



# Financial statements

2019/2020



# **University of Surrey**

## **Financial statements for the year ended 31 July 2020**

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## Vice-Chancellor's introduction



At the onset of the pandemic we adapted our teaching model quickly and successfully to enable remote teaching and assessment across the University. We also invested considerable resource into planning for a hybrid teaching method for the 2020/21 academic year.

While most students returned home in April 2020 and continued their studies online, the University campus remained open throughout the lockdown to support those students who remained on campus, to support research that could not be paused and to provide services and support to local health care providers and key workers. Concurrently the majority of staff were supported to switch, very successfully, to remote working. Surrey's researchers and innovators responded with great agility to support the Covid-19 endeavour and more than 100 Covid-19 related research projects had been registered by July 2020.

Although online learning is rapidly developing, the physical infrastructure remains a priority to ensure the ongoing ability to deliver experiential learning. In early 2020 we welcomed to campus HRH The Countess of Wessex and HRH The Princess Royal to open the Kate Granger building (the new home for the School of Health Sciences) and the Large Animal Clinical Facilities at the School of Veterinary Medicine, respectively. New teaching spaces were also completed for psychology students and work continues to improve the engineering laboratories.

Following the successful opening in 2018/19 of MySurreyHive – a one-stop shop for student information, support and guidance – in 2019/20 we extended the concept into five academic hives within the faculties. We have also opened, for the 2020/21 academic year, MySurreyNest - a new 'student-owned' space with a focus on wellbeing. Providing somewhere to rest and relax between lectures, it has been particularly welcomed by commuter students.

I am pleased to introduce the 2019/20 financial statements which show a resilient position given the impact of Covid-19 on operations in the latter part of the year.

Given the considerable focus on improving student satisfaction, including investment in facilities and services, it was disappointing to see a further drop in overall student satisfaction as measured by the 2020 National Student Survey. As a consequence the action plan has undergone a complete overhaul and there is renewed focus throughout the University to redress the position for the coming year.

The Covid-19 pandemic had a substantial impact on certain income streams, with Surrey, like many universities, releasing students who left campus in April 2020 from their University accommodation contracts. We acted quickly to preserve cash and achieved significant savings by freezing all but essential recruitment and by imposing tighter controls on expenditure.

Helped by our decisive actions taken in 2019/20, cash balances coming into 2020/21 enable us to take a measured approach in refreshing our strategy while continuing to review all aspects of our operations. The new strategy will drive further improvement in student experience, while maintaining high quality teaching and continuing to deliver impactful research.

While the challenges ahead must not be underestimated and the financial impact of Covid-19 will be greater in 2020/21 than it was in 2019/20, Surrey is relatively well positioned to adapt and remains committed to providing the best possible experience and outcomes for its students and staff.

I would like to express my sincere thanks to all members of the University Council, staff, students and supporters for their commitment, hard work and support, which have been critical to our achievements over the past year.

A handwritten signature in black ink, appearing to read "G Q Max Lu".

**Professor G Q Max Lu**  
**President and Vice-Chancellor**

# Strategic report

## Introduction

This strategic report seeks to set the 2019/20 financial results of the University and its subsidiary companies in the context of the University's strategy and operations.

## University overview

The University was granted its Royal Charter and established as a University in 1966. Although the University was founded as a science and engineering focused institution, its educational, research and other activities now cover a broad range of disciplines, which are organised within three faculties:

- Faculty of Arts and Social Sciences
- Faculty of Engineering and Physical Sciences
- Faculty of Health and Medical Sciences.

In addition to its core academic activities the University owns and manages the Surrey Research Park which is home to a number of technology, science, health and engineering companies, many of which are spinouts from the University or benefit from close links with the University's academic activities.

Student and outreach sport are delivered by the University's wholly owned subsidiary company *Surrey Sports Park Limited* acting as agent for the University.

## University vision, mission and strategy

### Our vision

The University of Surrey will be a leading global university. We will be renowned for the outstanding quality and impact of our graduates and research, as well as our collective contributions to society. We will build on our distinctive heritage of practice-based learning and excellent student experience, and embrace our future by focusing on digital transformation.

### Our mission

The University of Surrey provides excellent education, and advances and disseminates knowledge.

The University transforms lives and shapes the world for a better future by partnering with students, governments, businesses, alumni and local communities.

The University makes social and economic impacts through research and innovation, and provides solutions to global challenges.

### Our strategic goals

We will have achieved our ambitions when we have become:

- a global leader in higher education and a destination of choice for higher learning in the UK and internationally
- a leading research institution with talented staff and students committed to research excellence and to benefitting the economy, society and the environment
- a preferred partner for government, business, industry and other universities in creating technological solutions, digital transformation and policy innovation
- financially astute and sustainable institution with diverse funding support, including philanthropy
- an engaged and connected university which is the intellectual home for alumni, supporters and the local community.

## Strategic report (continued)

### Our strategic priorities

1. Consolidate our excellent teaching and continue to improve the student experience to respond to students' growing expectations of enhanced academic quality, support services, facilities, accommodation and pathways to employment.
2. Enhance our excellent research and increase its impact to respond to an ever more competitive environment by improving the quality of research and by retaining and attracting top talent.
3. Build a global reputation and diverse resource base through engagement and partnerships to allow us to reach our education and research goals.
4. Be financially sustainable, attract and retain talented staff, enhance our digital and physical infrastructure, and increase operational efficiency and effectiveness in response to rising expectations and competition.

### The Surrey Advantage

The Surrey Advantage is marked by exceptional graduates who can think critically and differently and make a real impact on society. This is underpinned by:

- excellence in academic programmes, teaching practice and facilities
- practice-centred Professional Training programmes with enhanced soft skills
- extra-curricular activities and campus life that lead to the confidence to adapt to change as well as an outstanding network of friends and alumni.

### Looking ahead - strategic review

The emergence of the Covid-19 global pandemic has shocked every economic sector across the world - education and research included. Digital advances have accelerated, enabling highly engaging remote learning to take place, research collaborations to continue, and international conferences to be held entirely remotely. However, the restrictions on travel, concerns for wellbeing and economic uncertainty have also changed how prospective home and overseas students view their education opportunities. Similarly, the demands of the collective research community have also changed – new questions are being asked and there will be a need for innovation to drive economic regeneration. With this context in mind, it is timely to review the University's strategic direction. Through 2020/21 the Executive will lead an engaged review of the strategy to ensure it continues to be agile and adaptive to its environment, and continues to enable the University to achieve its mission.

### Operating environment

The University entered the 2019/20 academic year amid continuing volatility in the political landscape, with a change to governmental leadership in July 2019, followed by the UK's exit from the EU on 31 January 2020. The declaration of Covid-19 as a global pandemic in March 2020 added significant additional pressure, risk and unprecedented disruption, leading the University to take pre-emptive action and make significant adjustments to planned expenditure in anticipation of reduced income. Countries across the world went into lockdown to prevent the spread of the virus, and travel restrictions, border closures and strict social distancing measures were enforced nationally and globally.

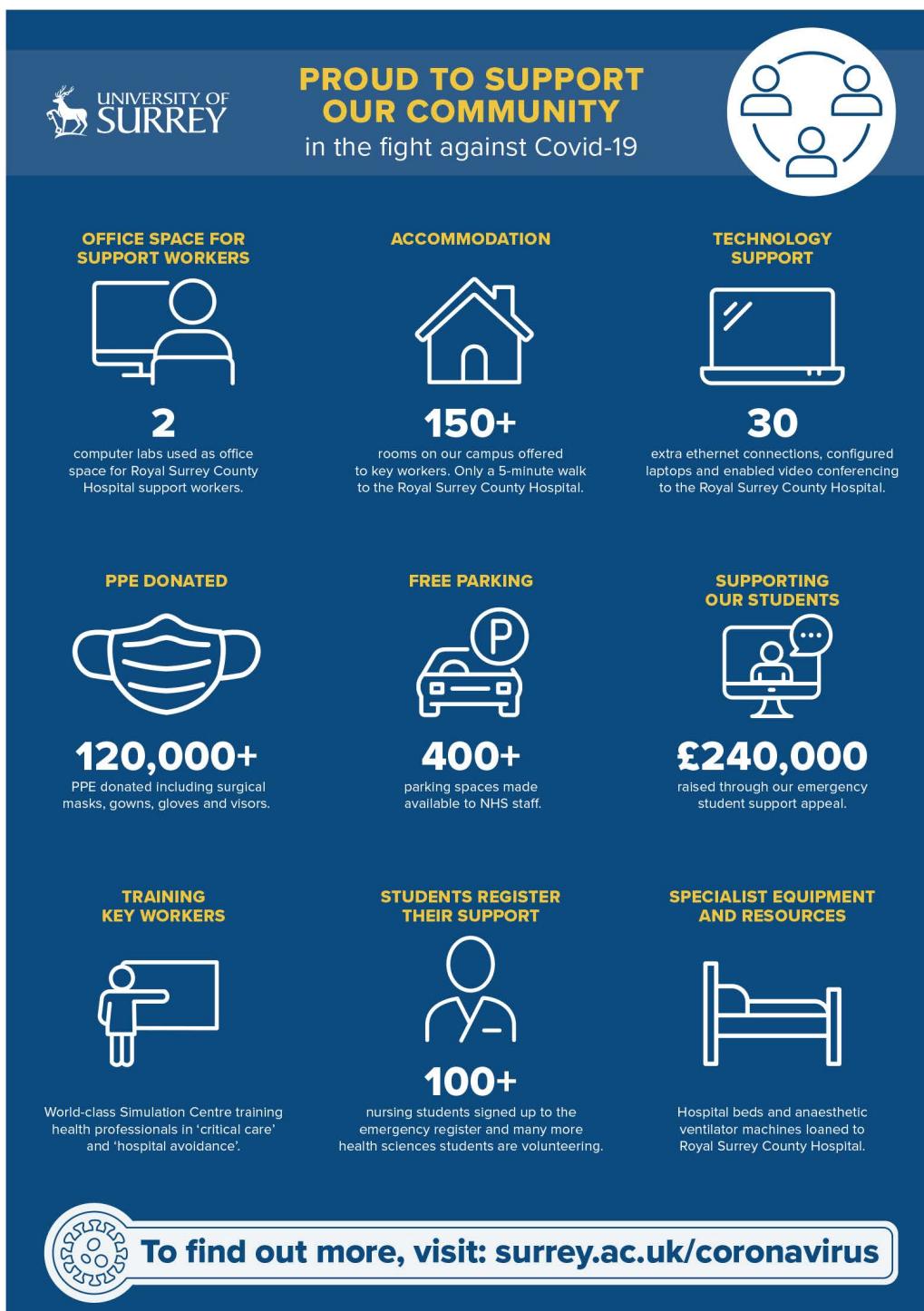
To ensure ongoing operational viability, the University quickly and successfully adapted its teaching model to enable remote teaching and assessment across the entire portfolio and invested considerable resource into planning for a hybrid teaching method for the academic year 2020/21. Most, but not all, students returned home in April 2020 and continued their studies online. Final year students completed their degrees remotely and their graduation ceremonies were postponed. All but the most essential research activities were paused and

## Strategic report (continued)

most staff switched to remote working. A skeleton operation remained in place to support those students who stayed on campus and to provide services and support to local health care providers and key workers. A campaign was launched to raise funds for students suffering financial hardship as a result of the pandemic, and support was adapted and expanded in many different ways to enable students to continue their studies successfully regardless of Covid-19.

As restrictions were lifted the University implemented a phased return of campus operations, enabling research to continue and to prepare for the safe return of students. The unprecedented national and global disruption was expected to affect many students' plans for study in 2020/21 and beyond. Recruitment targets and associated income plans were adjusted accordingly and other mitigating actions were taken to create resilience to the financial impact of the pandemic.

*Infographic 1: Covid-19 related support for the community*



## Strategic report (continued)

### Risk

The University's risk management framework is set out in the Corporate Governance statement on pages 23 to 29.

#### Risk appetite

The University defines its risk appetite as '*the level of risk the organisation is prepared to take to achieve its strategic objectives*'. It reviews and publishes its Risk Appetite Statement annually. Defining and communicating risk appetite within the University helps the University to achieve its strategic objectives by better aligning decision making and risk. It gives clarity over the risks the organisation wishes to take, increases the capacity of the organisation to take on risk and provides a basis for consistent communication to stakeholders.

In 2020 it was exceptionally decided that, in addition to the normal annual review prior to the start of the annual planning process, the risk appetite would be reviewed again in March due to the outbreak of Covid-19 and the unprecedented effect this had on the external operating environment.

As a result of the second review, and due to increased risk levels in core activities, the University revised down its risk appetite from 'open' to 'cautious' with respect to financial, reputational and operational risks. This reflected the decision to focus on protecting the University's ability to deliver core services rather than innovating and progressing at this time. Progress towards the University's strategic aims will resume when the full impact of the challenge is understood and recovery can be planned.

The table below demonstrates the University's risk appetite in each category.

*Table 1: Risk appetite*

RISK APPETITE	CATEGORY OF RISK			
	Financial	Reputational	Operational	Compliance (Legal / Regulatory / Health & Safety)
<b>Averse:</b> <i>Avoidance of risk and uncertainty is a key organisational objective</i>				✓ (Compliance related to serious incidents)
<b>Minimalist:</b> <i>Preference for ultra-safe business delivery options that have a low degree of inherent risk and only have potential for limited reward</i>				✓ (Regulatory and H&S)
<b>Cautious:</b> <i>Preference for safe delivery options that have a low degree of inherent risk and may only have limited potential for reward</i>	✓	✓	✓	
<b>Open:</b> <i>Willing to consider all potential delivery options and choose the one that is most likely to result in successful delivery while also providing an acceptable level of reward</i>				✓ (Legal)
<b>Invite:</b> <i>Eager to be innovative and to choose options offering potentially higher business rewards</i>				

## Strategic report (continued)

### Corporate risk register

The University's Corporate ('Level 1') Risk Register reflects those risks which have the potential to significantly affect the University as a whole. These are risks which, if they materialise, could destabilise the University's financial viability, reputation, operations or ability to achieve its strategic objectives. These are the highest-level risks that the University faces. They are identified at the Executive Board level and the most significant risks are reviewed regularly by the Council and the Executive Board.

The current highest-scoring Level 1 risks relate to the University's ability:

- to generate sufficient cash to maintain financial sustainability
- to recruit, retain and develop a workforce with the right skills and capabilities to deliver the strategy
- to recruit a financially sustainable number of students
- to enhance the student experience
- to achieve strong student retention, academic success and employment outcomes.

### Education and student experience

*We provide talented and motivated students from all backgrounds, and of all nationalities, with an outstanding education. We draw on our excellent research and partnerships to equip students with the knowledge, professional skills, and personal qualities to achieve their ambitions.*

#### 2019/20 highlights

During 2019/20 the University appointed Professor Osama Khan to the role of Vice-Provost for Education. In this role he has worked in partnership with the Chief Student Officer to deliver the University's vision for education and student experience.

This has included the creation of the Surrey Institute for Education, which provides a hub for evidence-based educational enhancement at the University. Its aims are:

- to support innovation in learning design and digital learning
- to lead educational enhancement through teaching, continuing professional development and professional accreditation
- to work in partnerships with students in the development of learning and teaching
- to lead educational research and evaluation
- to promote evidence-based approaches to education.

The development of the University's online learning facilities and potential was fast-tracked in the 2019/20 academic year due to the Covid-19 pandemic. Now, in the 2020/21 academic year, Surrey is embracing hybrid education as the new normal. The principles adopted in the hybrid approach champion a 'blended, online-first approach', with SurreyLearn as the base for 'equitable learning opportunities' for all students, and 'facilitated, active and student-centred learning'.

Although online learning is developing rapidly, the physical infrastructure remains a priority to ensure the ongoing ability to deliver excellent experiential learning. In January 2020 the University celebrated further enhancement of its on-campus teaching facilities with the opening of the Kate Granger building by HRH The Countess of Wessex. As the new home of the School of Health Sciences, the Kate Granger Building incorporates a state-of-the-art simulation suite and purpose-built wards where students can refine their clinical skills. The following month HRH The Princess Royal opened the Large Animal Clinical Facilities at the School of Veterinary Medicine, which comprise state-of-the-art teaching aids and simulation models. New teaching spaces have also been completed for psychology students and work continues to improve the engineering laboratories.

## Strategic report (continued)

Student support also remains a priority. Following the successful launch in 2018/19 of MySurrey Hive - a one-stop shop for student information, support and guidance, including accommodation, wellbeing and finance - in 2019/20 the University extended the concept into five academic hives located within the faculties. These are designed to offer support to students with academic enquiries.

The University continues its strong support for student wellbeing initiatives and recently opened MySurrey Nest - a new 'student-owned' space with a focus on wellbeing. It provides somewhere to rest and relax between lectures and has been particularly welcomed by commuter students. Adapting to the need for more online support during the Covid-19 pandemic, the Wellbeing service moved all its services online, and where possible face-to-face, for students and staff, recognising the exacerbation of health and wellbeing challenges as a result of Covid-19.

The University works with students from defined target groups across the student lifecycle, providing relevant and consistent support at each stage. Where appropriate it prioritises specific groups for focused support at particular stages. Examples of support for current students include:

- the professional training year (PTY) bursary, which provides financial support for students from underrepresented groups to access a professional training year
- 'Play Sport', a scheme designed to increase the inclusivity of the University's sports facilities by offering students the opportunity to participate in sports without having to join a team
- a peer assisted writing scheme to help students develop their study skills and improve their chances of success at university.

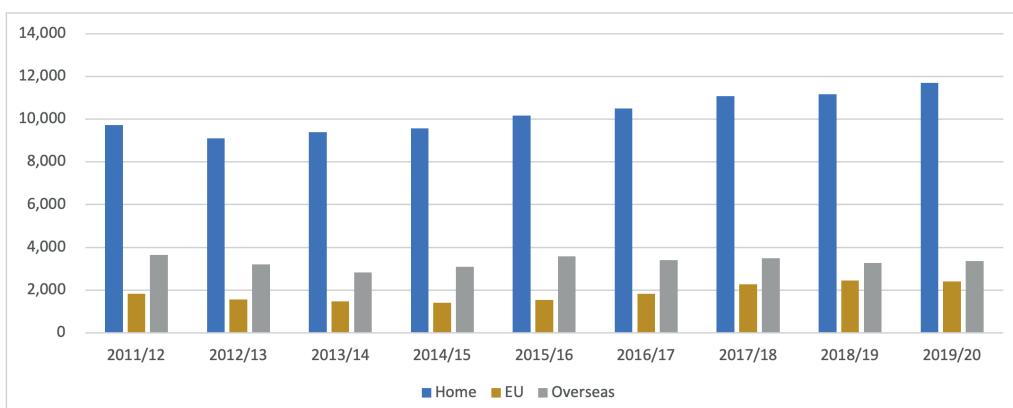
The University continues to build on its partnership with Kings College, Guildford and the [Finding our Futures](#) programme. As part of the delivery of outreach activities to disadvantaged students, the University's Summer School programme was moved onto a virtual platform and was attended by 270 students in 2019/20.

In addition, there has been a significant focus on addressing equality and diversity challenges across both the student and staff community. Strongly informed by qualitative research undertaken by one of the Student Union sabbatical officers, an action plan was curated and implemented. This had a specific focus on the attainment gap between black students and the rest of the cohort. Other initiatives included an awareness roadshow which was delivered across the University, introduction of a targeted peer mentoring scheme, and the establishment of a staff network 'Surrey Embracing Equality and Diversity ('SEED') as the first anti-racist network on campus. This activity is already leading to a narrowing of the awarding gaps that have existed within the University's graduating cohorts and there is commitment to go further.

### **Student numbers**

In line with the strategic imperative for growth, the University achieved modest increases in its student population in the academic year 2019/20. In the context of the reducing demographic of 18-year olds in the UK, this has required expansion of foundation year programmes and increased focus on overseas recruitment where the re-introduction of post-study work visas for graduates has created further opportunity.

*Graph 1: Student population by fee status (headcount)*



## Strategic report (continued)

### **Student retention and outcomes**

Included within the University strategic plan are actions to ensure all students, regardless of their background, have equal opportunity to succeed.

88% of first year students successfully progressed to their second year of study from 2018/19 into 2019/20, and 82% of students graduating in 2019/20 achieved a good degree (1st or 2.1). This reflected a 1% increase in the percentage of good degrees when compared with 2018/19. However, an awarding gap remains whereby groups with specific characteristics achieve different outcomes. For example, only 73.2% of students identifying as Black and Minority Ethnic (BME) achieved a good degree in 2019/20. The University is making progress to reduce the awarding gaps. It has in place a series of actions through its access and participation plan and has set ambitious targets for the next five years.

