



# ANNUAL ACCOUNTS

2018–2019



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DMU has been named the first-ever University  
of the Year for Social Inclusion in The Times and  
Sunday Times Good University Guide 2019

# CHANCELLOR, BOARD OF GOVERNORS AND COMMITTEES, EXECUTIVE BOARD AND PROFESSIONAL ADVISERS

## CHANCELLOR

The Baroness Lawrence of Clarendon OBE

## BOARD OF GOVERNORS

**Mr Ian Blatchford** MA (Oxon), MA (Birkbeck), FCMA, FSA (Chairman of the Board) *Stepped down January 2019*

**Mrs Sally Bowie**

**Mr Simon Capper** BA (Hons), ACA

**Mr Simon Cole** QPM, Hons DArts, BA (Hons) Dunelm, MA, DipCrim

**Mr Alan Charlton** CMG, CVO, MA, BLing, PGCE

**Professor Fiona Cownie** FAcSS, FRSA, PFHEA *Appointed July 2019*

**Ms Jill Ezard** BA (Hons), MBA

**Ms Lin Hinnigan** BSc, MEd, MBA

(appointed Interim Chair of the Board from March 2019)

**Mr Charles Ilako** BSc (Hons), MSc, FCA ICAEW *Appointed July 2019*

**Mr Oliver Mishcon** LLB (Hons), Barrister *Stepped down February 2019*

**Ms Suzanne Overton-Edwards** *Appointed March 2019*

**Dr Vijay Patel** OBE BSc (Pharm), MRPS, GPHC, CCMI, FRSA *Term ended July 2019*

**Professor Tony Payne** MA (Cantab), PhD, FAcSS *Stepped down February 2019*

**Ms Sara Pierson** BA (Hons), MBA *Appointed July 2019*

**Dr Dave Stevens** MPhil, Hon DTech *Appointed March 2019*

**Mr Tony Stockdale** ACA *Stepped down February 2019*

**Mr Daniel Toner** BA (Hons) *Appointed July 2019*

**Ms Sonia Watson** OBE MBA (Dist), Hon FRIBA

## REPRESENTATIVE GOVERNORS

**Dr Stephen Handsley** BA (Hons), PhD, PGCHE *Term ended September 2018*

**Mr Paul McNicoll** MA ACMI *Appointed November 2018*

**Ms Mollie Footitt** BSc (Hons) (DSU Deputy President Education) *Term ended June 2019*

**Ms Diya Rattanpal** (DSU Equality and Diversity Executive) *Appointed August 2019*

## CO-OPTED MEMBERS

**Ms Dianne Buchanan** MA (Hons), ACA *Appointed July 2019*

**Mr Phil Clarke** BA (Hons), CIMA *Appointed July 2019*

**Mrs Jasvinder Sanghera** BA (Hons), CBE *Appointed July 2019*

**Mr Peter Tansley** BA (Hons), CGMA, CIMA, CMIIA *Appointed July 2019*

## EX-OFFICIO GOVERNOR – CHIEF EXECUTIVE AND VICE-CHANCELLOR

**Professor Dominic Shellard** MA, DPhil *Stepped down February 2019*

**Professor Andy Collop** BEng, PhD, DSc, (Interim) *Appointed March 2019*

## CLERK TO THE BOARD

**Mr Sam Weston** BA (Hons)

## COMMITTEES OF THE BOARD

### Audit Committee

**Mr Alan Charlton** (Chair)

**Mrs Sally Bowie**

**Mr Simon Cole**

**Mr Charles Ilako**

**Mr Peter Tansley**

**Mr Daniel Toner**

### Ethics Committee

**Ms Sonia Watson** (Chair)

**Mr Alan Charlton**

**Professor Andy Collop** (Ex-officio)

**Ms Diya Rattanpal**

**Ms Jasvinder Sanghera**

### Finance and Human Resources Committee

**Mr Simon Capper** (Chair)

**Ms Dianne Buchanan**

**Mr Phil Clarke**

**Professor Andy Collop** (Ex-officio)

**Ms Jill Ezard**

**Ms Lin Hinnigan**

**Ms Sara Pierson**

### Nominations Committee

**Ms Lin Hinnigan** (Chair)

**Professor Andy Collop** (Ex-officio)

**Ms Jill Ezard**

**Mr Paul McNicoll**

**Ms Diya Rattanpal**

**Ms Sonia Watson**

### Remuneration Committee

**Ms Lin Hinnigan** (Chair)

**Mr Simon Capper**

**Professor Fiona Cownie**

**Dr Vijay Patel**

## EXECUTIVE BOARD

**Professor Dominic Shellard** (Chief Executive and Vice-Chancellor) MA, DPhil

**Professor Andy Collop** (Interim Vice-Chancellor and Chief Executive) BEng, PhD, DSc (previously Deputy Vice-Chancellor, appointed Interim Vice-Chancellor and Chief Executive in March 2019)

**Dr Simon Oldroyd** (Interim Deputy Vice-Chancellor) BSc (Hons), PhD, FIBMS (previously Pro Vice-Chancellor and Dean of Health and Life Sciences, appointed Interim Deputy Vice-Chancellor in April 2019)

**Mr Ben Browne** (Chief Operating Officer) MA (HRM), FCIPD

**Professor Jackie Labbe** (Pro Vice-Chancellor (Academic)) BA (Hons), MA, PhD, FRSA

**Mr Simon Bradbury** (Pro Vice-Chancellor and Dean of Arts, Design and Humanities) MA (Cantab), DipArch, RIBA, ARB, FHEA

**Ms Kaushika Patel** (Interim Pro Vice-Chancellor and Dean of Health and Life Sciences) BA, MA, CQSW

**Mr James Gardner** (Associate Chief Operating Officer and Pro Vice-Chancellor for Strategic and International Partnerships) BA (Hons)

**Professor Rusi Jaspal** (Pro Vice-Chancellor (Research)) MA (Cantab), MSc, PhD, CPsychol, FBPoS, FRSM, FRSPH, FRSA

**Professor Dana Brown** (Pro Vice-Chancellor for Enterprise and Dean of Business and Law, and Principal, Leicester Castle Business School) BA (Hons), MPhil, PhD

**Mrs Beverly Vickerstaff** (Interim Pro Vice-Chancellor and Dean of Business and Law and Principal, Leicester Castle Business School) BSc, MSc, FCA, FHEA

**Professor David Mba** (Pro Vice-Chancellor for Enterprise and Dean of Faculty of Computing, Engineering and Media) PFHEA, FBINDT, FISEAM

**Mr Simon Ambrose** (Vice-Chancellor's Chief of Staff) LLB (Hons), MBA

**Mrs Jo Cooke** (Associate Chief Operating Officer and Executive Director of Student and Academic Services) BA (Hons)

**Dr Peter Cross** (Chief Finance Officer) MAAT, FCPFA, MScPSM, DBA

**Mrs Sarah Setchell** (Executive Director of People and Organisational Development) BA (Hons), PG Dip, FCIPD, LLM

**Mrs Jennifer Penfold** (Interim Executive Director of People and Organisational Development) BA (Hons), MSc

**Mrs Mel Fowler** (Associate Chief Operating Officer and Executive Director of Marketing and Communications) BSc (Hons), MA

## PROFESSIONAL ADVISERS TO THE CORPORATION

### Auditors

External Auditors: Ernst & Young, Birmingham

Internal Auditors: PricewaterhouseCoopers LLP, Birmingham

### Bankers

National Westminster Bank plc

In accordance with best practice, the Board of Governors maintains a Register of Governors' Interests. To view the register, please contact the Clerk to the Board, Trinity House, De Montfort University, Leicester LE1 9BH.

*Left February 2019*

*Joined April 2019*

*Left August 2019*

*Joined August 2018*

*Left May 2019*

*Joined June 2019*

*Left August 2019*

*Left May 2019*

*Joined May 2019*



Ours is a community in which everyone learns, develops and contributes for the good of all

# INTERIM CHAIR'S INTRODUCTION TO THE ANNUAL ACCOUNTS 2018/19

I am pleased to introduce the Annual Accounts for the financial year 2018/19.

This year saw a number of senior changes at De Montfort University (DMU), with a Vice-Chancellor of nine years departing his role alongside the Chair of the Board of Governors of 12 years and several former governor colleagues. The involvement of the higher education sector's regulator, the Office for Students, culminated in the publication by the university of an action plan for improvement that will see us make a number of necessary changes to our governance arrangements. The Interim Vice-Chancellor is leading the university through the required changes, pending a permanent appointment early in the next calendar year.

Externally, the picture across the sector is no less challenging. The recently published Review of Post-18 Education and Funding, led by Philip Augar, will present significant financial challenges for the sector should the government (and a new prime minister) ultimately choose to adopt its findings. The headline reduction in fees from £9,250 to £7,500 from the 2021/22 academic year would equate to a loss in funding for the university in the region of £30 million, if this deficit were not to be replaced by the government. Competition for the recruitment of new students remains fierce, nationally

Key financial results for the year
Surplus before other gains of £14.5m (2017/18 £10.9m)
Cash and investments of £106.6m (2017/18 £82.6m)
9.4 per cent rise in academic fees and education contracts to £211.2m (2017/18 £193.1m)
9.1 per cent rise in total income to £245.3m (2017/18 £224.8m)
Capital investment of £15.3m (2017/18 £26.4m)

and internationally, and the university continues to seek to diversify the countries from which it draws international students, with particular success in India.

Despite these numerous challenges, DMU's financial performance remains extremely positive. Our accounts clearly evidence a strong cash and surplus position built on solid financial planning and an upward trajectory of student recruitment. This position was recently independently validated, when the university's credit rating was upgraded from 'Aa3 negative' to 'Aa3 stable'. DMU was one of only a small number of universities to be recognised in this way by Moody's Investors Service, the credit ratings agency.

The university's position within the sector as a whole continues to be equally strong. We remain proud to be recognised as a university ranked Gold in the Teaching Excellence and Student Outcomes Framework (TEF), an appropriate acknowledgement of the consistently outstanding teaching and learning at DMU, and its impact on our students. Our student population remains one of the most diverse in the country, reflecting the culturally vibrant city in which we are based. Nearly four out of five of our students are the first in their families to attend university, nearly one in six has declared a disability and more than half of our undergraduates come from black, Asian or minority ethnic backgrounds. Our performance in this area culminated in DMU being named the first-ever University of the Year for Social Inclusion in The Times and Sunday Times Good University Guide 2019, and we remain strongly committed to widening access to higher education and supporting students from diverse backgrounds to enable them to achieve their full potential.

The 2018/19 year has seen positive performances in a number of our key metrics. The university rose 10 places to be ranked 61st in the Guardian's University Guide 2020, and has been ranked between 151 and 200 in the Times Higher Education's list for the world's best universities that are less than 50 years old. For

the first time, DMU has been ranked in the QS World University Rankings, where it was placed between 801 and 1,000. In the 2019 National Student Survey, our score for overall student satisfaction dropped slightly, as did that of many of our competitors across the sector. However, we still managed to outperform by 2 per cent our benchmark as set by the Office for Students, and several of our programmes received scores of 100 per cent student satisfaction. As ever, the survey identified a number of areas where our performance could be improved to further enhance the student experience, and improvements in these areas will be a priority for the university in the 2019/20 academic year.

The university continues to work closely with the United Nations (UN) in its role as a member of the UN's Academic Impact programme, and as a designated hub for Sustainable Development Goal (SDG) 16 – to promote peace, justice and strong institutions. In April, we were ranked 50th in the world in the Times Higher Education's inaugural University Impact Rankings. These rankings are informed by the way in which universities are working towards achieving the SDGs, and DMU's placement in the top 50 demonstrates our commitment to embodying these goals in our internal practices and policies.

Through our flagship DMU Local initiative, we continue to demonstrate our commitment to the public good by using the knowledge and skills of students and staff to work with communities across Leicester. Some of the highlights of this year include working with Leicestershire Police to create a safehouse for victims of modern slavery, and the launch of a creativity network in the New Parks area of Leicester. In April, we held our inaugural Homecoming event, bringing together on campus our alumni and offering them the opportunity to reconnect with DMU as well as with friends and teachers. We hope that such engagements will further strengthen our connection to our graduates and highlight the important role that they can play in the future of the university.

In May, we formally opened the Stephen Lawrence Research Centre, a facility that aims to initiate and sustain activities that will shape and influence how we think about race and society. The centre will bring together academic colleagues from across the university whose work will build on areas of existing research expertise across themes relating to: histories of black and minority ethnic communities in Britain; the concept and practice of institutional racism; denials of justice; and the psychology of racial violence.

As previously mentioned, there have been a number of changes in the composition of the board. Four independent governors departed in 2018/19 and were replaced in the summer with the recruitment of Professor Fiona Cownie, Charles Ilako, Sara Pierson and Daniel Toner, all of whom bring substantial experience and expertise to the board. We also welcomed four co-opted members in the form of Dianne Buchanan, Phil Clarke, Jasvinder Sanghera and Peter Tansley, who bring specific skills to the work of the Audit, Finance and Human Resources, and Ethics Committees. We were pleased to welcome Diya Rattanpal onto the board as our new student governor and, for the first time in a number of years, democratically elected staff representatives from among both academic colleagues and the professional services.

I would like to take this opportunity to extend my thanks, and those of the Board of Governors, to all members of university staff for their invaluable contribution to DMU, in what has been a challenging period.

**Ms Lin Hinnigan**

Interim Chair of the Board of Governors

# OPERATING AND FINANCIAL REVIEW 2018/19

The university's Strategic Plan 2018-23 builds upon our previous framework, which we developed through discussion and engagement across the university. The Strategic Plan focuses on improvements that are driven by what our students want and deserve, improvements that will strengthen our position in the new university hierarchy. The plan, approved by our Board of Governors and launched in the summer of 2018, sets out the direction required to achieve our ambitions in a vibrant sector.

## Our mission:

We are a scholarly community that is committed to the public good and driven by an unrivalled ability to challenge convention and create impact.

## Our vision:

By 2023, our unsurpassed commitment to the public good and transformational scholarship will position us as the definition of a 21st-century global university.

To help us achieve this vision, we are focusing our efforts on the five themes detailed in the Strategic Plan.

1. Delivering a transformational educational experience that works for all
2. Creating and applying knowledge
3. Promoting our city
4. Strengthening our global influence
5. Enhancing our effectiveness through our diverse and vibrant university community

We have a reputation for transforming students from diverse, non-traditional backgrounds into successful, change-making graduates. Our Gold award in the nationally recognised TEF assessment reflects that our students are encouraged to engage fully with life at DMU, contribute to creating their own unique learning experience and make the most of every opportunity that comes their way.

Our commitment to reducing the attainment gap between black, Asian and minority ethnic (BAME) and white students within UK higher education is well documented and DMU is an integral part of Freedom to Achieve, a ground-breaking project to positively address this issue.

Freedom to Achieve asks whether our teaching, learning and assessment creates an accessible and culturally relevant curriculum in which students are able to see themselves reflected, and equips students with the skills to contribute positively to, and work effectively in, a global and diverse environment.

We have successfully implemented innovative programmes such as DMU Global and Universal Design for Learning (UDL), which show our commitment to providing international experiences and inclusive teaching for our students. We are also building on this excellence with DMU Works – a careers and employability programme focusing on ensuring our students are work-ready – and exploring methods to support and retain students in inclusive ways. DMU Square Mile, DMU Local and Square Mile India continue to provide volunteering opportunities for our students, giving them valuable experience and making a real difference in our city and further afield.

The creation and application of knowledge is at the heart of DMU's mission to deliver research that has an impact on people locally, nationally and internationally. This research then informs the excellent teaching we offer our students. We aim to develop interdisciplinary themes addressing key societal challenges in the areas of urban living, lifelong wellbeing, creativity in the digital age, and social value.

We continue to prepare for the Research Excellence Framework (REF) 2021 that will review our outstanding research projects, many of which are conducted in partnership with international collaborators, businesses, national bodies and the NHS. We aim to submit an increased proportion of our academic staff to REF 2021, to support them to produce excellent outputs for future

exercises, and to make REF preparations 'business as usual'. Given our commitment to the UN's SDGs, we aim to use our REF preparations as an opportunity to develop internationally excellent impact case studies. We will continue to build a scholarly environment conducive to world-leading research.

We are focused on enhancing the outcomes of our postgraduate research students – an important group within our research community – ensuring a consistently high level of attainment. We have developed a vision for the future of DMU's Doctoral College, focusing on how students can be supported to produce excellent research while gaining the skills and competence necessary for successful completion of a PhD and a brilliant postdoctoral career. A new PhD student management system will be implemented along with software to support students and supervisors, as well as provide appropriate management information.

Activity to promote our city continues to increase, with work being undertaken with HM Prison Leicester to transform the lives and prospects of prisoners, and DMU Local teaming up with the local NHS hospitals' trust to tackle bowel cancer. This year, a record-breaking number of students and staff dedicated time to work with local people, showing our prodigious commitment to the public good. The impact is seen across the community, benefiting everyone from children at risk of diabetes to local businesses.

Internationally, our reach, impact and influence all continue to grow. In 2019, the influential Times Higher Education magazine named DMU as one of the 200 best young universities in the world (under the age of 50). Our programme in India has won a prestigious national award recognising outstanding work in UK higher education. Square Mile India, which supports some of the poorest communities in Gujarat, was named International Strategy of the Year in the 2018 Times Higher Education Leadership and Management Awards.

Making a positive difference to the world we live in has earned DMU a prestigious place among the top 50 universities in the world for sustainability. The first-ever Times Higher Education University Impact Rankings published in 2019 – designed to showcase work being delivered by universities that helps change communities for the better – placed DMU 50th in the world. The rankings have been measured according to the work a university is doing towards achieving the UN's 17 SDGs.

The SDGs were adopted by the UN in 2015 to provide a framework for developing the world in a sustainable way. These include ending poverty and hunger, promoting good health and education, achieving gender equality and economic growth, tackling climate change and building sustainable cities.

In addition, in 2018/19 we are launching the final parts of our new student system through Systems Applications and Products (SAP). This will conclude the largest technology-enabled transformation that the university has ever embarked upon. The modern fit-for-purpose system presents tangible ways to streamline and improve the experience for our users, reducing bureaucracy and enhancing our administration.

DMU's ambition to become a beacon for diversity, inclusion and equality is widely recognised. We are one of just 10 universities in the UK to be awarded the Race Equality Charter award by Advance HE. DMU is also an Athena SWAN Bronze award holder, has for a number of years been placed firmly within the LGBT equality charity Stonewall Top 100 Employers list, and is a Disability Confident Employer.

These annual accounts show our ambition to deliver outstanding financial performance. We continue to deliver a healthy surplus through a combination of income growth – generated from the successful recruitment and retention of students – alongside a drive for efficiency and value for money. This will enable further investment in our student experience and provides a firm foundation on which to pursue our strategic ambitions.

## THE UNIVERSITY'S STATEMENT OF PUBLIC BENEFIT

DMU is an exempt charity by virtue of Schedule 3 of the Charities Act 2011 and, as such, is regulated by the Office for Students. The university's objectives, as defined in the Education Reform Act 1988, are to 'provide higher education', to 'provide further education' and to 'carry out research and to publish the results of that research' for the public benefit.

Members of the university's Board of Governors serve as trustees and are responsible for determining the educational character and mission of the university, overseeing and scrutinising its activities.

We consider the beneficiaries of our charitable status to be all students, both undergraduate and postgraduate, as well as members of the public in the UK and overseas. We believe universities are a public good and that DMU transforms lives by providing inspiring environments for its students and staff, while sharing their discoveries to benefit the world.

Ours is a community in which everyone learns, develops and contributes for the good of all. Research is central to this, enhancing our teaching and serving society's needs. That is why we are investing in research staff and infrastructure, to build on our REF results, which judged that almost 60 per cent of DMU's research activities were world-leading or internationally excellent.

As part of this investment, we launched the Stephen Lawrence Research Centre, which aims to drive forward conversations that will shape and influence how we think about race and social justice. Inspired by the loan of archival materials by DMU Chancellor and Stephen's mother, Baroness Doreen Lawrence, the centre celebrates Stephen's life and legacy through a permanent exhibition and acts as a hub for multidisciplinary research.

It has taken years of hard work and commitment by many people to establish this legacy, which is why we wanted this research centre to exist as a defined physical space, within DMU's open and encouraging community. We are also building the enduring legacy that we want – using teaching and learning to make real change, taking a national and international lead in areas currently under-researched and even neglected.

Our community is also an international one, where those from diverse backgrounds and cultures learn from and enrich each other's experiences. We always seek to treat, with dignity, respect and integrity, all those with whom we come into contact.

Such efforts to promote these values saw DMU named the inaugural University of the Year for Social Inclusion by The Sunday Times Good University Guide. Our policies to encourage a diverse student and staff population contributed to this, coupled with the success of students in exams and graduate job prospects.

The award is a validation of the commitment DMU has to widening participation and ensuring that every student has an equal chance of success, irrespective of background, social circumstances or any other distinction. Our Strategic Plan 2018-23 – which sets out DMU's mission, values and strategic aims – exemplifies the university's ambition to be a beacon for diversity, inclusion and equality.

This ethos also led to DMU being selected as the global lead by the UN for one of its SDGs, which aim to transform the lives of millions by 2030. DMU has been chosen as the hub for SDG 16 – promoting peace, justice and strong institutions. We've worked alongside the UN to engage with universities across the globe in the #JoinTogether campaign, to help support refugees worldwide.

Another clear declaration of our commitment to inclusion is DMUfreedom, part of our equality and diversity charter. It's our pledge to continue cultivating an environment in which staff, students and partners have freedom to be, freedom to inspire and freedom to succeed. Our ambition to break down these barriers is why DMU was named one of the most inclusive employers in Britain by LGBT equality charity Stonewall in its Top 100 Employers list for 2019.

Everyone at DMU contributes to a high-quality and distinctive academic experience, harnessing the best new approaches to learning and research. We equip our students with the skills and knowledge to support both their employability and broader lives. We deliver quality and add value in all that we do, understanding and responding to the needs of business and the professions.

We seek to communicate sincerely and listen carefully to what people say to us. We encourage an innovative and entrepreneurial attitude to learning, research and partnerships, which enriches us and those with whom we work.

This was recognised when DMU was ranked Gold in the 2017 TEF, the only government-endorsed measure of teaching quality in higher education. The TEF panel judged that DMU delivers 'consistently outstanding teaching, learning and outcomes for its students. It is of the highest quality found in the UK'.

In fact, 97.3 per cent of DMU graduates from summer 2017 are in work or further study, according to the Destinations of Leavers from Higher Education (DLHE) 2016/17 report, above the sector average of 94.6 per cent.

