

Annual Report and Financial Statements

2018/19



**Harper Adams
University**

CONTENTS

Chief Executive's Report	2
Strategic Review	10
Report of the Governors and Corporate Governance Statement.....	14
Independent Auditor's Report to the Board of Governors of Harper Adams University	20
Statement of Accounting Policies.....	22
Consolidated Statement of Comprehensive Income and Expenditure	26
Consolidated and University Statement of Changes in Reserves.....	27
Consolidated and University Balance Sheet	28
Consolidated and University Cash Flow	29
Notes to the Financial Statements.....	30
Glossary of Terms.....	47

Chief Executive's Report

Harper Adams University delivers higher education in support of the agricultural, agricultural engineering, food science and technology, environmental science, veterinary science and land-based sectors. It is one of only five UK HE institutions specialising in these subject areas. The university offers multi-disciplinary courses that provide a firm grounding in science and technology to meet the needs of industry, and to help create professionals able to deal with the application of science in the production of food, the management of natural resources and the delivery of renewable energy. The university is also an important source of independent knowledge, advice and education to those already working in these vital sectors and it undertakes applied research of benefit to industry and society. Furthermore, it has a key role to play in a rapidly developing policy environment where its subject base is of increasing importance to the UK economy, to the challenge of achieving global food security and to the future of the UK in the post-EU era.

Our current Strategic Plan covers the period from 2015 to 2020. Our strategy has five objectives:

- 1. Education:** We will grow the population of the University to 3,000 FTE students, whilst attracting those already in the professions who need to extend their understanding and expertise, thereby providing a community of learning that will appeal to rural and urban students from the UK and overseas.
- 2. Engagement:** We will enhance our engagement with industry and local enterprise partnerships to help grow our capacity for education, research and knowledge exchange.
- 3. Research:** We will move from a position where over 50% of our research in the 2014 Research Excellence Framework was assessed as internationally excellent or world leading to a rating of over 60% for these categories in the next Research Excellence Framework.
- 4. Influence:** We will enhance the role and reputation of Harper Adams as a contributor to national policy formulation and delivery to improve rural economic development and the UK's contribution to global food security.
- 5. Efficiency:** We will maintain our expenditure on administrative activities below the median, when benchmarked against other small and specialist UK higher education institutions, in order to allow us to focus resources, including new technologies, on efficient teaching and the support of our students.

The Strategic Plan acts as a framework to guide our academic activities and to focus on areas where further efficiencies can be delivered. Each year we produce a Corporate Planning Statement that helps put our strategy into operation and which provides a means to monitor progress via the Board of Governors, the Academic Board and their committees. The Corporate Planning Statement for 2019/20 was approved by the Board of Governors in July 2019. At the same time, a final progress report on the Statement for 2018/19 was assessed. Almost all of the objectives for the year had been delivered

or were close to being delivered. Our scrutiny of progress against our academic and institutional objectives, and the link between this work and our regular reviews of corporate risks, enable us to ensure that we achieve our targets and effectively deliver our strategy.

External Policy Environment

The policy environment over the last year has continued to undergo significant change. As the sector's new regulator has concluded the process of registering providers of higher education it is moving to the full regulatory framework which commenced on 1 August 2019. We expect there to be new guidelines and monitoring requirements arising from the work of the Office for Students in the coming months.

At present, there is a strong focus on access and participation, and our first five-year Access and Participation Plan (APP) was submitted to the OfS at the end of May 2019. It contains a number of stretching targets for the University in the period from 2020-2025, not least because of our rural operating environment and the nature of the rural population from which we draw the majority of our students. We have stressed to the OfS that more needs to be done to provide better data and understanding of the needs of rural communities in its access and participation work and we are keen to work with the regulator to ensure that rural disadvantage can be properly identified and addressed.

The need to demonstrate good governance is another area of interest for the OfS, so it was pleasing to note that our Board's effectiveness review, undertaken during the year with the assistance of AdvanceHE, provided some very positive feedback on our performance when benchmarked against other institutions using the AdvanceHE survey. Our Board and executive team work closely, with proper challenge where necessary, to ensure that we continue to provide high quality education and research. This was reflected in our survey results.

The continuing use of Longitudinal Employment Outcome (LEO) data as a way of assessing graduate outcomes from higher education providers and by subject of study continues to cause concern because of the lack of a rural context in the dataset. While this is likely to emerge over time, we remain concerned that the current approach does not always reflect the real experience of graduates, or their employers, in some subject areas. In the July 2019 LEO data release the University's graduates continue to perform well three and five years after graduating, but, overall, the agriculture and related subjects group continues to appear near the bottom of the table for income by subject. This is not only a structural issue for the industry, but also a reflection of the need for improved data, to put graduate salaries into context with the rural areas in which most of our graduates' work.

The former Secretary of State for Education made a point this year of highlighting concerns that he wished the OfS and the sector to address. One of these was grade inflation in degree results. We took part in the 2018 round of the Teaching Excellence Framework (TEF) partly because it included an assessment of degree outcomes, and therefore provided external validation of the high standards that we maintain in our awards. As reported last year, we achieved a Gold

outcome in the TEF that year, an award valid until 2021. We await the outcome of the independent review being conducted by Dame Shirley Pearce which will help determine the way forward for the TEF in years to come.

The Augar Review of Post-18 Education and Funding reported during the year with a number of recommendations that could impact upon the financing of the higher education system. At the time of writing it remains to be seen how the Government will respond to the report. At the start of the 2018/19 academic year we were able to engage with officials from the DfE supporting the Review Panel, ensuring that their view of higher education took account of the technical, vocational and academic components that are drawn together in many smaller, specialist universities, to the benefit of their students and employers of their graduates.

Like other post-92 universities, we were disappointed to receive the news that the Government was not prepared to fund a substantial, and relatively sudden, increase in Teachers Pension Scheme employer contributions from 1 September 2019, when it had decided to do so for schools and FE colleges. This decision will take resources away from front-line teaching, a point made to the Government in the University's response to the initial consultation. While we have had to absorb the additional cost, adding pressure to an already stretched funding base, we have sought to minimise the impact on our staffing and will be endeavouring to ensure that we maintain our high-quality provision despite this funding decision.

The issue of Brexit was never far from our minds in the last year, as we sought to understand its implications for higher education and for the future of the agri-food system that we support with our education, research and knowledge exchange.

The emergence of the proposed Agriculture Bill pointed to significant changes ahead for the way in which agriculture will be supported on the UK's departure from the EU, as well as a further emphasis on environmental land management and other measures to protect natural resources. The University is well placed to contribute to, and support, the changes that lie ahead when the outcome of the Brexit decision is known.

We are also contributing to industry-wide efforts to ensure that the agri-food sector is able to thrive in the post-Brexit environment. We have been involved in an Agri-Skills Initiative working alongside, and informing, the Food and Drink Sector Council. This is considering ways in which the provision of education and skills, at all levels in the industry, will help support productivity, attract new talent into the industry and help agriculturalists adapt to the new technologies that are gradually being adopted across the food chain. Much remains to be done, but, working with DEFRA and the DfE, this initiative has a unique opportunity to influence the way in which UK farming is seen, by the wider population and young people in particular, as an industry where productive and fulfilling careers can be forged.

Student Recruitment and Experience

Undergraduate recruitment in 2018 continued to be affected by an increasingly competitive recruitment environment, the demographic downturn in the 18-year old population and

other external factors. We recruited 603 home undergraduates, plus international students. We have been actively addressing the increased competition for domestic students in the higher education system and have seen an improved outcome for undergraduate student recruitment in our 2019 intake. We launched several degree apprenticeship programmes in 2018/19 which, with 26 entrants, offset the continuing pressure on undergraduate recruitment. Postgraduate student recruitment in 2018 was also positive, with student numbers at 317, and research student numbers remained steady at 61 during the year. We continued our focus on student retention and success during the year, with a Student Success and Retention Committee that has achieved good outcomes for our students and for the University.

Harper Adams was the joint top-ranked Modern University in the Times and Sunday Times Good University Guide 2019 and was also the highest placed Modern University in the 2020 Complete University Guide, rising 21 places in the main league table to break into the top 30 for the first time. Whilst not having the breadth of subjects to feature in the Guardian University Guide main table, the University improved its performance in the relevant subject tables, being placed in the top 10 institutions for agriculture and related subjects and for engineering.

The University continued its success in the WhatUni Student Choice Awards, which are based on student reviews, winning the category for Student Support for the fifth year in a row, and the category for Job Prospects for the fourth year in a row. Harper Adams was also placed in the top 10 universities in the category for University of the Year.

We underpinned our commitment to high quality teaching by continuing to support our staff to obtain the Fellowship of the Higher Education Academy. In June we were able to report that Harper Adams was amongst those leading the university sector with its level of qualified teaching staff – with around 86% of academics holding a Higher Education Academy Fellowship, more than double the UK average rate of 41.8%. One of our staff, Lydia Arnold, gained Principal Fellowship during the year and we were delighted that she was awarded a National Teaching Fellowship, the first to have been achieved by the University.

Our students also performed exceptionally throughout the year. Matthew Rollason and Alice Clews were shortlisted in the Agricultural Student of the Year category of the British Farming Awards, with Matthew picking up the silver award. Philippa Gray was named the Royal Agricultural Society of England's (RASE) National Agricultural Student Speaker of the Year in the competition's inaugural year. Her winning presentation was entitled: '21st Century: The dawn of the wool age?' which drew on her research about commercial opportunities for the wool from her Ryeland flock. Harper Adams University students almost swept the board in the Royal Entomological Society's Student Essay Prize, taking first and second prizes, along with both runner-up positions. The winner was MSc Entomology student Tara Sedgwick, with her unique take on the reproductive behaviour of arthropods. The University was again successful in the prestigious 2019 Pinnacle Awards for expertise in farm business management with Sarah Morgan being awarded second place and Max Porter being named as a runner up. Our student team, George Atkey, Danny Richardson, Dan Hawes and Tom Kirby

took first prize in the Hutchinsons and Velcourt Cereals Challenge 2019, bringing the year of student industry competitions to a successful conclusion. The high standards achieved by our students on the national stage are a testament to their commitment and hard work and we are grateful for the way in which they have acted as such good ambassadors for the University throughout the year.

In all of our work with students the Harper Adams Development Trust has played an enormously important role. The scholarships awarded via the Trust this year amounted to £452,000 shared between 132 students. The generosity of the companies, organisations, charities and individuals who have assisted our students in this way is gratefully acknowledged. Our students have also been actively engaged in obtaining financial support from other sources. In one example, first year student Rory Lomas secured a prestigious bursary to assist in pursuing a career in crop production despite not coming from an agricultural background. Rory received his John Innes Foundation Bursary after completing a rigorous selection process.

Our student outcomes remain positive. In the 2019 National Student Survey we were placed in the top 5 universities in the UK. With the pending introduction of the Graduate Outcomes survey next year, we retained our Destination of Leavers from Higher Education (DLHE) graduate employment record from last year of 97.2% of our graduates in employment or further study, six months after graduation. The advent of further Longitudinal Employment Outcomes (LEO) data about graduate earnings has enabled more detailed analysis of performance at institutional and course level. In an Institute for Fiscal Studies/DfE report published in November 2018, estimated returns at course level in agriculture for graduates at age 29, after controlling for background characteristics, placed Harper Adams third in the UK for women and second place for men. At institutional level, however, we also did particularly well, coming ninth in the university sector for men and third for women.

Our investment in the student experience continued with the University's DELTA project again assisting developments in teaching and learning through a strategy of support for our teaching staff, educational technologies and learning facilities. This work has assisted the University in maintaining its strong teaching and learning performance over the last year.

Research and Knowledge Transfer

Our research has continued to focus on applied science and the implementation of new knowledge into industry practice.

Amongst a number of significant grant successes over the last year our Hands Free Hectare (HfH) team, working with Precision Decisions Ltd, FarmScan Ag Ltd and the Agri-EPI Centre for Innovation secured nearly £1.6m from the Transforming Food Production Challenge (TFPC) fund to extend the project's work and deliver a Hands Free Farm. This significant success will enable new techniques and technologies to be explored over the next three years on 35ha of the University's farm. We were delighted that the Hands Free Hectare project was the winner of the 2018 Times Higher Education Award for Technological Innovation of the Year.

In the same TFPC funding round a further £391,000 was awarded to B-Hive Innovations Ltd and the University to investigate the use of ground penetrating radar to optimise potato crop yields. Our work with industry was further strengthened with the announcement of a research and development collaboration with MagGrow, an Irish SME based in Dublin. The collaboration focuses upon the realisation of a strong industrial research base for agricultural spraying coupled with the development of an agricultural spray testing facility. Both exploit the University's long track-record in crop protection technology and the University's work as a collaborating agency within the World Health Organisation vector control programme.

The Winter Grow project being trialled at G's facility in East Anglia, with the support of the University, centres on indoor growing of baby leaf products under LED lights, which can be controlled to include varying levels of light from across the colour spectrum. With at least one major UK retailer recently announcing that they were beginning to stock closed environment-grown UK salad leaves from another company with which the University has worked, the prospects for this type of year-round UK production, with its potential for significant environmental benefits, will continue to be explored.

Our students have also contributed to our research effort. In one example, Entomology student Max Tercel's Master's paper looking at insect flight was published in the journal *Physiological Entomology*. The paper, entitled, 'Phylogenetic clustering of wingbeat frequency and flight-associated morphometrics across insect orders' considered different insect orders to see if there is a relationship between the weight of an insect, the size of their wings and the speed of their wing beats.

In Engineering, Master's student James Vining, with the support of the James Hutton Institute and Harper Adams Senior Lecturer David White, is furthering the development of a novel mechanical system, with the aim to achieve traction over agricultural soils without reliance on a ballast weight. This work is intended to minimise compaction of the soil during operation and secure more sustainable land use.

A prototype for a new poultry ventilation system was created by Ayoola Jongbo, as part of a PhD project aiming to improve the welfare and production of chickens raised for consumption. The novel air supply system could help keep broiler chickens cooler in hot weather, a problem currently affecting many birds and poultry housing systems.

And at undergraduate level, final year Agriculture student Dan Hawes was able to present his work on an important aphid crop pest at the Aphid Special Interest Group meeting of the Royal Entomological Society in April 2019, held at Rothamsted Research. His project looked at the susceptibility of current and ancient wheat varieties to the English Grain Aphid (*Sitobion avenae*).

Throughout the year we have welcomed researchers to the University from across the UK and from overseas to share their expertise and experience with our academic staff. In one example, Professor Ruth Dill-Macky from the University of Minnesota, and researcher co-chair of the United States Wheat and Barley Scab Initiative (USWBSI), visited to present

a research seminar entitled: Fusarium head blight (FHB) of wheat: progress and challenges.

Our work in Agri-Tech Economics made good progress with an economic analysis based on the Hands Free Hectare that provided the first evidence that crop robots will help make mid-scale UK farmers more competitive and improve environmental management. The paper was presented at the Agricultural Economics Society (AES) Annual Conference in April by Professor Karl Behrendt, who holds the Elizabeth Creak Chair in Agri-Tech Economic Modelling. Commenting on the paper, co-authored with Professor James Lowenberg-DeBoer, Professor Richard Godwin and Kit Franklin, Professor Behrendt concluded that, "Robotics will radically change the economies of scale in arable farming. Once human drivers are removed from farm equipment, the motivation for large farm machines almost disappears. Evidence shows that swarms of smaller farm machines can be cost-effective on modest size farms, even when fields are small and irregularly shaped."

We were pleased to be able to discuss some of these techniques and developments in the field of agriculture during a visit by the then Minister for Universities and Science, Sam Gyimah, when he was on campus to formally open the Midlands Hub of the Agri-EPI Centre for Innovation in November 2018.

The University's close connections with industry, and the greater visibility it has achieved in recent years for its research and knowledge transfer, were again reflected in the results of the 2018 QS World University Rankings for Agriculture and Forestry. In the subject table category for employer reputation, Harper Adams was placed first in the UK and second in the world.

Further details of our research activities can be found on the University's website.

Promoting Collaboration

Our collaborative activities have involved a range of activities and events over the last year.