### **Employability**

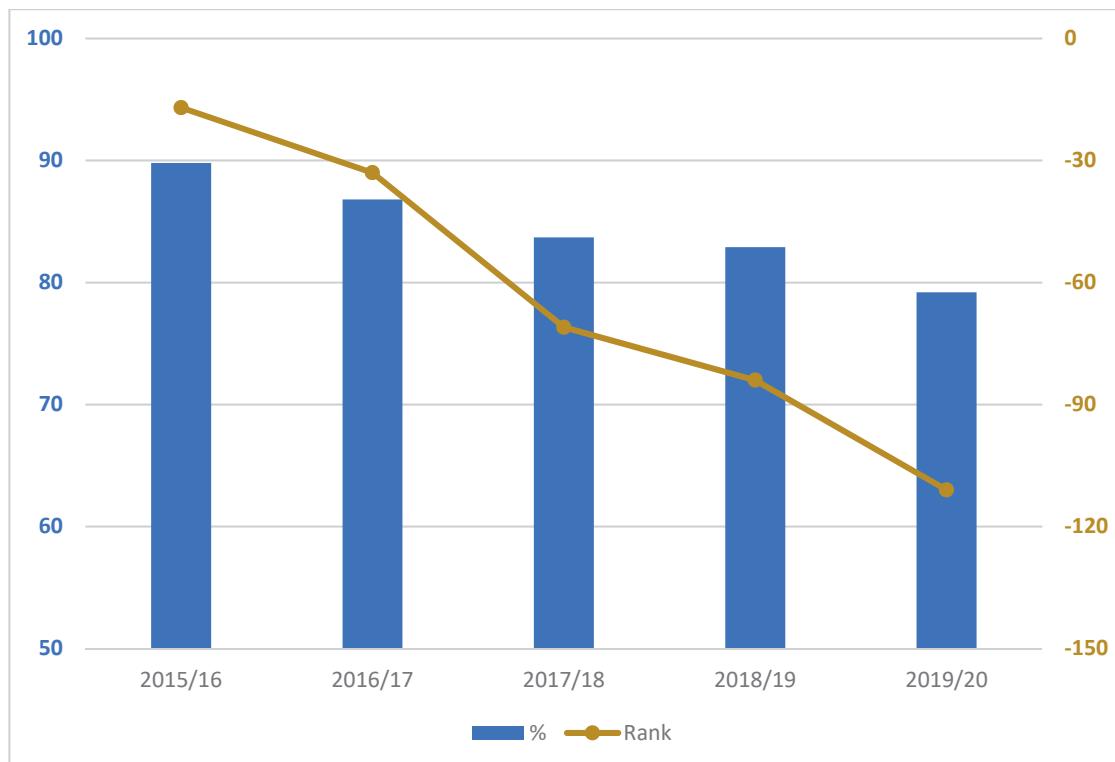
The University seeks to ensure that all its graduates are equipped with the skills and knowledge to be successful in the workplace. A key contributor to that goal is the focus on experiential learning - from laboratory and group work, to short placements, through to full one-year professional training programmes (PTY) or exchanges and extramural rotations. In 2019/20 Surrey won the National Undergraduate Employability Award for the Best University Placement Service (over 500 placements) for the second year running.

The latest HESA data (relating to the 2017/18 cohort), shows 96% of Surrey graduates in employment or further education post-graduation. 83.7% of students from the 2017/18 cohort are employed specifically in graduate-level roles, placing Surrey 9th overall in the UK for this metric and 2nd in the South East.

### **Student satisfaction**

Given the considerable focus on improving student satisfaction, including investment in facilities and services, the University was disappointed to see a further drop in overall satisfaction as measured by the 2020 National Student Survey. As a consequence the action plan has undergone a complete overhaul and there is renewed focus throughout the University to redress the position for the coming year.

*Graph 2: Overall satisfaction in the National Student Survey (%)*



## Strategic report (continued)

### Research and innovation performance

*Our Research and Innovation Strategy recognises the intrinsic connectedness of research and innovation and will see Surrey accelerate its journey towards being a truly great global university.*

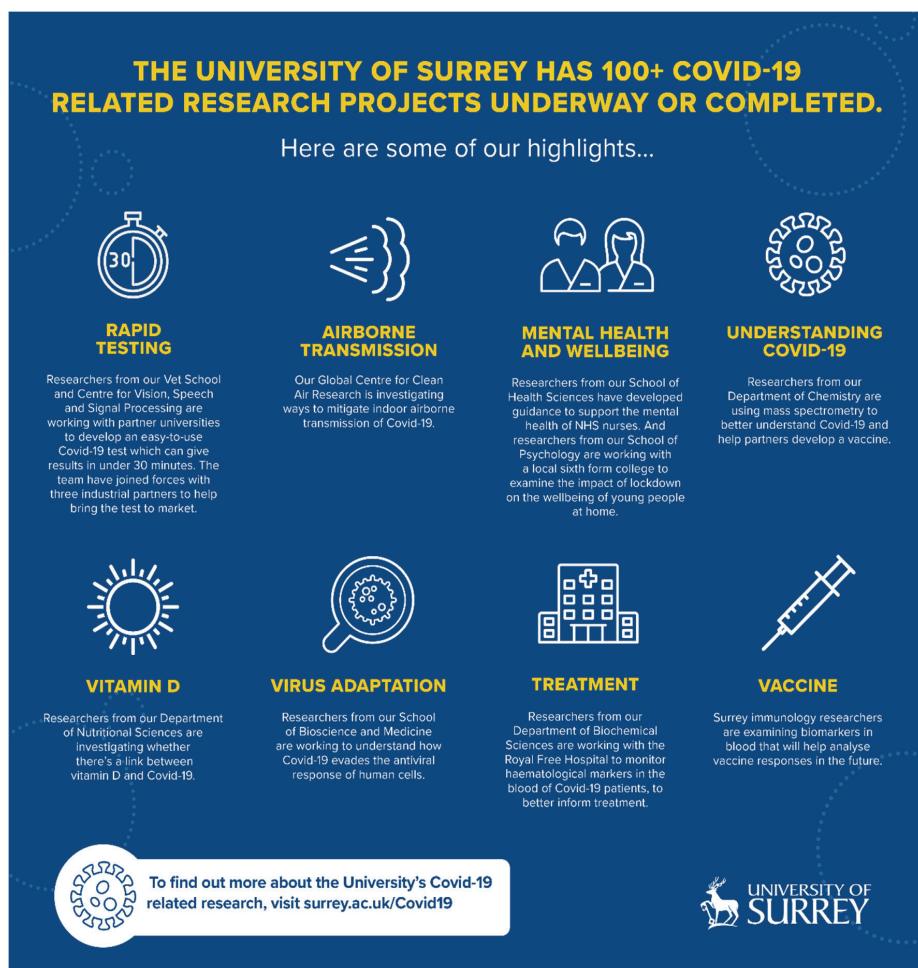
#### 2019/20 highlights

The University continues with its aim to grow the scale of research undertaken and to increase its impact. In support of this, the Research and Innovation Strategy sets out a number of strategic initiatives to take advantage of opportunities:

- to build the scale and excellence of world-class research
- to be the destination of choice for early career researchers (including postgraduate research students)
- to be a preferred partner for government, business and industry.

Surrey responded with great agility to support the Covid-19 endeavour. By July 2020 more than 100 Covid-19 related projects had been registered. Similar flexibility was seen in the innovation field with little drop in overall activity, but considerable change in direction. The ‘home-grown’ Covid-19 point-of-care test exemplifies Surrey’s strengths. Conducted in collaboration with Lancaster and Brunel universities, this initiative is led by the newly incorporated Vidiia Ltd, which has brought together expertise from companies on the Surrey Research Park to move into a new business area, strongly supported by the University’s technology transfer team and researchers from the School of Veterinary Medicine and from the Centre for Vision, Speech and Signal Processing – a highly collaborative team, that is moving fast to establish its novel device as a viable choice for large-scale Covid-19 testing.

*Infographic 2: Covid-19 related research projects (as at 31 July 2020)*



## Strategic report (continued)

2019/20 brought expansion of the strategic research themes – with ‘Lifelong Health’ and ‘Technology and Society’ added to the established themes of ‘Sustainability’ and ‘Urban Living’. The University has also supported the Artificial Intelligence special interest group AI@Surrey to mobilise interest across campus in advancing AI algorithms to address practical, real-world applications.

In November 2019 a new role of Academic Lead in Research Culture and Integrity was created with the aim of advancing a research culture of excellence, openness and transparency. Aligned with this, in December 2019 Surrey was one of the first ten universities to join the UK Reproducibility Network (UKRN) which was established to coordinate training and share best practice to improve the transparency and quality of research in the UK.

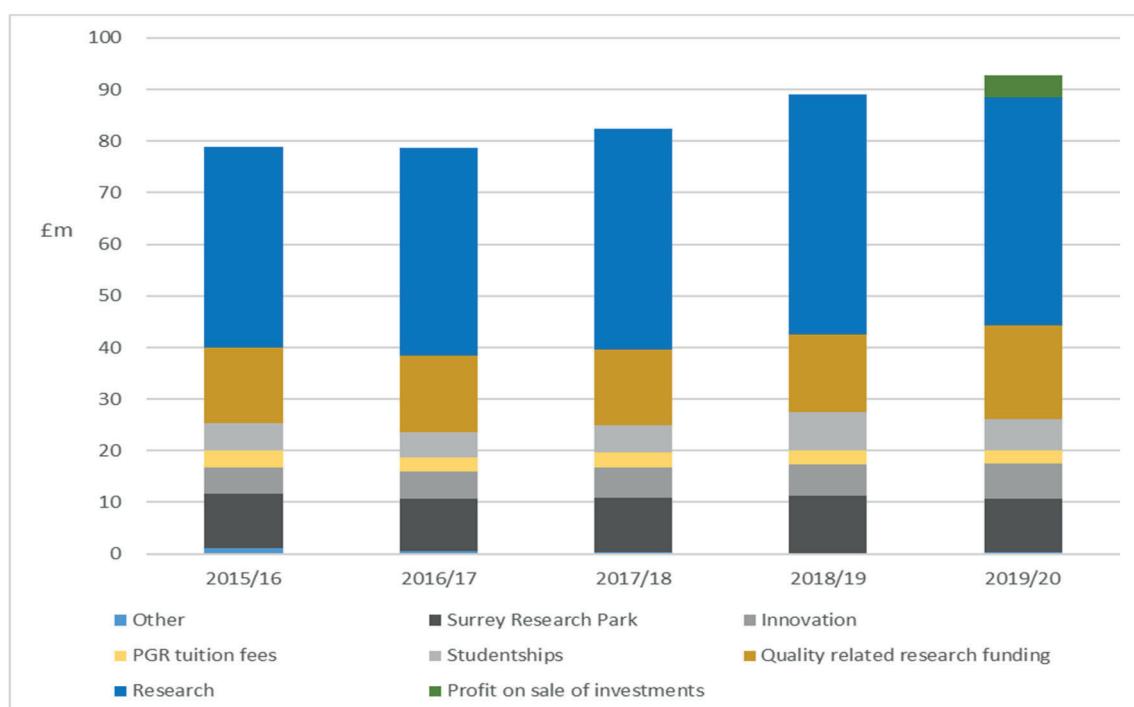
Meanwhile, the University continues to make the most of regional opportunities. For example:

- in the space sector Surrey continues to participate in the Space Research and Innovation Network for Technology (SPRINT), providing SME support for the sector in collaboration with the universities of Leicester, Edinburgh and Southampton and the Open University
- work continues with the Enterprise M3 (EM3) Local Enterprise Partnership (LEP) on driving economic growth and productivity
- collaborative opportunities continue to be pursued with the National Physical Laboratory (NPL) and the University of Strathclyde
- in the Digital One Health arena, centred on the Veterinary Health Innovation Engine (vHive) based at the School of Veterinary Medicine, Surrey is advancing a regional cluster involving Zoetis, the Pirbright Institute and the Animal and Plant Health Agency, supported by the EM3 LEP and the Department of International Trade (DIT) which has awarded this initiative High Potential Opportunity status which will provide DIT support for inward investment.

In November 2019 the outstanding SETsquared Enterprise Partnership, comprising the Universities of Surrey, Bath, Bristol, Exeter, and Southampton, was ranked the global number one University Incubator of the Year by UBI Global for the third time.

Overall, the University generated income of over £90m in 2019/20 across its full range of research and innovation activities, continuing a cycle of year-on-year growth despite the significant disruption caused by the pandemic and the requirement to pause all but the most critical research activities.

*Graph 3: Overall research and innovation income by year (£m)*



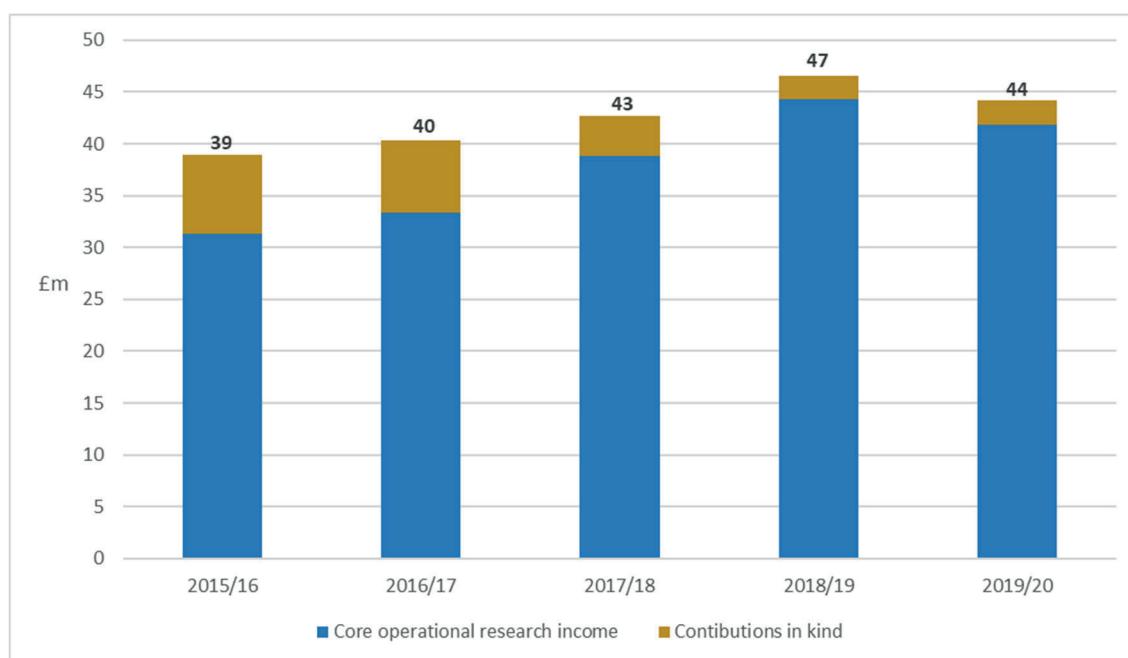
## Strategic report (continued)

In addition to income growth, the University has seen an increase in its field-weighted citation impact to c. 1.70 for 2018, the latest complete year, which is above the UK average (a score over 1 means a publication has been cited more times than the world-wide average for that discipline).

### **Research income and awards**

Research income performed strongly in 2019/20 particularly in the context of the impact of the global pandemic on activity levels. Core operational research income from research grants and contracts was £41.8m, 6% lower than for the previous year (2018/19: £44.4m). Contributions in kind from partners on the 5G Innovation Centre (5GIC) Programme totalled £2.4m (2018/19: £2.2m), giving total income from research grants and contracts (RG&C) for the year of £44.2m (2018/19: £46.6m). These figures exclude £0.9m of income from a three year, £3.6m, Expanding Excellence in England (E3) grant which has been accounted as Funding Council grant income.

*Graph 4: RG&C income (£m)*



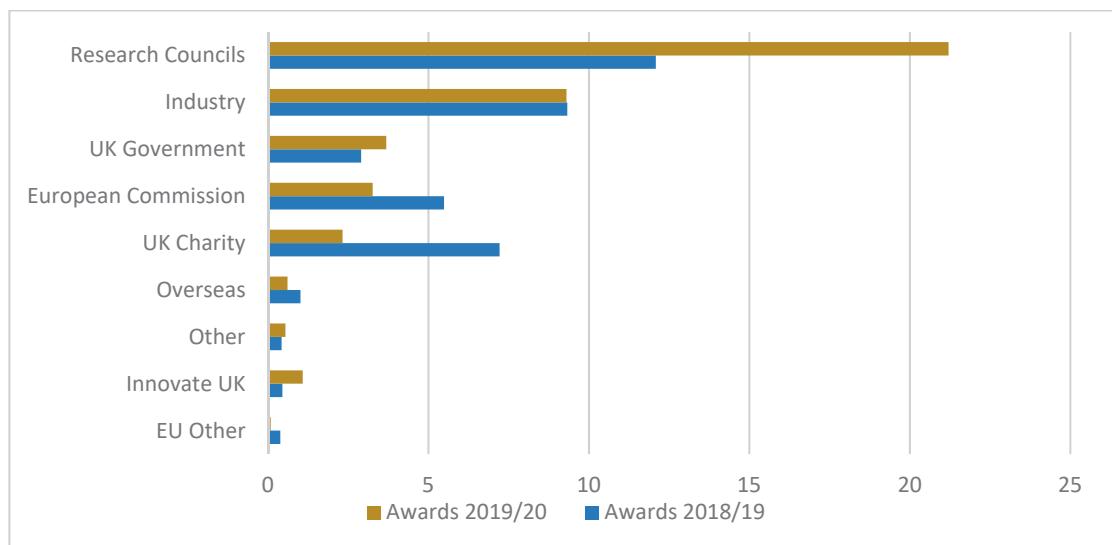
New awards at £46.5m were £7.2m higher than for the previous year. This total included a £4.4m Covid-19 extension grant allocation from UK Research and Innovation (UKRI) to help manage costed extensions to UKRI-funded projects which were impacted by the pandemic.

Significant awards included:

- £3.2m from an industrial partner to support joint laboratories
- £3.1m from the Engineering & Physical Sciences Research Council for the ‘Next Stage Digital Economy Centre in the Decentralised Digital Economy’ (DECaDE)
- £2.1m from the Engineering & Physical Sciences Research Council for ‘AI for Sound’
- £1.5m from the Engineering & Physical Sciences Research Council for the High Resolution Ion Beam Analysis Facility
- £1.5m from an industrial partner for communications research
- £1.5m from Hampshire County Council for the Enterprise M3 LEP project, Phase 3
- £1.1m from the Natural Environment Research Council (NERC) for Aviation Risk Modelling (SWARM)
- £0.9m from an industrial partner underpinning a strategic partnership
- £0.7m from The British Academy for ‘Accelerating our Discovery of the Linguistic Past’
- £0.6m from Innovate UK for the Global Home Pilot Demonstrator.

## Strategic report (continued)

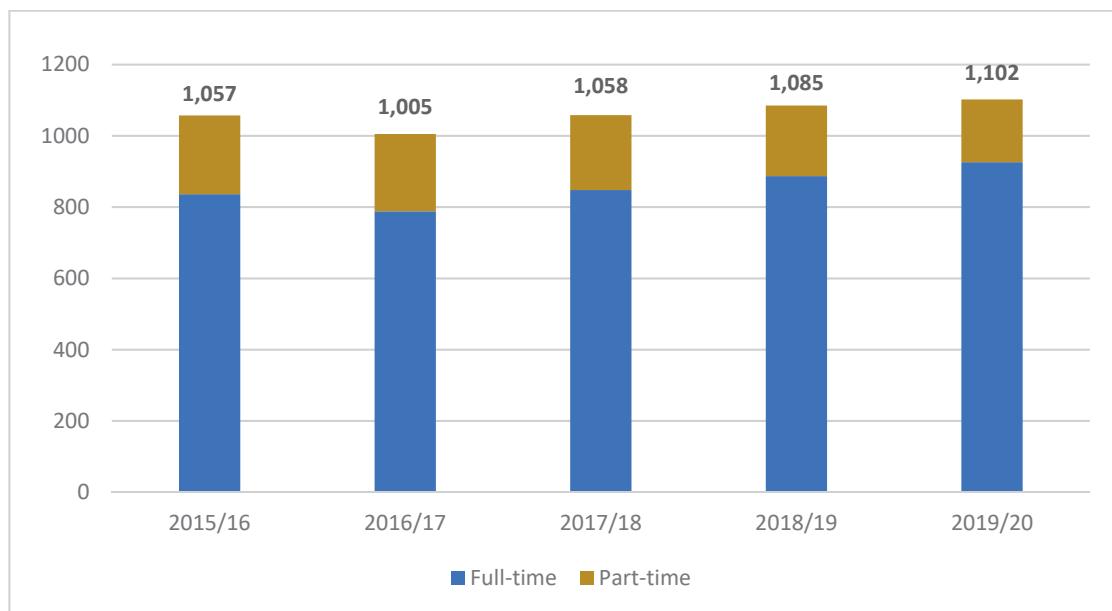
*Graph 5: RG&C awards by funder type, excluding offers of funding not yet contracted (£m)*



### ***Postgraduate researchers***

There has been a steady increase in the number of postgraduate research (PGR) students since 2016/7 due to internal investment in this area. Additionally, the Postgraduate Research Experience Survey (PRES) feedback shows overall satisfaction for 2020 of 84.3%, an increase of 1% compared to the previous year. PRES 2020 ranked Surrey in the top 10 of UK Universities for the second time in three years – 7th for overall satisfaction and 1st for research culture.

*Graph 6: PGR population (headcount)*



Significant tailored support has been provided to postgraduate researchers whose studies were disrupted by the pandemic. This has included extensions, financial support, increased communications, and wellbeing and mental health interventions.

