

Edge Hill University

Report & Financial Statements For the Year Ended 31 July 2015

Edge Hill University

Annual Report

Key Performance Indicators

<u>Year Ended 31 July</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Total Income in £'000	123,960	115,376	108,541	99,163	102,405
Surplus for re-investment in £'000	24,175	17,899	17,693	13,036	13,875
Cash Generated by Activities in £'000	30,165	22,760	25,990	16,131	21,627
Cash for Investment in £'000	29,029	21,127	32,359	39,611	40,410
Financial Worth of the University in £'000	181,258	164,658	108,347	85,160	80,589
Applications for University FT UG Programmes (1)	19,133	18,931	19,296	18,867	17,628
Total number of students of the University (2)	16,170	16,750	18,483	22,393	27,785
Percentage of Staff who rate the University as a good or excellent employer (3)	94%	92%	91%	89%	90%
Employee Turnover	5.6%	6.9%	8.8%	10.4%	7.9%
Level of University Staff Absence	3.2%	3.4%	3.4%	3.0%	3.5%

Notes

1) Based on UCAS statistics.

2) Based on HESA Student Record

3) From the University's independently scrutinised Staff Survey

EDGE HILL UNIVERSITY

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2015

CONTENTS	Pages
Report of the Board of Governors	1-5
Vice Chancellor's Financial and Operating Review	6-16
Corporate Governance	17-20
Statement of Primary Responsibilities of the Board of Governors	21-23
The Board's Statement of Assurance	24
Report of the Auditors to the Board of Governors	25-26
Statement of Principal Accounting Policies	27-30
Consolidated Income and Expenditure Account	31
Statement of Total Recognised Gains and Losses	32
Balance Sheets	33
Consolidated Cash Flow Statement	34
Notes to the Financial Statements	35-55

EDGE HILL UNIVERSITY

REPORT OF THE BOARD OF GOVERNORS

This is my second report as Chair of the Board and I am delighted that Edge Hill has enjoyed another very successful year across all aspects of its activity - and it was an especial pleasure to see the University recognised nationally as the Times Higher Education University of the Year in November 2014.

Gross revenue was £123.96m (2014: £115.38m) and the surplus before FRS 17 pension adjustment was £25.033m (2014: £19.87m). Cash at the year-end was £29.029m (2014: £21.13m) despite continuation of the significant contribution to capital expenditure. The Vice-Chancellor will explain in more detail the reasons behind these numbers in his report but the headlines are, to say the least, very impressive.

With attendance at Open Days continuing at record levels and a number of new courses within the portfolio, applications have remained buoyant and a further increase in conversion rates has ensured that the 2015 entry has exceeded budget targets. It is particularly pleasing to note the continuing increase in ABB students within this, confirming the University's growing reputation which is a critical factor in the free market environment we now inhabit. Edge Hill hosted the UCAS sponsored Lancashire Higher Education Convention again in April this year bringing students from across the county onto the campus and providing an opportunity to showcase our facilities.

As a University which places students and the quality of the student experience at the heart of our institutional strategy, it is very gratifying to see further improvements in both retention rates where we outperform our benchmark by some margin and a significant increase in the proportion of graduates employed in the professions or graduate level posts six months after leaving. Most importantly, and testament to our commitment, the University has maintained its excellent National Student Survey results, and now ranks second in the North West based on an average of the responses to all 23 questions in the survey. The Board recognizes the significant contribution made by the Students' Union to both social and academic aspects of student life and we are proud of the partnership ethos which underpins all of the University's relationships with its students.

In terms of research, the University has continued to develop areas of expertise with further increases in professorial appointments and a sustained commitment to the Graduate Teacher Programme. Justification for this level of investment was demonstrated through the results of the Research Excellence Framework (REF) submission where the University showed the largest jump in 'research power' in the sector, recognised with a substantial increase in research funding. It is particularly gratifying to see the efforts of staff acknowledged with aspects of all areas submitted judged to be contributing at internationally excellent or world leading levels.

Continuing the Board's investment in the estate, this year has seen the opening of our major £15.2 million sports development which offers state of the art facilities to benefit students, staff and the local community. In addition a further 144 residential units have been completed along with upgrades to car-parking provision and a reworking of the front entrance to the main building to reflect its original grace and elegance. It is the generation of strong surpluses which has allowed the Board to support an unprecedented level of investment in the estate over the last twelve years providing a visionary transformation of the campus which adds immeasurably to the quality of academic provision and student life.

EDGE HILL UNIVERSITY

REPORT OF THE BOARD OF GOVERNORS (CONTINUED)

Whilst we celebrate another exceptional year however, the Board is very aware that the sector faces an increasingly challenging environment with major changes in government policy, reductions in public funding and the continuation of the cap on tuition fees. Long-term planning remains challenging. As a University with a strong commitment to the provision of opportunity to students from disadvantaged and deprived areas it is especially disappointing to see the removal of government financial support for these groups through the closure of scholarship and grant schemes and further reductions in Student Opportunity funding to institutions. A university education has the power to transform lives, bringing real and meaningful social and economic advancement and it is important that long-term gains are not undermined through short-term policy planning. Increasing pressure on the unit of resource for nurse training is a particular cause for concern although we welcome the allocation of additional places in going some way to meeting supply-side demand. Concerns also remain that the continued fragmentation of teacher training arrangements is having a perverse effect on recruitment which will lead to critical shortages in supply whilst also making entry to this vital profession generally less attractive. These are important issues for government and universities to address if we are to deliver the highly skilled graduates and professionals that we need to secure a more prosperous future for all members of society.

This year, we have made six honorary doctorate awards recognizing exceptional achievement in areas of particular relevance to the university. Professor Sarah-Jayne Blakemore, Deputy Director of the Institute of Cognitive Neuroscience and co-director of the Wellcome Trust PhD Programme in Neuroscience at University College London gave the Chancellor's Lecture in November 2014 and was recognised at the July graduation ceremony for her groundbreaking work on the teenage brain. Other recipients were the past Chair of the Board, Michael Pinfold; screenwriter, film director and actor, Terence Davies; actress and voice artist, Jane Horrocks; actress and director, Dame Janet Suzman, and musician and founder member of The Farm, Peter Hooton.

And whilst it is a pleasure to bestow awards, it is equally gratifying to receive them. In addition to the University of the Year award, the University was particularly pleased to top the table in the Times Higher Education Best Workplace survey and for teams from Admissions, Estates and Administrative Services to have been shortlisted for excellence in Leadership and Management awards. The Media Department's Record Label project has been shortlisted for the THE Excellence and Innovation in the Arts award and the University has been selected as a National Champion representing the United Kingdom in the 2015/16 European Business Awards sponsored by RSM accountancy professional services.

Internally, there have been no changes to the senior team this year but the Board has seen the resignation of both Stephen Hesford and John Maxwell as members due to changing circumstances. Two new members will join the Board in September 2015 and we are looking forward to welcoming Louise Robinson, Headmistress of Merchant Taylors' Independent Girls' School and Graeme Collinge, Economic Development Consultant, to the team.

Edge Hill is fortunate in the vision and leadership afforded through the Vice-Chancellor, John Cater, and the Directorate team which has driven forward a clear strategy for growth with the quality of the student experience at its heart. All members of the University contribute to this and to the sense of community and shared endeavour which underpins our success. I am grateful to everyone for deploying their expertise with such energy, enthusiasm and commitment.

EDGE HILL UNIVERSITY

REPORT OF THE BOARD OF GOVERNORS (CONTINUED)

Officers of the University

University Chancellor

Professor T Byron

Pro-Chancellors

Mr B Lavery

Vice-Chancellor

Dr J Cater

Deputy Vice-Chancellor

Mr S J Igoe

Pro Vice-Chancellors

Mr M Allanson (External Relations)

Mrs L Brady (Student Experience) & University Secretary

Mr S Crofts (Dean of Health)

Professor G Talbot (Dean of Arts and Sciences and PVC Research)

Ms L Turner (Acting Dean of Education)

Governors

Those persons who were Governors of the University during the year and up to the date of the signing of the financial statements were as follows:

Independent members:

Mr M Ainscough (2) (4)

Mr R Benjamin (4)

Professor C Edwards (1)

Mr R Green (4)

Ms L Greenhalgh (1) (3)

Mr S Hesford (1)

Mr B Lavery (2) (3) (4)

Mr J Maxwell (1)

Mr D Owen (2) (3) (4)

Mr S Pope (1)

Ms D Walker (3) (4)

Chair of Audit Committee

Retired July 2015

Chair of the Board, Nominations and Remunerations Committees

Retired July 2015

Chair of Resources Committee & Board Vice-Chair

EDGE HILL UNIVERSITY

REPORT OF THE BOARD OF GOVERNORS (CONTINUED)

The independent members are also trustees of the University

Ex-officio member:

Dr J Cater (2)* (3) (4) (Vice-Chancellor)

- (1) Audit Committee Member
- (2) Remunerations Committee Member
- (3) Nominations Committee Member
- (4) Resources Committee Member

(*Except for matters relating to the Vice-Chancellor's salary, terms and conditions).

Staff members:

Mr B Johnson	co-opted
Ms L Turner	Finished December 2014 (elected)
Ms E Carnegie	wef December 2014 (elected)

Student Body members:

Miss K Wilson	Finished 30th June 2015 (retiring Students' Union President)
Mr S Rouke	Commenced 1st July 2015 (incoming Students' Union President)
Mr C Richmond	Finished 30th June 2015
Miss J McDonald	Commenced 1st July 2015 (elected)

Academic Board member:

Prof G Talbot

Clerk to the Governors:

Ms L Munro Re-appointed July 2015 to August 2017

Professional Advisors

The University uses the following professional advisors:

- External Auditor - KPMG LLP
- Internal Auditor - PwC
- Banker - Barclays Bank PLC
- Insurance Broker - Aon Ltd
- Solicitor - DLA Piper LLP
 - Eversheds LLP
 - SGH Martineau LLP

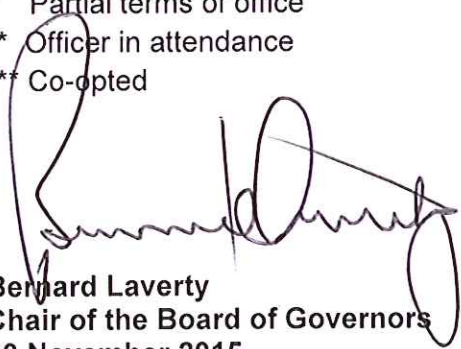
EDGE HILL UNIVERSITY**REPORT OF THE BOARD OF GOVERNORS (CONTINUED)****Attendance at Meetings**

Name	Full Board	Audit	Resources	Noms	Remunerations
Total meetings	6	4	3	2	2
Vice Chancellor	5/6	3/4**	3/3	2/2	2/2
Independents					
Martin Ainscough	5/6		2/3		2/2
Richard Benjamin	4/6		2/3		
Clive Edwards	6/6	4/4			
Rob Green	5/6		3/3		
Lisa Greenhalgh	6/6	4/4		1/2	
Stephen Hesford	2/6	1/4			
Bernard Laverty	6/6		3/3	2/2	2/2
David Owen	6/6		3/3	2/2	2/2
Simon Pope	5/6	4/4			
Denise Walker*	3/6		1/3	1/2	
Staff members					
Bill Johnson***	5/6				
Evelyn Carnegie	4/4*				
Lynnette Turner	0/2*				
Academic Board Representative					
George Talbot	5/5*			0/2	
Student members					
Jade McDonald	1/1*				
Connor Richmond	5/5*				
Steven Rouke	0/1*				
Kayley Wilson	4/5*				

* Partial terms of office

** Officer in attendance

*** Co-opted



Bernard Laverty
Chair of the Board of Governors
30 November 2015

EDGE HILL UNIVERSITY

VICE-CHANCELLOR'S FINANCIAL AND OPERATING REVIEW

The Financial Statements comprise the consolidated results of Edge Hill University and its subsidiaries, Edge Hill Enterprises Limited, Edge Hill Property Services Limited and Edge Hill Maintenance Services Limited together "The Group". Edge Hill Enterprises Limited undertakes activities which, for commercial or legal reasons, are more appropriately dealt with through a limited company. These activities mainly comprise conference activity and the provision of sport and fitness facilities by Sporting Edge. The other companies in the Group are involved in various aspects of property management.