Plans for the Harper and Keele Vet School have continued apace, with the appointment of Dr Matthew Jones as the new Head of School, approval of the curriculum and other working arrangements and the development of the new building at Harper Adams on which work began in the summer of 2019. We were pleased to be able to welcome the President of the British Veterinary Association (BVA), Simon Doherty, and Laura Fleming, the BVA's Membership and Commercial Director on a visit to the University. The BVA had just launched a new policy statement on a 'hub and spoke' model for veterinary practice, involving other veterinary professionals in a team-based approach, so the visit provided a timely opportunity to explore these plans. We were also pleased to be able to welcome Dr Christine Middlemiss, the Government's Chief Veterinary Officer, on a visit to the University where she was able to give a presentation to students and staff on her role and the challenges ahead for the veterinary profession. The new Vet School will receive its first student intake in 2020.

The changing face of agriculture and veterinary science means that we must continue to seek people with the

appropriate skills to support these and the other industry sectors with which we work. It has therefore been helpful for the University to be involved in two important initiatives over the last year. The first is the engagement of Dr Matt Rodenhurst in the DfE and Institute for Apprenticeships and Technical Education T-Level Development Group for Agriculture, Land Management and Production. The Group will help shape this new technical qualification prior to its intended introduction in the early 2020s. Our second engagement is with the Agri-Skills Initiative that is working, with DEFRA and the DfE, on the development of a professional framework for production agriculture and production horticulture skills development. This work also involves the NFU, AHDB and other sector bodies.

The National Centre for Precision Farming held its sixth annual Drones for Agriculture conference in April, with a wide variety of presentations on innovations in drone technology. These events, and others aimed at connecting the University's work with industry, technology users, regulators and policy makers, enable us to connect with the developers of new approaches to farming practice to inform our educational curriculum and our research agenda.

In January we once again celebrated the success of students engaged in our Livestock Market Operations and Management programme, where we work closely with the Livestock Auctioneers Association (LAA) and the Institute of Auctioneers and Appraisers in Scotland (IAAS). As noted earlier, we have also actively engaged in the development of degree level apprenticeships in which there has been significant collaboration with industry representatives throughout the year.

Last year we reported on progress with the Newport Innovation Park (Ni-Park) scheme, developed with our Local Authority to create a cluster of agri-technology businesses in the local economy. During the current year the project successfully obtained planning approval and construction work has begun. It is intended that by late 2020 we will see the first stage of the incubation facilities open on the Park, a process in which the University is actively partnering with the Local Authority by offering research support to businesses located on the new facility.

Our work with the Department for International Trade (DIT) is also continuing, with the worldwide release of a DIT promotional video highlighting Telford as a High Potential Opportunity growth area for agri-tech, featuring the work of the University and presented by one of our students. We continue to host visiting DIT teams to explain the developments taking place in this field and have developed partnerships in some countries in which we are working jointly to promote UK agriculture to international audiences.

Demonstrating Public Benefit

As a registered charity, Harper Adams University has a long tradition of conducting activities that benefit the public. Our work to deliver these benefits has continued apace over the last year. We have followed the higher education sector framework to report on our contribution to public benefits. The following themes provide some examples of these activities within the established framework.

Developing people to make a contribution to society

Our students come from different educational backgrounds and our role is to provide them with an outstanding higher education to develop their ability to contribute to society through their career and in other ways. In our graduation ceremony early in the current academic year we featured the story of Dr Bill Watts who is believed to be the first person to have completed every stage of education, from nursery to PhD level, within the boundaries of Shropshire. Following school, he began his studies at Harper Adams in 2008, culminating with the award of his doctorate a decade later. Bill now works at the Agriculture and Horticulture Development Board (AHDB) as the Knowledge Exchange Manager for Potatoes in the West Midlands, South West and Wales. He put his educational journey into perspective by explaining that he had been diagnosed as dyslexic at an early age, and that perseverance, positivity and support, at school and at home, had helped him on the road to success.

We have connections with a wide range of businesses, charities and individuals who help to support our students in their educational development. Companies such as GSC Grays have provided scholarships to contribute towards students' tuition fees or living expenses, as well as employment for their placement year, in this instance with the GSC Grays office in Colburn, North Yorkshire. Safety Revolution Ltd, a market-leading consultancy in rural health and safety, launched two scholarships during the year to help support students who had demonstrated compassion and a keen concern for the wellbeing of others, or had demonstrated sustained commitment to personal development and learning.

The John Oldacre Foundation generously provided a significant fund which can be drawn upon to support a PhD scholarship, together with taught postgraduate and undergraduate awards starting from the academic year 2019/2020.

Our alumni are also collaborating in support of our students. One example is the assistance provided to a current student by graduate Jack Stillwell, who entered a career in livestock farming after conducting a unique crowdfunding exercise to secure the necessary financial resources. Jack is now 'giving back' by providing an industry placement opportunity and a scholarship for a student wanting to become a member of his farm team.

Our staff have been working to develop a greater understanding of the impact of industry placements on the entrepreneurialism displayed by our students. Principal Lecturer, Patricia Parrott, has been studying students on placement over a number of years to see what influences entrepreneurial perspectives. So far, the data shows that placements seem to have a bigger impact on female entrepreneurial attitudes, and varies depending on the subject area in land-based courses that students are studying.

Of equal importance is the need to encourage greater diversity in key disciplines. To this end, a new group focused on women in engineering, which aims to take a positive-only approach to increasing female representation in the industry, has been set up. The idea of Anita Woolf, an engineering student at Harper Adams, Stellar Harper Engineers (SHE) was

inspired by research into women in engineering after Anita was awarded the Douglas Bomford Trust Scholarship in 2018. With support from female engineering staff at the University, SHE has three main aims: to be a positive-only area focused around women in engineering; a platform to encourage and share student success stories; and a place to learn about other inspirational women and engineering events focused around women. It will also be looking at organising industry trips and working with the local community.

It is always pleasing when members of our staff are recognised for the contributions they are making to wider society. We were delighted when our interim Head of Estates and Facilities, Henry Gun-Why won the Long-Term Contribution Award at the Association of University Directors of Estates (AUDE) Awards in April. The awards scheme recognises professionalism, efficiency and effectiveness in supporting the mission of institutions. For Henry's award the focus was on his long-term impact within the sector.

In another contribution to wider society, Helen Cartledge, Lecturer in Veterinary Sciences and Nursing, was appointed to the Royal College of Veterinary Surgeons (RCVS) Ethics Review Panel towards the end of the year. The panel allows veterinarians and veterinary nurses in practice, who would not have access to such a service without being attached to a university or possess relevant industry connections, to receive an ethical review on research proposals. Helen joined six other experts appointed on the now permanent panel, which underwent a successful trial period from 2016, becoming the only panel member with a veterinary nursing background.

Innovating, informing and inspiring – opening up the university's knowledge, expertise and resources

Over the last few years we have been working hard to inform policy makers about developments in agriculture and agricultural science. At the start of the year, Professor Simon Blackmore contributed his knowledge and experience on precision agriculture to the Welsh Assembly Government report on 'Industry 4.0' which, in particular, looked at the changing face of agriculture that will be brought about by new farming technologies.

We put those technologies to the test this year, with a variety of research projects and demonstrations, across the UK, to show the potential for new methods of farming practice. We worked with Unmanned Aerial Vehicle (UAV) specialists Crop Angel and Drone Ag, and biotechnology company AminoA Biostimulants, to investigate the benefits of using spray drone systems in agriculture by applying their amino-acid based bio stimulant on a wheat crop in the East of England. As Jack Wrangham, Director of Drone Ag, said: "It's great to see the team finally putting drone spraying technology to use here in the UK. This will be the first in a number of trials that will hopefully show the benefits of this technology...."

To ensure that those benefits are captured by the farming sector we developed a partnership with the Worshipful Company of Farmers to launch a new industry short course on Adopting Precision Technology in Agriculture. The first cohort of students are expected to join us later in 2019. The course, which is supported by NFU Mutual and Hutchinsons, will assist participants to consider the range of technologies

now available and how they might benefit their farm businesses.

And to demonstrate some of the latest developments in the field, we took the Hands Free Hectare to the Cereals event for the second time, and, for the first time, to our local Newport Show, to give the wider public a chance to see the technology in action and inspire young people to consider careers in the agri-food industry.

Our Professors of Agri-Tech Economics are also helping to inspire the agricultural sector to consider new farming approaches. In February, Professor James Lowenberg-DeBoer gave the keynote address at the Association for Computers in Agriculture meeting in Vienna on the potential for precision agriculture in small to mid-scale farms.

Our researchers helped to celebrate a century of horticultural science by publishing a series of review articles in the Journal of Horticultural Science and Biotechnology, which was celebrating its 100th anniversary this year. Drs Andrew Beacham, Louise Manning, Laura Vickers and Jim Monaghan were invited to write two special Centenary Review articles for the Journal to help mark the occasion.

The first article (Beacham, Vickers and Monaghan), looked at the topic of vertical farming, and its potential for production agriculture and horticulture. The second article (Manning and Monaghan), considered integrity in the fresh produce supply chain. The review examined the causes of food fraud and the potential systems and technology that could help to ensure that the provenance and production systems associated with the produce are truthfully reported.

Those production systems will feature a greater emphasis on environmental land management in the years ahead, so it was good to see some of our work in this area also being shown to the farming industry at a range of national events. At Cereals 2019, Dr Simon Jeffery gave a presentation on the merits of employing biochar in different regions of the world, noting the economic case behind its use in only some areas, but the potential benefit it could have on improving soil health and reducing agricultural emissions, both growing concerns in the world of agricultural policy.

We also partnered with the Dutch Embassy to address the wider issue of agriculture and the environment. As part of a series of seminars to explore common solutions to the economic, social and environmental challenges facing the farming sector in the United Kingdom and the Netherlands, a seminar at the Royal Society, in London, organised by the Dutch Embassy and the University, focussed on the concept of 'circular agriculture'. Delegates heard about the new Dutch vision on the future of farming based on circular agriculture principles and exchanged views and experiences on how to move towards reducing the use of natural resources and recycling wastes to help improve the farmed environment.

In June we took a different view on social issues in rural areas, with a report aimed at addressing the issue of rural crime. The report, which received widespread news coverage, highlighted a lack of consistency in the way in which rural crime is dealt with by the authorities, and a need to improve communication between the police and the farming

community. This work will be progressed, in dialogue with the police, during the coming year.

Senior Lecturer Andrew Black launched the 'Grow Your Future' project which aims to promote awareness of the work which rural chartered surveyors carry out to encourage people to pursue a career in this field. The 'growyourfuture.education' website gives those currently working in the sector a platform to share their career experiences, with video content, case studies and an interactive game – with the aim of reaching out to a younger and more diverse audience.

Engaging communities and working in partnership

Our partnership working takes many forms, and covers a range of activities from local to international connections. In addition to the collaborations identified earlier in this report we undertook many other forms of engagement with the communities with which we work.

We have worked closely, and productively, with the National Collaborative Outreach Programme team based at Harper Adams to run a series of events and activities for schools and colleges to inform them about opportunities in higher education. We were pleased that our NCOP Hub Manager, Ian Freedman, was Highly Commended in the NEON Awards this year, recognising the work that had been done at Harper Adams on widening access to higher education.

The newly established Thomas Adams School Farming Society, from Wem, visited the University with 30 of its Society members in December. During the visit, the pupils saw the dairy unit and new robotic parlour, a range of arable and livestock enterprises and of course, the Hands Free Hectare. Harvey Pyke, President of the Society and a Year 11 pupil, was inspired by the whole experience, saying: "A lot of us know that we want to go into farming, whether that is joining our parents at our own farm or going out into contracting. However, today has shown me and my peers just what a wide range of roles involve agriculture, how rich the experience of higher education could be as well as how much farming is set to change in the near future."

Our local community engagement involves members of staff taking part in a range of organisations, from charitable bodies to the Parish Council. In the latter case, and to ensure that we maintain strong links with our local village, we meet routinely with the Edgmond Parish Council. In this way we can keep abreast of local developments, but also ensure that Council members are informed about our future plans.

A little further afield, in the nearby town of Newport, our students make a significant contribution to the local economy, but are also involved in local events. One of these is the town's growing celebration of the Chinese New Year, assisted by our students from China and the UK.

Those connections have also been demonstrated in the work of the Students' Union to raise funds for charity over the last year. With a total of £3,750 generated through a series of activities, and benefitting a number of local and national charities, the Students' Union has continued its long tradition of giving something back to the wider community.

We were able to bring over 9,000 people on to our campus in May for the second Field to Fork Festival. Not only did this major event celebrate smaller food businesses, including some run by our alumni, and provide family entertainment throughout the day, but it also enabled us to deliver educational activities to people of all ages who attended the event. The day before, we used the Festival to bring over 700 school pupils to the University to experience a range of hands-on activities and experiments, aiming to encourage them to consider moving on to higher education.

Elsewhere, we were active in supporting farming communities in different ways. We sponsored the inaugural Three Counties Farming Awards, celebrating the best of farming and horticultural businesses across the counties of Gloucestershire, Worcestershire and Herefordshire. As well as shining a light on the people who produce our food and look after the landscape and environment, it enabled us to connect with the communities that supply over 150 students to the University from this part of the UK.

The YFC in Wales has been a long-standing partner, via our collaboration to support the Young People's Village (YPV) at the annual Royal Welsh Show. With a vibrant social programme and facilities for staying near the showground, the YPV has been a major part of our work with the Royal Welsh Agricultural Society, with which we have developed a range of other partnership-based activities. The Society provides a placement for one of our students further supporting its connections with the University, and we operate outreach and training activities in our building on the showground to engage with local and farming communities in Wales.

We are mindful of our own impact on the environment, not least in terms of our agricultural practices, our use of renewable energy, most of which we generate on site, and the use of natural resources. We were therefore pleased to be able to attend the Government-backed Symposium in May that addressed the issue of reducing food waste. The 'Step Up to the Plate' initiative involves a pledge that includes a goal to halve food waste by 2030. Already active in this field, Harper Adams was the first University signatory of this important environmental commitment.

Building International Connections

The subjects that we cover require us to have a broad understanding of the issues that food, farming, land use, the natural environment and animal welfare all face, and the work that must be undertaken, with others, to address important challenges in these disciplines. To this end, the University has, once again, been active to ensure that our education and research is informed by international perspectives and so that we can also make useful contributions to topics of global importance. The following examples provide an overview of this work, across four continents.

Karina de Fatima Cuba Silva, an undergraduate agronomy student at the College of Agriculture Luiz de Quieroz, University of São Paulo in Brazil, worked at Harper Adams on a four-month project looking at using sunflower oil to mitigate drought in wheat. Karina said: "I'm interested in the interaction between plants and the environment. For this reason, I found plant physiology a way to understand and

study the process. This educational institution has a world-leading research programme that studies plant physiology under conditions of lack of water (the Drought Mitigation Group), which has shown substantial reductions in drought damage with the application of film anti-transpirants."

Our work in China continues to develop and we were pleased to be able to undertake several visits to the country this year to review our partnership working arrangements.

A PhD project at Harper Adams University by Nithicha Thamthanakoon looked at the factors that affect Thai rice farmers' market channel selection. Rice production is an integral part of Thailand's industry and countryside, accounting for nearly a quarter of the country's total land use and making it one of the world's largest rice exporters. Nithicha said: "Between 2011 and 2014, there was the Rice Pledging Scheme (RPS) in Thailand. This gave Thai farmers the opportunity to pledge and then provide an unlimited supply of rice directly to the government at a higher price than the market selling price." The scheme was terminated in 2014 and rice farmers have been facing a more competitive market environment since. "I wanted to look at what marketing channels rice farmers in Thailand are now using, post RPS," added Nithicha, "and the factors affecting those choices. Understanding the importance of more tangible behavioural predictors will have substantial implications to policy makers and marketing channel providers as well as to farmers." This was the first study to date offering important insights into the decision-making processes of Thai rice farmers, thereby helping farmers and informing marketing channels and government policy makers.

Our strategic partnership with HAS University of Applied Sciences in the Netherlands took another important step with the reciprocal appointment of Visiting Professors at both institutions. Professor Mark Rutter and Professor Frank Vriesekoop, from Harper Adams, took on these roles at HAS, while Professor Lenny van Erp and Professor Antien Zuidberg became Visiting Professors at Harper Adams. During the year, exchange visits took place between staff and students and we were able to be present, in June, at Professor Zuidberg's inaugural lecture at HAS in s'Hertogenbosch.