We are strongly committed to widening access to higher education and to supporting students from diverse backgrounds. This is why we developed our DMUaspire project with local schools and colleges, to inspire a new generation of undergraduates from hard-to-reach groups. This has boosted exam results in areas of deprivation and encouraged new university applications.

Bolstering students' success even further is our careers programme DMU Works, which provides access to placements, internships, volunteering and coaching. It guarantees professional work experience opportunities, so that in a competitive jobs market our students can become work-ready graduates.

Many of our volunteering opportunities are available through the DMU Local programme, one of our key public-benefit activities. It offers opportunities for our wider community to draw upon the university's academic expertise to improve health, education and job prospects across Leicester and beyond.

A number of these projects are embedded into degree coursework, ensuring hundreds of participating students gain skills to make them stand out, as well as demonstrating how the work of a university can sustainably support and develop communities.

DMU's Square Mile India has added an overseas dimension to the project by involving our award-winning international experience programme, DMU Global, to transform the lives of some of the poorest communities in Gujarat.

Students and staff regularly travel to Ahmedabad to work on initiatives such as delivering English classes, running free hearing screenings, or finding ways in which technology could improve lives. They are also designing and building new homes in a community that includes former leprosy sufferers and people who are forced to leave their homes each year due to monsoon flooding.

Closer to home, the public can enjoy the facilities at Queen Elizabeth II Diamond Jubilee Leisure Centre, as well as our award-winning Vijay Patel Building, including the Riverside Café, with its focus on vegetarian and vegan food, and events and exhibitions at The Gallery, the largest space of its kind in Leicester.

On the edge of campus, we have restored the Great Hall of Leicester Castle – which dates back to the 12th century – to bring it back to life as our Leicester Castle Business School, which members of the public can now explore with guided tours on special open days.

DMU Music offers a programme of extracurricular opportunities and experiences, which fundamentally reflect core university values. Central to this is our five-year partnership with the Philharmonia Orchestra – one of the world's greatest symphony orchestras, which has been resident in Leicester for more than 20 years – and the creation of a DMU Orchestra.

DMU appointed a new Interim Vice-Chancellor, Professor Andy Collop, bringing fresh opportunities for the university as we continue to deliver on our priorities – outstanding student experience, teaching and research excellence.

Among all of this work, the health and wellbeing of everyone at DMU is fundamental. Our Healthy DMU programme, officially launched this year, is a university-wide programme that provides toolkits, advice and other resources to support staff and students, embedding holistic health promotion and wellbeing behaviours across the institution.

With so much of our work dedicated to current students and staff, we want everyone who has studied at DMU to know that being a part of the DMU family doesn't end when they graduate. Our DMU for Life initiative encourages them to be an active part of our global and local family. Former students are always welcome back on campus – doing anything from supporting volunteering projects to sharing career experiences with current students. To celebrate this, we hosted our first Homecoming event, inviting all DMU alumni to visit campus for a special weekend of activities and reminiscing.

## DELIVERING A TRANSFORMATIONAL EDUCATION EXPERIENCE THAT WORKS FOR ALL

As we approach our 150th anniversary, we have taken stock of our many achievements in learning and teaching and have redoubled our efforts to provide an amazing and transformative experience in the years ahead. Our student experience is shaped our location in one of the UK's most ethnically diverse cities and our networks within and beyond the UK. DMU students can be found studying in Denmark, China, Hong Kong and the Philippines – to name but a few – and each year we welcome thousands of international students from around the globe onto our campuses, who greatly enrich our community of learners. Closer to home, we are proud of the excellent work we do with our partners, including Oxford International Education Group, Leicester College and the NHS, while over the past two years we have become a leading player regionally in the provision of higher and degree apprenticeships, with 180 apprentices registered on eight degree programmes.

Central to our efforts is our commitment to work with students to deliver impactful and real-world learning that is reflective of the challenges of the world of work in the 21st century. The university collaborates with De Montfort Students' Union to ensure that the student voice is fully reflected across the university through school representative co-ordinators and course representatives. We are also committed to working with and harnessing the student voice in the design and ongoing development of our curriculum, with co-creation a central pillar of our University Learning, Teaching and Assessment Strategy. In 2018/19 we created the new role of undergraduate learning and teaching consultant, whereby students worked alongside academic staff on consultancy projects that ranged from producing materials that support the transition of first-year students to reviewing assessment and feedback policies.

We ensure that all our students are able to thrive by providing them with the tools and environments that are necessary for a successful learning and teaching experience. Our UDL framework is central to this and has influenced the technology enhancement we call DMU Replay, which provides students with anytime access to audio and/or visual material that is provided before, during or after staff-led teaching sessions. Since its launch in 2016, DMU Replay has amassed more than two million student views. Our work has received external recognition and we are proud to be seen as a leader in this area of practice, with more than 50 higher education institutions having contacted us to learn more

about UDL. DMU has provided expert guidance and advice to the likes of the Department for Education for developing approaches to engage the sector in implementing similar changes.

To ensure our students benefit from the latest developments in the design of the educational environment, we have established a learning spaces project. Through a process of co-creation, the project team has designed a toolkit to assess and plan the development and redesign of learning spaces across campus. This toolkit advocates a holistic approach that views the campus as a learning space which considers different types of learning activity as well as the overall range of provision.

The continuing popularity of the university has been reflected by our Library and Learning Services (LLS) department creating 400 extra study spaces over the past year. These include a mixture of silent study and creative multifunctional spaces that capture the variety of learning activities students may be engaged in. LLS has also created a commuter space for students who travel to the university every day. These spaces add capability to the university effort because they offer insight into the changing needs of students and provide further thinking and adaptable practice in how space can inform and influence learning.

An important aspect of our commitment to ensuring that all students thrive is our Freedom to Achieve programme, which focuses on reducing the attainment gap between BAME and white students. We are proud of the positive approach we have taken to address this important issue and our commitment to eliminate the gap. Between 2015/16 and 2017/18, our efforts in this area have seen a 4.7 per cent reduction in the attainment gap between BAME and white students who achieve a good honours degree. In the past year we have also been successful in securing £228,000 of funding from the Office for Students Challenge Competition: Industrial strategy and skills, to run a three-year project that supports BAME students and graduates to rise to leadership positions within Leicester's business community. Through this work, we aim to increase BAME leader role models and help address the BAME progression gap for highly skilled employment.

A key aspect of our commitment to the student experience is our investment in staff and the recognition that is given



We ensure that all our students are able to thrive by providing them with the tools and environments that are necessary for a successful learning and teaching experience



Over the past three years the university has sought to transform the lives of people who live in some of the poorest conditions in India through our Square Mile India initiative

to them through initiatives such as the National Teaching Fellowships (NTF) and Vice-Chancellor's Distinguished Teaching Awards (VCDTA). The latter celebrate those who inspire both inside and outside the classroom, and in 2018/19 students submitted more than 600 nominations for 12 annual awards. The university is proud of its commitment to academic excellence, highlighted by the fact that it has been awarded 22 NTFs. Moreover, 81.5 per cent of DMU staff have received recognition for their achievements in learning and teaching, and some staff have gained more than one accolade. These include Advance HE Fellowships, NTFs, DMU Teacher Fellows, the VCDTA, and the Postgraduate Certificate in Teaching and Learning in Higher Education.

In 2019, we formally launched our Centre for Academic Innovation (CAI), which will become a beacon for change and innovation within and beyond the university, with a focus on enhancing the learning and teaching experience. It will be home for existing and developing educational initiatives, such as UDL, and will provide a base for recipients of the DMU Teacher Fellows, NTFs and the Collaborative Award for Teaching Excellence.

Our investment in CAI is also matched by our commitment to strengthen our personal tutoring system, where in 2018/19 we established the position of senior tutor. This is a new position at DMU and reflects our commitment to develop our personal tutoring provision through working with staff and students, and better understand the preparedness of staff and students' expectations and needs.

A hallmark of a DMU education is our commitment to engage students in practical and applied learning. An important aspect of this is the contribution that our student body makes to our own city. In 2018/19 alone, 20,465 hours of volunteering were recorded by 1,380 students through our DMU Local initiative. These projects have had a massive impact on our local community and highlight the university's commitment to the public good. Apart from the enrichment of students' own learning, these experiences often require them to undertake specialised training which, alongside the volunteering hours, is recorded on their Higher Education Achievement Reports.

Just as we have a commitment to broaden our students' learning and understanding through local engagements, we equally seek to ensure that they are engaged with developments at a global level. An important aspect of this is our award-winning international experience programme DMU Global. Since its inception in 2014, it has offered more than 13,000 overseas travel opportunities to more than

65 international destinations. In 2018/19, 3,020 students took up this opportunity and reported a 96 per cent satisfaction rating.

Over the past three years the university has sought to transform the lives of people who live in some of the poorest conditions in India through our Square Mile India initiative. This has seen our students volunteer to build houses that were also designed by our Architecture students, to prevent them from flooding in the rainy season. In 2018, our work in this area was named International Strategy of the Year in the Times Higher Education Leadership and Management Awards. Initiatives such as these have a profound impact on our students by enriching their learning and increasing their awareness of their own responsibilities as DMU ambassadors and global citizens. This also translates into their future employability and a commitment to lifelong learning.

The latest Destinations of Leavers from Higher Education survey places DMU 17th in the UK for graduate employment rates, with 97.3 per cent of our 2017 graduates in work or further study six months after graduating, up from 96.7 per cent in 2016, and well above the national average. To maintain the momentum of this success, in 2018/19 we launched DMU Works, an enhanced career development offer to help ensure we engage all students with the highest levels of support to progress to highly skilled work in the year after graduation. A key feature has been the creation of the DMU for Life programme, which comprises the creation of DMU alumni clubs, networks and communities around the world and has significantly enhanced networking and communications opportunities for our graduates.

To enable our graduates to be in the best possible shape for the future challenges of work, we have increased the number of students taking part in sandwich placements. Participation has increased sharply from 261 in 2016/17 to 482 in 2018/19 and this growth will continue as a key element in our employability strategy. In 2018/19, we launched an enterprise placement year, enabling students to develop their business idea within a 12-month support framework of business advice and bursary funding.

As we look to the future, we have identified a need to make industry experience more accessible to all our students and have introduced a new offer of short professional experiences that place students in businesses to learn directly from industry experts. We support transport costs where needed, ensuring these opportunities are fully inclusive. A total of 408 students participated in this initiative in 2018/19. These employer-hosted insights are proving

increasingly attractive and effective for both employers and students as a recruitment tool. To take but one example, one-day visits by DMU students to the Sainsbury's headquarters in 2017/18 and 2018/19 have resulted in 18 direct graduate job offers.

Our focus on applied learning is evidenced by the fact that the number of timetabled employability sessions built into academic programmes has risen from 163 in 2017/18 to 239 in 2018/19, with total attendances of 8,289 students this academic year. We have introduced greater variety into the sessions by including the Placement, Enterprise and Mentoring teams to lead them, as well as increased employer speakers. An example of the impact is an increase from three Law students signing up for the Employability Mentoring programme in 2017/18 to 20 in 2018/19.

The Careers and Employability team has run 649 extracurricular events this academic year, attended by 6,473 students. Examples of successful new events include careers drop-in sessions held at the Campus Centre, attracting 424 students over two days. Elsewhere, our monthly Connect @ The Co-working Café event has been designed to encourage collaboration between DMU students and the local start-up community. This event typically attracts 50 to 100 students and employers. The team has also introduced a leadership development programme for BAME students, working in partnership with Elevation Networks, a charity supporting BAME students' access to competitive graduate schemes. In 2018/19, 150 students participated in the programme.

Finally, our Employability Mentoring programme continues to expand and surpass targets for student engagement and positive feedback. The number of students engaging in group mentoring has grown from 115 in 2017/18 to 357 in 2018/19, with 54 placed in a successful ongoing one-to-one business mentoring partnership and 100 per cent positive feedback from students on the quality of their experience. The scheme was re-awarded the Approved Provider Standard for Mentoring and Befriending by the National Council for Voluntary Organisations in 2019.

An indication of the success of all of these initiatives is the feedback that students provide on their own learning. In the latest National Student Survey (NSS) for 2019, some 84 per cent of students either 'strongly agree' or 'agree' that they are satisfied with their overall course experience. While this is a decrease of 2 per cent compared with 86 per cent in 2018, the benchmark figure for overall student satisfaction was 82 per cent, which means that the university is still 2 per cent

above performance. Moreover, overall satisfaction is above the sector average of 83.65 per cent. Alongside the NSS, all DMU undergraduate and postgraduate taught students have the opportunity to provide anonymous feedback on their module experience. The institutional mean score from the main survey period of 2018/19 was 4.13 out of 5, where one is 'definitely disagree' and five is 'definitely agree'. We are proud of the feedback from our student body, from whom we also gain more informal feedback through the Student Voice Committee and Ask the Expert panels.

A critical part of the support that we provide our students is through the work of our colleagues in Student and Academic Services (SAAS). Working in unison with University Learning, Teaching and Assessment Strategy, the department's refreshed 2018 Student Experience Strategy is designed to transform our students and help them embrace opportunities, build confidence and realise ambitions. Three key elements – co-creation, transformation and support – provide the backbone to the strategy. An example of this work is that DMU provides eligible students with a free licence for Brain in Hand, an assistive technology designed to support individuals with autism, mental health difficulties, specific learning differences and acquired brain injuries. Brain in Hand helps students, especially those who find it difficult to make decisions, respond to everyday problems and self-manage their anxiety, as well as build strategies and solutions for managing change. Students can see improvements across their learning including time management, organisation, attendance and participation, concentration and focus, task planning and goal setting, strategies for managing change, confidence and independence, and their ability to reduce and cope with anxiety and stress.

An important area of support provided to our students is in relation to mental health. Our efforts in this area have meant that DMU has established itself as a leader in this field across the sector, where we have developed a university-wide approach to mental health that is in line with guidance from Universities UK. A notable feature of this has been the introduction of a Single Point of Access (SPA) booking system for students, which enables DMU to provide a common referral route to our disability, mental health and counselling services. This is an important development, as it brings collaborative thinking to what are often complex cases and ensures that we can support our students with personally tailored and timely support packages. An example of the need for this support is shown from the 1,850 SPA appointments provided by Student Welfare in 2018/19 alone.



The Careers and Employability team has run 649 extracurricular events this academic year, attended by 6,473 students

We also continue to develop initiatives that have a positive impact on student wellbeing. Evidence from student and staff feedback has shown that the introduction of the Course Specific Intervention project has had a positive impact for those at risk of non-continuation. Elsewhere, the Healthy DMU two-year pilot programme has now concluded, resulting in the embedding of a university-wide approach to health and wellbeing. This has resulted in some exciting co-produced work between staff and students, most notably a Healthy DMU toolkit full of resources and support, which has received accolades from the sector. The toolkit provides an important resource for our staff as it enables them to provide informed and tailored guidance to our students. The project works alongside UDL and has a specific focus

on developing preventative and consistent approaches, particularly in relation to non-continuation and student attainment.

Finally, SAAS continues to invest in the Mandala Project, our programme of work that tackles sexual and domestic violence. The focus of this work has been on developing a sustainable model that includes approaches to training, student support and appropriate governance of our interventions. The promotion of healthy relationships forms a core part of this work, and training and events to underpin this have been successfully facilitated. The greatest success of this project is that students and staff have co-created and delivered a preventative approach.



## CREATE AND APPLY KNOWLEDGE THAT FURTHERS GLOBAL SOCIETAL AND ECONOMIC DEVELOPMENT

DMU has been engaged in a number of outstanding projects over the year, supported by external research grants and contracts. Highlights include:

The Music, Technology and Innovation – Institute for Sonic Creativity (MTI<sup>2</sup>) continued to combine outreach with cutting-edge initiatives. Its €4 million Creative Europe Interfaces Project continues with key developments in multilingual e-learning (EARS 2), sonic creativity software for anyone (Compose with Sounds), and an international conference on best practice models in bringing new music to new audiences. The institute has also been offering workshops in sonic creativity and DIY making, which have been published online, and a festival of new site-specific sound installation and visual music work in Leicester.

International competition awards have been won by DMU's Professor John Young (Festival KLANG!, Montpellier, and Musica Nova 2019, Prague), Professor Bret Battey (MADATAC X, Madrid), and Midlands4Cities PhD student Sam Topley (Maker Faire Dubai). There have been a number of MTI<sup>2</sup> concerts and broadcasts, including Czech Radio and a concert in Brno, and several one-composer concerts internationally. DMU's Dr John Richards has also featured in a new documentary film *The Sound is Innocent* (a Slovakian film created for, and broadcast on, ARTE television).

With funding from the British Academy/Leverhulme, Professors Jonathan Payne, of DMU's People Organisations and Work Institute (POWI), and Caroline Lloyd, of Cardiff University, are researching the impact of robotics on employment, skills and job quality through grounded case studies in hospitals and food and drink processing sectors in Norway and the UK. The project is part of POWI's mission to support decent work in line with the UN's SDG 8.

In 2019, Professor Payne showcased the research at an event for special guests of the British Academy and was an invited speaker at a conference, co-hosted by the International Labour Organisation, aimed at informing its Global Commission on the Future of Work. Professor Payne and Professor Lloyd also presented their work at a roundtable debate hosted by a Norwegian company, which included the main social partners in Norway. The company said:

"It led to good dialogues and reflections among the participants about how the Norwegian industry and work environment could, and should, prepare for the increased introduction of robotics and AI (artificial intelligence), how and when employees should be involved to get successful implementation and use of technology, and how the right approach could create local and national competitiveness."

The annual British Silent Film Festival, co-run and curated by Laraine Porter and held at Leicester's Phoenix Cinema and Art Centre, has received ongoing financial support from the British Film Institute, being granted £20,000 in 2019. Broadcaster and writer Matthew Sweet has written: "Until recently, British cinema before the coming of the talkie was customarily dismissed as amateurish and genteel. That this opinion is fading away is largely due to the organisers of the annual British Silent Film Festival who, for the past 13 years, have been screening neglected treasures from the archives, and rebuilding a sense of the talents who produced them and the people who watched."

Professor Ernest Edmonds, of the Institute of Creative Technologies, was the featured artist at the SIGGRAPH 2018 Art Exhibition and was fully funded to attend, exhibit and speak at the Vancouver event. SIGGRAPH is the leading computer graphics international conference series, attracting around 16,000 academic and industrial delegates. Professor Edmonds' exhibited works were linked to the celebration of the 50th anniversary of the Art, Science and Technology MIT Press journal *Leonardo* and were each directly related to one of his contributions to the journal over that period. He gave an invited talk on his work and those connections. Professor Edmonds' contribution was also documented in the associated edition of that journal. During the conference, he was made a founding member of the prestigious SIGGRAPH Academy 'for major contributions to the development of computational art, and to the broader field of contemporary art'.

DMU's Dr Nicoleta Moiso is working on projects funded by Alzheimer's Society and Parkinson's UK to dissect the impact of mitochondria stress signalling in microglia, the brain immune cells, on modulating the disease progression. In addition, Dr Dan Sillence's work on Niemann-Pick C (NPC) disease, a rare neurodegenerative

DMU's Cyber Technology Institute received recognition as an Academic Centre of Excellence in Cyber Security Research

condition that's also identified as 'childhood Alzheimer's', has identified novel therapeutic strategies that benefit NPC and can be repurposed as Alzheimer's and Parkinson's neuroprotective treatments. His research is currently funded by the Niemann-Pick Disease Foundation and a scholarship to his PhD student from the Schlumberger Foundation.

As part of the government's National Cyber Security Strategy, the Engineering and Physical Sciences Research Council (EPSRC) and National Cyber Security Centre maintain a recognition scheme for universities with cyber security research that is of excellent quality. In 2019, DMU's Cyber Technology Institute (CTI) received this recognition as an Academic Centre of Excellence in Cyber Security Research. Thanks to the scheme, this is the first time that any post-1992 universities have obtained this status, and DMU was the first university in the East Midlands to receive it. The panel recognised the CTI's strong work with industry, in particular its Industrial Advisory Group of Airbus, Deloitte UK, BT and Rolls-Royce, as well as its strengths in cybercrime, critical national infrastructure security, and responsible research and innovation, in collaboration with the Centre for Computing and Social Responsibility (CCSR).

The CCSR continues to draw significant attention from the media and policymakers. In 2018, the ORBIT (Observatory for Responsible Research and Innovation in ICT) project was launched at the Palace of Westminster, drawing a high-profile audience of more than 100 scientists, policymakers and other decision-makers. The CCSR submitted four separate pieces of evidence to the House of Lords review on AI, which were quoted in the report published in 2018. The CCSR continues to be highly successful in attracting project funding, securing approximately €1.5 million in this financial year. Also, it secured the continuation of its role in the EU ICT Flagship Human Brain Project and started three new international collaborative projects in the areas of international networks of responsible research and innovation (RRI), RRI in the ICT industry, and ethics and human rights in smart information systems. The latter project, co-ordinated by the CCSR, looks at smart information systems, the combination of big data analytics and artificial intelligence, and forms part of a pool of projects that the European Commission is looking towards to develop guidance for dealing with these ethical issues in EU-funded projects.

These activities will inform the funding principles of the €100 billion Horizon Europe programme.

Professor Siobhan Keenan, of DMU's School of Humanities, received a Scouloudi Historical Award to assist with the final research for her new monograph. *The Progresses, Processions, and Royal Entries of King Charles I, 1625-1642* (forthcoming with Oxford University Press) is the first book to explore the history, and the political and cultural significance, of the progresses, processions and royal entries of early 17th-century British king Charles I. As well as offering a much fuller account of the king's travels, this monograph throws fresh light on the question of Charles I's accessibility to his subjects and their concerns, and the part that this may, or may not, have played in the conflicts that culminated in the English Civil War and the king's dramatic overthrow in 1649.

Our senior lecturer Dr Rajnaara Akhtar was awarded Scholar in Residence status at Georgetown University in Qatar while she conducted research on unregistered marriages within the country. She spent a year on research leave conducting empirical research, following a competitive internal DMU competition. Dr Akhtar also spent three weeks at the University of Sydney in summer 2019. The fieldwork conducted in Qatar and Australia will inform a monograph titled *Muslim Marriages in Transition*, England, Qatar and Australia. During the academic year, Dr Akhtar applied for funding to the Doha International Family Institute to continue her research in 2019/2020 and was awarded a grant of \$50,000 USD.

Members of the Early Detection of Neovascular AMD (EDNA) Economic and Social Research Council (ESRC) research team, led by professor Nicky Hudson, leader of the Centre for Reproduction Research, recently collaborated with their project partners, The Sperm, Egg and Embryo Donation (SEED) Trust to produce eight short films that explore the experience of egg donation in the UK. The EDNA project (2017-2021, ESRC ref ES/N010604/1) aims to explore the social, political, economic and moral configuration of egg donation in the UK, Spain and Belgium. The films are part of the project's work to inform policy and practice on egg donation and were premiered at Fertility Fest 2019 at the Barbican theatre in London, an international arts festival dedicated to fertility, infertility and modern families.