Charitable Status of the University

Edge Hill University is a Higher Education Corporation as defined under the provisions of the Education Reform Act 1988 as amended from time to time. Under these provisions the University is an exempt charity and as such is regulated by HEFCE on behalf of the Charity Commission for England and Wales. Information in relation to the charitable status of the University is published on the website along with membership details and the register of members' interests.

Mission, Objectives and Strategy

The Governing Body serve as the University's trustee and is responsible for defining the strategic aims of Edge Hill University and directing the activities of its Directorate in the furtherance of these objects. It has regard to the Charity Commission's latest public benefit guidance when exercising any powers or duties to which the guidance is relevant.

The University's mission is to provide an intellectually stimulating, creative and inclusive environment for its community. It aims to provide teaching and learning of the highest standard, supported by pure and applied research of international significance, which will provide a firm foundation for its graduates and other stakeholders in a rapidly changing world. The University feels strongly that an international perspective, coupled with knowledge and understanding and a life-long capacity to learn and adapt, is the surest way of securing an individual's and the nation's future.

Our core values lie in our wholehearted commitment to our staff, students and partners and our constant efforts to improve in all we do. The Edge Hill community will:

- Embrace challenge and seize opportunity,
- Expect and celebrate creativity and excellence,
- Show determination, resilience, ambition and adaptability,
- Act responsibly and with integrity,
- Work together to deliver our vision.

EDGE HILL UNIVERSITY

VICE-CHANCELLOR'S FINANCIAL AND OPERATING REVIEW (CONTINUED)

Our strategic aims centre around five key themes:

- Enhancement of the student experience,
- Improving research capability and impact,
- Extending and strengthening external partnerships,
- Extending and strengthening international engagement,
- Developing the capacity and capability of our people.

In this regard our strategic plan for 2013-2020 envisages a University that will:

- Harness the creativity, knowledge and commitment of its staff to promote its values and enhance its activities,
- Provide an outstanding student experience, underpinned by high quality learning and teaching, and further develop its strong sense of community,
- Build its research capacity and, in particular, establish research centres in the areas of public policy and the creative industries in addition to a postgraduate medical institute,
- Strengthen its links to business and the region, and enhance student employability,
- Establish both national and international partnerships, which will enrich University life, deepen our understanding of the world, and benefit the region and, more broadly, the UK economy,
- Continue its investment in the campus and facilities to create an outstanding environment for these activities.

This can only be achieved by engaging all staff and all stakeholders in the development of the University, enhancing their understanding and freeing them to use their initiative whenever possible, sharing in and helping to shape the future direction of our University.

EDGE HILL UNIVERSITY

VICE-CHANCELLOR'S FINANCIAL AND OPERATING REVIEW (CONTINUED)

Performance	2015 £'000	2014 £'000
Income	123,960	115,376
Expenditure	<u>(99,462)</u>	<u>(95,971)</u>
Surplus Pre FRS 17 adjustment and capital write downs	24,498	19,405
(Loss)/gain on capital write downs/asset disposals	<u>(603)</u>	<u>3</u>
	23,895	19,408
Capital reserve release	<u>1,138</u>	<u>457</u>
Historic Cost Surplus Pre FRS 17 adjustment	25,033	19,865
Pensions adjustment under FRS 17	<u>(858)</u>	<u>(1,966)</u>
	<u>24,175</u>	<u>17,899</u>

Income

Total income has increased by 7.4% or £8.584m compared to the previous year. 2014/15 marks the third and final year of the new fees regime and this is the principal reason behind a 21% or £14.9m increase in academic fees and support grants. Total income levels should however, also be viewed within the context of a reducing level of core council grant funding with the grant subsidy provided by HEFCE/NCTL reducing by £7.96m or 84% year on year.

In terms of student numbers, likely intakes to HEFCE monitored programmes are expected to exceed our 2014/15 entry whilst maintaining, and in many areas improving, tariff entry requirements. In an increasingly competitive environment, with the cap on student number controls removed, our ability to sustain a strong level of demand for the courses we provide is vital. In this regard, our entry level requirements have continued to rise supported by a growing reputation. This was recognised by the prestigious award of Times Higher University of the Year for 2014/15.

We have continued to implement our medium term estates strategy and as a result our build programme continues apace with a further 245 bed spaces brought on stream in September 2014 driving a 15% increase in residence and catering income this year. Our residential development programme has continued unabated into 2015/16 with a further 144 bed spaces recently constructed and filled at the time of writing, adding to both residence and catering fees directly and tuition fees indirectly through a significantly improved retention performance.

Perhaps more challenging has been the income we derive from Health England North West (HENW) with overall Health Authority income having risen by just 1.4% or £183k. In this regard we are beginning to see some signs of change in the funding landscape with HENW inviting additional commissions for 2015/16 entry very late in the cycle. However the currently negotiated pricing position will expire in April 2016 and we anticipate challenges in

EDGE HILL UNIVERSITY

VICE-CHANCELLOR'S FINANCIAL AND OPERATING REVIEW (CONTINUED)

negotiations over future benchmark pricing. What is clear however is the significant level of demand for places with midwifery applications over 400 times oversubscribed and ratios of offers to applications more generally of one in ten very much the norm. That, allied to increasing signs of significant resource shortfalls in the healthcare workforce suggests there continues to be both a significant demand and need for healthcare practitioner training.

In terms of HEFCE specific grant funding it is pleasing to see that student opportunity funding allocations have increased marginally especially given the loss of Access to Learning Funding and, more recently, National Scholarship funding. Whilst it is disappointing that these crucial areas of funding continue to be under threat or cut, the University remains committed to supporting those students from less privileged backgrounds that are typically less well represented in Higher Education.

From a Faculty of Education perspective project funding continues to feature. Whilst NCTL income remains in decline this is offset by increased project income elsewhere included under other operating income. We continue to monitor the long term sustainability of projects given the increasingly difficult funding landscape they are operating in.

Teacher training remains an area of activity facing significant challenge for the HE sector in general. In this regard the Government continues to support a strategy where schools take a greater responsibility for the delivery of teacher training in England. Caps are being introduced on the total number of students the HE sector can recruit to. At Edge Hill secondary PGCE places have been the most significant casualty of these Government initiatives to date however dangers to other areas of teacher training are becoming increasingly apparent. In response, the faculty is reviewing the ways in which it can support non-QTS undergraduate programmes, enriching its portfolio of market driven degrees and strengthening its research base. We will continue to work closely with all our key stakeholders, aligning provision to best meet the needs of future and existing teaching professionals and maintaining and enhancing the quality of our services.

Expenditure

Operating expenditure (pre FRS 17) has increased by £3.491m or 3.6% compared to the previous year.

The most significant component of operating expenditure, as ever, is staff costs which have risen by 6% (pre FRS17) compared to the previous year. With pay settlements reflective of the ongoing economic landscape and a strong level of control exercised over staff numbers during the year, overall salary costs have been well managed. Staff investment has been supported this year, particularly in the Faculty of Arts and Sciences with increasing student numbers across a number of our programmes. We are also continuing to recruit staff with a strong research bias as we work towards improving our research capability. Given the issues in the Faculty of Education we have been careful to recruit to vacant positions ensuring that any such commitments are well managed and affordable in the long run. Careful investment in key support departments across the University has been partly volume driven as well as enabling the further enhancement of key services provided to our students.

Operating expenses have increased by £1.032m or 3.4% from £30.52m to £31.55m. The more significant increases relate to publicity and advertising which has risen by £318k or 40% as a direct result of additional investment in initiatives around the University of the Year award.

EDGE HILL UNIVERSITY

VICE-CHANCELLOR'S FINANCIAL AND OPERATING REVIEW (CONTINUED)

School practice and educational visits have increased by £750k or 50% and this relates primarily to the increased travel and subsistence costs attached to students being placed in school settings. Temporary staff costs are also higher and have risen by £484k or 44% driven mainly by costs associated with projects delivered within the Faculty of Education.

There are also a number of areas of cost reduction which are pleasing to report including a reduction in utilities expenditure of £64k or 3% which reflects our continued investment in Revolving Green fund initiatives. Residence and Catering operating expenses have reduced by 5.3% or £106k due primarily to reductions in waste collection costs following a successful resolution to protracted supplier negotiations around service delivery. Office services and supplies costs are lower by £79k or 3.8% linked to strong control of photocopying and postage spend during the year. Bursaries spend is lower by £473k or 14.8% due primarily to the withdrawal of National Scholarship Funding and staff travel and subsistence has fallen by £91k or 8.4% following implementation of revised strategies around international activity.

The one off impairment charge of £603k arises as a result of the purchase of the Hawthornes and Slackhouse cottages adjacent to the University campus and our intention to demolish the site in preparation for new residential accommodation in the future.

Key Performance Indicators

The University measures its performance using a variety of tools. Easily quantifiable measures that consider past financial performance covering surplus generation, finance and liquidity, growth, and capital employed have all performed well given the challenges faced, with our strongest ever surplus reported. Cash balances have increased by £7.9m and long term loans have reduced by £2m during the year in spite of an investment in our estate of £18.8m including our new Sports Building Complex, improvements to parking facilities and an additional 144 bedspaces all available for students entering the 2015/16 academic year.

Clearly a leading, and perhaps the most important, measure of performance is our ability to generate capacity to grow and deliver against it. In this regard the University is expected to increase its full time student numbers for 2015/16 entry compared to the previous year. With no cap on student numbers and more "selective" universities seeking to increase student numbers to bolster their own finances, this achievement should not be underestimated, particularly when judged against a continuing reduction in the number of 18 to 21 years olds wishing to enter Higher Education.

We know Government policy is increasingly hardening towards Higher Education with DBIS cuts already announced and ongoing initiatives designed to support teacher training in schools at the expense of universities. These indicators clearly show however that in overall terms demand for courses at Edge Hill University remains strong in an increasingly competitive market place.