Our international research partnerships also developed during the last year, not least in our work with the major India-based machinery manufacturer, Tractors and Farm Equipment (TAFE). The team is continuing its programme to replicate the Hands Free Hectare approach at a company demonstration farm in India, and to engage in further collaborative research, training and knowledge transfer. Our staff have been assisting in this process in India.

In Kenya, over 10 million people suffer from chronic food insecurity and poor nutrition, impacting personally and on national GDP. Indigenous leafy vegetables, traditionally grown in the East of Kenya, could help reduce food and nutritional shortages if they were grown more widely and integrated into current production systems. To help encourage take-up of this concept, two of our researchers, Drs Monaghan and Manning, led a workshop for UK and Kenyan early career researchers at Dedan Kimathi University of Technology (DeKUT) in Kenya. The workshop focussed on improving food security and, more specifically, unlocking the potential for indigenous leafy vegetables to supply an

important source of nutrients and also improve income and livelihoods for local producers.

The first cohort of students on the collaborative programme between the University, Strathmore University Business School in Kenya and AGCO commenced their certificate in agribusiness qualification during the year. They are due to complete their studies towards the end of 2019. University staff contributed to its delivery and it is planned that a one-year course covering the same material will commence for a wider group of participants in 2020.

Our work in Africa was extended this year with the arrival of our first two Masters students who have been able to study in the UK thanks to the generous support of the Marshal Papworth Fund. We also worked with the Fund to run our first Marshal Papworth short course for 10 students from developing countries. These courses provide an opportunity for communities to grow themselves out of hunger with practical education in sustainable modern agriculture. The students successfully completed the course in July and will use their experiences to help them train other agriculturalists in their home nations.

The University has students from 33 nations on campus, and we are keen to ensure that they have a range of activities that enable them to socialise with students from the UK and to see more of the country when they are studying here. The Planet Harper student society helps us fulfil these roles. Their programme, led this year by UK undergraduate Anita Woolf, was informed by the annual cultural exchange programme we offer for UK students to meet UK-bound students from China. Anita, who took part in the trip to China said: "It was a really good experience. We were paired with a Chinese student, and it was interesting to see everything through their eyes, as it's so different to the UK." Over the year, with social events and visits to cultural and heritage sites around the UK, Anita added that: "It's been great to watch the members grow and form new friendship groups over the past year. There were a number of students that were nervous on their first trip; but now they are part of a group with students from a variety of different countries exploring these new places together."

Planning for the Future

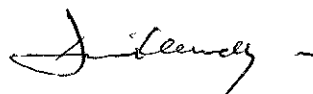
The policy environment in higher education will continue to undergo a number of significant changes in the next year, especially because there continues to be a concern, within Government, about the perceived value of higher education, both to students and to other stakeholders. At this institution, over the last year, we have demonstrated that high quality education and research is a force for good and that it should be protected and supported by Government for the benefit not only of the economy, but for the cultural and societal benefits it provides for the UK. In the coming years we will be seeking to strengthen that message by showing what smaller universities are able to do to provide an outstanding educational environment for our students and to conduct research and knowledge exchange that is relevant to those industries with which we work.

Inevitably, we will remain focussed on addressing the requirements of our Regulator, the Office for Students,

mindful of the promised 'light touch' that it is intending to apply, in future, to high performing providers of higher education. We will also prepare for any funding changes that lie ahead as a result of the Government's response to the Augar Review, and its much-anticipated Agriculture Bill. We anticipate that more will be known about both when the Brexit dust has settled, but we know the role that we have to play in addressing the policy environment in both areas, and we are confident in our ability to deliver against these major changes.

Our bold step, to create with the University of Keele, a new Joint Vet School, is one example of our ambition and we will be working hard, with our partner, to prepare for the launch of the School in the Autumn of 2020.

As the current academic year draws to a close we have much to celebrate about our institutional performance over the last year, but also much more to do. We have begun that work in late 2019 with the launch of our next 5-year strategic plan. This sets out an agenda that will develop Harper Adams as the leading specialist University in our subject area and a place where students, and innovation, will continue to thrive.



Dr David Llewellyn
Vice-Chancellor
27 November 2019

Strategic Review

In an increasingly competitive environment the 2018/19 results show a stronger financial performance with the University having grown student FTE and overall activity. The University is successfully operating in the competitive Higher Education environment attracting students and research contracts together with knowledge exchange funding, the Higher Education Innovation Fund, for the first time since 2011.

The financial strategy is an integral part of the University's overall Corporate Plan and is essential to achieving the key strategic objectives, which provides for the development of infrastructure and delivery of high-quality programmes of study, whilst ensuring financial sustainability. Performance indicators are monitored to assess the progress of the institution against key objectives, these include teaching excellence, student engagement, internationalisation and research. The University identified specific strategic priorities within the budget with funds of £2m set aside for investment in key appointments and innovative projects to further the research and teaching objectives of the University.

The medium-term financial strategy for the university is to generate operating cash in excess of 14% of income and for external debt not to exceed 30% of unrestricted reserves.

Scope of Financial Statements

The financial statements for the year ended 31 July 2019 comprise the results of the University, its wholly owned subsidiary, Cedar Energy Limited, and the separately registered charity, Harper Adams University Development Trust, which operates independently of the University but is consolidated within the Group financial statements to recognise the beneficial arrangements derived by the University.

Financial Statements

The financial statements are prepared in accordance with FRS102 under the HE and FE SORP 2015. The financial statements summarise the financial position and performance of the institution, together with the referenced notes to the accounts. These comprise of:

- Balance Sheet that summarises the assets, liabilities and reserves at the end of the financial period;
- Statement of Comprehensive Income and expenditure that summarises the financial performance for the period of report and consequential reserves movement;
- Statement of Changes in Reserves; and
- Statement of cash flows for the reporting period

The University revalued its teaching and research facilities and the 237 hectares of University land on transition to FRS102 as at 1 August 2014. As a result, the asset values were uplifted by £32m on transition, increasing total net assets reported.

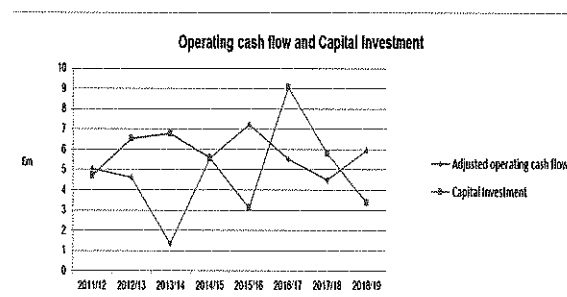
The University has chosen to continue to account for government funded capital grants over the life of the assets that these grants have funded, matching the annual depreciation charge with a recognition of grant income. The balance of government capital grants deferred of £13m is reported as a long-term creditor whilst the likelihood of the liability crystallising is remote.

Results for the Year

The University group generated an underlying surplus before taxation, of £1,157k (2017/18: £505k). The University group has a number of key performance indicators that it monitors as part of its financial strategy. Performance over the last two years shows:

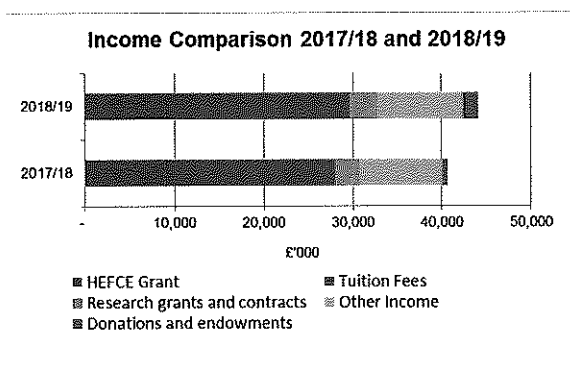
Key Financial Ratios as a % of		
Income	2018/19	2017/18
Operating Surplus	2.4%	1.2%
Surplus / (Deficit)	2.3%	0.6%
Staff Costs	52.9%	56.1%
Operating Cash	13.5%	11.1%
	£'000	£'000
EBITDA	6,171	5,158
Operating Cash Generated	5,943	4,507

Under FRS102 presentation, operating cash generation is one of the key indicators of financial sustainability and the ability to continue to invest and deliver a high-quality experience for our students and staff. In the current year underlying capital investment was restricted to cash generated levels aside of initial planning and design of the strategic development of the Veterinary Sciences building which will include the teaching facilities for the Harper Adams element of the joint Vet School.



Income

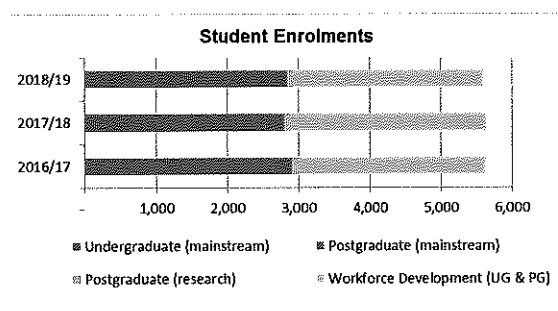
Total income increased by £3.5m, 8.7% in comparison with the previous year which includes the recognition of a £1m endowment which will be retained to generate investment income to fund studentships and other scholarships.



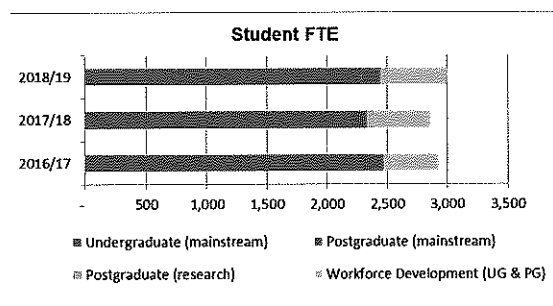
The underlying increase in activity comprises a number of successes including the award of £370k grant from Research England (the first time since 2011) to recognise knowledge exchange activities with corporate clients. An increase in student FTEs included the recruitment of the University's first degree apprentices, and successful student recruitment onto undergraduate and postgraduate programmes.

Applications offers and enrolments

The University maintained student enrolment at similar levels to previous year with a small increase of postgraduates and a small reduction in numbers of undergraduates. This resulted in 785 first-year undergraduate students including 24 apprentices and 249 postgraduate students.



The wider range of choices that are available to school leavers together with economic uncertainty in some of the key industries which the University serves, has resulted in it becoming increasingly challenging to attract students.



However, the University has increased the student number to 2,995 FTE students, with more full-time students, an increase in the credits studied by part time students and an increase in overseas students resulting with an increase in tuition fees.

Research Grants and Knowledge Transfer

Further successes in winning research and consultancy contracts were achieved, with 33 contracts at a value of £2.2m in the year, and projects in the year generating income of £3.1m (2017/18: £2.7m). Research is often undertaken in partnership with industry which enables this work to be translated directly to industry practice. The University has recognised research and contract income under the performance method where income is recognised when specific delivery milestones are met as defined under the contracts.

The University is a member of two Agritech consortia funded through Agri-Tech industrial strategy funding, managed by two SME companies that comprise both industry and HE partners. This provides the capacity to support industrial research and innovation, and build the capacity of the University to increase the involvement of science and technology in farming practice, whilst also developing, through innovation, new products and markets to support economic development.

Dairy Crest were bought by Saputo during the year however the new owners remain committed to the University collaboration which is now in its fifth year of operation. Student placements and honours project opportunities are available, together with ongoing sponsorship of research, in addition to the underlying undergraduate academic collaboration.

Other Income

The University has continued to generate additional income from its facilities and infrastructure with conferences held during academic vacations and the campus established as the venue for a number of annual conferences. The conferencing team has continued to utilise University facilities outside term time.

The University has over 800 student rooms on campus providing a full range of accommodation which is managed and operated by the University. A small number of rooms are used for short stay students and guests throughout the year, whilst out of term time the residences have been used as conference guest accommodation enabling fully serviced conference packages to be available to delegates.

Major developments and investment during the financial year

University capital investments amounted to £3.4m, which included refurbishment of student accommodation to further enhance the student experience on campus. A series of estates and IT infrastructure projects were delivered to improve the resilience and capacity of these systems and the University's facilities.

A series of agricultural vehicles and machinery were upgraded during the course of the year to ensure students and staff have access to current models and their technology.

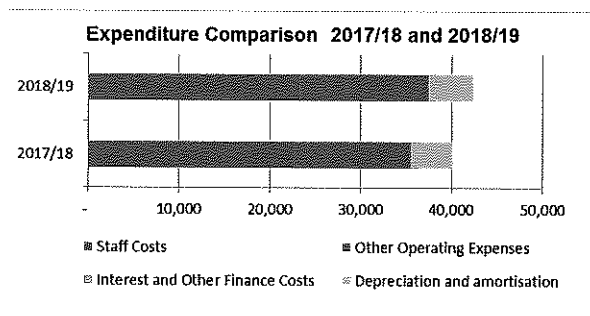
Extensive consultation was undertaken as the design and tender process was undertaken for the Veterinary Sciences Building with the main contractor on site as we approached the year end. The building is scheduled to be available for the

first cohort of veterinary medicine students recruited by the Harper Keele Vet School in September 2020.

Investments in educational technologies were also a priority, with the refurbishing of teaching and research facilities to enhance the overall learning experience at the University.

Expenditure

Operational expenditure has increased to £42.4m from £40.2m in 2017/18.



Pay costs represent the largest single element of the University's expenditure. An increase of 2.5% or £0.6m is shown year on year. Overall average staff FTE numbers have fallen from 509 to 488. The University has during the year undertaken some departmental structural reviews following retirement and resignation of some staff which has resulted in a number of vacancies carried in the year. The University participates in national pay awards as agreed by UCEA on behalf of the Higher Education sector, which resulted in a tapered cost of living pay increase of between 2% and 3% from 1 August 2018 accounting for an increase of £400k year on year.

The University is an apprenticeship levy-paying employer incurring a levy of 0.5% of its salaries less a £15,000 annual allowance, into an apprentice account. The funds in the account, topped up by 10% by the government, can be invested only in the training and assessment costs associated with university staff apprenticeships. In 2018/19 the University invested 34% of the available funds to provide apprenticeships to 9 employees. In 2019/20 the University is projected to invest 43% of available funds to provide apprenticeships to 10 employees. Apprenticeship posts continue to be promoted across the University.

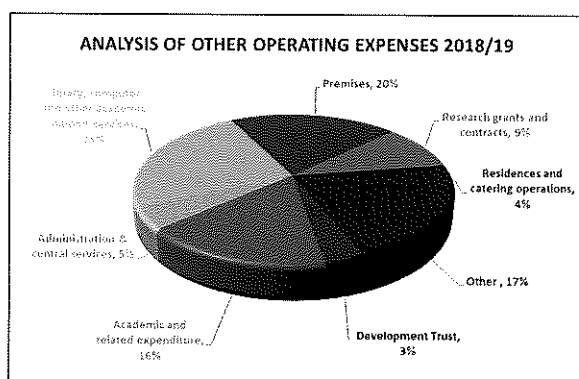
Teacher's pension employer contributions remained at 16.48% for the year, including administration charge of 0.08%, a total contribution of £1.2m is made by the University.

LGPS pension costs for support staff recognises the annual costs of pension deficits as estimated by actuarial valuations, increasing staff costs by £1,240k (2018: £1,050k) and £426k (2018: £408k) of interest charges. A further charge of £502k has also been calculated by actuaries for the first time following the McCloud case, based upon equal pay post 1990 where guaranteed minimum pension benefits are required to be equalised (GMP). GMP affects schemes contracted-out on a salary-related basis between 1978 and 1997. The minimum pension benefit between April 1978 and April 1997 was intended to replicate the SERPS benefit given up by contracting-out. Government legislation dictated how GMP was to be calculated and when it would become payable.

Since 1990, the law required pension benefits to be equalised between men and women except state pensions which would not be adjusted.

However, issues arose as the SERPS benefit being replicated by GMPs lead to inequality for men and women. For example, SERPS benefits become payable to men and women at different ages (65 and 60 respectively) thus the rate at which the benefit is accrued differs.

The LGPS pension charge totals £3.15m (2018: £2.7m) including interest.