Anupa Roper, Trustee of the SEED Trust, said: "My experience of working on the films with the team at DMU has always been positive. The EDNA team travelled to London to support our new website launch and everybody at SEED is really appreciative of the input they have provided."

Professor Nicky Hudson has launched a new book series on reproduction, to address issues such as conception, contraception, abortion, pregnancy, birth, infertility, pre and postnatal care, prenatal screening and testing, IVF, prenatal genetic diagnosis, mitochondrial donation, surrogacy, adoption, reproductive donation, family-making and more.

DMU lecturer Elizabeth Lambourn's acclaimed book, *Abraham's Luggage: A Social Life in the Medieval Indian Ocean World*, has been published by Cambridge University Press.

Michael Laffan, of Princeton University, New Jersey, said: "Transforming a 12th-century list into a history of the stuff of life, Lambourn brilliantly demonstrates how Southern India was linked to the Middle East. From the production of food to the maintenance of purity, and even staying watered and well on the journey itself, this is exemplary Indian Ocean history."

Finbarr Barry Flood, of the Institute of Fine Arts and founder-director of Silsila: Center for Material Histories at New York University, New York, said: "Abraham's Luggage opens a fascinating window onto a world of interconnected Indic, Islamic and Jewish traditions in the medieval Indian Ocean. From cultures of dining, gifting, medicine, packing, and religious ritual to mercantile shopping habits and shipping, the book is awash with original insights. Its holistic approach offers a compelling and innovative model of interdisciplinary scholarship."

Roxani Eleni Margariti, of Emory University, Atlanta, said: "Lambourn's deeply learned and intellectually enterprising reconstruction of the biology and materiality of travel along the maritime highways of the western Indian Ocean enriches our understanding of how humans have inhabited ships and the high seas in a crucial period of world history."

Mordechai Akiva Friedman, of Tel Aviv University, Israel, said: "Elizabeth Lambourn brings to life the trip home

to Egypt of a 12th-century Jewish trader, transforming a Geniza fragment into a mirror of macrohistory and reconstructing the life of a Mediterranean household in India. A fascinating, path-breaking study for Geniza research and the history of material culture in the Indian Ocean."

Dr Helen Solomon and colleagues in economics have been researching both the role of social media on economic growth and how it affects performance in developing countries. Their original 2015 study provided two explanations for negative consequence of social media on GDP: increases in the search costs for information and the substitution effect from labour to leisure. Recent work examines the effect of social media on firms' sales growth, studying Facebook use in Kenya and Nigeria.

Professor Tracy Harwood, of DMU's Institute of Creative Technologies and Institute of Artificial Intelligence, has received funding from Arts Council England for the Art AI Festival, which won Leicestershire Live's Innovation in the Creative Sector award in April 2019. Now in its second year, the festival is a partnership with Phoenix Cinema and Art Centre, Hammerson plc and curator Luba Elliott. The event showcased artwork and installations by leading international artists across Leicester at venues including its two shopping centres, a theatre, the central library and Leicester Partnership Trust NHS dementia outpatients' unit, achieving a footfall of 1.5 million, as well as TV, press and social media coverage.

## PROMOTING OUR CITY

We believe that universities have an important role to play in their cities and communities. DMU has made a strong commitment to Leicester, through the investment in our campus, our public engagement, our partnerships and our work with businesses.

Much of our work in the city is exemplified through the activities of DMU Local. In the past year, our students contributed 20,465 hours of volunteering to more than 100 projects to improve health, education and social regeneration, the vast majority in Leicester, but also in India, New York, Amsterdam, Paris, Berlin, Brussels and Thailand.

A great deal of our partnership work is aligned with the UN's 17 SDGs – a universal call to action to end poverty, protect the planet and ensure that all people can live in peace and prosperity. These are goals that we can all share – and that the whole city can embrace.

### Education

Around 400 student volunteers worked hundreds of hours alongside the teaching staff of 60 primary and secondary schools, many of which are in the city.

Student volunteers went out from DMU to work in more than 40 of the city schools, while 20 sent their pupils to the campus for activities. In primary and secondary schools across Leicester, student volunteers have worked with 9,000 city schoolchildren.

DMU Local's wide range of projects has included Paired Reading, Mathletics, Playdough, Excel Yourself, education placements and Leicester's first LEGO league. The Mathletics sessions alone have now helped more than 300 talented maths pupils in year 6 to further improve their skills ahead of their Key Stage 2 SATs.

The Paired Reading scheme has seen 50 student volunteers go into city schools once a month. Forty volunteers have gone into 17 primary schools and 10 volunteers into three secondary schools and boosted the reading age among those pupils.

Volunteer students help with the Playdough scheme, which has 260 pupils every year taking part in a maths-based investment game centred around the notion of gains and losses on the Stock Market.

Excel Yourself sees a further 70 schoolchildren in year 5 come to DMU's campus each year to take part in sessions designed to improve pupils' understanding of how to operate the Excel program.

More than 100 children, aged nine to 16, also took part in Leicester's first LEGO league on the DMU campus. Pupils had to design and create LEGO robots and then code and program their inventions.

As well as DMU Local, the university's pioneering DMUaspire project has been developed with local schools and colleges to inspire a new generation of undergraduates from hard-to-reach groups and boost their exam results. The project has led to a raft of new university applications from students in city areas of deprivation.

The project was created after concerns were raised by the city mayor's office that too many A-level students from the city's estates were missing out on the grades needed for higher education.

In response, DMU created an accredited module that gave pupils a UCAS-equivalent tariff on completion, to boost their application for courses should their final results fall short.

In the pilot project, 58 students completed the week-long programme, submitting all three assessments with a 100 per cent pass rate. DMU has now had applications from 31 of them to start a course in the new academic year.

### Community work

DMU's work in the communities of Leicester is at the heart of its public engagement work in the city. Students are involved in fantastic projects on city estates, helping provide food hubs, cafés that help reduce social isolation among the elderly, initiatives to curb knife crime, as well as homework and youth clubs.

DMU has strong and special links with three local communities – Beaumont Leys, Thurnby Lodge and Fosse – working closely with the council's Neighbourhood Services team to enable a series of projects in these areas.

The collaboration started in 2011 in an initiative that was the first of its kind, as links were forged with community groups and local schools. DMU Local began hosting a wide range of community activities in council-run centres in a special partnership.

The first project in Fosse, which borders the city centre campus, has expanded rapidly. The Saturday arts club runs every week, an IT4Free scheme has more than 30 attendees, and there are strong links with local schools.

Beaumont Leys city estate faces a series of social problems caused by income deprivation and higher-than-average child poverty. DMU works with the estate-based organisation E2, helping to provide a wide range of services to people in the community.

Student volunteers work with E2 to help staff a food hub, work at a weekly youth club, help youngsters at a regular homework club and the Digital Champions club helps adults gain new IT skills.

DMU's partnership with the city council expanded into Thurnby Lodge, where efforts have been concentrated on restoring youth provision and helping with social isolation among the elderly and vulnerable.

Student volunteers help with the Powered by NRG youth club on the estate and also the popular weekly pop-up café for the elderly, which many have credited with helping reduce social isolation among the estate's older residents. There was also a community cinema established on the estate, which allowed people there to come together for a fun afternoon free of charge.

Thurnby Lodge, Beaumont Leys and Fosse also stage children's Saturday arts club as part of DMU Local and there are similar clubs for adults in Belgrave and Highfields.

Other work in the community includes the city's Art AI Festival organised by DMU's Institute of Creative Technologies, which saw artwork created using artificial intelligence. The artwork was installed at an NHS clinic in Leicester, and has inspired researchers from DMU, University of Leicester and the Leicestershire Partnership NHS Trust to look at alternative therapies for people with memory loss and dementia by comparing the effect it has on patients, carers and staff.

### Enterprise and local business

DMU's contribution to Leicester's economy and its future prosperity is immense and illustrated by the independent Economic Impact Report 2019. Some of the key figures are as follows:

- One in every 30 jobs in Leicester can be traced back to the university's expenditure
- For every person employed by the university, DMU's economic activity supports another 5,200 jobs in the wider economy
- In money terms, the university is worth £250 million to the city's economy as well as £500 million in Gross Added Value to the UK economy
- By comparison, the income generated by DMU is larger than many of the football teams in the Premier League

DMU has been recognised for conducting world-leading cyber security research, having been named the East Midlands' first Academic Centre of Excellence in Cyber Security Research. The university's Cyber Technology Institute is a research hub that focuses on the development of knowledge and technologies to ensure a smart, safe and secure cyberspace. Members deliver research, training and consultancy services in the fields of cyber security, software engineering and smart systems.

DMU is proud to be part of the business community and committed to supporting start-up, small and medium-sized enterprises (SMEs) to deliver innovative solutions for business growth.

The university is leading a £4.68 million project to help businesses and entrepreneurs bring their ideas to life and help boost the UK economy through the government's new Connecting Capability Fund. DMU has joined forces with Brunel University London, Nottingham Trent University and industry bodies to create a specialist company called Impacting Business by Design (IBbD) to work with SMEs to commercialise ideas and innovations. IBbD aims to increase the number of new products being brought to market in the UK, improving investment and protecting the country's industrial competitiveness.

DMU has also partnered with Leicestershire Police to launch a new degree apprenticeship programme for police constables. The Police Constable Degree Apprenticeship is only the second programme of its kind to be offered by a British university. The three-year course is unique in the fact that apprentices will learn and work in the local community, delivering on national issues but in a local context. This degree is the latest example of collaboration



In the past year, our students contributed 20,465 hours of volunteering to more than 100 projects to improve health, education and social regeneration

during many years of close partnership between DMU and Leicestershire Police, with the organisations working together on a number of projects and initiatives. Approved by the College of Policing, the degree apprenticeship covers areas that are critical to effective policing in the 21st century, such as evidence-based policing, supporting vulnerable people, and dealing with cyber-crime and crime prevention.

With Leicester named as one of the best places in the UK to start a business, a team of top entrepreneurs has joined DMU as the university's first Entrepreneurs in Residence, to mentor students and graduates and provide a link between academia and the corporate world. The team will be based at The Innovation Centre on the edge of DMU's campus. The centre supports start-ups and entrepreneurs across Leicester as well as runs a free, public co-working space, masterclasses and organises regular networking events as well as providing tenancies for small businesses.

#### **Heritage and regeneration**

DMU is a campus steeped in history. Its buildings tell the story of Leicester – of the city's development, ambitions and achievements.

In October 1869, it was decided to form the Leicester School of Art and the following March the first lessons were held at the school. During the next 150 years, the name changed from the Leicester College of Art and Technology in 1929, to the City of Leicester Polytechnic in 1969, and then Leicester Polytechnic in 1972 before becoming De Montfort University in 1992.

Since then, £185.2 million has been invested in the transformation of DMU's campus. The university is proud to be working with Leicester City Council to restore, preserve and celebrate the historic buildings on our campus for the future – and to share them with the public.

Sir Peter Soulsby, Leicester City Mayor, said: "We're ambitious for the future of our city. We want to see Leicester grow and prosper, and we know our partners share this vision.

"Working together in this way has already had an important impact on the city, in areas as diverse as health, youth work and education. DMU also clearly shares our vision for the regeneration of Leicester – as demonstrated by its remarkable campus transformation project.

"The project complements the city council's ambitious Connecting Leicester programme, which has reinvigorated city centre streets and created new pedestrian and cycle-friendly routes to better link up our city centre and surrounding areas."

DMU, along with University of Leicester and Loughborough University, is collaborating with the city council on the Leicester Urban Observatory, which aims to establish and develop a combined centre of excellence in urban studies and planning for Leicester. The university is also on the city council's Heritage Partnership and Conservation Advisory Panel, as well as contributing to the Greyfriars Townscape Heritage Initiative and Heritage Open Days.

In collaboration with University of Leicester, DMU has also jointly funded a graduate retention officer at Leicester City Council, to help ensure the city can offer new graduates the opportunities, lifestyle and benefits that will make staying in Leicester an attractive option.

## STRENGTHEN OUR GLOBAL REACH AND INFLUENCE

DMU's global presence, reach and influence continued apace throughout the academic year 2018/19, as did the university's undiminished determination to heighten its standing and reputation as an international force for good.

Transnational Education (TNE) activity continues to expand under the direction of the university's Global Partnerships Unit (GPU), supported by an ambitious institutional commitment for growth. The number of students studying overseas for a DMU award continued to reach more than 2,100.

It is anticipated that more significant growth will come in the year ahead following the approval of four new partnerships in 2019, which will allow us to expand our global footprint in Singapore and establish a TNE presence in Malaysia, Bahrain and Thailand. Work also continues with existing partners to maximise their potential and support an enhanced student experience – while two partnerships have moved to formal closures we continue to build on existing portfolios with the addition of several new programmes in readiness for the next academic session. Three long-standing partners have successfully completed a collaborative review and we look forward to working with them as we enter the next phase of our partnership.

Alongside this, GPU continues to work closely and collaboratively with all of the university's faculties to strengthen business development activities and ensure a joined-up approach to fulfilling our TNE agenda. Exciting and significant opportunities are emerging as a result and work is currently under way to develop further partnerships in Vietnam, Cambodia, Dubai, Uzbekistan and re-engagement in China.

The most recent figures published by the Higher Education Statistics Agency relating to the academic year 2017/18 positioned DMU as the top UK university for international student growth for the second year running, and in the academic year 2018/19 international student recruitment remained an important focus for the university. Expanding our global footprint through a network of regional representatives, DMU built on the successful foundations of previous years to achieve

a record number of international students. DMU saw growth in enrolments from all international regions, but of particular note, student recruitment from China and Hong Kong surpassed 1,400 enrolments (40 per cent up on the previous year) and recruitment from India was 96 per cent ahead of the previous year with 878 enrolments.

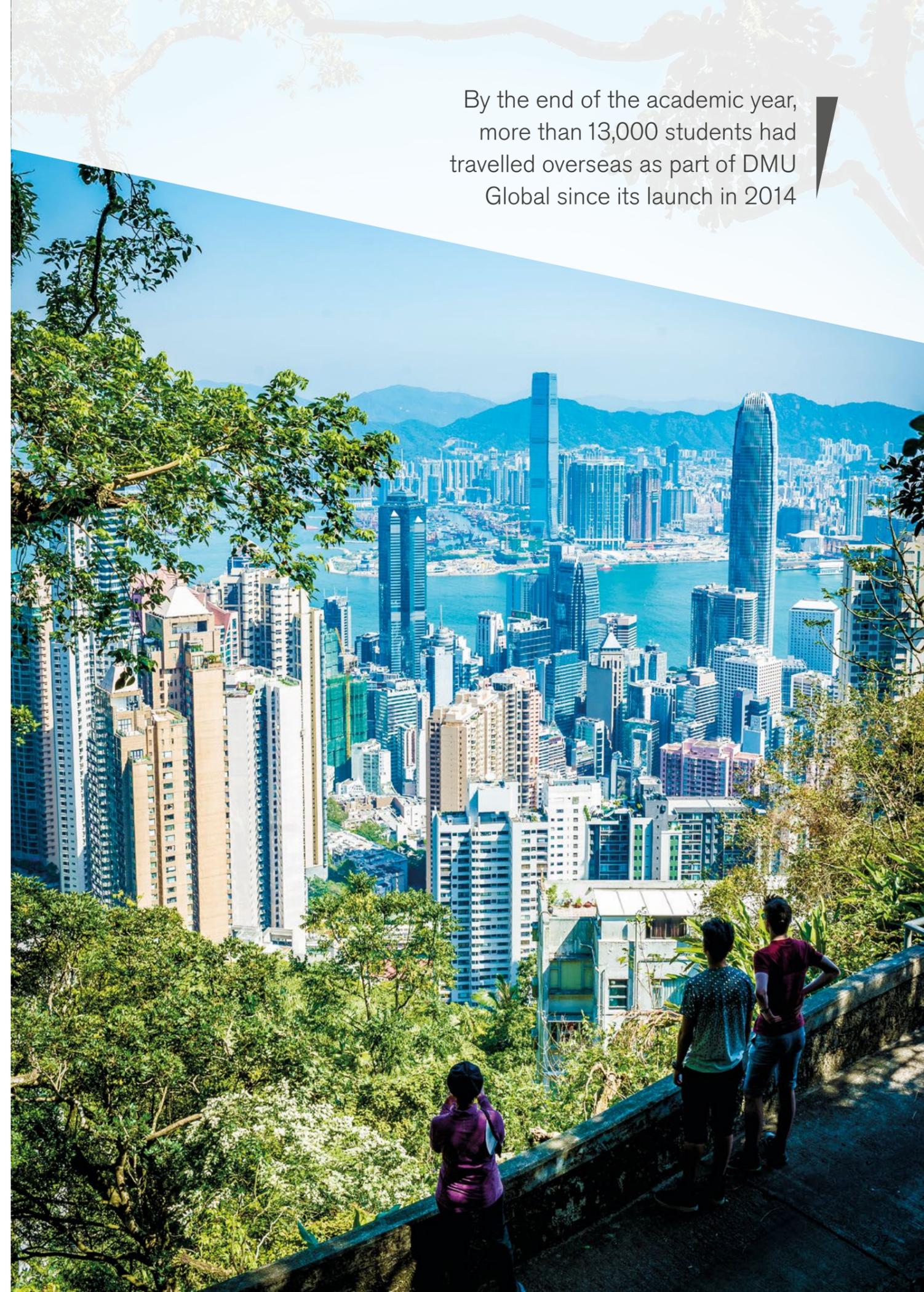
At the heart of DMU's international strategy lies the award-winning DMU Global initiative, offering students life-changing opportunities to participate in unforgettable experiences designed to illuminate their learning and expand their cultural horizons.

By the end of the academic year, more than 13,000 students had travelled overseas as part of the initiative since its launch in 2014, visiting more than 65 countries worldwide, with a further 4,000 students taking advantage of campus-based opportunities including foreign language learning.

Our DMU Global trips have seen Contour Fashion students visit Victoria's Secret in New York, Audiology students give free hearing tests to people in disadvantaged areas of India, Economics students tour the Hong Kong Monetary Authority, and Film students enjoy a blockbuster trip to Hollywood.

With DMU Global, students can also study abroad at one of 70 university exchange partners or complete a work placement overseas, which provides the chance to understand how business works in a global context and develop skills that could help them stand out in a competitive graduate job market.

By the end of the academic year, more than 13,000 students had travelled overseas as part of DMU Global since its launch in 2014



# Welcome to Faculty of Business and Law

Hugh Aston Building  
opened by  
Patrick Anthony McKenna  
on  
17 March 2010

Crucial to our drive towards our 2023 strategic vision is the role of our DMUfreedom charter, which recognises and reaffirms our unwavering commitment to diversity and equality

## ENHANCE OUR EFFECTIVENESS THROUGH OUR DIVERSE AND VIBRANT SCHOLARLY COMMUNITY

The Enhance our Effectiveness theme provides us with the key strategic drivers to achieve our ambitions: developing and empowering our leaders at all levels; outstanding financial performance to ensure sustainability and value for money from our resources; and a relentless focus on being a beacon for diversity, inclusion and equality within our community. Without these things, we cannot achieve the ambitions we have set ourselves in the other four pillars of our Strategic Plan.

Throughout 2018/19 we continued to make considerable progress with our IT core systems modernisation programme, which is the largest technology-enabled transformation that the university has ever embarked upon. This includes the support required to upskill our staff and realisation of the benefits of such a significant change. Using the SAP business management system as the foundation, we are improving the way we work – both in terms of freeing up resources to enhance the frontline academic and student experience, and also by offering a step change in the way we manage our organisational performance by providing modern, fit-for-purpose systems. In 2016, we implemented finance and procurement, and in 2017 we launched payroll and human resource functionality, both of which have continued to transform the day-to-day operations of the university by providing enhanced functionality and self-service. One example of this is the ease in which staff can now communicate students' change of circumstance notifications to the Student Loans Company and the significant reduction in time needed to do this.

Crucial to our drive towards our 2023 strategic vision is the role of our DMUfreedom charter, which recognises and reaffirms our unwavering commitment to diversity and equality. This year, DMU became the first university in the UK to apply successfully for a renewal of the prestigious Race Equality Charter Mark and was recognised as University of the Year for Social Inclusion by The Sunday Times Good University Guide. Diversity will continue to enhance our outcomes through the adoption of a pioneering approach to equality analysis.

During 2018/19, we created the Developing and Recognising Effective Teaching framework, setting out the support and development available to academic staff. We have also developed the Postgraduate Certificate in Academic Practice, aligned to the apprenticeship standards, giving our academic staff improved opportunities to develop while also gaining recognition from the Higher Education Authority.

We have continued to strengthen our approach to leadership and management, delivering the DMU:Leader programme that focuses on creating a leadership community that meets the challenges and changes taking place in the sector. Combined with the newly created Managing at DMU programme, we will provide a whole system approach to leadership at all levels.

We have actively engaged with our staff by delivering listening events and, as a result, will be undertaking a cultural audit in 2019/20, with a focus on creating the cultural environment that supports and enables our staff to deliver an excellent student experience.

We continue to invest in our welcoming and inclusive city centre campus in order to provide the first-class environment that creates an atmosphere of innovation, inspiration and community. So far, the award-winning campus transformation has included the impressive new base for the Faculty of Arts, Design and Humanities, which houses sector-leading teaching facilities that will help us continue to be one of the foremost providers of creative higher education in the UK. Through the centre of our campus, we have created vibrant, green open spaces, enhancing the environment for our local community as well as staff and students. We have continued to invest in our campus and the development of the annex to the Hugh Aston Building is one example of how we are focused on creating and delivering a campus for students to learn and grow.

## CONCLUSION: LOOKING AHEAD – OPPORTUNITIES AND RISKS

DMU is well positioned to take advantage of opportunities and to manage the risks of the current higher education environment, and those that may arise in future years.

The university proactively reviews the most significant risks facing the higher education sector, while continuously monitoring the content of the strategic risk register. This is aligned to the five strategic themes outlined in our Strategic Plan, and their associated key performance targets. The annual planning exercise enables monitoring of these risks through strategic risk registers at faculty and directorate level. This integral and important component provides an assurance framework and robust review of the overall university strategic risk register. Key risks that are being managed are as follows:

### Government policy and the political landscape

The university recognises the changing political landscape in which it is operating. This includes being cognisant of the changes in regulation implemented through the Office for Students. The university is committed to maximising its student outcomes as detailed in the TEF assessment and Access and Participation plans. Wide-ranging initiatives are in place to deliver these aspirations, such as Universal Design for Learning and Freedom to Achieve, which will ensure that all our students have the opportunity to succeed.