Short and medium term target setting must always be balanced against long term competitive capability. In this regard a key long term KPI for the University is tariff entry points. In this regard our estimated average tariff point score was 325 which is a clear sign of the quality of demand in terms of academic attainment for courses on offer at Edge Hill and is borne out by an improved showing in the percentage of students receiving good degrees (69.5%).

EDGE HILL UNIVERSITY

VICE-CHANCELLOR'S FINANCIAL AND OPERATING REVIEW (CONTINUED)

The National Student Survey is the largest survey of its kind in the UK and as such is an important barometer of our performance. In that regard we remain the top University in the North West amongst providers with more than 1000 respondents and amongst the top ten universities in England taking an average of all twenty three questions asked. In the Times and Sunday Times league table Edge Hill now sit in the top four universities in the region.

With our total commitment to the student experience in addition to strong levels of graduate recruitment and social mobility I remain confident that our results will continue to improve year on year.

Equally relevant in terms of long term competitive advantage are the results from our staff survey. In this regard the University achieved an outcome of 94% of staff rating the University as a good or excellent employer placing us amongst the highest ranked organisations surveyed by Capita. This feedback demonstrates the University's commitment to the development of its staff and is strongly indicative of a healthy workplace in which staff feel motivated, empowered and enthused to give their best. As these awards are based on anonymised staff feedback this is particularly pleasing.

The likelihood of securing employment after graduation is a major influencing factor for any prospective student considering University given the present economic climate. In this regard Edge Hill features strongly in figures released by HESA which identify the destination of leavers six months after graduation and show that Edge Hill is amongst the top public universities for graduate employment in England with almost 95% of our last year's completers in work or further advanced study.

Our ability to prevent potential issues from arising through the embedding of risk management processes, and the review of the effectiveness of such processes throughout all layers of the University, is seen as vital. In addition, audit outcomes across the University remain a further indicator of quality and in this respect our performance remains exemplary with "clean" audit opinions across a range of areas of potential risk.

Outlook for 2015/16 and future risks

2014/15 has been a record year for Edge Hill University. The year we were awarded the coveted title of Times Higher University of the Year, the year we reported our highest ever surplus and another year of significant investment with the completion of an exciting new sports complex, completion of 245 residential bed spaces and commencement of a further 144 bedspaces all completed in time for students arriving in the 2015/16 academic year. In total over £19m in cash has been invested in our estate this year as we continue to implement our estates strategy.

In the Faculty of Arts and Sciences student numbers are ahead of budget with record numbers of ABB+ candidates coming to Edge Hill University. Whilst there are challenges in the Faculty of Health and, in particular, Education I am satisfied that we are responding to the changing demands placed upon us in a measured way whilst remaining alert to opportunities and ready to respond swiftly. This is a period of change but one from which we will emerge stronger and more resilient.

Looking further ahead, cost pressures abound in the sector. The Chancellor of the Exchequer's announcement of measures to bring public debt down included £450m of savings attributable to the Department of Business, Innovation and Skills. Government

EDGE HILL UNIVERSITY

VICE-CHANCELLOR'S FINANCIAL AND OPERATING REVIEW (CONTINUED)

continue to debate the extent to which students failing to pay back student loans should be underwritten by the State given ever increasing Resource and Accounting Budget (RAB) rates. Ministers continue to relax barriers to entry for private providers in an attempt to improve price competitiveness, and teacher training policies designed to limit University-led provision continue to be implemented.

Pricing for all programmes will remain frozen with no increase in the £9k fee anticipated and downward pressure will continue to be exerted on the Health benchmark price. Pension costs are rising and will continue to do so, year on year as deficit recovery plans take effect. Changes to contracting out rules are also being introduced with effect from April 2016 with staff no longer entitled to sacrifice the second state pension in return for a lower national insurance rate.

In response we will continue to manage the University in furtherance of our strategic aims, delivering an outstanding and valuable student experience. We will remain ever mindful of these medium term threats and also the potential opportunities that will arise as the marketplace evolves.

Treasury Policy, Objectives and Liquidity

The University manages cashflow through its principal bankers, Barclays Bank PLC. Surplus cash is swept daily from the current account to an interest bearing deposit account. The rate earned on the deposit account including bonus interest based on average balances held over the course of the year is 50 basis points.

Cash in excess of day to day requirements is invested in counterparty banks which are generally subject to limitations of only major national banks with a Standard & Poor's rating of BBB+ and the amounts are restricted to up to £8m per counterparty with the exception of Barclays Bank PLC. These credit limits are kept under continual review.

Year end cash balances of £29.029m have been achieved in spite of significant internal financing attached to capital expenditure. Net cash inflow from operating activities of £30.165m have enabled the completion of 245 bedspaces and the completion of a further 144 bedspaces as well as the completion of a new sports complex as part of our estates strategy.

Weighted average returns on deposits have reduced reflecting the lower levels of return available more generally and a continued need to hold immediately available cash balances due to the changing profile of cash receipts as we complete the transition from subsidised grants to tuition fee loans. The present weighted average return on deposits is 0.62%.

Total borrowings are £39.033m which is £2.060m less than the previous year. There is no intention in the medium term to service more debt and debt balances will continue to reduce at a similar rate going forward. In terms of gearing our total debt has fallen from 21% of total reserves (excluding FRS 17) to 18% well within the parameters set out within the EBITDA financial commitments threshold. Annualized debt servicing costs are also required to remain within 4% of revenue. In this regard, as well as all other liquidity measures used to assess performance, we have fully achieved our targets.

EDGE HILL UNIVERSITY

VICE-CHANCELLOR'S FINANCIAL AND OPERATING REVIEW (CONTINUED)

Student Services

The past year has been a time of consolidation and growth within our Student Services team. With a newly appointed Director of Student Services and the introduction of the post of Deputy Director of Student Services, Edge Hill has continued its investment in this key service area.

A key strategic focus of 2014/15 has been the development of services to support student's health and wellbeing which saw two key roles introduced; a new Mental Health Student Advisor and a Student Engagement Assistant, thereby further directing our resources to supporting students in their transition into university life, better meeting the growing demand for mental health support, and enhancing the student experience for our broad and diverse student population.

Other key highlights included National Student Money Week, Edge Hill's Got Talent, Student Sports Day and joint campaigns with the Students' Union. Students continue to be very involved with the department as ambassadors and employees for the university and the local community, proactively collaborating and engaging in a broad range of activities and events, including community based volunteering, Welcome Sunday, Open Days and this year we have introduced more feedback opportunities at focus groups to ensure we continuously improve our services, reflecting students' needs.

Equal Opportunities

The university maintains its commitment to promoting equality of opportunity and embedding equality considerations into committee business and into policy and decision making processes.

The University is also actively reviewing how it can best support students, as the proposed changes on funding for disabled students come into effect. Our priority is to ensure an inclusive learning experience for all students that attend Edge Hill University.

Health & Safety Management

In 2014/15 the University's Business Continuity Management processes were systematically audited by PricewaterhouseCoopers as part of their agreed audit programme. The conclusions reached were that BCM is clearly treated as a key element of risk management within the University. The controls, procedures and corporate oversight evidenced during their review suggesting that BCM is both mature in its nature and, well embedded within the culture of the University.

The 2015-17 safety management audit programme also commenced in Spring 2015 which has demonstrated that there continues to be a significant amount of positive work being undertaken across the University in regards to the effective management of health and safety.

The University has long-recognised the significance of understanding and promoting mental health. This year we have delivered a comprehensive training and development programme to our staff and students, developing the skills and knowledge to recognise the early signs of a mental health problem, providing suitable intervention in guiding persons towards the right support, and helping reduce the stigma associated with mental illness.

EDGE HILL UNIVERSITY

VICE-CHANCELLOR'S FINANCIAL AND OPERATING REVIEW (CONTINUED)

The programme has been overwhelmingly successful, with excellent feedback from participants. Supported by wider awareness campaigns and events held throughout the year. The University is widely seen as 'pioneering' in this field and has again received formal recognition through the Mental Health First Aid (MHFA) Champion award at the House of Lords earlier this year.

Environmental Sustainability

As in previous years, the University has continued to develop and explore opportunities to further improve our environmental performance and reduce our carbon emissions through actively encouraging staff and student participation and engagement.

Following our successful application under the fourth phase of HEFCE's Revolving Green Fund, the University has completed a full programme of associated works over the summer period in advance of the new academic year.

The impact of those schemes implemented under former phases has demonstrated significant reductions in energy consumption across our estate this year. The introduction of LED lighting schemes, in particular, has contributed greatly to the improved energy efficiency of our estate.

The University also conducted a mid-term review of its progress against our Travel Plan objectives. This review, undertaken by external travel plan consultants, identified a number of successes including the impact of the revised Car Parking Policy in reducing numbers of allocated permits, increasing car sharing participation and thereby reducing the number of single-occupancy car journeys.

Finally, we have once again retained our Green Flag status for 2015/16, recognising the exceptional campus environment we have developed at the University.

Service to Society

Under the provisions of the Educational Reform Act 1988, Edge Hill University is an exempt charity. The Governors have had due regard to the Charity Commission's public benefit guidance. Information regarding how the University has delivered their charitable purposes for the public benefit is included below.

Arts and Culture

Supporting the Arts in West Lancashire is an important strand of Edge Hill activity with external visitors attending many of the drama, dance, music and comedy events, film and live theatre screenings and art exhibitions staged in the Arts Centre each year. The venue hosts a range of performing arts workshops for young people and its theatres are used extensively by local amateur dramatic groups for independent, community productions. Responding to communities through focused programmes which are innovative, challenging, inclusive and developmental, the Arts Centre is a unique facility for West Lancashire. It is committed to increasing arts attendance from within the local community, providing an arts resource and contributing to increasing the audience that engages with the arts with over 8,000 people having either attended or participated in performing arts events during 2014/15.

EDGE HILL UNIVERSITY

VICE-CHANCELLOR'S FINANCIAL AND OPERATING REVIEW (CONTINUED)

Sports and Fitness

2014/15 saw the official transfer of responsibility for student competitive sport from the Students' Union to the University's sports management service (Edge Hill Sport). This has allowed a more co-ordinated membership offer to students improving engagement with the sports service and giving improved value. Edge Hill University was also awarded Sport England funding of £220,000 over 3 years which has already enabled a huge increase in student participation. As a direct result of this funding over 1300 students and student volunteers have participated in both recreational and social sports activities this year comfortably exceeding our targets. We anticipate this increase in funding and support to be reflected in an improved position in the national BUCS rankings when they are released later in the year. Aside from this, fitness memberships have also grown reaching a new high of over 1400 members within the year, with 65% of these members being students, 25% community and 10% staff.

In 2014/15 the construction of our new sports centre as part of the second phase of Edge Hill's £30 million development continued and our projected opening in September 2015 remains on target in time for the start of the new academic year.

Demand for use of our new outdoor facilities has also continued to grow particularly from the community and the weekly 5km park run using the fitness trail is very popular attracting over 200 participants each week.

