

Queen Margaret University, Edinburgh

Strategic Report and Financial Statements

for the year ended 31st July 2020

Registered No. SC007335

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**PRINCIPAL'S REPORT
for the year ended 31 July 2020**

This year was always set to be one of change and development at QMU, following the retirement of Professor Petra Wend, my succeeding her, our plans to refresh our strategy, and Brexit. But none of us could have anticipated the level of change

STRATEGIC REPORT (continued)

In accordance with the recommendations from the Higher Education Financial Sustainability Strategy Group (FSSG), the University Court undertakes a formal annual assessment of the University's financial sustainability. This process involves reviewing a common set of financial indicators, which have been applied to the University's historical results and to the financial forecasts measured over a rolling five-year period, so as to reduce the impact of any one-off exceptional items arising in any year. The two key indicators which the University Court has agreed to focus upon to inform its considerations around financial sustainability are:-

1. Earnings before interest, taxation, depreciation and amortisation (EBITDA); and
2. Net cash flow from operating activities less interest payable as a percentage of turnover.

The second indicator has been adapted from the basket of financial indicators recommended by the FSSG as it is a more appropriate measure for the University, given its relatively high level of borrowings as a proportion of its

STRATEGIC REPORT (continued)

Student satisfaction

The University participates in the National Student Survey (NSS). The 2020 institutional results show an overall satisfaction score of 82.6%, up from 82.3% in 2019. A particular highlight is the considerable increase in the proportion of students agreeing that the Students' Union effectively represents students' academic interests (up 5%). This sees it move up to rank fifth in Scotland, an impressive gain of 6 places compared to the previous year.

Graduate employment

Our Employability Strategy brings together in a single document our approach to employability, with the primary objective of providing equitable employment and careers education to all students and graduates, and providing a public statement of our commitment to their success. We consider that our efforts are proving highly effective. Graduate level employment is at a similar level to the previous year, although a change in the methodology used to calculate this measure at national level means that the precise figures are not directly comparable.

Environmental issues

The University has one of the "greenest" campuses in the UK, which received a BREEAM "excellent" rating. Sustainability remains at the heart of the University's activities, which has been recognised through a number of green awards.

Future developments

In order to address the risks set out above, and also to take advantage of further opportunities as they arise, the University is continuing to focus on ensuring that its academic, infrastructure, digital, human resources and financial strategies are closely aligned. A review of the academic portfolio undertaken in 2018 has resulted in the introduction of a number of new programmes, and this, along with a continual review of the viability of existing programmes, will ensure that the University is able to achieve the objectives set out in its strategic plan. This will, in turn, allow the University to continue to generate an adequate level of cash in the short to medium term and to maintain an adequate level of reserves. The Court carries out regular monitoring of the University's financial sustainability, as described above.

The impact of the UK's exit from the European Union on the University's operations and financial plans remains uncertain. The University has identified a number of elements which may have a significant impact on its operations. These include:-

- the impact on tuition fees from EU students (and any consequential impact on EU student numbers choosing to study at Queen Margaret University);
- the ability to access research and other funding from EU institutions;
- the status of staff from within the remaining EU (and the University's ability to attract and retain such individuals); and
- the attractiveness of the University as a partner institution for collaborative work with Universities based in the remaining EU.

The funding environment for Scottish higher education institutions was challenging prior to the COVID-19 pandemic, and those challenges have inevitably increased as a result of the pandemic, as the level of funds available to the Scottish Government and the Scottish Funding Council (and therefore the amount available for distribution to universities) continues to decline in real terms. The financial challenges facing the University are highlighted in the financial sustainability indicators set out above, and in particular the EBITDA indicator, for which the five-year average remains below the target level.

