

Edge Hill University

Report & Financial Statements For the Year Ended 31 July 2017

Edge Hill University

Annual Report

Key Performance Indicators

<u>Year Ended 31 July</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Total Income in £'000 (1)	127,365	128,127	123,935	115,376	108,541
Surplus for the year in £'000 (1)	20,254	21,637	21,247	17,899	17,693
Cash Generated by Activities in £'000	31,711	31,699	30,165	22,760	25,990
Cash for Investment in £'000	49,803	38,073	29,029	21,127	32,359
Financial Worth of the University in £'000 (1)	194,749	171,240	162,796	147,316	108,347
Applications for University FT UG Programmes (2)	18,035	19,767	19,133	18,931	19,296
Total number of students of the University (3)	15,220	15,543	16,170	16,750	18,483
Percentage of Staff who rate the University as a good employer (4)	N/A	93%	94%	92%	91%
Employee Turnover	6.8%	6.6%	5.6%	6.9%	8.8%
Level of University Staff Absence	2.9%	3.6%	3.2%	3.4%	3.4%

Notes

- 1) Total income and surplus for the year based on the 2007 SORP for 2013 and 2014. Financial worth of the University is based on the 2007 SORP for 2013 and the 2014 SORP thereafter.
- 2) Based on UCAS statistics.
- 3) Based on HESA Student Record.
- 4) The University's independently scrutinised Staff Survey is undertaken every two years with effect from 2016. The next Staff Survey will take place in 2018.

EDGE HILL UNIVERSITY

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2017

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EDGE HILL UNIVERSITY

REPORT OF THE BOARD OF GOVERNORS

This is my first report as Chair of the Board and I am delighted that Edge Hill has enjoyed another very successful year both academically and financially. The Gold Award obtained in the new Teaching Excellence Framework assessment this year marks a significant achievement which further enhances the University's national standing. In particular, the award validates the consistent focus on the student experience which is central to the University's mission and strategy.

In financial terms, the University continues to outperform the sector in comparative terms with a strong surplus and enhanced cash balances which have allowed the Board to support the continued expansion of the campus through the capital development programme. The Vice-Chancellor's report provides the detailed figures which underline a robust and resilient position as we move in to a particularly challenging period for higher education.

With recruitment at the heart of institutional sustainability, the Board is conscious that the continuing decline in the 18-year old cohort, coupled with the development of apprenticeship routes and changes in government policy in relation to teacher training, provide for an increasingly competitive and testing environment. In this context, the Board has supported the University's continued commitment to the maintenance of academic entry standards, alongside the further diversification of the portfolio, whilst acknowledging that this may affect the shape and size of the institution for the future. Reputation which has been hard won can be easily lost and the Board's overriding responsibility is to long-term institutional success. 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 this will become increasingly important in the coming years. The Board has also been supportive of the development of strategic partner collaborations in the health sector which reinforce our work in this area.

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. With good results in the 2017 National Student Satisfaction Survey, continued advances in league table rankings and 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, are especially gratifying. 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 recognizes the significant contribution made by the Students' Union to both social and academic aspects of student life and we are proud of the partnership ethos which underpins all of the University's relationships with its students.

Acknowledging the significant strides made in the 2014 Research Excellence Framework (REF) exercise and the associated increase in research funding, preparations for REF 2021 are well underway and the Board strongly supports the University's continued investment in this area, receiving an annual report from the Pro Vice-Chancellor with responsibility for Research. 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.

EDGE HILL UNIVERSITY

REPORT OF THE BOARD OF GOVERNORS (CONTINUED)

In terms of capital developments, last year saw the opening of our new £13 million Technology Hub which offers state-of-the-art facilities for Science and Computing students and provides a technology-driven bridge to enterprise and employability. We were particularly pleased that the University was able to attract some additional financial support for this development from the Lancashire Enterprise Partnership in recognition of the anticipated contribution to the region's wealth creation agenda. This year, the Board has approved a further £26 million outlay for a new library complex, to be delivered over two years, which will see the completion of an advanced, 24/7 innovative learning facility which also incorporates Student Services and Careers. In addition, a further 182 residential units have been completed which will increase the accommodation options for second and third year students. 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.