Widening Participation

Edge Hill prides itself on playing a decisive role in widening access to Higher Education. This is illustrated in the significantly higher levels of representation of priority access groups compared to UK averages. Its scholarship provision and work to provide comprehensive financial and pastoral support packages for Care Leavers helps to support individuals who might not otherwise embark on HE programmes.

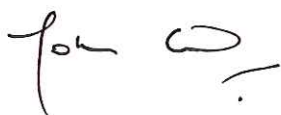
Edge Hill liaises closely with local schools delivering tailored packages of activities designed to inspire, raise aspirations and motivate young people as well as delivering courses to adults designed to bridge gaps between existing qualifications and those required to enter Higher Education. The university also provides a generous package of financial support designed to help students with living costs and tuition fees.

We are proud of our tradition in attracting and retaining students from non-traditional backgrounds and expect the majority of our students to continue to come from widening access priority groups. Our primary objective therefore is to maintain our focus on recruiting and supporting students from a diverse range of backgrounds both to maximise their potential at University and to progress into graduate level employment or further study to enhance their life chances.

EDGE HILL UNIVERSITY

VICE-CHANCELLOR'S FINANCIAL AND OPERATING REVIEW (CONTINUED)

In summary Edge Hill provides an invaluable contribution to the financial, cultural and health related well-being of the communities it serves helping to strengthen local ties and serving as an excellent vehicle for engaging with and motivating young and less privileged people.

A handwritten signature in black ink, appearing to read 'John Cater', with a stylized flourish at the end.

**Dr John Cater
Vice-Chancellor
30 November 2015**

EDGE HILL UNIVERSITY

CORPORATE GOVERNANCE

The following statement is given to assist the readers of the financial statements to obtain an understanding of the Governance procedures applied by the University's Board of Governors. The University is committed to establishing best practice in all aspects of corporate governance.

Compliance

Whilst the University, as an exempt charity, does not fall within the regulation of the London Stock Exchange, the Board of Governors is satisfied that the institution has complied throughout the period with the relevant provisions set out in the UK Corporate Governance Code. The University also complies with the Committee of University Chairs (CUC) Code of Governance and has taken account of the advice and guidance as set out in The UK Corporate Governance Code issued by the Financial Reporting Council in June 2010.

Summary of the University's Structure of Corporate Governance

The Board of Governors, which is the executive body of the University, comprises independent members, students and employees under the Instrument of Government of the University as approved by the Privy Council in May 2007. Independent members are in the majority. The role of Chair of the Board of Governors is separated from the role of the University's Vice-Chancellor, who is the Chief Executive of the institution and the Accountable Officer. The respective roles and responsibilities of the Board and the Vice-Chancellor are outlined in the Articles of Government approved by the Privy Council in May 2007.

In line with the Articles of Government, the Board of Governors holds to itself the responsibilities for the ongoing strategic direction, the educational character and mission, all financial and property matters and staffing policies of the University. Matters specially reserved to the Board of Governors for decision are set out in the University's Scheme of Delegation and incorporate the requirements of the Higher Education Funding Council for England (HEFCE) as the sector regulator and as set out in the Memorandum of Assurance and Accountability¹. The Board is in receipt of regular reports from executive officers on the day-to-day operations of its business and its subsidiary companies.

With respect to structure, the Board meet formally six times during the year and operates a sub-committee structure comprising Resources, Audit, Nominations and Remunerations. All sub-committees were fully constituted with terms of reference and had independent members in the majority of whom one was the designated Chair. The major sub-committees meet formally three or four times a year reporting to the Board.

The Resources Committee inter alia recommends to the Board of Governors the annual revenue and capital budgets, the annual financial statements and monitors the financial performance of capital projects. It also approves policies and receives reports concerning Financial Management, Health and Safety and Human Resource matters relevant to the University's staffing establishment.

¹ The HEFCE also acts as the sector regulator for the National College for Teaching and Leadership

EDGE HILL UNIVERSITY

CORPORATE GOVERNANCE (CONTINUED)

The Nominations Committee considers nominations for vacancies in the Board of Governors' membership and has oversight of Governance procedures including the Board's periodic Effectiveness Review.

The Remunerations Committee determines the annual remuneration of designated senior staff.

The Audit Committee meets at least four times annually with the external auditors and internal auditors of the University and is responsible for reviewing their work. The committee considers detailed reports together with recommendations for the improvement of the University's systems of internal control and management's response and implementation plans. Members also receive and consider reports from the Higher Education Funding Council for England as they affect the University's business and monitor adherence with regulatory requirements. They review the University's annual financial statements and approve the Financial Regulations. The Committee has oversight of risk management and value for money procedures and the University's Scheme of Delegation. Whilst senior executives attend meetings of the Audit Committee as necessary, they are not members of the committee. The Chair of the Board is also precluded from membership. The committee meets with the external and internal auditors in private session at the commencement of each meeting.

Subject to the overall responsibility of the Board of Governors, the Academic Board has oversight of the academic affairs of the University and draws its membership from the staff and students of the University. It is responsible for general issues relating to teaching and learning and research work, for the development of academic activity and for advising on such other matters as the Board and Vice-Chancellor may refer to it.

The University maintains a register of interests, which is published on the University's website. All Board members are expected to adhere to the seven Principles of Public Life as set out by Lord Nolan in 1995.

The Board is served by a Clerk to the Governors who provides independent advice on matters of governance to all Board members.

Statement of Internal Control

As the Governing Body of Edge Hill University, the Board has responsibility for maintaining a sound system of internal control that supports the achievement of policies, aims and objectives, as stated in the Strategic Plan, while safeguarding the public and other funds and assets for which we are responsible, in accordance with the responsibilities assigned to the Governing Body in the Instrument and Articles of Government and the HEFCE's Memorandum of Assurance and Accountability which now includes charity regulation requirements.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness against material mis-statement or loss.

The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically.

This process has been in place for the year ended 31 July 2015 and up to the date of approval of the financial statements, and accords with HEFCE guidance.

EDGE HILL UNIVERSITY

CORPORATE GOVERNANCE (CONTINUED)

The Governing Body has responsibility for reviewing the effectiveness of the system of internal control. The following processes have been established:

- It meets at regular intervals to consider the plans and strategic direction of the University.
- It receives regular reports on progress in relation to Key Performance Indicators which are referenced to the University's Strategic Plan and Risk Register.
- It has requested the Audit Committee to provide oversight of the University's management of risks.
- It has approved a comprehensive Scheme of Delegation.
- The Audit Committee receives regular reports from the head of internal audit, which include the head of internal audit's independent opinion on the adequacy and effectiveness of the University's system of internal control, together with recommendations for improvement.
- The Chair of Audit is invited to attend facilitated workshops which are held for senior and other managers to identify and keep up to date the record of risks facing the organisation.
- A system of reporting on risk management has operated throughout the year. The process incorporates a range of formal reports and an analysis of risk at each meeting.
- At the end of the year the Chair of the Audit Committee formally reports to the full Board on the Committee's activities during the year in accordance with relevant guidance. This report includes an assessment of the effectiveness of the internal control system (including risk management) during the year.
- A robust risk prioritisation methodology based on risk ranking and cost-benefit analysis has been established.
- An organisation-wide risk register is maintained.
- Reports are regularly received from budget holders and/or other key members of staff on key risks.

The approach of the Governing Body to risk is to manage the University's exposure to it. The University will seek to recognise risk and mitigate adverse consequences where possible whilst embracing appropriate opportunities. The University recognises that in pursuit of its mission and academic objectives it may choose to accept an increased level of risk. It will do so subject to ensuring that the benefits and risks are fully understood before activities are authorised and that appropriate measures to mitigate risk are established.

EDGE HILL UNIVERSITY

CORPORATE GOVERNANCE (CONTINUED)

The Board's review of the effectiveness of the system of internal control is informed by internal audit, which operates to standards defined in the HEFCE Audit Code of Practice and which was last reviewed for effectiveness by the HEFCE Audit Service as part of their cyclical review process in July 2014. The subsequent report for this review and the HEFCE Data Audit carried out in May 2010 makes clear that HEFCE are able to place reliance on the accountability information provided by Edge Hill University. The internal auditors submit regular reports, which include the head of internal audit's independent opinion on the adequacy and effectiveness of the University's system of internal control, with recommendations for improvement.

The Board's review of the effectiveness of the system of internal control is also informed by the work of the executive managers within the University, who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors in their management letter and other reports.

EDGE HILL UNIVERSITY

STATEMENT OF PRIMARY RESPONSIBILITIES OF THE BOARD OF GOVERNORS

Key:

Code = CUC Governance Code of Practice, at http://www.hefce.ac.uk/pubs/hefce/2009/09_02/

AoG = Articles of Government

The Board of Governors shall be responsible for:

1. Strategy

Approving the mission and strategic vision of the University, including the determination of the educational character and mission of the University and for oversight of its activities, long-term business plans, key performance indicators (KPIs) and annual budgets, and ensuring that these meet the interests of stakeholders; enabling the institution to achieve and develop its primary objectives of teaching and research, which includes considering and approving the University's strategic plan which sets the academic aims and objectives of the institution. [Code Part 1 para 4 and AoG 3.1]

2. Vice-Chancellor

Appointing the Vice-Chancellor as chief executive of the University and putting in place suitable arrangements for monitoring his/her performance. [Code Part 1 para 4 and AoG 3.1 d]

3. Clerk to the Board of Governors

Appointing the Clerk to the Board of Governors ensuring that, if the person appointed has managerial responsibilities in the institution, there is an appropriate separation in the lines of accountability and putting in place suitable arrangements for monitoring his/her performance. [Code Part IV Annex A1 and AoG 3.1 d]

4. Senior postholders

The appointment, grading, suspension, dismissal and determination of the pay and conditions of service of the holders of designated senior posts. [AoG 3.1 d]

5. Staff

To be the employing authority for all staff and for setting a framework for the pay and conditions of service of staff other than holders of designated senior posts. [Code Part IV Annex A1 and AoG 3.1 e]

Delegation of Authority

Delegation of authority to the Vice-Chancellor, as chief executive, for the academic, corporate, financial, estate and human resource management of the University and establishing and keeping under regular review the policies, procedures and limits within such management functions as shall be undertaken by and under the authority of the Vice-Chancellor. [Code Part IV Annex A1 and AoG 3.2 b]

EDGE HILL UNIVERSITY

STATEMENT OF PRIMARY RESPONSIBILITIES OF THE BOARD OF GOVERNORS **(CONTINUED)**

Stewardship

Ensuring the establishment and monitoring of systems of control and accountability, including financial and operational controls and risk assessment, for the effective and efficient use of resources, the solvency of the University and the Corporation and for safeguarding their assets; for approving annual estimates of income and expenditure and for approving the annual accounts of the University [Code Part 1 para 4 and AoG 3.1 b and c]

Monitoring

Regularly monitoring institutional performance against its planned strategies and operational targets and approved KPIs, which should be, where possible and appropriate, benchmarked against other institutions. [Code Part 1 para 4]

Corporate governance

Safeguarding the good name and values of the University. Observing the principles of public life and the highest standards of corporate governance; including ensuring and demonstrating integrity and objectivity in the transaction of Board business, and wherever possible following a policy of openness and transparency in the dissemination of Board decisions. [Code Part IV Annex A1]

Audit

Directing and overseeing the University's arrangements for internal and external audit.

