

Edge Hill University

Report & Financial Statements For the Year Ended 31 July 2016

Edge Hill University

Annual Report

Key Performance Indicators

<u>Year Ended 31 July</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Total Income in £'000 (1)	128,127	123,935	115,376	108,541	99,163
Surplus for the year in £'000 (1)	21,637	21,247	17,899	17,693	13,036
Cash Generated by Activities in £'000	31,699	30,165	22,760	25,990	16,131
Cash for Investment in £'000	38,073	29,029	21,127	32,359	39,611
Financial Worth of the University in £'000 (1)	171,240	162,796	147,316	108,347	85,160
Applications for University FT UG Programmes (2)	19,767	19,133	18,931	19,296	18,867
Total number of students of the University (3)	15,543	16,170	16,750	18,483	22,393
Percentage of Staff who rate the University as a good employer (4)	93%	94%	92%	91%	89%
Employee Turnover	6.6%	5.6%	6.9%	8.8%	10.4%
Level of University Staff Absence	3.6%	3.2%	3.4%	3.4%	3.0%

Notes

- 1) Total income and surplus for the year based on the 2007 SORP for 2012, 2013 and 2014. Financial worth of the University is based on the 2007 SORP for 2012 and 2013.
- 2) Based on UCAS statistics.
- 3) Based on HESA Student Record.
- 4) From the University's independently scrutinised Staff Survey.

EDGE HILL UNIVERSITY

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2016

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EDGE HILL UNIVERSITY

REPORT OF THE BOARD OF GOVERNORS

This is my third report as Chair of the Board and I am delighted that Edge Hill has enjoyed another very successful year both academically and financially which further validates the national recognition achieved through the Times Higher Education University of the Year award in 2014/15.

Gross revenue was £128.13m (2015: £123.94m) and the surplus for the year was £21.64m (2015: £21.25m). Cash including investments at the year-end was £38.07m (2015: £29.03m) 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.

Despite the decline in the number of 18 year olds in the population and increased competition within the sector, full time undergraduate applications to the University have continued to rise ensuring that the 2016 entry has exceeded budget targets. Indeed, this will be the best year for recruitment since 2011 when there was a surge in applications prior to the introduction of higher level fees. This is a sure sign of our growing reputation and the Board has been particularly pleased to note the continued increase in ABB students within the cohort. As outlined in the Access Agreement approved by the Board, the University expends considerable resource and effort in building purposeful relationships with schools and colleges regionally and beyond and our success is evidenced through record attendance at Open Days which themselves attract very positive feedback.

As a University which places students and the quality of the student experience at the heart of our institutional strategy, the Board takes a particular interest in the associated key performance indicators. The University has always achieved excellent results in the National Student Satisfaction Survey, consistently outperforming our longer established neighbours. The 2016 results are especially impressive, placing us top in the North West on a number of indicators. Equally gratifying is the further improvement in the proportion of graduates employed in the professions or graduate level posts six months after leaving, particularly from the Faculty of Arts and Sciences where jobs are notably more competitive. The University has worked hard to increase the number and quality of work placement opportunities available to all students - a key factor for employability. The Board also recognises 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.

Following the excellent results of the 2014 Research Excellence Framework (REF) exercise and the associated increase in research funding, preparations for REF 2020 are well underway and the Board strongly supports the University's continued investment in this area, receiving reports both from the Pro Vice-Chancellor with responsibility for Research and from the Independent Link Governor to the Research Committee. We see commitment to the development of this aspect of the University's work as a key factor in enhancing the student learning experience through cutting-edge and innovative teaching whilst also further advancing the University's reputation. The fact that research is seen as an inclusive activity is a strength of our approach and we expect to return a significant percentage of staff in the next exercise.

In relation to other Board activity, we agreed to adopt the new Committee of University Chairs (CUC) Governance Code last year and also approved a comprehensive Scheme of Delegation. This year, we have received regular reports on the implementation of the

EDGE HILL UNIVERSITY

REPORT OF THE BOARD OF GOVERNORS (CONTINUED)

PREVENT strategy, approved the University's Ethical Framework and instigated an annual Equality and Diversity report covering staff and students. At the time of writing, we are awaiting the outcome of the Board's five year Effectiveness Review which is being undertaken on a consultancy basis through the Leadership Foundation.

Following on from the opening of our major £15 million sports development last year, the Board approved a further £24 million outlay in 2015/16 which will see the completion of an innovative new Technology Hub offering state of the art facilities for Science and Computing students and providing a technology-driven bridge to enterprise and employability, combining teaching spaces with research and knowledge exchange opportunities. We have been particularly pleased that the University has been able to attract some financial support for this development from the Lancashire Enterprise Partnership in recognition of the anticipated contribution to the region's wealth creation agenda. In addition there has been a substantial expansion of Geosciences facilities and a further 168 residential units have been completed along with upgrades to car-parking provision. 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.

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, continued reductions in public funding and the unanticipated Brexit decision. Whilst this University is not reliant on EU membership for staff or student recruitment, Brexit does raise significant concerns for the sector as a whole, especially in relation to research funding. In this respect, the government announcement that it will ensure continuation funding for projects is both welcome and essential if the UK is to maintain its global position as a research powerhouse. The Board has been fully apprised of the new arrangements set out for the assessment of Quality Assurance and hopes that this will be fully aligned with the introduction of the Teaching Excellence Framework (TEF). Whilst the TEF reliance on metrics provides a level of objectivity which is to be welcomed, it is not without risk in terms of the indicators used and we hope this scheme will be subject to a full evaluation to ensure the prime objective of providing students with the most relevant and useful information is achieved. Our concerns about the fragmentation of teacher training remain with the very real prospect of a teacher shortage resulting from the current government approach.

This year, we have made eleven honorary doctorate awards recognizing exceptional achievement in areas of particular relevance to the University. December 2015 saw the award to journalist and broadcaster Ranvir Singh whilst in July 2016 we were delighted to honour The Right Honourable Baroness Ashton of Upholland, inaugural High Representative of the Union for Foreign Affairs and Security Policy; International Criminal Court judge, His Excellency Judge Cuno Tarfusser; classical pianist, Paul Lewis; peace campaigners Colin and Wendy Parry; actor, David Morrissey; conductor and musical director, John Rigby; historian, Emeritus Professor Clive Emsley and two past Pro Vice-Chancellors of the University, Professor Rhiannon Evans and Mark Flinn. It was also a pleasure to welcome the award-winning presenter and broadcaster Clare Balding to the University to deliver the annual Chancellor's Lecture in November 2015.

The University continues to receive external recognition, following the Times Higher Education University of the Year award last year, with Edge Hill named as the UK's top

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REPORT OF THE BOARD OF GOVERNORS (CONTINUED)

employer in the European Business Awards 2016. The University was also voted best student experience in the North West in the 2016 Times Higher Education student survey. Furthermore individual departments have received a variety of nominations and awards during the year demonstrating the commitment to excellence which is such an important part of the culture of the University at every level.

Internally, there have been no changes to the senior team this year but the Board has seen the resignation of David Owen, Deputy Chair, after eight years of outstanding service. We were pleased to welcome Louise Robinson, Headmistress of Merchant Taylor's Independent Girls' School and Graeme Collinge, Economic Development Consultant, to the Board in September 2015 and a further two new members – Emeritus Professor Edith Sim, and IT Project Manager, Christine Donnelly will join in November 2016.

Edge Hill is fortunate in the vision and leadership afforded through the Vice-Chancellor, John Cater, and the Executive team which has driven forward a clear strategy for excellence 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 (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)	
Mr G Collinge	(4)	
Professor C Edwards	(1)	
Mr R Green	(4)	
Ms L Greenhalgh	(1) (3)	Chair of Audit Committee
Mr B Lavery	(2) (3) (4)	Chair of the Board, Nominations and Remunerations Committees
Mr D Owen	(2) (3) (4)	Chair of Resources Committee & Board Vice-Chair – resigned August 2016
Mr S Pope	(1)	
Mrs L Robinson	(1)	
Ms D Walker	(3) (4)	

The independent members are also trustees of the University

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REPORT OF THE BOARD OF GOVERNORS (CONTINUED)

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 (elected):

Mr R Bayfield wef January 2016

Mr B Johnson Finished November 2015

Ms E Carnegie

Student Body members:

Mr M Greenhalgh Commenced 1st July 2016 (incoming Students' Union President)

Mr S Rouke Finished 30th June 2016 (retiring Students' Union President)

Miss J McDonald Finished 30th June 2016

Mr G Shanks Commenced 1st July 2016 (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 2015/16 cycle**

Name	Full Board	Audit	Resources	Noms	Remunerations
Total meetings	6	6	3	2	1
	Ex-Officio				
Vice Chancellor	6/6	4/6**	2/3	1/2	1/1
	Independents				
Martin Ainscough	6/6		2/3		1/1
Richard Benjamin	5/6		0/3		
Graeme Collinge	6/6		3/3		
Clive Edwards	6/6	5/6			
Rob Green	5/6		2/3		
Lisa Greenhalgh	5/6	6/6		2/2	
Bernard Lavery	5/6		3/3	2/2	1/1
David Owen	6/6		3/3	2/2	1/1
Simon Pope	4/6	6/6			
Louise Robinson	5/6	6/6			
Denise Walker*	2/6		3/3	1/2	
	Staff members				
Roy Bayfield***	4/4*				
Bill Johnson***	1/2				
Evelyn Carnegie	5/6				
	Academic Board Representative				
George Talbot	6/6			2/2	
	Student members				
Matthew Greenhalgh	1/1*				
Jade McDonald	4/5*				
Steven Rouke	4/5*				
Gareth Shanks	0/1*				

* Partial terms of office

** Officer in attendance

*** Co-opted



Bernard Lavery
Chair of the Board of Governors
5 December 2016

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 the Higher Education Funding Council for England (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.