In relation to other activity, the Board has agreed a new report on academic quality and standards which validates the assurances required in the Annual Accountability Return to the Higher Education Funding Council for England (HEFCE) and approved a revised Student Charter. We were pleased to receive a positive outcome from the five-year Effectiveness Review conducted by the Leadership Foundation and the resultant Action Plan has been published on the University's website. Additionally, Independent members of the Board have been fully involved in monitoring the progress of two serious incidents reported to HEFCE.

Whilst the University has enjoyed another very successful year overall, looking forward, the Board is very aware that the sector faces an increasingly challenging environment. The, as yet undefined, impact of Brexit brings a heightened level of uncertainty, especially in terms of collaborative projects whilst the intransigency of government policy with respect to the inclusion of international students in net migration statistics is already impacting recruitment adversely and remains baffling in the face of recent evidence suggesting very few overstay their visas. Public debate around tuition fees has fuelled concerns about the long-term sustainability of the current funding arrangements for Universities whilst the pernicious rates of interest charged on student loans is a further disincentive to recruitment. Opportunities for growth and development remain however for those willing to embrace change and innovation as this University has so ably demonstrated in the past and we look forward to working with the new Office for Students in continuing to deliver the highest quality student experience.

In July this year we made seven honorary doctorate awards recognizing exceptional achievement in areas of particular relevance to the university. We were delighted to honor Chris Chibnall, television writer for *Torchwood*, *Broadchurch* and *Dr Who*; the acclaimed comedian, actor and author, Alexei Sayle; Marc Almond, singer-songwriter; Ray French, sports commentator and rugby dual code international; Francesca Halsall, Olympic swimmer, Peter Beresford OBE, Professor of Citizen Participation at the University of Essex and Dr Dame Sue Ion, one of the UK's foremost nuclear engineers.

Internally, there have been no changes to the senior team this year but the Board has seen a number of changes with the previous Chair leaving the Board in January 2017 and resignations from Professor Edith Sim and Simon Pope, both for personal reasons. Following a very successful recruitment round, we have been pleased to welcome four new members to the Board with Julian Bucknall, Head of People & Engagement, Tech Barclays; Clive Elliott, Change Management Consultant; Tony Rankin, Learning & Development

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REPORT OF THE BOARD OF GOVERNORS (CONTINUED)

Manager, Hotter Shoes and Mike Rush, Chief Executive Officer at St Helens RFC, all joining in July 2017. In addition to my own appointment as Chair, the Board has confirmed Lisa Greenhalgh as Deputy Chair and Graeme Collinge as Chair of the Resources Committee.

Edge Hill is fortunate in the vision and leadership afforded through the long-standing 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 (left January 2017).

Professor C Edwards (appointed January 2017)

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 J Bucknall	(4)	Appointed July 2017
Mr G Collinge	(2) (4)	Chair of Resources Committee
Ms C Donnelly	(1) (3)	
Professor C Edwards	(2) (3) (4)	Appointed Chair of the Board January 2017. Also chairs Nominations Committee
Mr C Elliott	(1)	Appointed July 2017
Mr R Green	(3) (4)	
Ms L Greenhalgh	(1) (2) (3)	Appointed Vice-Chair of the Board January 2017. Also chairs Audit and Remuneration Committees
Mr B Lavery	(2) (3) (4)	Chair of the Board, Nominations and Remunerations Committees – left January 2017
Mr S Pope	(1)	Resigned January 2017
Mr T Rankin	(4)	Appointed July 2017
Mrs L Robinson	(1)	

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REPORT OF THE BOARD OF GOVERNORS (CONTINUED)

Mr M Rush	(1)	Appointed July 2017
Ms E Sim	(1)	Resigned January 2017
Ms D Walker	(3) (4)	