Students' Union

Taking such steps as are reasonably practicable to ensure that the Students' Union operates in a fair and democratic manner and is accountable for its finances. (Education Act 1994)

Health & Safety

The health and safety of employees, students and other individuals whilst on the University's premises and in other places where they may be affected by its operations; including ensuring that the University has a written statement of policy on health and safety and arrangements for the implementation of that policy. (Health & Safety at Work Act 1974)

Equality and diversity

Ensuring the University provides an inclusive environment for work and study through embedding diversity and equal opportunities into everything the University does, particularly in those core functions and activities that directly affect staff and students at work.

EDGE HILL UNIVERSITY

STATEMENT OF PRIMARY RESPONSIBILITIES OF THE BOARD OF GOVERNORS **(CONTINUED)**

Legal Authority

Being the University's legal authority and acting as trustee for any property, legacy, endowment, bequest or gift in support of the work and welfare of the University. [Code Part IV Annex A1]

15. Charity Regulation

Ensuring the legal obligations of the University as an exempt charity are met having regard to the requirements of the principal regulator, HEFCE, for the Charity Commission.

16. Evaluation

Ensuring that the University's constitution, as set out in the Instrument and Articles of Government, is followed at all times and establishing processes to monitor and evaluate the performance and effectiveness of the Governing Body itself. [Code Part IV Annex A1]

Board's reserved powers [AoG 5.3]

The Board of Governors shall not delegate the following:

- a) the determination of the educational character and mission of the University;
- b) the approval of the annual estimates of income and expenditure;
- c) ensuring the solvency of the University and the Corporation and the safeguarding of their assets;
- d) the appointment or dismissal of the Vice-Chancellor; and
- e) the varying or revoking of the Articles of Government.

EDGE HILL UNIVERSITY

THE BOARD'S STATEMENT OF ASSURANCE

In accordance with the Statutes of Edge Hill University ("the University") the Governing Body of the University, which has responsibility for the administration and management of the affairs of the University, is required to present audited financial statements for each financial year. Working through its Resources Committee and Audit Committee, the Governing Body is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the institution and enable it to ensure that the financial statements are prepared in accordance with the Instrument and Articles of the Institution, the Statement of Recommended Practice on Accounting in Higher Education Institutions and other relevant accounting standards. In addition, within the terms and conditions of the Memorandum of Assurance and Accountability agreed between the Higher Education Funding Council for England (also acting on behalf of the National College for Teaching and Leadership) and the University, the Governing Body through its designated office holder, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the University and of the surplus and cash flows for the year.

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

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

The Governing Body has taken reasonable steps to:

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

EDGE HILL UNIVERSITY

INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF GOVERNORS OF EDGE HILL UNIVERSITY

We have audited the group and University financial statements (the "financial statements") of Edge Hill University for the year ended 31st July 2015 which comprise the Consolidated Income and Expenditure Account, the Group and University Balance Sheets, the Consolidated Cash Flow Statement, the Statement of Consolidated Total Recognised Gains and Losses, the Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of the Board of Governors and auditor

As explained more fully in the Statement of Primary Responsibilities of the Board of Governors Statement, set out on pages 21 to 23, the Board of Governors is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion, on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and University's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board of Governors or Council; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Vice Chancellor's Finance and Operating Review to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the affairs of the Group and University as at 31st July 2015 and of the Group's income and expenditure, recognised gains and losses and cash flows for the year then ended; and

EDGE HILL UNIVERSITY

INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF GOVERNORS OF EDGE HILL UNIVERSITY (CONTINUED)

- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and with the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education; and
- meet the requirements of HEFCE's *Accounts direction to higher education institutions for 2014-15 financial statements*.

Opinion on other matters prescribed in the HEFCE Audit Code 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 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
- funds provided by HEFCE have been applied in accordance with the Memorandum of Assurance and Accountability and any other terms and conditions attached to them; and
- the corporate governance and internal control requirements of HEFCE's Accounts direction to higher education institutions for 2014-15 financial statements have been met.

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

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



Trevor Rees
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1, St Peter's Square, Manchester, M2 3AE

30 November 2015

EDGE HILL UNIVERSITY

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

Principal Accounting Policies

These financial statements have been prepared in accordance with the "Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2007 and in accordance with applicable accounting standards. A summary of the more important accounting policies, which have been applied consistently, is set out below:

Basis of Accounting

The financial statements have been prepared on a going concern basis in accordance with the historic cost convention, modified by the revaluation of certain fixed assets on a depreciated replacement cost basis.

Basis of Consolidation

These consolidated financial statements include the results for the financial year to 31 July 2015 and net assets at 31 July 2015 of the University and the following wholly-owned subsidiary companies of Edge Hill University: Edge Hill Enterprises Limited, Edge Hill Property Services Limited and Edge Hill Maintenance Services Limited.

In accordance with FRS 2 the consolidated financial statements do not include the results of Edge Hill University Students' Union, as it is a separate organisation in which the University has no financial interest and over which it has neither control nor significant influence in relation to policy decisions.

Recognition of Income

Income from tuition fees is recognised in the period for which it is received. Income from grants, contract and other services rendered is included to the extent of the completion of the contract or service concerned. Recurrent grants from funding councils are recognised in the period in which they are receivable. Non-recurrent grants from funding councils or other bodies received in respect of the acquisition or construction of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the life of the assets. All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned.

Foreign Currencies

Trading transactions denominated in foreign currencies are translated into sterling at the exchange rate ruling when the transaction was entered into. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rates ruling at the balance sheet date. Exchange gains and losses are included in the surplus on ordinary activities.

Investments

Investments in subsidiaries are recorded at cost.

EDGE HILL UNIVERSITY

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Fixed Assets

Fixed asset land and buildings are revalued every five years on a depreciated replacement cost basis. The most recent revaluation was undertaken as at 31st July 2014, by Jones Lang La Salle Limited & Co, an external firm of professional chartered surveyors.

Expenditure on fixed assets with a useful life of more than one year and with a cost in excess of £5,000 is capitalised. Depreciation for 2014/15 has been charged to expenditure at rates estimated to write off the cost or valuation of tangible fixed assets by equal annual instalments over their anticipated useful lives, the principal rates being:

	%
Leased land	1
Landscaping	5
Temporary buildings	10
Equipment	
Computer hardware and electrical equipment	33
Computer software	25
Non-electrical education equipment and furniture	10
Motor Vehicles	33

Freehold land and assets in the course of construction are not depreciated.

Buildings in use and major refurbishments to them are depreciated based on a re-valued depreciated cost basis over their expected remaining useful economic lives of between 20 and 70 years, and leasehold land over the life of the lease. Where buildings are acquired with the aid of specific grants they are capitalised and depreciated as above.

Leased buildings include the rental valuation for Woodlands, Chorley at ten years' lease at a rental of £104,000 p.a. The use of the Woodlands site was subject to a separate agreement with Lancashire County Council in 1989 giving use of 51% of the Woodlands site in perpetuity to Edge Hill University. This building is not depreciated as Lancashire County Council have a responsibility to maintain this property to a high standard in perpetuity.

Leases

Fixed assets held under finance leases and the related lease obligations are recorded in the balance sheet at the fair value of the leased assets at the inception of the lease or any subsequent revaluation. The excess of lease payments over recorded lease obligations are treated as finance charges which are amortised over each lease term to give a constant rate of charge on the remaining balance of obligations. Rental costs under operating leases are charged to expenditure in equal annual amounts over the periods of the leases.

EDGE HILL UNIVERSITY

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Government Grants

The University receives both recurrent and specific revenue and capital grants from both the Higher Education Funding Council for England (HEFCE) and the National College for Teaching and Leadership (NCTL). Recurrent revenue grants are included in the income and expenditure account in the period in which they are receivable. Capital grants received in the year are treated as deferred credits, with appropriate transfers being made to the income and expenditure account over the estimated useful lives of the related assets.

Stocks

Stocks are valued in the balance sheet at the lower of cost and net realisable value.

Maintenance of Premises

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

Pension

The two principal pension schemes for the University's staff are the Teachers Pension Scheme (TPS – formerly the Teachers Superannuation Scheme) for academic staff and the Local Government Pension scheme (LGPS) for those staff not included as academic. The University is also a member of the Universities Superannuation Scheme (USS) for a number of academic staff.

Local Government Pension Scheme

The LGPS is a defined benefit scheme and is valued every three years by a professionally qualified independent actuary. The assets of the scheme are held separately from those of the group. Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme deficit is split between operating charges, finance items and, in the statement of total recognised gains and losses, actuarial gains and losses.

Teachers Pension Scheme

This is an unfunded defined benefit scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The University is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS17 "Retirement Benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

EDGE HILL UNIVERSITY

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Universities Superannuation Scheme

The University participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate trustee-administered fund. The University is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 "Retirement benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

Cash flows and liquid resources

Cash flows comprise increases or decreases in cash. Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty. No investments, however liquid, are included in cash. Liquid resources comprise assets held as a readily reclaimable store of value.

Bursaries

Funding Council grants relating to bursaries are available solely for students. The University acts only as payment agent. Grants and related disbursements are therefore excluded from the income and expenditure account.

Taxation Status

The university is an exempt charity within the meaning of Schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of Section 506(1) of the Income and Corporation Taxes Act 1988 (ICTA 1998). Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes.

The University receives no similar exemption in respect of Value Added Tax.

EDGE HILL UNIVERSITY**CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 JULY 2015**

	Note	2015 £000	2014 £000
INCOME			
Funding council grants	1	7,508	16,052
Academic fees and support grants	2	86,184	71,288
Research Grants and contracts		420	250
Other operating income	3	29,710	27,506
Interest receivable from short-term deposits		138	280
TOTAL INCOME		<u>123,960</u>	<u>115,376</u>
EXPENDITURE			
Staff Costs	4	61,486	58,350
Depreciation	7	5,091	6,025
Other operating expenses	5	31,550	30,518
Interest Payable	6	2,193	3,044
TOTAL EXPENDITURE		<u>100,320</u>	<u>97,937</u>
SURPLUS ON CONTINUING OPERATIONS AFTER DEPRECIATION OF FIXED ASSETS AND BEFORE TAX		23,640	17,439
(Loss)/gain on disposal of fixed assets		(603)	3
SURPLUS ON CONTINUING OPERATIONS AFTER DEPRECIATION OF FIXED ASSETS AND DISPOSAL OF ASSETS AND BEFORE TAX		<u>23,037</u>	<u>17,442</u>
STATEMENT OF HISTORICAL COST SURPLUS AND DEFICITS FOR THE YEAR ENDED 31 JULY 2015		2015	2014
		£000	£000
Surplus after ordinary activities after taxation		23,037	17,442
Difference between the historical cost depreciation charge and the actual depreciation charge for the year calculated on the re-valued amount	16	<u>1,138</u>	<u>457</u>
HISTORICAL COST SURPLUS AFTER TAXATION		<u>24,175</u>	<u>17,899</u>

The consolidated income and expenditure of the institution and its subsidiaries relate wholly to continuing operations,

The notes on pages 35 to 55 form an integral part of these financial statements.

