



CRANFIELD UNIVERSITY
ROYAL CHARTER NUMBER 000151
FINANCIAL STATEMENTS
for the year ended 31st July, 2020

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CRANFIELD UNIVERSITY

HIGHLIGHTS REPORT

FOR THE YEAR ENDED 31ST JULY, 2020

The global impact of Covid-19 has been one upmost in our minds during 2019/2020. In January, when news of the virus started to emerge from China we reached out to support our international partners and our students on campus. As the virus spread globally, the health and safety of our staff, students and clients has and continues to be our number one priority.

As lockdown in the UK was announced, academics moved with great speed to facilitate the remaining lectures in the academic year, online. Over 750 students remained living on campus during the lockdown with staff across the University stepping up to provide support both academic and pastoral with meals being supplied and wellbeing support offered. Such was the scale and the success of Cranfield's efforts the University was profiled for its support on the BBC <https://www.bbc.co.uk/news/uk-england-beds-bucks-herts-53019863>



[Coronavirus: Cranfield University looks after 750 students in lockdown - BBC News](https://www.bbc.co.uk/news/uk-england-beds-bucks-herts-53019863)

A university that has closed to face-to-face teaching during the coronavirus lockdown is still looking after about 750 students on campus.

www.bbc.co.uk

Alongside, our support for our staff and students, we have continued to progress major research projects and the construction of leading research facilities such as the Digital Aviation Research Technology Centre, the new Agri-Informatics facility and the new Water Science facility.

We are extremely proud of the efforts of all our staff and students as they adapt to new ways of working and support each other to stay safe and healthy.

The year 2019/2020 saw a number of highlights in the University's development including:

- The award of its sixth Queen's Anniversary Prize for its work supporting the nation's aero-engineering students. The Queen's Anniversary Prizes are the UK's most prestigious form of national recognition open to a UK academic or vocational institution. The University is home to the National Flying Laboratory Centre (NFLC), which brings together academics and technical specialists to deliver experiential learning for aerospace engineering students from over 20 UK universities.
- The ongoing development of MK:U, a proposed new technical university in Milton Keynes led by Cranfield in partnership with Milton Keynes Council. A Business Supporters Group (BSG) was launched, including some of the UK's biggest companies such as Network Rail, NatWest, Santander, Capita, Aston Martin, PWC and Grant Thornton.
- Being appointed the lead for the Academic Resilience and Security Community (A-RiSC), a network of 30 UK universities formed to help government and industry access academic experts and the latest research and knowledge in national security. A-RiSC was established in 2014 to encourage greater academic involvement in research which aims to solve challenges in national security. It is recognised by the Home Office, other government departments and by industry as an important conduit to expertise in this field and has been chaired to date by Imperial College London.

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- Work starting on the Cranfield Urban Observatory, part of the UK's largest urban research programme, looking at how our cities could be managed and developed in the future for human wellbeing. At the heart of the Observatory is a £1 million state-of-the-art, campus-wide sensor network which can monitor factors such as air and noise pollution, ecosystem dynamics and resource flows. The data provided by the network will be used to investigate the effects of change and plan healthy and sustainable urban environments.
- The EFMD Quality Improvement System (EQUIS) Accreditation Board voted to confer the EQUIS Accreditation on Cranfield School of Management for a further period of five years. The decision means that Cranfield continues to be one of an elite group of schools worldwide to hold the triple accreditation of AACSB International (the Association to Advance Collegiate Schools of Business), AMBA (the Association of MBAs) and EQUIS.
- Cranfield School of Management was also named as one of the leading business schools in Europe for student learning, networking and entrepreneurship by Bloomberg Businessweek. The business school was ranked second in Europe for the learning experience and knowledge that students gain throughout their time at Cranfield. The School also featured in the top ten for networking and entrepreneurship.
- The University was awarded £1.2 million to create a UK Aviation Innovation and Technology Entrepreneurship cluster, named AVIATE+, helping small businesses develop the technology of the future. One of 20 University Enterprise Zones (UEZ), Cranfield will use its world-renowned expertise in this area to support start-ups and SMEs with specialist facilities, programmes and collaborations.
- Together with the Defence Cyber School at the Defence Academy, Shrivenham, we are working to develop a national focal point for cyber deception and help the UK Ministry of Defence (MOD) better defend their networks in cyberspace. The National Cyber Deception Laboratory (NCDL) aims to bring together practitioners and researchers across Government, academia and industry to facilitate research and provide guidance in the context of national security.
- An international collaboration led by Cranfield University is examining the potential for low-carbon hydrogen to be the clean fuel of the future. The HyPER project (Bulk Hydrogen Production by Sorbent Enhanced Steam Reforming) will construct a state-of-the-art 1.5 MWth pilot plant at Cranfield University to test an innovative hydrogen production technology that substantially reduces greenhouse gas emissions.

With £7.5 million funding from the Department for Business, Energy and Industrial Strategy's (BEIS) Energy Innovation Programme, the project also involves US-based research and development organisation GTI and Doosan Babcock, a specialist in delivery of low-carbon technologies. The project centres on a novel hydrogen production technology invented by GTI.

- WAAM3D Ltd., a spin-out company from Cranfield University, has received major investment from Accuron Technologies Ltd, an international engineering and technology group headquartered in Singapore. WAAM3D Ltd. is commercialising Wire bAsed Additive Manufacturing (WAAM) technology developed at Cranfield University by a team led by Professor Stewart Williams, and will be rolling it out into the aerospace, energy and other industries.
- The University launched a global academic talent search to recruit some of the world's best up-and-coming research staff to its newly launched 75th Anniversary Research Fellowship scheme. The scheme is looking to provide a platform for some of the world's most gifted researchers to make breakthroughs in their fields and provide a springboard for their future academic career. It will give talented early career researchers an opportunity to conduct innovative research, without the pressures to seek industry funding or teaching commitments.

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HIGHLIGHTS REPORT

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- The University was awarded a record number of grants from the Engineering and Physical Sciences Research Council's (EPSRC) Industrial Co-operative Awards in Science and Technology (ICASE), totalling over £1 million. The Industrial CASE awards provide funding for PhD studentships where businesses take the lead in arranging projects with an academic partner. The student spends time at the company as well as receiving funding for four years.
- Work began on a new forensic science 'centre of excellence' at Cranfield University. Once fully completed, the facilities at Cranfield Forensic Institute will be among some of the very best in the world in their specialist fields of crime scene investigation, digital forensic investigation and non-destructive analysis.

One of the University's greatest strengths is its people, its staff and its students, and 2019/2020 saw outside recognition of their expertise. Below are just some of the recognitions in the last year:

- Professor Richard Wilding, OBE, was awarded a national teaching fellowship by Advance HE, the most prestigious individual award in higher education.
- Professor Gokhan Inalhan was appointed as Professor of Autonomy and Artificial Intelligence, a position sponsored by BAE Systems. Professor Inalhan joined Cranfield from Istanbul Technical University, where he was Director General of its Aerospace Research Centre.
- Dr Annie Maddison Warren, Senior Lecturer in Information Systems at the Centre for Electronic Warfare, Information and Cyber at Cranfield University, and champion of young academics, was shortlisted in the Inspirational Award category at the 2019 Women in Defence Awards.
- A leading expert in artificial intelligence, machine learning, wireless communication, and nano-scale networking joined Cranfield University as its first Professor of Human Machine Intelligence. Professor Weisi Guo joined the university's Centre for Autonomous and Cyber-Physical Systems from the University of Warwick. Professor Guo will play a key role in the design, development and work of the university's new £67 million Digital Aviation Research and Technology Centre (DARTeC), due to open in 2020.
- The UK's first Executive MBA (eMBA) students to graduate on the Senior Leader Master's Degree Apprenticeship standard celebrated excellent results. Those taking the eMBA, delivered in partnership with Grant Thornton UK LLP, achieved a 100% pass rate, and 84% of students on the Senior Leader Master's Degree Apprenticeship gained a distinction or merit.
- Students from Cranfield University scooped a major award at the Mineral Products Association Quarries and Nature awards 2019 for their Group Project in collaboration with Tarmac. The awards, which recognise achievements in restoration and biodiversity, are given to a range of industry and partner organisations to celebrate best practice.
- Two Cranfield University academics authored a report for the World Health Organization (WHO) on microplastics in drinking water. The WHO report called for a further assessment of microplastics in the environment and their potential impacts on human health, following the release of research related to microplastics in drinking water.
- Dr Natalia Falagan was among a group of British experts in Delhi, Haryana and Hyderabad in India on a scoping study tour to develop a local model for Post-Harvest Management (PHM) and cold-chain storage hub. Improving fresh fruit and vegetable post-harvest management by using sustainable technology, such as cold storage and distribution systems, is key to preventing food wastage and boosting the income for Indian farmers.

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HIGHLIGHTS REPORT

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- Cranfield University's commitment to green aviation has been enhanced with two new appointments to research environment and aerospace as interdependent subjects. Chikage Myoshi has been appointed as Associate Professor in Environment Systems for Aerospace and Guy Gratton as Associate Professor in Aviation and the Environment. The forward-looking roles will complement existing expertise and bring both disciplines closer together.
- Former Business Minister Jo Swinson joined Cranfield School of Management as a Visiting Professor. The former Leader of the Liberal Democrats is working with the business school's Changing World of Work group which examines the implications of the changing work context on managing people and organisations.
- Dr Anicée Van Engeland was called to give evidence to the House of Commons Foreign Affairs Committee about British engagement with Iran.
- Professor Helen Atkinson, Pro-Vice-Chancellor – Aerospace, Transport and Manufacturing, is part of the new TALENT Commission – which is investigating how to support and develop technicians who work in the higher education and research sector.
- Cranfield University is playing its part in the Government's ambition for sustainable aviation with Professor Iain Gray being appointed to the newly formed Jet Zero Council.

The global pandemic, Covid-19, placed challenges on the University as it has done on organisations across the world. Students and staff from the University together launched #CranfieldCommunity which demonstrated just some of the work that the University undertook to support the national efforts and the local community.

Scientists and engineers undertook initiatives such as the design of a new simple, low-cost Bag Valve Mask ventilator, a new paper-based test that can detect early signs of COVID-19 in wastewater and crash testing stretchers for the ambulance service.

Staff and students at Cranfield have worked to make a difference to the wider community in a variety of ways. Staff at Cranfield Defence and Security donated personal protective equipment to local NHS surgeries and British Army reservists within the University are reinforcing the national response to COVID-19.

Cranfield School of Management offered a number of free, online resources and webinars to help businesses of all sizes to navigate through the challenges, as well as a specialist programme to help SMEs triage and stabilise.

CRANFIELD UNIVERSITY

STRATEGIC REPORT

FOR THE YEAR ENDED 31ST JULY, 2020

Cranfield University is a research intensive, postgraduate university with a mission to create leaders in technology and management, unlocking the potential of people and organisations by partnering with business and governments to deliver transformational research, postgraduate education and professional development.

The activities of the University include teaching, research, design and development work in the themes of Aerospace, Defence and Security, Energy and Power, Environment and Agrifood, Management, Manufacturing, Transport Systems and Water. Operations are primarily carried out on campus at Cranfield in Bedfordshire and the facility at Shrivenham in Oxfordshire. The University is an exempt charity subject to the Charities Act 2011.

The financial statements comprise the consolidated results of the University and its subsidiaries. Subsidiary companies undertake activities which, for legal and commercial reasons, are more appropriately channelled through a limited company and include the development of activities emanating from Cranfield University.

Results for the year and position at year end

Operating income for the year (excluding donations and endowments) declined by 0.4% as summarised below:-

	2020	2019
	£'000	£'000
Funding Council grants	20,486	21,100
Tuition fees and education contracts	72,736	76,700
Research grants and contracts	38,370	42,217
Other income	43,930	36,359
Investment income	211	140
	<hr/>	<hr/>
	175,733	176,516
	<hr/>	<hr/>

The total comprehensive loss for the year was £26,417,000 (2019 – comprehensive loss £23,547,000) as reported on page 45. Of this comprehensive loss, £19,391,000 related to an increase in the University share of the scheme deficits in the defined benefit pension schemes. It is disappointing to report that the University's Corporate Plan surplus, which measures the underlying operating position has been assessed by management to be a deficit of £4,870,000 (2019 – surplus £3,777,000) a decline of £8,647,000 in the position for the year. This decline in operating surplus is as a result of reduction in professional development, education contracts, research and residential income following the United Kingdom going into lockdown in March as a precaution against Coronavirus. At the end of February 2020 the University was slightly ahead of budget for the year which would have seen an increased operating surplus in the year.

The University has utilised Government Coronavirus schemes that have been available. Where appropriate staff were put on furlough from March with the University claiming £5,412,000 from the Job Retention Scheme which is included in Other income. The University continued to top up salaries to 100% as opposed to paying staff on furlough at the 80% that was allowed under the scheme and no staff members who were placed on furlough have been made redundant. Advantage has also been taken of the VAT deferment scheme with VAT liabilities due for the quarter ending 30 April 2020 being deferred until 2021.

The table on page 7 shows the reconciliation between the comprehensive loss and the underlying operating position. The adjustments relate to the removal of non-operating items that fall outside of management control. Included in the underlying position is the removal of one off donations in the year and the re-introduction of deferred capital grants which spreads the one off donations over the life of the assets that they have constructed as was required under the previous Statement of Recommended Accounting Practice.

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STRATEGIC REPORT
FOR THE YEAR ENDED 31ST JULY, 2020
(continued...)

Results for the year and position at year end (continued...)

OPERATING SURPLUS RECONCILIATION

	2020		2019	
	£'000	£'000	£'000	£'000
Group comprehensive deficit		(26,417)		(23,547)
Non Operating Adjustments				
<i>Pensions</i>				
<i>LGPS</i>				
Add actuarial loss	31,445		8,753	
Add net interest charge on pension scheme	1,161		1,270	
Add additional deficit repayment	2,206		2,081	
		34,812		12,104
<i>USS</i>				
Less actuarial (gain)/loss	(13,049)		21,249	
Add net interest charge on pension scheme	668		283	
Less other pension adjustments	(780)		(628)	
		(13,161)		20,904
<i>Other</i>				
Less donations	(8,281)		(6,000)	
Add deferred capital grants	6,215		6,032	
Add staff restructuring	120		837	
Less Foreign exchange (gain)/loss	(16)		97	
Add corporation tax	155		389	
Less revaluation reserve movement	0		(8,258)	
Provision movement	0		500	
		(1,807)		(6,403)
Operating (deficit)/surplus		(6,573)		3,058
Cranfield Group Holdings Group deficit/(surplus)		1,703		719
Corporate plan (deficit)/surplus		(4,870)		3,777

Capital expenditure in the year amounted to £39,924,000 (2019 - £18,514,000). This continues to reflect Cranfield's success in winning and delivering a number of key infrastructure projects, including the UKRIC water living lab and control centre and the Agri-informatics environmental centre which were completed and became operational during the year. Both projects were significantly funded by external parties with this income included in the year.

In addition to these projects significant funding was received from Research England for the continued construction of the Digital Aviation Research and Technology Centre (DARTEC).

The University took out a £150,000,000 private bond in March 2020 to enable existing borrowing facilities to be restructured and for the construction of over 400 units of student accommodation. The construction project for the student accommodation is now underway and phase one should be completed by late spring 2021.

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FOR THE YEAR ENDED 31ST JULY, 2020

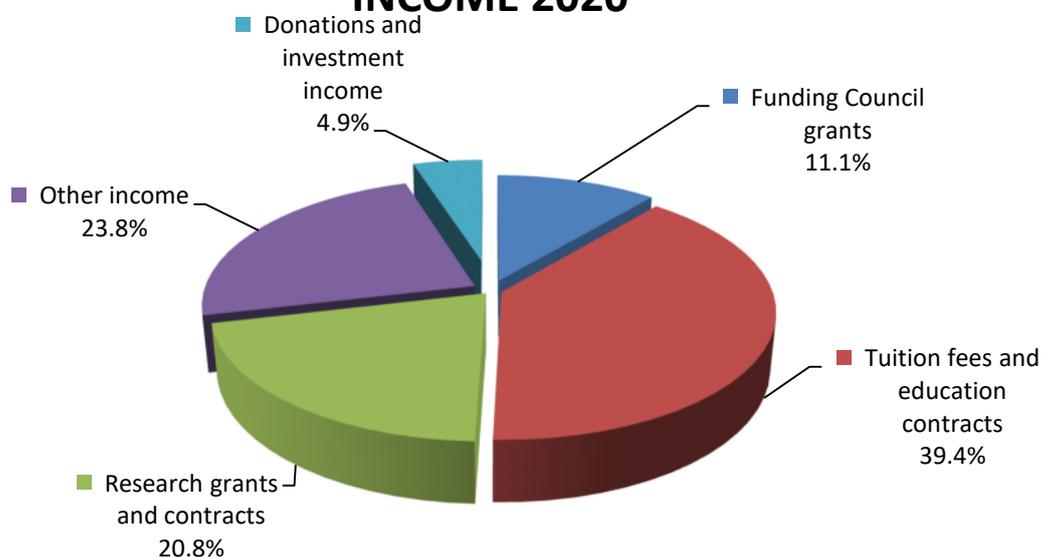
(continued...)