Other operating expenses increased in the period to £14.1m from £12.8m in 2017/18. Significant efforts have been made to manage costs across the University with efficiencies delivered in many departments together with a reduction in specific project and research costs, whilst inflationary pressures on key supplies including animal feed, utilities impacted on overall costs. Investment in the development of the new vet school in partnership with Keele University has incurred costs of £100k in the year enabling the development of curriculum, recruitment of staff and engagement with the industry and professional advisors.

The University has continued to use specific outreach funding that enabled the establishment of a team to work with schools to raise aspiration and widen participation in higher education, totalling £507k (2017/18: £478k).

Following the re-establishment of energy production by the university's subsidiary, costs of power and heat has fallen across the group however the CHP engine failed in late November which resulted in additional utility costs for two months whilst the plant was repaired. The costs of repair were covered by long term maintenance agreement.

Taxation

The University has partnered with two Chinese universities for a number of years where their students undertake two years study in China and then either one or two years on campus in the UK. As agreed under the collaboration arrangements Harper Adams University staff deliver lectures in China, the Chinese authorities have reinterpreted their taxation legislation and are now classifying in-country delivery as creating a permanent establishment in China which would result in a Chinese tax liability. The University has continued to worked with tax advisors to assess the potential liabilities which has resulted in a university tax charge of £125k

(2017/18 £249k) increasing the provision to £374k included within provisions at the year end.

Cedar Energy

The University has assessed the company's business plans following the newer-establishment of trading with the new plant and which demonstrates that the company is in a position to meet its immediate liabilities. Consequently, the investment in the subsidiary at 31 July 2019 is considered to be appropriately carried at cost.

Cashflow and Financing

The University has managed its liquid resources through a combination of treasury and cash deposits against a debt of £11.3m to give net funds of £0.7m (2018: net debt of £1.6m). Bank loans are subject to financial covenants, all of which have been complied with during the year.

Pensions

LGPS pension liabilities increased significantly in the year with the updated actuarial valuation increasing the University's share of scheme liabilities from £12.2m to £21.8m at the end of the year. The key changes within the valuation that were applied were that life expectancy assumptions were increased very slightly, the discount rate applied to liabilities reduced by 0.7% and inclusion of McCloud GMP provision for the first time, resulting in an overall increase in scheme liabilities £12.6m. Whilst an increase in share of scheme assets of £3m, resulted in the overall increase in share of liabilities

Pensions costs and associated liabilities continue to be a key risk across the higher education sector. It is confirmed that the employer's contribution rate for the teachers' pension scheme operating in England and Wales increased by 44% from September 2019. The LGPS scheme revaluation is currently underway as at 31 March 2019, the results of this revaluation will not be known until late in 2019.

The Financial Future

Harper Adams University is committed to the delivery of excellence in academic activities, and resources are strategically invested to this end. Having increased the university farm by 97 Ha in 2017-18 we now will be ring fencing 35Ha in order to establish Hands Free Farm in 2020 as an extension of the work on cultivation with autonomous vehicles that has been demonstrated through the Hands-free hectare project. The new vet school will accept its first intake of undergraduates in September 2020, with the Head of School and first academic appointment made in August and September 2020 who are working with the established project teams from the universities. There has been ongoing engagement with RCVS during the year as the curriculum and delivery has been through the universities program approval processes. More staff appointments are planned to ensure that the vet school is ready to welcome its first cohort. The University is investing £10m in the veterinary sciences building and increasing animal facilities to ensure that all students that require animal related experience can access these.

The University keeps under review the impact of the UK's exit from the European Union on the University's financial

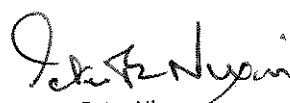
forecasts. The University is operating in a highly competitive market we highlight to potential students the opportunities that exist in the industries that we specialise. The University's largest cohort of European students come from the Irish Republic where we have close links. We recognise that it is overall UK EU student recruitment that will impact every institution as in the event that there is further reduction of European students at the same time as reduction in the number of UK 18 year old school leavers the competition for students across the sector will further increase. The continued focus on student experience, outcomes and industry and building the institutions reputation is key to ongoing financial sustainability.

Research funding opportunities continue to be highly competitive and consequences of leaving the European Union may well increase this. However, by working collaboratively with industry and key partners we would plan to increase research income across the university.

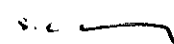
Following the University's continued focus on working with industry and employers the University has received for the first time since 2011 Higher Education Innovation Funding, HEIF, in 2018-19. This funding will enable the University to further strengthen its support to the industries operating in the agri food chain and land-based industries. An extension of the outreach project to July 2020 has been secured which will enabled the team to continue to work with schools to raise aspiration and widen participation in higher education

The University will continue to work closely with national Agritech initiatives supporting collaboration and research. The development of the Agri-EPI Centre innovation hub at the University has provided the opportunity to host research and knowledge exchange in agricultural engineering and precision farming. Another element of the investment has seen the creation of a 'smart' dairy with a robotic parlour and sensor technologies that will support further research on dairy cow behaviour and welfare.

The efficiency of systems continues to be developed across the University with processes reviewed, refined and automated to improve student and staff experience and to maximise resources that are invested in academic activities.



Peter Nixon
Chair of Governors
27 November 2019



Liz Furey
Chief Financial Officer
27 November 2019

Report of the Governors and Corporate Governance Statement

The Governors have pleasure in presenting their report and financial statements for the year ended 31 July 2019 and confirm they comply with the requirements of the Charities Act 2011, the Memorandum and Articles of Association of the University and the Statement of Recommended Practice: Accounting for Further and Higher Education (FEHE SORP).

The principal activity of the University is the provision of higher education in agriculture and land-based subjects conducted on an estate of 635 hectares (including the University Farm). The University's mission is to provide world leading 'Higher education and research for the delivery of a sustainable food chain and rural economy'. The essential strategic aims necessary to fulfil this mission are identified in the University's strategic plan 2015/20. The financial statements should be read in the context of a continuous endeavour to secure these aims.

The objectives of the University are set to reflect our educational aims and ethos. In setting our objectives and planning our activities the Governors have given careful consideration to the Charity Commission's general guidance on public benefit and in particular to its supplementary public benefit guidance.

Our key objectives during 2018/19, were to extend the University's impact in education, research and influencing national policy whilst enhancing engagement with industry and local partnerships.

We also continued our work to manage our expenditure on administrative activities in the lower half of the small and specialist higher education institutions in the UK higher education sector in order to allow us to focus resources, including new technologies, on efficient teaching and the support of our students.

The University continues to play a distinctive and key role within the UK Higher Education sector, and in particular, as the leading specialist provider of land based higher education, its work is focused on providing world leading teaching and research that meets the needs of the agri-food chain. We believe that the support we provide for rural industries, our students and our work on sustainable agriculture underlines the specialist nature of the institution and distinguishes it from other higher education providers of land-based subjects.

Within the higher education sector, the University continues to be recognised for the quality of its provision and the contribution it is making to important higher education policy objectives. The University and its students have also continued to be recognised for their achievements, winning awards at national and international levels.

The University's applied research in precision livestock and crop production continues to be a key focus of its work. Overall undergraduate student applications to the University have been maintained in most areas at similar levels to recent years. However, the demographic down-turn that has particularly affected rural areas has impacted on undergraduate applications to certain course areas. The University has taken steps to address this by reviewing

existing provision, enhancing its outreach arrangements into new markets and adding complementary provision where appropriate. Development of taught postgraduate courses has continued with maintenance or improvement of numbers. The number of taught postgraduates grew in 2018/19. The overall number of PhD students has declined slightly due to challenges in securing funding for doctoral training schemes for applied research. However, the University is taking active steps to secure charitable and industry funding to address this.

Statement of Financial Responsibilities

In accordance with the University's Memorandum and Articles of Association, the Board of Governors is required to present audited financial statements for each financial year.

The Board of Governors is responsible for preparing the Annual Report and the financial statements in accordance with the requirements of the Office for Students' Terms and Conditions of Funding for Higher Education Institutions and Research England's Terms and Conditions of Research England Grant and applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the group and parent University financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*. The terms and conditions of funding further require the financial statements to be prepared in accordance with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education, in accordance with the requirements of the Accounts Direction issued by the Office for Students.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent University and of their income and expenditure, gains and losses and changes in reserves for that period. In preparing each of the group and parent University financial statements, the directors are required to:

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

The Board of Governors is responsible for keeping adequate accounting records that are sufficient to show and explain the parent University's transactions and disclose with reasonable

accuracy at any time the financial position of the parent University and enable them to ensure that its financial statements comply with the Companies Act 2006. They are 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The Board of Governors are also responsible for ensuring that:

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

Disclosure of information to auditors

At the date of making this report each of the University's Board members confirm the following:

So far as each Board member is aware, there is no relevant information needed by the University's auditors in connection with preparing their report of which the University's auditors are unaware; and

Each Board member has taken all the steps that s/he ought to have taken as a member in order to make themselves aware of any relevant information needed by the University's auditors in connection with preparing their report and to establish that the University's auditors are aware of that information.

Higher Education Grant Funding

Funding for the University's higher education students was provided by the OfS in the form of teaching related grant. Quality related research grant was provided by Research England.

Auditors

KPMG LLP were appointed as auditors in the year and offer themselves for re-appointment as auditors in accordance with Section 489 of the Companies Act 2006.

Corporate Governance Statement

General Principles

The University is committed to exhibiting best practice in all aspects of corporate governance. This section describes the manner in which the University has applied the principles set out in the Committee of University Chairs (CUC) Higher

Education Code of Governance. The Code takes account of the relevant sections of the Combined Code on Corporate Governance as they relate to the work of Higher Education Institutions.

The University changed its legal status from that of an unincorporated organisation established by Trust deed to that of a Company Limited by Guarantee with effect from 1 August 2012. The University has retained its status as a Registered Charity in its new legal form. It is established as a higher education institution under the terms of the Education Reform Act 1988 and the Further and Higher Education Act 1992. Its latest objects, powers and framework of governance are set out in the Articles of Association approved by the Privy Council in 2012 and as amended from time to time by agreement with the Privy Council. The Privy Council conferred its approval for the award of University Title to Harper Adams University on 7 December 2012.

The University endeavours to conduct its business in accordance with accepted standards of behaviour in public life which embrace selflessness, integrity, objectivity, accountability, openness, honesty and leadership, in accordance with the framework provided by the CUC.

The Governing Body and Academic Board

The articles require the University to have a Governing Body and an Academic Board, each with clearly defined functions and responsibilities, to oversee and manage its activities.

The Board of Governors is the executive governing body, responsible for matters including the finance, property and staffing of the institution. It is specifically required to determine the educational character and mission of the institution and to set its general strategic direction. The governing body has a majority of independent members, chosen in accordance with strict criteria. The chair is elected from among the independent members. There is also provision for the appointment of co-opted members, and representatives of the academic staff and students. No members of the governing body receive any reimbursement for the work they do for that body. The Governors are the Trustees of the University.

Subject to the overall responsibility of the governing body, the Academic Board has oversight of the academic affairs of the institution and draws its membership largely from the staff and the students of the institution. It is particularly concerned with general issues relating to the learning and teaching, research and knowledge-exchange work of the institution. The Academic Board reports to the Board of Governors.

The Board of Governors has adopted a statement of primary responsibilities in which the major activities it covers are described in further detail. The Board of Governors has also established key performance indicators with which it monitors the performance of the University.

In respect of its strategic responsibilities, the Board of Governors receives recommendations and advice from the Academic Board and its committees, the University Executive and joint meetings, where required, of the University Executive and members of the Board. The Board of Governors considers the development of strategic and annual plans and

monitors, amongst other items, compliance with the University's Instrument and Articles of Government, the conduct of financial management, human resources management, academic and student related developments, the management of academic quality and standards, the management of major estate developments and risk management. Regular reports on developments of note, including liaison with external agencies, are presented to the Board by the University's Vice-Chancellor and other senior managers.

The Board has direct responsibility for oversight of a number of key risks identified in the University's Risk Analysis and Action Plan which is reviewed annually by the Audit and Risk Management Committee and recommended to the Board for approval. The Risk Analysis and Action Plan includes the University's Risk Policy and a statement of its Risk Appetite and provides an evaluation of each risk based on likelihood and the impact of risks becoming a reality. It covers risks related to business, operational, compliance and financial matters. The latter sets out how a balanced portfolio of risk exposure will be maintained and managed and the Risk Analysis and Action Plan identifies the responsible individuals who take a lead role in managing risks, and how action planning is incorporated into normal business processes. The Plan includes a mapping document that illustrates how the Risk Analysis and Action Plan (RAAP) supports the strategic objectives of the University. The internal auditors provide annually a mapping of how their planned programme of work provides assurance to the Committee and to the Board on key risks identified in the RAAP. Where appropriate, the University engages specific expertise to advise and enhance its arrangements for managing key risks and incorporates outcomes into the RAAP. It also ensures that it engages with sector wide briefings and workshops on key areas of risk for UK HEIs such as the Prevent Duty, UKVI compliance and Competition and Markets Authority requirements. All risks areas are assigned to the Board or one of its committees for monitoring and actions are reported upon at each meeting of the relevant committee.

The Board acknowledges that it is responsible for a sound system of control and requires that the Audit and Risk Management Committee commission the internal auditors to review an aspect of risk management annually. A report on the outcome of the annual audit of risk management is presented to the Board in the Annual Report of the Audit and Risk Management Committee.

The Board of Governors has established a Governance Review Group that has conducted a number of assessments of the Board's performance. During 2018/19 the Governance Review Group, taking into account independent external advice, focused on the quadrennial major review of the effectiveness of the governing body. Following a workshop facilitated by an independent external adviser with significant HE governance expertise. The review was completed in July 2019 and an action plan highlighting opportunities for enhancing a small number of areas of practice was agreed. The areas for further action include: introducing an on-line discussion forum to enable members to engage with the drafting of the Strategic Plan 2020-2025 (which will be subject to formal Board approval in 2019/20); inviting student observers to attend Board meetings in addition to the long-standing staff observer system; reinforcing the lead governor system; consideration of how key outcomes from Board

Meetings might be summarised and communicated to staff in addition to the current publication of minutes; and a small number of proposals related to further enhancing the format of reports/agenda papers presented to the Board. Actions will be monitored by the Board and approved as fully completed during 2019/20

The next major review will take place during 2023 in accordance with the 4-year cycle for Effectiveness Reviews set out in the CUC Higher Education Code of Governance.

HEFCE conducted an Assurance Review of the University in June 2017. The report was positive about the governance arrangements and made no formal recommendations for action. The OfS included the University in its sample of providers for Prevent Review Meetings in 2018/19. The outcome of the PRM was positive with no areas for further action.

In accordance with the Articles of Government, the University Secretary has been appointed as Clerk to the governing body. In that capacity, she provides independent advice on matters of governance to all members of the governing body. The Academic Registrar and Director of Academic Services acts as Secretary to the Academic Board.

The University maintains a register of interests of members of the governing body and senior officers which is published on the University's web pages.

The Vice-Chancellor/Chief Executive

The Vice-Chancellor/Chief Executive is the head of the University and has a general responsibility to the governing body for the organisation, direction and management of the institution. Under the terms of the formal financial memorandum between the University and OfS, the head of the institution is the accountable officer and, in that capacity, can be summoned to appear before the Public Accounts Committee of the House of Commons.

As Chief Executive, the Vice-Chancellor exercises considerable influence upon the development of institutional strategy and the identification and planning of new developments. Other senior academic and administrative officers contribute in various ways to these activities, but the ultimate responsibility for what is done rests with the governing body.

Governing Body Committees

The Board of Governors and its committees are formally constituted with terms of reference and delegated powers. Although the governing body meets at least four times each academic year, much of its detailed work is initially handled by committees, in particular the Audit and Risk Management Committee, Finance and General Purposes Committee, Staffing Committee, Nominations Committee and Remuneration Committee. The decisions of these committees are formally reported to the governing body.

A significant proportion of the membership of these committees consists of independent and co-opted members of the governing body. Co-opted student and staff members may also be eligible to serve on some of the committees, subject to the provisions of the Articles. The chairs are

normally selected from the co-opted and independent members. No one Governor is a member of more than one of the Audit & Risk Management, Finance & General Purposes, Nominations and Remuneration committees.