Externally, the picture across the sector is no less challenging. The recently published Review of Post-18 Education and Funding, led by Philip Augar, will present significant financial challenges for the sector should the government (and a new prime minister) ultimately choose to adopt its findings. The headline reduction in fees from £9,000 to £7,500 from the 2021/22 academic year would equate to a loss in funding for the university in the region of £30 million, if this deficit were not to be replaced by the government. The results of the 2019 general election may add further uncertainty to the sector, particularly with political parties' focus on Brexit.

Competition for the recruitment of new students remains fierce, nationally and internationally, and the university continues to seek to diversify the countries from which it draws international students, with particular success in India.

### Student recruitment

Increased competition within the sector remains challenging. To mitigate this, the university continues to review its strategy to maintain our dynamic approach to recruitment through initiatives such as the Proud To Be More campaign. Overseas recruitment remains strong, with a 26 per cent increase in enrolments between 2016-17 and 2017-18. However, it is recognised that there are risks to sustaining growth in the overseas markets, noting possible impacts of leaving the European Union and how this could affect the perception of the UK as a destination for study.

### Reputation

Increased regulation of the higher education sector comes with increased scrutiny from both the regulator and the general public. As a consequence, it is recognised that the risk of reputational damage is significant. The university has commenced a comprehensive review of all relevant policies and regulations to ensure that the governance is in place to meet these challenges. This will be reinforced through an independent review of the effectiveness of the university's governance.

### Information and cyber security

Ensuring enterprise resilience with respect to cyber security and compliance with the General Data Protection Regulation (GDPR) are major focuses for the university. A programme has been established to enhance cyber security, with the university working towards a Cyber Essentials accreditation. Institutional projects have seen updated processes, as well as training and staff resources, which will ensure full compliance with GDPR responsibilities.

### Financial sustainability

Following the Higher Education and Research Bill, and publication of the Review of Post-18 Education and Funding, we recognise the potential impact to changes to fees and funding arrangements for the university. Although the recommendations have been made, the university continues to model and plan for a range of possible scenarios. We continue to be cautious in our forecasting and seek efficiencies in our cost base.

The university is committed to maximising its student outcomes as detailed in the TEF assessment and Access and Participation plans



# OPERATING AND FINANCIAL REVIEW 2018/19

## Financial performance in 2018/19

The university's has maintained a strong financial performance for 2018/19, reporting a £3.9 million increase in operating surplus to £14.6 million due to income growth from successful student recruitment and retention alongside well-managed costs. This solid financial performance underpins the university's financial strength and sustainability, enabling the provision of an excellent student experience in a first-class campus.

## Results for the year

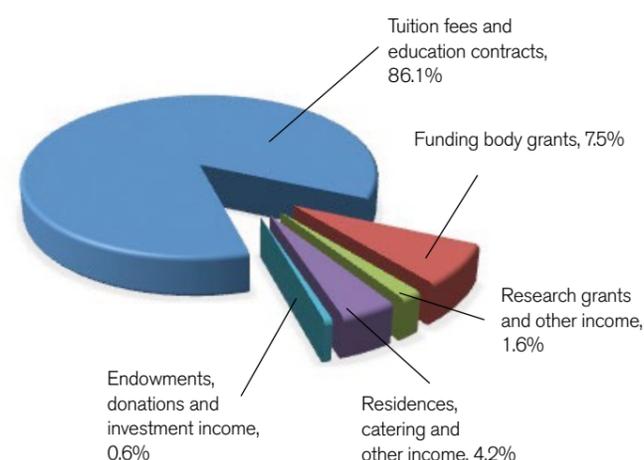
The university's income and expenditure results for the year ended 31 July 2019, are summarised as follows:

	2018/19 £'000	2017/18 £'000
<b>Income</b>	245,290	224,842
<b>Expenditure</b>	230,838	213,944
<b>Surplus before other gains</b>	<b>14,452</b>	<b>10,898</b>
Loss of disposal of fixed assets	(36)	(243)
Other gains	146	33
<b>Surplus before taxation</b>	<b>14,562</b>	<b>10,688</b>
Taxation	23	45
<b>Surplus after taxation</b>	<b>14,585</b>	<b>10,733</b>

## Income analysis

Total income of £245.3 million increased by £20.5 million (9.1 per cent) from 2017/18.

### Income analysis 2018/19

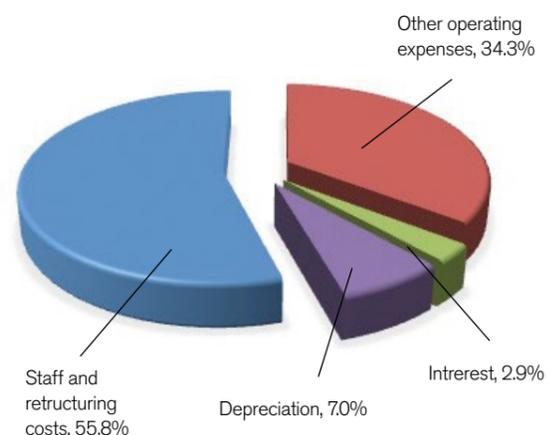


Tuition fees and education contracts increased by £18.1 million (9.4 per cent) as a direct result of positive recruitment and retention of students. An increase for residences, catering and other income of £1.3 million (14.3 per cent) is reported.

## Expenditure analysis

Total expenditure of £230.8 million increased by £16.9 million (7.9%) from 2017/18.

### Expenditure analysis 2018/19



- Staff costs before restructuring increased by £10.3 million, reflecting the impact of workforce investments, pay inflation and pension costs. This is a decrease of 0.1 per cent to 52.3 per cent as a percentage of income compared to prior year.
- Depreciation and amortisation charges of £16.1 million increased by £3.0 million reflecting increased amortisation for the core systems modernisation programme. The university has made a significant investment into core systems modernisation of which finance, procurement and human resources systems have been replaced and implemented in the year.
- Other operating expenses increased by £7.8 million, reflecting the ongoing investment in innovative student initiatives including DMU Global student support services and sports. The university has also invested in student associated costs to ensure the standard of students recruited is maintained.

## Balance sheet

The university's consolidated group Balance Sheet at 31 July 2019 reports total net assets of £177.4 million, a decrease of £9.6 million from 2017/18. This reflects the following items:

- Fixed tangible and intangible assets of £319.3 million increased by £2.9 million (2017/18: £316.5 million). The university invested £15.3 million in new fixed assets during 2018/19, of which £2.8 million was for core systems modernisation and £2.5 million on a new data centre. The other major capital spend included completion of Beaumont Park phase II, construction of the Hugh Aston courtyard extension and fit out of Bede House. This was offset by the depreciation and amortisation charges of £16.1 million
- An increase in current assets of £30.9 million due to investment in capital projects and timing of prepayments
- An increase in creditors of £6.6 million, due to the scale and timing of capital projects
- An increase in pension provisions of £32.7 million as a result of changes in the Local Government Pension schemes

## Liquidity and reserves

The level of income and expenditure reserves has decreased by £10.1 million to £173.8 million, as a result of the additional pension provisions required. However, the liquidity position of DMU remains strong with significant cash reserves, of £106.6 million at the year-end, ensuring that the university has a strong sustainable base to continue providing an excellent student experience via programmes such as DMU global in a first-class teaching environment.

**Ms Lin Hinnigan**  
Interim Chair of the Board of Governors

**Professor Andy Collop**  
Chief Executive and Interim Vice-Chancellor

# STATEMENT ON CORPORATE GOVERNANCE

## Corporate governance

This statement outlines for readers of the financial statements the corporate governance procedures adopted by the Board of Governors, covering the period from 1 August 2018 to 31 July 2019, and the subsequent period up until the date of approval of the financial statements.

In early 2019, the university was the subject of a regulatory investigation by the Office for Students (OfS). DMU and the OfS agreed a number of areas where the university's governance and mechanisms of internal control had proven to be inadequate. These areas would require improvement in order to strengthen the university's compliance with the OfS's regulatory framework. The university's progress in making these improvements is being monitored via an action plan. The action plan has been published on DMU's website, alongside a statement in which the university acknowledges that its management and governance require strengthening, and that it will take the necessary steps to do so.

The issues identified by the OfS's investigation have further reinforced the Board of Governors' recognition that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times, and to ensure that it discharges its duties with due regard for the proper conduct of a business that receives public funds. In carrying out its responsibilities, the Board of Governors is committed to demonstrating best practice in all aspects of corporate governance and to complying with the Committee of University Chairs' (CUC) Higher Education Code of Governance, published in December 2014, and updated in July 2018, and with the requirements of the Charities Act 2006 (as amended) and the Charities Act 2011.

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

The university's objectives, powers and framework of governance are set out in its Instrument and Articles of Government, both of which are being reviewed as part of the action plan. Under the existing Articles of Government, the Board of Governors has a range of powers and duties, including the ongoing responsibility for the strategic direction of the university, approval of major developments, approval of annual estimates of income

and expenditure, ensuring solvency of the institution and safeguarding its assets.

It is a requirement of the existing Instrument of Government of the Corporation that there should be a majority of board members who are non-executive and independent, and that the board should comprise no fewer than 12 and no more than 24 members (including the Vice-Chancellor ex-officio). As of the end of the 2018/19 academic year, the board has a total of 16 members (including the Interim Vice-Chancellor ex-officio), 13 of whom are independent governors as defined by the existing Instrument and Articles. The remaining two members of the Board of Governors are representatives of the Academic Board and the student body. In 2019/20, the university has committed to bolstering its staff representation by holding elections for professional services and academic staff members of the board. It is hoped that these members will be in place by the end of the calendar year. Membership of the Board of Governors is considered at the Nominations Committee, based on a skills matrix which allows decisions to be made about governor requirements for the board.

The principal officer is the Interim Vice-Chancellor, who has responsibility to the Board of Governors for the organisation, direction and management of the university. He is also the designated Accountable Officer for the purposes of the university's registration with the OfS. The Interim Vice-Chancellor is supported by an Executive Board, which comprises: the Interim Vice-Chancellor; the Interim Deputy Vice-Chancellor; four Faculty Pro Vice-Chancellor/Deans; the Pro Vice-Chancellors for Research and Academic; the Chief Operating Officer; the Chief Finance Officer; the Executive Director of People and Organisational Development; the Associate Chief Operating Officer and Executive Director of Marketing and Communications; and the Associate Chief Operating Officer and Executive Director of Student and Academic Services.

## Conduct of business

The Board of Governors is responsible for, among other matters, the determination of the educational character and mission of the university and for the general oversight of its activities. It approves the university's Strategic Plan, the most recent version of which supports and informs the setting of strategic and other priorities up to 2023.

In the conduct of its formal business, and in addition to an annual strategic away day, the board meets four times a year. It has a number of formally constituted sub-committees looking at the following areas: Audit; Finance and Human Resources; Ethics; Nominations; and Remuneration. Each sub-committee has clearly defined and delegated responsibilities as laid out in its respective terms of reference and via the board's scheme of delegation.

The Audit Committee regularly meets with external and internal auditors through their attendance at each meeting of the committee. It considers internal audit reports and recommendations for the improvement of the university's systems of internal control, together with management responses and implementation plans. It is also responsible for monitoring the university's ongoing compliance with the OfS action plan, and for assessing the effectiveness of the external audit process through review and consideration of the annual audit plan, including key areas of audit risk, the external audit management letter, and meeting with the external auditors as necessary. The terms of reference of the Audit Committee incorporate its role in monitoring and reporting upon the effectiveness of the university's risk management, data management quality, and value for money processes and procedures. While senior executives attend meetings of the Audit Committee as necessary, they are not members and the committee meets the internal and external auditors independently.

In accordance with the OfS action plan, the Ethics Committee, which begins meeting again in the winter of 2019, will promote the highest standards of ethical behaviour and monitor the ongoing implementation of a university Ethics Code, seeking assurance that its principles, and those of relevant policies that sit beneath it, are fully embedded and actioned across the university.

The Finance and Human Resources Committee, inter alia, recommends, to the Board of Governors, annual revenue and capital budgets, and monitors performance in relation to the approved budgets. The committee also reviews and recommends to the board the university's Financial Regulations, financial policies, accounting policies and the annual financial statements. It determines matters in relation to the conditions of employment of all university staff and has oversight of the university's compliance with legislation relating to diversity and equality as it relates

to, and impacts on, staff, students and other parties. The committee is taking the lead role for oversight of an ongoing review of the university's policies and procedures, which includes the introduction of a set of standing orders, and a revised set of Financial Regulations.

The Nominations Committee reviews the membership of the Board of Governors, advising on the skills mix required by the board to fulfil its responsibilities. It also considers the recruitment and nomination of new governors, making recommendations to the Board of Governors, as appropriate. One of the actions in the OfS action plan identifies the need to recruit a new and permanent Chair of the Board of Governors, something the board is actively engaged in taking forward at the time of publishing.

The Remuneration Committee determines the annual remuneration of the Interim Vice-Chancellor and senior post holders, and receives a report on the annual review of other senior academic and professional services staff.

All committees of the board are required to report in some form to the board. They do so in a variety of ways, including the formal submission of their minutes or a summary of outcomes provided by the chairs of the respective committees at board meetings, with key matters reported as substantive agenda items for discussion. In addition, the Audit Committee produces an annual report, which is sent to the OfS as part of the Annual Accountability Return. The Interim Vice-Chancellor also provides a report on the broader operation of the university at each board meeting. As appropriate, members of the Executive Board are present at meetings of the board to expand, where necessary, on reports and answer questions as they arise.

The Board of Governors periodically reviews its own effectiveness in accordance with good practice and CUC guidance, and an effectiveness review is currently being progressed. The remit of the review will not only include an assessment of the effectiveness of the Board of Governors, but also the effectiveness of the university's wider governance and policy processes. Newly appointed governors are expected to participate in an internal induction programme, tailored to their specific needs and experience, which will include them being made aware of the legal and regulatory obligations, as well as their obligations as a trustee of a charitable institution. Additionally, in the face of the OfS matters, a mandatory requirement is now placed on governors to attend

external training offered by independent organisations, to ensure they are aware of wider higher education governance policy developments and best practice. They are also encouraged to be proactive in identifying opportunities for any further training or support that might be required. In relation to the conduct of board business, there is considerable opportunity for governors to request additional information through board committees, the board itself and via the Clerk to the Board.

### Financial responsibilities of the university's Board of Governors

In accordance with the university's Articles of Government, the Board of Governors is responsible for the oversight of the administration and management (by the Executive Board) of the affairs of the university and is required to present audited financial statements for each financial year. The Board of Governors is responsible for keeping proper accounting records that disclose the financial position of the university and enable it to ensure that the 'financial statements' are prepared in accordance with the university's Articles of Government, the Statement of Recommended Practice on Accounting in Higher Education Institutions and other relevant accounting standards. As a Higher Education Corporation, the board, through its designated Accountable Officer, produces financial statements for each financial year, which give a true and fair view of the state of affairs of the university and of the surplus or deficit and cash flows for that year. These statements are also submitted to the OfS as part of the Annual Accountability Return.

In overseeing the preparation of financial statements, the Board of Governors has ensured, either directly or via delegated authority to one of its sub-committees, that:

- Suitable accounting policies are selected and applied consistently
- Judgments and estimates are made that are reasonable and prudent
- Applicable accounting standards have been followed and any material departures disclosed and explained in the financial statements
- Financial statements are prepared on a going concern basis

The Board of Governors has also taken reasonable steps to:

- Ensure that funds from the OfS are used only for the purposes for which they have been given and in accordance with the terms and conditions of funding for higher education institutions
- Ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources
- Safeguard the assets of the university and prevent and detect fraud
- Secure the economical, efficient and effective management of the university's resources and expenditure

### Internal control

The key elements of the university's system of internal control, which is designed to discharge the financial responsibilities of the Board of Governors, include:

- Clear definitions of the responsibilities of, and the authority delegated to, senior staff of the university
- A comprehensive short and medium-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets
- Regular reviews of academic performance and of financial results involving variance reporting and updates of forecast out-turns
- Clearly defined and formalised requirements for approval and control of expenditure
- Procedures for the management of investment and risk
- Comprehensive financial regulations, detailing financial controls and procedures, which are being reviewed as part of the ongoing review of the university's policies and procedures in the face of the OfS investigation
- A professional internal audit service, whose annual programme is approved by the Audit Committee on behalf of the Board of Governors
- On behalf of the Board of Governors, the Audit Committee reviews the effectiveness of the university's system of internal control

### Risk management

The Board of Governors recognises that effective risk management is an essential element in the framework of good governance and has continued to develop its risk management systems, ensuring that they are compliant with the OfS Accounts Direction and good practice guidance such as that issued by the Charity Commission and the Financial Reporting Council.

The system of internal control adopted by the Board of Governors is designed to manage, rather than eliminate, the risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable, not absolute, assurance of effectiveness. It is based on an ongoing process designed to identify the principal risks to the achievement of policies, aims and objectives and the development of policy and strategy; to evaluate the nature and extent of those risks; and to manage them efficiently, effectively and economically.

The university has in place a risk assurance framework, focused around its key strategic and operational risks, which will continue to evolve under the university's strategic framework. The risk assurance framework is based on the following principles:

1. The risks in the strategic risk register should flow from the Strategic Plan and related key performance targets (KPTs) and should be considered as an integrated part of the institutional performance management process
2. The risks should be high level, few and manageable in number to enable the Executive Board to focus on the major risks that require its attention
3. The risks should be embedded in and useful to the Executive Board's normal business rather than their management being seen as a separate exercise
4. Clear Executive Board-level accountability for each individual risk should be assigned
5. Scoring risk should be a matter of judgment and incorporate the full range of information available to risk owners, rather than a quantitative exercise
6. The risk register should be seen as an evolving document and not 'set in stone'. As such, it should be reviewed on an annual basis by the Executive Board

The framework is owned by the Audit Committee on behalf of the Board of Governors. The Audit Committee receives quarterly updates to the risk register, one at each of its meetings. The Director of Strategic Planning is the university's lead officer for risk management. The board also reviews the quarterly risk updates and ensures that the register reflects the key strategic risks faced by the university. Should changes be required through the year as a result of a major internal or external unforeseen event, the Executive Board will make a recommendation to the Audit Committee to approve the change on behalf of the Board of Governors.

This process has been cascaded into the university's faculties and directorates, ensuring that there is a consistent and aligned approach to risk management through which risks are managed at the most appropriate level in the institution.

An update of the Risk Management Policy is scheduled for publication in the 2019/20 academic year. The policy recommends the establishment of a Risk Management Committee, feeding into the Executive Board. The policy also recommends an annual, independent appraisal of the effectiveness of risk management across the university takes place. This should be aligned to existing reporting processes, via the Audit Committee to the Board of Governors, on the effectiveness of internal control systems.

### Going concern statement

After a thorough review of the university's financial forecast and cash position, the Board of Governors has a reasonable expectation that the university has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the university's accounts.

## Members of the Board of Governors who served throughout the year ended 31 July 2019

Their eligibility and attendance as members of the Board, Audit, Ethics, Finance and Human Resources, Nominations, and Remuneration Committees is shown below:

	Governor attendance at meetings 2018/19	Board meetings*		Audit		Ethics		Finance and Human Resources		Nominations		Remuneration	
		Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend**	Attended	Eligible to attend	Attended	Eligible to attend	Attended
1	I Blatchford	2	1	-	-	-	-	-	-	-	-	1	1
2	S Bowie	7	7	4	4	-	-	-	-	-	-	-	-
3	D Buchanan	-	-	-	-	-	-	1^	0	-	-	-	-
4	S Capper	7	7	1	1	-	-	3	3	-	-	2	2
5	A Charlton	7	6	4	4	-	-	-	-	-	-	-	-
6	P Clarke	-	-	-	-	-	-	1^	0	-	-	-	-
7	S Cole	7	4	4	3	-	-	-	-	-	-	-	-
8	A Collop	5	5	1	1	-	-	1	0	1	1	-	-
9	F Cownie	1^	0	-	-	-	-	-	-	-	-	-	-
10	J Ezard	7	4	-	-	-	-	3	3	-	-	-	-
11	M Footitt	6	5	-	-	1	1	-	-	1	1	-	-
12	C Ilako	1^	1	1^	0	-	-	-	-	-	-	-	-
13	S Handsley	1	0	-	-	-	-	-	-	-	-	-	-
14	L Hinnigan	7	7	-	-	-	-	3	3	1	1	1	1
15	P McNicoll	6	5	-	-	-	-	-	-	1	1	-	-
16	O Mishcon	2	0	-	-	1	0	-	-	-	-	-	-
17	S Overton-Edwards	5	3	-	-	-	-	-	-	-	-	-	-
18	V Patel	7	6	-	-	-	-	-	-	-	-	2	1
19	A Payne	2	1	-	-	-	-	2	2	-	-	-	-
20	S Pierson	1^	1	-	-	-	-	1^	1	-	-	-	-
21	D Shellard	2	2	1	1	1	0	2	2	-	-	-	-
22	D Stevens	5	4	-	-	-	-	-	-	-	-	-	-
23	T Stockdale	2	2	-	-	-	-	2	2	-	-	1	1
24	P Tansley	-	-	1^	1	-	-	-	-	-	-	-	-
25	D Toner	1^	1	1^	0	-	-	-	-	-	-	-	-
26	S Watson	7	5	-	-	-	-	-	-	1	1	-	-

\* Including two extraordinary meetings (governors informed on a very short notice)

\*\* 1 out of 4 scheduled meetings cancelled

^ Newly appointed governors invited to meeting at short notice



The university has in place a risk assurance framework, focused around its key strategic and operational risks, which will continue to evolve under the university's strategic framework

# INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF GOVERNORS OF DE MONTFORT UNIVERSITY

## Opinion

In our opinion:

- De Montfort University's group financial statements and parent institution's financial statements (the "financial statements") give a true and fair view of the state of the group's and of the parent institution's affairs as at 31 July 2019, and of the Group's and parent institution's income and expenditure, gains and losses, changes in reserves for the year then ended, and of the Group's cash flows for the year then ended
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.
- the financial statements have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education, and relevant legislation.