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

Performance	2016 £'000	2015 £'000
Income	128,127	123,935
Expenditure	<u>(103,680)</u>	<u>(99,830)</u>
Surplus pre pensions adjustments and capital write downs	24,447	24,105
(Loss)/gain on capital write downs/asset disposals	<u>(80)</u> 24,367	<u>(603)</u> 23,502
Pensions charges to income and expenditure	<u>(2,730)</u>	<u>(2,255)</u>
Surplus for the year	21,637	21,247
Actuarial loss in respect of pension scheme	<u>(13,193)</u> <u>8,444</u>	<u>(5,242)</u> <u>16,005</u>

Income

The University has had another excellent year. Total income has increased by 3.4% or £4.192m compared to the previous year with tuition fees and education contracts income now comprising over 80% of total income. Tuition fee income has increased by £4.492m or 4.5%. In an increasingly competitive environment, with the cap on student number controls removed, this is particularly pleasing. Our ability to sustain a strong level of demand for the courses we provide is vital and in this regard, our entry level requirements continue to rise supported by a growing reputation.

We have continued to implement our medium term estates strategy and as a result our build programme continues apace with a further 144 bed spaces brought on stream in September 2015 driving a 10% increase in residence and catering income this year. Our residential development programme has continued unabated into 2016/17 with a further 168 bed spaces recently constructed and occupied, adding to both residence and catering fees directly and tuition fees indirectly through a significantly improved retention performance.

The income we derive from Health England North West (HENW) has improved with income from this source having risen by 9.3% or £1.136m. In this regard we have seen some signs of change in the funding landscape with HENW having invited additional commissions for 2015/16 entry. In 2017/18 HENW funding will start to be displaced by SLC loans as the tuition fee loan model begins to apply to new entrants. This will bring new challenges and opportunities in the marketplace as the government seek more affordable ways of addressing ongoing resource shortfalls in the healthcare workforce.

In terms of HEFCE specific grant funding it is pleasing to see that student opportunity funding allocations have remained largely intact especially given the loss of Access to Learning, National Scholarship funding and, more recently, Disabled Student Allowance 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.

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

From a Faculty of Education perspective, National College for Teaching and Learning (NCTL) income relates solely to Early Years Teacher Status, Subject Knowledge Enhancement funding and the Leadership Academy. We continue to monitor the long term sustainability of projects given the increasingly difficult funding landscape they are operating in. More generally, government policy continues to restrain recruitment at Postgraduate Continuing Education (PGCE) level within Higher Education (HE) in favour of schools-led training. 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 pension adjustments) has increased by £3.850m or 3.9% compared to the previous year.

The most significant component of operating expenditure, as ever, is staff costs which have risen by 4.6% (pre pension adjustments) compared to the previous year. Considerable investment in new staff has been supported this year, particularly in the Faculty of Arts and Sciences given increasing student numbers across a number of our programmes. We are also continuing to recruit staff with a strong research base as we work towards improving our research capability. Given the issues confronting initial teacher training, we have been careful when recruiting to vacant positions, ensuring that any such commitments are well managed and sustainable. Careful investment in support departments across the University has been partly volume-driven as well as enabling the further enhancement of the key services we provide to our students.

Operating expenses have increased by £536k or 1.7% from £31.55m to £32.086m. The more significant increases relate to utilities, maintenance materials and consumables and supplies. Utilities expenditure increases are driven by ongoing investment in our campus with a number of new buildings coming on stream in 2015/16 including the new Sports Centre and additional residential accommodation. Maintenance materials spend has increased due to an increase in minor works undertaken across the University including significant activity related to HEFCE's Revolving Green Fund that will improve energy efficiency across the campus. Consumables and supplies relate principally to non-capitalised equipment, materials and course consumables in the Faculty of Arts and Sciences where student numbers have increased significantly across a range of programmes.

There are also a number of areas of cost reduction which are pleasing to report including a reduction in school practice and educational visits of £732k or 32%. This reduction is driven in part by a more manageable number of student placements in the Faculty of Education. It is also influenced by a detailed Value for Money (VFM) review of this area of expenditure with increasingly robust processes of control applied and different models for the placing of students considered. School based training payments are also significantly lower which reflects both improved processes and the lower number of initial teacher training students within the Faculty given the ongoing shift away from University led Initial Teacher Training (ITT) provision. Finally, publicity and advertising spend is lower though this is linked to the previous year being a year of significant investment to coincide with the Times Higher 2014/15 University of the Year accolade.

EDGE HILL UNIVERSITY

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

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, on comparable indicators, our strongest-ever surplus reported. Cash balances have increased by £9m and long term loans have reduced by £2m during the year in spite of an investment in our estate of £19.5m including, for 2016, the TechHub, additional residential accommodation and improvements to the Geosciences building.

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 2016/17 entry compared to the previous year. With no cap on student numbers and more “selective” universities seeking to increase student numbers, this achievement should not be underestimated, particularly when judged against a continuing reduction in the number of 18 to 21 years olds in the resident population.

We know Government policy is increasingly hardening towards Higher Education with changes to student support arrangements 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.

The National Student Survey is an important barometer of our performance. In that regard we remain the top University in the North West amongst providers with more than 1200 respondents and amongst the top ten universities in England taking an average of all twenty three questions asked. With our commitment to the student experience in addition to strong levels of graduate employment I remain confident that our results will be sustained year-on-year.

Equally relevant in terms of long term competitive advantage are the results from our staff survey. Ninety-three per cent of staff rated the University as a good employer in 2015/16, ranking us as the top university and in the top four of the 231 organisations surveyed nationally. 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. We feature strongly in figures released by HESA which identify the destination of leavers six months after graduation with 95.3% of last year's graduates in work or further advanced study. Furthermore, the percentage of graduates in graduate jobs exceeds the sector average, and by a statistically-significant percentage.

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

Outlook for 2016/17 and future risks

As indicated above, 2015/16 has been a very successful year for Edge Hill University. We have further increased applications, including by almost 20% in the Arts and Sciences, we have developed a range of new and attractive programmes, invested over £1.5m in additional staffing posts and completed the TechHub, constructed a range of new GeoSciences laboratories and added a further 312 residential bed spaces, all without recourse to borrowing.

In addition, well over a thousand highly qualified (ABB+ or equivalent) have joined us, with full time student numbers continuing to grow. Whilst there are challenges in initial teacher training and forthcoming changes in the procurement and funding of nurse education, I am satisfied that we are responding to the demands placed on us in a measured way whilst remaining alert to opportunities and ready to respond swiftly. With new Education and Higher Education Bills before Parliament, this is a period of considerable change but one from which we will emerge yet stronger and even more resilient.

That said, cost pressures abound in the sector with increases in pension costs (and changes in accounting rules), the introduction of the apprenticeship levy and changes to contracting out rules all expected to impact adversely on staff costs next year. Attempts to reduce the RAB charge, such as the freezing of the salary threshold at which students repay their student loan, may have longer term consequences for HE, and we are also seeing the removal of perceived barriers to entry for private providers. Whilst the proposed TEF may enable price increases for the first time since 2012, they are unlikely to be substantial and will come with caveats and increasing additional responsibilities for widening participation.

In response we will continue to manage the University in furtherance of our strategic aims, sustaining our culture, ethos and absolute commitment to provide an outstanding and invaluable student experience, whilst remaining ever mindful of the threats and potential opportunities that will arise as the marketplace and the policy framework continues to evolve.

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 45 basis points.

Cash in excess of day-to-day requirements is invested in counterparty banks. We focus our investments on 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, including investments, of £38.073m have been achieved in spite of significant internal financing attached to capital expenditure. Net cash inflow from operating activities of £31.699m has enabled the completion of the new TechHub, investment in GeoSciences and additional residences.

Total borrowings are £36.973m 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 as a percentage of total

EDGE HILL UNIVERSITY

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

reserves is 21.6%. We are required to maintain annualized debt servicing costs within 4% of revenue. In this regard, as well as all other liquidity measures used to assess performance, we have fully achieved our targets.