The Audit & Risk Management Committee meets four times a year, with the University's external and internal auditors in attendance. The committee considers detailed reports together with recommendations for the improvement of the University's systems of internal control, including the safeguarding of assets and prevention and detection of fraud, and management responses and implementation plans. It also receives and considers reports from the OfS and Charities Commission or other bodies in the HE sector as they affect the University's audited risk management activities, and monitors adherence to regulatory requirements. The Committee consists of lay members. Whilst senior University officers attend meetings of the Audit & Risk Management Committee, as required, they are not members of the Committee. At least once a year, the lay members of the Committee meet with the Internal Auditors and the External Auditors for independent discussions.

The Finance and General Purpose Committee meets four times a year. Amongst other items it recommends to the Board of Governors the University's annual revenue and capital budgets and monitors performance in relation to approved budgets. The committee is responsible, on behalf of the Board of Governors, for ensuring that proper accounting records are maintained and that the University complies with the FEHE SORP and the OfS Accounts Direction for Higher Education Institutions. The committee oversees the preparation of financial statements.

The Staffing Committee meets three times a year and oversees the development and implementation of the University's HR Strategy, staffing policies, equality and diversity arrangements and staff training and development.

The Nominations Committee considers nominations for vacancies in the Board of Governors' membership in accordance with the University's Articles of Association. The Committee has a majority of lay members, consisting of the Chair, Vice Chairs, a further lay governor and the Vice-Chancellor. The Nominations Committee considers skills, professional background and experience, geographical distribution and the promotion of diversity in its succession planning and governor recruitment and appointment processes. Information about the role of Governors and background information on the University is provided to those interested in serving on the Board to ensure that new Governors are aware of the range of responsibilities attached to University Governorship. Newly appointed Governors attend an induction session normally held each autumn. Governors also attend development sessions on a range of topics during the course of their appointment, including those offered by Advance HE. Before re-appointment, Governors who are at the end of their first term of office are evaluated by the Nominations Committee on the contribution they have made to the Board's work. In normal circumstances Governors retire at the end of a second term of office, although the Nominations Committee will consider individual cases for an extension of appointment. The Committee has benchmarked its work against the CUC illustrative Practice Note on Nominations Committees published in November 2017 and has since made a number

of minor changes to its work, as agreed by the Board, during 2018/19.

The Remuneration Committee determines the remuneration of the most senior staff, including the University's Vice-Chancellor. The Committee's role, procedural documentation, responsibilities and delegated decision making powers were reviewed by the Board in 2017/18 in light of the final HE Senior Staff Remuneration Code (Remuneration Code) published by the CUC in June 2019. The decisions made by the Committee, in accordance with its delegated authority are reported to all members of the Board of Governors using the recommended form of report set out in the Remuneration Code. Where the Committee wishes to make a recommendation that falls outside its delegated authority, it is referred to the Board for its consideration, and if appropriate, approval. Decisions made by the Committee during 2017/18 were made in accordance with its terms of reference, and with the procedures approved by the Board. The Board has approved publication of the Remuneration Committee's report and its revised procedures and terms of reference as part of the University's Publication Scheme on the University's web site. The Board has also approved publication of an updated Remuneration Policy Statement which meets the guidance set out in the Remuneration Code.

CUC Higher Education Code of Governance and CUC Higher Education Senior Staff Remuneration Code

The University has complied in full with the CUC Higher Education Code of Governance and the CUC Higher Education Senior Staff Remuneration Code in the year ended 31 July 2018/19. This included the publication on the University's website of a statement of institutional monitoring for the 2017/18 financial year, and publication of the Remuneration Committee's Report. The University's compliance with the Remuneration Code was audited by internal auditors in September 2018. The outcome was positive and no recommendations for further action were identified.

Statement on Internal Controls

The University's Board of Governors is responsible for ensuring that the University's system of internal control is sound and for reviewing its effectiveness. The University's approach is a risk-based system designed to manage rather than eliminate the risk of failure to achieve business objectives, and to prevent, detect and mitigate the risk of fraud, bribery, corruption and other irregularities and can only provide reasonable and not absolute assurance against material misstatement or loss. The system of internal control has been in place for the year ended 31 July 2019 and up to the date of approval of the Annual Report and Financial Statements.

The Governing Body monitors the effectiveness of the process and its relationship to achieving the University's objectives on an on-going basis. It does this in a number of ways. The senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to its attention by early warning mechanisms that are embedded within operational units. The senior management team and the Audit & Risk Management Committee also receive regular reports from internal audit exercises and any other internal process reviews

of key systems for managing risk, which include recommendations for improvement and which are risk-based. All reports set out the action plans that will be completed by management to enhance controls where further action is needed. The Board is satisfied that risk assessment and internal control is embedded in on-going operations.

During 2017/18 management took action to address the findings and associated risks following an internal audit review of governance and pre-award for research processes which resulted in a partial assurance rating. All actions were completed by December 2018 and verified by internal auditors. The outcome of a UKRI desk-based review during 2018/19 was positive with a small number of areas for action. The Audit and Risk Management Committee will monitor final completion of these actions during 2019/20. Six internal audit reports completed during 2018/19 confirmed substantial assurance, while two reports confirmed reasonable assurance. During the year, the Committee also noted the positive outcome of a UKVI Tier 2 and Tier 4 Audit conducted by the Home Office during December 2018.

The Committee receives progress reports at each meeting to provide assurance that actions have been completed and internal auditors provide independent assurance on completion of actions arising from their reports. The Audit & Risk Management Committee's role in this area is confined to a high-level review of the arrangements for internal financial and operational systems control, value for money and overall effectiveness. Each of these areas is also covered in terms of the University's Risk Analysis and Action Plan. The Plan identifies risk areas and rates each of them in terms of likelihood and impact should they become a reality and covers business, operational, compliance and financial risks. The Committee presents the Risk Analysis and Action Plan annually to the Board for its approval and adoption. The Board of Governors' agenda includes regular items for consideration of risk and control and it receives reports thereon from senior managers and sub-committees of the Board of Governors and the Academic Board. The Board has oversight of each of the highest rated risks as well as risks that are monitored at Board level and receives a report on the status of each risk as a standing item. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. Members of the Audit and Risk Management Committee are also encouraged to attend HE sector wide briefings for members of University Audit and Risk Management Committees. At its November 2019 meeting, the Board of Governors carried out the annual assessment of the Audit & Risk Management Committee's activities for the year ended 31 July 2019 by considering documentation from the Committee, internal and external audit annual reports, and by taking account of events related to the Risk Analysis and Action Plan since 1 August 2018. The Board agreed that there were no significant control weaknesses that needed to be disclosed.

The Board of Governors is of the view that there is an on-going process for identifying, evaluating and managing the University's significant risks that has been in place for the period from the beginning of January 2000 up to the date of approval of the annual report and accounts. This process accords with the internal control guidance for directors in the Combined Code as deemed appropriate for higher education. Various aspects of the University's compliance with the internal control guidance have been assessed annually by its

internal auditors since December 2002 so as to ensure that the University's systems and procedures continue to be satisfactory. The reviews of Governance and Risk Management arrangements during 2018/19 included governance arrangements for compliance with the CUC HE Senior Staff Remuneration Code and a review of the maturity of the University's risk management framework. The outcome of this audit was substantial assurance. Other reviews focused on staff development and training, transparent approach to costing, arrangements for compliance with the Competition and Markets Authority requirements for Universities; Carbon Management arrangements; Key Financial Systems-Assets and Inventories; Data quality framework- student loans; General Data Protection Regulation framework. The internal auditor's reports were positive. Where recommendations for further strengthening existing controls were made, these have been agreed by management, with progress monitoring at each meeting of the Audit and Risk Management Committee. Formal follow-up by internal auditors of all actions will take place during 2019/20.

Employees

The University is committed to providing equality of opportunity in all areas of its operation. The University has continued to review its activities against the requirements of the relevant legislation. In 2018/19 the University's Equality and Diversity Working Group, which is made up of staff and students, has continued to work on progressing actions arising from the University's Single Equality Scheme and ensuring the Scheme is updated as necessary. A review of the current Scheme was completed during 2018/19 and a refreshed Scheme was approved by the Board. Drawing on best practice at other HEIs, work has also been continuing to address actions arising from the University's Gender Pay Gap analysis. It is also University policy to achieve and maintain high standards of health and safety by all practicable means. The Health & Safety Committee, comprising staff representatives, oversees a full programme of work in this area, including legislative developments and an audit programme.

Going Concern

After making appropriate enquiries the Board of Governors considers that the University has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

Changes in Membership of the Board of Governors during 2018/19 (and up to the date of this report)

M Lewis (resigned November 2019)
P Nixon Chair (appointed November 2019)
S Vickers Vice Chair (appointed November 2015)
D Wong Vice Chair (appointed September 2019)
T Burnhope
P Cowdy
M Roach (resigned 31 July 2019)
E Folkes
G Marland (SU President to June 2019)
D. Jervis (SU President from July 2019)
R Payne
S Mukherjee (appointed September 2019)

D Llewellyn
L Moroz-Hale (resigned 31 July 2019)
V Blakeman (appointed 1 August 2019)
J Pointon
R Hambleton
C Bailey
M Thomas
C Snell
C Tweed
J Donaldson
M Ormerod
D Winstanley (appointed November 2018)
T Watson (appointed November 2018)

The Strategic Review and the Report of the Governors and Corporate Governance Statement (which together constitute the Strategic Review and the Director's Report) was approved by the Board of Governors on 27 November 2019.



Clerk to the Governors

C E Baxter

For and behalf of the Board of Governors

27 November 2019

Independent Auditor's Report to the Board of Governors of Harper Adams University

Report on the audit of the Financial Statements

Opinion

We have audited the financial statements of Harper Adams University ("the University") for the year ended 31 July 2019 which comprise the Consolidated Statement of Comprehensive Income and Expenditure, the Consolidated and University Statement of Changes in Reserves, the Consolidated and University Balance Sheet, the Consolidated Cash Flow Statement and related notes, including the accounting policies in the Statement of Accounting Policies.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the University's affairs as at 31 July 2019, and of the Group's and the University's income and expenditure, gains and losses and changes in reserves, and of the Group's cash flows, for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, and with the 2015 *Statement of Recommended Practice – Accounting for Further and Higher Education*;
- meet the requirements of the Accounts Direction dated 19 June 2018 issued by the Office for Students; and
- have been prepared in accordance with the requirements of the Companies Act 2006

Basis for opinion

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

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the Trustees and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the charity's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that

uncertainty when assessing the charity's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

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

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

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

Other information

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

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the other information;

- in our opinion the information given in the Strategic Review and the Report of the Governors and Corporate Governance Statement, which together constitute the strategic report and the directors' report for the financial year, is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent University, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent University's financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Board of Governors responsibilities

As explained more fully in their statement set out on page 14, the Board of Governors (who are the Directors of the University company for the purposes of company law) is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the Group or the parent University or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

We are required to report on the following matters under the Office for Students and Research England Audit Codes of Practice issued under the Further and Higher Education Act 1992.

In our opinion, in all material respects:

- funds from whatever source administered by the Group or the University for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- income has been applied in accordance with the University's articles of government; and

funds provided by the Office for Students and Research England have been applied in accordance with the terms and conditions attached to them.

THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

This report is made solely to the Board of Governors, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and paragraph 13(2) of the University's Articles of Government and section 124B of the Education Reform Act 1988 (*for post-1992 institutions*). Our audit work has been undertaken so that we might state to the Board of Governors those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the University and the Board of Governors for our audit work, for this report, or for the opinions we have formed.



Mark Dawson (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

28 November 2019

Statement of Accounting Policies

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

Basis of Preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2015 (the FEHE SORP) and in accordance with Financial Reporting Standards (FRS102). The University is a public benefit entity and therefore has applied the relevant public benefit requirement of FRS102. The financial statements are prepared in accordance with the historical cost convention (modified by the revaluation of fixed assets)

Consolidation

The consolidated financial statements include the financial statements of the University, its wholly owned subsidiary undertaking Cedar Energy Limited and the Harper Adams University Development Trust. The Harper Adams University Development Trust is treated as a subsidiary of the University on the grounds that the University has the power to exercise, or actually exercise, dominant influence or control over the undertaking.

Intra-group transactions are eliminated on consolidation. The financial statements of Harper Adams Students Union are not consolidated into the financial statements of the University, as the University has no control or significant influence over policy decisions of the Students Union.

The University owns the entire shares of two subsidiary companies "Cedar Energy Limited" and "Harper Adams (Rural Enterprises) Limited" (incorporated 27 July 2009). "Harper Adams Rural Enterprises Limited" has not traded since incorporation.

Material items

Material items are non-recurring material items which are outside the normal scope of the company's ordinary activities. Such items are disclosed separately within the financial statements.

Recognition of Income

Income from the sale of goods or services is credited to the Consolidated Statement of Comprehensive Income and Expenditure when the goods or services are supplied to the external customers or the terms of the contract have been satisfied.

Fee income is stated gross of any expenditure which is not a discount and credited to the Consolidated Statement of Income and Comprehensive Expenditure over the period in which students are studying. Where the amount of the tuition fee is reduced, by a discount for prompt payment, income receivable is shown net of the discount. Bursaries and scholarships are accounted for gross as expenditure and not deducted from income.

Investment income is credited to the statement of income and expenditure on a receivable basis.

Insurance proceeds are recognised when the company has a contractual right to receive the proceeds in accordance with FRS102.

Agency Arrangements

Funds that the University receives and disburses as paying agent on behalf of a funding body are excluded from the income and expenditure of the institution where the University is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

Capital Grants

Government capital grants are recognised as income over the expected useful life of the asset. Other capital grants are recognised as income when the University is entitled to the funds subject to any performance related conditions being met.

Grant Funding

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

Grants (including research grants) from non-government sources are recognised 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.

Accounting for Charitable Donations

Donations and endowments transactions that do not have performance related conditions are classed as non-exchange transactions. Donations and endowments with donor-imposed restrictions are recognised as income when the University is entitled to the funds. Income is retained within the restricted reserve until such time that the funds are utilised in accordance with the restrictive conditions, at which point the income is released to general reserves through a reserve transfer.

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

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

Accounting for Retirement Benefits

Retirement benefits to employees of the University are provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit schemes, which are externally funded.).

Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the University, in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of quinquennial valuations using a prospective benefit method. The TPS is a multi-employer scheme and the University is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

For LGPS, as a defined benefit scheme, the University's 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 University. The University should recognise a liability for its obligations under defined benefit scheme net of scheme 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 University is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

Employment Benefits

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

Finance Leases

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

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

Operating Leases

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Any lease premiums or incentives are spread over the minimum lease term.

Foreign Currency Translation

Transactions denominated in foreign currencies are recorded using the rate of exchange ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the end of the financial period with all resulting exchange differences being taken to the income and expenditure account in the period in which they arise.

Tangible Fixed Assets

Tangible fixed assets are recorded at cost/deemed cost less depreciation. Certain items of fixed assets that had been revalued to fair value on the date of transition to the 2015 FEHE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

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

Land and Buildings

All land and University buildings (with the exception of University residences) that had been revalued to fair value on the date of transition to the 2015 FEHE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

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

Freehold land is not depreciated as it is considered to have an indefinite useful life. Freehold buildings are depreciated on a straight-line basis over their expected useful lives. The following rates are normally applied:

Freehold buildings 10 - 60 years

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

Equipment

Equipment, including computers and software, costing less than £5,000 per individual item is recognised as expenditure. All other equipment is capitalised.

Capitalised equipment is stated at cost and depreciated over its expected useful life as follows:

Plant and equipment	3 - 35 years
Fixtures and fittings	5 - 10 years
Motor vehicles	5 years

Individual assets are reviewed for impairment in the event that there is some indication that impairment has occurred. Impairment values are calculated as the difference between the carrying value of the asset and its recoverable amount if lower. Recoverable amount is defined as the higher of fair

value less costs to sell and the estimated value in use at the date the impairment review is undertaken. Material impairments are recognised in the profit and loss account as material items.

Maintenance of Premises

The cost of routine corrective maintenance is charged to the income and expenditure account in the period that it is incurred.

Investments

Fixed and current asset investments are included in the balance sheet at their market value.