The University's Annual Doctoral College Conference was successfully moved online in June 2020 bringing the University's postgraduate and early career researchers together from across the globe. Participant numbers were up on the previous year and the overall approach was highlighted as a case study for best practice by the Office of Students in their briefing note on Covid-19 support for PGRs.

## Strategic report (continued)

### *Industrially funded research and innovation*

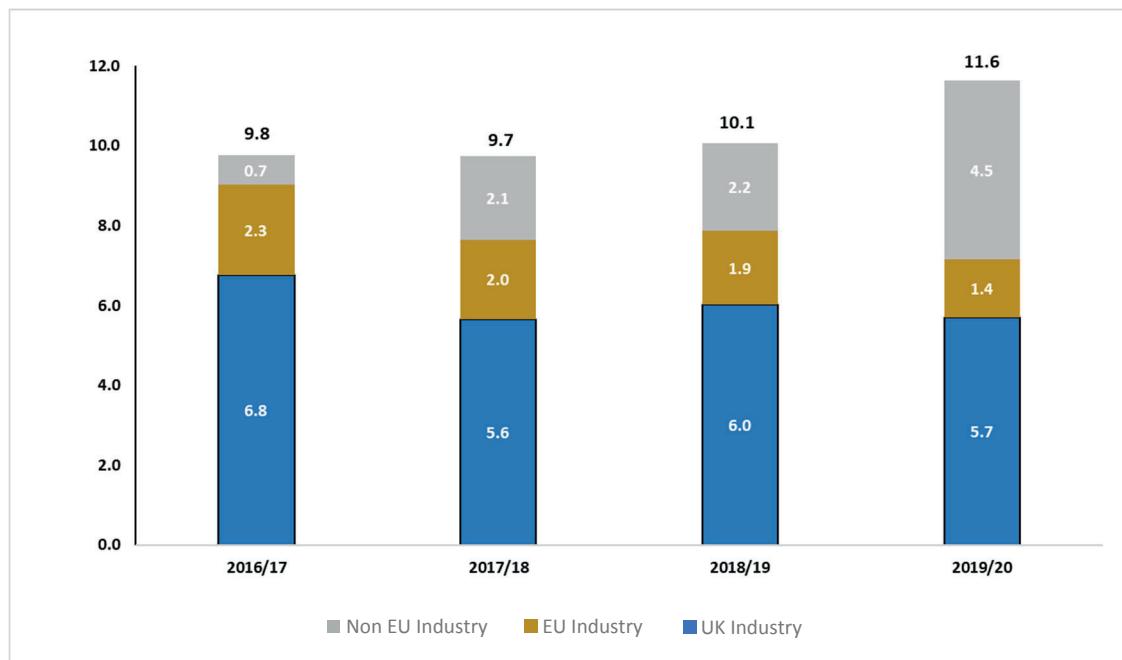
Since its inception the University of Surrey has had a proud track record in knowledge exchange through collaboration with business and industry. This has included collaborations facilitated by the Surrey Research Park which supports around 170 businesses.

Income from industry for research and innovation has continued to grow, rising from £10.1m in 2018/19 to £11.6m in 2019/20, an increase of 15%. Around 39% of this income originates from outside the EU, 12% from the EU, and 49% from UK companies. The University also has a large portfolio of collaborative work with industry, with the University's expenditure covered by UKRI funded programmes and industry partners either covering their own costs of engagement or claiming funding for their expenditure. Although this leveraged industry income is not reflected in the University's financial statements, it is income to the University's innovation ecosystem and is an important aspect of its innovation impact story. Examples of such activity in 2019/20 included:

- four new Knowledge Transfer Partnerships (KTPs) where three companies are investing a total £285k, alongside the £317k funding to the University
- eight SPRINT projects with industry investment totalling £411k, alongside the £482k of Connecting Capabilities Fund (CCF) funding to the University
- five Innovate UK projects with total industry investment of £5m alongside £1.1m funding to the University.

This collaborative approach is also reflected in the CWTS Leiden ranking on the proportion of papers co-published with Industry, where Surrey is ranked 101st globally and 6th in the UK.

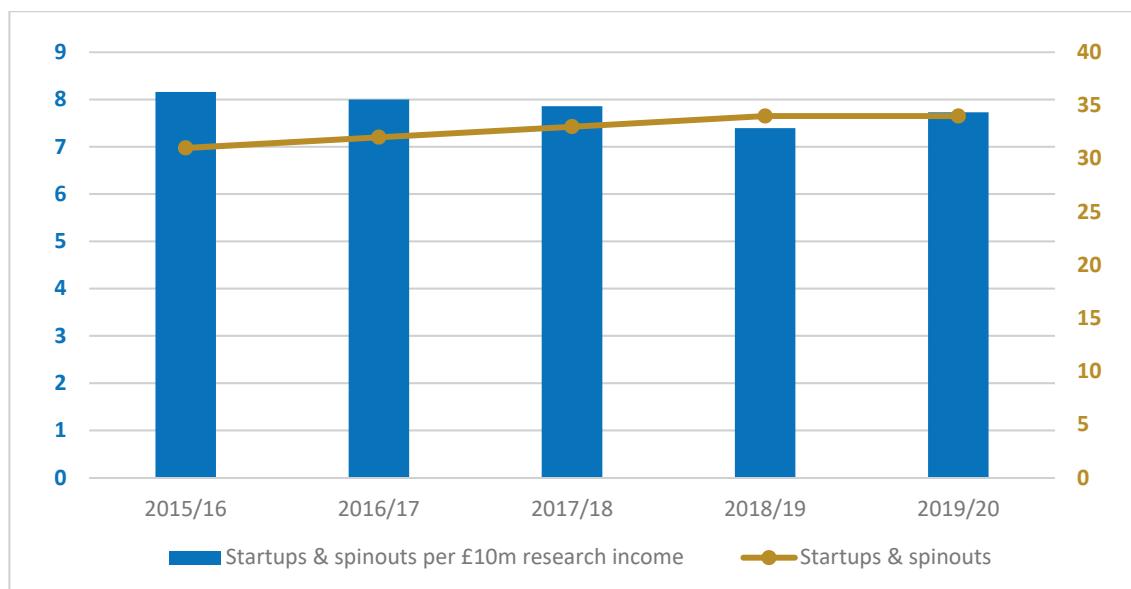
*Graph 7: Trend in industrially funded research and innovation by geographic area (£m)*



Knowledge exchange through commercialisation has seen the creation of a diverse portfolio of spinouts, licensing agreements and investments over a number of years. Profit on sale of investments generated £4.4m during 2019/20.

## Strategic report (continued)

*Graph 8: Startups and spinouts*



## Engagement

The University continues to build strong and mutually beneficial relationships with other universities, industry, and wider local and international communities. These relationships take many forms from collaborative research and delivery of education through to volunteering in local charities and partnering with local community organisations. Multiple events are held on or near campus to engage the wider community in the University's mission. Through 2019/20 the University has continued to explore opportunities to develop its presence and reputation globally and nationally, with neighbourhood relations and a focus on inspiring the next generation continuing to be a priority. Due to the Covid-19 pandemic, from March 2020 onwards a number of the planned public and community engagement activities had to be paused or adapted. Despite this, an extraordinarily high level of outreach activity was carried out by our staff and students in support of the local community.

2019/20 events included:

- star gazing outreach activities run by the University's astrophysics group
- annual festivals of research and conferences, e.g. the Faculty of Social Sciences Festival of Research held in January 2020 and the Surrey Healthy Ageing Research Project (SHARP) events - public events held to share the University's research and encourage future research questions
- [Pitch@Palace On Tour](#) which attracted a wide range of participants and a large audiences, with entrepreneurs pitching their business ideas to a panel of judges, mentors and investors.

In addition to the University hosting and participating in events, several academics act as ambassadors for the University, inspiring colleagues and the public by sharing their research with them in an accessible and relatable way.

These ambassadors include:

- Professor Jim Al Khalili (*Distinguished Chair, Professor of Physics, Professor of Public Engagement in Science and Centre Director*) who hosts the popular BBC Radio 4 series 'The Life Scientific' and co-chairs Surrey's Public Engagement Forum
- Professor Jane Ogden (Professor of Health Psychology) who is committed to sharing her expertise on eating behaviours and weight management and frequently contributes to magazines, radio and television programmes including the Channel 4 programmes 'Secret Eaters' and 'The Truth about Fat'

## Strategic report (continued)

- Professor Prashant Kumar (*Chair in Air Quality and Health and the founding Director of the Global Centre for Clean Air Research (GCARE)*) who advises local, national and international agencies on air pollution and urban nexus and actively shares his research in media outlets such as the BBC and The Times
- Professor Noel Fitzpatrick (*Professor of Veterinary Orthopaedics*) who is well known for his role in the Channel 4 TV series ‘SuperVet’.

Collaborating with communities and organisations both locally and globally is core to research success at Surrey. In partnership with Surrey Wildlife Trust and Guildford Borough Council’s Project Aspire, the North-West Guildford 2030 (NWG2030) project aims to support the residents of North-West Guildford in sparking positive social and environmental change in their community and in establishing a greener future for the area. In a bid to boost the local economy, a new partnership between the University, Visit Surrey and Surrey Chambers of Commerce will introduce a series of events aimed at helping local businesses enhance their profitability through digital collaboration.

Looking to the future, the University is excited by the opportunities that the new partnership with the Winchester Science Centre will bring. The intention is to collaborate on a wide range of engagement and outreach initiatives including:

- placement opportunities for students
- increased involvement by the University of Surrey in projects at the Centre
- a Science, Technology, Engineering, Arts & Maths (STEAM) student ambassador initiative
- community projects aimed at ensuring everyone has the opportunity to learn about and benefit from a career in STEAM.

The University is also an active member of the leading university news outlet ‘The Conversation UK’, with the 99 articles published by Surrey academics in the last three years having been read over 3.2m times.

The University seeks to maintain a lifelong connection with its alumni, building a sense of ‘Team Surrey’ throughout their careers and lifetimes. Engagement takes a number of different forms including:

- alumni engagement events held around the world
- an annual telethon campaign which is both a fundraiser and an opportunity to reconnect with fellow alumni
- annual alumni awards including a presentation evening
- various schemes to connect alumni with current students in mentoring, coaching and advice capacities.

Alumni engagement and other philanthropic fundraising efforts generated over £8.2m in commitments during the year to further the University’s mission.

## People and culture

During 2019/20 the University built on the previous year’s work to enhance employee engagement. A programme of events was put in place to enable colleagues to hear directly from the Vice-Chancellor and other senior staff. These included ‘Ask the VC’ townhall sessions and a series of more informal ‘VC in Conversation’ discussions, as well as small group sessions for staff to meet with the Vice-Chancellor, Provost and HR Director. These engagement activities were necessarily switched to an online offering as Covid-19 took hold. The ability to connect with colleagues assumed ever greater importance during the period of lockdown and beyond. Individual employees were supported through online forums and informal team check-ins, while line managers were given specific advice and support in leading their teams through unsettled times. A new development programme for new and/or aspiring line managers was also launched remotely during this period.

The University campus remained open throughout lockdown, to support students who had to remain on campus and to support research that could not be paused. However, the closure of catering outlets, reduced requirements for other operational services (e.g. cleaning) and changed priorities across a range of functions led

## Strategic report (continued)

to a significant number of staff being furloughed under the government's Coronavirus Job Retention Scheme (CJRS).

Concurrently staff were supported to switch, very successfully, to remote working. Survey feedback received during the height of the pandemic and subsequently showed that staff felt equipped to work in a new way and appreciated having more flexibility in determining their own work location and pattern. This is an approach that will be continued, where possible, in the future.

As well as the focus on creating the right environment for current staff to be successful, strategic recruitment continued at pace in the early part of the year and several high-profile appointments were made. These included a number of Vice-Chancellor's Fellows, spanning the three faculties and bringing international expertise across a range of research fields.

## Financial review

### Introduction

In order to reduce volatility created by FRS 102, the University has adopted the accrual model for accounting for government capital and revenue grants, and hedge accounting for qualifying interest rate swaps. It remains exposed to volatility in respect of a number of items which may be subject to significant movements from one year to the next as a result of changes in market conditions. These include:

- movements on the provision for payments under the Universities Superannuation Scheme (USS) deficit recovery plan
- movements in the fair value of those interest rate swaps which do not qualify for hedge accounting
- changes in the market value of Surrey Research Park.

The University monitors performance against an underlying operating surplus which excludes these and other items over which it has little or no control and which it does not include in budgets.

The above items had a particularly marked impact on the 2019/20 income and expenditure account, with a £38.4m favourable movement on the provision for USS deficit recovery plan payments partially offset by an £8.4m downward revaluation of Surrey Research Park.

The headline result for 2019/20 was a consolidated surplus of £44.3m. This compared with a £57.3m deficit for 2018/19 when there was a £54.6m adverse movement on the provision for payments under the USS deficit recovery plan and a £1.8m downward revaluation of Surrey Research Park.

The underlying operating surplus for 2019/20 was £8.7m (2018/19: £0.1m) as shown below.

*Table 2: Reconciliation to underlying operating surplus*

	<b>2019/20</b>	<b>2018/19</b>
	<b>£m</b>	<b>£m</b>
<b>Consolidated surplus / (deficit) for the year</b>	<b>44.3</b>	<b>(57.3)</b>
Movement on USS provision	(38.4)	54.6
Increase in interest rate swaps liability	1.2	1.1
Loss on Surrey Research Park revaluation	8.4	1.8
Other investment (gains) / losses	(3.5)	0.2
Endowment and restricted income (net of expenditure)	(3.3)	(0.3)
<b>Underlying consolidated operating surplus for the year</b>	<b>8.7</b>	<b>0.1</b>

## Strategic report (continued)

Although the £8.7m operating surplus for 2019/20 was significantly higher than the 2018/19 figure of £0.1m, it was broadly in line with the 2017/18 figure of £8.0m. The dip in 2018/19 was largely a result of an enhanced voluntary severance scheme which was put in place to enable the University to enter 2019/20 with a more sustainable cost base.

The Covid-19 pandemic had a substantial impact on certain income streams (notably student accommodation fees, catering and conferences). However, the University acted quickly to preserve cash and achieved significant savings by freezing all but essential recruitment and by imposing tighter controls on expenditure. As explained earlier in this report, closure of catering outlets, reduced requirements for other operational services (e.g. cleaning) and changed priorities across a range of functions led to a significant number of staff being furloughed under the government's Coronavirus Job Retention Scheme (CJRS). Income from this scheme of c. £3.5m (including claims made by Surrey Sports Park Limited) further helped the University to manage the financial impact of the pandemic in 2019/20.

Total consolidated income remained flat in 2019/20 at £315.2m (2018/19: £315.3m). The notes to the accounts show the following compensating movements:

• Income from residences, catering and conferences	- £5.7m
• Income from research grants & contracts	- £2.4m
• Funding Councils income (includes £0.9m accelerated QR research grant) from 2020/21)	+ £5.8m
• Tuition fees	+ £3.5m

Like many universities, Surrey released students who left campus in April 2020 from their University accommodation contracts. This resulted in an income loss of c. £8m which was only partially offset by the additional income from the opening of the 670 new student rooms on the Manor Park campus at the start of the 2019/20 academic year.

2019/20 expenditure of £264.4m was £106.1m lower than the previous financial year (2018/19: £370.5m), with movement on the USS provision accounting for £93.0m of the reduction in spend.

As explained in note 36a to the financial statements, the 2019/20 results reflect the University's contractual commitment to the USS deficit recovery plan that was put in place as part of the March 2018 valuation. That valuation was completed in September 2019 with a new deficit recovery plan replacing the one put in place after the 2017 valuation. The 2018/19 financial statements reflected the 2017 valuation with a £54.6m charge posted to the income and expenditure account, while the 2019/20 financial statements include a credit of £38.4m. This swing reflects the lower deficit and shorter deficit recovery plan resulting from the 2018 valuation when compared with the 2017 valuation. The total scheme deficit reduced from £7.5bn to £3.6bn and the recovery plan shortened from 17 to 10 years. The financial statements of all universities participating in USS have been similarly impacted by the changes to commitments under the 2017 and 2018 deficit recovery plans.

Operational staff costs fell by £8.6m in 2019/20 to £161.3m. The underlying fall, before restructuring costs, was £3.9m (2%). This reflected the favourable impact of the 2018/19 staff restructuring programme. Other operating expenses fell by £10.4m (10%) to £92.0m.

Depreciation and interest costs increased by £3.7m (11%) and £2.2m (20%) respectively. These increases included the impact of the completion of the final 670 rooms of the £80m Manor Park student residences project.

The underlying operating surplus can be further analysed between the University's core activities, Surrey Research Park and subsidiary companies (notably Surrey Sports Park Limited) as shown below.

## Strategic report (continued)

*Table 3: Analysis of underlying operating surplus*

	2019/20	2018/19
	£m	£m
University core activities	1.3	(7.8)
Surrey Research Park	7.2	7.9
Surrey Sports Park Limited (SSPL)	0.5	0.0
Other subsidiaries	(0.3)	0.0
<b>Underlying consolidated operating surplus</b>	<b>8.7</b>	<b>0.1</b>

As shown above, Surrey Research Park generated an operating surplus for 2019/20 of £7.2m (2018/19: £7.9m). This reflects the result before any interest charges on the basis surpluses generated by the Park would have been sufficient to finance the Park's development had they not been appropriated in full to the University's core activities. The reduction in the surplus comprised a £0.4m fall in income and a £0.3m rise in spend.

Surrey Research Park's income for 2019/20 income of £10.7m was £0.4m lower than the previous year but in line with budget. This was a remarkable achievement given the Covid-19 situation. It reflected strong tenant relationships and proactive management to preserve tenancies and occupancy levels by flexing payment terms and / or giving short term discounts to tenants demonstrating financial hardship. The increase in spend reflected higher refurbishment costs.

2019/20 was the first year that Surrey Sports Park Limited (SSPL) operated under a new agency agreement with the University. In accordance with this agreement, the company delivers student and outreach sport as the University's agent and uses spare capacity to generate profit from commercial activities. This reflects the core principle of the Sports Park i.e. that it was established primarily to encourage and enable student participation in sport at all levels as a complement to academic study. Activities carried out as agent are reflected in the University's financial statements, not SSPL's. In previous years all income and expenditure were reflected in SSPL's financial statements.

The government's lockdown in response to the Covid-19 pandemic, and subsequent requirements to implement Covid-secure measures, had a very significant impact on the Sports Park's operations during the latter part of 2019/20. The Park closed in late March 2020 and only began a phased re-opening, with reduced capacity, in mid-July 2020. However, the agency arrangements meant that the major part of the financial impact was reflected in the University's financial statements, not SSPL's. Loss of commercial income during the closure period was largely offset by income from the government's Coronavirus Job Retention Scheme (CJRS) and by savings on estates costs which were borne by the University for the closure period in line with the underlying principles of the agency agreement.

### Net assets

Consolidated net assets increased by £21.0m in 2019/20 to £454.7m, driven by the £38.4m favourable movement on the USS provision described above. Offset against this was a £22.0m actuarial loss on the Local Government Pension Scheme.

## Strategic report (continued)

*Table 4: Movement in consolidated net assets*

	2019/20	2018/19
	£m	£m
<b>Opening consolidated net assets</b>	<b>433.7</b>	<b>502.5</b>
Underlying operating surplus	8.7	0.1
Local Government Pension Scheme (LGPS) actuarial losses	(22.0)	(9.5)
Movement on USS provision	38.4	(54.6)
Increase in interest rate swaps liability	(2.5)	(3.1)
Surrey Research Park revaluation	(8.4)	(1.8)
Other investment gains / (losses)	3.5	(0.2)
Endowment and restricted income (net)	3.3	0.3
<b>Closing consolidated net assets</b>	<b>454.7</b>	<b>433.7</b>

The recent trend in pension provisions (USS and LGPS) is shown below.

*Table 5: Pension provisions at 31 July*

	2016	2017	2018	2019	2020
	£m	£m	£m	£m	£m
Obligation to fund USS pension deficit	34.3	33.8	30.5	84.4	45.8
LGPS pension liability – funded	45.6	35.3	26.8	39.4	65.9
LGPS pension liability - unfunded	1.4	1.4	1.3	1.2	1.2
LGPS – GMP benefits*	N/A	N/A	N/A	1.5	-
<b>Total</b>	<b>81.3</b>	<b>70.5</b>	<b>58.6</b>	<b>126.5</b>	<b>112.9</b>

\* included in LGPS funded pension liability figure for 2020

The rising cost of funding the USS deficit and future USS service costs is an ever-increasing challenge. As explained in note 36a to the financial statements, a new valuation as at 31 March 2020 is underway but is not yet complete. This is expected to show further increases in employer and employee contributions to fund the existing benefits and will inevitably lead to difficult discussions for the Joint Negotiating Committee on future benefit provision.

The University has partially de-risked the future cost of the LGPS by closing the scheme to new members with effect from January 2016. It remains exposed to future service costs for current members and to deficit recovery payments in respect of past service of current, deferred and retired members.