The COVID-19 pandemic has had a significant impact on the University's operations throughout 2020. Whilst there has been significant disruption to the University's activities, the pandemic has also allowed the University to identify a number of opportunities to contribute towards the rebuilding of society post-COVID. The importance of the subjects in which Queen Margaret University specialises, particularly in health care subjects, means that there will be opportunities to develop teaching and research practices in these areas. Opportunities have been taken to develop

DIRECTORS' REPORT (continued)

MEMBERSHIP OF THE UNIVERSITY COURT

Name		Attendance record	
Dr Frances Dow CBE (Chair)	Appointed 17 March 2016 Retired 16 March 2020	2/3	Former Vice Principal, University of Edinburgh
Linda McPherson (Acting Chair)	Appointed 1 October 2014, Vice-Chair to 16 March 2020, Acting Chair from 17 March 2020	5/5	Former Senior Director - Food and Drink, Tourism & Textile, Scottish Enterprise
Elaine Acaster, OBE	Appointed 28 June 2017	5/5	

DIRECTORS' REPORT (continued)

Membership of University Court Committees during the year to 31 July 2020

Audit and Risk Committee

Name		Attendance record
Professor Graham Caie		

CORPORATE GOVERNANCE STATEMENT

Summary of the University's Structure of Corporate Governance

The University is committed to best practice in all aspects of corporate governance. This summary describes the manner in which the University has applied the principles set out in the UK Corporate Governance Code, in so far as they apply to the higher education sector. The University has followed the internal control guidance for directors on the Code as amended by the British Universities Finance Directors Group, and has also aligned its practice fully against the principles set out in the Scottish Code of Good Higher Education

CORPORATE GOVERNANCE STATEMENT (continued)

To assist members in the performance of their duties, members of the University Court were offered, and attended, several training and development opportunities during 2019-20. These included external training sessions, discrete development and planning away days, as well as presentations on strategic themes relevant to the work of the University at each Court meeting. Training and development opportunities offered to Court members in 2019/20 included:

- Advance HE Governor Development Programme for New and Student Governors, 15 October 2019, Glasgow.
- Scott Moncrieff Non-Executive Directors Forum: 'Making Better Decisions' – October 2019.

CORPORATE GOVERNANCE STATEMENT (continued)

The University's Gender Action Plan 2017-20 restates the University's commitment to ensuring that the

RESPONSIBILITIES OF THE UNIVERSITY COURT

In accordance with the Companies Act and the University's Statutory Instrument, the University Court is responsible for the strategic development of the University, and also for ensuring that the affairs of the University are administered and managed appropriately, including ensuring an effective system of internal control, and that audited financial statements are presented for each financial year.

The University Court is responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the University and enable the University Court to ensure that the financial statements are prepared in accordance with the University's Articles of Association, the 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 Scottish Funding Council and the University Court, the University Court, 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 of the surplus or deficit and cash flows for that year.

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

- suitable accounting policies are selected and applied consistently;
- judgements and estimates are made that are reasonable and prudent;
- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- financial statements are prepared on the going concern basis unless it is inappropriate to presume that the University will continue in operation. The University Court 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 University Court has taken reasonable steps to:

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

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE COURT OF QUEEN MARGARET
UNIVERSITY, EDINBURGH (continued)**

**Opinion on other matters prescribed by the Scottish Funding Council's Financial Memorandum with Higher
Education Institutions**

In our opinion, in all material respects:

- the requirements of the Scottish Funding Council's accounts direction have been met;
- funds from whatever source administered by the institution for specific purposes have been applied properly to those

STATEMENTS OF COMPREHENSIVE INCOME AND EXPENDITURE
For the Year Ended 31 July 2020