We have audited the financial statements of De Montfort University, which comprise:

Group	Parent institution
Consolidated balance sheet as at 31 July 2019	Balance sheet as at 31 July 2019
Consolidated statement of comprehensive income and expenditure account for the year then ended	Statement of comprehensive income and expenditure for the year then ended
Consolidated statement of changes in reserves for the year then ended	Statement of changes in reserves for the year then ended
Consolidated statement of cash flows for the year then ended	Related notes 1 to 28 to the financial statements including a statement of principal accounting policies
Related notes 1 to 28 to the financial statements, including a statement of principal accounting policies	

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The financial reporting standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

## Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the group and parent institution in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

## Conclusions relating to going concern

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

- the Board of Governors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Board of Governors has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent institution's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorised for issue

## Overview of our audit approach

Key audit matters	<ul style="list-style-type: none"> <li>Risk of fraud in revenue recognition</li> <li>Misstatement due to fraud or error</li> </ul>
Audit scope	We performed an audit of the complete financial information of De Montfort University as the only full scope component of the group. We considered the University's subsidiary, De Montfort Expertise Limited, to be out of scope due to size relative to the group
Materiality	Overall group materiality of £2.4m, which represents 1% of revenues

## Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee												
<p><b>Risk of fraud in revenue recognition:</b></p> <table border="1"> <thead> <tr> <th></th> <th>Group 2017/18 £'000</th> <th>Group 2018/19 £'000</th> </tr> </thead> <tbody> <tr> <td><b>Tuition fee income</b></td> <td><b>193,084</b></td> <td><b>211,893</b></td> </tr> <tr> <td><b>Research grant income</b></td> <td><b>4,118</b></td> <td><b>4,092</b></td> </tr> <tr> <td><b>Other income</b></td> <td><b>9,025</b></td> <td><b>10,054</b></td> </tr> </tbody> </table> <p><i>Refer to the Accounting policies (page 48); and Note 1 of the Consolidated Financial Statements.</i></p> <p>Under ISA240 there is a presumed risk that revenue may be misstated due to improper recognition of revenue. There is inherently more judgement applied in determining the amount and timing of income to be recognised in respect of tuition fees, and research grants and 'other' income.</p> <p>As such we focussed our work on the following key judgements:</p> <ul style="list-style-type: none"> <li>Tuition fee income – the timing of certain courses which span the year end create judgement in determining which period the income should be recognised in</li> <li>Research grant income and education contracts – judgment is used to determine which period the award should be recognised and can be dependent on satisfaction of performance conditions; and</li> <li>Residences, catering and conferences income; health authority income; and other income - the varied nature and size of the income streams creates an opportunity to apply judgment in the period the income is recognised</li> </ul>		Group 2017/18 £'000	Group 2018/19 £'000	<b>Tuition fee income</b>	<b>193,084</b>	<b>211,893</b>	<b>Research grant income</b>	<b>4,118</b>	<b>4,092</b>	<b>Other income</b>	<b>9,025</b>	<b>10,054</b>	<p>We performed transaction testing in respect of tuition fee income, tracing sampled transactions back to remittance advice and bank statement.</p> <p>For income from research and non-research projects, we followed a tailored approach in order to test the revenue recognition and verify the related project balances (accrued income).</p> <p>'Other' income streams were split out into separate identifiable types and testing was carried out based on consideration of the assessed risk in each area. Testing included sample testing of individual transactions to supporting records.</p> <p>We supplemented our income statement testing with related balance sheet procedures, testing cut-off at year end and verifying the existence of debtors at the Balance Sheet date.</p> <p>In addition, we focussed our journal entry testing on manual entries posted to increase revenue.</p> <p>We performed full scope audit procedures over this risk area in one location (the University), which covered 99.79 per cent of the risk amount.</p>	<p>Our testing did not identify any material misstatements in respect of revenue and expenditure recognition.</p> <p>Overall our audit work did not identify any material issues or unusual transactions to indicate any misreporting of the University's financial position.</p>
	Group 2017/18 £'000	Group 2018/19 £'000												
<b>Tuition fee income</b>	<b>193,084</b>	<b>211,893</b>												
<b>Research grant income</b>	<b>4,118</b>	<b>4,092</b>												
<b>Other income</b>	<b>9,025</b>	<b>10,054</b>												

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p><b>Misstatements due to fraud or error</b></p> <p>The financial statements as a whole are not free of material misstatements whether caused by fraud or error.</p> <p>As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.</p> <p>During 2018/19, the University's Governing Body received a whistle blowing allegation, concerning matters in the areas of financial regulations and governance, whilst the University has concluded on the investigation instigated over the whistle blowing allegation, the concerns raised impact the 2018/19 financial statements, and our audit will focus on the parties related to the whistle blowing allegation and senior officer disclosures.</p> <p><b>Senior officer disclosures</b></p> <p>The 2017/18 OFS accounts direction introduced several new disclosure requirements for senior officer pay, including extensive requirements for the head of the institution which now includes non-taxable benefits which had previously been omitted.</p> <p>A justification for the total remuneration package for the head of the institution needs to be included and must include reference to the context in which the institution operates, and be linked to the value and performance delivered by the head of the institution. It should contain an explanation of the process adopted for judging their performance. Further, the relationship between the head of institution's remuneration and that for all other employees, should be expressed as a pay multiple. As such there are risks to the completeness of the disclosures included.</p> <p>We consider this risk to be relevant to the Group (and University as a single entity).</p>	<ul style="list-style-type: none"> <li>We tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in preparing the financial statements; Testing also included journal entries on the parties related to the whistle blowing allegation</li> <li>We reviewed accounting estimates for evidence of management bias; and</li> <li>We evaluated the business rationale for any significant unusual transactions</li> <li>Reviewing and testing the related party disclosure in relation to the whistle blowing allegation</li> <li>Reviewed and tested the disclosure in relation to the head of the institution and confirming that all figures, have been correctly included</li> <li>Testing the completeness of senior officer disclosures</li> <li>Confirmed the justification for the total remuneration package for the head of the institution is consistent with the minutes from the remuneration committee</li> <li>Tested the calculation of pay multiples is correct,</li> <li><b>Other procedures</b> – As set out in our audit plan we confirm that we have also performed the following supplementary procedures to gain additional assurances management override of control/ misstatements due to fraud or error:</li> <li>Inquiring of management about risks of fraud and the controls put in place to address those risks; understanding the oversight given by those charged with governance of management's processes over fraud; considering the effectiveness of management's controls designed to address the risk of fraud, identifying fraud risks during the planning stages and determining an appropriate strategy to address those identified risks of fraud</li> </ul>	<p>Our testing did not identify any material misstatements in respect of revenue and expenditure recognition.</p> <p>Overall our audit work did not identify any material issues or unusual transactions to indicate any misreporting of the University's financial position.</p>

## An overview of the scope of our audit

### Tailoring the scope

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

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the 2 reporting components of the Group, we selected 1 component (the University), which represents the principal business units within the Group. We performed an audit of the complete financial information of the University ("full scope component") based on its size or risk characteristics.

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

The reporting component where we performed audit procedures accounted for 99.9 per cent (2018: 99.9 per cent) of the Group's Total income, 100 per cent (2018: 100 per cent) of the Group's Surplus before tax and 99.9 per cent (2018: 99.9 per cent) of the Group's Total assets.

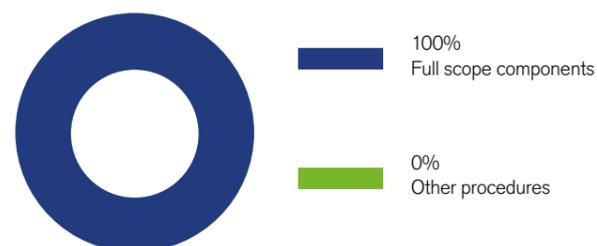
The remaining component represents 0.1 per cent of the Group's revenue. We considered this component to be out of scope for the group audit. For this component, we tested consolidation journals and intercompany eliminations to respond to any potential risks of material misstatement to the Group financial statements.

The charts below illustrate the coverage obtained from the work performed by our audit teams.

#### Total income



#### Surplus before tax



#### Total assets



### Involvement with component teams

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

### Our application of materiality

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

## Materiality

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

We determined materiality for the Group to be £2.4 million (2018: £2.2 million), which is 1 per cent (2018: 1 per cent) of revenue. We believe that revenue provides us with the appropriate basis as the University is a not-for-profit organisation.

We determined materiality for the parent institution to be £2.09 million (2018: £2 million), which is 1 per cent (2018: 1 per cent) of revenue.

During the course of our audit, we reassessed initial materiality, which was based on prior year reported revenue, to reflect the current year reported revenue. This resulted in an increase in materiality from £2.2 million to £2.4 million.

### Performance materiality

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

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgment was that performance materiality was 50 per cent (2018: 50 per cent) of our planning materiality, namely £1.046 million (2018: £1.1 million). We have set performance materiality at this percentage due to our level of knowledge and experience of De Montfort University, particularly with respect to prior year audit adjustments and observations, and changes in the finance team at the University in the year.

### Reporting threshold

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

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.142 million (2018: £0.112 million), which is set at 5 per cent of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

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

### Other information

The other information comprises the information included in the annual report set out on pages 1 to 38, other than the financial statements and our auditor's report thereon. The Board of Governors are responsible for the other information.

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

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

We have nothing to report in this regard.

### Opinion on other matters prescribed by the Office for Students Terms and conditions of funding for higher education institutions

In our opinion, based on the work undertaken in the course of the audit, in all material respects:

- funds from whatever source administered by De Montfort University have been properly applied to those purposes and managed in accordance with relevant legislation
- funds provided by the Office for Students and Research England have been applied in accordance with the applicable Terms and conditions attached to them; and
- the requirements of the Office for Students accounts direction for the current year's financial statements have been met

### Responsibilities of the Board of Governors

As explained more fully in the Statement of the Board of Governors' responsibilities statement set out on page 36, the Board of Governors is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view in accordance, and for such internal control as the Board of Governors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and determined that the most significant are the Office for Students' Terms and conditions of funding for higher education institutions and the Higher Education and Research Act 2017
- We understood how De Montfort University is complying with those frameworks by the oversight of those charged with governance (i.e. considering the potential for override of controls or other inappropriate influence over the financial reporting process, such as efforts by management to manage earnings in order to influence the perceptions of analysts as to the entity's performance and profitability), the culture of honesty and ethical behaviour and whether a strong emphasis is placed on fraud prevention, which may reduce opportunities for fraud to take place, and fraud deterrence, which could persuade individuals not to commit fraud because of the likelihood of detection and punishment
- We assessed the susceptibility of the group's financial statements to material misstatement, including how fraud might occur by considering management's journal entries and potential for bias in the use of judgments and estimates

Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved:

- Making enquiries of the University's internal legal team
- Reviewing the minutes of the Finance and HR Committee, Board of Governors and Audit Committee
- Testing manual journal entries; and
- Testing estimates for unexpected changes in assumptions

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at

<https://www.frc.org.uk/auditorsresponsibilities>.

This description forms part of our auditor's report.

## Other matters we are required to address

- We were appointed by De Montfort University on 19 June 2018 to audit the financial statements for the year ending 31 July 2018 and subsequent financial periods

The period of total uninterrupted engagement, including previous renewals and reappointments is 2 years, covering the years ending 31 July 2018 and 31 July 2019

- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent institution and we remain independent of the group and the parent institution in conducting the audit
- The audit opinion is consistent with the additional report to the audit committee.

## Use of our report

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

*Ernst and Young LLP*

Ernst & Young LLP, Statutory Auditor

Birmingham

Date: *29 November 2019*

The maintenance and integrity of De Montfort University's website is the responsibility of the Board of Governors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

The following accounting policies have been applied consistently throughout the period to items that are considered material in relation to the accounts. These accounting policies have been reviewed by the Board of Governors and are considered to be appropriate to the university's activities.

## 1. ACCOUNTING CONVENTION

The accounts are prepared under the historical cost convention in accordance with FRS 102 as interpreted by the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2015. The university is a Public Benefit Entity and has adopted the Public Benefit Entity requirements of FRS 102.

## 2. ACCOUNTING JUDGMENTS AND ESTIMATES

In preparing these financial statements, management has made the following judgments:

### i) Impairment of tangible assets

To determine whether there are indicators of impairment of the group's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and, where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

### ii) Tangible fixed assets

Tangible fixed assets are depreciated over their useful lives, taking into account residual values where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In reassessing asset lives, factors such as technological innovation and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

### iii) Local Government Pension Scheme

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note (26d) in the Annual Accounts, will impact the carrying amount of the pension liability. Furthermore a roll forward approach, which projects results from the latest full actuarial valuation performed at 31 March 2016, has been used by the actuary in valuing the pensions liability at 31 July 2019. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

### iv) Bad and doubtful debts

A provision for bad and doubtful debts is calculated using a formula based on the age of the overdue debt. The formula is applied consistently from year to year but necessarily requires a degree of estimation. Specific provision is made for individual debts where recovery is deemed to be uncertain and this requires an element of judgment.

### v) Retirement benefit obligations

The university also operates within two schemes that are accounted for as defined contribution schemes – the Universities Superannuation Scheme (USS) and the Teachers' Pension Scheme (TPS). These are accounted for as defined contribution schemes as insufficient information is available to identify the university's share of the underlying assets and liabilities.

As the university is contractually bound to make deficit recovery payments to USS, this is recognised as a liability on the balance sheet. The USS deficit recovery plan defines the deficit payment required as a percentage of future salaries until 2031. These contributions will be reassessed within each triennial valuation of the scheme. The provision is based on management's estimate of expected future salary inflations, changes in staff numbers and the prevailing rate of discount. See note 26c.

## 3. TANGIBLE FIXED ASSETS

### i) Measurement at initial recognition

Tangible assets are capitalised if they are capable of being used for a period that exceeds one year and:

- Individually have a cost equal to or greater than £10,000
- or
- Collectively have a cost equal to or greater than £10,000 where the assets are functionally interdependent or are purchased together and intended to be used as group under common management control
- or
- Irrespective of their individual cost, form part of the initial equipping of a new building

### ii) Measurement after initial recognition

Land and buildings inherited from Leicestershire County Council on 1 April 1989, and prime teaching buildings, that had been revalued to fair value on 30 May 2012, are measured at deemed cost, being the revalued amount at the date of that revaluation, less depreciation since that date.

All other tangible fixed assets are stated at cost.

Assets held for resale are stated at the lower of cost or net realisable value.

A review for impairment of buildings is carried out annually. If events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable, an impairment charge is made to the Consolidated Statement of Comprehensive Income.

Componentisation is built into the asset lives of the buildings. When significant components are replaced, they have their asset lives individually assessed.

### iii) Depreciation

Land is not depreciated. Freehold property is depreciated over expected useful life on a straight line basis. For existing properties, new construction and major renovations, the expected useful life is based on an external appraisal and reflects all of the buildings' major components. Refurbishment projects are depreciated over 20 years.

Leasehold property, including improvements to leasehold property, and other leased assets are depreciated over the life of the lease. Other tangible assets are depreciated on a straight line basis over their useful life as follows:

Equipment	Lifespan
Computer equipment	Three years
Other equipment and furniture	Five years
Equipment acquired for specific projects	Over the life of the project (generally three years)
Expenditure which extends useful life	Over additional useful life

Buildings	Lifespan
University-owned buildings	Over expected useful life (20 to 50-plus years)
Leasehold property	Over life of lease

New buildings and major refurbishments to buildings are depreciated from the month in which they are put into service. All other assets are depreciated from the month after they are put into service.

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

Depreciation on disposals is provided up to the month before the asset is taken out of use.

#### iv) Funded tangible fixed assets

Where assets are acquired with the aid of specific grants or donations they are capitalised and depreciated as above.

All non-government grants are released to the Consolidated Statement of Comprehensive Income as donations, as performance criteria are met.

Government grants and donations are treated as deferred capital grants and released to income over the expected useful life of the asset (or the period of the grant in respect of specific projects).

Grants received in respect of land are released to the Consolidated Statement of Comprehensive Income and shown under 'Donations and Endowments' when performance-related conditions are met.

#### v) Tangible donated fixed assets

Tangible fixed assets other than land that have been donated to the university are capitalised at market value. All non-government donations are released to the Consolidated Statement of Comprehensive Income as donations.

Government donations are treated as deferred capital grants. Assets are depreciated over their estimated useful lives, and a corresponding amount is released from deferred capital grants to the Consolidated Statement of Comprehensive Income.

#### vi) IT equipment and software licences

IT equipment, such as personal computers and related items, are purchased in bulk through the university's central purchasing and supply system. These items are capitalised as a single group of equipment and depreciated in accordance with i) and iii) above.

IT software licences are treated as a revenue cost and are charged to the Consolidated Statement of Comprehensive Income in the year of purchase.

IT software development is treated as an intangible asset.

#### vii) Maintenance of premises

The cost of routine maintenance is charged to the Consolidated Statement of Consolidated Income in the period in which it is incurred. The university has a long-term planned maintenance programme, which is reviewed on an annual basis. The university charges actual expenditure on long-term planned maintenance to

the Consolidated Statement of Consolidated Income in the period in which it is incurred.

#### viii) Heritage assets

Heritage assets are defined as assets that are held principally for their contribution to knowledge and culture.

An independent antiques and fine art assessor valued the heritage assets as at 12 March 2016 on the basis of the value for insurance purposes. Those assets, which are valued either individually or as a group at or in excess of £10,000, are recognised in the Balance Sheet at deemed cost, being this valuation.

Heritage assets are not depreciated since their long economic life and high residual value are an indication that any depreciation charge is immaterial. They are subject to an annual impairment review at the reporting date. They are maintained and the cost of maintenance charged to the Consolidated Statement of Comprehensive Income as incurred.

## 4. INTANGIBLE ASSETS

Intangible assets are recorded at cost and amortised over their expected useful life.

## 5. LEASES

Leases in which the university assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Leased assets held under finance leases and the related lease obligations are recorded in the Balance Sheet at the fair value of the leased assets at the inception of the lease. The excess of the lease payments over recorded lease obligations are treated as finance charges which are amortised over each lease term to give a constant rate of charge on the remaining balance of the obligations.

Rental costs under operating leases are charged to the Consolidated Statement of Comprehensive Income in equal amounts over the periods of the leases. Any lease premiums or incentives are spread over the minimum lease term.

## 6. REVENUE

### i) Tuition fees

Revenue from tuition fees represents student fees received and receivable that are attributable to the studies undertaken in the current accounting period. Where the amount of the tuition fee is reduced by a discount then

the income receivable is shown net of the discount. Bursaries and scholarships are accounted for gross as expenditure and not deducted from income.

### ii) Funding body grants

Income from Funding Council recurrent grants is in support of general or specific revenue activities of the university. The income is credited direct to the Consolidated Statement of Comprehensive Income on an accruals basis.

Other government grant income is recognised on a systematic basis using the 'percentage of completion' method. Income is recognised based on costs expended during the period.

Government capital grants and contributions received by the university to finance the construction or purchase of capital assets are accounted for as deferred capital grants and released to the Consolidated Statement of Comprehensive Income over the expected useful life of the related assets (or the period of the grant in respect of specific projects).

Grants received in respect of land are released to the Consolidated Statement of Comprehensive Income as donations in the year in which performance conditions are met.

Deferred income in respect of the Higher Education Funding Council for England (HEFCE) capital grant, which is attributable to subsequent years, is shown and is reported under creditors due within one year and falling due after more than one year in the Balance Sheet.

### iii) Research grants and contracts

Other grants and donations from non-government sources, including research grants from non-government sources, are released to the Consolidated Statement of Comprehensive Income as performance criteria are met. Those transactions under £100,000 are released on an accruals basis. These are shown under research grants and contracts.

### iv) Commercial research and consultancy revenue

Revenue from commercial research contracts, consultancy and other services rendered is recognised using the 'percentage of completion' method and is shown under 'Research'.

### v) Investment Income

All income from short-term deposits and endowment asset investments is credited to the Consolidated Statement of Consolidated Income on a receivable basis and is shown under 'Investment Income'.

### vi) Donations and Endowments

Non-exchange transactions without performance-related conditions are donations and endowments.

Endowment assets are reported under investments and cash and cash equivalents.

### vii) Donations with no restrictions

Charitable donations with no restrictions are recognised in the Consolidated Statement of Comprehensive Income when the charitable donation has been received or if, before receipt, 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. This includes all donations under £1,000.

### viii) Donations and endowments with restrictions

Where charitable donations are to be retained for the benefit of the institution as specified by the donors, these are accounted for as restricted reserves with additional disclosure provided within the notes to the accounts.

There are four main types:

#### Unrestricted permanent endowments

The donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of the institution. Income is recognised on entitlement. Investment returns are recognised immediately and held within the endowment reserve, to the extent that it has not been spent.

#### Restricted expendable endowments

The donor has specified a particular objective and the donation is expected to be spent over a period of at least 24 months. These are recorded in the Consolidated Statement of Comprehensive Income on entitlement and retained within a restricted endowment reserve until such time that expenditure is incurred in line with the restriction. The university applies a de-minimis of £5,000 for expendable endowments.

### **Donations with restrictions**

The donation doesn't meet the expendable endowment criteria where the general use of the funds is specified by the donor. These are recorded in the Consolidated Statement of Comprehensive Income on entitlement and retained within a restricted reserve until such time that expenditure is incurred in line with the restriction.

### **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. Income is recognised on entitlement. Investment returns are recognised immediately and held within the endowment reserve, to the extent that it has not been spent.

Income from restricted endowments not expended in accordance with the restrictions of the endowment is transferred from the Consolidated Statement of Comprehensive Income to restricted endowments. Any realised gains or losses from dealing in the related assets are retained within the endowment in the Balance Sheet.

### **ix) Donations for fixed assets**

All non-government donations are released to the Consolidated Statement of Comprehensive Income as donations. Government donations are treated as deferred capital grants.

Donations received to be applied to the cost of land are recognised by inclusion as 'Donations' in the Consolidated Statement of Comprehensive income.

### **x) Gifts in kind, including donated tangible fixed assets**

Gifts in kind are included in 'other income' or 'deferred capital grants' as appropriate using a reasonable estimate of their gross value or the amount actually realised.

## **7. STOCK**

Stocks are stated at the lower of cost and net realisable value. Consumable items are charged directly to the Consolidated Statement of Comprehensive Income. The first in, first out (FIFO) method is used for costing stock.

## **8. INCOME TAX**

### **Taxation status**

The institution is an exempt charity within the meaning of part 3 of the Charities Act 2011 (formerly schedule 2 of

the Charities Act 1993) and does pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the institution is potentially exempt from taxation in respect of income or capital gains received within categories covered by 478-488 of the Corporation Tax Act 2010 (CTA2010) 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.

All subsidiary companies are liable to Corporation Tax and Value Added Tax in the same way as any other commercial organisation.

## **9. DEFERRED TAXATION**

Provision is made for deferred taxation in respect of subsidiary companies, using the liability method on all material timing differences.

## **10. EMPLOYEE BENEFITS**

### **i) Short-term employee benefits**

Short-term employment benefits such as salaries and compensated absences are recognised as an expense in the year in which the employee renders the 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.

### **ii) Post-employment benefits**

Retirement benefits to employees of the university are provided by defined benefit schemes that are funded by contributions from the university and employees. Payments are made to the Teachers' Pension Scheme and the Universities Superannuation Scheme for academic staff and to the Local Government Pension Scheme for support staff. These are all independently administered schemes. Pension costs are assessed on the latest actuarial valuations of the schemes.