Student Services

The Student Services Strategy for 2015/16 is a commitment to reach out to a wider student population than ever before. The reactive work of Student Services has always been with students who come forward needing help and this is crucially important to the University. However there is now a focus on campaigns, activities and outreach work which is proactive and involves students who may not otherwise seek out support.

Student communications have improved through the use of social media to engage students with positive messages about life at Edge Hill. Coordination of a University wide group looking at social events and student engagement has improved the partnership working between internal departments and the Students' Union and ensured consistency and coordination of events for the benefit of students.

With an increasing number of bedspaces on campus the out of hours support for students has been reviewed and improved this academic year. This has resulted in the appointment of three new posts within Student Services. Two new Campus Life Managers have strengthened the Accommodation team and enabled a greater focus on the community and social aspect of life on campus. A new Health and Wellbeing Officer will work closely with the Campus Life team to support the wellbeing of all students and with a remit to support and follow up any incidents occurring on campus outside of usual office hours.

A new working partnership has been established with Beacon Primary Care GP practice from September 2016. The practice are providing surgeries to students from university premises at Milton House on a more frequent and regular basis than was available previously. The practice is strongly committed to supporting students and working with us to improve their health and wellbeing. The practice received an outstanding rating in their recent Care Quality Commission Inspection and have been working proactively with the University to ensure as many students as possible are registered with a local GP.

Other key highlights this year included the Feel Good Festival, Edge Hill's Got Talent, Student Sports Day and joint campaigns with the Students' Union. Students continue to be very involved with the department and with the formation of the new Campus Life team our Student Assistants in Halls of Residence will play an increasingly important role in maintaining a healthy and happy community.

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.

EDGE HILL UNIVERSITY

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

Health & Safety Management

The University has successfully completed all planned audits for 2015/16 as part of its cyclical departmental safety audit programme. This provided an independent and objective assessment of risk management controls and demonstrated the University's commitment to the effective management of health and safety.

Summer 2015 also saw the reintroduction of Departmental Health and Safety Representatives. This group led by the University's Health and Safety Advisor has already realised an unprecedented increase in engagement attracting 64 members.

The University has also put in place a schedule to review and develop key policies and procedures. This has already seen the review and launch of the 'Reporting of Accidents,

Near Misses and Dangerous Occurrence' policy, as well as the introduction of an online accident/near miss reporting system. This system provides a tool with which to analysis trends in relation to accidents and near misses allowing resources to be targeted at areas of significant risk.

Environmental Sustainability

We are committed to making a positive environmental impact and we continue to utilise both technical measures and behaviour change strategies to help us improve our performance.

Building on the successful implementation of previous energy efficiency initiatives, the final phase of HEFCE's Revolving Green Fund (RGF) was undertaken during the summer.

The implementation of the RGF schemes have made a significant difference in reducing energy consumption and carbon emissions. In addition, the lighting projects have greatly improved the working environment for staff and students and has reduced the need for disruptive light fitting maintenance.

We have undergone a rigorous tendering process for waste management services and are pleased to announce a new service provider will operate this contract going forward. A number of changes will be made that promote innovation, added value, efficiency and environmental improvements.

Various awareness raising events have been held throughout the year encouraging staff and students to use active travel and low carbon transport options. Reserved parking for car sharers has been successfully introduced and is helping to drive down the number of cars arriving on campus.

Finally, we have once again retained our Green Flag status for 2016/17, recognising the exceptional campus environment we have developed at the University.

Fund Raising

Aside from encouraging donations through our alumni of past and present staff and students, the University does not actively fund raise. It does not employ anyone to raise funds on its behalf and has received no complaints regarding its fundraising activities.

EDGE HILL UNIVERSITY

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

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

Arts and Culture is right at the heart of Edge Hill University's commitment to providing an exceptional experience for all of our students and for our audiences visiting from across the West Lancashire area and beyond. The Arts Centre hosts an impressive range of high-quality activity across all art forms including theatre, dance, music, comedy, film and visual art. Edge Hill have developed unique working partnerships with high-profile organisations who have a national and international profile such as Tate Liverpool, Liverpool Everyman and Playhouse and Liverpool Sound City to ensure that our arts programme is embedded within the broader national and regional arts ecology. Edge Hill University students benefit enormously from these partnerships and from The Arts Centre's own cutting-edge and diverse programme, both of which provide unique and meaningful professional development opportunities contributing to the students' excellent experience of life at Edge Hill University.

The Arts Centre is also an inclusive hub of activity for our local community. We host a range of performing arts workshops for young people and we work with local organisations to develop innovative, challenging and developmental programmes of activity and community engagement. The Arts Centre is an invaluable cultural resource and a unique enhancement to the student experience, demonstrating the university's imaginative and insightful commitment to providing the very best for our students and the community.

During 2015/16 The Arts Centre welcomed over 8,000 people through its doors to watch, learn, perform, participate in and enjoy an exceptional programme of arts activity.

Sports and Fitness

On the 1st September 2015 'The Sports Centre' opened its doors in advance of the new academic year to complete the final phase of Edge Hill's £30 million sports development. The official opening saw Olympic athlete Katarina Johnson-Thompson with her sponsor and entrepreneur Barrie Wells perform the opening ceremony. Former World record holder and Olympic champion Steve Cram visited the same week to officially open the new Athletics track.

Other notable events that Edge Hill staged in the year saw the Ormskirk Sport Relief Mile, the West Lancs Triathlon, the European Corporate Games, a book launch by Sir Chris Hoy, and the annual 'Varsity' fixture between Edge Hill and UCLAN which Edge Hill won after 28 fixtures on the day.

The new facilities have been very well received by staff, students and the community and has seen a huge increase in footfall in the first 12 months of operations. It has attracted new community clubs such as Ormskirk Saints Basketball Club, Ormskirk Otters Swimming Club and Ormskirk Netball Club, as well as many community events. Fitness membership levels increased by 40% on average to reach a peak of 2,100, with 62% of these members being students, 27% community and 11% staff. The 'Campus Sport' programme, which is part

EDGE HILL UNIVERSITY

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

grant funded by Sport England, also increased with over 1,600 students participating in social and recreational sports activities this year, recording 11,000 visits in the process. This is exceeding all expectations and will comfortably meet all Sport England targets.

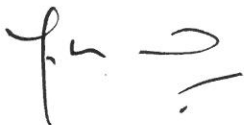
Widening Participation

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, for example, 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 an innovative Fastrack programme to support mature learners who wish to return to study.

We are proud of our tradition in attracting and retaining students from non-traditional backgrounds and expect a significant proportion 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.

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.



Dr John Cater
Vice-Chancellor
5 December 2016

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 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.

Summary of the University's Structure of Corporate Governance

The Governance structure of the University is specified in the Articles of Governance approved by the Privy Council in May 2007 which sets out the responsibilities of the Board of Governors, the Academic Board and the Vice-Chancellor in managing and overseeing the University's activities.

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.

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 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. None of the independent members receive any payment, apart from the reimbursement of expenses for attendance at meetings.

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.

EDGE HILL UNIVERSITY

CORPORATE GOVERNANCE (CONTINUED)

This process has been in place for the year ended 31 July 2016 and up to the date of approval of the financial statements, and accords with HEFCE guidance.

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 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

Code = CUC The Higher Education Code of Governance at <http://www.universitychairs.ac.uk/wp-content/uploads/2015/02/Code-Final.pdf>

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 and strategies, key performance indicators (KPIs) and annual budgets. Ensuring that these meet the interests of stakeholders and enable the institution to achieve and develop its primary objectives of teaching and research. This includes considering and approving the University's strategic plan which sets the academic aims and objectives of the institution. [Code 3.1 – 3.3 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. [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 7.9 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 pay and conditions of service. [AoG 3.1 e]

6. Chancellor

Appointing a Chancellor for the University advised by the Vice-Chancellor and the Honorary Awards Committee.

7. 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 3.6 and AoG 3.2 b]

EDGE HILL UNIVERSITY

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

8. Stewardship

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

9. Monitoring

Regularly monitoring institutional sustainability and performance against its planned strategies and operational targets and approved KPIs, which should be, where possible and appropriate, benchmarked against other institutions. [Code 3.3]

10. Corporate governance

Safeguarding the good name and values of the University by being assured that clear regulations, policies and procedures that adhere to legislative and regulatory requirements are in place, ethical in nature, and followed. 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 2.1 – 2.4]

11. Audit

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

12. Students and the Students' Union

Receiving assurance that provision has been made for the general welfare of students. Taking such steps as are reasonably practicable to ensure that the Students' Union operates in a fair, democratic, accountable and financially sustainable manner. [Code 2.5]

13. 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]

EDGE HILL UNIVERSITY

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

14. 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. [Code 6.1 – 6.5]

15. Legal Authority

Being the University's legal authority and, as such, ensuring that systems are in place for meeting all the institutions legal obligations including those of the University as an exempt charity and other legal commitments made in the University's name. Approving any change to the legal status of the University or its subsidiaries including mergers and/or dissolutions. Acting as trustee for any property, legacy, endowment, bequest or gift in support of the work and welfare of the University. [Code 1.1 - 1.2]

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 7.10 – 7.12]

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 the varying or revoking of the Articles of Government.
- e) the varying or revoking of the Articles of Government.