Results for the year and position at year end (continued...)

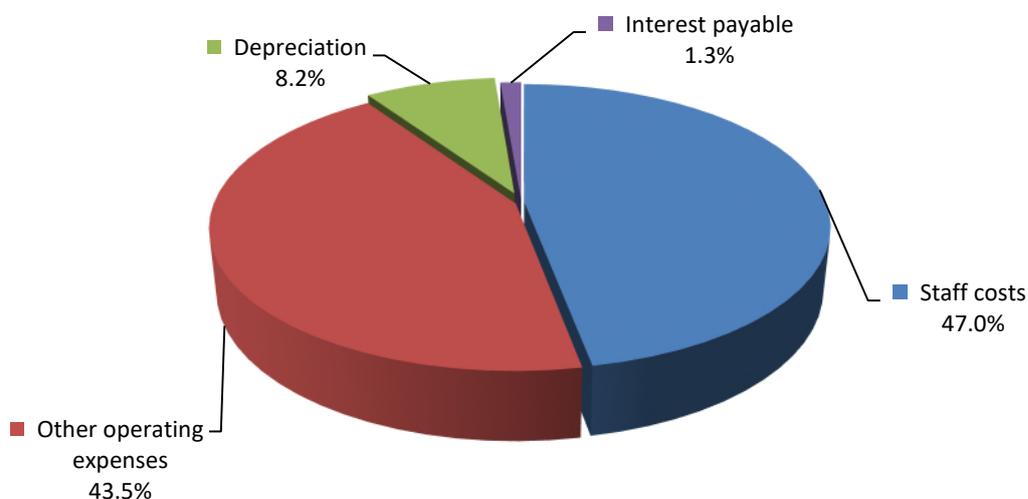
The statement of consolidated cash flow shows an increase in cash of £96,266,000. Net cash outflows from operating activities were £4,515,000. This was generated by the issue of a private bond of £150,000,000 in March 2020 offset by a restructuring of existing borrowing facilities, significant capital expenditure in the year and changes in the working capital profile as shown on page 49.

Consolidated total reserves decreased by £26,417,000 (2019 – decreased by £23,547,000) as explained in the statement of changes in reserves on page 46.

INCOME 2020



EXPENDITURE 2020



CRANFIELD UNIVERSITY

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FOR THE YEAR ENDED 31ST JULY, 2020

(continued...)

Key Performance Indicators (KPI's):-

The University benchmarks its performance against key indicators that measure whether it is on track to deliver the 2021 Corporate Plan which is identified as 415i. This represents towards 400 staff being submitted in the 2020 Research Excellence Framework, being a top 10 University for the student experience, a 5% operating surplus and what is the University's impact and influence both nationally and internationally.

Goal	Measure (indicator)	2018/19 actual	2019/20 target	2019/20 actual
H&S	Maintain OHSAS18001	Maintain	Maintain	Maintain
Diversity & Inclusion	Deliver of diversity & inclusion plans (inc. Athena Swan action plan)	Specific actions	Specific actions	Specific actions
400	Research volume (Annual research income/academic+research Level 6-8 FTE benchmarked [£ '000])	82	83	83
400	Ready for REF2021	336	353	367
10	Strengthen Cranfield's home student cohort	1141	1365	1409
10	Advocacy (PTES feedback % prepared to recommend Cranfield)	91%	95%	N/A
5	Income growth [£million] (Total income)	174	181	172
5	Financial performance (Operating surplus as % of total income)	2.3%	2.5%	(2.8%)
i	Industry engagement (Total income from industry [£million])	43	44	38
i	International impact (All fee paying EU/RoW students)	1813	1983	2011

The PTES survey was due to be run in April 2020 but due to Coronavirus situation it was cancelled for the 2019/20 academic year.

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STRATEGIC REPORT
FOR THE YEAR ENDED 31ST JULY, 2020
(continued...)

Principal risks and uncertainties

The university maintains a dynamic Major Risks Register with proactive controls and has a range of embedded measures and spread of risk ownership among the Senior Management Team. The current most important strategic risks as identified by the Major Risks Register are as follows:-

- adverse impact of external environment, including both immediate and longer term implications of Covid-19, on income growth and cost base and increasing pension deficits in both the USS and LGPS schemes that may impact on the delivery of the Corporate Plan ;
- current business model and organisational size impacts adversely on the University's ability to capitalise on major growth opportunities and future investment;
- recruitment, retention, performance and well-being of staff through of period of considerable change, including Covid-19 impacts;
- changing nature of education including government changes, including ability to adapt to the 'new normal';

The University mitigates these strategic risks by a range of interventions including the following:-

- as part of the Corporate Plan 415i, prepares annual operating plan, both at university and school level, and closely monitors them throughout the year. The Covid-19 situation has been closely monitored on a weekly basis at Executive level, with sub-groups set up to deal immediate actions that need to be taken. Our rural location, together with comprehensive Covid-19 response plans, have currently kept infection rates low, in comparison with those seen in the sector more generally;
- actively consider diversification to achieve new income streams beyond incremental growth. The MK:U development, along with the Air Park are very significant opportunities to expand both the scope and scale of the university;
- seek through our HR strategy seeks to recruit, retain and develop a diverse range of high quality, staff and provide appropriate reward and flexible working arrangements. Well-being programmes are an important part of our Covid -19 arrangements as a response to the increasing pressures it has caused in all parts of the organisation;
- whilst the short-term financial impacts have been significant, particularly on income levels, the projections for the post Covid-19 'new normal' indicate a stronger financial outcome will return without significant longer term implications. Cranfield continues to invest in its physical and IT infrastructure to ensure it is well placed to grow its influence and scale into the future.

CRANFIELD UNIVERSITY

STRATEGIC REPORT

FOR THE YEAR ENDED 31ST JULY, 2020

(continued...)

Pensions

The University implemented the provisions of FRS 102 in 2015 and therefore continues to take onto the consolidated balance sheet the actuarial valuation of the pension liability in respect of its share of the Bedfordshire County Council Pension Fund. It also has to recognise on balance sheet the obligation for its share of the University Superannuation Scheme (USS) deficit recovery plan. The USS has deficit recovery plans in place covering the period following each triennial valuation which include additional employer contributions to correct the shortfall in the scheme.

The total USS pension deficit across the sector has been calculated by the USS Actuaries. The University share of the deficit has been estimated through the use of the British Universities Finance Directors Group (BUFDG) calculator as at 31 July, 2020 and there is a net pension liability of £19,473,000 (2019 - £32,688,000) applicable to the University. Details are provided in Note 23.

The share of underlying assets and liabilities of the Local Government Pension Scheme (LGPS) is able to be identified as at 31st July, 2020 the scheme actuaries have identified that there is a net pension liability of £91,382,000 (2019 - £58,776,000) applicable to the University. Details are provided in Note 23.

Trading activities of subsidiaries

The venture companies are financially independent from the University and are administered through Cranfield Group Holdings Ltd. In addition to these companies, there are other subsidiaries undertaking certain teaching, research and residential activities for the University. A full list of subsidiaries are provided in note 12.

Public Benefit report

The University is an exempt charity under the terms of the Charities Act 2011. The objects of the University are to:

- advance, disseminate and apply learning, knowledge and understanding with particular emphasis on the disciplines of the Sciences, Technology, Engineering and Management; and
- promote and encourage the transformation and application of that wisdom, knowledge and learning for the benefit of industry, the public services, and individuals and for the public benefit.

In reviewing the University's activities, Council has had due regard to the Charity Commission's guidance on the reporting of public benefit as amended in 2014. Cranfield makes a significant contribution to the majority of the specific examples of charitable activities highlighted in section 3 of the 2011 Act. These include:

- *the advancement of education;*
for example, through our developing suite of Level 7 postgraduate apprenticeship courses, known as Masterships™. In 2019/20, Cranfield launched the first master's-level senior leader marketing apprenticeship in the UK.
- *the prevention or relief of poverty;*
e.g. Cranfield University is collaborating with partners in Pakistan and Madagascar to evaluate how effective a mobile phone app is in helping remote smallholder farmers better fertilise their land. The research is funded by the Royal Academy of Engineering's Frontiers of Engineering for Development scheme.

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(continued...)

- *the advancement of health or the saving of lives;*

Researchers at Cranfield University are working on a new test to detect SARS-CoV-2 in the wastewater of communities infected with the virus. The wastewater-based epidemiology (WBE) approach could provide an effective and rapid way to predict the potential spread of novel coronavirus pneumonia (COVID-19) by picking up on biomarkers in faeces and urine from disease carriers that enter the sewer system.

- *the advancement of citizenship or community development;*

We also take into account the social, community and environmental consequences of all our activities. The University organises, sponsors and supports a variety of public engagement events in which staff are actively encouraged to participate. In addition, many of our staff are also engaged in a wide range of public engagement and outreach activities on an individual basis.

- *the advancement of the arts, culture, heritage or science;*

notably through over 70 years at the forefront of aerospace research and education. Our history and heritage in aircraft research and design is extending into the future with specialisation in aircraft electrification, autonomous vehicle technology and urban mobility, along with groundbreaking manufacturing techniques and research into the wider transportation ecosystem. Our global research airport is also home to a range of unique aerospace start-ups and SMEs. The Cranfield Eagle Lab was developed in partnership with Barclays and is dedicated to supporting entrepreneurs working in aviation technology.

- *the advancement of human rights, conflict resolution or reconciliation or the promotion of religious or racial harmony or equality and diversity;*

e.g. through the University's work on diplomacy and conflict resolution, including the MSc in International Defence and Security; many of our academics are called to inform the work of policy makers.

- *the advancement of environmental protection or improvement;*

as exemplified by the MScs in Environmental Water Management and Land Restoration and Reclamation; we are recognised worldwide by industry, government and academe for our research and teaching in plants, soil, water and air. We believe that environmental problems can be alleviated through technological innovation and risk management. Cranfield experts are using our unique soil datasets and sensor-based diagnostics to provide new solutions for improving precision agriculture and soil health. We lead strategic thinking to help identify risks and opportunities in our environment and across food supply chains.

- *the promotion of the efficiency of the armed forces of the Crown, or of the efficiency of the police, fire and rescue services or ambulance services;*

for example, through Cranfield's suite of MScs, executive education programmes on forensics and research and consultancy support for law enforcement; we continue to support the Defence Academy of the UK with the Managing Defence in the Wider Security Context (MDWSC) and Strategic Leadership Programme (SLP) courses in countries around the world, enhancing the knowledge, professional understanding and analytical skills of leaders and those who work in the wider security sector to improve and transform the governance and management of defence and security systems, thereby advancing the defence and security interests of the UK.

Cranfield's mission is to create leaders through our education and research in technology and management.

Our activities are undertaken in support of the University's aims, as referenced in our Charter, and the strategic direction, as outlined in our Corporate Plan.

CRANFIELD UNIVERSITY
STRATEGIC REPORT
FOR THE YEAR ENDED 31ST JULY, 2020
(continued...)

Cranfield's Corporate Plan outlines our four strategic priorities:

- To provide a premier learning experience that enhances the capabilities of individuals and their organisations.
- To be recognised for outstanding transformational research that meets the needs of business, government and wider society.
- To grow an efficient, effective and sustainable enterprise.
- To be renowned for our impact and influence - regionally, nationally and internationally.

During 2019/2020, over 2,750 students graduated from our unique postgraduate institution, their learning experience giving them the opportunity to join some of our distinguished alumni as leaders in their fields.

Our alumni include Warren East, CEO of Rolls-Royce; John McFarlane, Chairman of Westpac and former Executive Chairman of Barclays; Omobola Johnson, Partner at TLCom Capital LLP and former Minister for Communication Technology, Nigeria; Dr Gareth Williams, Vice President (Head of Plant Quality), Airbus Group; Chris Hopson, Chief Executive of NHS Providers, the membership organisation for all of England's 217 ambulance, community, hospital and mental health trusts; Zak Hydari, Chief Executive of Rasmala Group, one of the largest managers of sharia-compliant funds in the world; Clifford Braimah, Managing Director of the Ghana Water Company Limited; Dr Sarah Quereshi, CEO at Aero Engine Craft, developing contrail-free aero-engines.

Throughout 2019/2020, we have continued to develop new facilities that will further enhance the delivery of our mission:

- Construction has continued on the new £65 million Digital Aviation Research and Technology Centre (DARTeC), due to open in December 2020, which will spearhead the UK's research into digital aviation technology. Co-investment support for DARTeC is being provided through a consortium of leading aerospace and aviation companies including Aveillant, BOXARR, the IVHM Centre, Saab and Thales – as well as Research England and Cranfield University. We are the only university in Europe that brings together major aerospace research facilities, such as DARTeC and the £35 million Aerospace Integration Research Centre (AIRC), opened in 2017, with an operational airport and runway on one connected site.
- As part of a major national consortium, the UK Collaboratorium for Research in Infrastructure and Cities (UKCRIC), we are enhancing and extending existing on-site industrial-scale water and wastewater test facilities, including the National Water and Wastewater Treatment Test Facility and new water science laboratories, opened to staff in 2020.
- A new £3.2 million agri-informatics facility opened to staff in 2020 for research activities. The new facility will provide the UK with a centre of excellence in data science related to precision agriculture. The new facility will be the home of the National Reference Centre for Soils and associated Land Information System, LandIS.
- Work continues on the Cranfield Urban Observatory, part of the UK's largest urban research programme, looking at how our cities could be managed and developed in the future for human wellbeing. At the heart of the Observatory is a £1 million state-of-the-art, campus-wide sensor network which can monitor factors such as air and noise pollution, ecosystem dynamics and resource flows.

Planning and preparatory work has also been continuing for a proposed new university in Milton Keynes (currently known as MK:U) after it was announced that Cranfield had been chosen to be the lead higher education provider for the project in March 2018. The university is being designed as an education institution for the 21st century, delivering a distinctive STEM-focused (science, technology, engineering and mathematics) undergraduate curriculum in key areas including digital, cyber, autonomy, robotics and artificial intelligence. With funding from MK Council and the Office for Students we have worked closely with our Business Supporters Group to co-create the curriculum. We have delivered a 'green book' full business case to the Ministry of Housing, Communities and Local Government (MHCLG) for potential funding in the next Comprehensive Spending Review.

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STRATEGIC REPORT

FOR THE YEAR ENDED 31ST JULY, 2020

(continued...)

None of what we achieve as a University would be possible without the dedication and commitment of our staff to realising the ambitions of our institution:

- At the beginning of 2019, we began a University-wide conversation about what we value as an organisation and together with staff developed four shared, stated corporate values, launched in the summer of 2019: Ambition, Impact, Respect, Community. These values are now being rolled out across the University and are embedded in processes such as the Performance and Development Reviews.
- We launched the Female FTSE Board Report 2019, in partnership with the Financial Reporting Council.
- Professor Richard Wilding, OBE, was awarded a national teaching fellowship by Advance HE, the most prestigious individual award in higher education.
- Dr Annie Maddison Warren, Senior Lecturer in Information Systems at the Centre for Electronic Warfare, Information and Cyber at Cranfield University, and champion of young academics, was shortlisted in the Inspirational Award category at the 2019 Women in Defence Awards.

As an institution, we aim to spread knowledge and learning not just to our learners and research partners but to the wider public:

- The Big Boat Build, utilised one of the University's research facilities – the wave tank – in creating a STEM educational opportunity for local primary schools. Pupils were given an insight into what engineers do to construct and test marine based vehicles.
- Our academics visited local primary schools to give pupils an insight into some of the STEM (Science, Technology, Engineering and Mathematics) research conducted at Cranfield.