The independent members are also trustees of the University

Ex-officio member:

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

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

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

Staff member (elected):

Ms E Carnegie

Co-opted Staff member (elected):

Mr R Bayfield	from January 2016
Mr B Johnson	to November 2015

Student Body members:

Mr B Whittle	Commenced 1st July 2017 (incoming Students' Union President)
Mr M Greenhalgh	Finished 30th June 2017 (retiring Students' Union President)
Mr T Dodd	Commenced 1st July 2017 (elected)
Mr G Shanks	Finished 30th June 2017 (elected)

Academic Board member:

Prof G Talbot

Clerk to the Governors:

Ms L Munro Re-appointed July 2017 to August 2018

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 2016/17 cycle**

Name	Full Board	Audit	Resources	Noms	Remunerations
Total meetings	5	4	3	2	1
Ex-Officio					
John Cater	5/5	3/4**	3/3	2/2	1/2
Independents					
Martin Ainscough	3/5		3/3		1/2
Richard Benjamin	2/5		2/3		
Julian Bucknall	1/1*		N/A		
Graeme Collinge	5/6		3/3		2/2
Christine Donnelly	4/4*	3/3*		1/1*	
Clive Edwards	4/5	2/2*	3/3	2/2	2/2
Clive Elliott	1/1*	N/A			
Rob Green	4/5		3/3	2/2	
Lisa Greenhalgh	5/5	4/4		2/2	2/2
Bernard Lavery	1/2*		1/1*		
Simon Pope	2/3*	1/2*			
Tony Rankin	1/1*		N/A		
Louise Robinson	4/5	3/4			
Mike Rush	1/1*	N/A			
Edith Sim	1/1*	1/1*			
Denise Walker****	3/4		1/3	1/2	
Staff members					
Roy Bayfield***	5/5				
Evelyn Carnegie	5/5				
Academic Board Representative					
George Talbot	5/5			1/2	
Student members					
Matthew Greenhalgh	4/4*				
Ben Whittle	1/1*				
Thomas Dodd	1/1*				
Gareth Shanks	1/4*				

* Partial terms of office
 ** Officer in attendance
 *** Co-opted
 **** Approved part year sabbatical



Professor C Edwards
Chair of the Board of Governors
23 November 2017

EDGE HILL UNIVERSITY

VICE-CHANCELLOR'S FINANCIAL AND OPERATING REVIEW

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

Charitable Status of the University

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

Mission, Objectives and Strategy

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

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

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

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

EDGE HILL UNIVERSITY

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

Our strategic aims centre around five key themes:

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

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

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

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

EDGE HILL UNIVERSITY

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

Performance	2017 £'000	2016 £'000
Income	127,365	128,127
Expenditure before pensions charges	<u>(104,700)</u>	<u>(103,680)</u>
Surplus pre pensions adjustments and capital write downs	22,665	24,447
Gain/(loss) on disposal of fixed assets	<u>(349)</u> 22,316	<u>(80)</u> 24,367
Pensions charges to income and expenditure	<u>(2,062)</u>	<u>(2,730)</u>
Surplus for the year	20,254	21,637
Actuarial gain/(loss) in respect of pension scheme	<u>2,172</u> <u>22,426</u>	<u>(13,193)</u> <u>8,444</u>

Income

Overall income lines have been broadly maintained this year with a slight decrease of 0.5% or £762k compared to the previous year. By far the most significant contributor to our income lines is tuition fees and education contracts which comprises 82.3% of the total income generated. Tuition fee income has increased by £1.248m or 1.2% which is particularly pleasing given our ongoing work to realign strategic priorities within the Faculty of Education. Our ability to sustain a strong level of demand for the courses we provide is vital in what is an increasingly competitive marketplace.

We have continued to implement our medium term estates strategy and as a result our build programme continues apace with a further 168 bed spaces brought on stream in September 2016 which has helped drive an 11% increase in residence and catering income this year. Our residential development programme has continued unabated into 2017/18 with a further 182 bed spaces recently constructed and occupied in September 2017, adding to both residence and catering fees directly and tuition fees indirectly through improved retention performance.