EDGE HILL UNIVERSITY

THE BOARD'S STATEMENT OF ASSURANCE

In accordance with the Articles of Government 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 financial statements of Edge Hill University for the year ended 31 July 2016 which comprise the Group and University Statement of Comprehensive Income, the Group and University Statement of Changes in Reserves, the Group and University Balance Sheets, the Group Cash Flow Statement, 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) including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Vice-Chancellor's Financial 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 Group's and the University's affairs as at 31 July 2016 and of the Group's and University's income and expenditure, gains and losses, changes in reserves and of the Group's cash flows for the year then ended;



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 2015 Statement of Recommended Practice – Accounting for Further and Higher Education; and
- meet the requirements of HEFCE's *Accounts direction to higher education institutions for 2015-16 financial statements*.

Opinion on other matters prescribed in the HEFCE Audit Code of Practice (effective 1 August 2014) issued under the Further and Higher Education Act 1992

In our opinion, in all material respects:

- funds from whatever source administered by the Group and 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 2015-16 financial statements have been met.

The maintenance and integrity of the Edge Hill University 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.

Clare Partridge
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1, Sovereign Square, Leeds, LS1 4DA

6 December 2016

EDGE HILL UNIVERSITY

STATEMENT OF ACCOUNTING POLICES FOR THE YEAR ENDED 31 JULY 2016

Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2015 and in accordance with Financial Reporting Standards (FRS102). The University is a public benefit entity and therefore has applied the relevant public benefit requirement of FRS 102. The financial statements are prepared in accordance with the historical cost convention (modified by the revaluation of fixed assets).

Basis of consolidation

The consolidated financial statements of the University for the year ended 31st July 2016 include the following wholly-owned subsidiary companies: Edge Hill Enterprises Limited, Edge Hill Property Services Limited and Edge Hill Maintenance Services Limited. All intra-group transactions are eliminated on consolidation.

The consolidated financial statements do not include the income and expenditure 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.

Income recognition

Fee income is stated gross of any expenditure which is not a discount and credited to the Consolidated Statement of Income and Comprehensive Expenditure over the period in which students are studying. Where the amount of the fee income is reduced, by a discount for prompt payment, income receivable is shown net of the discount. Bursaries and scholarships are accounted for gross as expenditure and not deducted from income. Income from other services is credited to the Consolidated Statement of Comprehensive Income and Expenditure when the services are supplied to the external customers or the terms of the contract have been satisfied. Investment income is credited to the statement of income and expenditure on a receivable basis.

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

Foreign currency

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the surplus for the year.

Investments

Investments in subsidiaries are recorded at cost.

EDGE HILL UNIVERSITY

STATEMENT OF ACCOUNTING POLICES FOR THE YEAR ENDED 31 JULY 2016 **(CONTINUED)**

Grant funding

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

Grants from non government sources are recognised in income when the University is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

Capital grants

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

Accounting for retirement benefits

The three principal pension schemes for the University are the Local Government Pension Scheme (LGPS), the Universities Superannuation Scheme (USS) and the Teachers' Pension Scheme (TPS). The schemes are defined benefit schemes which are externally funded and contracted out of the State Second Pension (S2P). Each fund is valued every three years by professionally qualified independent actuaries.

The LGPS is a defined benefit scheme that 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. Any 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 actuarial gains and losses.

The USS is a multi-employer defined benefit scheme for which it is not possible for the University to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. As such the scheme is accounted for as a defined contribution retirement scheme. In relation to the scheme a liability is recorded within provisions to reflect the University's contractual commitment to fund past deficits within the scheme.

The TPS is an unfunded defined benefit scheme the assets of which 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. As such the scheme is accounted for as a defined contribution retirement scheme.

EDGE HILL UNIVERSITY

STATEMENT OF ACCOUNTING POLICES FOR THE YEAR ENDED 31 JULY 2016 **(CONTINUED)**

Employment benefits

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

Fixed assets

Land and Building

Buildings are stated at cost less accumulated depreciation and accumulated impairment losses. Certain buildings that had been revalued to depreciated replacement cost on or prior to the date of transition to the 2015 FE HE SORP, are measured on the basis of deemed cost, that being the value at transition. Such buildings are depreciated based on their revalued depreciated replacement cost over their remaining useful economic lives of between 20 and 70 years as agreed with independent external valuers.

Freehold land is not depreciated as it is considered to have an indefinite useful life. Freehold buildings are depreciated at rates estimated to write off the cost or valuation over their anticipated useful lives the principal rates being:

	%
Leased land	1
Landscaping	5
Temporary buildings	10

Leasehold land is depreciated over the life of the lease up to a maximum of 50 years.

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

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

Equipment

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

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

	%
Computer Equipment	33
Computer Software	25
Non-electrical education equipment and furniture	10
Motor Vehicles	33

EDGE HILL UNIVERSITY

STATEMENT OF ACCOUNTING POLICES FOR THE YEAR ENDED 31 JULY 2016 **(CONTINUED)**

Borrowing costs

Borrowing costs are recognised as expenditure in the period in which they are incurred.

Operating leases

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

Stock

Stock is held at the lower of cost and net realisable value.

Cash and cash equivalents

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.

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

Provisions, contingent liabilities and contingent assets

Provisions are recognised in the financial statements when:

- (a) the University has a present obligation (legal or constructive) as a result of a past event;
- (b) it is probable that an outflow of economic benefits will be required to settle the obligation;
and
- (c) a reliable estimate can be made of the amount of the obligation.

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

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

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

EDGE HILL UNIVERSITY

STATEMENT OF ACCOUNTING POLICES FOR THE YEAR ENDED 31 JULY 2016 **(CONTINUED)**

Taxation

The University is an exempt charity within the meaning of Part 3 of the Charities Act 2011, and, as such, is a charity within the meaning of Section 506 (1) of the Income and Corporation Taxes Act 1988. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 478-488 of the Corporation Tax Act 2010 (CTA 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. Irrecoverable VAT on inputs is included in the costs of such inputs. Any irrecoverable VAT allocated to fixed assets is included in their cost.

The University's subsidiaries are liable to Corporation Tax in the same way as any other commercial organisation.

Transition to 2015 SORP

The University is preparing its financial statements in accordance with FRS 102 for the first time and consequently has applied the first time adoption requirements. An explanation of how the transition has affected the reported financial position, financial performance and cash flows of the consolidated results of the University is provided in note 22.

Application of first time adoption grants certain exemption from the full requirements of the SORP in the transition period. In this regard the University has used the revaluation of properties as deemed cost at 31/07/15 in constructing the financial statements.

Key Estimates and Judgements

In preparing these financial statements a number of estimates and judgements have been made principally around provisions for pension liabilities. Further details are provided in notes 15 and 18 to the accounts.

EDGE HILL UNIVERSITY**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE**
YEAR ENDED 31 JULY 2016

	Note	Year ended 31 July 2016		Year ended 31 July 2015	
		Consolidated	University	Consolidated	University
		£'000	£'000	£'000	£'000
Income					
Tuition fees and education contracts	1	103,686	103,686	99,194	99,194
Funding body grants	2	7,505	7,505	7,198	7,198
Research grants and contracts	3	496	496	420	420
Other income	4	16,213	17,574	16,985	17,952
Investment income		227	227	138	138
Total income		128,127	129,488	123,935	124,902
Expenditure					
Staff costs	5	65,223	65,223	61,848	61,848
Other operating expenses	6	32,086	33,392	31,550	32,470
Depreciation		5,703	5,703	5,091	5,091
Interest and other finance costs	7	3,398	3,445	3,596	3,643
Total expenditure		106,410	107,763	102,085	103,052
Surplus/deficit before other gains losses and share of operating surplus/deficit of joint ventures and associates.		21,717	21,725	21,850	21,850
Gain/(loss) on disposal of fixed assets		(80)	(80)	(603)	(603)
Surplus / (Deficit) for the year		21,637	21,645	21,247	21,247
Actuarial gain/(loss) in respect of pension schemes		(13,193)	(13,193)	(5,242)	(5,242)
		8,444	8,452	16,005	16,005

The consolidated income and expenditure of the institution and its subsidiaries relate wholly to continuing operations. All income for the year is unrestricted.

The notes on pages 36 to 57 form an integral part of these financial statements.