Surrey Research Park is shown on the balance sheet as an investment property asset. The recent trend in the Park's value is shown below. Completed investment properties and development land are shown at valuation, properties under development are shown at cost. The table clearly shows the impact of Covid-19. The 31 July 2020 completed investment properties valuation of £107.8m reflected a downward revaluation on a like-for-like basis (i.e. excluding additions and disposals) of £7.1m (6%). There was a further £1.3m reduction in the value of undeveloped land giving an overall downward revaluation for the year of £8.4m.

## Strategic report (continued)

*Table 6: Surrey Research Park valuation at 31 July*

	2016	2017*	2018*	2019*	2020*
	£m	£m	£m	£m	£m
Completed investment properties	110.0	111.7	115.9	115.1	107.8
Properties under development	1.3	0.1	0.0	0.3	0.8
Development land	8.1	7.5	7.3	6.8	5.5
<b>Total</b>	<b>119.4</b>	<b>119.3</b>	<b>123.2</b>	<b>122.2</b>	<b>114.1</b>

\*excludes 30 Priestley Road which is held as a fixed asset from 2017

### Cash flow

The consolidated cash flow statement on page 37 shows a fall in cash and cash equivalents in the year of £8.2m. Taking into account an £8.0m withdrawal of cash deposits (shown as current asset investments on the balance sheet), available cash fell by a total of £16.2m. Consolidated available cash at 31 July 2020 was £65.8m in addition to which the University had a £10m undrawn revolving credit facility (RCF). Further details of this facility are included in the Treasury management section below.

*Table 7: Movement in consolidated available cash*

	2019/20	2018/19
	£m	£m
<b>Opening consolidated available cash</b>	<b>82.0</b>	<b>131.7</b>
Net cash inflow from operating activities	34.0	30.4
Surrey Research Park net income	5.9	5.7
Capital expenditure – University	(41.0)	(69.7)
Capital expenditure – Surrey Research Park	(1.7)	(1.0)
Capital grants received	3.0	3.0
Investment income	5.1	1.0
Financing (interest and capital repayments)	(22.1)	(19.6)
Endowment cash received	0.6	0.5
<b>Closing consolidated available cash</b>	<b>65.8</b>	<b>82.0</b>
<b>Movement</b>	<b>-16.2</b>	<b>-49.7</b>

Net cash inflow from operating activities increased slightly from £30.4m in 2018/19 to £34.0m in 2019/20, driven by an increase in the underlying operating surplus. At the same time, payments for capital expenditure fell from £70.7m in 2018/19 to £42.7m in 2019/20. This £28.0m fall reflected completion of the £80m Manor Park Residences Phase 2 project at the start of the 2019/20 financial year and a freeze on all but essential capital expenditure following the onset of the Covid-19 pandemic.

With operating cash generation still falling short of capital expenditure and financing costs, the University is exploring a range of options to improve cash flow.

Gross debt fell in 2019/20 by £12.1m due to capital repayments while net debt rose by £4.1m. Gross debt at 31 July 2020 of £263.2m exceeded, by £197.4m, the available cash (excluding the £10m undrawn RCF) of £65.8m.

### Capital investment

Despite the current freeze on all but essential capital expenditure, investment in the physical estate to increase capacity for academic work and support the student experience remains a priority. Investments will be re-

## Strategic report (continued)

prioritised when there is greater clarity of both the University's ability to finance the costs and of any changes in requirements post-Covid.

The difference between the 2019/20 and 2018/19 capital investment figures on an accruals basis was £35.9m (2019/20: £31.5m, 2018/19: £67.4m). This was higher than the £28.0m difference on a cash basis as the higher levels of spend in 2018/19 translated into higher creditor balances at the year end (hence cash payments in the following financial year).

### Treasury management

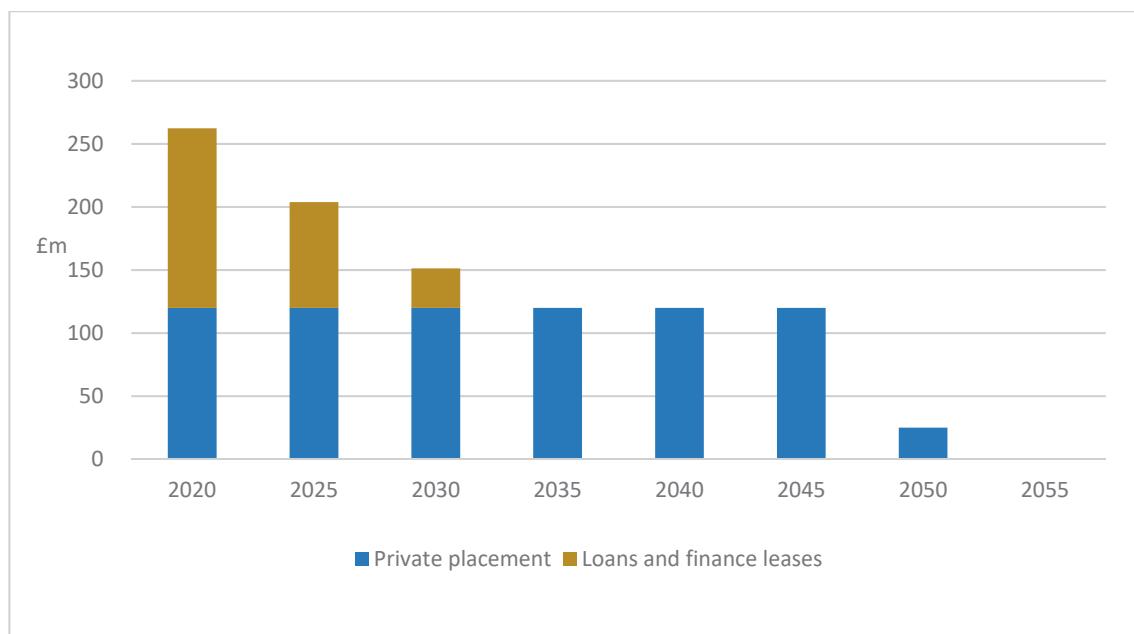
The University's investment, borrowing and hedging strategies are determined by its Finance Committee in accordance with a Treasury Management Policy approved by the University Council.

As stated above, outstanding borrowings and finance lease obligations at 31 July 2020 totalled £263.2m. This compared with £275.3m 12 months previously. Both figures exclude the £10m undrawn RCF.

The University recognises that it has a relatively high gearing ratio. However, the University has borrowed to fund assets which produce a strong income stream and contribute to the strategic ambitions of the University. The University benefits from competitive margins and light financial covenants. The interest rate on £120m of private placement funds is fixed at a weighted average of 3.38% and the University manages the risk of interest rate rises on its bank borrowings through standalone hedging instruments and £30m of fixed rate funding. The University's policy is to fix the interest rate on at least 70% of its total bank term debt, allowing cash balances to act as a natural hedge against a portion of the debt.

The weighted average cost of capital for 2019/20 was 3.64% (bank debt plus private placement funds). This was little changed from the 2018/19 figure of 3.61%.

*Graph 9: Debt profile at 31 July (excluding £10m RCF available to 30 April 2024)*



The main objective in making investments is to achieve a reasonable rate of return while minimising risk. The University places short term monies in accordance with criteria approved by its Finance Committee. These are based on minimum counterparty credit ratings or other key metrics, with limits on the amount placed with any one provider.

The weighted average return on short term deposits for 2019/20 was 0.75%. This compared with 0.86% for 2018/19.

## Strategic report (continued)

### Going concern

Mention has been made above of the challenges the University faced in 2019/20 as a result of the Covid-19 pandemic. The financial impact of Covid-19 will be greater in 2020/21 and beyond. The University Council has considered the specific risks of Covid-19 as part of a broader assessment of the University's ability to continue as a going concern. Based on this assessment, a summary of which is provided in Note 1 to the financial statements, the Council has a reasonable expectation that the University has adequate resources to continue in operation for a period of at least 12 months from the date of signing the financial statements. The going concern basis has therefore been adopted in the preparation of these financial statements.

### Future outlook

The sector continues to face a great deal of uncertainty in the year ahead due to the Covid-19 pandemic, compounded by headwinds present before the pandemic such as Brexit and key decisions on USS pensions funding and benefits. While the challenges ahead must not be underestimated and require prompt action to be taken, the University is relatively well positioned to adapt and 2020/21 will see a revised strategy developed which will drive improvement in student experience, maintain high quality teaching and continue to deliver impactful research. Helped by the decisive actions taken in 2019/20, cash balances coming into 2020/21 enable the University to take a measured approach in refreshing its strategy while continuing to review all aspects of University operations. A busy year lies ahead and the University remains committed to providing the best possible experience and outcomes for its students and staff.

## Corporate governance statement

The University is a body incorporated by Royal Charter originally granted in 1966 and an exempt charity within the meaning of Schedule 3 of the Charities Act 2011. Its compliance with charity law is monitored by the Office for Students (OfS) as principal regulator.

The University is committed to exhibiting best practice in all aspects of corporate governance. It endeavours to conduct 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 [Higher Education Code of Governance](#) published by the Committee of University Chairs (CUC).

### Summary of the University's structure of corporate governance

The University's objects, powers and framework of governance are set out in the Charter and its supporting Statutes and Ordinances (the 'governing documents').

In accordance with the requirements of its governing documents, the Council comprises a majority of external members, together with ex officio and elected University representatives. The role of the Chair of Council is separated from the role of the President and Vice-Chancellor as Chief Executive.

The powers of the Council are set out in the Statutes and Ordinances of the University. Under the Terms and Conditions of Funding for Higher Education Institutions between the Office for Students and Institutions, and the Terms and Conditions of Research England Grant, the Council is collectively responsible and has ultimate responsibility that cannot be delegated for overseeing the University's activities, determining its future direction and fostering an environment in which its mission is achieved.

The Council has adopted the following Statement of Primary Responsibilities:

- to approve the mission, strategic vision and long term academic and business plans of the University; to agree key performance indicators and annual budgets to ensure that these meet the interests of stakeholders
- to ensure the establishment and monitoring of systems of control and accountability, including financial and operational controls and risk assessment; and procedures for handling internal grievances and for managing conflicts of interest
- to ensure processes are in place to monitor and evaluate the performance and effectiveness of the University against its plans, previous performance and agreed key performance indicators which should, where possible and appropriate, be benchmarked against other comparable universities
- to appoint the President and Vice-Chancellor and to put in place suitable arrangements for monitoring his or her performance.

In addition, the Council cannot delegate responsibility for:

- varying the Charter or Statutes
- approving the annual audited accounts
- appointing the external auditor of the University.

The Council continually assesses its mix of skills, experience and diversity to ensure its appropriateness. Non-executive candidates are assessed against standard criteria (including diversity in its widest sense) and through an interview process. New members receive an induction programme tailored to their specific needs and there is a rolling cycle of information and training sessions throughout the year. The effectiveness of the Council is reviewed regularly, with the next review led by an external consultancy underway and due to report early in 2021.

## Corporate governance statement (continued)

The Council meets formally four times a year. In addition, it holds two half-day awaydays jointly with the Executive Board which are timed for the purposes of strategy and planning. The Council keeps the scheduling of its meetings under regular review.

Council minutes are published on the University website along with the membership and terms of reference of Council and its sub-committees. [www.surrey.ac.uk/about/governance/council-minutes](http://www.surrey.ac.uk/about/governance/council-minutes)  
[www.surrey.ac.uk/about/governance/statutory-bodies-committees](http://www.surrey.ac.uk/about/governance/statutory-bodies-committees)

Council membership between 1 August 2019 and the date of signing the financial statements is shown below. Profiles for Council members (who are the trustees) are available on the University website at [www.surrey.ac.uk/about/governance/members-council](http://www.surrey.ac.uk/about/governance/members-council)

Role <i>* denotes ex officio member</i>	Name	Other Statutory Body and Council Sub-Committee Memberships
Chair	Michael Queen	Finance Committee Nominations Committee Remuneration Committee
Vice-Chair (joint)	Vib Baxi	Finance Committee Nominations Committee
Vice-Chair (joint)	Rachel Hubbard	Nominations Committee Remuneration Committee
Treasurer	Robert Napier (from 16 March 2020)	Finance Committee Nominations Committee Remuneration Committee
	Tony Stuart (to 30 November 2019)	Finance Committee Nominations Committee Remuneration Committee
Lay member	Elliot Antrobus-Holder	
Lay member	Tony Bragg	
Lay member	Judith Eden (from 1 October 2019)	Audit and Assurance Committee
Lay member	Charlie Geffen	Remuneration Committee
Lay member	Mike Goodfellow	Audit and Assurance Committee Health and Safety Committee
Lay member	Pam Jestico (from 1 March 2020)	
Lay member	Nigel Jones (from 1 March 2020)	Audit and Assurance Committee
Lay member	Peter Maskell	Finance Committee
Lay member	Pam Powell	
Lay member	Jan Sawkins	Finance Committee
Lay member	Nick Standen	Finance Committee
President and Vice-Chancellor*	Max Lu	Executive Board Finance Committee Nominations Committee Senate
Provost & Executive Vice-President*	Michael Kearney	Executive Board Finance Committee Nominations Committee Senate
Chief Operating Officer*	Andy Chalklin (from 16 March 2020)	Executive Board Finance Committee
	Anne Poulsom (to 10 March 2020)	Executive Board Finance Committee

## Corporate governance statement (continued)

Pro Vice-Chancellor, Research & Innovation*	David Sampson	Executive Board Senate
Pro Vice-Chancellor, Education*	Osama Khan	Executive Board Senate
Vice President, External Engagement*	Patrick Degg	Executive Board Nominations Committee Senate
President of The University of Surrey Students Union*	Gemma Paine (to 31 July 2020)	Nominations Committee Senate
	Lizzie Rodulson (from 1 August 2020)	Nominations Committee Senate
Senate elected member	Esat Alpay (from 1 September 2019)	Senate
Senate elected member	Amelia Hadfield (from 1 September 2019)	Senate
Senate elected member	Helen Griffiths (1 September 2019 to 31 July 2020)	Executive Board Senate
Senate elected member	Shirley Price (to 31 August 2019)	Senate
Senate elected member	Paul Smith (to 31 August 2019)	Executive Board Senate

The Council has a number of sub-committees. These include a Finance Committee, an Audit and Assurance Committee, a Nominations Committee and a Remuneration Committee. All are formally constituted with appropriate external membership and terms of reference.

The Finance Committee, which comprises a majority of external members, meets at least five times a year. It advises the Council on financial policy and strategy, reviews and recommends to the Council the University's financial forecasts and keeps the University's financial position under review.

The Audit and Assurance Committee, under the chairmanship of a lay member of the Council, meets three times a year with the external and internal auditors in attendance. It oversees the risk management process and considers detailed reports from the auditors, which include recommendations for improvement of the University's systems of internal control together with management's responses and implementation plans. It also receives and considers reports from the Office for Students, Research England and other funding bodies, and ensures that processes are in place to ensure compliance with statutory regulations. It considers the draft annual financial statements from the point of view of factual presentation, compliance with general and University accounting policies, controls assurance and any identified control deficiencies. Although senior executives attend meetings of the Audit and Assurance Committee as necessary, they are not members of the Committee, and the Committee may meet with the external and internal auditors on their own for independent discussions. The Chair of the Committee has direct access to the Chair of Council.

The Nominations Committee, under the chairmanship of the Chair of Council, meets as required to consider and make recommendations to the Council on the appointment of external members to the Council and on the appointment of external co-opted members to Council sub-committees. It also makes recommendations to the Council regarding the appointment of the President and Vice-Chancellor and the appointment of Pro-Chancellors.

The Remuneration Committee, under the chairmanship of a lay member of the Council, meets twice annually with additional meetings at the discretion of the Chair. It monitors the performance of the President and Vice-Chancellor and determines the salary and conditions of service of the President and Vice-Chancellor and members of the Executive Board. It ensures an effective succession plan is in place for Executive Board level posts and approves any severance payments made to staff earning over £100,000 per annum. The President

## Corporate governance statement (continued)

and Vice-Chancellor is not a member of the Committee but is in attendance at meetings except when the Committee is discussing his own salary and conditions of service. PWC act as advisors to the Committee and are also in attendance at Committee meetings.

The other main senior committees are the Senate and the Executive Board.

The Senate, under the chairmanship of the President and Vice-Chancellor, meets four times a year and has responsibility, under the control and approval of the Council, for oversight and assurance of the academic endeavour of the University.

The Executive Board is the senior management committee of the University and meets once or twice a month under the chairmanship of the President and Vice-Chancellor as Chief Executive. The Executive Board has a number of supporting executive and advisory committees, all of which are formally constituted with appropriate terms of reference and which include external members where appropriate.

A new committee 'Gold Command Covid-19' was set up to respond to the Covid-19 pandemic. The membership was that of the Executive Board with the addition of the Chair of Council and the Committee has the same powers as the Executive Board. Its purpose is to set the strategic direction relating to Covid-19, including post-incident recovery. There have also been additional meetings of the Finance Committee and the Council in response to Covid-19 to consider strategic priorities and financial planning.

The University reviews the terms of reference and membership of its senior committees on an annual basis. A wider review of governance is currently taking place, focused on the Council and its sub-committees.

The University has processes in place to ensure that it meets the Office for Students Conditions for Registration on an annual basis and that reportable events are notified to the Office for Students in a timely manner. The University maintains a table which sets out the Office for Students Conditions for Registration (as updated on 25 March and 4 August 2020) together with the postholders responsible and accountable for ensuring each condition is met, how it will be met and the relevant timeline. In May 2020 the Council approved the University's 'OfS Reportable Events Plan'. This sets out the specific criteria and materiality thresholds that the University will apply in determining whether an event is reportable under the Office for Students Regulatory Framework (as amended by the Covid-19 guidance issued by the Office for Students in March 2020).

The University has policies and processes in place to ensure regularity and propriety in the use of public funding from the Office for Students, UK Research and Innovation (including Research England) and other sources. These include the control measures shown in the Statement of internal control below, also:

- an [Ethical Conduct policy](#) which sets out the University's expectations for the highest standards of ethical behaviour and financial probity, together with the processes in place to prevent, identify, report and investigate suspected cases of bribery, fraud and corruption
- a [Whistleblowing policy](#) which aims to encourage staff to report reasonable belief of wrongdoing, provides guidance on how to raise concerns, and reassurance that they can raise genuine concerns without fear of reprisal, even if they turn out to be mistaken.

## Corporate governance statement (continued)

### Public benefit statement

The University's charitable purposes are defined in its Royal Charter as the advancement of education, learning and teaching. In determining the University's strategic, operational and financial objectives, the members of Council, as trustees, have had due regard to the Charity Commission's guidance on public benefit.

The University brings a wide range of benefits to individual students and to society as a whole through the quality of the education it offers and the quality of the graduates and postgraduates it produces; through the dissemination and practical application of the outcomes of its research; and through its engagement with other universities, industry and wider local, national and international communities.

The Strategic report on pages 2 to 22 describes how the University has carried out its charitable purposes for the public benefit through its educational, research and engagement activities. It also refers to the University's [Access and Participation Plan](#) approved by the Office for Students which shows progress to date and future plans for improving equality of opportunity for underrepresented groups to access, succeed in and progress from higher education.

### Statement of internal control

The Council, as governing body, is responsible for ensuring that the University has a sound system of internal control and for reviewing its effectiveness. Such a system is designed to understand and manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

Key elements of the University's system of internal control include:

- a comprehensive Scheme of Delegation, approved by the Council. This records the reserved powers of the Council and the delegation of the Council's powers to its sub-committees, to the President and Vice-Chancellor and to the Senate and its sub-committees. The Scheme of Delegation is reviewed and updated on an annual basis.
- clear definitions of the responsibilities of, and the authority delegated to, heads of academic faculties and professional services departments
- 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 monthly reviews of 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
- Financial Regulations, approved by the Finance Committee, together with supporting financial policies and procedures
- a professional Internal Audit team, supplemented by bought in services from external providers, whose annual programme is approved by the Audit and Assurance Committee. Internal Audit provides in-year progress reports to the Committee and an annual opinion to the Committee on the adequacy and effectiveness of the University's arrangements for risk management, control and governance.

Having identified an opportunity to improve the control environment by bringing together a number of compliance and advisory functions, the University has established a new Governance and Risk Assurance Function to provide a co-ordinated and consistent message on compliance, governance and risk in the areas of

## Corporate governance statement (continued)

central health and safety, governance, information governance, insurance, legal, internal audit and operational risk.

The University has a [Risk Management Policy](#) and a Risk Management Strategy which have been approved by the Council. The Risk Management Strategy describes the University's strategy for, and approach to, risk management and defines relevant roles and responsibilities.

The University's risk management process is designed to ensure a consistent approach throughout the University to the identification, assessment and management of Level 1 and Level 2 risks (as defined below). It highlights all strategic and operational risks that may prevent the University from fulfilling its objectives and is used to improve decision-making. This consistency of approach helps risk owners respond appropriately to the risk (i.e. in deciding whether the risk should be accepted, transferred or mitigated). It also helps ensure that mitigations are effective, appropriate, proportionate, affordable and flexible.

High-level/Level 1 risks are reviewed by their risk owners regularly, with the Executive Board reviewing the most significant risks every two months and Council quarterly. Less significant high-level risks are reviewed by the Executive Board less frequently (unless escalated by the risk owner). The Executive Board holds an annual workshop where the whole risk profile is reviewed and refreshed. The output of this is an updated risk register which is reviewed in its entirety once a year by the Council. The Audit and Assurance Committee receives the full register at each meeting.