The income we derive from Health England North West (HENW) has deteriorated with income from this source having fallen by 2% or £277k due primarily to the application of further reductions to Continuing Professional Development (CPD) block grant funding earlier in the year. In spite of this however overall income lines for the Faculty of Health are higher than the previous year with improvements made to diversify income streams through stronger links with new and established partners. The displacement of HENW funding with Student Loan Company (SLC) loans 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.

HEFCE grant funding is a relatively minor element of total income amounting to £6.259m or 4.9% of total income. It has fallen by £108k or 1.6% with premiums to support successful student outcomes remaining largely intact.

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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 reflects a provision of £1.441m attached to an ongoing review of historic learner records. Aside from this, NCTL funding 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 Certificate of 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 £1.02m or 1% compared to the previous year.

The most significant component of operating expenditure, as ever, is staff costs which have risen by 6.1% or £3.898m (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. In terms of on costs, we have the full effects of changes to contracting out rules as a result of the harmonisation of the state pension, the commencement of the apprenticeship levy and the impact of rises in employer pension contribution rates which have all contributed to an increase in staff costs in 2016/17.

Operating expenses have decreased by £3.468m or 10.8% from £32.086m to £28.618m. In terms of specific areas of expenditure the most significant reduction relates to bursaries expenditure which has fallen from £2.81m to £1.213m, a reduction of £1.597m or 56.8%. This reduction reflects: the withdrawal of the £1000 bursary payment linked to household income; reduced funding associated with HEFCE's Postgraduate Student Support match funding scheme and an increase in the standard set for high achievement associated with our High Achievers Scholarship. With regard to the withdrawal of bursary payment, this is being re-orientated into a Student Opportunity Fund which seeks to support students throughout their studies. Within the Faculty of Education the University has undertaken significant restructuring particularly around CPD activity including Leadership Academy, Schools Direct, Post Compulsory Educational Training and Secondary provision. This has witnessed reductions in expenditure across a range of accounts including: temporary staff (£1.105m or 78%), school practice and educational visits (£455k or 29.7%) and school based training payments (£520k or 22.8%). There has also been a reduction in auditor remuneration in respect of non-audit services from £396k to £71k, a fall in expenditure of £325k or 82.5%. In terms of increases in expenditure, a key area is around consumable and supplies which has increased from £1.957m to £2.357m. This amounts to a 20.4% or £400k increase and is primarily attributable to increased costs of delivery within the Faculty of Arts

EDGE HILL UNIVERSITY

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

and Sciences with Biology the most significant area of provision. This is due to increased student numbers as well as associated costs attributable to the functional operation of our new TechHub building. Other noteworthy increases include travel and subsistence which has risen by 9% or £77k and is linked to increased staffing within the Faculty of Arts & Sciences in particular driven by increased student numbers and a growing research focus within the University.

Key Performance Indicators

The University measures its performance using a variety of tools. Easily quantifiable measures that consider past financial performance covering cash generated from operations, liquidity, surplus generation and capital employed have all performed well given the challenges faced, with our strongest ever cash generation from operations reported. Cash balances have, as a result, increased by £11.7m and long term loans have reduced by £2m during the year, in spite of an investment in our estate of £21m including, for 2017, the completion of the TechHub, additional residential accommodation and the commencement of spend on a new Library.

Clearly a leading, and perhaps the most important, measure of performance is our ability to generate the capacity to grow and deliver against it. In this regard and in common with the HE sector more generally, the University has found student recruitment increasingly challenging. Brexit confusion has already led to a downturn in the recruitment of European students across the sector and whilst this poses no direct threat to Edge Hill, the ensuing competitive behaviour of those Universities who rely more heavily on international recruitment has affected the University. Increasingly we are witnessing a downturn in tariff entry requirements within our competitor group with a number of Universities making unconditional offers. That said, the roll through of student numbers will help to absorb any expected shortfalls, alongside an anticipated increase in student numbers in the Faculty of Health where the limits on commissions have been lifted following the introduction of fee loans. In the Faculty of Education we are also beginning to see signs of improvement, particularly in Primary, although one should not underestimate the damage caused to University led teacher training. Overall then, student numbers should be broadly static which is a pleasing achievement given our ongoing strategy to sustain entry requirements where appropriate and the continuing backdrop of an ongoing reduction in the number of 18 to 21 years olds in the resident population.