Employment of disabled persons

Applications by disabled persons for employment and for admission to courses of study or research are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of existing staff and students becoming disabled every effort is made to ensure that their employment or study with the University continues and that appropriate training and support is arranged. It is the policy of the University that the training, career development and promotion and opportunities to undertake study and research should, as far as possible, be identical for all staff and students.

Employee involvement

The University places considerable value on the involvement of its employees and on good communication with them. A regular newsletter is made available to all staff and separate supplements are published when the need arises. Staff are encouraged to participate in formal and informal consultation at University and School levels, sometimes through the membership of formal committees. In addition, information for staff is included on an intranet site.

Environmental issues

The University is committed to sustainable development by integrating environmental issues into all aspects of its work and management processes. Environmental responsibilities are met through the management of the University's campuses and premises, through its dealings with client groups and trading partners, through the design and delivery of its academic, research and professional services and through its interaction with the local community.

CRANFIELD UNIVERSITY

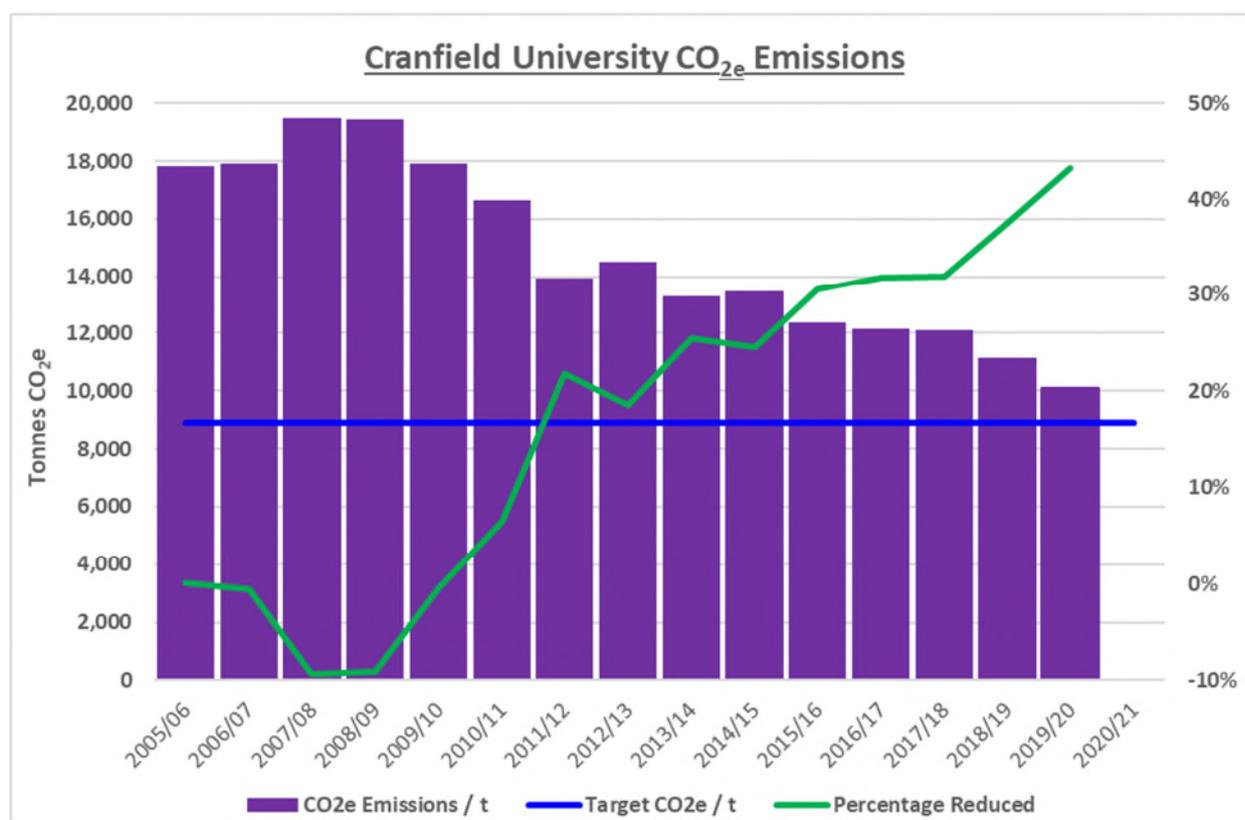
STRATEGIC REPORT

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(continued...)

Streamlined Energy and Carbon Reporting (SECR) and Carbon Management Plan

The University has a target to reduce its Carbon emissions by 50% by 2020 compared with a 2005 baseline. From 2005 Carbon emissions were growing; however, since the implementation of the plan in 2009 emissions have generally reduced and are now 43% lower than the 2005 level. There is also a 44% decrease since 2009/10 which exceeds the Government's Voluntary Emissions Reduction Pledge of 30% by 2020. Our carbon footprint has been restated for previous years in accordance with Government Greenhouse Gas reporting guidelines which take account of changes in our estate and also national conversion factors.



The decrease since 2008/2009 reflects the significant investment the University has put into energy saving initiatives such as a large Combined Heat and Power unit, a new Biomass boiler, improvements to the district heating system, a solar farm and energy efficient refurbishments to the real estate. This goes alongside significant efforts from "Green Teams" within the staff and student bodies to ensure sector best practice is employed wherever possible.

The emissions reported above are for scope 1 and 2 greenhouse gas emissions (with scope 3 electricity transmission and distribution emissions also included) include electricity, heating, process fuels and on-site vehicle fuels for the whole University estate but excluding Shrivenham Campus. Reporting years are from August to July. Other transport emissions and emissions associated with waste and water are not included at present although there are plans to include these within the footprint for future reports. Further information on the Carbon Management Plan can be found on the University website.

For SECR reporting purposes additional scope 3 emissions from business travel involving cars has been included. A breakdown of the emissions are detailed below. Note the SECR total is slightly different from the carbon management plan total because business mileage has not been included in the latter.

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SECR data for 2019/2020

Fuel Type	Energy Purchased kWh	tCO _{2e}			
		Scope 1	Scope 2	Scope 3	Total
Gas	43,651,096	8,026			8,026
Electricity	6,859,755		1,599	138	1,737
Biomass	1,009,130	16			16
Gas Oil	484,348	124			124
Aviation Turbine Fuel	338,929	84			84
Diesel	264,323	64			64
Aviation Spirit	75,685	19			19
Petrol	27,769	6			6
Burning Oil	15,449	4			4
LPG	1,305	0			0
Sub-Total	52,727,789	8,343	1,599	138	10,080
Business Travel (rental/employee owned vehicles where fuel is purchased)	325,400 miles			90	90
Total Gross tCO_{2e}		8,343	1,599	228	10,170

Intensity Ratio (tCO_{2e}/£100,000 revenue) is 5.45 tCO_{2e}/£100,000 turnover

Notes:

1. The methodology used follows the UK Government Environmental Reporting Guidelines. The University has an energy management system certified to ISO50001. Data from invoices is used unless this relies on estimates otherwise the University has extensive automatic meter reading and manual reading processes. Where no data is not available, estimates have been used in a few very minor instances amounting to less than 0.3% of the total. These estimates are based on existing data. The reporting period is August 2019 to July 2020. Government greenhouse gas emission factors for 2020 have been used.
2. The University generates more than half of its electricity from an on-site gas fuelled CHP with an output of 1.4 MW and also a 1 MW Solar farm and other smaller roof mounted PV systems. The output of the CHP in 2019/2020 was 8,967,897 kWh consuming 24,950,161 kWh of gas, and the output of the solar farm was 1,080,616 kWh. Note this means the overall consumption of electricity was 17,114,121 kWh and of gas for non-CHP use was 34,683,199 kWh.
3. Five energy efficiency projects using Salix funding were completed in 2019/20 at a combined total cost of £218,607 and forecast to give annual savings of 151 tCO_{2e}. The five projects included two led lighting upgrades, adding B111 to the District Heating, an upgraded Air Compressor and draught proofing of doors and windows in two buildings.
4. The Covid-19 virus had an impact on energy consumption in April, May, June and July. The reduction year on year was around 30% for both electricity and gas.
5. More detailed information on the progress of the University towards reducing its greenhouse gas emissions and other aspects of environmental performance can be found in the annual environmental report on the website www.cranfield.ac.uk.

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Health and Safety

The University is committed to providing a safe and healthy environment by taking effective means to manage our risks and protect people from being harmed. There is a process of continuous improvement through a programme connected to the University having OHSAS 18001 Health and Safety Management accreditation across the University in all areas of work and study. The University achieved full accreditation under OHSAS 18001 in July 2016.

Liquidity and borrowing

The University has seen the total of its cash and cash equivalents increase significantly from to £99.2 million at 31 July 2020 (2019 - £2.9 million), primarily as a result of a £150 million private bond that was issued in March. Correspondingly, University borrowings increased to £165.2 million at 31 July 2020 (2019 - £28.9 million) as a result of the new facility. The bond facility is being used to fund the construction of the new student residences and for the restructuring of the Universities previous revolving credit facilities.

The University will always ensure that an appropriate minimum cash level is maintained for working capital purposes.

Modern Slavery and Human Trafficking

The University is committed to improving practices to combat slavery and human trafficking and supports the UK Government's approach to implementing the UN Guiding Principles on Business and Human Rights.

In implementing this approach the University supports the Base Code of the Ethical Trading Initiative. This Base Code is an internationally recognised code of labour practice requiring that:

- Employment is freely chosen
- Freedom of association and the right to collective bargaining are respected
- Working conditions are safe and hygienic
- Child labour shall not be used
- Working hours are not excessive
- No discrimination is practiced
- Regular employment is provided
- No harsh or inhumane treatment is allowed

Payment of creditors

It is the University's policy to obtain the optimum terms for all business and, thus, there is no single policy as to the terms used. The University looks to use small and local suppliers where appropriate and looks to pay them within two weeks of invoice wherever possible. In agreements negotiated with other suppliers, the University endeavours to include and abide by specific payment terms in accordance with best commercial practice.

Trade Union Facility Time

Background

Our Trade Union Facility Time data, shown below, has been prepared in accordance with our duty under Section 13 of the Trade Union Act 2016. The data has been collated and extracted from our HR & Payroll database and covers the 12 month "relevant period", which is the 12 months from 1 April to 31 March every year, with the current period being from 1 April 2019 to 31 March 2020

At Cranfield there are three Unions who are recognised for consultation and negotiation purposes, these being UCU, Unite and Unison.

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(continued...)

Table 1 - Relevant union officials

Total number of our employees who were relevant union officials during the relevant period?

Number of employees who were relevant union officials during the relevant period	Full-time equivalent employee number
17	14.5

Table 2 - Percentage of time spent on facility time

Number of employees who were relevant union officials employed during the relevant period spent a) 0%, b) 1%-50%, c) 51%-99% or d) 100% of their working hours on facility time?

<i>Percentage of time</i>	<i>Number of employees</i>
0%	9
1-50%	8
51%-99%	0
100%	0

Table 3 - Percentage of pay bill spent on facility time

Figures determining the percentage of the total pay bill spent on paying employees who were relevant union officials for facility time during the relevant period.

Provide the total cost of facility time	£25,787
Provide the total pay bill	£83,121,987
Provide the percentage of the total pay bill spent on facility time, calculated as: (total cost of facility time ÷ total pay bill) x 100	0.03%

Table 4 - Paid trade union activities

As a percentage of total paid facility time hours, the number of hours spent by employees who were relevant union officials during the relevant period on paid trade union activities?

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(continued...)

<i>Time spent on paid trade union activities as a percentage of total paid facility time hours calculated as: (total hours spent on paid trade union activities by relevant union officials during the relevant period ÷ total paid facility time hours) x 100</i>	100%
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Outlook for 2020/2021

Cranfield will continue to develop around its thematic offerings in Aerospace, Defence and Security, Energy and Power, Environment and Agrifood, Management, Manufacturing, Transport Systems and Water, supported by the professional service units.

There is considerable uncertainty around the financial outcome for the next year given the continuing uncertainties caused by Coronavirus and the possibility of leaving the EU without a comprehensive trade agreement at the end of 2020.

At this time it is expected that international students enrolling will decline by 30% from the 2019 levels but this is dependant on their ability to travel, how risky the United Kingdom is perceived to be and any future local or national lockdowns that may impact on Cranfield. Professional Development and residential income are also expected to be impacted in a similar way as a result of reduced student numbers and uncertainty in the economy impacting on industrial partners training budgets. Research income should remain strong as the existing order book should allow income levels to be at least in line with 2019/20 as long as staff are able to access labs across the campuses to enable the work to continue.

Cranfield will continue to utilise all appropriate Government Coronavirus schemes during the year. Two smaller subsidiaries have taken out CBILS loans in August and the University is currently reviewing how it can utilise the recently announced Job Support Scheme as well as specific measures announced for Universities with regard to research grant funding and reductions in international student numbers.

As part of the Councils consideration of the appropriateness of adopting the going concern basis in preparing the financial statements, a range of severe scenarios have been reviewed. The assumptions modelled are based on the estimated potential impact of Covid-19 restrictions and regulations, along with the proposed responses over the course of the next 24 months. These include a range of estimated impacts primarily based on the length of time various levels of restrictions are in place and the severity of the consequent impact of those restrictions on student numbers and research portfolio. For each income stream the University has sensitised the revenue, profit and cash flow impact of reduced trading activity. The scenarios are most sensitive to the assumptions made for student numbers. The University has not assumed any increases in student numbers for either UK or international students for the purpose of the scenario modelling. A key judgement applied is the likely time period of restrictions on the movement of people and social distancing. The severe scenarios include an assumption that such restrictions will remain in place until August 2021. Our Covid-19 impact deficit range of £2 million to £6 million is based on these assumptions. As the level of Government restrictions reduce, the Covid-19 impact should also reduce. Under each scenario, mitigating actions are all within management control, can be initiated as they relate to discretionary spend, and do not impact the ability to meet demand. These actions include the stopping all non-essential and non-committed unfunded capital expenditure in the next 12 to 18 months. It is believed that the risk of enforced closure is low as the University can revert to teaching students on line during periods of any local or national lockdowns. The University has implemented additional health and safety measures on each campus to reduce the risk of disruption. It has been assumed that no significant structural changes to the business will be needed in any of the scenarios modelled. As at 31 July 2020, the consolidated statement of financial position reflects a net asset position of £49.3 million and the liquidity of the Group remains strong. In all scenarios modelled the University remains within the private bond facility and bank covenants.

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New educational initiatives continuing in 2020/21 include the further development MK:U, a subsidiary of Cranfield University that would be based in Central Milton Keynes and provide undergraduate courses in business and STEM subjects aligned to both Milton Keynes and Cranfield. At this stage MK:U is planned to open in new facilities in September 2024 with a pilot scheme running from spring 2021 that has been part funded by the South East Midlands Local Enterprise Partnership and Santander. The suite of Masterships™ programmes utilising the Apprenticeship Levy continues to grow, with Masterships™ being available in all of the Schools. The Cranfield Forensics Institute has relocated to the Cranfield Campus from October 2020 with new facilities and courses coming on line during the coming year.

With regard to capital expenditure, Cranfield has continued to be successful in winning high profile investment bids for the development of facilities and should see both the Digital Airport of the Future facility and the Cranfield Forensics institute become operational during the year.

Conclusion

The University had a successful start to the year but was then significantly impacted by the Coronavirus pandemic with staff and students being locked down from March. Although this led to a very difficult financial period with income levels being reduced it also led to a growing community spirit within the University as staff and students made great efforts to resolve issues that they encountered as they moved from working and studying on campus to working and studying at home in a very short transitional period.

Having taken out the private bond the University has created some financial head room to see through the difficult days of the pandemic and come out the other side with a healthy balance sheet and a greater sense of community to help build on new opportunities in a new world. The University balance sheet remains strong with total net assets excluding the pension provision of £160.1 million and cash and cash equivalents of £99.2 million. It should also be noted that although the University revalues the freehold land, buildings are not revalued, with many fully depreciated. University buildings are currently insured for £369 million compared to their net book value of £115 million.

The University has had further success with its infrastructure funding bids to support its Estates strategy and the Corporate Plan and is confident that, through its thematic approach to research, education and executive development, it will continue to add significant value for its students, business and government partners and for the wider public benefit.