EDGE HILL UNIVERSITY

CONSOLIDATED STATEMENT OF CHANGES IN RESERVES **YEAR ENDED 31 JULY 2016**

<u>Consolidated</u>	Income and Expenditure Account £'000	Revaluation Reserve £'000	Total £'000
Balance At 1 August 2014	95,751	51,040	146,791
Surplus/(deficit) from the income and expenditure statement	21,247	-	21,247
Other comprehensive income	(5,242)	-	(5,242)
Transfers between revaluation and income and expenditure reserve	1,138	(1,138)	-
Total comprehensive income for the year	17,143	(1,138)	16,005
Balance at 1 August 2015	112,894	49,902	162,796
Surplus/(deficit) from the income and expenditure statement	21,637	-	21,637
Other comprehensive income	(13,193)	-	(13,193)
Transfers between revaluation and income and expenditure reserve	1,131	(1,131)	-
Total comprehensive income for the year	9,575	(1,131)	8,444
Balance at 1 August 2016	122,469	48,771	171,240
<u>University</u>			
Balance At 1 August 2014	95,628	51,040	146,668
Surplus/(deficit) from the income and expenditure statement	21,247	-	21,247
Other comprehensive income	(5,242)	-	(5,242)
Transfers between revaluation and income and expenditure reserve	1,138	(1,138)	-
Total comprehensive income for the year	17,143	(1,138)	16,005
Balance at 1 August 2015	112,771	49,902	162,673
Surplus/(deficit) from the income and expenditure statement	21,645	-	21,645
Other comprehensive income	(13,193)	-	(13,193)
Transfers between revaluation and income and expenditure reserve	1,131	(1,131)	-
Total comprehensive income for the year	9,583	(1,131)	8,452
Balance at 1 August 2016	122,354	48,771	171,125

The notes on pages 36 to 57 form an integral part of these financial statements.

EDGE HILL UNIVERSITY

CONSOLIDATED AND UNIVERSITY BALANCE SHEET YEAR ENDED 31 JULY 2016

		Year ended 31 July 2016		Year ended 31 July 2015	
	Note	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Non-current assets					
Fixed assets	8	251,691	251,691	237,784	237,784
Investments in subsidiaries	9	-	7,139	-	7,139
Other investments		2	2	2	2
		251,693	258,832	237,786	244,925
Current assets					
Stock	10	90	90	90	90
Trade and other receivables	11	6,332	6,969	6,202	7,740
Investments	12	16,000	16,000	8,000	8,000
Cash and cash equivalents		22,073	21,047	21,029	19,557
		44,495	44,106	35,321	35,387
Less: Creditors: amounts falling Due within one year	13	(16,886)	(17,143)	(17,068)	(17,788)
Net current (liabilities)/assets		27,609	26,963	18,253	17,599
Total assets less current liabilities		279,302	285,795	256,039	262,524
Creditors: amounts falling due after more than one year	14	(51,975)	(58,583)	(53,012)	(59,620)
Provisions					
Pension provisions	15	(56,087)	(56,087)	(40,231)	(40,231)
Total net assets		171,240	171,125	162,796	162,673
Unrestricted Reserves					
Income and expenditure reserve		122,469	122,354	112,894	112,771
Revaluation reserve		48,771	48,771	49,902	49,902
Total Reserves		171,240	171,125	162,796	162,673

The financial statements on pages 27 to 57 were approved by the Board of Governors on 5 December 2016.


Bernard Laverty - Chairman, Board of Governors


Dr John Cater – Vice-Chancellor

EDGE HILL UNIVERSITY**CONSOLIDATED CASH FLOW STATEMENT**
YEAR ENDED 31 JULY 2016

	Note	31 July 2016 £'000	31 July 2015 £'000
Cash flow from operating activities			
Surplus for the year		21,637	21,247
Adjustment for non-cash items			
Depreciation		5,703	5,091
Decrease in stock		-	58
Decrease/(Increase) in debtors		604	(752)
(Decrease) in creditors		(450)	(239)
Increase in pension provision		2,914	1,163
Decrease in other provisions		(131)	(82)
Adjustment for investing or financing activities			
Investment income		(227)	(138)
Interest payable		1,921	3,530
Loss on the sale of fixed assets		80	603
Capital grant income release		(352)	(316)
Net cash inflow from operating activities		<u>31,699</u>	<u>30,165</u>
Cash flows from investing activities			
Capital grants receipts		710	1,068
Disposal proceeds on sale of fixed assets		19	-
Disposal of non-current asset investments		-	2
Investment income		187	134
Payments made to acquire fixed assets		(19,457)	(19,260)
New deposits		(8,000)	(8,000)
Total cash flow from investing activities		<u>(26,541)</u>	<u>(26,056)</u>
Cash flows from financing activities			
Interest paid		(2,053)	(2,146)
Repayments of amounts borrowed		(2,061)	(2,061)
Total cash flow from financing activities		<u>(4,114)</u>	<u>(4,207)</u>
Decrease in cash and cash equivalents in the year		<u>1,044</u>	<u>(98)</u>
Cash and cash equivalents at the beginning of the year		<u>21,029</u>	<u>21,127</u>
Cash and cash equivalents at the end of the year		<u>22,073</u>	<u>21,029</u>

EDGE HILL UNIVERSITY

NOTES TO THE ACCOUNTS

	Year ended 31 July 2016 Consolidated £'000	University £'000	Year ended 31 July 2015 Consolidated £'000	University £'000
1. Tuition Fees and Education Contracts				
Full-time home and EU students	99,136	99,136	93,979	93,979
Full-time international students	1,906	1,906	1,787	1,787
Part-time students	210	210	781	781
Short course fees	2,434	2,434	2,647	2,647
	<u>103,686</u>	<u>103,686</u>	<u>99,194</u>	<u>99,194</u>
2. Funding Body Grants				
Recurrent grant				
Higher Education Funding Council	950	950	1,477	1,477
National College for Teaching and Leadership	-	-	80	80
Specific grants				
Higher Education Funding Council	5,417	5,417	4,230	4,230
National College for Teaching and Leadership	1,138	1,138	1,411	1,411
	<u>7,505</u>	<u>7,505</u>	<u>7,198</u>	<u>7,198</u>
3. Research Grants and Contracts				
Research councils	20	20	9	9
Research charities	81	81	103	103
Industry and commerce	29	29	19	19
Other	366	366	289	289
	<u>496</u>	<u>496</u>	<u>420</u>	<u>420</u>
4. Other Income				
Residences, catering and conferences	9,684	9,604	8,820	8,691
Other income	6,529	7,970	8,165	9,261
	<u>16,213</u>	<u>17,574</u>	<u>16,985</u>	<u>17,952</u>
5. Staff Costs				
Salaries	53,195	53,195	50,274	50,274
Social security costs	4,338	4,338	3,890	3,890
Movement on USS provision	53	53	299	299
Other pension costs	7,637	7,637	7,385	7,385
	<u>65,223</u>	<u>65,223</u>	<u>61,848</u>	<u>61,848</u>

EDGE HILL UNIVERSITY

NOTES TO THE ACCOUNTS (CONTINUED)

Emolument of the Vice-Chancellor

	2016	2015
	£'000	£'000
Salary	324	311
Benefits in kind	10	10
	<hr/> 334	<hr/> 321
Pension contribution	-	-
	<hr/> 334	<hr/> 321

Remuneration for other higher paid staff, was in the following ranges:

	2016	2015
	Number	Number
£100,000 - £109,999	1	3
£110,000 - £119,999	3	1
£120,000 - £129,999	1	-
£210,000 - £219,999	-	1
£220,000 - £229,999	1	-

Average Full Time Equivalent staff numbers by function

	2016	2015
	Number	Number
Academic Departments	740	710
Academic Support Services	102	100
Other Support Services	148	143
Administration and Central Services	162	150
Premises	66	66
Income Generating Activities	40	32
Catering and Residence	79	69
	<hr/> 1,337	<hr/> 1,270

Key Management Personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the University. Total compensation consists of salary and benefits including any employers pension contribution.

	2016	2015
Number of Staff	4	4
Total compensation (£'000)	785	736

Governor Members

The university governor members are the trustees for charitable law purposes. Due to the nature of the university's operations and the composition of the Board of Governors, being drawn from local public and private sector organisations, it is inevitable that transactions can take place with organisations in which a member of the Board of Governors may have an interest. No such payments involving organisations in which a member of the Board of Governors has an interest were, however, made this year. Where payments are made, they are conducted at arms length and in accordance with the university's Financial Regulations and usual procurement procedures. In their capacity as trustees of the university, total expenses paid to or on behalf of the 11 independent members of the Board of Governors was £381. Expenses paid in the previous year were £326. These expenses represent travel and subsistence incurred attending governors and committee meetings and courses and conferences in their official capacity.