EDGE HILL UNIVERSITY

STATEMENT OF CONSOLIDATED TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 JULY 2015

	Note	2015 £000	2014 £000
Surplus for the year on continuing operations after depreciation of assets at valuation and disposal of assets		23,037	17,442
Revaluation	16	(525)	30,693
Actuarial gain/(loss) in respect of pension scheme	14	(6,639)	7,940
Total recognised gains relating to the period		<u>15,873</u>	<u>56,075</u>
Reconciliation			
Opening reserves		147,698	91,623
Total recognised gains for the year		<u>15,873</u>	<u>56,075</u>
Closing reserves		<u>163,571</u>	<u>147,698</u>

EDGE HILL UNIVERSITY

BALANCE SHEETS AS AT 31 JULY 2015

		GROUP		PARENT	
	NOTE	2015 £000	2014 £000	2015 £000	2014 £000
FIXED ASSETS					
Tangible Assets	7	237,784	223,939	237,784	223,939
Investment in subsidiaries	8	-	-	7,139	7,139
Other investments		2	4	2	4
		<u>237,786</u>	<u>223,943</u>	<u>244,925</u>	<u>231,082</u>
CURRENT ASSETS					
Stock and stores in hand		90	148	90	148
Debtors	9	6,202	5,446	7,740	6,348
Short term deposits		8,000	-	8,000	-
Cash at bank and in hand		<u>21,029</u>	<u>21,127</u>	<u>19,557</u>	<u>19,721</u>
		35,321	26,721	35,387	26,217
Creditors:					
Amounts falling due within one-year	10	(15,224)	(14,735)	(15,944)	(14,885)
NET CURRENT ASSETS		<u>20,097</u>	<u>11,986</u>	<u>19,443</u>	<u>11,332</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		257,883	235,929	264,368	242,414
Creditors:					
Amounts falling due in more than one year	11	(36,973)	(39,034)	(43,581)	(45,642)
Provisions for liabilities and charges	13	(1,311)	(1,393)	(1,311)	(1,393)
NET ASSETS excluding pension liability		219,599	195,502	219,476	195,379
Pension liability		(38,341)	(30,844)	(38,341)	(30,844)
NET ASSETS including pension liability		<u>181,258</u>	<u>164,658</u>	<u>181,135</u>	<u>164,535</u>
Deferred capital grants	15	17,687	16,960	17,687	16,960
Reserves					
Revaluation reserve	16	49,902	51,565	49,902	51,565
Income and expenditure account excluding pension liability		152,010	126,977	151,887	126,854
Pension reserve		(38,341)	(30,844)	(38,341)	(30,844)
Income and expenditure including Pension liability		<u>113,669</u>	<u>96,133</u>	<u>113,546</u>	<u>96,010</u>
TOTAL FUNDS		<u>181,258</u>	<u>164,658</u>	<u>181,135</u>	<u>164,535</u>

The financial statements on pages 27 to 55 were approved by the Board of Governors on 30 November 2015 and were signed on its behalf by:


Bernard Laverty - Chairman, Board of Governors


Dr John Cater – Vice-Chancellor

EDGE HILL UNIVERSITY**CONSOLIDATED CASH FLOW STATEMENT**
FOR THE YEAR ENDED 31 JULY 2015

	NOTE	2015 £000	2014 £000
Net cash inflow from operating activities	18	30,165	22,760
Returns on investments and servicing finance	19	(2,012)	(1,823)
Capital expenditure and financial investment	20	(18,190)	(30,109)
		<hr/>	<hr/>
Cash outflow before use of liquid resources and financing		9,963	(9,172)
Management of liquid resources – short term deposits		(8,000)	12,000
Financing	21	(2,061)	(2,060)
		<hr/>	<hr/>
Increase in cash		<u>(98)</u>	<u>768</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

		2015 £000	2014 £000
Increase in cash in period		(98)	768
Decrease in short term deposits		8,000	(12,000)
Repayment of debt		2,061	2,060
		<hr/>	<hr/>
Change in net funds		9,963	(9,172)
Net funds at 1 August 2014	22	<u>(19,967)</u>	<u>(10,795)</u>
Net funds at 31 July 2015	22	<u>(10,004)</u>	<u>(19,967)</u>

EDGE HILL UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

1. FUNDING COUNCIL GRANTS	NOTE	2015 £000	2014 £000
RECURRENT GRANT: HEFCE		1,477	6,914
NCTL		80	2,598
SPECIFIC GRANTS:			
HEFCE Specific			
Student Opportunity Funding		3,564	3,345
HEFCE research		255	240
Special Initiatives		411	1,019
NCTL Other		1,411	1,608
Deferred capital grants released in year:			
Buildings	15	282	282
Equipment	15	28	46
		<u>7,508</u>	<u>16,052</u>
2. ACADEMIC FEES AND SUPPORT GRANTS		2015 £000	2014 £000
Full-time students		80,969	65,677
Full-time students charged overseas fees		1,787	1,854
Part-time fees		781	735
Short course fees		2,647	3,022
		<u>86,184</u>	<u>71,288</u>
3. OTHER OPERATING INCOME		2015 £000	2014 £000
Health authorities		13,620	13,437
Residences, catering and conferences		8,820	7,680
Other		7,239	6,354
Deferred capital grants released in year: Buildings	15	25	25
Equipment	15	6	10
		<u>29,710</u>	<u>27,506</u>
4. STAFF COSTS		2015 £000	2014 £000
Wages and salaries		50,211	47,350
Social security costs		3,890	3,722
Pension costs		6,587	6,141
		<u>60,688</u>	<u>57,213</u>
FRS 17 adjustment:			
Service cost		4,236	4,288
Past service costs/curtailment/settlement gain		52	-
Employer contributions		(3,490)	(3,151)
		<u>61,486</u>	<u>58,350</u>
STAFF COST BY ACTIVITY			
Academic Departments		40,454	38,296
Academic Support Services		3,481	3,398
Other Support Services		5,433	5,006
Administration and Central Services		5,893	5,275
Premises		2,396	2,355
Income Generating Activities		1,171	1,142
Catering and Residence		1,860	1,741
		<u>60,688</u>	<u>57,213</u>

EDGE HILL UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Average Full Time Equivalent staff numbers by function	2015 Number	2014 Number
Academic Departments	710	685
Academic Support Services	100	98
Other Support Services	143	132
Administration and Central Services	150	150
Premises	66	60
Income Generating Activities	32	30
Catering and Residence	69	66
	<u>1,270</u>	<u>1,221</u>

Emoluments of the Vice Chancellor

	2015 £000	2014 £000
Salary	311	296
Benefits in kind	<u>10</u>	<u>8</u>
	321	304
Pension contribution	<u>-</u>	<u>-</u>
	321	304

Remuneration for higher paid staff (including the Vice-Chancellor), was in the following ranges:

	2015 Number	2014 Number
£100,000 - £109,999	3	3
£110,000 - £119,999	1	1
£190,000 - £199,999	-	1
£210,000 - £219,999	1	-
£300,000 - £309,999	-	1
£320,000 - £329,999	1	-

Pension contributions are included in the remuneration disclosed in this banding table. Members of the Board of Governors do not receive any fees or remuneration for their services. In their capacity as trustees of the university total expenses paid to or on behalf of 11 Independent members of the Board of Governors was £326. Expenses paid in the previous year were £1,147. These expenses represent travel and subsistence incurred in attending governors and committee meetings and courses and conferences in their official capacity.

EDGE HILL UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. OTHER OPERATING EXPENSES	2015 £000	2014 £000
Residence, catering and conferences operating expenses	1,913	2,019
Books and periodicals	1,378	1,335
Heat, light, water, electricity, waste collection and rates	1,977	2,041
Maintenance materials	2,926	2,700
Office services and supplies	1,977	2,056
Consumables and supplies	1,581	1,664
Publicity and advertising	1,111	793
Staff training and development	440	465
Bursaries	2,727	3,200
School practice and educational visits	2,263	1,513
School based training payments	3,152	3,148
Temporary staff	1,585	1,101
Staff travel and subsistence	997	1,088
Grants to Student Union	543	529
Professional fees	1,597	1,575
Impairment of buildings on revaluation	-	418
Auditors' remuneration – external audit	44	46
Auditors' remuneration – internal audit	58	42
Auditors' remuneration in respect of non-audit services	64	108
Other operating expenses	5,217	4,677
	<u>31,550</u>	<u>30,518</u>

The external audit remuneration includes £42,000 (2014: £42,679) in respect of the audit of Edge Hill University itself. Auditors' remuneration for non-audit services principally comprises fees in respect of tax services £54,978 (2014: £78,094) and grant audits £7,560.

6. INTEREST PAYABLE	2015 £000	2014 £000
On bank loans:		
Repayable wholly or partly in more than 5 years	<u>2,133</u>	<u>2,237</u>
	2,133	2,237
FRS17 Charge consisting of:		
Expected return on pension scheme assets	(5,150)	(4,765)
Interest on pension scheme liabilities	<u>5,210</u>	<u>5,572</u>
	<u>2,193</u>	<u>3,044</u>

EDGE HILL UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. FIXED ASSETS

	Buildings Under Construction	Land and Buildings	Long Term Leased Land and Buildings	GROUP Equipment	Leased Equipment	Vehicles	Total
	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation							
At 1 August 2014	11,228	208,986	1,040	9,626	11	107	230,998
Additions	17,928	860	-	711	-	40	19,539
Disposals	-	(610)	-	(31)	-	-	(641)
Inter category transfer	(11,837)	11,837	-	-	-	-	-
At 31 July 2015	17,319	221,073	1,040	10,306	11	147	249,896
Depreciation							
At 1 August 2014	-	-	-	7,002	11	46	7,059
Charge for the year	-	4,072	-	983	-	36	5,091
Disposals	-	(7)	-	(31)	-	-	(38)
At 31 July 2015	-	4,065	-	7,954	11	82	12,112
Net book value							
At 31 July 2015	17,319	217,008	1,040	2,352	-	65	237,784
At 31 July 2014	11,228	208,986	1,040	2,624	-	61	223,939

EDGE HILL UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	Buildings Under Construction	Land and Buildings	Long Term Leased Land and Buildings	PARENT Equipment	Leased Equipment	Vehicles	Total
	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation							
At 1 August 2014	11,228	203,103	6,925	9,625	11	107	230,999
Additions	17,928	860	-	711	-	40	19,539
Disposals	-	(610)	-	(31)	-	-	(641)
Inter Category transfer	(11,837)	15,284	(3,447)	-	-	-	-
At 31 July 2015	17,319	218,637	3,478	10,305	11	147	249,897
Depreciation							
At 1 August 2014	-	-	-	7,003	11	46	7,060
Charge for the year	-	4,017	55	983	-	36	5,091
Disposals	-	(7)	-	(31)	-	-	(38)
At 31 July 2015	-	4,010	55	7,955	11	82	12,113
Net book value							
At 31 July 2015	17,319	214,627	3,423	2,350	-	65	237,784
At 31 July 2014	11,228	203,103	6,925	2,622	-	61	223,939

EDGE HILL UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. INVESTMENTS IN SUBSIDIARIES

	PARENT	
	2015	2014
	£000	£000
Investment in Edge Hill Enterprises Limited	1	1
Investment in Edge Hill Property Services Limited	7,138	7,138
Investment in Edge Hill Maintenance Services Limited	-	-
	<hr/>	<hr/>
	7,139	7,139
	<hr/>	<hr/>

The University owns 100% of the issued share capital of its subsidiary company Edge Hill Enterprises Limited (£1,000). The principal activities of the company are the promotion of Edge Hill University and the generation of profits which are covenanted to the University.

