of Financial Position – Net assets without donor restrictions	Net assets without donor restrictions		**264,804**		261,971
SOFP (Restricted reserves)					
Statement of Financial Position – Net assets with donor restrictions	Net assets with donor restrictions		**4,685**		4,880
Note 27					
Statement of Financial Position – Related party receivable and Related party not disclosure	Secured and Unsecured related party receivable	**4,501**		5,732	
Note 27					
Statement of Financial Position – Related party receivable and Related party not disclosure	Unsecured related party receivables		**4,501**		5,732
	Modified Assets:				
SOFP – Non-current assets and Current assets					
Statement of Financial Position	Total assets		**477,095**		477,561
Note 27					
Statement of Financial Position – Related party receivable and Related party note disclosure	Secured and Unsecured related party receivable	**4,501**		5,732	
Note 27					
Statement of Financial Position – Related party receivable and Related party note disclosure	Unsecured related party receivables		**4,501**		5,732

Net Income Ratio

Line item/ related disclosures		2021 £000	2021 £000	2020 £000	2020 £000
Statement of Changes in Reserves (Unrestricted/Total comprehensive income for year)					
Statement of Changes in Reserves	Change in Net Assets Without Donor Restrictions		**2,833**		12,986
Statement of Comprehensive Income (Total Income – Investment Income + gain on sale of tangible assets)					
Statement of Comprehensive Income	Total Revenue and Gains		**250,834**		258,826

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