For the Local Government Pension Scheme, the assets of the scheme are included at closing market value and scheme liabilities are measured on an actuarial basis using the projected unit credit method. The difference between the fair value of assets and liabilities measured on an actuarial basis, net of the related amount of deferred tax, is recognised in the university's balance sheet as a pension scheme liability or asset as appropriate. A surplus is only included to the extent

that the university is able to recover the surplus either through reduced contributions in the future or through refunds from the scheme. The following are recognised in the Consolidated Statement of Comprehensive Income:

- a) Changes in the defined asset or liability arising from factors other than cash contributions to the scheme
- b) Actuarial gains and losses
- c) Interest charges/returns by applying the discount rate to the net pension deficit/surplus

The Teachers' Pension Scheme and the Universities Superannuation Scheme are multi-employer schemes where the university is unable to identify its share of the underlying assets and liabilities on a consistent and reasonable basis. Contributions are charged directly to the Consolidated Statement of Comprehensive Income as if the schemes were a defined contribution scheme.

Provision is made for enhanced pensions where employees have taken early retirement.

Also a provision is made for any contractual commitment to fund any past deficits within the Universities Superannuation Scheme.

## **11. BASIS OF CONSOLIDATION**

The Consolidated Statement of Comprehensive Income and Balance Sheet include the annual accounts of the corporation and its operating subsidiary undertakings. Details of the university's subsidiary undertakings are provided in the notes to the accounts. The Annual Accounts have been consolidated under the acquisition method of accounting; intra-group transactions are eliminated on consolidation.

The consolidated financial statements do not include those of De Montfort University Students' Union Limited, as it is a separate limited company over which the university does not exert control or dominant influence over policy decisions.

## **12. FINANCIAL INSTRUMENTS**

### **Cash and cash equivalents**

Cash and cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and subject to an immaterial risk of changes in value ie price risk. Cash and cash equivalents

consist of cash on hand, demand deposits and short-term deposits/highly liquid investments, less bank overdrafts, which are repayable on demand. Short-term deposits and investments are those with an outstanding maturity of three months or less.

### **Interest-bearing borrowing**

In accordance with the requirements of IAS 39 Financial Instruments, bonds and long-term borrowings are recognised initially at fair value less attributed transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

### **Investments in debt and equity securities**

Other investments in debt and equity securities held by the university are classified as being 'available for sale' and are stated at fair value, with any resultant gain or loss being recognised directly in equity (in the fair value reserve), except for impairment losses. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in the Consolidated Statement of Comprehensive Income. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are carried at cost, less any provision for impairment.

### **Bad Debts**

The university regularly reviews its aged accounts receivable and records an impairment for its estimate of unrecoverable items.

## **13. INTEREST PAYABLE**

Interest is capitalised on borrowings to finance major property development to the extent that it accrues in respect of the period of development. Such costs are capitalised as part of the specific asset.

Other interest payable is charged to the Consolidated Statement of Comprehensive Income.

## 14. STAFF RESTRUCTURING COSTS

Restructuring costs are recognised in respect of the direct expenditure of a reorganisation, where plans are sufficiently detailed and well advanced, and where appropriate communication to those affected has been undertaken at the Balance Sheet date.

## 15. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

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.

## 16. FOREIGN CURRENCIES

The consolidated financial statements are presented in pounds sterling, which is the group's functional and presentation currency. The group does not include any foreign entity. Transactions denominated in foreign currencies are recorded at the exchange rate on the transaction date, while assets and liabilities are translated at exchange rates at the Balance Sheet date. The resulting exchange rate differences are recognised in the Consolidated Statement of Comprehensive Income.

## 17. INVESTMENT PROPERTIES

An investment property can comprise land, buildings or part of a building and is one that is used to earn rentals or for capital appreciation or for both, rather than for the supply of goods or services. Property that is used with a primary purpose of supporting education does not meet the definition of an investment property and is accounted for as a tangible fixed asset.

Mixed use property is separated between investment property and fixed assets where rental income is considered material. Where the fair value of the investment property component cannot be measured reliably without undue cost or effort the entire property is accounted for as a tangible fixed asset.

After initial recognition at cost, an investment property is measured at fair value, with any changes in fair value recognised immediately within gains or losses on investments in the Consolidated Statement of Comprehensive Income. Investment properties are not depreciated but are revalued or reviewed as at 31 July each year.

Rentals received in relation to investment properties are credited to Investment Income.

Consideration of whether or not a property is an investment property is made at both the individual entity and consolidated accounts level.



Property that is used with a primary purpose of supporting education does not meet the definition of an investment property and is accounted for as a tangible fixed asset

# CONSOLIDATED AND CORPORATION STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 JULY 2019

	Notes	Group 2019 £'000	Group 2018 £'000	Corporation 2019 £'000	Corporation 2018 £'000
<b>Income</b>					
Tuition fees and education contracts	1a	211,195	193,084	210,629	192,515
Funding body grants	1b	18,325	17,570	18,325	17,570
Research grants and contracts	1c	3,953	4,118	3,897	4,008
Other income	1d	10,311	9,025	10,630	9,570
Investment income	1e	1,080	947	1,074	942
Donations and endowments	1f	426	98	426	98
<b>Total income</b>		<b>245,290</b>	<b>224,842</b>	<b>244,981</b>	<b>224,703</b>
<b>Expenditure</b>					
Staff costs	2	128,162	117,853	127,676	117,853
Staff restructuring costs	2e	648	4,099	648	4,099
Other operating expenses	3	79,227	71,404	79,404	71,265
Interest and other finance costs	4	6,694	7,438	6,694	7,438
Intangible amortisation	7	3,746	1,269	3,746	1,269
Depreciation	8	12,361	11,881	12,361	11,881
<b>Total expenditure</b>	<b>5</b>	<b>230,838</b>	<b>213,944</b>	<b>230,529</b>	<b>213,805</b>
<b>Surplus before other gains/(losses)</b>		<b>14,452</b>	<b>10,898</b>	<b>14,452</b>	<b>10,898</b>
Loss on disposal of fixed assets		(36)	(243)	(36)	(243)
Gain on investments		146	33	146	33
<b>Surplus before tax</b>		<b>14,562</b>	<b>10,688</b>	<b>14,562</b>	<b>10,688</b>
Taxation	6	23	45	23	45
<b>Surplus for the year</b>		<b>14,585</b>	<b>10,733</b>	<b>14,585</b>	<b>10,733</b>
Actuarial (loss)/gain in respect of pension schemes	26d	(24,198)	36,859	(24,198)	36,859
<b>Total comprehensive income for the year</b>		<b>(9,613)</b>	<b>47,592</b>	<b>(9,613)</b>	<b>47,592</b>
<b>Represented by:</b>					
Endowment comprehensive income for the year		364	43	364	43
Restricted comprehensive income for the year		32	6	32	6
Unrestricted comprehensive income for the year		(10,068)	47,568	(10,068)	47,568
Revaluation reserve comprehensive income for the year		59	(25)	59	(25)
		<b>(9,613)</b>	<b>47,592</b>	<b>(9,613)</b>	<b>47,592</b>

# CONSOLIDATED AND CORPORATION STATEMENT OF CHANGES IN RESERVES

FOR THE YEAR ENDED 31 JULY 2019

	Income and expenditure account				Total
	Endowment	Restricted	Unrestricted	Revaluation reserve	
Group	£'000	£'000	£'000	£'000	£'000
<b>Balance at 1 August 2018</b>	1,899	25	183,881	1,168	186,973
Surplus for the year	364	32	14,189	-	14,585
Other comprehensive income	-	-	(24,198)	-	(24,198)
Transfers between revaluation and income and expenditure reserve	-	-	(59)	59	-
<b>Total comprehensive income for the year</b>	<b>364</b>	<b>32</b>	<b>(10,068)</b>	<b>59</b>	<b>(9,613)</b>
<b>Balance at 31 July 2019</b>	<b>2,263</b>	<b>57</b>	<b>173,813</b>	<b>1,227</b>	<b>177,360</b>

	Income and expenditure account				Total
	Endowment	Restricted	Unrestricted	Revaluation reserve	
Corporation	£'000	£'000	£'000	£'000	£'000
<b>Balance at 1 August 2017</b>	1,856	19	136,313	1,193	139,381
Surplus for the year	43	6	10,684	-	10,733
Other comprehensive income	-	-	36,859	-	36,859
Transfers between revaluation and income and expenditure reserve	-	-	25	(25)	-
<b>Total comprehensive income for the year</b>	<b>43</b>	<b>6</b>	<b>47,568</b>	<b>(25)</b>	<b>47,592</b>
<b>Balance at 31 July 2018</b>	<b>1,899</b>	<b>25</b>	<b>183,881</b>	<b>1,168</b>	<b>186,973</b>

	Income and expenditure account				Total
	Endowment	Restricted	Unrestricted	Revaluation reserve	
Corporation	£'000	£'000	£'000	£'000	£'000
<b>Balance at 1 August 2018</b>	1,899	25	183,624	1,168	186,716
Surplus for the year	364	32	14,189	-	14,585
Other comprehensive income	-	-	(24,198)	-	(24,198)
Transfers between revaluation and income and expenditure reserve	-	-	(59)	59	-
<b>Total comprehensive income for the year</b>	<b>364</b>	<b>32</b>	<b>(10,068)</b>	<b>59</b>	<b>(9,613)</b>
<b>Balance at 31 July 2019</b>	<b>2,263</b>	<b>57</b>	<b>173,556</b>	<b>1,227</b>	<b>177,103</b>

	Income and expenditure account				Total
	Endowment	Restricted	Unrestricted	Revaluation reserve	
Corporation	£'000	£'000	£'000	£'000	£'000
<b>Balance at 1 August 2017</b>	1,856	19	136,056	1,193	139,124
Surplus for the year	43	6	10,684	-	10,733
Other comprehensive income	-	-	36,859	-	36,859
Transfers between revaluation and income and expenditure reserve	-	-	25	(25)	-
<b>Total comprehensive income for the year</b>	<b>43</b>	<b>6</b>	<b>47,568</b>	<b>(25)</b>	<b>47,592</b>
<b>Balance at 31 July 2018</b>	<b>1,899</b>	<b>25</b>	<b>183,624</b>	<b>1,168</b>	<b>186,716</b>

# CONSOLIDATED AND CORPORATION STATEMENT OF FINANCIAL POSITION

AS AT 31 JULY 2019

	Notes	Group 2019 £'000	Group 2018 £'000	Corporation 2019 £'000	Corporation 2018 £'000
<b>Non-current assets</b>					
Intangible assets	7	28,531	29,237	28,531	29,237
Tangible fixed assets	8	290,807	287,221	290,807	287,221
Heritage assets	9	1,073	1,073	1,073	1,073
Investment properties	10	-	3,795	-	3,795
Investments	11	1,249	1,102	1,559	1,412
<b>Total non-current assets</b>		<b>321,660</b>	<b>322,428</b>	<b>321,970</b>	<b>322,738</b>
<b>Current assets</b>					
Stocks	12	99	91	99	91
Trade and other receivables	13	15,251	9,438	16,360	10,387
Investments	14	66,000	50,000	66,000	50,000
Cash and cash equivalents	21	40,628	31,543	39,213	30,272
<b>Total current assets</b>		<b>121,978</b>	<b>91,072</b>	<b>121,672</b>	<b>90,750</b>
Less: Creditors: amounts falling due within one year	15	(48,865)	(42,217)	(49,126)	(42,462)
<b>Net current assets</b>		<b>73,113</b>	<b>48,855</b>	<b>72,546</b>	<b>48,288</b>
<b>Total assets less current liabilities</b>					
		<b>394,773</b>	<b>371,283</b>	<b>394,516</b>	<b>371,026</b>
Creditors: amounts falling due after more than one year	16	(122,202)	(122,352)	(122,202)	(122,352)
<b>Provisions</b>					
Pension provisions	26d	(91,772)	(59,068)	(91,772)	(59,068)
Other provisions	17	(3,439)	(2,890)	(3,439)	(2,890)
<b>Total net assets</b>		<b>177,360</b>	<b>186,973</b>	<b>177,103</b>	<b>186,716</b>
<b>Restricted reserves</b>					
Income and expenditure reserve – endowment fund	18	2,263	1,899	2,263	1,899
Income and expenditure reserve – restricted reserve	19	57	25	57	25
<b>Unrestricted reserves</b>					
Income and expenditure reserve - unrestricted		173,813	183,881	173,556	183,624
Revaluation reserve		1,227	1,168	1,227	1,168
<b>Total unrestricted reserves</b>		<b>175,040</b>	<b>185,049</b>	<b>174,783</b>	<b>184,792</b>
<b>Total reserves</b>		<b>177,360</b>	<b>186,973</b>	<b>177,103</b>	<b>186,716</b>

The financial statements on pages 56 to 79 were approved by the Board of Governors on 21 November 2019 and were signed on its behalf by



Ms Lin Hinnigan  
Interim Chair of the Board of Governors



Professor Andy Collop  
Chief Executive and Interim Vice-Chancellor

This statement should be read in conjunction with the report of the Chair, the Operating and Financial Review and Notes to the Accounts.

# CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 JULY 2019

	Notes	2019 £'000	2018 £'000
<b>Cash flows from operating activities</b>			
Surplus for the year before taxation		14,562	10,688
<b>Adjustment for non-cash items</b>			
Depreciation	8	12,361	11,881
Amortisation of intangible assets	7	3,746	1,269
Gain on investments		(146)	(33)
Increase in stock		(8)	(20)
Increase in debtors		(5,813)	(1,214)
Increase in creditors		6,583	5,873
Increase in provisions		527	816
Pension costs less contributions payable	26	6,804	5,479
<b>Adjustment for investing or financing activities</b>			
Investment income	1e	(1,080)	(947)
Interest payable	4	6,694	7,438
Endowments received	18	(390)	(84)
Capital grants income		(1,699)	(1,422)
Loss on the disposal of fixed assets		36	243
<b>Cash inflow from operating activities</b>		<b>42,177</b>	<b>39,967</b>
Taxation		23	45
<b>Net cash inflow from operating activities</b>		<b>42,200</b>	<b>40,012</b>
<b>Cash flows from investing activities</b>			
Capital grants receipts		1,817	1,888
Repayment of capital grants		(336)	-
Proceeds from sales of fixed assets		53	-
Transfer to deposits		(16,000)	(25,000)
Income from endowments		37	42
Other interest received		1,043	905
Payments made to acquire fixed assets		(12,470)	(14,711)
Payments made to acquire intangible assets		(2,811)	(11,651)
		<b>(28,667)</b>	<b>(48,527)</b>
<b>Cash flows from financing activities</b>			
Interest paid		(4,838)	(4,838)
Endowments cash received		390	84
		<b>(4,448)</b>	<b>(4,754)</b>
<b>Increase/ (decrease) in cash and cash equivalents in the year</b>			
		<b>9,085</b>	<b>(13,269)</b>
Cash and cash equivalents at the beginning of the year		31,543	44,812
Cash and cash equivalents at the end of the year		40,628	31,543
		<b>9,085</b>	<b>(13,269)</b>

# NOTES TO THE ACCOUNTS

## FOR THE YEAR ENDED 31 JULY 2019

1. Analysis of income	Group 2018/19 £'000	Group 2017/18 £'000	Corporation 2018/19 £'000	Corporation 2017/18 £'000
<b>a) Tuition fees and education contracts</b>				
Home and EU students	159,136	147,456	158,572	146,925
Overseas students	43,028	34,050	43,028	34,050
Education contracts	6,017	9,408	6,017	9,379
Other contracts	3,014	2,170	3,012	2,161
<b>Total</b>	<b>211,195</b>	<b>193,084</b>	<b>210,629</b>	<b>192,515</b>
<b>b) Funding body grants</b>				
<b>Recurrent grants</b>				
Office for Students	15,107	15,109	15,107	15,109
Education and Skills Funding Agency	431	469	431	469
<b>Specific grants</b>				
Higher Education Innovation Fund	600	592	600	592
Connection Capability Fund	514	-	514	-
<b>Release of capital grants</b>				
Buildings	897	822	897	822
Equipment	776	578	776	578
<b>Total</b>	<b>18,325</b>	<b>17,570</b>	<b>18,325</b>	<b>17,570</b>
<b>c) Research grants and contracts</b>				
Research councils	849	1,331	849	1,331
UK-based charities	205	97	205	97
European Commission	1,415	1,543	1,415	1,543
Other grants and contracts	1,484	1,147	1,428	1,037
<b>Total</b>	<b>3,953</b>	<b>4,118</b>	<b>3,897</b>	<b>4,008</b>
<b>d) Other income</b>				
Residences and catering	4,450	4,544	4,448	4,538
Other services rendered	2,309	2,091	1,815	1,702
Other income	3,526	2,368	4,341	3,308
Other capital grants	26	22	26	22
<b>Total</b>	<b>10,311</b>	<b>9,025</b>	<b>10,630</b>	<b>9,570</b>
<b>e) Investment income</b>				
Interest from short-term investments	717	515	711	510
Income from restricted expendable endowments	9	7	9	7
Income from restricted permanent endowments	28	35	28	35
Other investment income	326	390	326	390
<b>Total</b>	<b>1,080</b>	<b>947</b>	<b>1,074</b>	<b>942</b>
<b>f) Donations and endowments</b>				
New endowments	390	85	390	85
Donations with restrictions	35	13	35	13
Unrestricted donations	1	-	1	-
<b>Total</b>	<b>426</b>	<b>98</b>	<b>426</b>	<b>98</b>
<b>Total income</b>	<b>245,290</b>	<b>224,842</b>	<b>244,981</b>	<b>224,703</b>

2. Staff costs	Group 2018/19 £'000	Group 2017/18 £'000	Corporation 2018/19 £'000	Corporation 2017/18 £'000
<b>a) Staff costs</b>				
Wages and salaries	94,313	88,256	93,827	88,256
Social security costs	9,737	9,251	9,737	9,251
Other pension costs	15,915	14,829	15,915	14,829
Movement on USS pension provision	1,393	38	1,393	38
The financial effects of LGPS pension scheme	6,804	5,479	6,804	5,479
<b>Total</b>	<b>128,162</b>	<b>117,853</b>	<b>127,676</b>	<b>117,853</b>
<b>b) Employee numbers</b>				
The average number of persons employed during the year, expressed as full-time equivalents, are disclosed below:	<b>2018/19</b>	<b>2017/18</b>		
Academic				
Full-time	865	815		
Part-time	257	260		
Support	1,216	1,187		
<b>Total</b>	<b>2,338</b>	<b>2,262</b>		
<b>c) Vice-Chancellor emoluments</b>				
<b>i) Current Interim Vice-Chancellor</b>				
The remuneration of the current Interim Vice-Chancellor is detailed below and relates to the period of office from 7 March 2019 to 31 July 2019.				
	<b>2018/19 £'000</b>	<b>2017/18 £'000</b>		
Salary	114	-		
Health insurance	1	-		
<b>Total excluding pension contributions</b>	<b>115</b>	<b>-</b>		
Pension contributions to USS	22	-		
<b>Total emoluments</b>	<b>137</b>	<b>-</b>		

The emoluments, including taxable benefits, of the Interim Vice-Chancellor are shown on the same basis as for higher paid staff and exclude employer's National Insurance contributions.

The Contract of Employment of the Interim Vice-Chancellor provides for termination by the Corporation on giving four months' notice.

Accommodation for the role of Vice-Chancellor is available on campus in a self-contained flat. The Interim Vice-Chancellor has waived his right to use the on-campus accommodation.

#### Relationship between Interim Vice-Chancellor remuneration and other employees

The Interim Vice-Chancellor's basic salary is 7.6 times the median pay of staff, where the median pay is calculated on a full-time equivalent basis for the salaries paid by the institution to its staff. The ratio reflects the full year basic salary equivalent for the Interim Vice-Chancellor.

The Interim Vice-Chancellor's total remuneration is 7.9 times the median total remuneration of staff, where the median total remuneration is calculated on a full-time equivalent basis for the total remuneration by the institution of its staff. The ratio reflects the full year remuneration equivalent for the Interim Vice-Chancellor.

## ii) Former Vice-Chancellor

The remuneration for the former Vice-Chancellor is detailed in the table below and relates to the period of office from 1 August 2018 to 28 February 2019. The comparative year relates to the period 1 August 2017 to 31 July 2018:

	2018/19 £'000	2017/18 £'000
Salary	204	350
Bonus relating to prior year	10	-
Health insurance	1	1
Compensation for loss of office	260	-
<b>Total excluding pension contributions</b>	<b>475</b>	<b>351</b>
Pension contributions to USS	4	7
<b>Total emoluments</b>	<b>479</b>	<b>358</b>

Accommodation for the role of Vice-Chancellor was available rent-free on campus in a self-contained flat paying only for private use of gas and electricity. In the financial year 2018/19 - £901 (2017/18 - £1,590) was contributed by the former Vice-Chancellor towards utility bills. As the flat was self-contained the rest of the building could be used for official university events.

In addition, the former Vice-Chancellor had membership to the Club at the Ivy. The cost of the membership of £1,250 and associated costs were paid for by the university. This membership was terminated in February 2019 with £848 refunded to the university.

### Relationship between former Vice-Chancellor remuneration and other employees

The former Vice-Chancellor's basic salary is 11.5 times the median pay of staff (2018: 10.4 times), where the median pay is calculated on a full-time equivalent basis for the salaries paid by the institution to its staff. The ratio reflects the full year basic salary equivalent for the former Vice-Chancellor.

The former Vice-Chancellor's total remuneration is 11.9 times the median total remuneration of staff (2018: 9.0 times), where the median total remuneration is calculated on a full-time equivalent basis for the total remuneration by the institution of its staff. The ratio reflects the full year remuneration equivalent for the former Vice-Chancellor.

### Justification for remuneration package

Professor Dominic Shellard held the role of Vice-Chancellor until 10 February 2019 and the pay justification for his remuneration is therefore reflective of that period of activity. During this period, Professor Dominic Shellard had a significant impact on the university's performance, demonstrated through the following areas:

The 2018 National Student Survey results, which provide data from the survey conducted between January and April 2018 and were used as part of the data to inform the remuneration process, showed a continued improvement in performance. DMU's overall satisfaction score was 86 per cent, an increase of 1 per cent from the 2017 results (85 per cent), compared to:

- DMU's benchmark figure was 82 per cent in 2018, which meant that the university was 4 per cent above its expected performance.
- The sector average, which stood at 83 per cent for overall satisfaction (and represented a drop from the 2017 results of 84 per cent). DMU was therefore performing 3 per cent above the sector average.