The University owns 100% of the issued share capital of its subsidiary company Edge Hill Property Services Limited (£7,138,000). The principal activities of this company relate to the management and maintenance of property owned by Edge Hill University.

Edge Hill Maintenance Services Limited is a company limited by guarantee. The principal activities of the company are to maintain and repair premises owned by Edge Hill University.

All subsidiary companies are registered in England and operate in the U.K.

EDGE HILL UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. Debtors

	GROUP		PARENT	
	2015	2014	2015	2014
	£000	£000	£000	£000
Debtors due within one year:				
Payments in advance	1,677	1,522	1,672	1,516
Other debtors	4,063	3,698	4,020	3,571
VAT	360	111	360	111
Tax recoverable	18	18	18	18
Other amounts owed by subsidiary undertakings	-	-	1,248	697
Debtors due after more than one year:				
Loan to subsidiary undertaking	-	-	338	338
Other	84	97	84	97
	<u>6,202</u>	<u>5,446</u>	<u>7,740</u>	<u>6,348</u>

10. Creditors: Amounts falling due within one year

	GROUP		PARENT	
	2015	2014	2015	2014
	£000	£000	£000	£000
Bank loans	2,060	2,060	2,060	2,060
VAT payable	6	2	-	-
Receipts in advance	3,650	3,661	3,650	3,661
Creditors	2,866	2,960	2,859	2,953
Corporation tax/Income tax	2	2	-	-
Social Security and other taxation payable	1,944	1,944	1,944	1,944
Accruals	4,696	4,106	4,665	4,074
Amounts owed to subsidiary undertaking	-	-	766	193
	<u>15,224</u>	<u>14,735</u>	<u>15,944</u>	<u>14,885</u>

11. Creditors: Amounts falling due after more than one year

	GROUP		PARENT	
	2015	2014	2015	2014
	£000	£000	£000	£000
Unsecured loans				
Bank loans (see note 12a)	36,973	39,034	36,973	39,034
Obligations under finance leases (see note 12b)	-	-	3,466	3,466
Amounts owed to subsidiary undertakings	-	-	3,142	3,142
	<u>36,973</u>	<u>39,034</u>	<u>43,581</u>	<u>45,642</u>

EDGE HILL UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. BORROWINGS

(a) Bank Loans and Overdrafts

Bank loans and overdrafts are repayable as follows: **GROUP AND PARENT**

	2015	2014
	£000	£000
In one year or less	2,060	2,060
Between one and two years	2,061	2,061
Between two and five years	6,180	6,181
In five years or more	28,732	30,792
	<u>39,033</u>	<u>41,094</u>

£1.575m of the above balance relates to a fixed rate loan at 5.55% repayable in equal instalments in March, June, September and December each year until 2025.

£3.4m of the balance relates to a fixed rate loan at 5.52% with capital repayable in equal instalments of £50,000 in March, June, September and December each year until 2032.

£5.44m of the balance relates to a fixed rate loan at 5.775% with capital repayable in equal instalments of £80,000 in August, November, February and May each year until 2032.

£27m of the balance relates to a fixed rate loan at 5.23% with capital repayable in equal instalments of £300,000 in March, June, September and December each year until 2037.

£1.619m of the above balance relates to a fixed rate loan at 5.3% with capital repayable in equal instalments of £47,600 in March, June, September and December each year until 2024.

EDGE HILL UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(b) Finance Leases

The net finance leases obligations to which the institution is committed are:

	GROUP		PARENT	
	2015	2014	2015	2014
	£000	£000	£000	£000
In one year or less	-	-	-	-
Between one and two years	-	-	-	-
Between two and five years	-	-	-	-
In five years or more	-	-	3,466	3,466
	<u>-</u>	<u>-</u>	<u>3,466</u>	<u>3,466</u>

13. PROVISIONS FOR LIABILITIES AND CHARGES

	GROUP AND PARENT
	Pension
	£000
At 1 August 2014	1,393
Utilised in year	(131)
Transfer from income and expenditure account	49
At 31 July 2015	<u>1,311</u>

14. PENSION

Local Government Pension Scheme (LGPS)

LGPS is valued every three years by professionally qualified independent actuaries using the projected unit method, the rates of contribution payable being determined by the trustees on the advice of actuaries. In the intervening years, the LGPS actuary reviews the progress of the LGPS scheme.

LGPS is a funded defined benefit scheme with assets held in separate trustee administered funds. The latest full actuarial valuation was carried out as at 31st March 2013. The major assumptions used in this valuation were:

Actuarial method	Projected Unit
Rate of Discount	4.8% per annum
Pension increases per annum	2.6% per annum
Pensionable pay increases per annum	4.1% per annum
Market value of assets at date of last valuation	£5,011 million

In addition to the employer contribution rate of 12.4%, the employer also pays a fixed monthly sum of £71,158 which is based on an assessment of the University's share of the deficit in the scheme. This figure will increase in future years and will be reassessed in detail as part of each detailed actuarial review. Employee contribution rates vary according to salary level bandings.

Proportion of members' accrued benefits covered by the actuarial value of the assets is 72%. The full actuarial valuation was updated for FRS17 purposes to 31st July 2015 by a qualified independent actuary as follows:

EDGE HILL UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Local Government Pension Scheme (Continued)

	2015	2014	2013
Inflation assumption CPI	2.2%	2.3%	2.4%
Inflation assumption RPI	-	-	-
Rate of increase in salaries	3.7%*	3.8%*	4.4%
Rate of increase in pensions	2.2%	2.3%	2.4%
Discount rate applied to scheme liabilities	3.8%	4.3%	4.5%

*Note, an adjustment has been made for short term pay restraint in line with the most recent actuarial valuation.

Assumed life expectation on retirement age of 65 are:	At 31 July 2015	At 31 July 2014
Retiring today		
Males	22.9	22.8
Females	25.4	25.3
Retiring in 20 years		
Males	25.1	25
Females	27.8	27.7

The assumptions used by the actuary are best estimates chosen from a range of possible actuarial assumptions, which due to the timescale covered, may not necessarily be borne out in practice.

The fair value of the scheme's assets and their long term expected rate of return is:

	2015	2014	2013
	Long-term rate of return expected	Long-term rate of return expected	Long-term rate of return expected
	Value	Value	Value
	£'000	£'000	£'000
Equities	6.5% 34,568	7.0% 44,198	7.0% 43,639
Government Bonds	2.5% 5,527	3.2% 178	3.3% 5,870
Other Bonds	3.6% 2,613	4.1% 23,655	4.3% 17,524
Property	6.1% 9,145	6.2% 8,537	5.7% 7,061
Cash/Liquidity	0.5% 1,306	0.5% 2,134	0.5% 3,998
Other	6.5% 47,331	7.0% 10,227	7.0% 6,975
	<u>100,490</u>	<u>88,929</u>	<u>85,067</u>

The scheme's assets are not intended to be realised in the short term and maybe subject to significant change before they are realised. The following amounts at 31 July 2015 were measured in accordance with the requirements of FRS17:

	2015	2014	2013
University's estimated asset share	100,490	88,929	85,067
Present value of scheme liabilities	(138,831)	(119,773)	(121,907)
Deficit in the scheme	<u>(38,341)</u>	<u>(30,844)</u>	<u>(36,840)</u>

EDGE HILL UNIVERSITY**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****Local Government Pension Scheme (Continued)****Asset and Liability Reconciliation**

	2015	2014
	£000	£000
Reconciliation of Liabilities		
Liabilities at start of period	119,773	121,907
Service cost	4,236	4,288
Interest cost	5,210	5,572
Employee contributions	1,500	1,391
Actuarial (gain)/loss	11,039	(11,546)
Benefits paid	(2,979)	(1,839)
Curtailments and settlements	52	-
Liabilities at end of period	138,831	119,773
Reconciliation of Assets		
Assets at start of period	88,929	85,067
Expected return on assets	5,150	4,765
Actuarial gain/(loss)	4,400	(3,606)
Employer contributions	3,490	3,151
Employee contributions	1,500	1,391
Benefits paid	(2,979)	(1,839)
Assets at end of period	100,490	88,929

EDGE HILL UNIVERSITY**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****Local Government Pension Scheme (Continued)****Analysis of the amount charged to income and expenditure account**

	2015 £000	2014 £000
Employer service cost net of employee contributions	(4,236)	(4,288)
Past service cost/curtailments	(52)	-
Employer contributions	3,490	3,151
Total operating charge	<u>(798)</u>	<u>(1,137)</u>

Analysis of pension finance costs

	2015 £000	2014 £000
Expected return on pension scheme assets	5,150	4,765
Interest on pension liabilities	<u>(5,210)</u>	<u>(5,572)</u>
Net return	<u>(60)</u>	<u>(807)</u>

Amount recognised in the statement of total recognised gains and losses (STRGL)

	2015 £000	2014 £000
Actual return less expected return on pension scheme assets	4,400	(3,606)
Change in financial and demographic assumptions		
Underlying the scheme liabilities	<u>(11,039)</u>	<u>11,546</u>
Actuarial gain/(loss) recognised in STRGL	<u>(6,639)</u>	<u>7,940</u>

Movement in deficit during the year

	2015 £000	2014 £000
Deficit in scheme at 1 August	(30,844)	(36,840)
Movement in year:		
Current service charge	(4,236)	(4,288)
Contributions	3,490	3,151
Part service cost/curtailments	(52)	-
Net interest/return on assets	(60)	(807)
Actuarial gain/(loss)	<u>(6,639)</u>	<u>7,940</u>
Deficit in scheme at 31 July	<u>(38,341)</u>	<u>(30,844)</u>

History of experience gains and losses

	2015	2014	2013	2012	2011
Difference between the expected & actual return on assets amount	(4,400)	(3,606)	8,464	(2,301)	5,298
% of scheme assets	4.4%	4.1%	9.9%	3.3%	8%
Experience gains/(losses) on scheme liabilities:					
Amount	0	7,053	0	0	(2,131)
% of scheme assets	0	7.9%	0%	0%	2.2%
Total amount recognised in STRGL					
Amount	(6,639)	7,940	6,060	(7,900)	1,455
% of scheme liabilities	4.8%	6.6%	5.0%	7.1%	1.5%

EDGE HILL UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Teachers Pension Scheme

The Teachers Pension Scheme (TPS) is an unfunded statutory defined benefit scheme for academic staff. The regulations under which the TPS operates are the Teachers' Pensions Regulations 2010 (as amended) and the Teachers' Pensions regulations 2014 (as amended). Contributions on a pay as you go basis are made by the institution and its employees. The employer contribution rate is 14.1%. As from 1 September 2015 it has been agreed that a revised set of contributions will be implemented. These are part of a cost-sharing agreement between employers' and teachers' representatives and include a standard contribution rate assessed at 20.4% and a supplementary contribution rate assessed at 5.6%. The supplementary contribution rate has been calculated to balance assets and liabilities within 15 years as required by the regulations. This results in a total contribution rate of 26% which translates into an average employee contribution rate of 9.6% and an employer contribution rate of 16.4%.