Level 2 risks are classified as having the potential to significantly affect a specific major department or area of the University, or a large University-driven project or programme. These risks may significantly contribute to, or provide a breakdown of, Level 1 risks, but do not de-stabilise the viability, reputation or strategic objectives of the University on their own. The Deans and Heads of Professional Service are responsible for ensuring the Level 2 risk management process is in place in their areas, supported by the Governance and Risk Assurance function which seeks to build operational risk maturity across the University. Level 2 risks are expected to be reviewed frequently and appropriate mitigating actions put in place. Where actions required are outwith the discretion of the risk owner, the risk is escalated as appropriate.

The internal audit programme is risk based and is informed by the strategic risk register as well as by prior internal audit activity and regular meetings with key stakeholders to identify emerging risks and trends.

During 2019/20 Internal Audit issued two reports with an overall rating of 'unsatisfactory'. The first of these, issued in September 2019, was in relation to the University's arrangements for ensuring GDPR compliance. Internal Audit acknowledged that significant progress had been made since the previous report was issued in May 2018, but that technical solutions were needed to replace the labour-intensive and manual methods that were currently being used to support GDPR compliance. A further audit in relation to GDPR compliance was carried out in May 2020, at which point the University was in the process of transitioning two key systems – firstly migration to a new platform for enhanced capabilities and reporting, and secondly transition from a manual system for data retention to an automated data retention and deletion platform. This audit was given an overall rating of 'satisfactory'.

In June 2020 Internal Audit issued a report in relation to Payroll which was given an overall rating of 'unsatisfactory'. Management responded positively to the audit findings and an agreed action plan is in place to mitigate the risks identified. Progress against the plan will be monitored by Internal Audit during the course of 2020/21 and reported to the Executive Board and to the Audit and Assurance Committee.

## **Corporate governance statement (continued)**

Internal Audit is satisfied that other matters raised in their audits have been properly acknowledged by management and that reasonable action plans have been put in place to address control weaknesses identified. With the exception of the two unsatisfactory audits, no control weaknesses are considered to be significant.

The Council is of the view that there is a sound system of internal control based on an ongoing process for identifying, evaluating and managing the principal risks to achievement of the University's objectives; that it has been in place for the year ended 31 July 2020 and up to the date of signing the financial statements; and that it accords with guidance from the Office for Students and Research England.

## Responsibilities of the Council of the University of Surrey in respect of the financial statements

The Council is responsible for preparing the financial statements in accordance with the requirements of the Office for Students' terms and conditions of funding for higher education institutions and Research England's terms and conditions of Research England Grant and applicable law and regulations.

It is required to prepare group and parent University financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*. The terms and conditions of funding further require the financial statements to be prepared in accordance with the 2019 *Statement of Recommended Practice – Accounting for Further and Higher Education* and in accordance with the requirements of the Accounts Direction issued by the Office for Students. The Council is required to prepare financial statements which give a true and fair view of the state of affairs of the group and parent University and of their income and expenditure, gains and losses and changes in reserves for that period.

In preparing each of the group and parent University financial statements, the Council is required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- assess the group and parent University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern
- use the going concern basis of accounting unless it either intends to liquidate the group or the parent University or to cease operations, or has no realistic alternative but to do so.

The Council is responsible for keeping proper accounts and proper records in relation to the accounts. It is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and has general responsibility for taking such steps as is reasonably open to it to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The Council is also responsible for:

- ensuring that funds from whatever source administered by the group or the University for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation
- ensuring that funds provided by the Office for Students and Research England have been applied in accordance with the terms and conditions attached to them
- ensuring that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources
- securing the economical, efficient and effective management of the University's resources and expenditure.

The Council is responsible for the maintenance and integrity of the corporate and financial information included on the University's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# **Independent auditor's report to the Council of the University of Surrey**

## **Report on the audit of the financial statements**

### **Opinion**

We have audited the financial statements of the University of Surrey (“the University”) for the year ended 31 July 2020 which comprise the Consolidated and University Statement of Comprehensive Income and Expenditure, the Consolidated and University Balance Sheet, the Consolidated and University Statement of Changes in Reserves, and the Consolidated Cash Flow Statement and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

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

### **Basis for opinion**

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

### **Going concern**

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

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

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

# **Independent auditor's report to the Council of the University of Surrey**

## **Other information**

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

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

## **Council responsibilities**

As explained more fully in their statement set out on page 30, the Council is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the Group or the parent University or to cease operations, or has no realistic alternative but to do so.

## **Auditor's responsibilities**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report.

Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

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

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

In our opinion, in all material respects:

- funds from whatever source administered by the Group or the University for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- income has been applied in accordance with the University's Statutes; and
- funds provided by the Office for Students, UK Research and Innovation (including Research England), the Education and Skills Funding Agency and the Department for Education have been applied in accordance with the relevant terms and conditions.

## **Matters on which we are required to report by exception**

We are required by the Accounts Direction to report to you where the University has an access and participation plan that has been approved by the Office for Students' director of fair access and participation and the results

## **Independent auditor's report to the Council of the University of Surrey**

of our audit work indicate that the Group's and the University's expenditure on access and participation activities for the financial year disclosed in note 14 has been materially misstated.

We are also required by the Accounts Direction to report to you where the results of our audit work indicate that the Group's and the University's grant and fee income, as disclosed in note 5 to the financial statements has been materially misstated.

We have nothing to report in these respects.

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

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



**Joanne Lees**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*  
15 Canada Square  
London E14 5GL

22 January 2021

## Statement of comprehensive income and expenditure for the year ended 31 July 2020

	Note	Consolidated	University		
		2019/20 £000	2018/19 £000	2019/20 £000	2018/19 £000
<b>Income</b>					
Funding council grants	2	<b>40,944</b>	35,148	<b>40,944</b>	35,148
Tuition fees and education grants	3	<b>166,276</b>	162,741	<b>166,318</b>	162,741
Research grants and contracts	4	<b>44,231</b>	46,600	<b>44,231</b>	46,600
Other income	6	<b>50,652</b>	57,539	<b>49,967</b>	53,465
Investment income	7	<b>11,053</b>	11,883	<b>11,308</b>	12,146
Donations and endowments	8	<b>2,009</b>	1,364	<b>2,009</b>	1,364
<b>Total income</b>		<b><u>315,165</u></b>	<u>315,275</u>	<b><u>314,777</u></b>	<u>311,464</u>
<b>Expenditure</b>					
Staff costs - operational	9	<b>161,320</b>	169,944	<b>160,809</b>	166,877
Staff costs - movement on USS provision	9	<b>(38,435)</b>	54,588	<b>(38,435)</b>	54,588
Other operating expenses	11	<b>92,042</b>	102,436	<b>92,302</b>	101,334
Depreciation and amortisation		<b>36,079</b>	32,367	<b>36,060</b>	32,347
Interest and other finance costs	12	<b>13,399</b>	11,177	<b>13,380</b>	11,162
<b>Total expenditure</b>		<b><u>264,405</u></b>	<u>370,512</u>	<b><u>264,116</u></b>	<u>366,308</u>
<b>Surplus/(deficit) before other gains and losses</b>		<b>50,760</b>	(55,237)	<b>50,661</b>	(54,844)
Loss on disposal of fixed assets		<b>(1,756)</b>	(64)	<b>(1,756)</b>	(64)
Loss on investments	13	<b>(4,919)</b>	(2,043)	<b>(5,999)</b>	(2,098)
<b>Surplus/(deficit) before taxation</b>		<b><u>44,085</u></b>	<u>(57,344)</u>	<b><u>42,906</u></b>	<u>(57,006)</u>
<b>Taxation</b>	15a	<b>168</b>	82	<b>102</b>	88
<b>Surplus/(deficit) for the year</b>		<b><u>44,253</u></b>	<u>(57,262)</u>	<b><u>43,008</u></b>	<u>(56,918)</u>
Actuarial loss in respect of pension schemes		<b>(22,010)</b>	(9,474)	<b>(21,638)</b>	(9,207)
Change in fair value of hedging financial instruments		<b>(1,198)</b>	(2,040)	<b>(1,198)</b>	(2,040)
<b>Total comprehensive income for the year</b>		<b><u>21,045</u></b>	<u>(68,776)</u>	<b><u>20,172</u></b>	<u>(68,165)</u>
<b>Represented by:</b>					
Endowment comprehensive income for the year		<b>740</b>	220	<b>740</b>	220
Restricted comprehensive income for the year		<b>2,583</b>	64	<b>2,583</b>	64
Unrestricted comprehensive income for the year		<b>17,722</b>	(69,060)	<b>16,849</b>	(68,449)
		<b><u>21,045</u></b>	<u>(68,776)</u>	<b><u>20,172</u></b>	<u>(68,165)</u>

All income and expenditure relates to continuing operations.

The accompanying notes form part of these financial statements.

## Statement of changes in reserves for the year ended 31 July 2020

### Consolidated

	Income and expenditure account			Cash flow hedge reserve		Total £000
	Endowment £000	Restricted £000	Unrestricted £000			
<b>Balance at 1 August 2018</b>	<b>3,359</b>	<b>363</b>	<b>510,969</b>	<b>(12,234)</b>	<b>502,457</b>	
Surplus from the income and expenditure statement	633	1,579	(59,474)	-	(57,262)	
Other comprehensive income	-	-	(9,474)	(2,040)	(11,514)	
Release of restricted funds spent in year	(413)	(1,515)	1,928	-	-	
	<u>220</u>	<u>64</u>	<u>(67,020)</u>	<u>(2,040)</u>	<u>(68,776)</u>	
<b>Balance at 1 August 2019</b>	<b>3,579</b>	<b>427</b>	<b>443,949</b>	<b>(14,274)</b>	<b>433,681</b>	
Surplus from the income and expenditure statement	1,110	2,208	40,935	-	44,253	
Reclassification of prior year income and expenditure	-	1,120	(1,120)	-	-	
Other comprehensive income	-	-	(22,010)	(1,198)	(23,208)	
Release of restricted funds spent in year	(370)	(745)	1,115	-	-	
Total comprehensive income for the year	<u>740</u>	<u>2,583</u>	<u>18,920</u>	<u>(1,198)</u>	<u>21,045</u>	
<b>Balance at 31 July 2020</b>	<b><u>4,319</u></b>	<b><u>3,010</u></b>	<b><u>462,869</u></b>	<b><u>(15,472)</u></b>	<b><u>454,726</u></b>	

### University

	Income and expenditure account			Cash flow hedge reserve		Total £000
	Endowment £000	Restricted £000	Unrestricted £000			
<b>Balance at 1 August 2018</b>	<b>3,359</b>	<b>363</b>	<b>520,342</b>	<b>(12,234)</b>	<b>511,830</b>	
Surplus from the income and expenditure statement	633	1,579	(59,130)	-	(56,918)	
Other comprehensive income	-	-	(9,207)	(2,040)	(11,247)	
Release of restricted funds spent in year	(413)	(1,515)	1,928	-	-	
	<u>220</u>	<u>64</u>	<u>(66,409)</u>	<u>(2,040)</u>	<u>(68,165)</u>	
<b>Balance at 1 August 2019</b>	<b>3,579</b>	<b>427</b>	<b>453,933</b>	<b>(14,274)</b>	<b>443,665</b>	
Surplus from the income and expenditure statement	1,110	2,208	39,690	-	43,008	
Reclassification of prior year income and expenditure		1,120	(1,120)	-	-	
Other comprehensive income	-	-	(21,638)	(1,198)	(22,836)	
Release of restricted funds spent in year	(370)	(745)	1,115	-	-	
Total comprehensive income for the year	<u>740</u>	<u>2,583</u>	<u>18,047</u>	<u>(1,198)</u>	<u>20,172</u>	
<b>Balance at 31 July 2020</b>	<b><u>4,319</u></b>	<b><u>3,010</u></b>	<b><u>471,980</u></b>	<b><u>(15,472)</u></b>	<b><u>463,837</u></b>	

The accompanying notes form part of these financial statements.

**Balance sheets as at 31 July 2020**

	Note	Consolidated		University	
		2020 £000	2019 £000	2020 £000	2019 £000
<b>Non-current assets</b>					
Intangible assets	16	1,669	1,794	1,669	1,794
Tangible assets	17	790,441	794,467	790,259	794,269
Investment properties	18	115,031	122,635	114,616	122,285
Other investments	19	2,408	1,961	8,693	9,303
Non-current receivables	20	-	-	8,750	8,750
		<b>909,549</b>	<b>920,857</b>	<b>923,987</b>	<b>936,401</b>
<b>Current assets</b>					
Stocks		5,766	5,069	437	421
Trade and other receivables	20	30,855	34,124	31,473	34,284
Investments	22	27,083	35,116	27,083	35,116
Cash and cash equivalents		38,779	46,964	37,064	44,301
		<b>102,483</b>	<b>121,273</b>	<b>96,057</b>	<b>114,122</b>
<b>Creditors : amounts falling due within one year</b>	23	(102,013)	(125,217)	(102,213)	(124,478)
<b>Net current assets/(liabilities)</b>		<b>470</b>	<b>(3,944)</b>	<b>(6,156)</b>	<b>(10,356)</b>
<b>Total assets less current assets/(liabilities)</b>		<b>910,019</b>	<b>916,913</b>	<b>917,831</b>	<b>926,045</b>
<b>Creditors : amounts falling due after more than one year</b>	24	(342,406)	(356,729)	(342,406)	(356,729)
<b>Provisions</b>	26	(112,887)	(126,503)	(111,588)	(125,651)
<b>Total net assets</b>		<b>454,726</b>	<b>433,681</b>	<b>463,837</b>	<b>443,665</b>
<b>Restricted reserves</b>					
Income and expenditure reserve - endowment	27	4,319	3,579	4,319	3,579
Income and expenditure reserve - restricted reserve	29	3,010	427	3,010	427
<b>Unrestricted reserves</b>					
Income and expenditure reserve - unrestricted		462,869	443,949	471,980	453,933
Cash flow hedge reserve	30	(15,472)	(14,274)	(15,472)	(14,274)
		<b>454,726</b>	<b>433,681</b>	<b>463,837</b>	<b>443,665</b>

The accompanying notes form part of these financial statements.

The financial statements and notes on pages 34 to 68 were approved by the Council on 26 November 2020 and signed on its behalf on 21 January 2021 by:

Professor G Q Max Lu  
President and Vice-Chancellor

Mr M Queen  
Chair of Council

## Consolidated cash flow statement for the year ended 31 July 2020

	Note	Consolidated	Consolidated
		2019/20 £000	2018/19 £000
<b>Cashflow from operating activities</b>			
Surplus for the year before tax		<b>44,085</b>	(57,344)
<b>Adjustments for non-cash items</b>			
Depreciation	17	35,093	31,467
Amortisation of intangibles	16	986	900
Loss on investments	13	4,919	2,043
Impairment of fixed assets		2,054	4,919
Increase in stocks		(697)	(743)
Decrease/(increase) in receivables		4,501	(6,729)
(Decrease)/increase in creditors		(15,711)	3,881
(Decrease)/increase in pension provision		(37,755)	56,918
<b>Adjustment for investing or financing activities</b>			
Net income from Surrey Research Park		(7,197)	(7,846)
Other investment income		(733)	(841)
Interest payable	12	13,399	11,177
Endowment income	27	(1,156)	(536)
Capital grant income		(7,875)	(7,038)
<b>Cash flows from operating activities before taxation</b>		<b>33,913</b>	30,228
Taxation		73	153
<b>Net cash inflow from operating activities</b>		<b>33,986</b>	<b>30,381</b>
<b>Cashflows from investing activities</b>			
Capital grant receipts		2,925	3,032
Disposal of non-current asset investments		76	-
Withdrawal of deposits		8,044	32,029
Surrey Research Park net income		5,921	5,699
Investment income		5,111	1,057
Payments made to acquire fixed assets		(40,189)	(69,400)
Payments made to acquire intangible assets		(861)	(328)
New non-current asset investments		(1,672)	(989)
		<b>(20,645)</b>	<b>(28,900)</b>
<b>Net cash inflow from financing activities</b>			
Interest paid		(9,453)	(8,068)
Interest element of finance lease payments		(503)	(531)
Endowment cash received		575	536
Repayments of amounts borrowed		(11,449)	(10,273)
Capital element of finance lease payments	31	(697)	(771)
		<b>(21,527)</b>	<b>(19,107)</b>
<b>Decrease in cash and cash equivalents in the year</b>	31	<b>(8,186)</b>	<b>(17,626)</b>
<b>Cash and cash equivalents at beginning of the year</b>		<b>46,964</b>	64,590
<b>Cash and cash equivalents at end of the year</b>		<b>38,778</b>	<b>46,964</b>

The accompanying notes form part of these financial statements.

## Notes to the financial statements

### 1 Accounting policies

#### Basis of preparation

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

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

The University has prepared cash flow forecasts and modelled potential risks to those cash flow forecasts for the period to 31 January 2022. In preparing the cash flow forecasts and assessing the risks, the University has taken account of the known and potential impacts on its operations of the Covid-19 pandemic. These include the main risks of reductions to tuition fee and accommodation income. Risks and opportunities to budget are monitored on an ongoing basis and discussed monthly by the Executive Board. Further mitigating actions will be triggered if one of the more adverse scenarios considered by the Executive Board begins to materialise.

The University has reviewed its borrowing arrangements, including its interest rate hedging arrangements and the availability of a £10m revolving credit facility that remains undrawn. The University is satisfied that the terms of these borrowings provide appropriate security of funding and sufficient certainty of debt servicing costs. The University has forecast compliance with its financial covenants and is satisfied that it has more than adequate headroom for any potentially conceivable adverse scenarios.

Based on the above, the Council has a reasonable expectation that the University has adequate resources to continue in operation for a period of at least 12 months from the date of signing the financial statements. The going concern basis has therefore been adopted in the preparation of these financial statements.

#### Basis of consolidation

The consolidated financial statements include the University and all its subsidiaries for the financial year to 31 July 2020. Intra group transactions are eliminated on consolidation.

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

#### Recognition of income

Income from the sale of goods or services is credited to the statement of comprehensive income and expenditure when the goods or services are supplied to the external customers or the terms of the contract have been satisfied.

Fee income is stated gross and credited to the statement of consolidated income and expenditure over the period in which students are studying. Where the amount of the tuition fee is reduced by a discount for prompt payment, income receivable is shown net of the discount. Internally-funded bursary and scholarship payments are accounted for gross as expenditure and not deducted from income.

#### Grant funding

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

Grants (including research grants) from non-government sources are recognised in 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 on the balance sheet and released to income as the conditions are met.

## Notes to the financial statements (continued)

### 1 Accounting policies (continued)

#### Donations and endowments

Non-exchange transactions without performance related conditions are donations and endowments. Donations and endowments are recognised in income either when the charitable donation has been received, or before receipt, if there is sufficient evidence to provide the necessary certainty that the donation will be received and the value of the incoming resources can be measured with sufficient reliability. Income from donations and endowments with donor imposed restrictions is retained within the restricted reserve until such time that it is utilised in line with such restrictions at which point the income is released to general reserves through a reserve transfer.

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

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

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

#### Capital grants

Government capital grants are initially recorded in creditors and released to the statement of comprehensive income and expenditure over the expected useful lives of the related assets. Other capital grants are recognised in income when the University is entitled to the funds subject to any performance related conditions being met.

#### Pension schemes

The two principal pension schemes are the Universities Superannuation Scheme (USS) and the Surrey County Council Local Government Pension Scheme (Surrey Pension Fund).

The USS, which covers most academic and academic related staff, is a hybrid pension scheme, providing defined benefits (for all members), as well as defined contribution benefits (for some members). The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the USS, the scheme's assets are not hypothecated to individual Universitys and a scheme-wide contribution rate is set. The University is therefore exposed to actuarial risks associated with other Universitys' employees and is unable to identify its share of the underlying assets and liabilities of the USS on a consistent and reasonable basis and therefore, as required by Section 28 of FRS 102, accounts for the scheme as if it were a wholly defined contribution scheme. As a result, the amount charged to the statement of comprehensive income and expenditure represents the contributions payable to the scheme in respect of the accounting period.

Since the University has entered into an agreement (the Recovery Plan) that determines how each employer within the USS will fund the overall deficit, the University recognises a liability within provisions for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and therefore an expense is recognised.

The Surrey County Council Local Government Pension Scheme (Surrey Pension Fund) is a defined benefit pension scheme with assets held in a separate trustee-administered fund. The University is able to identify its share of the underlying assets and liabilities of the Surrey Pension Fund and therefore fully adopts Section 28 of FRS 102 in respect of this scheme. The scheme closed to new members with effect from 1 January 2016.

The University also operates the following pension schemes for current employees:

- a. Defined contribution schemes for staff groups previously eligible for membership of the Surrey Pension Fund, temporary employees and certain employees of a subsidiary undertaking. Contributions are charged to the statement of comprehensive income and expenditure as they become payable in accordance with scheme rules.
- b. The National Health Service Pension Scheme is available to staff who immediately prior to appointment at the University were members of that scheme. This is a statutory, unfunded, multi-employer, defined benefit scheme in which the University is unable to identify its share of the underlying assets and liabilities. It is therefore accounted for on a contribution basis.