		2019/20		2018/19	
		£000 Consolidated	£000 University	£000 Consolidated	£000 University
INCOME					
Tuition fees and education contracts	1	13,918	13,918	13,923	13,923
Scottish Funding Council grants	2	17,171	17,171	16,171	16,171
Research grants and contracts	3	2,421	2,404	2,192	2,167
Other income	4	6,532	6,308	6,842	6,463
Investment income	5	56	55	85	84
Donations and endowments	6	339	339	305	305
Total income		<u>40,437</u>	<u>40,195</u>	<u>39,518</u>	<u>39,113</u>
EXPENDITURE					
Staff costs	7	23,153	23,089	26,712	26,567
Other operating expenses	11	10,901	10,723	11,683	11,423
Depreciation	12	5,314	5,314	5,735	5,735
Interest and other finance costs	8	1,548	1,548	1,432	1,432
Total expenditure		<u>40,916</u>	<u>40,674</u>	<u>45,562</u>	<u>45,157</u>
(Deficit)/surplus before other gains/(losses)		(479)	(479)	(6,044)	(6,044)
Gain/(loss) on disposal of tangible asset		4	4	-	-
(Deficit) / surplus before tax		(475)	(475)	(6,044)	(6,044)
Taxation	10	-	-	-	-
(Deficit) / surplus for the year		(475)	(475)	(6,044)	(6,044)
Unrealised surplus on revaluation of land and buildings		5,168	5,168	30,614	30,614
Actuarial (loss) /gain in respect of pension schemes		(14,439)	(14,439)	(7,359)	(7,359)
Total comprehensive (expenditure)/ income for the year		(9,746)	(9,746)	17,211	17,211

Represented by:-

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STATEMENTS OF CHANGES IN RESERVES
For the Year Ended 31 July 2020

Consolidated and University
£000s

	Income & Expenditure Account		Revaluation reserve	Total
	Endowments	Unrestricted		
Balance at 1 August 2018	565	23,791	31,132	55,488
Surplus/ (deficit) from the income & expenditure statement	77	(13,480)	-	(13,403)
Revaluation gain	-	-	30,614	30,614
Transfer between revaluation and income & expenditure reserves	-	334	(334)	-
Balance at 1 August 2019	642	10,645	61,412	72,699
Surplus/ (deficit) from the income and expenditure statement	179	(15,093)	-	(14,914)
Revaluation gain	-	-	5,168	5,168
Transfer between revaluation and income & expenditure reserves	-	-	-	-
Balance at 31 July 2020	821	(4,448)	66,580	62,953

BALANCE SHEETS AS AT 31 JULY 2020

	Note	Consolidated		University	
		2020	2019	2020	2019
		£000	£000	£000	£000
FIXED ASSETS					
Tangible assets	12	128,755	127,961	128,755	127,961
Investments	13	-	-	-	-
		<u>128,755</u>	<u>127,961</u>	<u>128,755</u>	<u>127,961</u>
CURRENT ASSETS					
Trade and other receivables	14	2,522	1,709	2,982	1,825
Cash at bank and in hand		8,772	8,082	8,252	7,754
		<u>11,294</u>	<u>9,791</u>	<u>11,234</u>	<u>9,579</u>
CREDITORS: amounts falling due within one year	15	<u>(7,272)</u>	<u>(8,219)</u>	<u>(7,212)</u>	<u>(8,007)</u>
NET CURRENT ASSETS / (LIABILITIES)					

CONSOLIDATED STATEM

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

(A) **Basis of preparation (including going concern assessment)**

The financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2019 ("SORP 2019") and in accordance with Financial Reporting Standard (FRS) 102 and with the Accounts Direction issued by the Scottish Funding Council.

The University is a public benefit entity and therefore has applied the relevant public benefit requirement of FRS 102. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings.

The functional currency of the University is pounds sterling, and the financial statements have been prepared to round £000s.

The financial statements have been prepared on a going concern basis. The University and Group's activities, financial performance and financial position, together with factors likely to affect its future development and performance, are described in the Strategic Report. Emerging and principal risks and uncertainties facing the University are described on page 5. At 31 July 2020, the University held gross cash of £8.8 million (2019 gross cash of £8.1 million), while net current assets were £4.0 million. At 31 January 2021 the University held £13.5 million of gross cash.

The only external borrowings of the University at 31 July 2020 were debt with a balance of £29.1 million, comprising covenanted debt with Barclays Bank plc. Between 1 August and 31 January 2021, £0.7 million had been repaid in accordance with loan agreements. A further £1.5 million of borrowings will be repayable during the going concern period, which runs for a 12-month period from the date of approval of these financial statements to February 2022.