The assumptions and other data that have the most significant effect on the determination of the contribution levels are as follows:

Latest actuarial valuation	31 March 2012
Actuarial method	Projected Unit
Discount rate	3.0% per annum
Pension increase	2.0% per annum
Rate of real earnings growth	2.75% per annum

Aggregated scheme assets at the 31st March 2012 are valued at £176.6billion and scheme liabilities are £191.5billion leaving a shortfall of £14.9billion. It should be noted that actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors.

Under the definitions set out in Financial Reporting Standard 17 (Retirements Benefits), the TPS is a multi-employer pension scheme. The University is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the University has taken advantage of the exemption in FRS17 and has accounted for its contributions to the scheme as if it were a defined contribution scheme.

EDGE HILL UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Universities Superannuation Scheme

The University participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. The University is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 "Retirement benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

The latest available triennial actuarial valuation of the scheme was at 31 March 2014 ("the valuation date"), which was carried out using the projected unit method. A summary of the results of this valuation is provided below though it should be noted that these figures are unaudited. Based on this 2014 valuation it is expected that employer contributions will increase to 18% from 1 April 2016.

The 2014 valuation was the third valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £41.6 billion and the value of the scheme's technical provisions was £46.9 billion indicating a shortfall of £5.3 billion. The assets therefore were sufficient to cover 89% of the benefits which had accrued to members after allowing for expected future increases in earnings.

FRS 17 liability numbers have been produced using the following assumptions:

	2015	2014
Discount rate	3.3%	4.5%
Pensionable salary growth	3.5% in the first year and 4.0% thereafter	4.4%
Price inflation (CPI)	2.2%	2.6%

The main demographic assumption used relates to the mortality assumptions. Mortality in retirement is assumed to be in line with the Continuous Mortality Investigation's (CMI) S1NA tables as follows:

Male members' mortality S1NA ["light"] YoB tables – No age rating

Female members' mortality S1NA ["light"] YoB tables – rated down 1 year

Use of these mortality tables reasonably reflects the actual USS experience. To allow for further improvements in mortality rates the CMI 2009 projections with a 1.25% pa long term rate were also adopted for the 2014 FRS17 figures, for the March 2015 figures the long term rate has been increased to 1.5% and the CMI 2014 projections adopted, and the tables have been weighted by 98% for males and 99% for females. The current life expectancies on retirement at age 65 are:

	2015	2014
Males currently aged 65 (years)	24.2	23.7
Females currently aged 65 (years)	26.3	25.6
Males currently aged 45 (years)	26.2	25.5
Females currently aged 45 (years)	28.6	27.6

EDGE HILL UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Universities Superannuation Scheme (continued)

Existing Benefits	2015	2014
Scheme assets	£49.0bn	£41.6bn
FRS 17 Liabilities	£67.6bn	£55.5bn
FRS 17 deficit	£18.6bn	£13.9bn
FRS17 funding level	72%	75%

EDGE HILL UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15. DEFERRED CAPITAL GRANTS

	GROUP AND PARENT		
	Funding Council	Other Grants	Total
	£000	£000	£000
1 August 2014			
Buildings	15,407	1,312	16,719
Equipment	221	20	241
Total	<u>15,628</u>	<u>1,332</u>	<u>16,960</u>
Grants received			
Buildings	1,068	-	1,068
Equipment	-	-	-
Total	<u>1,068</u>	<u>-</u>	<u>1,068</u>
Released to income and expenditure			
Buildings	282	25	307
Equipment	28	6	34
Total	<u>310</u>	<u>31</u>	<u>341</u>
At 31 July 2015			
Buildings	16,193	1,287	17,480
Equipment	193	14	207
Total	<u>16,386</u>	<u>1,301</u>	<u>17,687</u>

16 REVALUATION RESERVE

	GROUP £000	PARENT £000
At 1 August 2014	51,565	51,565
Transfer from revaluation reserve to income and expenditure account	(1,138)	(1,138)
Adjustment to Transfer to revaluation reserve	<u>(525)</u>	<u>(525)</u>
At 31 July 2015	<u>49,902</u>	<u>49,902</u>

17. CAPITAL COMMITMENTS

	GROUP 2015 £000	AND PARENT 2014 £000
Contracted at 31 July	<u>6,017</u>	<u>8,305</u>
Authorised but not contracted at 31 July	<u>-</u>	<u>7,400</u>

EDGE HILL UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18. RECONCILIATION OF CONSOLIDATED OPERATING SURPLUS TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2015 £000	2014 £000
Surplus before tax	23,037	17,442
Depreciation (note 7)	5,091	6,025
Loss/(gain) on Disposal of Fixed Assets	603	(3)
Impairment of buildings on revaluation	-	418
Transfer to revaluation reserve	(525)	-
Deferred Capital Grants Released to Income (note 15)	(341)	(363)
Interest Receivable	(138)	(280)
Interest Payable	2,133	2,237
Decrease in Stocks	58	3
Increase in Debtors	(752)	(895)
Increase/(decrease) in Creditors	223	(3,692)
Decrease in Provisions	(82)	(76)
Pensions cost less Contributions payable	858	1,944
Net Cash Inflow from Operating Activities	<u>30,165</u>	<u>22,760</u>

19 RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	2015 £000	2014 £000
Income from Short Term Investments	134	434
Interest paid	(2,146)	(2,257)
Net Cash Outflow from returns on investment and Servicing of Financing	<u>(2,012)</u>	<u>(1,823)</u>

20. CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

	2015 £000	2014 £000
Tangible Assets amount paid	(19,260)	(30,744)
Deferred Capital Grants Received (note 15)	1,068	599
Disposal proceeds of tangible fixed assets	-	36
Investment disposal proceeds	2	-
Net Cash Outflow from investing activities	<u>(18,190)</u>	<u>(30,109)</u>

EDGE HILL UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21. ANALYSIS OF CHANGES IN CONSOLIDATED FINANCING DURING THE YEAR

	Bank Loans £000
Balance at 1 August 2013	43,154
Capital repayments	(2,060)
Capital acquired	-
	<hr/>
Net amount acquired in year	(2,060)
	<hr/>
Balance at 31 July 2014	41,094
Capital repayments	(2,061)
Capital acquired	-
	<hr/>
Net amount repaid in year	(2,061)
	<hr/>
Balance at 31 July 2015	<u>39,033</u>

22. ANALYSIS OF CHANGES IN NET FUNDS

	Cash at Bank & In hand £000	Short Term Deposits £000	Debt £000	Total £000
As at 1 August 2014	21,127	-	(41,094)	(19,967)
Cash	(98)	8,000	2,061	9,963
	<hr/>	<hr/>	<hr/>	<hr/>
As at 31 July 2015	<u>21,029</u>	<u>8,000</u>	<u>(39,033)</u>	<u>(10,004)</u>

EDGE HILL UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

23. BURSARY AND HARDSHIP FUNDS

ACCESS FUNDS	2015 £000	2014 £000
Balance at 1 August	-	-
Funding Council Grants	-	410
Interest earned	-	1
	-	411
Admin fee	-	(10)
Disbursed to students	-	(401)
Balance at 31 July	-	-

FOUNDATION BURSARIES	2015 £000	2014 £000
Balance at 1 August	167	167
Grants	-	-
Disbursed to students	-	-
Balance at 31 July	167	167

PARAMEDIC BURSARIES	2015 £000	2014 £000
Balance at 1 August	(8)	38
Grants	49	54
Disbursed to students	(14)	(100)
Balance at 31 July	(27)	(8)

NCTL EARLY YEARS GEM BURSARY	2015 £000	2014 £000
Balance at 1 August	-	-
Grants	55	-
Disbursed to students	(48)	-
Balance at 31 July	7	-

EDGE HILL UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

HEFCE FURTHER EDUCATION BURSARIES	2015 £000	2014 £000
Balance at 1 August	77	81
Grants	-	-
Disbursed to students	-	(4)
Balance at 31 July	<u>77</u>	<u>77</u>

TEACHER TRAINING BURSARIES	2015 £000	2014 £000
Balance at 1 August	41	1,069
Grants	6,014	4,039
Disbursed to students	(6,122)	(5,067)
Balance at 31 July	<u>(67)</u>	<u>41</u>

Funds provided by the NCTL were used only in accordance with the provision of the Education Act 1994 (as amended by the Education Act 2005), the financial memorandum, and all other terms and conditions that the NCTL has set.

EARLY YEARS BURSARIES	2015 £000	2014 £000
Balance at 1 August	125	1
Grants	2	336
Disbursed to students	(123)	(212)
Balance at 31 July	<u>4</u>	<u>125</u>

SKE HARDSHIP FUNDS	2015 £000	2014 £000
Balance at 1 August	14	14
Grants	-	-
Disbursed to Students	-	-
Balance at 31 July	<u>14</u>	<u>14</u>

EDGE HILL UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24. RELATED PARTY TRANSACTIONS

Due to the nature of the institution's operations and the composition of the Board (Members 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 may have an interest are conducted at arm's length and in accordance with the financial regulations of the Board and normal procurement procedures. Whilst no transactions were identified which are required to be disclosed under Financial Reporting Standard 8 – Related Party Disclosures it is best practice to disclose the value of transactions with the Student's Union and in that regard Edge Hill University paid £543k in grants to the Students Union and received £127k in relation to services purchased from the University.

25. LINKED CHARITIES

Charities with income over £100,000:

	Brought Forward £'000	Income £'000	Expenditure £'000	Carry Forward £'000
Edge Hill Maintenance Services Limited	29	214	215	28

Edge Hill Maintenance Services Limited was set up originally to manage various maintenance management activities associated with the building stock of Edge Hill University and its subsidiaries, including, where relevant, the repair and maintenance of the same. Edge Hill Maintenance Services Limited is a 100% owned subsidiary of Edge Hill University. It is included in the consolidated accounts of Edge Hill University.

26. ULTIMATE PARENT ORGANISATION

The Board of Governors regard Edge Hill University as the ultimate parent organisation. Copies of the group accounts may be obtained from the Deputy Vice-Chancellor, Edge Hill University, St Helens Road, Ormskirk, Lancashire L39 4QP.