Across the three major domestic league tables published in 2018 – the Times and Sunday Times Good University Guide, the Complete University Guide and the Guardian University League Tables – DMU experienced significant improvements in ranking. It should be noted that league tables are published to help students make informed decisions about where to study in the following academic year. So, the Times and Sunday Times Good University Guide, released in September 2018, has a publication year of 2019. Similarly, the Complete University Guide and the Guardian University League Tables, released in April and May 2018 respectively, also have publication years of 2019.

In the 2019 Times and Sunday Times Good University Guide (released in 2018), DMU's overall ranking improved by two places in the 2019 publication compared with the previous year.

As well as this, in the 2019 Complete University Guide (released in 2018), DMU rose eight places compared with the previous year, and rose 23 places compared with the previous year in the 2019 Guardian University League Tables (released in 2018).

DMU's Strategic Plan was refreshed during 2017/18 and launched in autumn 2018.

DMU recruited a record number of 6,100 new UK/EU students in September 2018.

DMU was actively engaged with development of the UN's Sustainable Development Goals (SDGs) and was named a Global Hub for SDG 16, which promotes peace, justice and strong institutions. This is the first time a UK university has been honoured in this way and it represents a significant achievement for the institution.

At the time of his departure, Professor Dominic Shellard received a payment of £270,000 which reflected his contractual notice period.

As Interim Vice-Chancellor, Professor Andy Collop has been in post for the remainder of 2018/19, with a substantially lower remuneration than his predecessor.

Following the OfS's investigation into governance issues at DMU, Professor Andy Collop has worked with the governing body to agree a resolution to the investigation, resulting in the published action plan.

Working with the governing body, Professor Andy Collop has led significant changes to improve governance arrangements, transparency and accountability, and has also significantly increased engagement with staff through a number of mechanisms, to provide opportunities for staff to positively influence the university's strategy and decision-making.

Professor Andy Collop is leading a reinvestment programme made possible by record surpluses in the 2018/19 financial period, internal restructures and the university's best-ever Clearing operation in August 2019, with a clear focus for reinvestment being the student experience and reducing student-staff ratios. DMU has also been shortlisted in four categories for the Times Higher Education Awards 2019 for its work on DMUaspire – the university's ground-breaking schools outreach initiative – its Estates Strategy, its engagement with the UN and the Times Higher Education DataPoints Merit Award for its work on sustainability.

## d) Remuneration of other higher paid staff

Remuneration of other higher paid staff, excluding employer's pension contributions:

	2018/19	2017/18
£100,000 to £104,999	2	4
£105,000 to £109,999	-	-
£110,000 to £114,999	2	1
£115,000 to £119,999	1	-
£120,000 to £124,999	1	2
£125,000 to £129,999	3	1
£130,000 to £134,999	1	-
£135,000 to £139,999	1	2
£140,000 to £144,999	-	2
£145,000 to £149,999	1	-
£150,000 to £154,999	-	1
£155,000 to £159,999	-	-
£160,000 to £164,999	-	1
£165,000 to £169,999	-	-
£170,000 to £174,999	1	-
£175,000 to £179,999	-	-
£180,000 to £184,999	-	1
£185,000 to £189,999	1	-
£190,000 to £194,999	-	-
£195,000 to £199,999	-	1

The Board of Governors has agreed the terms of reference, policy and guidelines for DMU's Remuneration Committee that determines membership, responsibilities and how they must carry out their role. The Remuneration Committee is responsible for meeting the obligations described in those documents and has oversight of their implementation in relation to senior staff remuneration and severance arrangements. These documents and the approach taken to comply with the Committee of University Chairs Higher Education Senior Staff Remuneration Code can be found here: [dmu.ac.uk/committees](http://dmu.ac.uk/committees)

The Remuneration Committee has a specific remit for determining the remuneration of the Vice-Chancellor and those roles determined to be Senior Post-holders which within the reference period was the Deputy Vice-Chancellor, Chief Operating Officer, Pro Vice-Chancellors, Chief Finance Officer and Vice-Chancellor's Chief of Staff.

The Remuneration Committee has its own terms of reference, which include membership and responsibilities, as well as a set of guidelines detailing the role and remit of the committee and the information that is required by the committee to support determination of remuneration decisions. These documents describe the university's policy approach to determining remuneration for those within the remit of the remuneration committee and can be found here: [dmu.ac.uk/committees](http://dmu.ac.uk/committees)

A range of benchmarking data is used to guide remuneration decisions, including data from the higher education sector and beyond, and more details can be found in the guidance described above. In order to determine the salary of the Vice-Chancellor and other Senior Post-holders, data on whole sector and similar university averages are considered as well as those that are considered to be immediate and aspirational competitors recognising that our aim is to secure and retain those who can enable and drive the university's progress. Senior Professional Service Post-holders' remuneration is benchmarked against data provided by Korn Ferry/Hays using the 'Service Sector' average to determine salaries of roles that are generic across sectors.

As a result of the departure of Professor Shellard in February 2019, this statement covers the tenure of the former Vice-Chancellor and the Interim Vice-Chancellor Professor Andy Collop during 2018/19.

**Key management personnel**

The university Executive Board are classed as key management personnel who have authority and responsibility for planning, directing and controlling the activities of the institution. This includes compensation paid to key management personnel.

	2018/19 £'000	2017/18 £'000
<b>Key management personnel</b>	<b>2,132</b>	<b>2,033</b>

**e) Restructuring costs - group and corporation**

The total amount of any compensation for loss of office paid across the institution

	2018/19 £'000	2017/18 £'000
<b>Staff restructuring costs</b>	<b>648</b>	<b>4,099</b>
<b>Number of staff to who this was payable</b>	<b>50</b>	<b>120</b>

**f) Trade Union Facility Time****Relevant Union Officials**

Number of employees who were relevant union officials during the relevant period

Full-time equivalent employee

	2018/19	2017/18
Number of employees	22	20
Full-time equivalent employee	21.3 FTE	19.6 FTE

**Percentage of time spent on facility time**

Employees who were relevant union officials employed during the period

Percentage of time	Number of employees	
0%	-	-
1-50%	22	20
51-99%	-	-
100%	-	-

**Percentage of pay bill spent on facility time**

Percentage of total pay bill spent on paying employees who were relevant union officials for facility time during the period

Total cost of facility time	90,296	51,065
Total pay bill	117,822,000	108,644,000
Percentage of the total pay bill spent on facility time	0.08%	0.05%

**Paid trade union activities**

Time spent on paid trade union activities as a percentage of total paid facility time hours

13.24%	8.29%
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**3. Other operating expenses**

	Group 2018/19 £'000	Group 2017/18 £'000	Corporation 2018/19 £'000	Corporation 2017/18 £'000
External auditor's remuneration	219	85	210	75
Auditor's fees for non-audit services	4	4	4	4
Other services supplied pursuant to such legislation				
Internal audit services	224	163	224	163
Legal, professional, agency and consultancy fees	25,567	20,348	26,080	20,522
Administrative expenses	7,563	5,799	7,533	5,819
Publicity	7,596	6,302	7,595	6,302
General education expenses	3,356	4,423	3,187	4,201
Consumables	10,203	9,974	10,166	9,927
Repairs and general maintenance	3,652	3,431	3,643	3,431
Student bursaries	2,370	2,257	2,370	2,257
Travel and subsistence	5,209	5,627	5,172	5,586
Energy	3,160	3,058	3,160	3,058
Residences and catering	3,673	3,319	3,672	3,315
Rent, rates and insurance	2,004	3,002	2,002	3,002
Grant to De Montfort University Students' Union Limited	1,170	1,046	1,169	1,046
Research grants and contracts	1,425	1,479	1,389	1,472
Staff development	989	485	987	484
Other	843	602	841	601
<b>Total</b>	<b>79,227</b>	<b>71,404</b>	<b>79,404</b>	<b>71,265</b>

Other operating expenses include:

Operating leases – buildings

Operating leases – equipment

	Group 2018/19 £'000	Group 2017/18 £'000	Corporation 2018/19 £'000	Corporation 2017/18 £'000
Operating leases – buildings	371	556	371	556
Operating leases – equipment	47	75	47	75

**Governors**

In 2018/19 five governors were entitled to remuneration for their roles as Chair of Committees. A total of £23,214 (2017/18 - £37,500) has been paid. Mr Blatchford waived part of the remuneration and Mr Capper waived all the remuneration.

The total expenses paid to or on behalf of 21 governors was £7,059 (2018: £9,080 to 17 governors).

This represents travel and subsistence incurred in attending Board and Committee meetings in their official capacity.

**4. Interest payable – group and corporation**

	2018/19 £'000	2017/18 £'000
Net financing costs in pension scheme liabilities	1,702	2,448
Interest on USS	22	20
Interest on bond	4,837	4,837
Bond transaction costs	133	133
<b>Total</b>	<b>6,694</b>	<b>7,438</b>

5. Analysis of 2018/19 expenditure by activity – group and corporation	Staff costs	Other operating expenses	Depreciation and amortisation	Interest	2018/19 Total	2017/18 Total
	£'000	£'000	£'000	£'000	£'000	£'000
Academic departments	68,745	12,366	1,667	-	82,778	81,086
Academic services	13,655	12,993	5,866	-	32,514	29,111
Admin and central services	15,228	6,127	859	-	22,214	16,298
General education expenditure	3,537	23,172	-	-	26,709	24,054
Staff and student facilities	11,175	12,170	151	-	23,496	18,810
Premises	6,207	9,787	7,461	-	23,455	23,395
Residences and catering	486	1,369	103	74	2,032	1,634
Research grants and contracts	2,055	1,212	-	-	3,267	2,338
Other expenditure	270	31	-	4,918	5,219	5,192
Provision for restructuring	648	-	-	-	648	4,099
Pension scheme's adjustment	6,804	-	-	1,702	8,506	7,927
<b>Total</b>	<b>128,810</b>	<b>79,227</b>	<b>16,107</b>	<b>6,694</b>	<b>230,838</b>	<b>213,944</b>

Other operating expenses includes amortisation.

The depreciation and amortisation charge has been funded by:

	£'000
Deferred capital grants released	1,699
General income	14,408
<b>Total</b>	<b>16,107</b>

#### 6. Taxation – group and corporation

	2018/19 £'000	2017/18 £'000
Corporate Income Tax (CIT) paid/(refunded) – Liaoning University (LNU)	(10)	10
Provision for CIT for Jinling Institute of Technology (JIT) JEP	-	(13)
Individual income tax (IIT) paid / (refunded) -LNU	(4)	-
(Release) & Provision for (IIT) due in Shenyang Huanggu region	(9)	7
Historic tax provision, no longer required	-	(49)
<b>Total</b>	<b>(23)</b>	<b>(45)</b>

Tax is payable to Chinese Tax Authorities on activity relating to Joint Education Partnerships (JEP) with partner universities in China.

A tax payment (IIT) is made each month for DMU staff teaching on the LNU JEP and each year (CIT) in relation to income received.

The current provision is £8,500, which relates to the final settlement for staff teaching on the JEP for periods between October 2017 to March 2019.

#### 7. Intangible fixed assets

	2018/19 £'000	2017/18 £'000
<b>Group and corporation</b>		
Opening balance 1 August	29,237	18,625
Transfer from tangible assets under construction	229	230
Additions in the year	2,811	11,651
Amortisation charge for the year	(3,746)	(1,269)
<b>Closing balance at 31 July</b>	<b>28,531</b>	<b>29,237</b>

The university has concluded a core systems modernisation programme (CSM) to replace a number of items of software that have reached the end of their useful lives. These costs are amortised over a period of 10 years.

Internal staff capitalised within intangible asset additions at 31 July 2019 was nil (31 July 2018: £871,000).

#### 8. Tangible fixed assets

	Land and buildings	Assets under construction	Furniture and equipment	Computer equipment	Total
	£'000	£'000	£'000	£'000	£'000
<b>Group and corporation</b>					
<b>Cost or valuation</b>					
At 1 August 2018	307,786	4,726	12,924	31,378	356,814
Additions at cost	3,721	4,646	439	3,664	12,470
Transfers from assets under construction	2,984	(3,983)	229	541	(229)
Transfers from investment properties	3,795	-	-	-	3,795
Disposals	-	(89)	(389)	-	(478)
<b>At 31 July 2019</b>	<b>318,286</b>	<b>5,300</b>	<b>13,203</b>	<b>35,583</b>	<b>372,372</b>
<b>Depreciation</b>					
At 1 August 2018	35,078	-	8,854	25,661	69,593
Charge for the year	7,330	-	1,417	3,614	12,361
<b>Depreciation charge for the year</b>	<b>7,330</b>	<b>-</b>	<b>1,417</b>	<b>3,614</b>	<b>12,361</b>
Disposals	-	-	(389)	-	(389)
<b>At 31 July 2019</b>	<b>42,408</b>	<b>-</b>	<b>9,882</b>	<b>29,275</b>	<b>81,565</b>
<b>Net book value:</b>					
<b>At 31 July 2019</b>	<b>275,878</b>	<b>5,300</b>	<b>3,321</b>	<b>6,308</b>	<b>290,807</b>
At 31 July 2018	272,708	4,726	4,070	5,717	287,221

The net book value of tangible fixed assets held under finance leases at 31 July 2019 was nil (31 July 2018: nil).

Land and buildings includes £9.4 million (31 July 2018: £8.9 million ) of university-owned land that is not depreciated.

	Group and corporation	
	2018/19 £'000	2017/18 £'000
The net book value of land and buildings is comprised as follows:		
Freehold	266,497	266,666
Long lease	9,381	6,042
<b>Total</b>	<b>275,878</b>	<b>272,708</b>

#### 9. Heritage assets

	2018/19 £'000	2017/18 £'000
<b>Group and corporation</b>		
<b>Cost or valuation</b>		
At 1 August	1,073	1,073
Additions at cost	-	-
<b>At 31 July</b>	<b>1,073</b>	<b>1,073</b>

The university holds a number of pieces of artwork, these were revalued in 2016 and in accordance with the university's accounting policies the annual impairment review has been undertaken and identified no adjustment to be made to the value of these assets.

#### 10. Investment properties

	2018/19 £'000	2017/18 £'000
<b>Group and corporation</b>		
<b>Cost or valuation</b>		
At 1 August	3,795	3,794
Additions at cost	-	1
Transfers to tangible fixed assets	(3,795)	-
<b>At 31 July</b>	<b>-</b>	<b>3,795</b>

The investment property held has been transferred to tangible fixed assets for business use during the year.

11. Investments	Group 2018/19 £'000	Group 2017/18 £'000	Corporation 2018/19 £'000	Corporation 2017/18 £'000
<b>Movement in the year</b>				
Balance at beginning of year	1,102	1,069	1,412	1,379
Appreciation of investments	147	33	147	33
<b>Balance at year end</b>	<b>1,249</b>	<b>1,102</b>	<b>1,559</b>	<b>1,412</b>
<b>Analysis of closing balance</b>				
Shareholding in subsidiary undertakings	-	-	310	310
Other investments	193	134	193	134
Shareholding in CVCP Properties PLC	38	38	38	38
Securities and fixed interest stock for endowments	1,018	930	1,018	930
<b>Total</b>	<b>1,249</b>	<b>1,102</b>	<b>1,559</b>	<b>1,412</b>

#### a) Shareholdings in subsidiary undertakings

At year end, investments in subsidiary undertakings comprise:

	Group holding %	Corporation 2018/19 £	Corporation 2017/18 £	Description of activities
Directly owned by the university:				
De Montfort Expertise Ltd	100	310,000	310,000	Provision of contract research and development
Leicester Business School Ltd	100	1	1	Dormant company
Leicestershire Business School Ltd	100	1	1	Dormant company
<b>Total</b>		<b>310,002</b>	<b>310,002</b>	

All of the subsidiary undertakings are incorporated in England and Wales.

b) Other investments	Holding %	Corporation 2018/19 £	Corporation 2017/18 £	Description of activities
Spear Therapeutics Ltd	11.06	234	234	Drug development and research
BTG PLC	<0.01	166,012	105,382	Drug development and research
CYPS Ltd	100.00	100	100	Dormant company
In Smart Ltd	100.00	100	100	Dormant company
Morvus Technology Ltd	<0.40	589	589	Drug development and research
Abeona Therapeutics	<0.70	486	2,175	Drug development and research, incorporated in USA
Mediatag Ltd	32.47	150	150	Software development
Venesim Ltd	33.00	300	300	Software development
WZVI Ltd	10.00	100	100	Science and engineering research
IP By Design Ltd	10.00	25,000	25,000	Intellectual property management consultancy
CYP Design Ltd	20.00	2	2	Drug development and research
<b>Total</b>		<b>193,073</b>	<b>134,132</b>	

#### 12. Stocks – group and corporation

	2018/19 £'000	2017/18 £'000
Goods for resale	6	1
Art and design supplies	93	88
Computer supplies	-	2
<b>Total</b>	<b>99</b>	<b>91</b>

13. Trade and other receivables	Group 2018/19 £'000	Group 2017/18 £'000	Corporation 2018/19 £'000	Corporation 2017/18 £'000
Amounts falling due within one year				
Student receivables	5,402	2,152	5,402	2,152
Other receivables	3,081	2,727	2,942	2,624
Research grants receivables	1,525	2,371	1,430	2,141
Prepayments and accrued income	5,243	2,188	5,148	2,175
Subsidiary undertakings	-	-	1,438	1,295
<b>Total</b>	<b>15,251</b>	<b>9,438</b>	<b>16,360</b>	<b>10,387</b>

#### 14. Investments – group and corporation

In accordance with its Treasury Management Policy, the university regularly invests surplus funds on deposit or on the money market.

At 31 July 2019, £66,000,000 of Group funds was on short-term deposit (31 July 2018: £50,000,000).

At 31 July 2019, £66,000,000 of Corporation funds was on short-term deposit (31 July 2018: £50,000,000).

15. Creditors: amounts falling due within one year	Group 2018/19 £'000	Group 2017/18 £'000	Corporation 2018/19 £'000	Corporation 2017/18 £'000
Payments received in advance	27,331	19,499	27,152	19,465
Trade creditors	2,782	1,847	2,691	1,704
Other creditors	2,588	2,709	2,495	2,666
Taxation	1,346	1,301	1,346	1,267
Social security	1,477	1,318	1,477	1,317
Accruals	12,774	14,810	12,388	14,362
Student caution deposits	567	733	567	733
Subsidiary undertakings	-	-	1,010	948
<b>Total</b>	<b>48,865</b>	<b>42,217</b>	<b>49,126</b>	<b>42,462</b>

#### Payments received in advance

Included within payments received in advance are the following items of income which have been deferred until specific performance-related conditions have been met.

	Group 2018/19 £'000	Group 2017/18 £'000	Corporation 2018/19 £'000	Corporation 2017/18 £'000
Research grants received on account	7,089	6,426	6,912	6,408
Capital grant income	1,691	1,626	1,691	1,626
Other income	18,551	11,447	18,549	11,431
<b>Total</b>	<b>27,331</b>	<b>19,499</b>	<b>27,152</b>	<b>19,465</b>

#### 16. Creditors: amounts falling due after more than one year – group and corporation

	2018/19 £'000	2017/18 £'000
Bond		90,000
Bond transaction costs		(3,064)
<b>Bond total</b>	<b>86,936</b>	<b>86,803</b>
Deferred income		35,266
<b>Total</b>	<b>122,202</b>	<b>122,352</b>

See note 27 for further details on the bond listing.

## 17. Provisions for liabilities

	Taxation	Future pensions	Staff restructuring	Obligation to fund deficit on USS pension	Total
	£'000	£'000	£'000	£'000	£'000
At 1 August 2018	66	1,436	603	785	2,890
Utilised in year	-	(535)	(603)	(44)	(1,182)
Additions in year	9	95	234	1,459	1,797
Unused amounts reversed in year	(66)	-	-	-	(66)
<b>At 31 July 2019</b>	<b>9</b>	<b>996</b>	<b>234</b>	<b>2,200</b>	<b>3,439</b>

The enhanced pension provision represents the future costs relating to former staff who were awarded enhancements to their Local Government Pension Scheme pensions when they were made redundant. Since it is the University that makes these payments to these pensioners and not the LGPS, provision for these payments is made on the basis of a present obligation arising from an obligation event for which there is an outflow which can be reliably estimated.

An amount of £996,000 (2018: £1,436,000), is included in provisions for liabilities and charges representing the extent to which the capital cost charged exceeds actual payments made. The provision will be released against the cost to the university of enhanced pension entitlements over the estimated life expectancy of each relevant employee.

The provision for staff restructuring relates to agreements that have been reached for early retirement and voluntary severance as at the Balance Sheet date.

The obligation to fund the past deficit on the Universities Superannuation Scheme (USS) arises from the contractual obligation with the USS to deficit payments in accordance with the deficit recovery plan. In calculating this provision, management have estimated future staff levels within the USS scheme for the duration of the contractual obligation and salary inflation. Key assumptions are set out below and further information is provided in note 26c.

The adoption of the new deficit recovery plan following the 2017 actuarial valuation has given rise to a significant increase in the deficit provision, which has increased from £83.1 million to £248.4 million. £165.1 million of this increase is attributable to the change in the deficit contributions contractual commitment. See also note 2 in respect of significant one-off pension costs. More details on the 2017 actuarial valuation are set out in note 26c.

Since the year end, following the completion of the 2018 actuarial valuation, a new deficit recovery plan has been agreed of which more detail is given in note 28. As at 31 July 2019 and with all other assumptions used to calculate the provision unchanged, this would have resulted in a revised provision of £1,331,000, a decrease of £869,000 from the current year end provision.