EGE HILL UNIVERSITY

NOTES TO THE ACCOUNTS (CONTINUED)

6. Analysis of Other Operating Expenses

	Year ended 31 July 2016		Year ended 31 July 2015	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Residence, catering and conferences operating expenses	1,374	1,366	1,464	1,398
Books and periodicals	1,511	1,512	1,378	1,378
Heat, light, water, electricity, waste collection and rates	2,466	2,466	2,088	2,088
Maintenance materials	3,327	3,313	2,926	2,912
Office services and supplies	1,907	1,887	1,977	1,975
Consumables and supplies	1,957	1,939	1,615	1,600
Publicity and advertising	814	806	1,111	1,101
Staff training and development	529	521	441	439
Bursaries	2,810	2,810	2,727	2,727
School practice and educational visits	1,531	1,480	2,263	2,255
School based training payments	2,277	2,277	3,152	3,152
Temporary staff	1,424	1,412	1,592	1,592
Staff travel and subsistence	848	841	997	964
Grants to Student Union	551	551	543	543
Professional fees	1,561	1,532	1,597	1,628
Auditors' remuneration – external audit	41	39	44	42
Auditors' remuneration – internal audit	42	34	58	58
Auditors' remuneration in respect of non-audit services	396	396	64	58
Other operating expenses	6,720	8,210	5,513	6,560
	32,086	33,392	31,550	32,470
Other operating expenses include:				
Operating lease rentals	175		129	

7. Interest and Other Finance Costs

	Year ended 31 July 2016		Year ended 31 July 2015	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Loan interest	3,386	3,433	3,530	3,577
Movement on USS provision	12	12	66	66
	3,398	3,445	3,596	3,643

EDGE HILL UNIVERSITY

NOTES TO THE ACCOUNTS (CONTINUED)

8. Fixed Assets

	Buildings Under Construction	Land and Buildings	Long Term Leased Land and Buildings	Consolidated Equipment	Leased Equipment	Vehicles	Total
	£000	£000	£000	£000	£000	£000	£000
Cost							
At 1 August 2015	17,319	221,073	1,040	10,306	11	147	249,896
Additions	17,864	453	-	1,350	-	42	19,709
Disposals	-	(102)	-	(23)	-	(34)	(159)
Inter category transfer	(21,382)	21,382	-	-	-	-	-
At 31 July 2016	13,801	242,806	1,040	11,633	11	155	269,446
Depreciation							
At 1 August 2015	-	4,065	-	7,954	11	82	12,112
Charge for the year	-	4,530	-	1,134	-	39	5,703
Disposals	-	(12)	-	(19)	-	(29)	(60)
At 31 July 2016	-	8,583	-	9,069	11	92	17,755
Net book value							
At 31 July 2016	13,801	234,223	1,040	2,564	-	63	251,691
At 31 July 2015	17,319	217,008	1,040	2,352	-	65	237,784

As at 31st July 2016 Land and Buildings included £ 20.028m (2015: £20.028m) in respect of freehold land that is not depreciated.

EDGE HILL UNIVERSITY

NOTES TO THE ACCOUNTS (CONTINUED)

	Buildings Under Construction	Land and Buildings	Long Term Leased Land and Buildings	University Equipment	Leased Equipment	Vehicles	Total
	£000	£000	£000	£000	£000	£000	£000
Cost							
At 1 August 2015	17,319	218,637	3,478	10,305	11	147	249,897
Additions	17,864	453	-	1,350	-	42	19,709
Disposals	-	(102)	-	(23)	-	(34)	(159)
Inter Category transfer	(21,382)	21,382	-	-	-	-	-
At 31 July 2016	13,801	240,370	3,478	11,632	11	155	269,447
Depreciation							
At 1 August 2015	-	4,010	55	7,955	11	82	12,113
Charge for the year	-	4,475	55	1,134	-	39	5,703
Disposals	-	(12)	-	(19)	-	(29)	(60)
At 31 July 2016	-	8,473	110	9,070	11	92	17,756
Net book value							
At 31 July 2016	13,801	231,897	3,368	2,562	-	63	251,691
At 31 July 2015	17,319	214,627	3,423	2,350	-	65	237,784

As at 31st July 2016 Land and Buildings included £ 20.028m (2015: £20.028m) in respect of freehold land that is not depreciated.

EDGE HILL UNIVERSITY

NOTES TO THE ACCOUNTS (CONTINUED)

9. Investments in subsidiaries

	University	
	2016	2015
	£000	£000
Non-current investments consist of:		
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

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 provision of sports facility management services on behalf of 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 ACCOUNTS (CONTINUED)**

10. Stock	Year ended 31 July 2016		Year ended 31 July 2015	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
General Consumables	90	90	90	90

11. Trade and other receivables	Year ended 31 July 2016		Year ended 31 July 2015	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Payments in advance	1,684	1,677	1,677	1,672
Trade receivables	4,576	4,561	4,063	4,020
VAT and other tax recoverable	-	-	378	378
Other amounts owed by subsidiary undertakings	-	321	-	1,248
Amounts falling due after one year:				
Loan to subsidiary undertaking	-	338	-	338
Other	72	72	84	84
	6,332	6,969	6,202	7,740

12. Current Investments	Year ended 31 July 2016		Year ended 31 July 2015	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Short term deposits	16,000	16,000	8,000	8,000
	16,000	16,000	8,000	8,000

Short term deposits are funds held with banks and building societies operating in the London market and licensed by the Financial Services Authority with more than three months maturity from the point at which the investment was made. The interest rates for these deposits are fixed for the duration of the deposit at time of placement.

At 31 July 2016, the weighted average interest rate of these fixed rate deposits was 1.18% per annum, and the remaining weighted average period for which the interest rate is fixed on these deposits was 234 days. The fair value of these deposits is the same as the bank value.

EDGE HILL UNIVERSITY

NOTES TO THE ACCOUNTS (CONTINUED)

13. Creditors: amounts falling due within one year

	Year ended 31 July 2016		Year ended 31 July 2015	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Secured loans	2,060	2,060	2,060	2,060
VAT payable	130	126	6	-
Corporation tax/income tax	-	-	2	-
Trade payables	3,881	3,872	2,866	2,859
Social security and other taxation payable	2,219	2,219	1,944	1,944
Accruals and deferred income	8,596	8,572	10,190	10,159
Amount owed to subsidiary undertakings	-	294	-	766
	16,886	17,143	17,068	17,788

14. Creditors: amounts falling due after more than one year

	Year ended 31 July 2016		Year ended 31 July 2015	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Deferred income	17,062	17,062	16,039	16,039
Obligations under finance lease	-	3,466	-	3,466
Secured loans	34,913	34,913	36,973	36,973
Amounts owed to subsidiary undertakings	-	3,142	-	3,142
	51,975	58,583	53,012	59,620

Analysis of secured loans:

	2016	2015
	£'000	£'000
Due within one year or on demand	2,061	2,060
Due between one and two years	2,060	2,061
Due between two and five years	6,180	6,180
Due in five years or more	26,672	28,732
Total secured loans	36,973	39,033

Included in loans are the following:

Lender	Amount	Remaining	Interest rate
	£'000	Term	%
Barclays Bank	1,425	9	5.55
Barclays Bank	3,200	16	5.52
Barclays Bank	5,120	16	5.775
Barclays Bank	25,800	21	5.23
Barclays Bank	1,428	8	5.30
	36,973		

EDGE HILL UNIVERSITY

NOTES TO THE ACCOUNTS (CONTINUED)

15. Provisions for liabilities

Consolidated and University	Obligation to fund deficit on USS Pension	Pension enhancements on termination	Defined Benefit Obligations	Total pensions Provisions
At 1 August 2015	579	1,311	38,341	40,231
Utilised in year	(27)	(130)	(2,272)	(2,429)
Increase/(decrease) in provision in year	91	(1)	18,195	18,285
As At 31 July 2016	643	1,180	54,264	56,087

Obligation to fund deficit on USS Pension

The obligation to fund the past deficit on the University's' Superannuation Scheme (USS) arises from the contractual obligation with the pension scheme for total payments relating to benefits arising from past performance. Management have assessed future employees within the USS scheme and salary payment over the period of the contracted obligation in assessing the value of this provision. In doing so they have estimated future salary growth at 2% and applied a discount rate of 2%.

Pension enhancements on termination

This relates to a provision for enhanced pensions agreed on termination of employment. A discount rate of 3.5% is assumed in calculating the provision for pension enhancements on termination.

Defined Benefit Obligation

This relates to the defined benefit obligation in relation to LGPS. The detailed note explaining the movement in LGPS pension obligations is provided in note 18 below.