Agriculture

Biological assets are living animals or plants held as non-current assets from which economic benefits flow to the University. Agricultural produce is the harvested product of a biological asset. The University's farming operations include dairy cattle which are classified as biological assets. Dairy cattle are stated at fair value less costs to sell. Changes in fair value less costs to sell are recognised in the statement of comprehensive income. The associated agricultural produce, milk, is stored only for a short time before onward sale and hence the value held is not considered material and is not included on the balance sheet.

The University's operations also include arable farming from which economic benefits are derived. The plants and their harvested crops are treated as current assets within stock.

Stocks

Commercial farming stocks are independently valued by Halls Auctioneers Limited of Shrewsbury, Shropshire at cost for growing crops, feedstuffs, sprays and fertilizers, and at a discounted market value at the year-end for the livestock held for resale.

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

Cash and Cash Equivalents

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

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value.

Financial Instruments

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form. All loans, investments and short-term deposits held by the Group are classified as basic financial instruments in accordance with FRS 102. These instruments are initially recorded at the transaction price less any transaction costs (historical cost). FRS 102 requires that basic financial

instruments are subsequently measured at amortised cost, however the University has calculated that the difference between the historical cost and amortised cost basis is not material and so these financial instruments are stated on the balance sheet at historical cost. Loans and investments that are payable or receivable within one year are not discounted.

Public Benefit Concessionary Loans

Where loans are made at below the prevailing market rate of interest, not repayable on demand and made for the purpose of furthering the objectives of the University they are classified as concessionary loans.

Concessionary loans are initially measured at the amount paid and adjusted at the period end to reflect any accrued income receivable. Should a loan be judged as irrecoverable it is written-off to the Statement of Comprehensive Income in the period in which it becomes irrecoverable.

Provisions and Contingent Liabilities

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

The amount recognised as a provision is determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

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

Contingent assets and liabilities are not recognised in the Balance Sheet but are disclosed in the notes.

Taxation Status

The University is an exempt charity within the meaning of Schedule 3 of the Charities Act 2011 and as such is a charity within the meaning of Para 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 478 to 488 of the Corporation Tax Act 2010 (formerly enacted in Section 505 of the Income and Corporation Taxes Act 1988) or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes. The University receives no similar exemption in respect of Value Added Tax. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature. The University's subsidiary company is subject to corporation tax.

Deferred Taxation

Deferred taxation is recognised on all timing differences at the balance sheet date where transactions or events that give the company an obligation to pay more tax in the future, or right to pay less tax in the future, have occurred. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have enacted or substantively enacted by the balance sheet date.

Reserves

Reserves are classified as restricted or unrestricted. Restricted endowment reserves include balances which, through endowment to the University, are held as a permanently restricted fund which the University must hold in perpetuity. Other restricted reserves include balances where the donor has designated a specific purpose and therefore the University is restricted in the use of these funds.

Accounting estimates and judgements

The preparation of financial statements requires the use of accounting estimates and assumptions. It also requires management to exercise its judgement in the process of applying accounting policies. Estimates, assumptions and judgements are continually evaluated based on available information and experience. Estimates based on assumptions and judgements could differ significantly from actual results. The areas most affected by the use of estimates and judgements are described below:

- **Tangible fixed assets**

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

- **Local Government Pension Scheme**

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 25, will impact the carrying amount of the pension liability. Furthermore, a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 July 2019. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

Consolidated Statement of Comprehensive Income and Expenditure

Year ended 31 July 2019

		Year ended 31 July 2019		Year ended 31 July 2018	
		Consolidated	University	Consolidated	University
	Notes	£'000	£'000	£'000	£'000
Income					
Tuition fees	1	20,639	20,639	19,049	19,049
Funding council grants	2	9,025	9,025	8,985	8,985
Research grants and contracts	3	3,172	3,172	2,746	2,746
Other operating income	4	9,700	9,836	9,338	9,427
Investment income	5	57	54	32	31
Total income before endowments and donations		42,593	42,726	40,150	40,238
Donations and endowments	6	1,592	1,645	505	426
Total income		44,185	44,371	40,655	40,664
Expenditure					
Staff costs	7	23,371	23,371	22,792	22,792
Depreciation and Amortisation		4,250	4,033	3,795	3,725
Other operating expenses	8	14,141	14,455	12,789	13,058
Interest and other finance costs	9	844	844	858	858
Exceptional Cost – pension scheme	25	502	502	-	-
Total expenditure		43,108	43,205	40,234	40,433
Surplus before other gains and losses		1,077	1,166	421	231
Gain on disposal of fixed assets	11	42	42	14	14
Gain on investments	12	38	38	70	70
Surplus before taxation		1,157	1,246	505	315
Taxation (charge) / credit	10	(122)	(125)	(263)	(249)
Surplus for the year		1,035	1,121	242	66
Actuarial (loss)/gain in respect of pension schemes	25	(7,865)	(7,865)	3,813	3,813
Total comprehensive income and expenditure for the year		(6,830)	(6,744)	4,055	3,879
Represented by:					
Restricted endowment income for the year		1,037	1,037	-	-
Restricted comprehensive income for the year		(68)	35	(714)	(793)
Unrestricted comprehensive income for the year		(7,799)	(7,816)	4,769	4,652
		(6,830)	(6,744)	4,055	3,879

All items of income and expenditure relate to continuing activities

The accompanying accounting policies and notes form part of these financial statements

Consolidated and University Statement of Changes in Reserves

Year ended 31 July 2019

Consolidated	Income and expenditure account			Total
	Endowment £'000	Restricted £'000	Unrestricted £'000	£'000
Balance at 1 August 2017	-	1,224	57,080	58,304
Surplus / (Deficit) from the income and expenditure statement	-	(214)	456	242
Other comprehensive income	-	-	3,813	3,813
Release of restricted funds spent in year	-	(500)	500	-
Total comprehensive income and expenditure for the year	-	(714)	4,769	4,055
Balance at 1 August 2018	-	510	61,849	62,359
Surplus / (Deficit) from the income and expenditure statement	1,037	(68)	66	1,035
Other comprehensive income / (expenditure)	-	-	(7,865)	(7,865)
Release of restricted funds spent in year	-	-	-	-
Total comprehensive income and expenditure for the year	1,037	(68)	(7,799)	(6,830)
Balance at 31 July 2019	1,037	442	54,050	55,529

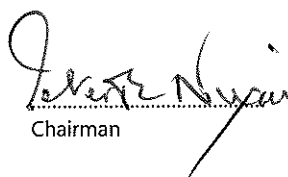
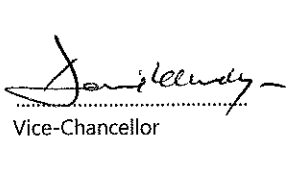
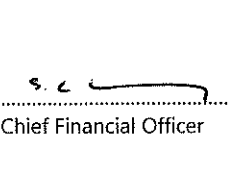
University	Income and expenditure account			Total
	Endowment £'000	Restricted £'000	Unrestricted £'000	£'000
Balance at 1 August 2017	-	1,014	55,776	56,790
Surplus / (Deficit) from the income and expenditure statement	-	(793)	859	66
Other comprehensive income	-	-	3,813	3,813
Release of restricted funds spent in year	-	-	-	-
Total comprehensive income and expenditure for the year	-	(793)	4,672	3,879
Balance at 1 August 2018	-	221	60,448	60,669
Surplus from the income and expenditure statement	1,037	35	49	1,121
Other comprehensive income / (expenditure)	-	-	(7,865)	(7,865)
Total comprehensive income and expenditure for the year	1,037	35	(7,816)	(6,744)
Balance at 31 July 2019	1,037	256	52,632	53,925

Consolidated and University Balance Sheet

Year ended 31 July 2019

		Year ended 31 July 2019		Year ended 31 July 2018	
	Notes	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Non-current assets					
Tangible assets	11	88,369	83,960	89,231	84,604
Investments	12	1,033	1,878	995	1,840
Biological Assets	13	578	578	536	536
Debtors	15	-	2,236	-	2,060
		89,980	88,652	90,762	89,040
Current assets					
Stock	14	915	915	1,060	1,060
Trade and other receivables	15	3,257	3,249	3,268	3,587
Investments	12	2,763	2,763	1,760	1,760
Cash and cash equivalents		12,082	11,643	10,073	9,497
		19,017	18,570	16,161	15,904
Creditors - amounts falling due within one year	16	(7,736)	(7,768)	(8,089)	(8,042)
Net current assets		11,281	10,802	8,072	7,862
Total assets less current liabilities		101,261	99,454	98,834	96,902
Creditors – amounts falling due after more than one year	17	(23,424)	(23,274)	(23,787)	(23,587)
Provisions					
Pensions provisions	25	(21,806)	(21,806)	(12,197)	(12,197)
Other provisions	18	(502)	(449)	(505)	(449)
Total net assets		55,529	53,925	62,359	60,669
Restricted reserves					
Income and expenditure reserve – restricted reserve	19	442	256	510	221
Endowment – restricted reserve	19	1,037	1,037	-	-
Unrestricted reserves					
Income and expenditure reserve - unrestricted		54,050	52,632	61,849	60,448
Total reserves		55,529	53,925	62,359	60,669

The financial statements on pages 26 to 46 were approved by the Board of Governors on 27 November 2019 and signed on its behalf by:

Chairman Vice-Chancellor Chief Financial Officer

The accompanying accounting policies and notes form part of these financial statements.

Consolidated Cash Flow Statement

Year ended 31 July 2019

	Notes	Year ended 31 July 2019 £'000	Year ended 31 July 2018 £'000
Cash flow from operating activities			
Surplus for the year		1,035	242
Adjustment for non-cash items			
Depreciation		4,250	3,795
Gain on investments		(38)	(70)
Decrease / (Increase) in stock and biological assets		103	(21)
(Increase) / Decrease in debtors		11	997
Increase / (Decrease) in creditors		(186)	(1,656)
Increase in pension provision	25	1,744	1,458
Increase / (Decrease) in other provisions	18	(3)	(115)
Capital grant income		(403)	(559)
		<u>5,478</u>	<u>3,829</u>
Adjustment for investing or financing activities			
Endowment Income		(990)	-
Interest payable	9	462	450
Profit on the sale of fixed assets		(42)	(14)
Investment income	5	-	-
		<u>(570)</u>	<u>436</u>
Net cash inflow from operating activities		<u>5,943</u>	<u>4,507</u>
Cash flows from investing activities			
Proceeds from sales of fixed assets		14	-
Capital grant receipts		1,016	545
Investment income	5 / 12	57	1,053
Payments made to acquire fixed assets		(3,540)	(6,091)
New non-current asset investments		(990)	-
		<u>(3,443)</u>	<u>(4,493)</u>
Cash flows from financing activities			
Interest paid		(462)	(484)
New secured loans		-	-
Repayments of amounts borrowed		(1,002)	(1,167)
Capital element of finance lease		(17)	(17)
Endowment cash received		990	-
		<u>(491)</u>	<u>(1,668)</u>
Increase / (Decrease) in cash and cash equivalents in the year		<u>2,009</u>	<u>(1,654)</u>
Cash and cash equivalents at beginning of the year		10,073	11,727
Cash and cash equivalents at end of the year		12,082	10,073

The accompanying accounting policies and notes form part of these financial statements.

Notes to the Financial Statements

1. Tuition fees

	Year ended 31 July 2019		Year ended 31 July 2018	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Full time students – home/EU	17,539	17,539	16,338	16,338
Full time students charged overseas fees	1,394	1,394	1,090	1,090
Part time fees	433	433	464	464
Short course fees	890	890	873	873
Other fees	383	383	284	284
	20,639	20,639	19,049	19,049

2. Funding body grants

	Year ended 31 July 2019		Year ended 31 July 2018	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Recurrent grant (OFS/HEFCE)	7,735	7,735	8,176	8,176
Release of deferred capital grant (OFS/HEFCE)	275	275	283	283
Research grant (Research England/HEFCE)	541	541	526	526
Higher Education Innovation Fund	370	370	-	-
Education and Skills Funding Agency	104	104	-	-
	9,025	9,025	8,985	8,985

3. Research grants and contracts

	Year ended 31 July 2019		Year ended 31 July 2018	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Research grants and contracts	3,172	3,172	2,746	2,746

Includes Research and Development credit of £1k in the year ended 31 July 2019 (2018: £5k).

4. Other operating income

	Year ended 31 July 2019		Year ended 31 July 2018	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Catering and residence	3,990	3,990	3,780	3,780
Conferences and short course accommodation	846	846	834	834
Consultancy	99	99	13	13
Farm	2,819	2,849	2,354	2,374
Other income	1,183	1,289	1,546	1,615
Trial income	262	262	228	228
Validation fees	501	501	583	583
	9,700	9,836	9,338	9,427

5. Investment income

	Year ended 31 July 2019		Year ended 31 July 2018	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Bank interest	54	54	31	31
Other investment income	-	-	-	-
Development Trust Interest	3	-	1	-
	57	54	32	31

6. Donations and endowments

	Year ended 31 July 2019		Year ended 31 July 2018	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Permanent Restricted Endowments	1,037	1,037	-	-
Other donations with restrictions	550	608	502	425
Other donations without restrictions	5	-	3	1
	1,592	1,645	505	426

7. Staff costs

	Year ended 31 July 2019		Year ended 31 July 2018	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Staff Costs :				
Salaries	18,199	18,199	17,495	17,495
Social security costs	1,696	1,696	1,664	1,664
Other pension costs	3,476	3,476	3,633	3,633
Total	23,371	23,371	22,792	22,792

During the year severance costs of £157,502 (2018: £7,373) were incurred in relation to 18 individuals (2018: 2 individuals) leaving the organisation. These costs are included within the salaries figure above.

Emoluments of the Vice-Chancellor:

Salary	192	192	188	188
Benefits	6	6	5	5
Accommodation	4	4	5	5
Employer's pension contributions	-	-	9	9
Payments in lieu of pension contributions	18	18	11	11
	220	220	218	218

The Vice-Chancellor's basic salary is 5.79 times (2018: 5.96) the median pay of staff, where the median pay is calculated on a full-time equivalent basis for the salaries paid by Harper Adams University to its staff.

The Vice-Chancellor's total remuneration is 5.47 (2018: 5.95) times the median total remuneration of staff, where the median total remuneration including employer pension contributions is calculated on a full-time equivalent basis for the total remuneration by Harper Adams University to its staff.

Benefits

Benefits relate to private health insurance paid for by the University on behalf of the Vice-Chancellor.

Non-taxable Accommodation

The non-taxable benefit is the market rental of the agreed share, 37%, of a campus property. The total market rental rate from a professional third-party valuation is £12,000 per annum, therefore the deemed non-taxable benefit to the Vice-Chancellor equates to £4,440 (2018: £5,520).

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the University. Total staff costs including pension paid to the senior management team (including the Vice-Chancellor, comprising of 7 members (2018: 7 members)).

	Year ended 31 July 2019	Year ended 31 July 2018
	£	£
Key management personnel emoluments	878	880

Remuneration of higher paid staff (excluding the Vice-Chancellor), excluding employer's pension:

	Year ended 31 July 2019		Year ended 31 July 2018	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
	No.	No.	No.	No.
£100,000 to £104,999	1	1	-	-
£105,000 to £109,999	1	1	1	1
£110,000 to £114,999	-	-	1	1
£115,000 to £119,999	1	1	-	-

	Year ended 31 July 2019		Year ended 31 July 2018	
	Consolidated	University	Consolidated	University
	No.	No.	No.	No.
Average staff numbers by major category:				
Academic	164	164	166	166
Administration and Support	136	136	135	135
Management & Specialist	32	32	31	31
Other	102	102	115	115
Research	17	17	25	25
Technical	37	37	37	37
	488	488	509	509

Justification for Head of Institution Salary

The Board of Governors has established a Remuneration Committee which operates in accordance with the CUC HE Senior Staff Remuneration Code published in June 2018. The Board has approved a Remuneration Policy Statement (published at <https://www.harper-adams.ac.uk/general/governance/publication-scheme.cfm> -section 4 how we make decisions) which describes the principles by which the remuneration of all senior staff, including the Vice-Chancellor as the head of the provider, will be set. The Policy also describes the Senior Staff Review process by which the annual review of performance of the Vice-Chancellor is evaluated by the Chair and Vice-Chair of the Board and reported to the Remuneration Committee and thereafter to the Board. Feedback from independent members on the performance of all senior staff is also sought by the Chair and fed into the Remuneration Committee's deliberations. In accordance with the CUC Code, the Vice-Chair of the Board chairs the Committee's discussion of the Vice-Chancellor's performance and remuneration. The Committee reports on its work to the Board and conducts its work in accordance with the Board's framework for setting senior staff pay. The Board has agreed that the Committee will provide an annual report on its work that meets the CUC's guidance on Remuneration Committee Reporting. The Annual Report, once accepted by the Board, is published on the University's web pages at Section 4 of its publication scheme as noted above. The Minutes of the Remuneration Committee are also published in Section 4 of the scheme.