In light of the unprecedented nature of the COVID-19 pandemic and its potential impacts on funding and key

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

(D) **Accounting for retirement benefits**

Retirement benefits for employees of the University are provided by the Local Government Pension Scheme (LGPS) through the Lothian Pension Fund, the Scottish Teachers' Pension Scheme (STPS) and the Universities Superannuation Scheme (USS). All three are defined benefit schemes.

Local Government Pension Fund

The Lothian Pension Fund is a funded multi-employer defined benefit scheme, with the assets held in a separate trustee-administered fund to meet long-term pension liabilities to past and present employees. The University recognises a liability for its share of obligations under the scheme net of its share 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 current and prior periods, discounted to determine its present value, less the fair

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

(N) Judgements and key sources of estimation uncertainty (continued)

Valuation of land and buildings (continued)

Consideration has been given to the effects of the COVID-19 pandemic on the University's property assets and their associated values. The COVID-19 outbreak is a global pandemic that has affected all parts of the global community. It is a fast-changing, fluid situation, with government recommendations and requirements being reviewed and updated on an ongoing basis. Many business sectors have been forced to close as part of government restrictions to reduce the spread of the virus, and the full effects of the virus on property markets and the wider economy are yet to be fully understood, assessed or quantified. Currently, there is insufficient empirical data available to make an informed and evidence-based decision on whether or not there has been

NOTES TO THE FINANCIAL STATEMENTS

	2019/20 £000	2018/19 £000
1. TUITION FEES AND EDUCATION CONTRACTS (consolidated and university)		
Scottish higher education students	5,708	5,858
Rest of UK students	1,016	1,040
European Union (excluding UK) students	2,881	2,585
Non-European Union students	2,326	2,582
Other fees and discounts	(363)	(337)
Education contracts	2,350	2,195
	13,918	13,923
2. SCOTTISH FUNDING COUNCIL GRANTS (consolidated and university)		
Recurrent grant		
Teaching	13,517	12,558
Research	1,108	1,174
Specific grants		
Wider access retention funding	597	597
Other Specific Grants	64	219
Disabled students premium	57	54
Knowledge exchange / University Innovation Fund	385	534
Scottish Drama Training Network	293	148
Capital maintenance grant released	344	359
Other miscellaneous grants	157	-
Deferred capital grants released (note16)		
Land & buildings	649	528
Equipment	-	-
	17,171	16,171

3. RESEARCH GRANTS & CONTRACTS

	Consolidated		University	
	2019/20 £000	2018/19 £000	2019/20 £000	2018/19 £000
Research councils	303	239	303	239
UK based charities	148	132	138	124
UK government and health authorities	1,729	1,497	1,729	1,484
UK private sector	5	7	-	-
European funding	110	81	108	81
Other grants & contracts	126	236	126	239
	2,421	2,192	2,404	2,167

4. OTHER OPERATING INCOME

	Consolidated		University	
	2019/20 £000	2018/19 £000	2019/20 £000	2018/19 £000
Residences, catering and conferences	3,872	5,250	3,602	4,884
Other services rendered	505	829	331	469
Sports centre income	148	223	148	223
Released from deferred capital grants (note 16)	-	-	-	-
Other income	2,007	540	2,227	887
	6,532	6,842	6,308	6,463

NOTES TO THE FINANCIAL STATEMENTS

5. INVESTMENT INCOME

	Consolidated		University	
	2019/20 £000	2018/19 £000	2019/20 £000	2018/19 £000
Investment income on endowments	-	-	-	-
Other investment income	56	85	55	84
Net return on pension scheme	-	-	-	-
	56	85	55	84

6. DONATIONS AND ENDOWMENTS
(consolidated and university)

	2019/20 £000	2018/19 £000
New endowments	-	-
Unrestricted donations	339	305
	339	305

7. STAFF COSTS

	Consolidated		University	
	2019/20 £000	2018/19 £000	2019/20 £000	2018/19 £000
Staff costs				

NOTES TO THE FINANCIAL STATEMENTS

7.