C P Fairweather MA FCA
Chair of Finance Committee

26th November, 2020

CRANFIELD UNIVERSITY

CORPORATE GOVERNANCE

The University is committed to following best practice in all aspects of corporate governance and is in full compliance with the CUC Higher Education Code of Governance as updated in 2020. The following statement is given to enable readers of the financial statements to obtain a better understanding of the legal structure of the University and the governance procedures applied by the University's Council.

In March 2013, Her Majesty The Queen in Council approved revisions to the University's Charter and Statutes. The primary impact of these revisions on governance was to make the University Council the unambiguous governing body for the University, in line with the governance guidelines of the Higher Education Funding Council for England. Following the approval of the Charter and Statutes, Council approved a revised set of Ordinances and Senate approved new Regulations; together, the Charter, Statutes, Ordinances and regulations make up the University Laws.

Council's functions, as articulated in the Charter, are to: be ultimately responsible for the affairs of the University; determine the strategic direction of the University; ensure the effective management and control of the University's affairs, property and finances; determine the structure, staffing and overall composition of the University; appoint the Pro-Chancellor; and appoint and dismiss the Vice-Chancellor.

The principal academic and administrative officer of the University is the Chief Executive and Vice-Chancellor who has a general responsibility to the Council for maintaining and promoting the efficiency and good order of the University. Under the terms of the formal Financial Memorandum between the University and the Office for Students terms and conditions of funding, the Vice-Chancellor is the accountable officer of the University and in that capacity can be summoned to appear before the Public Accounts Committee of the House of Commons.

The matters specially reserved to the Council for decision are defined by the University Laws and by custom in line with the Financial Memorandum with the Office for Students terms and conditions of funding.

The Council has a majority of members from outside the University, (described as independent members), from whom the Chair and Deputy Chair must be drawn. Also included in its membership are staff of the University and a member nominated by the student body. The composition of the Council and the procedures for appointment of members, their tenure and removal from office, are determined by the Statutes of the University.

The Council meets at least four times a year and has four standing Committees, Finance, Nominations, Remuneration and Audit. Each of these Committees is formally constituted with terms of reference and comprises mainly independent members of the Council.

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CORPORATE GOVERNANCE

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- **Finance Committee** - meets at least four times a year and, inter alia, recommends to the Council the University's annual revenue and capital budgets and monitors performance quarterly in relation to the approved budgets. The Committee also reviews the University's annual financial statements for reporting to the Council.

Attendance of members during the year is outlined below:

	No. Of Meetings Entitled to Attend	No. of Meetings Attended
Miss Caroline Carter	4	4
Mrs Lesley Chen Davison	4	4
Mr Colin Day	4	4
Mr Paul Fairweather	4	4
Professor Sir Peter Gregson	4	4
Dr Simon Rowlands	4	4

- **Nominations Committee** - considers nominations for vacancies in the independent membership of Council under the relevant Statute and makes recommendations to the Council for such appointments.
- **Remuneration Committee**

Terms of Reference for the Remuneration Committee

The Remuneration Committee at Cranfield, established by Council, has delegated authority to determine the Executive Reward Strategy, setting and reviewing the salaries and other emoluments, terms and conditions and where appropriate, severance payments of the Executive, to include the following members of staff:

- a. The Vice-Chancellor and Chief Executive;
- b. Members of the University Executive;
- c. Such other members of staff as decided by Council.

The Remuneration Committee also have oversight of the remuneration of all staff earning £100,000 or more.

While the primary focus of the Remuneration Committee are the internal relativities and needs of Cranfield University, comparable information on salaries and other emoluments both within the University sector and as appropriate, the wider market, are taken into account.

Remuneration Committee Membership

The membership of the Remuneration Committee as at 31 July 2020 comprise the following members of Council:

- Miss Caroline Carter, former partner of Ashurst LLP (Miss Carter is the Chair of Remuneration Committee).
- The Chair of the Finance Committee - Mr Paul Fairweather - Former Partner of PricewaterhouseCoopers LLP and Business Fellow, The Honourable Society of Gray's Inn.
- Dr Jaz Saggi, Chief Operating Officer, MD Insurance Services Ltd.
- Dr Simon Rowlands, Former Co-founding partner Cinven

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Advisory and secretarial services for the Committee are provided by the Director of Human Resources and their nominated representative.

The Pro-Chancellor, Mr Iain Ferguson is in attendance at the Remuneration Committee meeting, but is not a member.

The Chief Executive and Vice-Chancellor is in attendance at the Remuneration Committee for consideration of remuneration for his direct reports, but is not present for the discussion of his remuneration.

The Remuneration Committee meet at least twice a year and any three members present will constitute a quorum.

Attendance of members between July 2019 and July 2020 is detailed below:

	No. Of Meetings (Aug19-Jul20)	No. Of Meetings Entitled to Attend	No. of Meetings Attended
Miss Caroline Carter	3	3	3
Mr Paul Fairweather	3	3	3
Dr Jaz Saggi	3	3	3
Dr Simon Rowlands	3	2	2

Key decisions taken by the Remuneration Committee between July 2019 to July 2020

In line with the Remuneration Committee's Terms of Reference and our cyclical standing agenda, three meetings were held during the year.

October 2019

The October meeting typically concentrates on the review of performance for that year and the resulting agreement of any pay increases and bonus payments.

At the October meeting, the Remuneration Committee reviewed progress against the corporate and individual objectives for the Executive and agreed performance against the corporate scorecard at 80%. It was noted by the Committee that the Executive had maintained their focus on financial resilience and growth, with continued control of cost, growth of net income, strong research performance and sustained executive development, in addition to the realisation of major infrastructure projects and progression of MK:U towards a final decision. The Committee agreed it was relevant for bonus payments to be made to all members of the Executive based on their performance, both at a corporate and individual level. Two further basic salary awards were also agreed.

In addition, it is the remit of the Remuneration Committee to decide whether it is appropriate to adjust Executive salaries in line with the agreed 'cost of living' increase received by other staff, based on the performance of the University. The Committee confirmed it was appropriate for the Executive to receive the 2% "cost of living" increase to base salary with effect from 1 October 2019.

Pay arrangements in line with all other staff, were agreed for the Vice-Chancellor & Chief Executive.

To assist the above decision-making, the Committee received the following background documents:

- Summary salary report on the Vice-Chancellor and Chief Executive and other members of Executive, detailing basic salary and other emoluments.

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- Performance and development review documentation from the Vice-Chancellor on members of the Executive, detailing individual and corporate scorecards and a qualitative performance assessment against wider behavioural characteristics.
- Performance and development review documentation for the Vice-Chancellor and Chief Executive undertaken by the Pro-Chancellor and Chair of Council.
- A detailed report providing a general overview on pay, both within the sector and wider, together with independent salary data/benchmarks relevant to the roles within the Remuneration Committee remit. Cranfield benchmarks against Russell Group institutions and leading Business Schools. The information was compiled using the Committee of University Chairs report on Vice-Chancellors pay, the Universities and Colleges Association Senior Staff Remuneration Survey and data from Korn Ferry.
- Summary report on basic salary and other emoluments for the Senior Management Team and staff earning over £100,000.

March 2020

The March/April Remuneration Committee meeting allows for strategy and policy decisions together with an overview of progress towards the plan for next year, alongside any other business.

At the meeting, the University presented the recently published Gender Pay Report. The Remuneration Committee noted the improvement in the mean pay gap and asked the University to give priority to other potential initiatives to continue the downward trend, such as more flexible working, especially given the current circumstances and the requirement for home working, due to COVID-19.

The pay framework review with proposed recommendations was also presented to the Committee. The Committee wanted assurance on the benchmarking used in the report and it was agreed that for recruitment and retention purposes the University needed to have an overview of relevant benchmarks both within the sector and wider, to include industry.

July 2020

The July Remuneration Committee meeting typically focuses on target setting. The Committee reviewed and agreed the strategic targets and the Executive Team's objectives for the forthcoming financial year (to include our diversity related objectives aligned to our Diversity and Inclusion Plans to include Athena Swan).

The Committee also discussed the continuing impact of COVID-19 and the effects on pay and reward for the Executive and senior staff, to ensure no misalignment with staff below these levels. The Committee, taking into account both the financial and non-financial elements of the reward package, together with benchmarks from within the sector and wider, were comfortable with the zero 'cost of living' across the board, for 2020 (particularly given the stance the sector is endorsing on this matter). Discretionary payments, including recognition awards will be reviewed at the October 2020 meeting.
Approach to Remuneration

A copy of the Remuneration Framework, under which the Committee has operated for the past year, is available below and is designed to ensure that the University remains competitive in the market place, aligns to our core values and can deliver the University's strategy, priorities and targets, while providing an environment where everyone can achieve their potential and contribute at their best.

Cranfield University operates outside of the National Pay Framework; however, the University maintains an overview of the national pay bargaining process. Roles at the University are evaluated using Hay Korn Ferry methodology for determining job size.

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Reward Strategy

The University's reward strategy takes into account a range of information from Cranfield, the HEI sector and wider market practice, and aligns to our core values and behaviours. It is kept under review and may be adjusted, depending on the University's strategy and circumstances, the market, the requirements of key stakeholders and the Regulator (Office for Students (OfS)).

Definition of reward

Reward is a combination of different elements. Cranfield's reward offer includes:

- A package of pay and benefits which is competitive in the market and which reflects everyone's role and contribution.
- The opportunity to carry out interesting work which makes an impact – on students, the institution, industry and society.
- Access to development and support for all our people.
- Access to career opportunities.
- A culture and community where we respect everyone and we value diversity and support wellbeing.
- The opportunity to work alongside colleagues and with an organisation that recognises and celebrates ambition and success.

Purpose

The purpose of the reward strategy is to:

- Enable the recruitment and retention of people with the talent, skills and commitment the University needs.
- Support the delivery of the University's strategy, priorities and targets, and demonstrate and underpin our core values.
- Provide an environment where everyone can achieve their full potential and contribute at their best.

Principles

We will:

1. Reward our people for the work they do and how well they do it, celebrating and recognising success.
2. Ensure rewards are competitive in the sector and where relevant in the wider market.
3. Ensure reward arrangements reflect the nature of the work and the market for the skills concerned.
4. Ensure rewards are fair and equitable.
5. Provide the opportunity for everyone to develop and progress in their career.
6. Promote a culture which values diversity, supports wellbeing and embodies our core values.
7. Communicate the full value of pay and benefits as part of our total reward offer.

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Taking principles into practice

The table below summarises how we will put our principles into practice.

Principle	What we will do
1. Reward people for the work they do and how well they do it	Maintain our pay and benefits structures to match the level and type of role and provide the mechanisms for performance to be recognised and rewarded.
2. Ensure rewards are competitive	Undertake regular monitoring on external market practice – in the higher education sector and beyond – and consider internal indicators, such as recruitment, retention and staff opinion.
3. Ensure rewards reflect the nature of the work and the market for the skills concerned	Have distinct policies for different groups of roles but founded on the same principles (see below). Allow for pay differences where they are well justified by market evidence.
4. Ensure rewards are fair and equitable	Create and maintain policies and governance structures, which promote fairness and conduct and where appropriate, undertake reviews of their impact (e.g. biennial equal pay review, annual gender pay reporting and workforce audits).
5. Provide the opportunity to develop and progress	Offer programmes of training and development and provide the opportunity to discuss job and career development with line managers and HR.
6. Promote a culture which values diversity, supports wellbeing and embodies our core values	Embed our shared values within the university, to support the University's transition to becoming a modern inclusive employer and enhancing our Employee Value Proposition. Delivering on our key targets in our Diversity and Inclusion Plan, Athena Swan Action Plan and other related initiatives and providing an environment, which looks after everyone's wellbeing.
7. Celebrate and recognise success	Promote and keep under review all forms of recognition, ranging from 'thank you' to a formal salary adjustment, bonus or use of the recognition scheme, to ensure appropriateness to the role and its setting.
8. Communicate the full value of pay and benefits	When we have the supporting systems in place, provide an annual statement of the value of the pay and benefits package, in the context of the total reward offer.

Policies

In keeping with our third principle, the approach to pay and rewards will reflect the character of each job family. There are differences in: whether salaries are a spot rate or sit within a range; the markets used for benchmarking pay and reward practices; and how performance is recognised and rewarded (although all staff are subject to a performance and development review on an annual basis).

All policies take account of:

- The distinctive character of Cranfield, as a postgraduate institution, which has close links to, and partnerships with industry.
- Governance requirements, including those set out by the Office for Students and the Committee of University Chairs.
- The need to secure value for money.

a) University Executive

Rewards for members of the University Executive are determined and reviewed by the Remuneration Committee, who have full delegated authority for the salaries and other emoluments, terms and conditions and, where appropriate, severance payments of:

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- the Vice-Chancellor & Chief Executive;
- full members of the University Executive;
- and such other senior members of staff as decided by Council.

Our Executive reward reflects the need for competitive spot salaries and includes an incentive scheme, which is appropriate for jobs at this level and provides a strong link to performance. The package includes USS pension or a payment in lieu (PILP) for those who have reached their Lifetime Allowance, plus an optional USS Life Assurance cost of 2.1% of basic salary.

b) Senior managers

Rewards for senior managers are determined by the Vice Chancellor & Chief Executive and the Executive Team. The Remuneration Committee has oversight of the remuneration of all members of the Senior Management Team and any other staff earning £100,000 per annum, or above.

The policy for this group provides for spot salaries to reflect the role, the market and the value of the individual to the University. Amounts are benchmarked mainly against other universities, with a check on other markets where appropriate. Performance can be rewarded with a non-consolidated annual bonus, linked to the achievement of agreed performance indicators aligned to the delivery of the Corporate Plan and a qualitative assessment of individual contribution and wider contribution to the Executive Team.

Senior managers are also eligible to receive the annual negotiated pay settlement with the Trade Unions (normally taking effect from 1 August).

The package includes USS pension provision or a payment in lieu (PILP) for those who have reached their Lifetime Allowance, plus an optional USS Life Assurance cost of 2.1% of basic salary.

c) Professors

Rewards for Professors are determined by the Vice Chancellor & Chief Executive and Executive Team through the annual review and the Professorial Pay Review processes, within a policy agreed and assured by the Remuneration Committee. The Cranfield University Professorial Salary Review Scheme was established to provide a transparent framework for competitive performance-related remuneration of the professoriate.

Professors are recruited and retained in a distinctive national and international market, in which identifying, benchmarking and rewarding different levels of professorial contribution has become common. Cranfield's policy provides for four levels of professor, each with a standard pay range. Performance is recognised by remuneration within the level and exceptionally by change of level. Variations in market rate are handled through evidence-based market supplements.

The Professorial Pay Review, undertaken on a triennial basis, supports the review of all professorial salaries, providing consistency of approach across the University and is informed and benchmarked against relevant peer groups within the higher education sector and beyond.

On an annual basis, the overall performance of Professors is assessed against generic academic standards tailored to individual targets established through annual Performance and Development Reviews together with the annual assessment of the individual's contribution to the School by the relevant Pro-Vice-Chancellor. There is also the opportunity for advancement via exceptional management-led recommendations for outstanding performance.

The Professoriate are also eligible to receive the annual negotiated pay settlement with the Trade Unions (normally taking effect from 1 August).

The package includes USS pension or a payment in lieu (PILP) for those who have reached their Lifetime Allowance, plus an optional USS Life Assurance cost of 2.1% of basic salary.

CRANFIELD UNIVERSITY

CORPORATE GOVERNANCE

(continued ...)

d) Staff within Salary Level 1 to 7

Rewards for staff within salary levels 2 to 7 are determined through both an annual negotiated pay settlement with the Trade Unions (normally taking effect from 1 August) and a governed annual review management process (normally taking effect from October of every year). The salary structure has strong parallels with the nationally negotiated Pay Framework Agreement for university staff, but recognises the distinctive nature of Cranfield.

Each salary level has related pay ranges, which are determined and reviewed taking account of practice in the sector. The salary levels have a core of increments, through which staff move, subject to satisfactory performance, on an annual basis. Once an individual reaches the top of the incremental range, performance over time can be recognised through use of a high performance zone (salary levels 2 to 7).

Exceptional performance or one off achievements can be recognised through a non-consolidated Recognition Award Scheme.

The package includes pension provision linked to the level and type of role or where appropriate a payment in lieu for those who have reached their Lifetime Allowance, plus for those in USS, an optional USS Life Assurance cost of 2.1% of basic salary.

Some staff in Level 1 are covered by the Statutory National Minimum/Living Wage requirements. The University reviews and forecasts the impact of changes in the minimum rate, to ensure all staff are properly rewarded and they are compensated for additional responsibility.