EDGE HILL UNIVERSITY

NOTES TO THE ACCOUNTS (CONTINUED)

16. Capital and other commitments

	Consolidated 2016 £000	and University 2015 £000
Contracted at 31 July	<u>7,180</u>	<u>6,017</u>
Authorised but not contracted at 31 July	<u>4,730</u>	<u>-</u>

Contingent liabilities

17. Finance Leases

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

	Consolidated		University	
	2016	2015	2016	2015
	£000	£000	£000	£000
In one year or less	-	-	-	-
Between one and two years	-	-	-	-
Between two and five years	-	-	-	-
In five years or more	<u>-</u>	<u>-</u>	<u>3,466</u>	<u>3,466</u>
	<u>-</u>	<u>-</u>	<u>3,466</u>	<u>3,466</u>

18. 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 £87,442 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 FRS102 purposes to 31st July 2016 by a qualified independent actuary as follows:

EDGE HILL UNIVERSITY

NOTES TO THE ACCOUNTS (CONTINUED)

Local Government Pension Scheme (Continued)

	2016	2015	2014
Inflation assumption CPI	1.7%	2.2%	2.3%
Rate of increase in salaries	3.2%*	3.7%*	3.8%*
Rate of increase in pensions	1.8%	2.2%	2.3%
Discount rate applied to scheme liabilities	2.5%	3.8%	4.3%

*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 2016	At 31 July 2015
Retiring today		
Males	23	22.9
Females	25.6	25.4
Retiring in 20 years		
Males	25.2	25.1
Females	27.9	27.8

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:

	2016 Value £'000	2015 Value £'000	2014 Value £'000
Equities	47,618	34,568	44,198
Government Bonds	-	5,527	178
Other Bonds	3,084	2,613	23,655
Property	11,720	9,145	8,537
Cash/Liquidity	4,318	1,306	2,134
Other	56,625	47,331	10,227
	<u>123,365</u>	<u>100,490</u>	<u>88,929</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 2016 were measured in accordance with the requirements of FRS102:

	2016	2015	2014
University's estimated asset share	123,365	100,490	88,929
Present value of scheme liabilities	<u>(177,629)</u>	<u>(138,831)</u>	<u>(119,773)</u>
Deficit in the scheme	<u>(54,264)</u>	<u>(38,341)</u>	<u>(30,844)</u>

EDGE HILL UNIVERSITY

NOTES TO THE ACCOUNTS (CONTINUED)

Local Government Pension Scheme (Continued)

Asset and Liability Reconciliation

	2016 £000	2015 £000
Reconciliation of Liabilities		
Liabilities at start of period	138,831	119,773
Service cost	5,122	4,236
Interest cost	5,262	5,210
Employee contributions	1,533	1,500
Remeasurements	29,153	11,039
Benefits paid	(2,272)	(2,979)
Curtailments and settlements	-	52
Liabilities at end of period	<u>177,629</u>	<u>138,831</u>

Reconciliation of Assets

Assets at start of period	100,490	88,929
Interest cost	3,876	5,150
Remeasurements	16,080	4,400
Administration expenses	(91)	-
Employer contributions	3,749	3,490
Employee contributions	1,533	1,500
Benefits paid	(2,272)	(2,979)
Assets at end of period	<u>123,365</u>	<u>100,490</u>

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

	2016	2015
	£000	£000
Employer service cost	(5,122)	(4,236)
Past service cost/curtailments	-	(52)
Employer contributions	3,749	3,490
Total operating charge	<u>(1,373)</u>	<u>(798)</u>

Analysis of pension finance costs

	2016	2015
	£000	£000
Interest on plan assets less administration expenses	3,785	5,150
Interest on pension liabilities	<u>(5,262)</u>	<u>(5,210)</u>
Net finance charge	(1,477)	(60)
Interest cost adjustment re discount rate	120	(1,397)
	<u>(1,357)</u>	<u>(1,457)</u>

Analysis of other comprehensive income

	2016	2015
	£000	£000
Remeasurements (assets)	16,080	4,400
Remeasurements (liabilities)	<u>(29,153)</u>	<u>(11,039)</u>
Net actuarial loss less recognised in SOCI	(13,073)	(6,639)
Interest cost adjustment re discount rate	(120)	1,397
	<u>(13,193)</u>	<u>(5,242)</u>

Movement in deficit during the year

	2016	2015
	£000	£000
Deficit in scheme at 1 August	(38,341)	(30,844)
Movement in year:		
Current service charge	(5,122)	(4,236)
Contributions	3,749	3,490
Part service cost/curtailments	-	(52)
Net finance charge	(1,357)	(1,457)
Loss recognised in other comprehensive income	<u>(13,193)</u>	<u>(5,242)</u>
Deficit in scheme at 31 July	<u>(54,264)</u>	<u>(38,341)</u>

History of experience gains and losses

	2016	2015	2014	2013	2012
Difference between the expected & actual return on assets amount	16,080	(4,400)	(3,606)	8,464	(2,301)
% of scheme assets	13%	4.4%	4.1%	9.9%	3.3%
Experience gains/(losses) on scheme liabilities:					
Amount	0	0	7,053	0	0
% of scheme assets	0%	0%	7.9%	0%	0%

EDGE HILL UNIVERSITY

NOTES TO THE ACCOUNTS (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 a revised set of contributions have been 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%. In addition, employers contribute a further 0.08% to cover administrative expenses.

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 ACCOUNTS (CONTINUED)

Universities Superannuation Scheme

The University participates in the Universities Superannuation Scheme (USS), a defined benefit scheme. The assets of the scheme are held in a separate trustee-administered fund, Universities Superannuation Ltd. 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 FRS102 (28), 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 appointment of directors to the board of the trustee is determined by the Company's Articles of Association. Four of the directors are appointed by Universities UK, three are appointed by the University and Colleges Union, of whom at least one must be a USS pensioner member, and a minimum of three and a maximum of five are independent directors appointed by the board. Under the scheme trust deed and rules, the employer contribution rate is determined by the trustee, acting on actuarial advice.

In 2015 the scheme's stakeholders decided upon a set of changes to the scheme to address ongoing funding challenges. The final form of the scheme changes was decided upon in July 15, and the rule changes were formally executed in November 2015 with an effective date of April 2016.

Key changes included changes to final salary arrangements including the introduction of a new Defined Contribution section of the scheme for contributions in respect of salary above £55,000.

Following agreement of these changes, the trustee completed its formal actuarial valuation of the scheme as at 31 March 2014 ("the valuation date"), which was carried out using the projected unit method. 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.

The actuary also carries out regular reviews of the funding levels. In particular, he carries out a review of the funding level each year between triennial valuations and details of his estimate of the funding level at 31 March 2015 and 31 March 2016 are also included in this note.

The following key assumptions used in the 2014 actuarial valuation were:

Market derived price inflation:	3.6%
General pay growth	CPI in year 1, CPI +1% in year 2, RPI +1% thereafter
Investment return	5.2% in year 1 decreasing linearly to 4.7% over 20 years

Mortality Base Table:

Male members' mortality	S1NA ["light"] YoB tables – No age rating
Female members' mortality	S1NA ["light"] YoB tables – rated down 1 year

EDGE HILL UNIVERSITY

NOTES TO THE ACCOUNTS (CONTINUED)

Universities Superannuation Scheme (continued)

Use of these mortality tables reasonably reflects the actual USS experience but also provides an element of conservatism to allow for further improvements in mortality rates. The assumed life expectations on retirement at age 65 are:

Males currently aged 65:	24.2
Females currently aged 65:	26.3
Males currently aged 45:	26.2
Females currently aged 45:	28.6

Under the Pension Protection Fund regulations introduced by the Pension Act 2004 the scheme was 54% funded on a buy-out basis (which assumed the Scheme had discontinued on the valuation date) meaning the assets would have been approximately 54% of the amount necessary to secure all the USS benefits with an insurance company.

As part of the 2014 valuation, the trustees have determined, after consultation with employers, a recovery plan to pay off the shortfall of scheme assets compared to scheme technical provisions by 31 March 2031. This requires employers to pay an additional deficit contribution rate of 2.1% of salaries towards the deficit over a period of 17 years. This will be re-assessed following each triennial actuarial valuation. The next triennial actuarial valuation is 31 March 2017. From 1st April 2016 the employer contribution rate is 18% and the employee contribution rate is 8%.

Funding Position

During the period since 31 March 2014 there has been a great deal of volatility in financial markets which has been reflected in the volatility of the scheme's deficit and funding ratio. As at 31 March 2015, the actuarial report showed the funding level of the scheme on a technical provisions basis had fallen from 89% to 86% in spite of strong investment performance. Similarly during the year ended 31 March 2016 the funding level of the scheme fell from 86% to 83%. This is largely due to the continued decreases to the low return environment. It is important to note that the 31 March 2015 and 2016 funding updates are based on projecting forward the assumptions used for the 2014 actuarial valuation (updated for market conditions), they do not involve the same detailed review of underlying assumptions that take place as part of the full actuarial valuation which will next be completed as at 31 March 2017.

USS is a "last man standing" scheme so that in the event of insolvency of any of the participating employers in USS, the amount of any pension fund shortfall in respect of that employer will be spread across the remaining participant employers and reflected in the next actuarial valuation of the scheme. At 31st March 2016 USS had over 180,000 active members and the University presently has 43 active members participating in the scheme.