The major assumptions used to calculate the obligation are:

	2019	2018
Discount rate	2.10%	2.80%
Salary growth	2.00%	2.00%

### Sensitivity analysis

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

Change in assumptions at 31 July 2019	Approximate impact
0.5% pa decrease in discount rate	£92k increase in provision
0.5% pa increase in salary inflation over duration	£91k increase in provision
0.5% pa increase in salary inflation year 1 only	£11k increase in provision
0.5% increase in staff changes over duration	£93k increase in provision
0.5% increase in staff changes year 1 only	£11k increase in provision
1% increase in deficit contributions from April 2020	£432k increase in provision
1 year increase in term	£38k decrease in provision

## 18. Endowment reserves – group and corporation

	Unrestricted permanent	Restricted permanent	Restricted expendable	2018/19 Total	2017/18 Total
	£'000	£'000	£'000	£'000	£'000
Capital	1	843	907	1,751	1,733
Accumulated income	-	148	-	148	123
<b>Total</b>	<b>1</b>	<b>991</b>	<b>907</b>	<b>1,899</b>	<b>1,856</b>
Investment income	-	29	9	38	42
Expenditure	-	(21)	(130)	(151)	(140)
<b>Total</b>	<b>-</b>	<b>8</b>	<b>(121)</b>	<b>(113)</b>	<b>(98)</b>
New endowments	-	-	390	390	84
Appreciation in market value of investments	-	87	-	87	57
<b>At 31 July 2019</b>	<b>1</b>	<b>1,086</b>	<b>1,176</b>	<b>2,263</b>	<b>1,899</b>
<b>Represented by:</b>					
Capital value	1	930	1,176	2,107	1,751
Accumulated income	-	156	-	156	148
<b>Total</b>	<b>1</b>	<b>1,086</b>	<b>1,176</b>	<b>2,263</b>	<b>1,899</b>
<b>Analysis by type of purpose:</b>					
Scholarships and bursaries				1,587	1,306
Research support				23	33
Prize funds				570	521
General				83	39
<b>Total</b>				<b>2,263</b>	<b>1,899</b>
<b>Analysis by asset:</b>					
Current and non-current asset investments				1,018	930
Cash and cash equivalents				1,245	969
<b>Total</b>				<b>2,263</b>	<b>1,899</b>

## 19. Restricted reserves – group and corporation

Reserves with restrictions are as follows:

	Donations	
	2018/19	2017/18
	£'000	£'000
<b>Balance at 1 August</b>	25	19
New donations	36	13
Expenditure	(4)	(7)
<b>At 31 July</b>	<b>57</b>	<b>25</b>

## 20. Lease obligations

	Land and buildings	Other leases	2018/2019	2017/2018
	£'000	£'000	£'000	£'000
Payable during the year	371	47	418	631
<b>Future minimum lease payments due:</b>				
Not later than 1 year	371	47	418	454
Later than 1 year and not later than 5 years	1,484	87	1,571	1,612
Later than 5 years	262	-	262	759
<b>Total lease payments due</b>	<b>2,117</b>	<b>134</b>	<b>2,251</b>	<b>2,825</b>

## 21. Cash and cash equivalents

	At 1 August 2018 £'000	Cash flows £'000	At 31 July 2019 £'000
Consolidated			
Cash and cash equivalents	31,543	9,085	40,628
<b>Total</b>	<b>31,543</b>	<b>9,085</b>	<b>40,628</b>

## 22. Consolidated reconciliation of net debt

	At 1 August 2018 £'000	Cash flows £'000	Non-cash changes £'000	At 31 July 2019 £'000
Cash in hand	31,543	9,085	-	40,628
Current investments	50,000	16,000	-	66,000
Debt due after 1 year	(86,803)	-	(133)	(86,936)
<b>Total before fixed investments</b>	<b>(5,260)</b>	<b>25,085</b>	<b>(133)</b>	<b>19,692</b>
Fixed Investments	1,102	-	147	1,249
<b>Total</b>	<b>(4,158)</b>	<b>25,085</b>	<b>14</b>	<b>20,941</b>

## 23. Capital and other commitments

	Intangible fixed assets £'000	Tangible fixed assets £'000	2018/19 Total £'000	2017/18 Total £'000
Provision has not been made for the following capital commitments at 31 July 2019:				
Commitments contracted for	48	9,369	9,417	5,519
Authorised but not contracted for	421	16,574	16,995	17,451
<b>Total</b>	<b>469</b>	<b>25,943</b>	<b>26,412</b>	<b>22,970</b>

## 24. Contingent liabilities

A legal claim has been received from an ex-employee for damages and loss of income, the basis of the claim has not been quantified or substantiated.

## 25. Related party transactions

The operating statements of the university include transactions with related parties. In accordance with FRS102 these are disclosed where members of the University Board of Governors disclose an interest in a body with whom the university undertakes transactions that are considered material to the university's Financial Statements and/or the other party. Due to the nature of the university's operations and the composition of the board, being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the board may have an interest. All transactions involving organisations in which a member of the Board of Governors may have an interest, including those identified below, are conducted at arm's length and in accordance with the university's Financial Regulations and usual procurement procedures.

An updated Register of Interests for all members of the Board of Governors and Executive Board members is maintained.

The university has taken advantage of the exemption within FRS 102 and has not disclosed transactions with other group entities where it holds

100 per cent of the voting rights. Included within the financial statements are the following transactions with related parties:

	Income £'000	Expenditure £'000	Balance due from at 31 July 2019 £'000	Balance due to at 31 July 2019 £'000
De Montfort Students' Union	-	1,170	-	-
Leicester City Football Club	-	474	-	-
Vector Group (UK) Limited	-	27	-	-
Spire Healthcare Group Limited	70	16	19	-
Leicestershire Police	-	98	-	(3)
Kettering General Hospital	7	3	-	-
Leicester Cathedral	76	11	-	(1)
Leicester Arts Centre Limited	-	27	-	-

De Montfort Students' Union (DSU) is an independent, student-run and student-led organisation for students at De Montfort University. Ms Mollie Footitt sat on university's board until June 2019. Ms Diya Rattanpal, DSU Executive Officer, joined the board in September 2019.

Mr Simon Capper, Independent Governor, serves as the Finance Director at Leicester City Football Club with whom the university is party to a Sponsorship Agreement. Leicester City Football Club also buys services from De Montfort Expertise Limited, a company wholly owned by De Montfort University. A standing declaration of interest, which is actively considered when appropriate, operates for Mr Capper with respect to any Board of Governors' business linked to the university's partnership with Leicester City Football Club.

During the year, Vector Group (UK) Limited provided services to the university. A close family member of the former Vice-Chancellor is the majority shareholder and a director of this company.

Mr Daniel Toner, Independent Governor, is the General Counsel and Group Secretary for Spire Healthcare Group Limited. He is also director of the 34 subsidiary companies of this group.

Mr Simon Cole, Independent Governor, is the Chief Constable for Leicestershire Police.

Mrs Lin Hinnigan, Independent Governor, and Interim Chair of the Board of Governors, also serves as Associate Non-Executive Director of the Kettering General Hospital NHS Trust.

Mrs Sally Bowie, Independent Governor, also serves as Lay Canon of Leicester Cathedral.

Ms Suzanne Overton-Edwards, Independent Governor, and Professor Rusi Jaspal, Executive Board Member, also serve as directors of Leicester Arts Centre Limited.

## 26. Pension schemes

- a) The university's employees belong to two principal pension schemes, the Teachers' Pension Scheme (TPS) and the Leicestershire County Council Pension Fund, a Local Government Pension Scheme (LGPS), and there is also a strictly limited membership in the Universities Superannuation Scheme (USS). The total pension cost for the year was as follows:

Total pension cost for the year	2018/19 £'000	2017/18 £'000
Teachers' Pension Scheme: contributions paid	7,075	6,690
Universities Superannuation Scheme: contributions paid	576	553
Local Government Pension Scheme (LGPS)	8,264	7,586
<b>Total other pension costs</b>	<b>15,915</b>	<b>14,829</b>
The financial effects of LGPS pension scheme	6,804	5,479
<b>Total</b>	<b>22,719</b>	<b>20,308</b>

## b) Teachers' Pension Scheme

The university participates in the Teachers' Pension Scheme (TPS), a defined benefit pension scheme that is unfunded. Contributions from both members and employers are credited to the Exchequer which is responsible for meeting the cost of all benefits under arrangements governed by the Superannuation Act 1972. Actuarial valuations are carried out on a notional set of investments.

The pension costs are assessed periodically in accordance with advice from the Government Actuary. The assumptions and other data that have the most significant effect on the determination of the contribution levels are as follows:

Last actuarial valuation	31 March 2016
Actuarial method	Prospective benefits
Investment returns per annum	5.6%
Pension increase per annum	2.0%
Salary scale increases per annum	4.2%
Value of notional assets at date of last valuation	£196,100m
Proportion of members' accrued benefits covered by the actuarial value of the assets	90%

The last valuation of the TPS related to the period 1 April 2012 - 31 March 2016. The Government Actuary's report of March 2019 revealed that the total liabilities of the scheme (pensions currently in payment and the estimated cost of future benefits) amounted to £218,100 million. The value of the assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) was £196,100 million.

As from 1 January 2007, and as part of the cost-sharing agreement between employers' and teachers' representatives, the standard contribution has been assessed at 19.75 per cent, plus a supplementary contribution rate of 0.75 per cent (to balance assets and liabilities as required by the regulations within 15 years); a total contribution rate of 20.5 per cent. This translates into an employee contribution rate of 6.4 per cent and employer contribution rate of 16.4 per cent payable.

Under the definitions set out in FRS 102, Retirement Benefits, the TPS is a multi-employer pension scheme. The university is unable to identify its share of the underlying (notional) assets and liabilities of the scheme. Accordingly, the university has taken advantage of the exemption in FRS 102 and has accounted for its contributions to the scheme as if it were a defined contribution scheme.

### c) Universities Superannuation Scheme

The institution participates in the Universities Superannuation Scheme (USS), which is the main scheme covering most academic and academic-related staff. The scheme is a hybrid pension scheme, providing defined benefits (for all members), as well as defined contribution benefits. The assets of the scheme are held in a separate trustee-administered fund.

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

The total cost charged to the profit and loss account is £575,954 (2017: £552,938) as shown in note 26a.

The latest available complete actuarial valuation of the Retirement Income Builder section of the scheme is at 31 March 2017 ('the valuation date'), which was carried out using the projected unit method. As at the year end a valuation as at 31 March 2018 was under way but not yet complete.

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

The 2017 valuation was the fourth valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £60.0 billion and the value of the scheme's technical provisions was £67.5 billion indicating a shortfall of £7.5 billion and a funding ratio of 89 per cent.

The key financial assumptions used in the 2017 valuation are described below. More detail is set out in the Statement of Funding Principles.

Discount rate (forward rates)	Years 11-20: CPI + 2.56% reducing linearly to CPI + 1.7% by year 21 Years 21 +: CPI + 1.7%
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.

The main demographic assumption used relates to the mortality assumptions. These assumptions are based on analysis of the scheme's experience carried out as part of the 2017 actuarial valuation. The mortality assumptions used in these figures are as follows:

	<b>2017 valuation</b>
Mortality base table	<b>Pre-retirement:</b> 71% of AMCO0 (duration 0) for males and 112% of AFCO0 (duration 0) for females. <b>Post-retirement:</b> 96.5% of SAPS S1NMA 'light' for males and 101.3% of RFV00 for females.
Future improvements to mortality	CMI_2016 with a smoothing parameter of 8.5 and a long-term improvement rate of 1.8% pa for males and 1.6% pa for females.

The current life expectancies on retirement at age 65 are:

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

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

	2019	2018
Scheme assets	£67.4bn	£63.6bn
Total scheme liabilities	£79.2bn	£72.0bn
FRS 102 total scheme deficit	£11.8bn	£8.4bn
FRS 102 total funding level	85%	88%

Key assumptions used are:

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

A new deficit recovery plan was put in place as part of the 2017 valuation and is set out in the new Schedule of Contributions dated 28 January 2019. This requires payment of 5 per cent of salaries over the period 1 April 2020 to 30 June 2034. 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, the deficit payments were 2.1 per cent of salaries up to March 2031.

This significant increase in deficit contributions has given rise to a substantial increase in the deficit provision which has increased from £0.8 million to £2.2 million as set out in note 17. £1.4 million of this increase is attributable to the change in the deficit contributions contractual commitment. See also note 2 in respect of significant one-off pension costs / gains.

The 2018 actuarial valuation was finalised after the year end which indicated a shortfall of £3.6 billion and a funding ratio of 95 per cent.

Since the year end, following the completion of the 2018 actuarial valuation, a new deficit recovery plan has been agreed. This amends the existing deficit recovery plan as set out in the 2017 valuation Schedule of Contributions. This new plan requires deficit payments of 2 per cent of salaries from 1 October 2019 to 30 September 2021 and then payments of 6 per cent of salaries from 1 October 2021 to 31 March 2028. As at 31 July 2019 and assuming all other assumptions used to calculate the provision remain unchanged, this would have resulted in a revised provision of £1,331,000, a decrease of £869,000 from the current year end provision and a lower face of the Statement of Comprehensive Income of £546,000.

### d) Local Government Pension Scheme

The university participates in a defined benefit scheme in the UK, the Leicestershire County Council Pension Fund. A full actuarial valuation of the fund was carried out at 31 March 2013 by a qualified independent actuary. This was updated to 31 July 2018 for FRS 102 purposes by a qualified independent actuary. The major assumptions used by the actuary were as follows:

	2019	2018
Rate of increase in salaries	3.1%	3.1%
Rate of increase in pensions	2.0%	2.0%
Discount rate for liabilities	2.1%	2.8%
Inflation assumption	2.0%	2.0%

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement age 65 are:

	2019	2018
Retiring today		
Males	21.1 years	21.8 years
Females	23.3 years	24.0 years
Retiring in 20 years		
Males	21.7 years	23.2 years
Females	24.3 years	25.5 years

### The major categories of plan assets as a percentage of total plan assets

	2019 %	2018 %
Equities	59%	62%
Bonds	30%	27%
Property	8%	9%
Cash	3%	2%

<b>Changes in the Fair Value of Plan Assets, Defined Benefit Obligation and Net Liability for the year ended 31 July 2019</b>	<b>2018/19 £'000</b>	<b>2017/18 £'000</b>
Fair value of plan assets	223,040	200,590
Present value of funded liabilities	(282,108)	(288,590)
<b>Opening position as at 1 August</b>	<b>(59,068)</b>	<b>(88,000)</b>
<b>Charged to staff costs</b>		
Current service cost	(11,836)	(13,189)
Past service cost	(3,213)	(147)
<b>Total service cost</b>	<b>(15,049)</b>	<b>(13,336)</b>
<b>Financing</b>		
Interest income on plan assets	6,313	5,478
Interest costs on defined benefit obligation	(8,015)	(7,926)
<b>Total net interest</b>	<b>(1,702)</b>	<b>(2,448)</b>
<b>Total defined benefit costs recognised</b>	<b>(16,751)</b>	<b>(15,784)</b>
<b>Cash flows</b>		
Employer contributions	8,245	7,857
<b>Total cash flows</b>	<b>8,245</b>	<b>7,857</b>
<b>Expected closing position</b>	<b>(67,574)</b>	<b>(95,927)</b>
Remeasurements		
Changes in demographic assumptions	15,103	6,234
Changes in financial assumptions	(51,213)	18,563
Other experience	-	-
Return on assets excluding amounts included in net interest	11,912	12,062
<b>Total remeasurements recognised in Other Comprehensive income</b>	<b>(24,198)</b>	<b>36,859</b>
<b>Analysis of the movement in the fair value of plan assets</b>		
Value of assets at 1 August	223,040	200,590
Interest income on plan assets	6,313	5,478
Plan participants' contributions	2,708	2,614
Employer contributions	8,245	7,857
Benefits paid	(5,774)	(5,561)
Return on assets excluding amounts included in net interest	11,912	12,062
<b>Value of assets at 31 July</b>	<b>246,444</b>	<b>223,040</b>
<b>Analysis of the movement in the present value of funded liabilities</b>		
Present value of liabilities at 1 August	282,108	288,590
Current service cost	11,836	13,189
Past service cost	3,213	147
Interest cost on defined benefit obligation	8,015	7,926
Plan participants' contributions	2,708	2,614
Benefits paid	(5,774)	(5,561)
Changes in demographic assumptions	(15,103)	(6,234)
Changes in financial assumptions	51,213	(18,563)
Other experience	-	-
<b>Present value of liabilities at 31 July</b>	<b>338,216</b>	<b>282,108</b>
Fair value of plan assets	246,444	223,040
Present value of funded liabilities	(338,216)	(282,108)
<b>Closing position as at 31 July</b>	<b>(91,772)</b>	<b>(59,068)</b>

## Sensitivity analysis

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

<b>Change in assumptions at 31 July 2019</b>	<b>Approximate % increase to employer liability</b>	<b>Approximate monetary amount £'000</b>
0.5% decrease in real discount rate	12%	41,033
0.5% increase in the salary rate increase rate	2%	6,530
0.5% increase in the pension increase rate (CPI)	10%	33,801

## 27. Financial instruments

### Bond disclosures

An unsecured fixed rate public bond was issued in July 2012 in the sum of £110 million over a 30-year term with a coupon rate of 5.375 per cent. The £20 million reserve bonds, which were held without coupon by the trustee for a five-year period to July 2017, have now been withdrawn. There are no capital payments to be made over the term with the bond maturing in 2042.

DMU may, at its option, redeem all, or from time to time any part of, the bonds at the higher of the principal amount of the bonds and the sum of the gross redemption yield of the benchmark gilt (4.5 per cent Treasury Gilt 2042) and 0.40 per cent, plus accrued interest.

The bond transactions costs of £4.0 million are amortised over the life of the bond of 30 years to interest payable, with effect from financial year 2012/13.

### Financial instruments – Risk management

The group operates a centralised treasury function which is responsible for managing the credit, liquidity, interest and foreign currency risk associated with the group's activities. These financial risks are managed within parameters specified by the Treasury Management Policy, which governs all treasury management activities and sets out relevant policy objectives and control measures as driven by the university's Financial Strategy. Key recommendations of the Code of Practice on Treasury Management in Public Services – as issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) as recommended by the Office for Students (OfS) – are adopted as appropriate. The policy is reviewed and approved by the university Finance and Human Resources Committee annually.

The group's principal financial instruments are the bond, cash, short-term deposits and investments. The core objective of these financial instruments is to meet financing needs of the group's operations. Additionally, the group has other financial assets and liabilities arising directly from its operations ie trade debtors and creditors.

### Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the group. The group's Treasury Management Policy and Bad Debt Write Off Policy lay out the framework for credit risk management. Credit risk is monitored on an ongoing basis.

The group's credit risk arises from bank balances, investments, students, government and commercial debtors. Management of credit risk is a prime objective of the Treasury Management Policy. At 31 July 2019, the maximum exposure is represented by the carrying value of each financial asset in the balance sheet.

Student, government and commercial debtors are reviewed on an ongoing basis and bad debt provisions are made if recovery of credit becomes uncertain. A debtor deemed irrecoverable is written off in accordance with the Bad Debt Write Off policy. The concentration of risk is limited due to the student base being large and diverse, and all Home/EU students having access to the Student Loans Company to fund their tuition fees. The Treasury Management Policy states maximum level of investments for each counterparty to mitigate risk concentration. Similarly, the group's investment decisions are based on strict minimum credit worthiness criteria to ensure the safety of cash and investments. Credit worthiness of group's banks and money market funds is regularly monitored. Generally, the group does not require collateral against financial assets.

### Liquidity risk

Liquidity risk refers to the risk that the group will not be able to meet its financial obligations as they fall due. Regular monitoring of liquidity risk is an essential feature of treasury management activities.

Formal cash flow forecasts are developed, monitored and updated to ensure that adequate working capital is available and excess funds are invested to reduce the carrying cost of funds. The group policy is to maintain a minimum liquidity of one month expenditure plus 20 per cent reserve and invest excess funds for maturities to maximise investment returns while ensuring there is adequate liquidity to meet our liabilities. At 31 July 2019, the group is holding cash deposits and investments of various maturities, none of which is greater than 12 months. The average maturity of all deposits and investments is 55 days. The group withdrew its £1 million overdraft facility with National Westminster Bank as at 31 July 2018.

The long-term financing of the group relies on £90 million, unsecured Eurobonds maturing in June 2042. The retained bonds held by or on behalf of the group were cancelled on 18 July 2017. The capital amount will be paid at maturity and a coupon of 5.375 per cent is paid semi-annually. The group may, at its option, redeem all, or from time to time any part of, the bonds at the higher of the following:

- (a) The sum of the Gross Redemption Yield of the benchmark gilt (4.50 per cent Treasury Gilt 2042) and 0.40 per cent plus accrued interest.

Unless previously redeemed or purchased and cancelled, the bonds will be redeemed at their principle amount on 30 June 2042.

Under the terms of the bonds, for so long as any of the bonds remains outstanding, in respect of each financial year, the group is to ensure that its total borrowing costs (as defined by trust deed) do not exceed 7 per cent of the aggregate of:

- (a) Its total consolidated income for the financial year; and  
(b) The total cash of the group as at the end of the financial year.

For financial year ending on 31 July 2019, the ratio was 2.01 per cent (2017/18 2.4 per cent). The bonds may be redeemed at the option of the holder subject to the occurrence of certain events mentioned in the bond trust deed. Moody's reviewed the bond credit rating in 2019 and confirmed an improvement in the credit rating to Aa3 stable outlook, previously Aa3 negative outlook.

#### Foreign currency risk

Foreign currency risk refers to the risk that the unfavourable movements in foreign exchange rate may cause financial loss to the group.

The group's principal foreign currency exposures generally arise from research-related receipts and payments denominated in euros. There are ring-fenced euro bank accounts, set up especially for research projects funded in euros. All other receipts in foreign currencies are converted into pound sterling unless required for immediate foreign currency payments. Overall foreign currency exposure is immaterial, being an insignificant portion of total Income and Expenditure. At 31 July 2019, the sterling equivalent of all euro bank balances was £2.9 million (2017/18: £1.9 million).

#### Interest rate risk

Interest rate risk refers to the likelihood that changes in interest rates will result in fluctuations of the value of Balance Sheet items (ie price risk) or changes in interest income or expenses (ie reinvestment risk).

The group's main financing relates to 30 years £90 million bonds (31 July 2018 - £90 million). At 31 July 2019, balance sheet values of deposits and investments are not exposed to changes in interest rates. However, the group's interest and investment income is exposed to changes in interest rates ie reinvestment rate risk. The group is prepared to accept reinvestment risk to exploit opportunities where yield can be maximised without compromising capital base of the investment. The group has no outstanding derivative instruments as at 31 July 2019.

#### Financial instruments – fair values

The fair values of each category of the group's financial instruments are the same as their carrying values in the group's Balance Sheet, other than as noted below:

	2018/19 Carrying value £m	2018/19 Fair value £m	2017/18 Carrying value £m	2017/18 Fair value £m
5.375%, Unsecured Bonds due 2042	86.9	134.8	86.8	124.0

Value of interest accrued at 31 July 2019 is £0.4m (31 July 2018- £0.4m).

The bond is listed on the London Stock Exchange, therefore categorised as Level 1 under the requirements of FRS 102 and valued using quoted ask price as at 31 July 2019 in compliance with FRS 102. The fair value of the bond is its market value at the Balance Sheet date. Market value includes accrued interest and changes in credit risk and interest rate risk, and is therefore different to the reported carrying amounts.

OfS requires the university to provide for the repayment of the bond in the form of a bond redemption fund of £15 million every five years. The current value of this notional reserve is £15 million held within short-term deposits (note 14).

#### 28. Post balance sheet events note

As set out in Note 26c in respect of the USS pension scheme, a new Schedule of Contributions based on the 2018 actuarial valuation has been agreed. This results in a decrease of £869,000 in the provision for the Obligation to fund the deficit on the USS pension which would instead be £1,331,000. This adjustment will be reflected in the University's Financial Statements for the year ended 31 July 2020.









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