Diversity and Inclusion considerations

The University published a full gender pay report in March 2020 and the Remuneration Committee received a copy of this report, alongside a more detailed analysis at the March meeting.

At various points throughout the reporting cycle, the Remuneration Committee review the approach adopted by the University in ensuring equal pay across their areas of remit, to include the Executive, the Senior Management Team and those earning over 100k. It was agreed there were no instances where there were gender-related differences in reward for roles of the same type.

All of the Executive have diversity related objectives within their P & DR (in 2019/20 these aligned to our Athena Swan Action Plans and for 2020/21 these have been widened to align with our Diversity and Inclusion Action Plans) and the outputs are considered alongside the achievement of the other objectives during the Annual Review process.

Remuneration of the Chief Executive and Vice-Chancellor

The remuneration received by the CEO and VC in 2019/20 included a base salary of £296,565. Following consideration of corporate and individual targets, a decision was made by Remuneration Committee in October 2019 to award a performance related payment of £38,000 for the 2018/19 year.

Details of the remuneration for the CEO and VC are summarised in note 6 of the Financial Statement.

It should be noted that **Professor Sir Peter Gregson has voluntarily taken a 20% pay cut, during the period the University has been making a claim for furlough payments under the Government Job Retention Scheme.**

The CEO and VC is in receipt of a PILP allowance on the same terms as other members of staff. This payment does not attract bonus or other benefits based on basic salary.

The CEO and VC is required to reside in Cayley Lodge, which is regularly used for VIP business and regional engagement, though this has been severely constrained by Coronavirus this year.

CRANFIELD UNIVERSITY
CORPORATE GOVERNANCE
(continued ...)

Pay multiple calculation:

Cranfield University	2020	2019	2018	2017
Vice-Chancellor basic salary multiplier	7.96	7.99	7.85	7.72
Vice-Chancellor total remuneration multiplier	7.89	8.56	7.71	8.78

Severance Payments

The University's principle is to manage all departing staff fairly and equitably, taking into account the circumstances of their departure. Where restructurings occur, impact assessments are undertaken to ensure there are no biases on any protected characteristic.

Members of the Executive, as for all other staff, are entitled to be paid their contractual base salary and contractual benefits, during any notice period. In exceptional circumstances, the University has the discretion to make a lump sum payment, as pay in lieu of notice (PILON).

All Executive members (including the CEO and VC) have permanent contracts and have notice periods of 6 months.

Typically, no additional enhanced payments are made to compensate members of the Executive when their employment terminates, unless the employment ends by means of redundancy. In exceptional circumstances, a settlement agreement may be put in place and the University may make payments it considers reasonable in settlement of any potential litigation.

During 2019/20, no severance payments were made to members of the Executive.

Payment of Directorships, Consultancies and Outside Work

The University recognises the benefits that outside work whether voluntary or remunerated can bring to both employees and the University.

All employees (to include the Executive) must seek written approval from the relevant Senior Line Manager (PVC, COO or CEO and VC).

For the CEO and VC approval is sought from the Pro-Chancellor. The treatment of remuneration received from such activities is considered on a case-by-case basis as part of the approval process. It is the responsibility of those undertaking external work to ensure that it is fully declared in the Register of Interest.

The Remuneration Committee at Cranfield, established by Council, has delegated authority to determine the Executive Reward Strategy, setting and reviewing the salaries and other emoluments, terms and conditions and where appropriate, severance payments of the Executive, to include the following members of staff:

- d. The Vice-Chancellor and Chief Executive;
- e. Members of the University Executive;
- f. Such other members of staff as decided by Council.

The Remuneration Committee also have oversight of the remuneration of all staff earning £100,000 or more.

While the primary focus of the Remuneration Committee are the internal relativities and needs of Cranfield University, comparable information on salaries and other emoluments both within the University sector and as appropriate, the wider market, are taken into account.

CRANFIELD UNIVERSITY

CORPORATE GOVERNANCE

(continued ...)

- **Audit Committee** - meets on at least three occasions annually to review the work of the internal and external auditors. The Committee considers detailed audit reports, together with recommendations, for the improvement of the University's systems of internal control, governance, risk management and value for money, as well as management's responses and implementation plans.

Attendance of members during the year is outlined below:

	No. Of Meetings Entitled to Attend	No. of Meetings Attended
Mr Anthony Carey	4	4
Dr Maxine Mayhew	4	4
Miss Alice Hynes	4	4
Dr Jaz Saggu	4	4

Most independent members of the Council do not receive any payment, apart from the reimbursement of expenses, for the work they undertake for the University. However, certain members are remunerated for specific responsibilities other than those of the Council membership.

The report of the Chair of Finance Committee is given on pages 6 to 20 and the responsibilities of the Council are outlined on page 32. The annual financial statements are presented in a format which is in accordance with applicable Accounting Standards and the 2019 Statement of Recommended Practice - Accounting for Further and Higher Education.

The Council is also responsible for the University's internal control system and for monitoring its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve the University's overall objective and mission, as well as its annual strategic aims. It can only provide reasonable, but not absolute, assurance against any material misstatement or loss. The key features of the control system are:-

- **Risk management** – whilst it is neither possible nor desirable to eliminate risk from the University's activities, there is an on-going process for the recognition, assessment and management of all significant opportunities and risks. This process has been in place for the year and up to the date of approval of the annual financial statements. The process is reviewed annually by the Audit Committee on behalf of the Council. The Audit Committee reports annually to the Council on its review. Exposure and control analyses, including mitigating factors and counter measures, are prepared annually and are monitored by key performance indicators and controls. The results from these reviews inform the planning, reporting and budgetary control processes. The management of each significant risk is assigned to one or more individuals and built into personal objectives as part of the staff development and appraisal procedures, which identify training needs. Staff generally are asked to report perceived significant risks.
- **Control environment** – clear definitions of the responsibilities of, and the authority delegated to, heads of academic and administrative departments are established. There is a Financial Manual, detailing financial controls and procedures which is approved by the Council as well as other management policies. Compliance with the Financial Manual is a requirement included in contracts of employment. The approach to internal control is risk based and embedded in effective management systems.

CRANFIELD UNIVERSITY

CORPORATE GOVERNANCE

(continued ...)

- **Information and control systems** – the University has a comprehensive medium and short-term planning process, supplemented by detailed annual revenue, capital and cash flow budgets. There are clearly defined and formalised requirements for approval and control of expenditure with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the Council. There are regular reviews of operating results involving variance reporting and updates of estimated out-turns. In relation to academic information and control systems, the University's Senate, Education Committee, Research Committee and Directors of Education and Research in the Schools oversee detailed processes to maintain and control the quality and standards of the University's academic work.
- **Monitoring system** – the effectiveness of the information and internal control systems and control environment are monitored by management review, the internal audit function and the Audit Committee, on behalf of the Council. As part of their audit responsibilities, the external auditors also provide reports to the Audit Committee on the operation of aspects of the University's internal control system.

On the basis of the above control system, procedures have been in place for the whole financial year to enable a full statement on internal control to be made for the year and up to the date of the approval of the Financial Statements.

CRANFIELD UNIVERSITY

PRIMARY RESPONSIBILITIES OF COUNCIL

The Council is the supreme governing body of the University. Its principal responsibilities are based on the Model Statement taken from the Committee of University Chairs(CUC) Higher Education Code of Governance (2018), adapted to reflect the powers and responsibilities that Council derives from the University Laws. These responsibilities are to:

- approve the mission and strategic vision of the University, the long-term strategic and business plans including key performance indicators, and to ensure that these meet the interests of stakeholders;
- appoint, on the recommendation of a Joint Appointing Committee of Council and Senate, the Vice-Chancellor as Chief Executive of the University and to establish the conditions of appointment and the arrangements for monitoring their performance;
- be responsible for the removal of the Vice Chancellor for good cause in accordance with the University Laws;
- delegate authority to the Vice-Chancellor for the academic, corporate, financial, estate and human resource management of the institution;
- establish and keep under regular review the policies, procedures and limits within such management functions as will be undertaken by and under the authority of the Vice-Chancellor;
- ensure the establishment and monitoring of systems of control and accountability, including financial and operational controls and risk assessment, and procedures for handling internal grievances and for managing conflicts of interest;
- ensure that processes are in place to monitor and evaluate the performance and effectiveness of Cranfield University against the plans and approved key performance indicators, which will, where possible and appropriate, be benchmarked against other comparable institutions;
- establish processes to monitor and evaluate the performance and effectiveness of the Council;
- conduct its business in accordance with best practice in higher education corporate governance and with the principles of public life drawn up by the Committee on Standards in Public Life;
- safeguard the good name and values of the institution;
- appoint a Secretary to Council, on the recommendation of a Joint Appointing Committee of Council and Senate and to ensure that if the person appointed has managerial responsibilities in the University, there is an appropriate separation in the lines of accountability;
- be the employing authority for all staff in the University and to be responsible for ensuring the establishment of a human resources strategy;
- be the principal financial and business authority of the University, to ensure that proper books of account are kept, to approve the annual budget and financial statements, and to have overall responsibility for the University's assets, property and estate;
- be the University's legal authority and, as such, to ensure that systems are in place for meeting all the University's legal obligations, including those arising from contracts and other legal commitments made in the University's name;

CRANFIELD UNIVERSITY

PRIMARY RESPONSIBILITIES OF THE COUNCIL

(continued ...)

- receive assurance that adequate provision has been made for the general welfare of students;
- act as trustee for any property, legacy, endowment, bequest or gift in support of the work and welfare of the University; and
- ensure that the University's Laws are followed at all times and that appropriate advice is available to enable this to happen.

Members of Council

The following members served throughout the period from 1st August 2019 to 26th November 2020 unless otherwise stated:

Name	Sub-Cttee Mbrship [#]	Position	Period
Dame Deirdre Hutton*		Chancellor	from 1 August 2020
Baroness Young of Old Scone*		Chancellor	until 31 July 2020
Professor Sir Peter Gregson*	F, N	Chief Executive & Vice-Chancellor	
Professor Helen Atkinson			from 1 October 2019
Professor Graham Braithwaite			until 30 September 2019
Mr Anthony Carey	A	Chair of Audit Committee	until 31 July 2020
Miss Caroline Carter	F, R		
Mrs Lesley Chen Davison	F, N		
Mr Colin Day	F		
Mr Osas Ehigiator			until 30 April 2020
Mr Paul Fairweather	F, R	Chair of Finance Committee	
Mr Iain Ferguson	N	Pro-Chancellor & Chair of Council	
Mr James Hill			from 1 October 2019
Miss Alice Hynes	A, N	Chair of Audit Committee	
Miss Lucy Lu		President CSA	from 1 May 2020
Dr Maxine Mayhew	A, N		
Dr Simon Rowlands	F, R		from 24 October 2019
Professor Lynette Ryals			until 30 September 2019
Dr Jaz Saggu	A, R		
Professor Emma Sparks			
Dr Christine Thompson			

*ex-officio members

[#]A=Audit, F=Finance, R=Remuneration, N=Nomination

The Council is required to present audited financial statements for each financial year and for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the University and to enable it to ensure that the financial statements are prepared in accordance with the Statutes of the University, the 2019 Statement of Recommended Practice - Accounting for Further and Higher Education and other relevant Accounting Standards. In addition, within the terms and conditions of a Financial Memorandum agreed between the Higher Education Funding Council for England and the Council of Cranfield University, the Council, through its designated office holder, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the University and the Group and of the surplus or deficit and cash flows for that year.

CRANFIELD UNIVERSITY

PRIMARY RESPONSIBILITIES OF THE COUNCIL

(continued ...)

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

- suitable accounting policies are selected and applied consistently;
- judgements and estimates are made that are reasonable and prudent;
- applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- financial statements are prepared on the going concern basis unless it is inappropriate to presume that the University will continue in operation. The Council is satisfied that the University has adequate resources to continue in operation for the foreseeable future: for this reason the going concern basis continues to be adopted in the preparation of the financial statements.

The Council has taken reasonable steps to:

- ensure that funds from Research England and the Office for Students are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with Research England and the Office for Students terms and conditions of funding and any other conditions which the Funding Council of Office for Students may from time to time prescribe;
- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- safeguard the assets of the University and the Group and prevent and detect fraud; and
- secure the economical, efficient and effective management of the University's resources and expenditure.

CRANFIELD UNIVERSITY

Independent auditors' report to the Council of Cranfield University (the "institution")

Report on the audit of the financial statements

Opinion

In our opinion, Cranfield University's group financial statements and the University's financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the University's affairs as at 31 July 2020 and of the group's and of the University's income and expenditure, gains and losses and changes in reserves, and of the group's cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been properly prepared in accordance with the requirements of the Office for Students' Accounts Direction (OfS 2019.41).

We have audited the financial statements, included within the financial statements (the "Annual Report"), which comprise the consolidated and University's Statement of financial position as at 31 July 2020; the consolidated and University's Statement of comprehensive income and expenditure, the Consolidated and University's statement of changes in reserves, and the Statement of consolidated cash flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group and University's ability to continue as a going concern.

CRANFIELD UNIVERSITY

Independent auditors' report to the Council of Cranfield University (the "institution")

(continued ...)

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Council is responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Responsibilities for the financial statements and the audit

Responsibilities of the Council for the financial statements

As explained more fully in the Responsibilities of the council of Cranfield University set out on page 32, the Council is responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Council is also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Use of this report

This report, including the opinions, has been prepared for and only for the Council as a body in accordance with section 5 of the Statutes of the institution and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Opinions on other matters prescribed in the Office for Students' Accounts Direction (OfS 2019.41)

In our opinion, in all material respects:

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

Under the Office for Students' Accounts Direction, we are required to report to you, if we have anything to report in respect of the following matter:

- The provider's grant and fee income, as disclosed in the note 3 to the financial statements, has been materially misstated; or

We have no matters to report arising from this responsibility.

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
East Midlands Office
3rd December 2020

PRINCIPAL ACCOUNTING POLICIES

1. Basis of accounting and preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2019 and in accordance with Financial Reporting Standards (FRS 102). They have also been prepared in accordance with the 'carried forward' powers and duties of previous legislation (Further and Higher Education Act 1992 and the Higher Education Act 2004) and the new powers of the Higher Education and Research Act 2018 during the transition period to 31 July 2019, the Royal Charter, the Accounts Direction issued by the Office for Students (OfS), the Terms and conditions of funding for higher education institutions issued by the OfS and the Terms and conditions of Research England Grant. The University is a public benefit entity and therefore has applied the relevant public benefit requirements of FRS 102. The financial statements are prepared in accordance with the historical cost convention (modified by the revaluation of certain assets). The following exemptions available under FRS 102 has been applied to these financial statements:

- Disclosures in respect of transactions with wholly owned subsidiaries
- University cash flow

2. Basis of consolidation

The consolidated financial statements include the financial statements of the University and all its subsidiaries prepared up to the end of the financial year. They do not include the financial statements of student associations as it is considered the University has limited financial interest and no control or significant influence over policy decisions.

3. Foreign currencies

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the dates of the transactions. Monetary assets and liabilities in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date. The resulting exchange differences are reflected in the income and expenditure account for the financial year.

4. Recognition of income

Income from the sale of goods and services is credited to the Statement of Comprehensive Income and Expenditure when the goods or services are supplied to the external customers or the terms of the contract have been satisfied. Other income received in relation to the utilisation of the university estate is recognised when the services or goods have been delivered.

1) Tuition fee income

Tuition fee income is stated gross of any expenditure over the period in which the students are studying. Bursaries and scholarships are accounted for gross as expenditure and not deducted from income. Fee discounts are treated as a fee bursary. Tuition fee refunds would be charged to tuition fee income.

2) Grant Funding

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

Government grant funding has been received in the year in relation to the Coronavirus Job Retention Scheme (CJRS) and is recognised within other income in the period in which amounts become receivable.

PRINCIPAL ACCOUNTING POLICIES

(continued...)

3) Donations and endowments

Non exchange transactions without performance related conditions are donations and endowments. Donations and endowments with donor imposed restrictions are recognised in income when the University is entitled to the funds. Income is retained within the restricted reserve until such time that it is utilised in line with such restrictions at which point the income is released to general reserves through a reserve transfer.

Donations with no restrictions are recognised in income when the University is entitled to the funds.