## Notes to the financial statements (continued)

### 1 Accounting policies (continued)

#### Employment benefits

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

#### Agency arrangements

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

#### Tangible fixed assets

Fixed assets are stated at cost/deemed cost less accumulated depreciation and accumulated impairment losses. Certain assets, that were revalued to fair value on the date of transition to the 2015 SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

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

##### a. Land and buildings

Under the transition rules of FRS 102, land and buildings were revalued on 1 August 2014 to fair value which is then used as its deemed cost at that date. Depreciation and impairment losses are subsequently charged on the revalued amount. Additions subsequent to this date are accounted for at cost, based on the value of architects' certificates and other direct costs incurred to 31 July. They are not depreciated until they are brought into use.

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

Freehold land is not depreciated as it is considered to have an indefinite useful life. Freehold buildings are depreciated on a straight line basis over their expected useful lives of up to 80 years.

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

##### b. Equipment

Equipment costing less than £10,000 per individual item, or group of related items, is written off in the year of acquisition. All other equipment is capitalised. Capitalised equipment is stated at cost and depreciated over its useful life, as follows:

Motor vehicles	-	5 years
Other computing equipment	-	3 years
Equipment acquired for specific research projects	-	project life
Other equipment	-	5 to 20 years
Furniture	-	10 years

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

#### Finance costs

Borrowing costs and interest receivable which are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised.

#### Intangible assets

Intangible assets are amortised over a period of up to 7 years representing the estimated economic life of the assets and are subject to periodic impairment reviews as appropriate.

## Notes to the financial statements (continued)

### 1 Accounting policies (continued)

#### Fixed asset impairments

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

#### Leased assets

##### a. Operating lease

Costs in respect of operating leases are charged to the statement of comprehensive income and expenditure on a straight line basis over the lease term. Any lease premiums or incentives are spread over the minimum lease term.

##### b. Finance lease

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

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

#### Maintenance of premises

The University has a cyclical long term maintenance plan, varying between 4 and 5 year cycles, which forms the basis of the ongoing maintenance of the estate. Expenditure on long term maintenance which does not meet the FRS 102 criteria for capitalisation, and expenditure on all routine corrective maintenance, is charged to the statement of comprehensive income and expenditure as incurred.

#### Investment properties

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

Investment properties are measured initially at cost and subsequently at fair value with movements recognised in the statement of comprehensive income and expenditure. Properties are not depreciated but are revalued annually according to market conditions as at 31 July each year.

#### Investments

Non-current asset investments are held on the balance sheet at fair value where this is readily available. Otherwise they are recorded at amortised cost less impairment.

Current asset investments are held at fair value with movements recognised in the statement of comprehensive income and expenditure.

#### Stocks

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

#### Cash and cash equivalents

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

Cash equivalents are short term, highly liquid investments, with a maturity date of 3 months or less from the date of acquisition, that are readily convertible to known amounts of cash with insignificant risk of change in value.

## Notes to the financial statements (continued)

### 1 Accounting policies (continued)

#### Taxation status

The University is an exempt charity within the meaning of Schedule 3 of the Charities Act 2011 (formerly Schedule 2 of the Charities Act 1993) and is considered to pass the tests set out in Paragraph 1, Schedule 6 of the Finance Act 2010 and therefore meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 287 CTA 2009 and sections 471 and 478-489 CTA 2010 (formerly s505 of ICTA 1988) or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

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

The University's subsidiary undertakings are subject to corporation tax in the same way as any commercial organisation, although they may be able to take advantage of Section 471 CTA 2010 to mitigate the corporation tax liability through gift aid.

#### Deferred taxation

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

#### Financial instruments

The University has chosen to apply the provisions of sections 11 and 12 of FRS102 in full. Financial assets and financial liabilities are recognised in the balance sheet when the University becomes a party to the contractual provisions of the instrument. A financial asset and 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.

With the exception of derivatives, financial assets and liabilities all meet the criteria for basic financial instruments prescribed within FRS 102 section 11.8 and are initially recognised at the transaction price plus any additional directly attributable transaction costs.

##### a. Short term debtors and creditors

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

##### b. Derivatives

Derivatives are held on the balance sheet at fair value. The University has adopted and complied with the requirements of hedge accounting in respect of certain interest rate swaps. Movements in fair value are recorded in the surplus/deficit for the year where hedge accounting is not adopted and within other comprehensive income where it is.

#### Research and development

Expenditure on general research and development is written off against surpluses in the year in which it is incurred.

Design and content costs relating to the development of websites to support specific teaching or training courses, or for specific research projects, are capitalised. These are amortised over the useful economic life of projects. Where there is uncertainty over the life of the course or its viability such costs are written off as incurred, as are design and content costs for websites that are for the general use of the University and its staff.

## Notes to the financial statements (continued)

### 1 Accounting policies (continued)

#### Foreign currency translation

Transactions denominated in foreign currencies are recorded at the rates of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated into sterling either at year end rates or, where there are related forward foreign exchange contracts, at contract rates. The resulting exchange differences are dealt with in the determination of income and expenditure for the financial year.

#### Provisions, contingent liabilities and contingent assets

Provisions are recognised in the financial statements when the University has a present obligation (legal or constructive) as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is determined by discounting the expected future cash flows at a pre-tax rate that reflects risks.

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

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

Contingent assets and liabilities are not recognised in the balance sheet but are disclosed in the notes.

#### Reserves

Reserves are classified as restricted or unrestricted. Restricted endowment reserves include balances which, through endowments made to the University, are held as 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.

#### Key judgements and estimates

The preparation of financial statements under FRS102 requires judgements, estimates and assumptions to be made that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The judgements, estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities in the next financial year are discussed below.

##### a. Pensions

The various assumptions and parameters used in the valuation of the pension liabilities are disclosed in note 36.

FRS 102 makes the distinction between a group plan and a multi-employer scheme. A group plan consists of a collection of entities under common control typically with a sponsoring employer. A multi-employer scheme is a scheme for entities not under common control and represents (typically) an industry-wide scheme such as USS. The accounting for a multi-employer scheme where the employer has entered into an agreement with the scheme that determines how the employer will fund a deficit results in the recognition of a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and the resulting expense in the statement of comprehensive income and expenditure in accordance with section 28 of FRS 102. The members of Council are satisfied that USS meets the definition of a multi-employer scheme and have therefore recognised the discounted fair value of the contractual contributions under the funding plan in existence at the date of signing the financial statements.

The valuation of the balance sheet liability in respect of the University's share of the USS pension deficit also requires assumptions relating to growth in future salary increases and growth in headcount. These assumptions are set out in note 36.

## Notes to the financial statements (continued)

### 1 Accounting policies (continued)

#### Judgements and estimates (continued)

##### a. Pensions (continued)

As described in note 36, the current USS pension deficit liability is based on the recovery rates and period from the 2018 valuation, which are considered the appropriate assumptions to use for calculating the deficit at 31 July 2020.

On 26 October 2018 the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the scheme should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits, 'GMP'. The full impact of GMP indexation has been included in the valuation of the Surrey Pension Fund pension liability at 31 July 2020, but was excluded from the valuation at 31 July 2019 as the government had not at that time concluded on the changes required to the scheme in light of the judgement.

The Surrey Pension Fund actuaries included an estimate of the cost of the impact of the McCloud judgment (a Public service pensions age discrimination case) in the pension liability valuation at 31 July 2019. The 2019 triennial valuation, however, did not include any allowance for the McCloud judgement as the liabilities were valued in line with the current LGPS Regulations benefit structure. However, the actuaries have made an estimated adjustment to the pension liability at 31 July 2020 for the McCloud judgement from the 2019 valuation data to ensure consistency with the previous year.

In response to the UK Government's 2019 announcement to make changes to RPI from 2030, a change in methodology has been applied to the calculation of the CPI rate used when valuing the LGPS's pension schemes Defined Benefit Obligations (DBO). We estimate the impact of this change in methodology to be a £3.1m increase in the total pension liabilities balance, as the CPI assumption is now 0.1% higher than it would have been under the methodology adopted as at 31 July 2019. For further details on the CPI rate used see Note 36.

##### b. Fixed assets

The University's operational academic buildings have been valued using a depreciated replacement cost (DRC) approach. Assumptions have been made under this basis on the cost of a modern equivalent asset. Non-specialised operational properties, such as student accommodation and other residential properties, have been valued at fair value. This value has been derived with reference to trading income and expenditure.

Buildings have been apportioned between three components: structure, fit-out costs and plant & machinery. The apportionment of the costs between these components was based on the elemental cost breakdowns of recent university building projects to establish the appropriate proportion of notional replacement cost that should be attributed to the identified components. Assumptions have also been made on the remaining useful economic lives of the buildings. Consideration has been given to both the physical and functional obsolescence of the buildings and its components, as well as other environmental factors.

Land has similarly been valued using a DRC basis, having regard to the likely costs of acquiring a site for an equivalent development in a relevant location at the valuation date.

Management assesses the useful economic life of equipment by considering the expected usage, estimated technical obsolescence, residual value and physical wear and tear of the asset. Differences between such estimates and actual results may have a material impact on the amount of the carrying values of the equipment and may result in adjustments to future depreciation.

##### c. Investment property

Investment property has been valued on the basis of fair value. This is defined as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. It is assumed that the property would be sold subject to any existing leases.

Due to Covid-19, the valuation of the Research Park completed buildings was made on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS valuation – Global Standards 2020.

##### d. Annual leave accrual

The University has provided for the cost of unused annual leave of its employees at the end of the financial year. The accrual was based on the actual leave carried forward at the year end of a number of employees sampled across University departments. The results from this sample were extrapolated over the University employee population as a whole to determine the total accrual.

##### e. Financial instruments

The University has entered into a number of interest rate swaps. These swaps have been valued at the year end using mark-to-market values as provided by Bloomberg.

## Notes to the financial statements (continued)

### 2 Funding council grants

	Consolidated & University	
	2019/20 £000	2018/19 £000
<b>Recurrent grant</b>		
OfS and Research England		
Teaching	14,047	12,375
Research	18,005	15,065
	<b>32,052</b>	<b>27,440</b>
<b>Specific grants</b>		
Higher Education Innovation Fund	3,470	3,611
Other	1,956	1,098
<b>Deferred capital grants released in year</b>		
Building	2,569	2,169
Equipment	897	830
	<b>40,944</b>	<b>35,148</b>

### 3 Tuition fees and education grants

	Consolidated		University	
	2019/20 £000	2018/19 £000	2019/20 £000	2018/19 £000
UK & EU undergraduates	94,401	87,433	94,401	87,433
UK & EU postgraduates	7,914	7,727	7,914	7,727
Non-EU undergraduates	29,972	29,140	29,972	29,140
Non-EU postgraduates	23,024	21,525	23,024	21,525
Non-credit bearing courses	2,913	2,893	2,913	2,893
Nurse training contract	3,870	7,562	3,870	7,562
Research training support grants	4,182	6,461	4,224	6,461
	<b>166,276</b>	<b>162,741</b>	<b>166,318</b>	<b>162,741</b>

### 4 Research grants and contracts

	Consolidated & University	
	2019/20 £000	2018/19 £000
Research councils	16,907	18,105
UK based charities	2,193	2,202
Other UK government, health and hospital authorities	6,239	8,779
UK industry and commerce	2,738	3,000
EU government bodies	7,240	7,448
EU industry and commerce	3,832	4,293
Other grants and contracts	5,082	2,773
	<b>44,231</b>	<b>46,600</b>

### 5 Grant and fee income

	Consolidated		University	
	2019/20 £000	2018/19 £000	2019/20 £000	2018/19 £000
The source of grant and fee income, included in notes 2 to 4 above is as follows:				
Grant income from the OfS	14,591	12,813	14,591	12,813
Grant income from other bodies	70,584	68,935	70,584	68,935
Fee income for taught awards (exclusive of VAT)	156,632	150,629	156,632	150,629
Fee income for research awards (exclusive of VAT)	3,123	3,570	3,123	3,570
Fee income from non-qualifying courses (exclusive of VAT)	6,521	8,542	6,563	8,542
Total grant and fee income	<b>251,451</b>	<b>244,489</b>	<b>251,493</b>	<b>244,489</b>

Grant income from other bodies above includes grant income from Research England and HEFCE.

## Notes to the financial statements (continued)

### 6 Other income

	Consolidated		University	
	2019/20 £000	2018/19 £000	2019/20 £000	2018/19 £000
Residences, catering and conferences	<b>31,472</b>	37,128	<b>31,025</b>	35,991
Other services rendered	<b>2,662</b>	3,407	<b>2,669</b>	3,710
Income from use of University facilities	<b>3,284</b>	5,655	<b>1,402</b>	1,373
Other income	<b>13,234</b>	11,349	<b>12,905</b>	12,391
	<b>50,652</b>	57,539	<b>48,001</b>	53,465
Add: amounts relating to agency activities	<b>-</b>	-	<b>1,966</b>	-
	<b>50,652</b>	57,539	<b>49,967</b>	53,465

### 7 Investment income

	Consolidated		University	
	2019/20 £000	2018/19 £000	2019/20 £000	2018/19 £000
Investment income on endowments (note 27)	<b>70</b>	34	<b>70</b>	34
Investment income on restricted reseves	<b>6</b>	-	<b>6</b>	-
Research Park income	<b>10,320</b>	11,024	<b>10,361</b>	11,024
Income from cash deposits	<b>558</b>	808	<b>553</b>	803
Other interest receivable	<b>99</b>	17	<b>318</b>	285
	<b>11,053</b>	11,883	<b>11,308</b>	12,146

### 8 Donations and endowments

	Consolidated & University	
	2019/20 £000	2018/19 £000
New endowments (note 27)	<b>1,156</b>	536
Donations with restrictions	<b>615</b>	706
Unrestricted donations	<b>238</b>	122
	<b>2,009</b>	1,364

### 9 Staff

	Consolidated		University	
	2019/20 £000	2018/19 £000	2019/20 £000	2018/19 £000
Staff costs - operational:				
Wages and salaries	<b>125,826</b>	128,872	<b>123,518</b>	126,296
Social security costs	<b>12,058</b>	12,575	<b>11,904</b>	12,379
Pension costs	<b>22,626</b>	21,513	<b>22,494</b>	21,344
Guaranteed Minimum Pension (GMP) costs	-	1,480	-	1,480
Compensation for loss of office	<b>810</b>	5,504	<b>800</b>	5,378
	<b>161,320</b>	169,944	<b>158,716</b>	166,877
Add: amounts relating to agency activities	<b>-</b>	-	<b>2,093</b>	-
	<b>161,320</b>	169,944	<b>160,809</b>	166,877
Movement on USS provision	<b>(38,435)</b>	54,588	<b>(38,435)</b>	54,588
	<b>122,885</b>	224,532	<b>122,374</b>	221,465

Compensation for loss of office shown above comprises £128,000 in respect of eight employees on a consolidated basis and £118,000 in respect of six employees on an University basis (2018/19: 251 employees on a consolidated basis, 240 employees on an University basis), plus £682,000 (consolidated and University) of additional costs for 117 employees over and above the estimated figures for those employees recognised in the 2018/19 financial statements.

## Notes to the financial statements (continued)

### 9 Staff (continued)

	Consolidated		University	
	2019/20 Number	2018/19 Number	2019/20 Number	2018/19 Number
Full time equivalent staff numbers:				
Research and teaching	1,211	1,218	1,211	1,218
Professional	1,097	1,196	1,037	1,132
Technical and experimental	145	152	145	152
Operational	342	348	308	310
Other	9	8	9	8
	<b>2,804</b>	<b>2,922</b>	<b>2,710</b>	<b>2,820</b>

The full time equivalent staff numbers for the University above exclude those relating to agency activities.

#### Access and participation

Included in staff costs above are the following costs that are shown as part of the access and participation costs included in note 14:

	Consolidated & University 2019/20
Access Investment	1,265
Financial Support	-
Disability Support (excluding expenditure included in Access Investment above)	1,170
Research and Evaluation	273
	<b>2,708</b>

2019/20 is the first year for the requirement to show Access and Participation costs and no comparatives are required.

Staff costs are calculated on an actual basis by referencing each individual's pay plus employer's NI and pension costs. For most departments a standard percentage of staff costs has been used, reflecting the proportion of home/EU students meeting the Widening Participation criteria.

### 10 Emoluments of higher paid staff

	2019/20 £000	2018/19 £000
Emoluments of President and Vice-Chancellor: Salary	293	310
Bonus/performance related pay	12	17
Taxable benefits	27	13
Non-taxable benefits	-	13
Allowance in lieu of pension contributions	47	49
	<b>379</b>	<b>402</b>
Pension contributions	6	7
	<b>385</b>	<b>409</b>

In accordance with the Accounts Direction issued by the Office for Students (OfS), bonuses are reflected in emoluments in the year during which they are awarded. The 2019/20 bonus of £12,000 therefore reflects 2018/19 performance.

On 6 April 2019 HMRC removed the customary exemption for Vice-Chancellor's accommodation. Prior to that date only utilities and certain other running costs were taxable. This has increased the taxable benefit in respect of the relevant percentage of the costs of the President and Vice-Chancellor's official residence to £24,000 (2018/19: £10,000). Other taxable benefits of £3,000 (2018/19: £3,000) comprise the cost of private healthcare cover.

Non-taxable benefits in 2018/19 reflect the appropriate percentage of relevant costs of the President and Vice-Chancellor's official residence prior to 6 April 2019.

#### Summary justification for total remuneration package for the President and Vice-Chancellor

Professor Max Lu was appointed President and Vice-Chancellor in April 2016 following a world-wide search. Strong leadership is essential to ensuring that the University optimises its position in a challenging and competitive environment.

## Notes to the financial statements (continued)

### 10 Emoluments of higher paid staff (continued)

The risks and opportunities which the University faces, together with its progress in the past year, are described in the Strategic Report on pages 2 to 22.

The Vice-Chancellor's remuneration is determined by the Remuneration Committee. The Remuneration Committee takes into account a number of factors when setting the Vice-Chancellor's remuneration, including:

- The performance of the Vice-Chancellor, assessed against both an institutional balanced scorecard of metrics deemed critical to achievement of the institutional strategy and against more qualitative judgments by the Chair of Council and by members of the Remuneration Committee on the quality of the Vice-Chancellor's leadership and overall performance;
- The level of remuneration growth within comparable roles within the higher education sector, as assessed by the national pay benchmarking data provided each year by the University Colleges Employers Association.
- Comparing the Vice-Chancellor's base and total remuneration to median remuneration within Russell Group institutions and to upper quartile remuneration for institutions in London and the South East which have annual income of £202m +.
- The level of remuneration within other grades of staff at the University, with specific reference to the pay of those staff who participate in the nationally negotiated pay process and associated conditions of service, including professorial and other senior staff;

#### Pay ratios

Ratios of the President and Vice-Chancellor's emoluments to the median pay of all other employees (on a full time equivalent basis) were as follows:

	Consolidated	
	2019/20	2018/19
Basic pay	7.5	8.2
Total remuneration	8.7	9.4

In accordance with the Accounts Direction issued by the OfS, the calculation for the pay ratio above is based on all employees (including associate staff) that are included in real-time reporting to HMRC. The calculation excludes Unitemps\* workers who are included in real-time reporting to HMRC but are not classed as employees.

\*Unitemps is the University's in-house recruitment agency

Basic salary of other higher paid staff (on a full time equivalent basis):	Consolidated	
	2019/20	2018/19
Number of employees		
£100,000- £104,999	8	17
£105,000- £109,999	10	8
£110,000- £114,999	12	10
£115,000- £119,999	3	4
£120,000- £124,999	3	3
£125,000- £129,999	10	9
£130,000- £134,999	9	6
£135,000- £139,999	3	4
£140,000- £144,999	3	2
£145,000- £149,999	2	4
£150,000- £154,999	1	-
£155,000- £159,999	1	1
£160,000- £164,999	1	-
£165,000- £169,999	-	1
£170,000- £174,999	1	2
£175,000- £179,999	1	1
£180,000- £184,999	1	-
£190,000- £194,999	1	-
	<hr/> <hr/> 70	<hr/> <hr/> 72

In accordance with the Accounts Direction issued by the OfS, these bands exclude staff who joined or left part way through the year who would have received basic salary in these bands in a full year.

## Notes to the financial statements (continued)

### 10 Emoluments of higher paid staff (continued)

#### Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the University. The University defines its "key management personnel" to be the Executive Board members.

Key management personnel compensation is included in staff costs. The full time equivalent number of key management personnel was 10.5 (2018/19: 13.7).

	2019/20 £000	2018/19 £000
Salary, social security costs, pension contributions, compensation for loss of office and other emoluments	<u>2,500</u>	<u>3,324</u>

### 11 Other operating expenses

	Consolidated		University	
	2019/20 £000	2018/19 £000	2019/20 £000	2018/19 £000
<b>Other operating expenses (including irrecoverable VAT) include:</b>				
External auditors remuneration in respect of the audit of these financial statements	74	68	74	68
External auditors remuneration in respect of other services:				
Audit of the University's subsidiaries	15	13	-	-
Audit related services	3	5	3	5
Operating lease rentals land and buildings	<b>3,216</b>	2,749	<b>3,216</b>	2,763
other	1,253	1,814	1,200	1,747
Foreign exchange (gains)/losses	(9)	65	(9)	65

The total consolidated statutory audit fee payable directly to KPMG, net of VAT, was £75,000 (2018/19: £69,000).