The University's charitable objects are: the provision, conduct and development of the University to provide higher education for the industries, professions and communities associated with rural land. Details of the public benefits delivered by the University can be found elsewhere in the Annual Report and Financial Statements.

The University is a small specialist HEI which has a well-established national and international reputation for the high quality of its teaching, knowledge transfer and applied research. The University is recognised by the industries with which it works as playing an important leadership role in providing high quality graduates and applied research that is of value to food production, animal welfare, engineering and the management of rural land as well as the wider natural environment. The Board has recognised that principles of equality, diversity and inclusion and the importance of recruiting and retaining senior staff with the necessary skills and expertise to deliver the University's strategic plan sustainably and within budgetary limits are critical to ensure the University meets its charitable objects.

When reviewing remuneration annually, an assessment of individual performance against agreed objectives is the key consideration. Any consideration of making a performance award where evaluation by the Committee identifies exceptional performance is subject to benchmarking against a range of market factors and independently collated data for comparative institutions provided in the UCEA Survey of Senior Staff Pay. The Committee may determine and report to the Board its decisions on performance awards of up to a maximum limit of 3% of current salary in addition to any national pay award negotiated by UCEA. The Board has determined that any recommendation for a performance award above 3% is subject to approval by the full Board including staff and student members. Further details can be found in the Policy Statement.

The principles that underpin the Policy take account the value of the role, assessed by level of responsibility, size and complexity, specific expertise and experience required and any other key components relevant to a specific senior role.

When setting senior staff pay for 2018/19, the Board agreed with the Remuneration Committee's view that the Vice-Chancellor's performance in making progress towards meeting his agreed objectives continued to be excellent. The Chairman of Governors and two other Independent Governors conduct an annual review of the Vice-Chancellor's performance against set objectives. The latter are reported to the Board by the Chair at least annually. All Independent Board members are invited to comment on the performance of the Vice-Chancellor and Senior Staff as part of the annual review process. Members' comments feed into the deliberations of Remuneration Committee.

2018/19 objectives set for the Vice-Chancellor included successful engagement with the Industrial Strategy Challenge Fund and HEIF; ensuring effective use of Institutional Specific Funding; overseeing the successful development of a Veterinary School proposal; ensuring institutional financial targets were met to ensure sustainability; overseeing delivery of the University's marketing and communications strategy and supporting delivery of key elements of the University's internationalisation strategy. As well as fully meeting these objectives, other personal achievements included: helping to secure funding and industry leadership support for the successful launch of a new agri-tech leadership programme; securing a major philanthropic donation to support the capital needs for the new Vet School; successful engagement with local, regional and national partners to ensure that the University's leadership role in providing education and research to support agri-food and related industries is recognised and valued; acting as an advocate for small specialist HEIs and in doing so, being elected as Chair of GuildHE; continuing to contribute research briefings to the Agri-Skills Initiative as the HE education representative; delivering a detailed programme of strategic engagement with key stakeholders to ensure that the work of the University is understood and recognised.

Institutional achievements are set out in the institutional Monitoring Statement agreed annually by the Board and published at <https://www.harper-adams.ac.uk/general/governance/publication-scheme.cfm> (Section 3 - What our priorities are and how we are doing). Key institutional achievements during 2018/19 included: achieving a second TEF Gold; being placed in the top 10 UK Universities in the 2018 NSS; being awarded the joint top post-92 University place the Sunday Times Good University Guide and being confirmed as first in the UK and second in the world for the employer reputation element of the agriculture and forestry subject category of the QS World Rankings; winning the Future Food Category of the BBC Food and Farming Awards for the world first Hands Free Hectare project, and shortly thereafter, securing an Industrial Strategy Challenge Fund grant to develop a Hands Free Farm; winning the WhatUni Student Choice Award for student support for the fifth year in a row and the Job Prospects award for the fourth year in a row; achieving the highest place for a post-92 HEI in the Complete University Guide 2020, and rising 21 places into the top 30 in this national league table. The Vice-Chancellor's expertise in higher education policy matters, together with his effective knowledge of, and engagement with, land based industries are recognised by the Board as key strengths as are his strategic vision and ability to successfully deliver major strategic projects; while providing high quality day to day leadership and management of operational matters which ensure that the University operates sustainably and efficiently and in accordance with the principles of public life. While judging progress against objectives and overall performance of the Vice-Chancellor as excellent, the Board supported the decision of the Remuneration Committee to agree the Vice-Chancellor's request that he should receive only the nationally negotiated pay award for 2018/19 rather than any consideration of any individual performance award in 2018/19. The Vice-Chancellor duly received the national pay award confirmed by UCEA in 2018/19.

The Board also continued its policy to enable any staff member who has decided to cease membership of the employer's pension scheme offered by the University due to exceeding annual allowance or life time allowance thresholds to request that consideration be given to the University making a payment to the individual in such circumstances in lieu of employer pension contributions. The Vice-Chancellor's application was approved on these grounds for 2018/19. The Remuneration Committee agreed that a proportion of the employer's pension contributions should continue to be paid to the Vice-Chancellor as a payment in lieu of employer contributions.

The details of changes to the Vice-Chancellor's salary over the period 2017/18 and 2018/19 and the payments made to the Vice-Chancellor in lieu of employer's pension contributions not paid during year ended 31 July 2019 are set out in the tables above. The payment made in lieu of employer pension contributions continued to result in a saving on employer pension costs that would have otherwise been incurred had the Vice-Chancellor continued to be a member of the pension scheme throughout the year.

The Board is satisfied that the remuneration package for the Vice-Chancellor remains appropriate in light of the above context, value and performance demonstrated during the year ended 31 July 2019.

Members of the Board of Governors

The University Board of Governors members are the trustees for charitable law purposes. Due to the nature of the University's operations and the compositions of the Board, being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the Board may have an interest. All transactions involving organisations in which a member of Board may have an interest, including those identified below, are conducted at arm's length and in accordance with the University's Financial Regulations and usual procurement procedures:

Harper Adams in Ireland is an alumni association for former Harper Adams students in Ireland and Mr Joe Lawson is a trustee of both Harper Adams in Ireland and Harper Adams University Development Trust. Harper Adams Club is the alumni association for former Harper Adams students and Mr Simon Jones is a trustee of both Harper Adams Club and Harper Adams University Development Trust. During the year payments totalling £6,070 (2018: £7,067) were made to Harper Adams in Ireland and payments totalling £7,800 (2018: £15,280) to Harper Adams Club.

No Board member has received any remuneration/waived payments from the group during the year (2018: none)

The total expenses paid to or on behalf of 12 Board members was £7,228 (2018: £5,896). This represents travel and subsistence expenses incurred in attending Board, Committee meetings and Charity events in their official capacity.

8. Other operating expenses	Year ended 31 July 2019		Year ended 31 July 2018	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Academic and related expenditure	2,305	2,305	2,028	2,028
Administration and central services	687	687	751	751
Library, computer and other academic support services	3,399	3,895	3,488	3,933
Premises - Other premises costs	1,221	1,221	1,052	1,052
Premises - Refurbishment and maintenance	726	726	427	427
Premises - Utility Costs	939	1,300	863	1,150
Research grants and contracts	1,368	1,368	1,257	1,257
Residences and catering operations	570	570	358	358
Other including income generating operations	2,426	2,383	2,136	2,102
Development Trust scholarship expenditure and audit fee	500	-	430	-
	14,141	14,455	12,789	13,058

Other operating expenses include:

Audit of these financial statements	37	31	31	25
Amounts receivable by the company's auditor in respect of:				
- Audit of financial statements of subsidiaries of the company	6	-	5	-
- Audit related assurance services	1	1	1	1
- Taxation compliance services	7	6	6	5
- Other tax advisory services	15	15	20	20
- Other advisory services	13	13	27	27
Internal auditors remuneration	25	25	24	24
Operating lease rentals:				
Plant and machinery	36	36	17	17

9. Interest and other finance costs

	Year ended 31 July 2019		Year ended 31 July 2018	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
On bank loans:				
Repayable wholly or partly in 2 - 5 years	76	76	79	79
Repayable wholly or partly in more than 5 years	386	386	371	371
Pension finance charge	382	382	408	408
Total payable	844	844	858	858

10. Taxation

The UK corporation tax charge (credit) is in respect of the University's subsidiary company Cedar Energy. The tax provision charged in the University recognises the tax risk arising from overseas activities which are under negotiation with the relevant authorities.

	Year ended 31 July 2019		Year ended 31 July 2018	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
UK corporation tax (credit) / charge of 19.0% (2018: 19.0% on surplus for the year)	-	-	-	-
Tax Provision	125	125	249	249
Deferred tax provision	(3)	-	14	-
Tax on Profit/(Loss) on ordinary activities	122	125	263	249

The tax assessed for the year differs from the standard rate of corporation tax in the UK as follows:

	Year ended 31 July 2019		Year ended 31 July 2018	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Profit on ordinary activities before taxation	1,318	1,408	505	315
Profit on ordinary activities multiplied by the standard rate of tax in the UK of 19% (2018: 19%)	250	267	96	60
Fixed asset differences	4	-	1	-
Expenses not deductible for tax purposes	-	-	-	-
Income not chargeable for tax purposes	-	-	-	-
Losses carried back	-	-	-	-
Chargeable gains / (losses)	-	-	-	-
Deferred tax not recognised	-	-	-	-
Adjustments to tax charge in respect of previous periods	-	-	-	-
Capital allowances in excess of depreciation	-	-	-	-
Other short-term timing differences	-	-	-	-
Unrelieved tax losses & other deductions arising in the period	(7)	-	-	-
Impact of rate change	-	-	-	-
Adjustments for charitable activities not subject to corporation tax	(250)	(267)	(83)	(60)
UK corporation tax (credit) / charge	(3)	-	14	-

11. Consolidated Fixed assets

	Freehold Property £'000	Plant and Equipment £'000	Assets in the Course of Construction £'000	Non Operational Assets £'000	Total £'000
Cost or valuation					
At 1 August 2018	74,761	47,796	866	139	123,562
Transfer	860	-	(860)	-	-
Additions	508	1,137	1,743	-	3,388
Disposals	(323)	(1,694)	-	-	(2,017)
At 31 July 2019	75,806	47,239	1,749	139	124,933
Accumulated depreciation					
At 1 August 2018	7,957	26,212	23	139	34,331
Transfer	23	-	(23)	-	-
Charge for the year	1,636	2,449	4	-	4,089
Impairment	-	161	-	-	161
Disposals	(323)	(1,694)	-	-	(2,017)
At 31 July 2019	9,293	27,128	4	139	36,564
Net book value					
At 31 July 2018	66,804	21,584	843	-	89,231
At 31 July 2019	66,513	20,111	1,745	-	88,369
Financed by capital grant	11,843	518	-	-	12,361
Other	54,670	19,593	1,745	-	76,008
Net book value at 31 July 2019	66,513	20,111	1,745	-	88,369

Asset impairment has been calculated consistently with the principles of section 17 of FRS102. During the year a number of assets that had reached the end of their useful economic life and were being held at a nil net book value, were disposed to ensure the records reflect a true and fair view.

Land and certain buildings in the University were re-valued on a fair value basis by an independent Chartered Surveyor as at 31 July 2014. As a first-time adopter of FRS102 the University has used that fair value as its deemed cost at 1 August 2014 in accordance with FRS102 paragraph 35.10(c).

Included within freehold property is land costing £22,652,480 (2018: £22,652,480) which is not depreciated.

11. University fixed assets

	Freehold Property	Plant and Equipment	Assets in the Course of Construction	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 August 2018	74,354	42,878	866	118,098
Transfer	860	-	(860)	-
Additions	508	1,137	1,743	3,388
Disposals	(323)	(1,694)	-	(2,017)
At 31 July 2019	75,399	42,321	1,749	119,469
Accumulated depreciation				
At 1 August 2017	7,898	25,573	23	33,494
Transfer	23	-	(23)	-
Charge for the year	1,617	2,250	4	3,871
Impairment	-	161	-	161
Disposals	(323)	(1,694)	-	(2,017)
At 31 July 2019	9,215	26,290	4	35,509
Net book value				
At 31 July 2018	66,456	17,305	843	84,604
At 31 July 2019	66,184	16,031	1,745	83,960
Financed by capital grant	11,843	518	-	12,361
Other	54,341	15,513	1,745	71,599
Net book value at 31 July 2019	66,184	16,031	1,745	83,960

12. Investments

	Year ended 31 July 2019		Year ended 31 July 2018	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Long term asset investments				
Investment in subsidiary company	-	1,000	-	1,000
Quoted securities at market value	1,033	878	995	840
Unquoted securities at cost	-	-	-	-
	1,033	1,878	995	1,840
Current asset investments				
Short term cash deposits	1,762	1,762	1,760	1,760
Restricted endowment funds	1,001	1,001	-	-
Total investments	3,796	4,641	2,755	3,600

The University investment in the subsidiary company, Cedar Energy Limited (incorporated in England and Wales) of £1,000,000 comprises 500,000 ordinary £1 shares at par and 500,000 £1 preference shares at par.

13. Biological Assets

The University's farming operations include dairy cattle, which are classified as biological assets under Long Term Assets in the statement of financial position and are stated at fair value less costs to sell. Changes in fair value less costs to sell are recognised in the statement of comprehensive income. The value of the Dairy cattle classified as biological assets at the reporting date was £578k (2018: £536k).

14. Stock	Year ended 31 July 2019		Year ended 31 July 2018	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Farm stocks	874	874	1,017	1,017
Consumables	14	14	17	17
Goods for resale	27	27	26	26
	915	915	1,060	1,060

15. Trade and other receivables	Year ended 31 July 2019		Year ended 31 July 2018	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Amounts falling due within one year:				
Research grants receivables	771	771	314	314
Subsidiary company	-	54	-	394
Other trade receivables	1,219	1,203	1,579	1,579
Prepayments and accrued income	1,221	1,175	1,261	1,240
Other receivables	46	46	114	60
	3,257	3,249	3,268	3,587
Amounts falling due after one year:				
Subsidiary company	-	2,236	-	2,060
	3,257	5,485	3,268	5,647

Harper Adams University has extended a public benefit entity concessionary loan to Cedar Energy Limited of £1.02m (2018: £1.26m) payable by October 2023. As at July 2019 £780,000 falls due after one year.

16. Creditors: amounts falling due within one year	Year ended 31 July 2019		Year ended 31 July 2018	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Bank loans	543	543	605	605
OFS loans	240	240	240	240
Other loans	157	107	157	107
Subsidiary company	-	111	-	-
Deferred income	3,250	3,250	3,171	3,171
Taxation and social security	755	733	115	94
Sundry creditors and accrued expenses	2,791	2,784	3,801	3,825
	7,736	7,768	8,089	8,042
Deferred income				
Research grants received on account	1,041	1,041	1,423	1,423
Grant income	390	390	390	390
Other income	1,819	1,819	1,358	1,358
	3,250	3,250	3,171	3,171

17. Creditors: amounts falling due after one year

	Year ended 31 July 2019		Year ended 31 July 2018	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Deferred income	12,995	12,995	12,369	12,369
Other Creditors	17	17	53	53
Loans:				
Bank loans	9,482	9,482	10,038	10,038
OFS loans	780	780	1,020	1,020
Other loans	150	-	307	107
Total creditors due after one year	23,424	23,274	23,787	23,587

Borrowings:

Bank loans repayable as follows:

In one year or less	556	556	605	605
Between one and five years	5,075	5,075	2,311	2,311
In five years or more	4,407	4,407	7,727	7,727
	10,038	10,038	10,643	10,643

Bank borrowings have been secured at various fixed rates ranging from 4.3% to 5.8% with the exception of one bank loan, which is at a variable rate (2.723% was the rate applicable in July 2019). Borrowings are repayable by quarterly instalments with the final payment scheduled for 3 September 2035.