NOTES TO THE FINANCIAL STATEMENTS

8. INTEREST PAYABLE AND OTHER FINANCE COSTS

	Consolidated		University	
	2019/20 £000	2018/19 £000	2019/20 £000	2018/19 £000
Loan interest	1,187	1,246	1,187	1,246
Finance lease interest	-	-	-	-
Net charge on pension scheme	361	186	361	186
	1,548	1,432	1,548	1,432

9. ANALYSIS OF TOTAL EXPENDITURE BY ACTIVITY

	Consolidated		University	
	2019/20 £000	2018/19 £000	2019/20 £000	2018/19 £000
Academic schools	13,528	14,197	13,887	14,197
Academic services	4,271	5,177	4,271	5,177
Research grants & contracts	1,683	1,900	1,665	1,884
Other services rendered	680	508	507	236
Residences, catering and conferences	2,209	3,110	2,172	3,002
Premises	7,514	8,096	7,514	8,096
Administration & central services	9,657	7,845	9,284	7,836
Other expenses	1,374	4,729	1,374	4,729
Total per income and expenditure account	40,916	45,562	40,674	45,157

	2019/20 £000	2018/19 £000
10. TAXATION (consolidated and university)		
UK Corporation Tax payable	-	-
	<u>-</u>	<u>-</u>

11. OTHER OPERATING EXPENSES

	Consolidated		University	
	2019/20 £000	2018/19 £000	2019/20 £000	2018/19 £000
External auditors – audit fees	112	71	100	66
External auditors – non-audit fees	2	-	-	-
Internal audit	31	44	31	44
Grants to QMU Students Union	252	240	252	240
Other expenses	10,504	11,328	10,340	11,073
	10,901	11,683	10,723	11,423

NOTES TO THE FINANCIAL STATEMENTS

12. TANGIBLE ASSETS
Consolidated and University

	Freehold land & buildings	Fixtures, fittings & equipment		TOTAL
		Owned	Owned Held under finance leases	
	£000	£000	£000	£000
Cost or valuation:				
At 1 August 2019	129,907	9,704	1,271	140,882
Disposals at cost	-	(14)	-	(14)
Additions at cost	-	940	-	940
Revaluation of buildings	(2,759)	-	-	(2,759)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

NOTES TO THE FINANCIAL STATEMENTS

13. INVESTMENTS

Subsidiary Undertaking

Name of undertaking	Country of incorporation and registration	Description of shares held	Proportion of nominal value of shares held	Cost at 1 August 2019 & 31 July 2020
			%	£
QMU Enterprises Ltd	Scotland	Ordinary £1 shares	100	100
				<u>100</u>

QMU Enterprises Limited undertakes activities which, for legal or commercial reasons, are more appropriately channelled through a separate limited company. These activities include vacation letting, conferences and rendering of services (other than research) for a variety of commercial and other organisations. The results of QMU Enterprises Limited have been consolidated into the group financial statements.

14. TRADE AND OTHER RECEIVABLES

Amounts falling due within one year:

	Consolidated		University	
	2020 £000	2019 £000	2020 £000	2019 £000
Trade debtors	246	858	243	677
Prepayments and accrued income	2,276	851	2,276	784
Amounts due from subsidiary company	-	-	463	364
	<u>2,522</u>	<u>1,709</u>	<u>2,982</u>	<u>1,825</u>

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Consolidated		University	
	2020 £000	2019 £000	2020 £000	2019 £000

NOTES TO THE FINANCIAL STATEMENTS

16. CREDITORS: AMOUNTS FALLING
DUE AFTER MORE THAN ONE YEAR

Secured loans (see note 15)
Unsecured loans
Deferred capital grants

Analysis of secured loans:-
Due between one and two years

Consolidated and University	
2020	2019
£000	£000
27,595	29,086
98	125
7,558	8,207
35,251	37,418
1,492	1,492