#### Trustees

No trustee received payment for serving as a trustee during the year (2018/19: £nil).

No trustee received payment for services provided to the University (2018/19: £nil).

The total expenses paid to or on behalf of one trustee was £260 (2018/19: £1,639 to one trustee).

### 12 Interest and other finance costs

	Consolidated		University	
	2019/20 £000	2018/19 £000	2019/20 £000	2018/19 £000
<b>On bank loans and other loans:</b>				
Loans wholly repayable within five years	619	681	619	681
Loans not wholly repayable within five years	<u>8,772</u>	<u>7,365</u>	<u>8,772</u>	<u>7,365</u>
	9,391	8,046	9,391	8,046
<b>On finance leases</b>				
Increase in fair value of derivatives	503	531	503	531
Net charge on pension scheme	1,254	1,131	1,254	1,131
Other interest payable	2,243	1,461	2,224	1,446
	8	8	8	8
	<u>13,399</u>	<u>11,177</u>	<u>13,380</u>	<u>11,162</u>

## Notes to the financial statements (continued)

### 13 Loss on investments

	Consolidated		University	
	2019/20 £000	2018/19 £000	2019/20 £000	2018/19 £000
Loss on revaluation of Research Park	8,409	1,799	8,409	1,799
Other investment property losses	421	55	486	105
Gain on sale of investments	(4,344)	-	(4,344)	-
Loss on revaluation of other investments	433	189	1,448	194
	<b>4,919</b>	<b>2,043</b>	<b>5,999</b>	<b>2,098</b>

### 14 Access and participation

	Consolidated & University 2019/20 £000
Access Investment	1,826
Financial Support	2,060
Disability Support	1,374
Research and Evaluation	362
	<b>5,622</b>

2019/20 is the first year of the requirement to show Access and Participation costs and comparative figures are therefore not required.

The figures above show expenditure only and do not reflect any grants/allowances received.

Expenditure has been included in the disclosure for Disability Support at an allocation rate of 13% relating to the percentage of enrolled students declaring a disability.

Actual spend for Access Investment and Financial Support categories was below the initial plan which was based on prior years' experience. Fewer events were held on campus due to Covid-19 and fewer students eligible for bursaries and In2Surrey scholarships.

The full access and participation plan for the University for this year and future years can be accessed here:  
<https://www.surrey.ac.uk/about/governance/access-plans>

### 15a Taxation

	Consolidated	
	2019/20 £000	2018/19 £000
<b>Recognised in the statement of comprehensive income and expenditure</b>		
Theatre tax credit	(143)	(118)
Tax on profits of subsidiary undertakings	(66)	6
Foreign tax	41	30
Tax credit	<b>(168)</b>	<b>(82)</b>

## Notes to the financial statements (continued)

### 15b Factors affecting tax credit

	Consolidated	
	2019/20 £000	2018/19 £000
Surplus/(deficit) before taxation	<u>44,085</u>	(57,344)
Surplus/(deficit) multiplied by standard rate of corporation tax in the UK of 19% (2018/19: 19%)	8,376	(10,895)
Factors affecting charge:		
University (surplus)/deficit exempt from tax	(8,340)	10,748
Balances eliminated on consolidation exempt from tax	(20)	81
Tax charged on profits earned overseas	41	30
Theatre tax credit	(143)	(118)
Utilisation of losses carried forward against profits for the year	(78)	(6)
Deferred tax losses not previously recognised	(162)	-
Losses carried forward	3	-
Expenses disallowable for tax in subsidiaries	3	4
Revaluation in subsidiary disallowable for tax purposes	56	(14)
Other	162	82
<b>Total tax credit excluding deferred tax</b>	<u>(102)</u>	(88)
Deferred tax net charge in subsidiaries	(66)	6
<b>Total tax credit (note 15a)</b>	<u>(168)</u>	(82)

### 16 Intangible assets

Software	Consolidated & University £'000
<b>Cost</b>	
At 1 August 2019	11,526
Additions at cost	861
Disposals	-
<b>At 31 July 2020</b>	<u>12,387</u>
<b>Amortisation</b>	
At 1 August 2019	9,732
Charge for the year	986
Disposals	-
<b>At 31 July 2020</b>	<u>10,718</u>
<b>Net book value</b>	
<b>At 31 July 2020</b>	<u>1,669</u>
At 31 July 2019	1,794

## Notes to the financial statements (continued)

### 17 Tangible fixed assets

Consolidated	Land and buildings Freehold £'000	Leasehold £'000	Assets under construction £'000	Plant and equipment £'000	Total £'000
<b>Cost</b>					
At 1 August 2019	763,819	8,780	76,201	142,020	990,820
Additions at cost	-	-	30,974	2,390	33,364
Transfers	65,236	-	(73,018)	7,782	-
Impairments	-	-	(2,297)	-	(2,297)
Disposals at cost	-	-	-	(243)	(243)
<b>At 31 July 2020</b>	<b>829,055</b>	<b>8,780</b>	<b>31,860</b>	<b>151,949</b>	<b>1,021,644</b>
<b>Depreciation</b>					
At 1 August 2019	82,066	1,230	-	113,057	196,353
Charge for the year	20,943	246	-	13,904	35,093
Transfers	-	-	-	-	-
Impairments	-	-	-	-	-
Disposals	-	-	-	(243)	(243)
<b>At 31 July 2020</b>	<b>103,009</b>	<b>1,476</b>	<b>-</b>	<b>126,718</b>	<b>231,203</b>
<b>Net book value</b>					
<b>At 31 July 2020</b>	<b>726,046</b>	<b>7,304</b>	<b>31,860</b>	<b>25,231</b>	<b>790,441</b>
At 31 July 2019	681,753	7,550	76,201	28,963	794,467
 <b>University</b>					
University	Land and buildings Freehold £'000	Leasehold £'000	Assets under construction £'000	Plant and equipment £'000	Total £'000
<b>Cost</b>					
At 1 August 2019	763,687	8,780	76,201	142,019	990,687
Additions at cost	-	-	30,974	2,387	33,361
Transfers	65,236	-	(73,018)	7,782	-
Impairments	-	-	(2,297)	-	(2,297)
Disposals at cost	-	-	-	(243)	(243)
<b>At 31 July 2020</b>	<b>828,923</b>	<b>8,780</b>	<b>31,860</b>	<b>151,945</b>	<b>1,021,508</b>
<b>Depreciation</b>					
At 1 August 2019	82,131	1,230	-	113,057	196,418
Charge for the year	20,924	246	-	13,904	35,074
Impairment	-	-	-	-	-
Disposals	-	-	-	(243)	(243)
<b>At 31 July 2020</b>	<b>103,055</b>	<b>1,476</b>	<b>-</b>	<b>126,718</b>	<b>231,249</b>
<b>Net book value</b>					
<b>At 31 July 2020</b>	<b>725,868</b>	<b>7,304</b>	<b>31,860</b>	<b>25,227</b>	<b>790,259</b>
At 31 July 2019	681,556	7,550	76,201	28,962	794,269

At 31 July 2020 freehold land and buildings included £143,909,000 (2019: £143,909,000) in respect of freehold land which is not depreciated.

The freehold and leasehold land and buildings comprising the University's estate were valued as at 1 August 2014 by an external valuer, Gerald Eve LLP, a regulated firm of chartered surveyors. The valuation was prepared in accordance with the requirements of the RCIS Valuation - Professional Standards (January 2014 amendment), FRS 102 and the 2015 Statement of Recommended Practice 'Accounting for Further and Higher Education'. The valuation was undertaken on a fair value basis, with non-specialised operational properties valued on a fair value basis equating to market value on the assumption of a continuation of the existing use. The valuation is 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.

During the year £121,000 (2018/19: £1,750,000) of borrowing costs was capitalised in fixed assets, at a capitalisation rate of 3.38% (2018/19: 3.38%).

## Notes to the financial statements (continued)

### 17 Tangible fixed assets (continued)

Tangible fixed assets include the following with respect to assets held under finance leases:

	Consolidated & University	
	2020 £000	2019 £000
<b>Net book value</b>		
Land & buildings	7,303	7,549
Equipment	170	223
	<u>7,473</u>	<u>7,772</u>
<b>Depreciation charge for year</b>		
Land & buildings	246	246
Equipment	52	72
	<u>298</u>	<u>318</u>

### 18 Investment properties

	Research Park		Other	
	Buildings Undeveloped Land £000	Under Development £000	Completed Buildings £000	Buildings £000
At 1 August 2019	6,845	292	115,148	350
Additions	-	732	-	581
Transfers	-	(190)	190	-
Disposals	-	-	(487)	(86)
Change in market value	(1,372)	-	(7,037)	65
<b>At 31 July 2020</b>	<b>5,473</b>	<b>834</b>	<b>107,814</b>	<b>910</b>
				<b>Total £000</b>

	Research Park		Other	
	Buildings Undeveloped Land £000	Under Development £000	Completed Buildings £000	Buildings £000
At 1 August 2019	6,845	292	115,148	-
Additions	-	732	-	581
Transfers	-	(190)	190	-
Disposals	-	-	(487)	(86)
Change in market value	(1,372)	-	(7,037)	-
<b>At 31 July 2020</b>	<b>5,473</b>	<b>834</b>	<b>107,814</b>	<b>495</b>
				<b>Total £000</b>

The Research Park completed buildings, which have a historical cost of £57,239,000 (2019: £57,081,000), were valued as at 31 July 2019 by an external valuer, Deloitte LLP. The valuation of the property was in accordance with Valuation Practice Standard 3 of the RICS Valuation – Global Standards 2017 (revised July 2017) ('The Red Book').

The valuation was prepared on the basis of fair value, defined as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date.

## Notes to the financial statements (continued)

### 19 Other non-current investments

**Consolidated**

	Subsidiary companies £000	Other non current investments £000	Total £000
At 1 August 2019	-	1,961	1,961
Additions	-	938	938
Disposals	-	(76)	(76)
Change in market value	-	(415)	(415)
<b>At 31 July 2020</b>	<b>—</b>	<b>2,408</b>	<b>2,408</b>
<b>University</b>			
	Subsidiary companies £000	Other non current investments £000	Total £000
At 1 August 2019	7,807	1,496	9,303
Additions	-	896	896
Disposals	-	(75)	(75)
Change in market value	(1,316)	(115)	(1,431)
<b>At 31 July 2020</b>	<b>6,491</b>	<b>2,202</b>	<b>8,693</b>

#### Significant shareholdings in subsidiaries

Name	Nature of business	Class of share	% held
Blackwell Park Ltd	Property development	Ordinary	100
Surrey Sports Park Limited	Sports park management	Ordinary	100
University of Surrey Seed Fund Limited	Technology investment	Ordinary	100

All subsidiaries are registered in England and Wales.

### 20 Trade and other receivables

	Consolidated		University	
	2020 £000	2019 £000	2020 £000	2019 £000
Trade receivables	11,807	9,154	12,343	9,268
Amounts owed by subsidiary undertakings	-	-	9,140	9,050
Other receivables including taxation	160	100	141	90
Deferred tax (note 21)	294	205	-	-
Prepayments	5,479	5,586	5,479	5,572
Accrued income	13,115	19,079	13,120	19,054
	<b>30,855</b>	<b>34,124</b>	<b>40,223</b>	<b>43,034</b>

Deferred tax receivable relates to deferred tax credits arising in subsidiary companies. The recoverability of £58,000 of this balance (2019: £59,000) is dependent on future trading profits of Surrey Sports Park Limited and Blackwell Park Ltd.

Amounts owed by subsidiary undertakings includes £8,750,000 that is receivable after more than one year (this amount was reclassified from current assets to non-current assets during 2018/19).

## Notes to the financial statements (continued)

### 21 Deferred tax asset

	Consolidated		University	
	2020 £000	2019 £000	2020 £000	2019 £000
<b>The deferred tax asset comprises:</b>				
Accelerated capital allowances	7	7	-	-
Short term timing differences	50	52	-	-
Pension	237	146	-	-
	<b>294</b>	<b>205</b>	<b>-</b>	<b>-</b>
<b>Deferred tax asset excluding pension:</b>				
Balance at 1 August	59	71	-	-
Charge to the statement of comprehensive income and expenditure	(2)	(12)	-	-
<b>Balance at 31 July</b>	<b>57</b>	<b>59</b>	<b>-</b>	<b>-</b>
<b>Deferred tax pension asset:</b>				
Balance at 1 August	146	85	-	-
Credit to the statement of comprehensive income and expenditure	66	6	-	-
Credit to other comprehensive income	25	55	-	-
<b>Balance at 31 July</b>	<b>237</b>	<b>146</b>	<b>-</b>	<b>-</b>

### 22 Current asset investments

	Consolidated & University	
	2020 £000	2019 £000
Short term deposits (maturing within 1 year)	27,000	35,044
Other investments	83	72
	<b>27,083</b>	<b>35,116</b>

Short term deposits are held with banks and building societies operating in the London market and licensed by the Financial Conduct Authority with more than 3 months and less than 12 months maturity at inception.

### 23 Creditors : amounts falling due within one year

	Consolidated		University	
	2020 £000	2019 £000	2020 £000	2019 £000
Unsecured loans (note 25a)	11,432	11,336	11,432	11,336
Obligations under finance leases	756	722	756	722
Other loans (note 25c)	57	113	57	113
Payments received on account	8,532	8,335	8,532	8,335
Trade creditors	4,239	4,705	4,207	4,628
Amounts owed to group undertakings	-	-	90	100
Other creditors including taxation and social security	14,101	18,914	14,044	18,846
Government deferred capital grants	5,612	6,718	5,612	6,718
Accruals	14,638	25,295	14,572	24,934
Deferred income	42,646	49,079	42,911	48,746
	<b>102,013</b>	<b>125,217</b>	<b>102,213</b>	<b>124,478</b>

## Notes to the financial statements (continued)

### 23 Creditors : amounts falling due within one year (continued)

#### Deferred income

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

	<b>Consolidated &amp; University</b>	
	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
Research grants received on account	7,614	6,457
Other grant income	591	502
	<b>8,205</b>	<b>6,959</b>

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

	<b>Consolidated</b>		<b>University</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Unsecured loans (note 25a)	243,709	255,141	243,709	255,141
Obligations under finance leases	6,619	7,350	6,619	7,350
Government deferred capital grants	64,063	68,617	64,063	68,617
Derivatives	27,438	24,987	27,438	24,987
Other loans (note 25c)	577	634	577	634
	<b>342,406</b>	<b>356,729</b>	<b>342,406</b>	<b>356,729</b>

The derivatives relate to interest rate swaps that the University has entered into in order to fix the interest rate payable on certain of its borrowings.

During 2019/20 a hedging loss of £1,390,000 (2018/19: £1,131,000) was recognised in the statement of comprehensive income and expenditure for changes in fair value of interest rate swaps and £1,198,000 was reclassified from the cash flow hedge reserve to the statement of comprehensive income and expenditure (2018/19: £2,040,000).

### 25 Borrowings

#### a. Unsecured loans

	<b>Consolidated &amp; University</b>	
	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
Unsecured loans are repayable as follows:		
Within one year or on demand	11,432	11,336
Between one and two years	11,279	11,432
Between two and five years	29,988	31,120
Over five years	202,442	212,589
	<b>255,141</b>	<b>266,477</b>
Due within one year or on demand	(11,432)	(11,336)
Due after more than one year	<b>243,709</b>	<b>255,141</b>
Unsecured loans repayable by 2052	<b>255,141</b>	<b>266,477</b>

## Notes to the financial statements (continued)

### 25 Borrowings (continued)

Unsecured loans at 31 July 2020 were as follows:

	£000	Interest rate basis	Maturity	Borrower
<b>Banks:</b>				
Scottish Widows	10,141	variable	2022-2026	University
Scottish Widows	22,259	variable	2031	University
Lloyds	43,333	fixed / variable	2033	University
National Westminster	12,379	variable	2030	University
National Westminster	668	variable	2022	University
National Westminster	8,813	variable	2032	University
Santander	37,548	variable	2035	University
<b>Private Placement:</b>				
Legal & General	40,000	fixed	2046	University
Pricoa	55,000	fixed	2046	University
BAE Systems Pension Fund	25,000	fixed	2052	University
	<u>255,141</u>			

All loans are unsecured but include a negative pledge clause whereby the University undertakes not to grant security over its assets to third parties.

Interest on £30,000,000 of the Lloyds loan is payable at a fixed rate. Interest on the balance of this loan and all other variable rate loans is payable at a margin above base rate / LIBOR.

The weighted average interest rate for 2019/20, inclusive of lender margins and swap costs, was 3.64% (2018/19: 3.61%).

#### b. Finance leases

The total minimum lease payments relating to finance lease obligations are as follows:

Consolidated & University	2020			2019		
	Land & buildings £000	Plant & equipment £000	Total £000	Land & buildings £000	Plant & equipment £000	Total £000
Within one year	1,159	54	1,213	1,159	54	1,213
Between two and five years	4,662	133	4,795	4,637	187	4,824
Over five years	3,672	-	3,672	4,874	-	4,874
<b>Total minimum lease payments</b>	<b>9,493</b>	<b>187</b>	<b>9,680</b>	<b>10,670</b>	<b>241</b>	<b>10,911</b>
Less: interest payable	(2,301)	(4)	(2,305)	(2,839)	-	(2,839)
<b>Net finance lease obligation</b>	<b>7,192</b>	<b>183</b>	<b>7,375</b>	<b>7,831</b>	<b>241</b>	<b>8,072</b>

#### c. Other loans

	Consolidated & University	
	2020	2019
	£000	£000
Other loans are repayable as follows:		
Within one year	57	113
Between two and five years	-	57
Over five years	577	577
Total other loans	<b>634</b>	<b>747</b>

## Notes to the financial statements (continued)

### 26 Provisions

Consolidated	Obligation to fund deficit on USS pension £000	Defined benefit enhancements obligations on termination £000	Pension obligations on termination £000	GMP benefits £000	Total £000
At 1 August 2019	84,407	39,444	1,171	1,481	126,503
Utilised in year	(212)	2,333	12	(1,481)	652
Additions	(38,435)	24,137	30	-	(14,268)
<b>At 31 July 2020</b>	<b>45,760</b>	<b>65,914</b>	<b>1,213</b>	<b>-</b>	<b>112,887</b>
University	Obligation to fund deficit on USS pension £000	Defined benefit enhancements obligations on termination £000	Pension obligations on termination £000	GMP £000	Total £000
At 1 August 2019	84,407	38,592	1,171	1,481	125,651
Utilised in year	(212)	2,314	12	(1,481)	633
Additions	(38,435)	23,709	30	-	(14,696)
<b>At 31 July 2020</b>	<b>45,760</b>	<b>64,615</b>	<b>1,213</b>	<b>-</b>	<b>111,588</b>

The obligation to fund the past deficit on the Universities Superannuation Scheme (USS) arises from the contractual obligation with the USS to make deficit payments in accordance with the deficit recovery plan. In calculating this provision, management have estimated salary inflation and future staff levels within the USS scheme for the duration of the contractual obligation. Key assumptions are set out below and further information is provided in note 1.

The adoption of a new deficit recovery plan following the 2018 actuarial valuation has given rise to a significant decrease in the deficit provision. £38.4 million of this decrease is attributable to a change in the deficit contributions contractual commitment (see also note 9). More details on the 2018 actuarial valuation are set out in note 36.

Included in the Obligation to fund the USS pension deficit are deficit recovery contributions due within one year of £1,899,000 (2019: £1,655,000).

The provision for GMP benefits provided for at 31 July 2019 has been reversed in 2019/20 as the Surrey Pension Fund actuaries have allowed for the impact of full GMP indexation in the calculation of the 31 March 2019 triennial funding valuation. It is therefore included in the valuation of the defined benefit obligation as at 31 July 2020.

The defined benefit obligations comprise the deficits on the local government pension scheme (Surrey Pension Fund). Obligations and payments are subject to revision following each triennial valuation. In July 2018 a discounted lump sum payment of £2,046,000 was made in respect of payments due for the period 1 August 2018 to 31 March 2020. The current agreed repayment plan is for the University to make monthly payments to the Surrey Pension Fund to repay the deficit in full by 31 March 2034. Payments totalling £1,366,000 p.a. will be made from 1 August 2020 to 31 July 2023. Future payments will be subject to revision following each triennial valuation.

For the assumptions on the discount rate and inflation used for calculating the provision for pension enhancements on termination see note 36b.