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

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

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

4) Capital grants

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

5) Investment income

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

5. Research and development

Expenditure on research and development is charged to the income and expenditure account in the year in which it is incurred

6. Tangible fixed assets

(1) Land and buildings

Land is stated at valuation and is formally revalued triennially, with consideration made at each period end to ensure that the carrying value of an asset at the reporting date is not materially different from its fair value. The basis of valuation is open market value for existing use, and in the case of the technology park, open market value with vacant possession. The most recent valuation was carried out as at 31st July, 2019 by Gerald Eve LLP. Freehold land is not depreciated as it is considered to have an indefinite useful life. Where land is held for resale and a conditional sale agreement is in place at the year end the land is revalued to the anticipated net proceeds and retained in fixed assets.

Freehold and leasehold buildings are stated at cost and depreciated over their expected useful lives or the life of the lease, whichever is shorter. Where there is a permanent reduction in value, provision is made in the financial statements.

CRANFIELD UNIVERSITY

PRINCIPAL ACCOUNTING POLICIES

(continued...)

Where buildings are acquired with the aid of specific grants, they are capitalised and depreciated as below.

(2) *Equipment*

Equipment, plant and machinery and fixtures and fittings costing less than £5,000 per individual item or group of related items is written off in the year of acquisition. All other equipment is capitalised at cost and depreciated over its expected useful life.

Where equipment is acquired with the aid of specific grants or gifts, it is capitalised and depreciated as above.

(3) *Depreciation*

Depreciation is calculated on the original cost of the assets at the following rates:-

Buildings	2% - 5% per annum
Equipment	20% - 33.33 % per annum
Fixtures plant and machinery	5% - 25% per annum

7. **Leases**

Leasing agreements that transfer to the University substantially all the benefits and risks of ownership are considered to be finance leases. All other leases are operating leases.

Fixed 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 lease payments over recorded lease obligations is treated as finance charges which is 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 expenditure over the periods of the leases.

8. **Investments**

- (1) Non current asset investments that are classified as basic financial instruments are held on the Balance Sheet at amortised cost less impairment.
- (2) Complex financial instruments and are initially measured at fair value, which is normally the transaction price. These are subsequently carried at fair value and the changes in fair value are recognised in the statement of comprehensive income and expenditure.
- (2) Investment in subsidiaries is included in the balance sheet at cost, less any provisions for impairment.

9. **Stock**

Stock is valued at the lower of cost and net realisable value on a first in, first out basis. Provision is made for obsolete or surplus material.

PRINCIPAL ACCOUNTING POLICIES

(continued...)

10. Work in progress

Work in progress is stated at cost plus attributable overheads less provisions for any known or anticipated deficits and payments on account receivable.

11. Taxation status

The University is an exempt charity within the meaning of Schedule 3 of the Charities Act 2011 and as such is listed as a charity within the meaning of Paragraph 1 of Schedule 6 to the Finance Act 2010. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by Sections 472–488 of the Corporation Tax Act 2010 and Section 256 of the Taxation of Chargeable are applied to exclusively charitable purposes.

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

Most of the University's principal activities are exempt from Value Added Tax ('VAT'), but certain activities and other ancillary supplies and services are liable to VAT at various rates. Expenditure includes VAT charged by suppliers to the University where it is not recoverable and is likewise included in the cost of fixed assets.

Commercial trading activities undertaken by the University are operated through its subsidiary companies. This income will attract applicable VAT and the profits are liable to Corporation Tax. However, the taxable profits made by these companies are covenanted to the University and paid under Gift Aid, to the extent that the companies have distributable reserves, which negates that liability.

12. Deferred taxation

Deferred taxation is recognised as a liability or asset if transactions or events have occurred by the balance sheet date that give rise to an obligation to pay more taxation, or a right to pay less taxation, in future. An asset is not recognised to the extent that the transfer of economic benefits in future is uncertain. Deferred tax assets and liabilities recognised are not discounted.

13. Maintenance of premises

The cost of all maintenance is charged to the income and expenditure account as incurred. Provisions are made for dilapidation of leasehold property where an appropriate obligation exists.

14. Pension schemes

The two principal pension schemes of the University's employees are the Universities Superannuation Scheme (USS) and the Local Government Pension Scheme (LGPS) administered by Bedfordshire County Council. The USS scheme is a multi-employer scheme as defined by FRS 102.

Defined benefit schemes

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. Under defined benefit plans the Universities obligation is to provide the agreed benefits to current and former employees, and actuarial risk (that benefits will cost more or less than expected) and investment risk (that returns on assets set aside to fund the benefits will differ from expectations) are borne in substance by the Institution.

PRINCIPAL ACCOUNTING POLICIES

(continued...)

The net liability is recognised in the balance sheet in respect of each scheme and is the present value of the defined benefit obligation at the reporting date less the fair value of the plan assets at the reporting date.

The group should recognise a liability for its obligations under defined benefit plans net of plan assets. This net defined benefit liability is measured as the estimated amount of benefit that employees have earned in return for their service in the current and prior periods, discounted to determine its present value, less the fair value (at bid price) of plan assets. The calculation is performed by a qualified actuary using the projected unit credit method. Where the calculation results in a net asset, recognition of the asset is limited to the extent to which the Institution is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

Annually the University engages independent actuaries to calculate the obligation for each scheme. The present value is determined by discounting the estimated future payments at a discount rate based on market yields on high quality corporate bonds denominated in sterling with terms approximating to the estimated period of the future payments. The fair value of a scheme's assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the Universities policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as actuarial gains and losses.

The cost of the defined benefit plan, recognised in expenditure as staff costs, except where included in the cost of an asset, comprises the increase in pension benefit liability arising from employee service during the period and the cost of plan introductions, benefit changes, curtailments, and settlements. The net interest cost is calculated by applying the discount rate to the net liability. This cost is recognised in expenditure as a finance cost. Details of the schemes are included in Note 23.

15. Provisions

Provisions are recognised when the University has a present legal or constructive obligation as a result of a past event and 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.

16. Going concern

As highlighted in the outlook for 2020/21 on page 19, the University considers that it has sufficient financial resources and is confident that its future income streams will maintain these resources. Council believe that the University is well placed to effectively manage its business risks, despite the current uncertain economic situation.

The budgeted operating deficit for 2020/21 is based on decreased income levels across all key income streams as a result of the ongoing Coronavirus pandemic. Costs will continue to be managed carefully with all discretionary spend and travel budgets on hold. The University is forecasting an operating deficit that is manageable within its existing working capital parameters and that would not breach the bond covenants, but there is significant uncertainty in the outcome due to Coronavirus and BREXIT.

Council have a reasonable expectation that the University has adequate resources to continue operating in existence for the foreseeable future. Thus, they continue to adopt the going concern basis in preparing the financial statements.

PRINCIPAL ACCOUNTING POLICIES

(continued ...)

17. Significant accounting estimates and judgements

In the process of applying these accounting policies, the University is required to make certain estimates, judgements and assumptions that management believe are reasonable based on the information available. These are reviewed on a regular basis by the University's senior management team. Significant estimates and material judgements used in the preparation of the financial statements are as follows:

Estimates:

Recoverability of debtors

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

Valuation of land

Valuations are undertaken every three years by an independent external team of chartered surveyors. This is then updated annually by senior management based on the current economic developments and other factors that may be considered to have an impact on the rental yield going forward.

Retirement benefit obligations

The University contributes to the Local Government Pension Scheme (LGPS) administered by Bedfordshire County Council which is accounted for as a defined benefit scheme. The recognised liability is based on the valuation provided by professionally qualified independent actuaries which is based on a number of assumptions. These include the future cash flows of the scheme, the discount rate used, the pensionable salary growth going forward and proposed price inflation. Further details can be found in note 23. Management reviews the assumptions made to derive the provisions recorded in the balance sheet to ensure that they are reasonable. The University also operates within the Universities Superannuation Scheme ('USS') which is accounted for as a defined contribution scheme since 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 inflation, changes in staff numbers and the prevailing rate of discount.

Provisions

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

Judgements:

Revenue recognition

Revenues are subject to judgement over when and by how much revenues should be recognised in the financial statements. This includes determining when performance criteria have been met, recognising research and other funding revenues in line with expenditure once a right to the funding is deemed to have arisen, and determining the revenues associated with partially delivered courses and training where the activities have not been fully completed at the reporting date.

18. Changes in Accounting Policy

Following the 2017 triennial review of FRS 102, the Institution is preparing its financial statements in accordance with the revised provisions of FRS 102 and the 2019 edition of the Statement of Recommended Practice (SORP) from the previous 2015 version, for the first time in 2018/19. No changes have been made to the financial statements following this adoption.

CRANFIELD UNIVERSITY

PRINCIPAL ACCOUNTING POLICIES

(continued ...)

19. Financial instruments

The Institution has elected to adopt Sections 11 and 12 of FRS 102 in respect of the recognition, measurement, and disclosure of financial instruments. Financial assets and liabilities are recognised when the Institution becomes party to the contractual provision of the instrument and they are classified according to the substance of the contractual arrangements entered into.

A financial asset and a financial liability are offset only when there is a legally enforceable right to set off the recognised amounts and an intention either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets

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

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

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

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

Financial liabilities

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

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

CRANFIELD UNIVERSITY

CONSOLIDATED AND UNIVERSITY STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE

FOR THE YEAR ENDED 31ST JULY, 2020

		CONSOLIDATED		UNIVERSITY	
		2020	2019	2020	2019
	Notes	£'000	£'000	£'000	£'000
Income					
Tuition fees and education contracts	1	72,736	76,700	64,377	65,180
Funding Council grants	2	20,486	21,100	20,486	21,100
Research grants and contracts		38,370	42,217	34,081	38,472
Other income	3	43,930	36,359	36,712	31,964
Investment income	4	211	140	216	132
Operating income		175,733	176,516	155,872	156,848
Donations and endowments	5	8,828	6,693	8,828	6,693
Total income		184,561	183,209	164,700	163,541
Expenditure					
Staff costs					
Operating staff costs	6	98,058	90,345	84,443	78,589
USS pension provision movement	23	(13,347)	20,621	(13,289)	20,554
Total staff costs		84,711	110,966	71,154	99,143
Other operating expenses		78,311	81,268	70,977	72,898
Depreciation	10	14,814	12,791	14,106	12,180
Interest and other finance costs	8	2,330	2,092	2,321	2,093
Total expenditure	7	180,166	207,117	158,558	186,314
Surplus/(deficit) before other gains and losses		4,395	(23,908)	6,142	(22,773)
Result on disposal of assets		-	-	-	-
Gain on investments		371	805	371	805
Surplus/(deficit) before tax		4,766	(23,103)	6,513	(21,968)
Taxation	9	244	51	(156)	(374)
Surplus/(deficit) for the year		5,010	(23,052)	6,357	(22,342)
Unrealised surplus on revaluation of land		-	8,258	-	8,258
Actuarial loss in respect of pension schemes	23	(31,427)	(8,753)	(31,427)	(8,753)
Total comprehensive loss for the year		(26,417)	(23,547)	(25,070)	(22,837)
Represented by:					
Endowment comprehensive income for the year		149	398	149	398
Unrestricted comprehensive loss for the year		(26,566)	(23,945)	(25,219)	(23,235)
		(26,417)	(23,547)	(25,070)	(22,837)

The notes on pages 50 to 71 form part of these accounts.

CRANFIELD UNIVERSITY

CONSOLIDATED AND UNIVERSITY STATEMENT OF CHANGES IN RESERVES
FOR THE YEAR ENDED 31ST JULY, 2020

Consolidated	Income and expenditure account			Revaluation reserve	Total
	Endowment	Restricted	Unrestricted		
	£'000	£'000	£'000	£'000	£'000
Balance at 1 August 2018	6,132	-	40,073	53,031	99,236
Surplus/(deficit) from the income and expenditure statement	398	-	(15,192)	-	(14,794)
Transfer between revaluation reserve and income and expenditure reserve	-	-	(8,258)	8,258	-
Other comprehensive income	-	-	(8,753)	-	(8,753)
Total comprehensive income/(loss) for the year	398	-	(32,203)	8,258	(23,547)
Balance at 31 July 2019	6,530	-	7,870	61,289	75,689
Surplus/(deficit) from the income and expenditure statement	149	-	(26,566)	-	(26,417)
Transfer between revaluation reserve and income and expenditure reserve	-	-	-	-	-
Other comprehensive income	-	-	-	-	-
Total comprehensive income/(loss) for the year	149	-	(26,566)	-	(26,417)
Balance at 31 July 2020	6,679	-	(18,696)	61,289	49,272

University	Income and expenditure account			Revaluation reserve	Total
	<i>Endowment</i>	<i>Restricted</i>	<i>Unrestricted</i>		
	£'000	£'000	£'000		
Balance at 1 August 2018	6,132	-	37,970	53,031	97,133
Surplus/(deficit) from the income and expenditure statement	398	-	(14,482)	-	(14,084)
Transfer between revaluation reserve and income and expenditure reserve	-	-	(8,258)	8,258	-
Other comprehensive income	-	-	(8,753)	-	(8,753)
Total comprehensive income/(loss) for the year	398	-	(31,493)	8,258	(22,837)
Balance at 31 July 2019	6,530	-	6,477	61,289	74,296
Surplus/(deficit) from the income and expenditure statement	149	-	(25,219)	-	(25,070)
Transfer between revaluation reserve and income and expenditure reserve	-	-	-	-	-
Other comprehensive income	-	-	-	-	-
Total comprehensive income/(loss) for the year	149	-	(25,219)	-	(25,070)
Balance at 31 July 2020	6,679	-	(18,742)	61,289	49,226

The notes on pages 50 to 71 form part of these accounts.

CRANFIELD UNIVERSITY
STATEMENT OF FINANCIAL POSITION AT 31ST JULY, 2020

	Notes	CONSOLIDATED		UNIVERSITY	
		2020	2019	2020	2019
		£'000	£'000	£'000	£'000
Non-current assets					
Fixed assets	10	244,645	219,535	239,028	214,602
Investments	11	3,501	3,681	3,445	3,625
Investments in subsidiaries	12	-	-	5,186	5,186
		<u>248,146</u>	<u>223,216</u>	<u>247,659</u>	<u>223,413</u>
Current assets					
Stock		247	238	190	180
Trade and other receivables	13	45,468	41,163	43,331	37,875
Cash and cash equivalents	19	99,205	2,939	95,752	2,065
		<u>144,920</u>	<u>44,340</u>	<u>139,273</u>	<u>40,120</u>
Current liabilities					
Creditors: amounts falling due within one year	14	(78,575)	(62,408)	(72,578)	(59,924)
Net current assets/(liabilities)		<u>66,345</u>	<u>(18,068)</u>	<u>66,695</u>	<u>(19,804)</u>
Total assets less current liabilities		<u>314,491</u>	<u>205,148</u>	<u>314,354</u>	<u>203,609</u>
Creditors: amounts falling due after more than one year	15	(154,317)	(37,948)	(154,317)	(37,948)
Provisions					
Pension provisions	16	(110,855)	(91,464)	(110,811)	(91,365)
Other provisions	17	(47)	(47)	-	-
Total net assets		<u>49,272</u>	<u>75,689</u>	<u>49,226</u>	<u>74,296</u>
Financed by:-					
Restricted Reserves					
Income and expenditure reserve – endowment reserve	18	6,679	6,530	6,679	6,530
Unrestricted Reserves					
Income and expenditure reserve - unrestricted		(18,696)	7,870	(18,742)	6,477
Revaluation reserve		61,289	61,289	61,289	61,289
Total Reserves		<u>49,272</u>	<u>75,689</u>	<u>49,226</u>	<u>74,296</u>

The financial statements on pages 38 to 70 were approved by the Council on 26th November, 2020 and signed on its behalf by:-

C P FAIRWEATHER MA FCA
CHAIR OF FINANCE COMMITTEE

PROFESSOR SIR PETER GREGSON FREng
 MRIA
CHIEF EXECUTIVE & VICE-CHANCELLOR

I SIBBALD FCA
DIRECTOR OF FINANCE

The notes on pages 50 to 71 form part of these accounts.