OFS loans repayable as follows:

In one year or less	240	240	240	240
Between one and five years	780	780	840	840
In five years or more	-	-	180	180
	1,020	1,020	1,260	1,260

Other loans repayable as follows:

In one year or less	157	107	157	107
Between one and five years	150	-	257	107
In five years or more	-	-	-	-
	307	107	414	214

The borrowings from the OFS (formerly HEFCE) included two repayable public benefit entity concessionary loans, which were fully paid in the prior year.

Quarterly repayments of £60k with respect to a loan of £2,400k for green energy schemes commenced in 2011/12 over a 10-year repayment period. A 2-year repayment break was agreed with the funding council in 2014 and quarterly re-payments recommenced in the 2016/17 financial year extending the loan repayment to 2022/23 financial year.

18. Provision for liabilities

	Year ended 31 July 2019			Year ended 31 July 2018			
	Deferred Tax £000	Other Provision £000	Total £000	Deferred Tax £000	Workforce Provision £000	Other Provision £000	Total £000
Consolidated							
As at 1 August 2018	56	449	505	42	564	-	606
Charge in the year	(3)	125	122	14	-	249	263
Released to the SOCI	-	(125)	(125)	-	(364)	-	(364)
As at 31 July 2019	53	449	502	56	200	249	505
University							
As at 1 August 2018	-	449	449	-	564	-	564
Charge in the year	-	125	125	-	-	249	249
Released to the SOCI	-	(125)	(125)	-	(364)	-	(364)
As at 31 July 2019	-	449	449	-	200	249	449

Deferred Tax

The deferred tax provision is in relation to the following:

	Year ended 31 July 2019 £'000	Year ended 31 July 2018 £'000
Capital gain on disposal	53	56

No deferred tax asset has been recognised on the remaining losses due to uncertainty regarding their crystallisation in the foreseeable future.

19. Endowment and Restricted reserves

Reserves with restrictions are as follows:

Consolidated	Donations £'000	Endowments £'000	Year Ended 2019 Total £'000	Year Ended 2018 Total £'000
			Total £'000	Total £'000
Balances at 1 August 2018	510	-	510	1,224
Capital	-	-	-	-
Accumulated Income	-	-	-	-
	510	-	510	1,224
New endowments	-	1,024	1,024	-
Investment income	-	2	2	-
New donations	404	-	404	505
Increase in market value of investments	-	11	11	-
Expenditure	(472)	-	(472)	(1,219)
As at 31 July 2019	442	1,037	1,479	510
Analysis of other restricted funds/donations by type or purpose:			Year Ended 2019 Total £'000	2018 Total £'000
Scholarships and bursaries	442	-	442	510
Capital	-	1,035	1,035	-
Accumulated Income	-	2	2	-
	442	1,037	1,479	510

University	Donations	Endowments	Year Ended	Year Ended
			2019	2018
			Total	Total
	£'000	£'000	£'000	£'000
Balances at 1 August 2018	221	-	221	1,014
Capital	-	-	-	-
Accumulated Income	-	-	-	-
	221	-	221	1,014
New endowments	-	1,024	1,024	-
Investment income	-	2	2	-
New donations	507	-	507	426
Increase in market value of investments	-	11	11	-
Expenditure	(472)	-	(472)	(1,219)
As at 31 July 2019	256	1,037	1,293	221
Analysis of other restricted funds/donations by type or purpose:			Year Ended	
	Donations	Endowments	2019	2018
	£'000	£'000	Total	Total
			£'000	£'000
Scholarships and bursaries	256	11	267	221
Endowment Funding Capital	-	1,024	1,024	-
Accumulated Income	-	2	2	-
	256	1,037	1,293	221

20. Capital and other commitments

	Year ended 31 July 2019		Year ended 31 July 2018	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Capital commitments				
At 31 July 2019, the following amounts had been authorised:				
Authorised and contracted for	7,305	7,305	-	-
Operating leases				
As at 31 July 2019, Harper Adams University had minimum future lease payments under operating leases expiring between one and five years:				
Plant and machinery	19	19	17	17

The capital commitments in place at the year-end relate predominantly to the contract awarded to McPhillips (Wellington) Ltd, for the construction of the Veterinary Sciences Building at the University to provide additional facilities for existing veterinary courses as well as support an increase to the number of places available as the University opens the Harper Keele Vet School in collaboration with Keele University.

21. Post balance sheet event

The University is in negotiation with Barclays Bank PLC for an £8million facility to support the construction costs of the Veterinary Sciences Building.

22. Contingent liabilities

On 3 October 2014, the University entered into a Development Agreement with Dairy Crest Limited where the company agreed to develop a Research and Innovation centre on the University's campus. The partnership is contracted for 25 years; however Dairy Crest have the right to break at 15 years.

In the event of the break clause being exercised, the University will be committed to purchase the building at the written down value of c.£1.25m.

23. Related party transactions

The University has a number of related parties where governors and senior staff members sit on boards and panels to assist as necessary based on the respective objectives of the organisation.

Harper Adams University is a member of the Agri-EPI Centre Limited, a company limited by guarantee. Liz Furey, Harper Adams University Chief Financial Officer, is the university's nominated board director. During the year the University incurred costs of £88k (2018 £25k) on behalf of Agri-EPI Centre Limited for whom the university is acting as agent. The University received income of £178k (2018: £1,044k) from Agri-EPI Centre Limited by way of reimbursement of costs incurred on its behalf and providing services through service level agreements. At the balance sheet date, Harper Adams University was owed £6k (2018 £14k).

The Harper Adams University Students' Union is an independent constituted body and, therefore, is not included in the Consolidated Financial Statements of the University. During the financial year the University made payments to the Students' Union of £86.3k (2018 £61.3k) and received £52.1k (2017 £63.2k). At the balance sheet date, Harper Adams University was owed £1.3k (2018 £3.4k) and owed the Students' Union £3.6k (2018 £nil).

Harper Adams University is a member of CIEL Livestock Limited, a company limited by guarantee. The University received £nil (2018 £nil) of capital grant funding from CIEL Livestock Limited. At the balance sheet date, Harper Adams University was owed £nil (2018 £177k).

Harper Adams University is a member of Guild HE. The Vice-Chancellor is currently a member of the Executive Board. During the year the university incurred costs of £24.5k (2018 £24.1k).

Other related parties where transactions do not exceed £5,000 in total are as follows:

- Land Based Colleges Aspiring to Excellence (LANDEX)
- North West University Purchasing Consortium (NWUPC)

The University has taken advantage of the exemption in FRS102, Section 33 of FRS 102 that transactions with wholly-owned subsidiary companies are not disclosed.

24. Subsidiary undertakings

The subsidiary companies (all of which are registered in England and Wales), wholly owned or effectively controlled by the University, are as follows:

Company	Principal Activity	Status
Cedar Energy Limited	Production of electricity and heat	100% owned
Harper Adams (Rural Enterprises)	Dormant	100% owned
Harper Adams University Development Trust	Provide support for students in the agricultural sector	Controlled undertaking

Cedar Energy Limited's trading results are consolidated with the Harper Adams University accounts on the income and expenditure and balance sheet respectively. The principal activity of Cedar Energy Limited is to produce electricity and heat.

Harper Adams University Development Trust is a separately registered charity in the UK. The primary purpose of the charity is to raise funds to benefit the University and its students. This Trust is treated as a quasi-subsidiary of the University on the grounds that the University has the potential to exercise power or dominant influence over the funds.

25. Pension schemes

The two principal pension schemes for the University's staff are the Teachers' Pension Scheme (TPS), available to all teaching staff, and the Local Government Pension Scheme, operated as Shropshire County Council Pension Fund (SCCPF), available to all non-teaching staff. Both are defined benefit schemes.

	Year ended 31 July 2019 £'000	Year ended 31 July 2018 £'000
Total pension costs for the year		
Local Government Pension Scheme	2,229	2,424
Teachers' Pension Scheme	1,247	1,209
	3,476	3,633

(i) Local Government Pension Scheme

Membership of the Local Government Pension Scheme (LGPS) operated as the Shropshire County Council Pension Fund is available to all non-teaching staff. The LGPS is a funded defined-benefit scheme, with the assets held in separate trustee-administered funds. The total contribution made for the year ended 31 July 2019 was £1,663,238 of which employer's contributions totalled £1,143,638 and employees' contributions totalled £519,600.

As from April 2014, the agreed contribution rates are 14.3% for employers plus a monthly sum (£19,083 as from April 2018, £19,783 as from April 2019) and a variable percentage between 5.5% and 12.5% for employees.

On 26 October, the High Court handed down the McCloud judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits, "GMP". The Government will need to consider this outcome in conjunction with the Government's recent consultation on GMP indexation in public sector schemes before concluding on any changes required to LGPS schemes. However, a provision has been calculated by the actuary of £502k relating to the estimate of historic liabilities.

Assumptions

In accordance with the requirements of FRS102 and the HEFE SORP, the Fund Actuary was instructed to complete a full valuation of the University's element of the fund as at 31 July 2019, with comparative figures at 31 July 2018.

The financial assumptions used to calculate scheme liabilities under FRS102 are:

Principal Actuarial Assumptions

	As at 31 July 2019	As at 31 July 2018
Price inflation (CPI)	2.2%	2.1%
Rate of increase in Salaries	3.7%	3.6%
Rate of increase of Pensions in Payment	2.3%	2.2%
Discount Rate for Liabilities	2.2%	2.9%

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

	As at 31 July 2019 £'000	As at 31 July 2018 £'000
Retiring today		
Males	23.2	23.1
Females	26.4	26.3
Retiring in 20 years		
Males	25.4	25.3
Females	28.7	28.6

The assets in the scheme were:

	As at 31 July 2019 £'000	As at 31 July 2018 £'000	As at 31 July 2017 £'000
Equities	18,301	17,041	15,802
Government bonds	-	-	-
Corporate bonds	7,598	7,481	7,253
Property	1,717	1,677	1,482
Cash	658	805	1,451
Other	8,256	6,541	4,877
Total	36,530	33,545	30,865

	As at 31 July 2019 £'000	As at 31 July 2018 £'000
Scheme assets	412	705
Scheme liabilities	(8,277)	3,108
Surplus / (Deficit) in the scheme – net pension liability recorded within pension provisions	(7,865)	3,813
Current service cost	2,222	2,367
Past service costs – McCloud Judgement	502	-
Total operating charge	2,724	2,367

	As at 31 July 2019 £'000	As at 31 July 2018 £'000
Analysis of the amount charged to interest payable/credited to other finance income		
Net interest cost	334	362
Administration expenses	48	46
Curtailments	44	-
Net charge to other finance income	426	408

Total profit and loss charge before deduction for tax	1,193	242
Analysis of other comprehensive income:		
Gain on assets	412	705
Experience gain / (loss) on liabilities	(8,277)	3,108
Gain / (loss) on liabilities	-	-
Total other comprehensive income before deduction for tax	(6,672)	4,055

Analysis of movement in surplus/(deficit)		
Deficit at beginning of year	(12,197)	(14,552)
Contributions or benefits paid by the University	1,406	1,317
Current service cost	(2,222)	(2,367)
Past service cost	(502)	-
Other finance charge	(426)	(408)
(Loss) / Gain recognised in other comprehensive income	(7,865)	3,813
Deficit at end of year	(21,806)	(12,197)

Analysis of movement in the present value		
Present value of liabilities at the start of the year	45,742	45,417
Current service cost (net of member contributions)	2,222	2,367
Curtailments	44	-
Past service cost	502	-
Interest on pension liabilities	1,330	1,180
Actual member contributions (including notional contributions)	572	496
Actuarial loss/(gain)	8,277	(3,108)
Actual benefit payments	(353)	(610)
Present value of liabilities at the end of the year	58,336	45,742

Fair value of assets at the start of the year	33,545	30,865
Expected return on assets	996	818
Actuarial gain on assets	364	659
Actual contributions paid by University	1,406	1,317
Actual member contributions (including notional contributions)	572	496
Actual benefit payments	(353)	(610)
Fair value of scheme assets at the end of the year	36,530	33,545

The LGPS assets do not include any of the university's own financial instruments, or any property occupied by the university.

Actual return on scheme assets

Expected return on scheme assets	996	818
Asset gain / (loss)	(412)	705
	584	1,523

(ii) Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations 2010, and, from 1 April 2014, by the Teachers' Pension Scheme Regulations 2014. These regulations apply to teachers in schools and other educational establishments, including academies, in England and Wales that are maintained by local authorities. In addition, teachers in many independent and voluntary-aided schools and teachers and lecturers in some establishments of further and higher education may be eligible for membership. Membership is automatic for full-time teachers and lecturers and, from 1 January 2007, automatic too for teachers and lecturers in part-time employment following appointment or a change of contract. Teachers and lecturers are able to opt out of the TPS.

The Teachers' Pension Budgeting and Valuation Account

Although members may be employed by various bodies, their retirement and other pension benefits are set out in regulations made under the Superannuation Act 1972 and are paid by public funds provided by Parliament. The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis, these contributions, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Act.

The Teachers' Pensions Regulations 2010 require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pension increases). From 1 April 2001, the Account has been credited with a real rate of return, which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

Valuation of the Teachers' Pension Scheme

The latest actuarial review of the TPS was carried out as at 31 March 2016 and in accordance with The Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014. The valuation report was published by the Department for Education (the Department) on 5 March 2019. The key results of the valuation are:

- employer contribution rates were increased from 16.4% of pensionable pay to 23.48% (with effect of September 2019);
- total scheme liabilities for service to the effective date of £218.1 billion, and notional assets of £196.1 billion, giving a notional past service deficit of £22 billion;

The new employer contribution rate for the TPS will be implemented in September 2019.

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website at the following location:

<https://www.teacherspensions.co.uk/news/employers/2019/04/teachers-pensions-valuation-report.aspx>

Scheme Changes

Following the Hutton report in March 2011 and the subsequent consultations with trade unions and other representative bodies on reform of the TPS, the Department published a Proposed Final Agreement, setting out the design for a reformed TPS to be implemented from 1 April 2015.

The key provisions of the reformed scheme include: a pension based on career average earnings; an accrual rate of 1/57th; and a Normal Pension Age equal to State Pension Age, but with options to enable members to retire earlier or later than their Normal Pension Age. Importantly, pension benefits built up before 1 April 2015 will be fully protected.

In addition, the Proposed Final Agreement includes a Government commitment that those within 10 years of Normal Pension Age on 1 April 2012 will see no change to the age at which they can retire, and no decrease in the amount of pension they receive when they retire. There will also be further transitional protection, tapered over a three-and-a-half-year period, for people who would fall up to three and a half years outside of the 10-year protection.

Regulations giving effect to a reformed Teachers' Pension Scheme came into force on 1 April 2014 and the reformed scheme will commence on 1 April 2015.

The pension costs paid to TPS in the year amounted to £1,246,694 (2018: £1,209,000).

FRS102 (28)

Under the definitions set out in FRS102 (28.11), the TPS is a multi-employer pension plan. The University is unable to identify its share of the underlying assets and liabilities of the plan.

Accordingly, the university has taken advantage of the exemption in FRS102 and has accounted for its contributions to the scheme as if it were a defined-contribution plan. The University has set out above the information available on the plan and the implications for the university in terms of the anticipated contribution rates.

Glossary of Terms

APB	Auditing Practice Board
BBSRC	Biotechnology and Biological Sciences Research Council
CUC	Committee of University Chairs
EU	European Union
FRS	Financial Reporting Standard
HEFCE	Higher Education Funding Council for England
LGPS	Local Government Pension Scheme
RDEC	Research and Development Expenditure Credit
REESEP	Rural Employer Engagement Student Experience Project
SORP	Statement of Recommended Practice
TPS	Teachers Pension Scheme
OFS	Office For Students



**Harper Adams
University**

Harper Adams University
Newport, Shropshire, TF10 8NB

Tel: +44 (0)1952 820280 Fax: +44 (0)1952 814783
Website: www.harper-adams.ac.uk