NOTES TO THE FINANCIAL STATEMENTS

17. PROVISIONS FOR LIABILITIES
Consolidated and University

Pensions
£'000

**Obligation to
fund deficit on
USS Pension**

**Pension
enhancements**

**Defined benefit
obligations**

NOTES TO THE FINANCIAL STATEMENTS

19. REVALUATION RESERVE

	Consolidated and University	
	2020 £000	2019 £000
At 1 August	61,412	31,132
Revaluation Gains	5,168	30,614
Release to general reserve	-	(334)
At 31 July	66,580	61,412

20. CONSOLIDATED RECONCILIATION OF NET DEBT

Consolidated and University

	£000
Net debt at 1 August 2019	22,656
Increase in cash and bank balances	(690)
Secured loans repaid	(1,491)
Unsecured loans repaid	(31)

NOTES TO THE FINANCIAL STATEMENTS

21. PENSIONS AND SIMILAR OBLIGATIONS

The University's employees belong to three principal pension schemes, the Scottish Teachers Pension Scheme (STPS), the Local Government Pension Scheme (LGPS) and the Universities Superannuation Scheme (USS). The total pension cost for the year was £4,058,000 (2018/19: £5,833,000).

Consolidated and University

Year ended 31 July 2020	Year ended 31 July 2019
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The total pension cost for the year ended 31 July 2020 was £4,058,000 (2018/19: £5,833,000).

NOTES TO THE FINANCIAL STATEMENTS

21. PENSIONS AND SIMILAR OBLIGATIONS (continued)

A) Local Government Pension Scheme (LGPS) (continued)

NOTES TO THE FINANCIAL STATEMENTS

21. PENSIONS AND SIMILAR OBLIGATIONS (continued)

A) Local Government Pension Scheme (LGPS) (continued)

Guaranteed minimum pension (GMP) was accrued by members of the Local Government Pension Scheme (LGPS) between 6 April 1978 and 5 April 1997. The value of GMP is inherently unequal between males and females for a number of reasons, including a higher retirement age for men and GMP accruing at a faster rate for women. However overall equality of benefits was achieved for public service schemes through the interaction between scheme pensions and the Second State Pension. The introduction of the new Single

NOTES TO THE FINANCIAL STATEMENTS

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NOTES TO THE FINANCIAL STATEMENTS

21. PENSIONS AND SIMILAR OBLIGATIONS (continued)

C) Universities Superannuation Scheme (USS) (continued)

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

Mortality base table	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% p.a. for males and 1.6% p.a. for females

The current life expectancies on retirement at age 65 are:

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

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

	2020	2019
Discount rate	0.73%	2.44%
Pension increases (CPI)	2.00%	2.11%

D) Other pension liabilities

The University has a liability for pension enhancements payable to former members of staff who have taken early retirement in prior years. An actuarial valuation of the amount of this liability was carried out by Hymans Robertson, Actuaries at 31 July 2020 on the basis of valuation prescribed by FRS 102. The total provision in respect of this liability is £2.846 million (2019: £3.011 million).

22. POST BALANCE SHEET EVENT

In September 2020, the Trustee of the USS Pension Scheme (USS) launched a consultation with Universities UK on key aspects of the scheme's 2020 valuation. The scope of this exercise covers a wide range of potential outcomes - reflecting issues still to be resolved on employer support as well as uncertainties for the higher education sector and financial markets in general - but, based on the proposals put forward, the Trustees have indicated that the fund's deficit at 31 March 2020 could range from between £9.8bn and £17.9bn. This would represent a significant deterioration from the £3.6bn deficit established under the 2018 valuation (and against which the current recovery plan is set) and a return to the levels of shortfall experienced under the previous 2017 valuation (£11.8bn).

At this stage no outcome has been agreed and the USS Trustee has until 30 June 2021 to conclude the valuation. As an early indication of the scale of impact, it has been estimated that the cost of continuing to offer current benefits in this context could reach between 40.8% to 67.9% of payroll. However, this range is purely an illustration and is before any other measures are considered to reduce the deficit. This matter is still

NOTES TO THE FINANCIAL STATEMENTS

24. HARDSHIP AND CHILDCARE FUNDS

	2019/20 £000	2018/19 £000
HARDSHIP FUND (undergraduate and postgraduate)		
Balance at 1 August	-	-