CRANFIELD UNIVERSITY
STATEMENT OF CONSOLIDATED CASH FLOWS
FOR THE YEAR ENDED 31ST JULY, 2020

	Notes	2020 £'000	2019 £'000
Cash flows from operating activities			
Surplus/(deficit) for the year		5,010	(23,052)
Adjustment for non-cash items			
Depreciation	10	14,814	12,791
Gain on investments		(371)	(805)
Exchange (gain)/loss		(16)	97
(Increase)/decrease in stock		(9)	91
(Increase)/decrease in debtors		(4,306)	(5,142)
Increase in creditors		953	10,172
(Decrease)/increase in pension provision		(13,867)	20,203
Decrease in other provisions		-	(215)
Adjustment for investing or financing activities			
Investment income	4	(216)	(140)
Interest payable	8	2,321	2,092
Result on the sale of fixed assets		-	-
Capital grant income	5	(8,828)	(6,693)
Net Cash (outflow)/inflow from operating activities		<u>(4,515)</u>	<u>9,399</u>
Cash flows from investing activities			
Proceeds from sale of fixed assets		-	-
Capital grants receipts		8,281	6,000
Disposal of non-current asset investments		645	667
Investment income		131	132
Payments made to acquire fixed assets		(34,849)	(19,764)
New non-current asset investments		-	(864)
Total cash outflow from investing activities		<u>(25,792)</u>	<u>(13,829)</u>
Cash flows from financing activities			
Interest paid		(575)	(465)
Interest element of finance lease		(10)	(4)
Endowment cash received		547	693
New unsecured loans		160,000	32,500
Repayments of amounts borrowed		(33,630)	(16,553)
Capital element of finance lease and service concession payments		241	(96)
Total cash inflow from financing activity		<u>126,573</u>	<u>16,075</u>
Increase in cash and cash equivalents in the year		<u>96,266</u>	<u>11,645</u>
Cash and cash equivalents at beginning of the year	19	2,939	(8,706)
Cash and cash equivalents at end of the year	19	99,205	2,939
Movement in cash		<u>96,266</u>	<u>11,645</u>

The notes on pages 50 to 71 form part of these accounts.

CRANFIELD UNIVERSITY
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31ST JULY, 2020

	CONSOLIDATED		UNIVERSITY	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
1. Tuition fees and education contracts				
Long course fees	52,852	47,611	52,852	47,667
Professional development courses	12,554	18,125	4,132	6,549
Teaching contract	7,330	10,964	7,393	10,964
	<u>72,736</u>	<u>76,700</u>	<u>64,377</u>	<u>65,180</u>
2. Funding Council grants				
Recurrent grant	12,781	14,005	12,781	14,005
Special initiatives	7,705	7,095	7,705	7,095
	<u>20,486</u>	<u>21,100</u>	<u>20,486</u>	<u>21,100</u>
Details of grant and fee income				
Grant income from OfS	3,680	5,004	3,680	5,004
Grant income from Research England	16,806	16,096	16,806	16,096
Fee income for taught awards (exclusive of VAT)	60,182	58,575	60,245	58,631
Fee income from non-qualifying courses (exclusive of VAT)	12,554	18,125	4,132	6,549
Total grant and fee income	<u>93,222</u>	<u>97,800</u>	<u>84,863</u>	<u>86,280</u>
3. Other income				
Residences and conference centres	9,605	12,574	8,506	10,441
Rents from tenant organisations	917	972	1,623	1,663
Other	33,408	22,813	26,583	19,860
	<u>43,930</u>	<u>36,359</u>	<u>36,712</u>	<u>31,964</u>

The Coronavirus Job retention Scheme (CJRS) grant relates to staff who have been furloughed due to Covid-19. This scheme runs until October 2020 with employers able to claim up to 80% of a furloughed employee's wages/salaries up to a maximum of £2,500 plus associated employer's costs (e.g. employer's national insurance contributions until July 2020). This grant will be paid to the employer by HMRC.

The Group received £5,412,000 (University: £4,031,000) in relation to the CJRS and there are no unfulfilled contingencies or commitments attached to this balance.

CRANFIELD UNIVERSITY
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31ST JULY, 2020
(continued...)

4. **Investment income**

Investment income from endowments	79	94	79	94
Other investment income	132	46	137	38
	<u>211</u>	<u>140</u>	<u>216</u>	<u>132</u>

	CONSOLIDATED		UNIVERSITY	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
5. Donations and endowments				
New endowments (<i>Note 18</i>)	547	693	547	693
Donations without restrictions	8,281	6,000	8,281	6,000
	<u>8,828</u>	<u>6,693</u>	<u>8,828</u>	<u>6,693</u>
6. Staff				
a. Staff costs				
Wages and salaries	77,980	71,379	66,499	61,527
Social security costs	7,733	7,405	6,656	6,505
Other pension costs	12,225	10,636	11,168	9,719
	<u>97,938</u>	<u>89,420</u>	<u>84,323</u>	<u>77,751</u>
Staff restructuring	120	925	120	838
	<u>98,058</u>	<u>90,345</u>	<u>84,443</u>	<u>78,589</u>
Operating staff costs				
USS pension provision movement	(13,347)	20,621	(13,289)	20,554
	<u>84,711</u>	<u>110,966</u>	<u>71,154</u>	<u>99,143</u>
Total staff costs				
Number of staff receiving payment for loss of office	23	35	23	34
Emoluments of the Vice-Chancellor (as detailed in the Remuneration Committee report on page 28)				
Base salary	296	290	296	290
Cost of pension opt-out	41	41	41	41
Salary waived	(21)	-	(21)	-
Performance related pay	38	38	38	38
	<u>354</u>	<u>369</u>	<u>354</u>	<u>369</u>

In addition, the Vice-Chancellor is required to reside in Cayley Lodge, a property owned by the University, which is regularly used for VIP business and regional engagement. This non-taxable benefit is valued at £15,000 (2019 £14,000) based on the rental value opportunity cost.

The Vice-Chancellors salary and total remuneration expressed as a multiple of median salary and total remuneration of all other staff was:

Vice-Chancellor basic salary multiplier	7.96	7.99	7.96	7.99
Vice-Chancellor total remuneration multiplier	8.24	8.81	7.89	8.56

b. The average number of employees during the year, expressed as full-time equivalents, was as follows:-

	Number	Number	Number	Number
Academic	414	411	398	398
Research	293	272	222	229
Technical	143	126	118	109
Other	904	863	685	665
	<u>1,754</u>	<u>1,672</u>	<u>1,423</u>	<u>1,401</u>

CRANFIELD UNIVERSITY
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31ST JULY, 2020
(continued...)

6. **Staff** *(continued...)*

	CONSOLIDATED		UNIVERSITY	
	2020	2019	2020	2019
	Number	Number	Number	Number
c. Remuneration of other higher paid staff, excluding employer's pension contributions, were as follows:-				
£100,000 - £104,999	6	8	6	8
£105,000 - £109,999	8	3	8	3
£110,000 - £114,999	4	6	3	4
£115,000 - £119,999	4	4	4	4
£120,000 - £124,999	4	4	4	3
£125,000 - £129,999	3	1	2	1
£130,000 - £134,999	3	3	2	3
£135,000 - £139,999	1	2	1	2
£140,000 - £144,999	4	1	4	1
£145,000 - £149,999	1	1	1	1
£150,000 - £154,999	1	-	1	-
£155,000 - £159,999	-	1	-	1
£160,000 - £164,999	2	2	1	2
£165,000 - £169,999	1	1	1	1
£170,000 - £174,999	1	-	1	-
£175,000 - £179,999	-	4	-	3
£180,000 - £184,999	1	-	1	-
£185,000 - £189,999	1	-	1	-
£195,000 - £199,999	1	-	1	-
£230,000 - £234,999	-	1	-	1

Key Management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the University. 2020 11 Members (2019: 10 members).

	CONSOLIDATED & UNIVERSITY	
	2020	2019
	£'000	£'000
Key management personnel compensation	2,009	1,819

Council Members

The University's council members are the trustees for charitable law purposes. Due to the nature of the University's operations and the compositions of the Council, it is inevitable that transactions will take place with organisations in which a member of the Council may have an interest. All transactions involving organisations in which a member of Council may have an interest are conducted at arm's length and in accordance with the University's Financial Regulations and usual procurement procedures.

No Council member received any payment for their role as a trustee. Mr P Fairweather has provided consultancy services in the year and was paid, including expenses, £13,500 (2019 £13,199). The total expenses paid to or on behalf of five council members was £2,080 (2019 £1,857 to four council members). This represents travel and subsistence expenses incurred in attending Council, Committee meetings and Charity events in their official capacity.

CRANFIELD UNIVERSITY

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31ST JULY, 2020

(continued...)

	CONSOLIDATED		UNIVERSITY	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
7. Other operating amounts charged include:-				
Equipment expensed	3,988	5,014	3,937	4,937
Operating lease rentals	428	305	235	264
Auditor's remuneration:-				
- external audit	182	148	109	81
- other services including tax	64	-	64	-
Council members' expenses	2	2	2	2
	<hr/>	<hr/>	<hr/>	<hr/>
8. Interest and other finance costs				
Loan interest	565	429	558	431
Finance leases	10	4	10	4
Exchange differences	(76)	106	(76)	106
Net charge on Pension schemes	1,831	1,553	1,829	1,552
	<hr/>	<hr/>	<hr/>	<hr/>
	2,330	2,092	2,321	2,093
	<hr/>	<hr/>	<hr/>	<hr/>
9. Taxation				
Recognised in the statement of comprehensive income:-				
Current tax expense	-	33	-	-
Overseas tax	156	374	156	374
R&D tax credits	(400)	(458)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total tax (credit)/expense	(244)	(51)	156	374
	<hr/>	<hr/>	<hr/>	<hr/>

The tax assessed for the year is the standard rate (2019 higher than the standard rate) of corporation tax in the UK. The differences are explained below:

Surplus/(deficit) on ordinary activities before taxation	4,766	(23,103)	6,513	(21,968)
	<hr/>	<hr/>	<hr/>	<hr/>
Tax on deficit on ordinary activities before taxation multiplied by the lower rate of corporation tax in the UK of 19% (2019 – 19%)	906	(4,390)	1,237	(4,174)
Factors affecting charge:				
Tax losses	331	4,423	-	4,174
University surplus exempt from corporation tax	(1,237)	-	(1,237)	-
R&D tax credits	(400)	(458)	-	-
Overseas tax	156	374	156	374
Other permanent differences	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Corporation tax (credited)/charged in the year	(244)	(51)	156	374
	<hr/>	<hr/>	<hr/>	<hr/>

CRANFIELD UNIVERSITY
 NOTES TO THE ACCOUNTS
 FOR THE YEAR ENDED 31ST JULY, 2020
 (continued...)

	Land & Buildings		Equipment	Fixtures, Plant & Machinery	Total
	Freehold	Leasehold			
10. Fixed assets					
<i>a. Consolidated</i>					
Cost/valuation					
At beginning of year	194,460	7,437	53,114	116,714	371,725
Additions	22,728	-	5,160	12,036	39,924
Revaluation	-	-	-	-	-
Disposals	-	-	(69)	(7)	(76)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	217,188	7,437	58,205	128,743	411,573
Consisting of valuation as at:					
31 July 2020	155,899	7,437	58,205	128,743	350,284
Cost	61,289	-	-	-	61,289
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation					
At beginning of year	31,739	5,579	41,904	72,968	152,190
Charge for year	2,600	230	4,683	7,301	14,814
Disposals	-	-	(69)	(7)	(76)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	34,339	5,809	46,518	80,262	166,928
Net book amount					
At end of year	182,849	1,628	11,687	48,481	244,645
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At beginning of year	162,721	1,858	11,210	43,746	219,535
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

CRANFIELD UNIVERSITY
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31ST JULY, 2020
(continued...)

	Land & Buildings		Equipment	Fixtures, Plant & Machinery	Total
	Freehold	Leasehold			
	£'000	£'000			
10. Fixed assets <i>(continued ...)</i>					
<i>b. University</i>					
Cost/valuation					
At beginning of year	188,411	7,437	52,434	109,006	357,288
Additions	22,728	-	5,089	10,715	38,532
Revaluation	-	-	-	-	-
Disposals	-	-	(55)	(7)	(62)
At end of year	211,139	7,437	57,468	119,714	395,758
Consisting of valuation as at:					
31 July 2020	61,289	-	-	-	61,289
Cost	149,850	7,437	57,468	119,714	334,469
Depreciation					
At beginning of year	29,152	5,579	41,315	66,640	142,686
Charge for year	2,462	230	4,633	6,781	14,106
Disposals	-	-	(55)	(7)	(62)
At end of year	31,614	5,809	45,893	73,414	156,730
Net book amount					
At end of year	179,525	1,628	11,575	46,300	239,028
At beginning of year	159,259	1,858	11,119	42,366	214,602

At 31 July, 2020, freehold land and buildings included £61,289,000 (2019 £61,289,000) in respect of freehold land at valuation and is not depreciated.

The net book amounts of tangible fixed assets include £182,000 (2019 - £246,000) in respect of assets held under finance leases in the consolidated and University accounts respectively. The related depreciation charge for the year was £64,000 (2019 - £64,000). At 31st July 2020, buildings, fixtures and plant included £26,565,000 (2019 - £10,320,000) in respect of assets under construction in the consolidated accounts. In the University assets under construction amounted to £26,565,000 (2019 - £10,141,000).

CRANFIELD UNIVERSITY
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31ST JULY, 2020
(continued...)

	CONSOLIDATED		UNIVERSITY	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
11. Investments				
Investments at beginning of year	3,681	3,366	3,625	3,366
Additions	-	864	-	808
Gains in year	465	118	465	118
Disposals	(645)	(667)	(645)	(667)
At end of year	3,501	3,681	3,445	3,625

Investments are predominantly in the Prodigy Student Loans scheme which enables the University to invest into bonds that will finance Cranfield students tuition and maintenance loans. These investments are valued at market value as at 31 July each year.

	UNIVERSITY	
	2020	2019
	£'000	£'000
12. Investment in subsidiaries		
At beginning of year	5,186	5,186
Additions	-	-
Disposals	-	-
At end of year	5,186	5,186

At 31st July, 2020 the group's principal subsidiaries, all of which were wholly owned and registered in England and Wales, comprised:-

COMPANY	NATURE OF BUSINESS
Cranfield Group Holdings Limited	Holding company
Cranfield Airport Operations Limited	Provision of air traffic control services
Cranfield Aerospace Solutions Limited	Aerospace research and development
Cranfield Conference Centre Limited	Provision of conference and accommodation services
Cranfield Quality Services Limited	Provision of residential support services
Cranfield Regatta Limited	Organisation of an annual sailing event
Cranfield Innovative Manufacturing Limited	Consultancy and development programmes in manufacturing
Cranfield Management Development Limited	Provision of executive development programmes
Cranfield Defence and Security Services Limited	Provision of defence and security services
MK:U Limited	Dormant company

CRANFIELD UNIVERSITY
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31ST JULY, 2020
(continued...)

	CONSOLIDATED		UNIVERSITY	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
13. Trade and Other receivables				
Work in progress	11,923	10,435	10,134	9,820
Other trade debtors	26,618	24,704	24,754	20,504
Prepayments and accrued income	6,298	6,021	5,088	4,750
Other taxes	629	3	-	-
Amounts receivable from subsidiary undertakings	-	-	3,355	2,801
	45,468	41,163	43,331	37,875
<p>Included in amounts receivable from subsidiary undertakings is £1,160,000 (2019 - £Nil) which is recoverable after more than one year and interest is charged at 1% over the Bank of England base rate.</p>				
14. Creditors: amounts falling due within one year				
Secured loans	-	297	-	297
Unsecured loans	11,129	835	11,129	835
Finance lease obligations	265	96	265	96
Amounts owed to subsidiary undertakings	-	-	909	4,248
Trade creditors	28,936	27,675	25,792	24,009
Social security costs and other taxation payable	3,585	2,419	2,358	2,269
Accruals and deferred income	34,660	31,086	32,125	28,170
	78,575	62,408	72,578	59,924
15. Creditors: amounts falling due after more than one year				
Finance lease obligations	243	171	243	171
Secured loans	-	586	-	586
Unsecured loans	154,074	37,191	154,074	37,191
	154,317	37,948	154,317	37,948

CRANFIELD UNIVERSITY
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31ST JULY, 2020
(continued...)