EDGE HILL UNIVERSITY

NOTES TO THE ACCOUNTS (CONTINUED)

19. Bursary And Hardship Funds

	Year ended 31 July 2016		Year ended 31 July 2015	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Foundation Bursaries				
Balance at 1 August	167	167	167	167
Grants	-	-	-	-
Disbursed to students	-	-	-	-
Balance at 31 July	167	167	167	167
Paramedic Bursaries				
Balance at 1 August	27	27	(8)	(8)
Grants	-	-	49	49
Disbursed to students	(1)	(1)	(14)	(14)
Balance at 31 July	26	26	27	27
NCTL Early Years Gem Bursary				
Balance at 1 August	7	7	-	-
Grants	77	77	55	55
Funds returned	(7)	(7)	-	-
Disbursed to students	(73)	(73)	(48)	(48)
Balance at 31 July	4	4	7	7
HEFCE Further Education Bursaries				
Balance at 1 August	77	77	77	77
Grants	-	-	-	-
Disbursed to students	-	-	-	-
Balance at 31 July	77	77	77	77
Teacher Training Bursaries				
Balance at 1 August	(67)	(67)	41	41
Grants	7,337	7,337	6,014	6,014
Disbursed to students	(6,303)	(6,303)	(6,122)	(6,122)
Balance at 31 July	967	967	(67)	(67)

EDGE HILL UNIVERSITY

NOTES TO THE ACCOUNTS (CONTINUED)

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.

	Year ended 31 July 2016		Year ended 31 July 2015	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Early Years Bursaries				
Balance at 1 August	4	4	125	125
Grants	-	-	2	2
Disbursed to students	-	-	(123)	(123)
Balance at 31 July	4	4	4	4

SKE Hardship Funds

Balance at 1 August	14	14	14	14
Grants	-	-	-	-
Disbursed to students	-	-	-	-
Balance at 31 July	14	14	14	14

20. 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 £557k to the Students Union and received £128k in relation to services purchased from the University.

21. Linked Charities

Charities with income over £100,000:

	Brought Forward	Income	Expenditure	Carry Forward
	£'000	£'000	£'000	£'000
Edge Hill Maintenance Services Limited	28	276	(283)	21

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.

EDGE HILL UNIVERSITY

NOTES TO THE ACCOUNTS (CONTINUED)

22. Transition to FRS102 and the 2015 SORP

As explained in the accounting policies, these are the University's restated financial statements prepared in accordance with FRS 102 and the SORP. The accounting policies set out on pages 27 to 31 have been applied in preparing the financial statements for the year ended 2015. The University has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (2007 SORP). An explanation of how the transition to FRS 102 and the SORP has affected the University's financial position, financial performance and cash flows is set out in the following tables.

Balance Sheet:

	Note	2007 SORP £'000	1 August 2014 Effect of transition to 2015 SORP £'000	2015 SORP £'000	2007 SORP £'000	31 July 2015 Effect of transition to 2015 SORP £'000	2015 SORP £'000
Non-Current Assets							
Fixed Assets		223,939	-	223,939	237,784	-	237,784
Investments		4	-	4	2	-	2
		223,943	-	223,943	237,786	-	237,786
Current Assets							
Stock		148	-	148	90	-	90
Trade and other receivables		5,446	-	5,446	6,202	-	6,202
Investments		-	-	-	8,000	-	8,000
Cash and cash equivalents		21,127	-	21,127	21,029	-	21,029
		26,721	-	26,721	35,321	-	35,321
Less: Creditors: amounts falling due within one year	1	(14,735)	(2,284)	(17,019)	(15,224)	(1,844)	(17,068)
Net current (liabilities)/assets		11,986	(2,284)	9,702	20,097	(1,844)	18,253
Total assets less current liabilities		235,929	(2,284)	233,645	257,883	(1,844)	256,039
Creditors: amounts falling due after more than one year	2	(39,034)	(15,309)	(54,343)	(36,973)	(16,039)	(53,012)
Provisions							
Pensions provisions	3	(30,844)	(274)	(31,118)	(38,341)	(579)	(38,920)
Other provisions		(1,393)	-	(1,393)	(1,311)	-	(1,311)
Total net assets		164,658	(17,867)	146,791	181,258	(18,462)	162,796
Deferred capital grants		16,960	(16,960)	-	17,687	(17,687)	-
Unrestricted reserves							
Income and expenditure reserve – unrestricted		96,133	(382)	95,751	113,669	(775)	112,894
Revaluation reserve	4	51,565	(525)	51,040	49,902	-	49,902
Total Reserves		164,658	(17,867)	146,791	181,258	(18,462)	162,796

EDGE HILL UNIVERSITY

NOTES TO THE ACCOUNTS (CONTINUED)

Notes to reconciliation of reserves

1. Movement relates to provision for untaken holiday as 31 July 2014/2015 of (£1.443m/£1.506m), re-analysis of deferred capital grant as deferred income (£316k/£338K) and adjustment to revaluation reserve (£525k/NIL)
2. Movement relates to reanalysis of deferred grants as deferred income (£16.644m/£17.349m) and release of deferred income attributable to a deferred capital grant in relation to which all performance criteria has been met and for which the underlying asset no longer exists (£1.335m/£1.310m).
3. Movement relates to provision for liabilities to reflect the University's contractual commitment to fund post deficits within the USS pension scheme (£274k/£579k).
4. This relates to a charge that was originally made to revaluation reserve in 14/15 relating to work undertaken prior to the 31 July 2014 fixed asset revaluation.

Cash Flows

There is no impact on cash flow.

Income and Expenditure

	Notes	2007 SORP £'000	STRGL Items* £'000	Effect of transition to 2015 SORP £'000	2015 SORP £'000
Income					
Tuition fees and education contracts		99,194	-	-	99,194
Funding body grants		7,508	-	(310)	7,198
Research grants and contracts		420	-	-	420
Other income	1	16,700	-	285	16,985
Investment income		138	-	-	138
Total income		123,960	-	(25)	123,935
Expenditure					
Staff costs	2	61,486	-	362	61,848
Other operating expenses		31,550	-	-	31,550
Depreciation		5,091	-	-	5,091
Interest and other finance costs	3	2,193	-	1,403	3,596
Total expenditure		100,320	-	1,765	102,085
Gain/(loss) on disposal of fixed assets		(603)	-	-	(603)
Surplus for the year		23,037	-	(1,790)	21,247
Actuarial gain/(loss) in respect of pension schemes		-	(6,639)	1,397	(5,242)
Total comprehensive income for the year		23,037	(6,639)	(393)	16,005

* This column represents items that were previously recorded within the Statement of Total Recognised Gains and Losses (STRGL) and are now recorded within the statement of Comprehensive Income

EDGE HILL UNIVERSITY

NOTES TO THE ACCOUNTS (CONTINUED)

Notes to the reconciliation of surplus

1. This reflects the effects of the reanalysis and subsequent release of a deferred capital grant in a previous year. The impact being that previously released deferred capital grant income no longer applies.
2. This reflects the movement in the employee leave accrual (£63k) and the USS pension provision (£299k) in the year.
3. This reflects the movement on the USS pension provision in the year attributable to the discount rate unwinding (£6K) and the separate analysis of an amount equivalent to year end pension liability, multiplied by the applicable discount rate at year end (£1,397k).

23. Contingent Liability

The University is currently reviewing historic learner records and may be subject to clawback, the value of which is currently unknown.

24. Financial Instruments

Risk Management

The University operates a centralised treasury management function which is responsible for managing the credit, liquidity, interest and foreign currency risk. These financial risks are managed within the parameters specified by the Resources Committee approved Treasury Management Policy. The Treasury Management Policy adopts the key recommendations of the Code of Practice on Treasury Management in Public Service as issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) as recommended by the Higher Education Funding Council for England (HEFCE) and is reviewed, updated and approved annually.

The University's principal financial instruments are cash, investments and loans. The core objective of these financial instruments is to meet the financing needs of the University's operations. Additionally, the University has other financial assets and liabilities arising directly from its operations i.e. trade debtors and creditors.

Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the University.

The University's credit risk arises from bank balances, investments, student debtors and commercial organisations as customers. Management of credit risk is a prime objective of the Treasury Management Policy. At 31 July 2016, the maximum exposure is represented by the carrying value of each financial asset in the balance sheet.

The credit risk of liquid funds and financial instruments is limited because the counterparties are banks with investment grade credit ratings assigned by international credit-rating agencies. The University's exposure and the credit ratings of its counterparties are monitored regularly. The credit exposure is limited by counterparty limits and minimum counter party credit ratings set within the Treasury Management Policy.

Student and commercial debtors are reviewed on an ongoing basis and a bad debt provision is made if recovery becomes uncertain. If a debtor is deemed irrecoverable it is written off. The concentration of risk is limited due to a large number of diverse customers across both students and commercial customer populations.

EDGE HILL UNIVERSITY

NOTES TO THE ACCOUNTS (CONTINUED)

Liquidity Risk

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

Regular cashflow forecasts form part of the University's control environment and planning processes with revised re-forecasts prepared throughout the financial year.

Foreign Currency Risk

Foreign currency risk refers to the risk that unfavourable movements in exchange rates may cause financial loss to the University. The University's principal foreign currency exposure is to the dollar. The University maintains a dollar account which is converted into sterling for financial reporting at the prevailing year end rate.

Interest rate risk

Interest rate risk refers to the likelihood that changes in interest rates will result in fluctuations in the value of balance sheet items (i.e. price risk) or changes in interest income or expenses (i.e. re-investments risk).

Financial instruments – fair values

The fair values of each category of the University's financial instruments are the same as their carrying value in the balance sheet.

25. 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.