## Notes to the financial statements (continued)

### 27 Endowment reserve

#### Consolidated & University

	Restricted permanent £000	Restricted expendable £000	2020 Total £000	2019 Total £000
Balances at 1 August 2019				
Capital	325	1,767	2,092	2,092
Accumulated income	611	876	1,487	1,267
	<u>936</u>	<u>2,643</u>	<u>3,579</u>	<u>3,359</u>
New endowments	838	318	1,156	536
Investment income	39	31	70	34
Expenditure	(2)	(368)	(370)	(413)
(Decrease)/increase in market value of investments	(64)	(52)	(116)	63
	<u>811</u>	<u>(71)</u>	<u>740</u>	<u>220</u>
<b>At 31 July 2020</b>	<b>1,747</b>	<b>2,572</b>	<b>4,319</b>	<b>3,579</b>
<b>Represented by:</b>				
Capital	1,484	2,371	3,855	2,092
Accumulated income	263	201	464	1,487
	<u>1,747</u>	<u>2,572</u>	<u>4,319</u>	<u>3,579</u>
<b>Analysis by purpose:</b>				
Scholarships and bursaries	881	835	1,716	1,286
Prize funds	-	756	756	787
Hardship funds	845	94	939	724
Educational	-	782	782	749
Research support	-	53	53	3
Other	21	52	73	30
	<u>1,747</u>	<u>2,572</u>	<u>4,319</u>	<u>3,579</u>
<b>Analysis by asset:</b>				
Investment property			581	-
Listed investments			1,856	1,362
Cash held as part of investment portfolio			150	22
Cash held at bank for endowment funds			1,732	2,195
			<u>4,319</u>	<u>3,579</u>

### 28 Connected charitable institutions

A number of charitable institutions are administered by or on behalf of the University and have been established for its general or specific purposes. As a result, under paragraph 28 of schedule 3 to the Charities Act 2011, these connected institutions are exempt from registration with the Charity Commission. All of these connected institutions are included in these consolidated financial statements. The movements in the year on the total funds of all connected institutions, as reported in their own accounts, were as follows:

#### Connected institutions with income under £100,000

	At 1 August 2019 £000	Income £000	Expenditure £000	Change in market value £000	At 31 July 2020 £000
<b>Restricted expendable endowment funds:</b>					
Scholarship (1 fund)	659	9	(31)	(35)	602
Studentship (1 fund)	103	1	(70)	-	34
	<u>762</u>	<u>10</u>	<u>(101)</u>	<u>(35)</u>	<u>636</u>

There were no connected institutions with income over £100,000.

## Notes to the financial statements (continued)

### 29 Restricted reserves

#### Consolidated & University

	Donations £000	2020 Total £000	2019 Total £000
At 1 August 2019	427	427	363
New donations	2,208	2,208	1,579
Reclassification of prior year income and expenditure	1,120	1,120	-
Expenditure	(745)	(745)	(1,515)
<b>At 31 July 2019</b>	<b>3,010</b>	<b>3,010</b>	<b>427</b>

#### Analysis of restricted reserves by purpose:

	2020	2019
Studentships	205	183
Prize funds	370	43
Hardship fund	326	63
Research support	2,065	21
Other	44	117
<b>At 31 July 2019</b>	<b>3,010</b>	<b>427</b>

### 30 Cash flow hedge reserve

	Consolidated & University	
	2020	2019
	Total £000	Total £000
At 1 August 2019	(14,274)	(12,234)
Hedging loss	(1,198)	(2,040)
<b>At 31 July 2020</b>	<b>(15,472)</b>	<b>(14,274)</b>

### 31 Analysis of changes in net debt

#### Consolidated

	At 1 August 2019 £000	Cash flows £000	Non-cash changes £000	At 31 July 2020 £000
Loans due within one year (note 23)	(11,449)	11,449	(11,489)	(11,489)
Loans due after one year (note 24)	(255,775)	-	11,489	(244,286)
Finance leases (note 25b)	(8,072)	697	-	(7,375)
Financing	(275,296)	12,146	-	(263,150)
Cash and cash equivalents	46,964	(8,185)	-	38,779
Short term deposits (note 22)	35,044	(8,044)	-	27,000
	<b>(193,288)</b>	<b>(4,083)</b>	<b>-</b>	<b>(197,371)</b>

### 32 Capital commitments

	Consolidated & University	
	2020 £000	2019 £000
Commitments contracted at 31 July	7,133	15,156
Authorised but not contracted at 31 July	15,511	24,864
	<b>22,644</b>	<b>40,020</b>

## Notes to the financial statements (continued)

### 33 Lease obligations

Total future minimum lease payments payable under non-cancellable operating leases are as follows:

#### Consolidated

	2020		2019	
	Land & buildings £000	Plant & equipment £000	Land & buildings £000	Plant & equipment £000
Expiry date:				
Within one year	2,053	460	1,064	555
Between two and five years	-	643	-	415
Over five years	-	-	-	-
	<b>2,053</b>	<b>1,103</b>	<b>1,064</b>	<b>970</b>

#### University

	2020		2019	
	Land & buildings £000	Plant & equipment £000	Land & buildings £000	Plant & equipment £000
Expiry date:				
Within one year	2,053	460	1,064	546
Between two and five years	-	632	-	412
Over five years	-	-	-	-
	<b>2,053</b>	<b>1,092</b>	<b>1,064</b>	<b>958</b>

Total future minimum lease payments receivable under non-cancellable operating leases are as follows:

#### Consolidated

	2020		2019	
	Land & buildings £000	Plant & equipment £000	Land & buildings £000	Plant & equipment £000
Expiry date:				
Within one year	6,639	-	7,074	-
Between two and five years	17,682	-	19,833	-
Over five years	17,818	-	31,709	-
	<b>42,139</b>	<b>-</b>	<b>58,616</b>	<b>-</b>

#### University

	2020		2019	
	Land & buildings £000	Plant & equipment £000	Land & buildings £000	Plant & equipment £000
Expiry date:				
Within one year	6,631	-	7,064	-
Between two and five years	17,361	-	19,777	-
Over five years	17,818	-	20,566	-
	<b>41,810</b>	<b>-</b>	<b>47,407</b>	<b>-</b>

### 34 Contingent assets and liabilities

There are no known contingent assets or liabilities.

### 35 Financial commitments

There are no known financial commitments.

## Notes to the financial statements (continued)

### 36 Pension schemes

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

	Consolidated		University	
	2019/20	2018/19	2019/20	2018/19
	Total £000	Total £000	Total £000	Total £000
USS	18,321	17,015	18,388	17,015
Local government pension scheme	3,968	4,160	3,914	4,121
Other pension schemes	337	338	192	208
Total pension cost	<b>22,626</b>	<b>21,513</b>	<b>22,494</b>	<b>21,344</b>

#### a. Universities Superannuation Scheme (USS)

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

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

The 2018 valuation was the fifth valuation for the scheme under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £63.7 billion and the value of the scheme's technical provisions was £67.3 billion indicating a shortfall of £3.6 billion and a funding ratio of 95%. FRS 102 valuations of these assets and liabilities at 31 March 2018 and 31 March 2017 were:

	2018 valuation £000	2017 valuation £000
Scheme assets	63,700,000	60,000,000
Total scheme liabilities	(67,300,000)	(67,500,000)
FRS 102 total scheme deficit	(3,600,000)	(7,500,000)
FRS 102 total funding level	95%	89%

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

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

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

#### Mortality base table

2018 valuation	Pre-retirement	Post retirement
Male members' mortality	71% of AMC00 (duration 0)	97.6% of SAPS S1NMA "light"
Female members' mortality	112% of AFC00 (duration 0)	102.7% of RFV00
2017 valuation	Pre-retirement	Post retirement
Male members' mortality	71% of AMC00 (duration 0)	96.5% of SAPS S1NMA "light"
Female members' mortality	112% of AFC00 (duration 0)	101.3% of RFV00

## Notes to the financial statements (continued)

### 36 Pension schemes (continued)

#### a. Universities Superannuation Scheme (USS) (continued)

Future improvements in mortality rates (2018 valuation):

- CMI\_2017 (2017 valuation: CMI\_2016) with a smoothing parameter of 8.5 and a long term improvement rate of 1.8% p.a. for males and 1.6% p.a. for females.

The current life expectancies on retirement at age 65 are:

	2018 valuation	2017 valuation
Males/females currently aged 65	<b>24.4/25.9 years</b>	24.6/26.1 years
Males/females currently aged 45	<b>26.3/27.7 years</b>	26.6/27.9 years

#### Recovery plan

A new deficit recovery plan was put in place as part of the 2018 valuation, which requires payment of 2% of salaries over the period 1 October 2019 to 30 September 2021 at which point the rate will increase to 6% through to 31 March 2028. The 2020 deficit recovery liability reflects this plan. In accordance with the requirements of FRS 102 and the SORP, the University has made a provision for this contractual commitment to fund the past deficit. In the prior year, under the 2017 valuation, the deficit payments were 2.1% of salaries up to 31 March 2019, 0% from 1 April 2019 to 31 March 2020, and then 5.0% to 30 June 2034.

The University has used a financial model to estimate its liability to USS under the USS deficit recovery plan. The model was developed by the British Universities Finance Directors Group (BUFDG), with the support of the USS trustee company. The following assumptions were used in that model:

	2020	2019
Opening discount rate	1.62%	2.21%
Closing discount rate	0.74%	1.62%
Salary inflation	<b>2.00% for 2020/21, 4.00% thereafter</b>	4.00%
Staff changes	<b>-1.8% to 1.0%</b>	-1.4% to 1.0%

The reduction in the term of the deficit recovery plan has given rise to a substantial reduction in the deficit provision which has decreased from £84.4m to £45.8m as set out in note 26. £38.4m of this decrease is attributable to the change in the deficit contributions contractual commitment. See also Staff costs note 9 in respect of significant one-off pension gains / costs.

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

#### b. Surrey County Council local government pension scheme (Surrey Pension Fund)

The Surrey Pension Fund is valued every three years by professionally qualified independent actuaries using the projected unit method. In the intervening years the actuary reviews the progress of the scheme.

The contribution rate payable by the employer for the three years to 31 July 2020, as a percentage of payroll, was 18.9%. This percentage reflects the future service contribution. The past service deficit will be met by the payment of monetary amounts. In July 2018 the University agreed with Surrey County Council to prepay the monthly deficit payments for the period 1 August 2018 to 31 March 2020 with a single discounted lump sum payment. A new repayment plan commenced from August 2020. There were therefore no payments made in respect of the past service deficit in 2019/20 (2018/19: £nil).

## Notes to the financial statements (continued)

### 36 Pension schemes (continued)

#### b. Surrey County Council local government pension scheme (Surrey Pension Fund)(continued)

Under the definitions set out in section 28 of FRS 102, "Employee benefits", the Surrey Pension Fund is a multi-employer defined benefit pension scheme. The actuary has identified the University's share of its assets and liabilities as at 31 July 2020.

A full actuarial valuation was carried out as at 31 March 2019 and updated to 31 July 2020 on an FRS102 basis by a qualified independent actuary. The material assumptions used by the actuary were:

	2020	2019
Pension increase rate (CPI)	2.2%	2.5%
Salary increase rate	3.1%	2.8%
Discount rate	1.4%	2.1%

Life expectancy is based on Vita Curves with improvements in line with the CMI 2018 model, an allowance for smoothing of recent mortality experience and long term rates of 1.25% p.a. for males and females. Based on these assumptions, the average future life expectancies at age 65 for males and females are summarised below:

	2020	2019		
	Males	Females	Males	Females
Current pensioners	<b>22.1 years</b>	<b>24.3 years</b>	21.6 years	23.6 years
Future pensioners (assumed age at 31 March 2019 is 45 years)	<b>22.9 years</b>	<b>25.7 years</b>	22.5 years	25.0 years

An allowance is included for future retirements to elect to take 25% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 63% of the maximum tax-free cash for post-April 2008 service.

The Group's estimated share of the assets in the scheme was:

	2020	2019		
	£000	£000		
Equities	<b>72,067</b>	79,604		
Bonds	<b>18,271</b>	18,795		
Property	<b>8,120</b>	8,845		
Cash	<b>3,045</b>	3,317		
	<b>101,503</b>	<b>110,561</b>		

The following amounts were measured in accordance with the requirements of FRS 102:

#### Analysis of amounts shown in the balance sheet

	Consolidated		University	
	2020 £000	2019 £000	2020 £000	2019 £000
Fair value of employer assets	<b>101,503</b>	110,561	<b>99,532</b>	108,358
Present value of funded liabilities	<b>(167,417)</b>	(150,005)	<b>(164,147)</b>	(146,950)
Net underfunding in funded plans	<b>(65,914)</b>	(39,444)	<b>(64,615)</b>	(38,592)
Present value of unfunded liabilities	<b>(1,147)</b>	(1,094)	<b>(1,147)</b>	(1,094)
Net liability	<b>(67,061)</b>	(40,538)	<b>(65,762)</b>	(39,686)

## Notes to the financial statements (continued)

### 36 Pension schemes (continued)

#### b. Surrey County Council local government pension scheme (Surrey Pension Fund)<sup>1</sup>(continued)

##### Analysis of amounts recognised in the consolidated statement of comprehensive income and expenditure

	Consolidated		University	
	2019/20 £000	2018/19 £000	2019/20 £000	2018/19 £000
Current service cost	3,968	3,705	3,914	3,669
Net interest	876	787	857	773
Past service cost (including curtailments)	-	455	-	452
	<b>4,844</b>	<b>4,947</b>	<b>4,771</b>	<b>4,894</b>
Actual return on plan assets	(6,780)	5,764	(6,533)	5,651

##### Analysis of amounts recognised in other comprehensive income

	Consolidated		University	
	2019/20 £000	2018/19 £000	2019/20 £000	2018/19 £000
Changes in financial assumptions	(13,163)	(20,029)	(12,601)	(19,481)
Changes in demographic assumptions	(3,826)	7,639	(3,754)	7,470
Other experience gains	2,558	31	2,025	31
Less: release of prior year GMP provision	1,481	-	1,481	-
Return on assets excluding amounts shown in net interest	(9,085)	2,914	(8,789)	2,859
Total measurements recognised in other comprehensive income	<b>(22,035)</b>	<b>(9,445)</b>	<b>(21,638)</b>	<b>(9,121)</b>

##### Changes in the present value of the defined benefit obligation

	Consolidated		University	
	2019/20 £000	2018/19 £000	2019/20 £000	2018/19 £000
Opening defined benefit obligation	151,099	134,323	148,044	131,755
Current service cost	3,968	3,704	3,914	3,669
Interest cost on defined benefit obligation	3,181	3,637	3,113	3,565
Contributions by members	523	595	511	586
Changes in financial assumptions	16,986	12,388	16,351	12,011
Other experience gains	(2,558)	(31)	(2,025)	(31)
Past service cost (including curtailments)	-	455	-	452
Estimated benefits paid	(4,548)	(3,889)	(4,527)	(3,880)
Unfunded benefits paid	(87)	(83)	(87)	(83)
Closing defined benefit obligation	<b>168,564</b>	<b>151,099</b>	<b>165,294</b>	<b>148,044</b>

The 31 March 2019 triennial funding valuation included an allowance for full GMP indexation. The roll forward position to 31 July 2020 therefore includes this allowance. No allowance was made for this in the defined pension obligation at 31 July 2019 but an estimate of the cost was included in other provisions (see note 26).

## Notes to the financial statements (continued)

### 36 Pension schemes (continued)

#### Changes in the fair value of employer assets

	Consolidated		University	
	2019/20 £000	2018/19 £000	2019/20 £000	2018/19 £000
Opening fair value of employer assets	110,561	106,300	108,358	104,230
Interest on assets	2,305	2,850	2,256	2,792
Contributions by members	523	595	511	586
Contributions by the employer	1,747	1,791	1,723	1,771
Contributions in respect of unfunded benefits	87	83	87	83
Return on assets less interest	(9,085)	2,914	(8,789)	2,859
Estimated benefits paid	(4,548)	(3,889)	(4,527)	(3,880)
Unfunded benefits paid	(87)	(83)	(87)	(83)
Closing fair value of employer assets	<u>101,503</u>	<u>110,561</u>	<u>99,532</u>	<u>108,358</u>

#### c. London Pensions Fund Authority local government pension scheme (LPFA Pension Fund)

On 7 August 2012 the University entered into a deficit repayment plan ('the Agreement') with the LPFA in relation to the pension liabilities of former employees of the University's predecessor University in the Fund. The Agreement stated the LPFA had the right to review and amend the annual deficit payment and / or the repayment period where it was estimated, on a cessation basis calculated by the Fund actuary, that the deficit amounted to £100,000 or less. The Agreement also stated that the LPFA had the right to terminate the agreement if this was the case and thus instruct the Fund actuary to carry out a final cessation valuation determining the final amount for the employer to pay.

A final cessation valuation was carried out as at 31 August 2019. This showed a surplus of £68,000 and, under the terms of the Agreement, the actuary confirmed that the University could exit the Fund with nothing further to pay.

#### Analysis of amounts shown in the balance sheet

	2020 £000	2019 £000
Fair value of employer assets	-	2,176
Present value of funded liabilities	-	(2,077)
Net overfunding in funded plans	-	99
Asset ceiling	-	(99)
Net funded liability	-	-

The cessation valuation did not include any allowance for unfunded benefits in respect of pension enhancements on termination. An amount of £66,000 is included in provisions at 31 July 2020 in respect of these unfunded benefits, representing the 31 July 2019 valuation of £77,000 less payments made during 2019/20 of £11,000 (see note 26).

## Notes to the financial statements (continued)

### 37 Related party transactions

All transactions involving entities in which a member of the Council or the Executive Board may have an interest, including those identified below, are conducted in accordance with the University's financial regulations and normal procurement procedures. The University has taken advantage of the exemption under FRS 102 not to disclose transactions with subsidiaries that are wholly owned. The table below shows transactions with related parties not covered by the exemption.

Related parties include Council and Executive Board members and entities in which the Council and Executive Board members have significant influence.

2019/20	Recognised income £000	Recognised expenditure £000	Balance due to/(from) the University £000
BNP Paribas	1	48	-
Farnborough College of Technology	-	13	-
Guildford Cathedral	-	2	-
SPIE The International Optics and Photonics Society	2	15	-
Watts Gallery	20	2	-

2018/19	Recognised income £000	Recognised expenditure £000	Balance due to/(from) the University £000
British Toxicology Society	-	1	-
Cecan Limited	22	10	(10)
Charterhouse School	5	-	-
City Year UK	1	-	-
Considerate Hoteliers	15	-	-
Godalming Academy	2	2	1
Goldsmiths College	-	102	-
Guildford Cathedral	-	20	2
Ikinema Limited	6	-	-
Pirbright Institute	70	23	3
Society for Research into Higher Education	-	5	(1)
SPIE	3	7	-
University of Surrey Students' Union	224	1,301	9

## Notes to the financial statements (continued)

### 38 Financial instruments

#### Carrying amount of financial instruments

The carrying amounts of the financial assets include:

	2020 £000	2019 £000
Assets measured at fair value through the statement of comprehensive income and expenditure	<b>116,971</b>	124,069
Liabilities measured at fair value through the statement of comprehensive income and expenditure	<b>(27,438)</b>	(24,987)

#### Assets

The fair value of the financial assets measured at fair value through the statement of comprehensive income and expenditure is determined by reference to their quoted bid price at the balance sheet date.

During the year income arising from assets measured at fair value of £7,250,000 (2018/19: £7,875,000) and net losses on changes in fair value of £8,203,000 (2018/19: £1,138,000) were recognised in the statement of comprehensive income and expenditure.

#### Liabilities

The University uses interest rate swaps as cash flow hedges in order to hedge against the risk of fluctuations in cash flows arising from interest rate changes on certain of the University's borrowings. These swaps, included in liabilities above, are as follows:

Bank	Interest rate %	Maturity	Interest payment frequency	Fair value	
				2020 £000	2019 £000
Lloyds	5.09	2032	Quarterly	<b>1,767</b>	1,761
Lloyds	5.38	2032	Quarterly	<b>3,339</b>	3,301
Lloyds	5.49	2022	Quarterly	<b>195</b>	400
Lloyds	4.00	2038	Quarterly	<b>901</b>	963
National Westminster	4.74	2024	Quarterly	<b>944</b>	1,016
National Westminster	4.52	2024	Quarterly	<b>13,311</b>	11,953
Lloyds	4.33	2035	Quarterly	<b>6,982</b>	5,592
				<b>27,439</b>	24,986

The fair value of interest rate swaps, recorded in liabilities, is based on broker quotes using forecast projections of LIBOR. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for similar instruments at the measurement date.

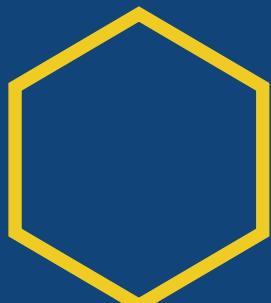
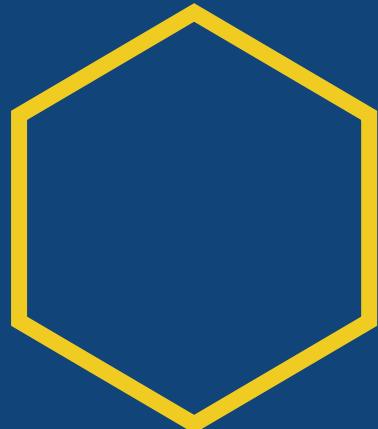
During the year changes in the fair value of the interest rate swaps of £1,254,000 were charged to interest payable (2018/19: £1,131,000) and £1,198,000 charged to other comprehensive income (2018/19: £2,040,000).

### 39 Post balance sheet events

There were no post balance sheet events.



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