	CONSOLIDATED		UNIVERSITY	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
15. Creditors: amounts falling due after more than one year <i>(continued ...)</i>				
<i>Analysis of secured and unsecured loans due within one year or on demand (note 14)</i>	11,129	1,132	11,129	1,132
Between one and two years	1,089	1,159	1,089	1,159
Between two and five years	1,842	34,946	1,842	34,946
Five years or more	151,143	1,672	151,143	1,672
Due after more than one year	154,074	37,777	154,074	37,777
Total secured and unsecured loans	165,203	38,909	165,203	38,909
<i>The net finance lease obligations</i>				
Due within one year or on demand (note 14)	265	96	265	96
Between one and two years	243	96	243	96
Between two and five years	-	75	-	75
Five years or more	-	-	-	-
Due after more than one year	243	171	243	171
Total net finance lease obligations	508	267	508	267

The Group had the following bank loans at 31st July, 2020:-

	Interest Rate	Loan Type	Security	Final Repayment	Loan Outstanding £'000
1.	Euro base + 0.18%	Floating(Euros)	None	15th August 2027	3,679
2.	8.71%	Fixed	None	14th March 2022	586
3.	Interest Free	Salix Fixed	None	1st April 2023	961
4.	Sterling LIBOR +0.94%	Fixed	None	5th August 2020	9,977
5.	2.20%	Private Bond	None	3rd March 2030	25,000
6.	2.30%	Private Bond	None	3rd March 2035	40,000
7.	2.49%	Private Bond	None	3rd March 2040	40,000
8.	2.60%	Private Bond	None	3rd March 2045	30,000
9.	2.67%	Private Bond	None	3rd March 2050	15,000
					165,203

CRANFIELD UNIVERSITY
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31ST JULY, 2020
(continued...)

16. **Pension provisions**

Consolidated	Obligation to fund deficit on USS pension £'000	Defined Benefit Obligations (Note 23) £'000	Total Pensions Provisions £'000
At 1 August 2019	32,688	58,776	91,464
Utilised in year	(112)	1,179	1,067
(Decrease)/increase in provision	(13,103)	31,427	18,324
	<hr/>	<hr/>	<hr/>
At 31 July 2020	19,473	91,382	110,855

University	Obligation to fund deficit on USS pension £'000	Defined Benefit Obligations (Note 23) £'000	Total Pensions Provisions £'000
At 1 August 2019	32,589	58,776	91,365
Utilised in year	(112)	1,179	1,067
(Decrease)/increase in provisions	(13,048)	31,427	18,379
	<hr/>	<hr/>	<hr/>
At 31 July 2020	19,429	91,382	110,811

Pension enhancement

The assumptions for calculating the provision for pension enhancements on termination under FRS 102 are as follows:

	Consolidated
Discount rate	1.35
Inflation	3.25

USS deficit

The obligation to fund the past deficit on the University's Superannuation Scheme (USS) arises from the contractual obligation with the pension scheme for total payments relating to benefits arising from past performance. Management have assessed future employees within the USS scheme and salary payment over the period of the contracted obligation in assessing the value of this provision.

The reduction in the term of the deficit recovery plan has given rise to a substantial reduction in the deficit provision which has decreased from £32.6 million to £19.4 million as set out in note 23. £13 million of this decrease is attributable to the change in the deficit contributions contractual commitment. See also Staff costs note 6 in respect of significant one-off pension gains / costs.

CRANFIELD UNIVERSITY
 NOTES TO THE ACCOUNTS
 FOR THE YEAR ENDED 31ST JULY, 2020
 (continued...)

	Staff restructuring	Other	Total
	£'000	£'000	£'000
17. Other provisions			
<i>a. Consolidated</i>			
At beginning of year	-	47	47
Utilised	-	-	-
Released	-	-	-
Charged to income and expenditure account	-	-	-
	<hr/>	<hr/>	<hr/>
At end of year	-	47	47
	<hr/>	<hr/>	<hr/>
<i>b. University</i>			
At beginning of year	-	-	-
Utilised	-	-	-
Released	-	-	-
Charged to income and expenditure account	-	-	-
	<hr/>	<hr/>	<hr/>
At end of year	-	-	-
	<hr/>	<hr/>	<hr/>

Other relates to a warranty provision in place over a five year period.

CRANFIELD UNIVERSITY
 NOTES TO THE ACCOUNTS
 FOR THE YEAR ENDED 31ST JULY, 2020
 (continued...)

18. Endowment reserves

	Expendable endowments	2020 Total	2019 Total
	£'000	£'000	£'000
Balances at 1 August 2019			
Capital	6,421	6,421	5,953
Accumulated income	109	109	179
	<hr/>	<hr/>	<hr/>
	6,530	6,530	6,132
New endowments	547	547	693
Investment income	79	79	94
Expenditure	(451)	(451)	(389)
Decrease in market value of investments	(26)	(26)	-
	<hr/>	<hr/>	<hr/>
Total endowment comprehensive income for the year	149	149	398
	<hr/>	<hr/>	<hr/>
At 31 July 2020	6,679	6,679	6,530
	<hr/>	<hr/>	<hr/>
Represented by:			
Capital	6,532	6,532	6,421
Accumulated income	147	147	109
	<hr/>	<hr/>	<hr/>
	6,679	6,679	6,530
	<hr/>	<hr/>	<hr/>
Analysis by type of purpose:			
Lectureships	782	782	834
Scholarships and bursaries	956	956	1,165
Research support	597	597	656
Prize funds	166	166	173
General	4,178	4,178	3,702
	<hr/>	<hr/>	<hr/>
	6,679	6,679	6,530
	<hr/>	<hr/>	<hr/>
Analysis by asset			
Fixed assets	339	339	339
Current and non-current asset investments	2,554	2,554	2,810
Cash & cash equivalents	3,786	3,786	3,381
	<hr/>	<hr/>	<hr/>
	6,679	6,679	6,530
	<hr/>	<hr/>	<hr/>

CRANFIELD UNIVERSITY
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31ST JULY, 2020
(continued...)

19. Cash and cash equivalents

	Notes	At 1st August 2019 £'000	Cash Flows £'000	31st July 2020 £'000
Consolidated				
Cash and cash equivalents		2,939	96,266	99,205
		<u>2,939</u>	<u>96,266</u>	<u>99,205</u>

20. Consolidated reconciliation of net debt

	2020 £'000	2019 £'000
Net debt 1 August	(36,237)	(31,925)
Movement in cash and cash equivalents	96,266	11,645
New finance lease liabilities	(241)	-
New unsecured loans	(160,000)	(32,500)
Repayments of unsecured loans	32,747	16,376
Repayment of secured loans	883	273
Changes in market value and exchange rates	76	(106)
Net debt 31 July	<u>(66,506)</u>	<u>(36,237)</u>
Change in net debt	<u>(30,269)</u>	<u>(4,312)</u>

Analysis of net debt:	2020 £'000	2019 £'000
Cash and cash equivalents	99,205	2,939
Borrowings: amounts falling due within one year		
Secured loans	-	297
Unsecured loans	11,129	835
Bank overdraft	-	-
Obligations under finance leases	<u>265</u>	<u>96</u>
	11,394	1,228
Borrowings: amounts falling due after more than one year		
Service concession liabilities due after one year		
Obligations under finance lease	243	171
Secured loans	-	586
Unsecured loans	<u>154,074</u>	<u>37,191</u>
	154,317	37,948
Net debt	<u><u>66,506</u></u>	<u><u>36,237</u></u>

CRANFIELD UNIVERSITY
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31ST JULY, 2020
(continued...)

	CONSOLIDATED		UNIVERSITY	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
21. Lease obligations				
Non-cancellable operating lease rentals are payable as follows:				
Land and buildings				
Within one year	235	240	235	240
Between two and five years	33	268	33	268
In more than five years	-	-	-	-
	268	508	268	508
Other				
Within one year	68	149	-	-
Between two and five years	85	57	-	-
In more than five years	-	-	-	-
	153	206	-	-
During the year £240,000 was recognised as an expense in the profit and loss account in respect of operating leases (2019 £320,000).				
22. Capital and other commitments				
a. Commitments contracted but not provided in the accounts	42,250	9,830	42,250	8,619
b. Commitments authorised but not Contracted for	55,174	160,835	55,174	160,835

CRANFIELD UNIVERSITY
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31ST JULY, 2020
(continued...)

23. Pensions

The two pension schemes for the University's staff are the Universities Superannuation Scheme (USS) and the Local Government Pension Scheme (LGPS) administered by Bedfordshire County Council. The assets of the USS are held in a separate trustee-administered fund and a Pension Fund Investment Advisory Panel is responsible for the investment arrangements of the assets of the LGPS. Both schemes are defined benefit schemes, which are externally funded, valued every three years by actuaries using the projected unit method and are contracted out of the State Earnings Related Pensions Scheme. In the intervening years, the actuaries review the progress of the schemes.

Between October 2011 and March 2016 USS provided two schemes, the first for existing members of staff at 30th September 2011 who were existing members of USS, this scheme had benefits based on final pensionable salary for academic and related employees of all universities in the United Kingdom and some other employers, the second for new entrants (other than in some specific, limited circumstances) were provided on a career re-valued benefit basis. From 1 April 2016 one revised career re-valued benefit scheme has been introduced for all academic and related employees.

LGPS provides similar benefits for other staff of the University, based on their final salary.

Pension costs are assessed, in accordance with the advice of the actuary, based on the latest actuarial valuation of the schemes and are accounted for on the basis of charging the cost of providing pensions over the period during which the University benefits from the employees' services.

USS

The institution participates in Universities Superannuation Scheme. The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the assets are not attributed to individual institutions and a scheme-wide contribution rate is set. The 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 defined contribution scheme. As a result, the amount charged to the profit and loss account 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) with related expenses being recognised through the profit and loss account.

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

CRANFIELD UNIVERSITY
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31ST JULY, 2020
(continued...)

23. **Pensions** *(continued...)*

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

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

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

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

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

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

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

CRANFIELD UNIVERSITY
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31ST JULY, 2020
(continued...)

23. **Pensions** *(continued...)*

The current life expectancies on retirement at age 65 are:

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

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

	2020	2019
Discount rate	1.35%	2.05%
Pensionable salary growth	4.20%	2.11%

		CONSOLIDATED	
		2020	2019
		£'000	£'000
USS pension provision			
At beginning of the year	16	32,688	11,785
Interest payable		670	282
Contributions paid against deficit (Credited)/charged in the year		(782)	(628)
		(13,103)	21,249
At end of the year		<u>19,473</u>	<u>32,688</u>

LGPS

The rate of the University's employer's contributions for LGPS is determined by the actuaries and is presently 19.6% of pensionable salaries. Employee rates for LGPS are statutorily prescribed. Variations from regular cost are spread over the expected average remaining working lifetime of members of the scheme after making allowances for future withdrawals.

The figures disclosed below estimated by the actuary as at 31st July, 2020 have been derived by suitable approximation methods from the full actuarial valuation as at 31st March, 2019. Surpluses or deficits that arise may impact on the University's future contribution commitment.

CRANFIELD UNIVERSITY
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31ST JULY, 2020
(continued...)

23. **Pensions** *(continued...)*

The major assumptions used by the actuary as at 31st July, 2020 are as follows:-

	2020	2019	2018
	%	%	%
Salary scale increases per annum	3.25	2.7	2.7
Pension increases per annum	2.25	2.4	2.4
Discount rate per annum	1.35	2.05	2.7
Members opting for enhanced commutation pre 2008 service	50.0	50.0	50.0
Members opting for enhanced commutation post 2008 service	50.0	75.0	75.0

The assumed life expectations on retirement at age 65 are:-

	2020	2019	2018
Retiring today			
Males	22.2	20.7	22.4
Females	24.3	23.2	24.5
Retiring in 25 years			
Males	23.4	21.7	24.0
Females	26.1	24.7	26.2

The estimated University share of the assets in the scheme were:-

	2020	2019	2018
	£'000	£'000	£'000
Equities	66,495	66,673	52,778
Property	9,265	9,416	8,190
Bonds	15,757	15,203	12,739
Cash	5,877	4,377	17,289
	<hr/>	<hr/>	<hr/>
	97,394	95,669	90,996

There is no provision for unitising the assets of a Fund under LGPS. The asset of the scheme, as a whole, is allocated to participating bodies on a consistent and reasonable basis.

CRANFIELD UNIVERSITY
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31ST JULY, 2020
(continued...)

23. Pensions (continued ...)

The University's share of the underlying assets and liabilities are as follows:-

	2020 £'000	2019 £'000
Market value of assets	97,394	95,669
Present value of liabilities	(188,776)	(154,445)
Deficit in the scheme – net pension liability recorded within pension provisions (note 16)	(91,382)	(58,776)
Current service cost	4,319	3,909
Loss due to curtailments	16	-
Past service cost	-	-
Total operating charge	4,335	3,909
Analysis of the amount charged to interest payable		
Interest on pension scheme liabilities	3,126	3,737
Interest on pension scheme assets	(1,965)	(2,467)
Net charge to other finance costs	1,161	1,270
Total income and expenditure account charge	5,496	5,179
Analysis of other comprehensive income		
(Loss)/gain on assets	(551)	1,760
Change in demographic assumptions	(5,642)	6,189
Change in financial assumptions	(21,122)	(16,702)
Experience loss on liabilities	(4,112)	-
Gain/(loss) on liabilities	-	-
Total other comprehensive income before deduction for tax	(31,427)	(8,753)
Cumulative actuarial loss recognised as other comprehensive income for LGPS Scheme		
Cumulative actuarial losses recognised at the start of the year	10,286	1,533
Cumulative actuarial losses recognised at the end of the year	41,713	10,286
Analysis of movement in deficit during the year:		
Deficit in scheme at beginning of the year	(58,776)	(49,170)
Movement in year:		
Current service cost	(4,239)	(3,572)
Contributions	4,317	4,326
Administration expenses	(80)	(337)
Past service cost	-	-
Curtailment cost	(16)	-
Other finance charge	(1,161)	(1,270)
Actuarial loss	(31,427)	(8,753)
Deficit in scheme at end of the year	(91,382)	(58,776)

CRANFIELD UNIVERSITY
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31ST JULY, 2020
(continued...)

23. **Pensions** *(continued ...)*

	2020	2019
	£'000	£'000
Analysis of movements in the present value of the scheme liabilities:-		
Present value at beginning of year	154,445	140,166
Current service cost (net of member contributions)	4,239	3,572
Interest cost	3,126	3,737
Contributions by members (including notional contributions)	646	609
Actuarial losses/(gains)	30,876	10,513
Losses on curtailments	16	-
Actual benefits paid	(4,572)	(4,152)
	188,776	154,445
Analysis of movement in the fair value of the scheme assets:-		
Fair value at beginning of year	95,669	90,996
Interest on plan assets	1,965	2,467
Contributions by members	646	609
Contributions by the employer	4,317	4,326
Actuarial (losses)/gains	(551)	1,760
Actual benefits paid	(4,572)	(4,152)
Administration expenses	(80)	(337)
	97,394	95,669

Estimated contributions for LGPS in the Financial year 2021 is £2,008,000 (Financial Year 2019 £4,381,000).

In addition to the main schemes described above, some of the subsidiaries operate their own immaterial pension schemes, details of which can be found in the individual company accounts.

	£'000	£'000
24. Access funds		
Funding Council grants in year	-	-
Disbursed to students in year	-	-
	9	9

Funding Council grants are available solely for students: the University acts only as paying agent. The grants and related disbursements are therefore excluded from the income and expenditure account.

CRANFIELD UNIVERSITY
NOTES TO THE ACCOUNTS
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(continued...)

25. Related party transactions

The following exemptions available under FRS 102 have been applied to these financial statements:

- Disclosures in respect of transactions with wholly owned subsidiaries

	CONSOLIDATED		UNIVERSITY	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
26. Financial instruments				
Financial assets at fair value through the comprehensive income account	3,038	3,263	3,038	3,207
Financial assets that are debt instruments measured at amortised cost:				
Cash and cash equivalents	99,205	2,939	95,752	2,065
Other investments measured at amortised costs	463	418	407	418
Trade debtors	26,618	24,704	28,109	23,305
Other debtors	6,927	6,024	5,088	4,750
	<u>136,251</u>	<u>37,348</u>	<u>132,394</u>	<u>33,745</u>
Financial liabilities measured at amortised cost:				
Secured loans	-	(883)	-	(883)
Unsecured loans	(165,203)	(38,026)	(165,203)	(38,026)
Finance leases	(508)	(267)	(508)	(267)
Trade creditors	(28,888)	(27,675)	(26,701)	(28,257)
Accruals	(16,989)	(10,577)	(16,073)	(9,165)
	<u>(211,588)</u>	<u>(77,428)</u>	<u>(208,485)</u>	<u>(76,598)</u>