In spite of the increasingly hardening Government rhetoric towards Higher Education, these indicators clearly show that, in overall terms, demand for courses at Edge Hill University remains strong in an increasingly competitive market place.

The TEF is an important barometer of University performance and whilst recently announced changes that will halve the weighting of the National Student Survey are disappointing, it will continue to be perceived as a proxy measure of teaching excellence. In that regard, the award of Gold status to Edge Hill has positioned us well in terms of shaping the perceptions of students and stakeholders more widely. We cannot, however, underestimate the challenges of maintaining this status. Regardless, our ongoing commitment to the student experience and increasing support to our student population in further improving their prospects of securing graduate employment will continue to drive the University forward.

EDGE HILL UNIVERSITY

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

Equally relevant in terms of long term competitive advantage are the results from our bi-annual staff survey. In 2015/16 ninety-three per cent of staff rated the University as a good employer. In addition to this Edge Hill University was also highly commended in the Times Higher Workplace of the Year Leadership and Management Awards. 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.

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 95.5% 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.

Outlook for 2016/17 and future risks

As indicated above, 2016/17 was a very successful year for Edge Hill University reflected in applications and enrolments at an all time high, University finances which have never been stronger and ongoing substantial investment in our "beautiful campus". The construction of townhouses accommodating 182 additional students will further bolster income streams in 2017/18 and continue to build upon an increasingly cohesive University campus life. Next year will be different. Recruitment challenges will not be shirked but nor will this University reduce entry requirements with the sole desire of alleviating a reduction in recruitment. We have a clear track record of managing change most recently within the Faculty of Education. Our diversified business lines of Health, Education and Arts and Sciences programmes have long since provided protection against a fall in demand with, most recently, a reducing (albeit still very healthy) year one intake in Arts & Sciences being mitigated by improved recruitment to Health programmes.

I remain satisfied that we are responding to the demands placed upon us in a measured way whilst remaining alert to opportunities and ready to respond swiftly. With developments and changes within the TEF, increasing Government pressure to demonstrate VFM and the introduction of new OfS regulated "consumer protection contracts" we continue to operate in a period of considerable change but one from which we can continue to prosper.

That said, cost pressures abound in the sector with likely further increases in pension costs, the introduction of the apprenticeship levy and changes to contracting out rules already having a significant impact. Inflationary pressures will impact adversely upon future efforts to restrain pay and whilst the TEF has enabled a tuition fee price increase for the first time since 2012, this is unlikely to be sustained and comes with 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.

EDGE HILL UNIVERSITY

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

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 £49.803m have been achieved in spite of significant internal financing attached to capital expenditure. Net cash inflow from operating activities of £32.794m has enabled the completion of the new TechHub, investment in additional residences and commencement of the new Library.

Total borrowings are £34.912m which is £2.061m 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 reserves is 17.9%. We are expected to maintain annualized debt servicing costs within 4% of revenue and 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 places students and staff at the heart of everything and particularly responds to the University aims to enhance the Student Experience, to develop the Capacity and Capability of our People and to build Sustainability. The department seeks to move towards a further expanded service that supports students more broadly on a 'thrive not just survive' agenda. It roots student support firmly in the context of the whole community, seeking out preventative solutions and recognising that student support is a partnership activity with Academic Departments, University wide support services, the Students' Union and most importantly the students themselves.

In 2016 the University won the Best University Halls award in the National Student Housing Survey based on feedback which comes directly from current resident students. This year in 2017 we have been awarded the Best Value for Money award for our accommodation in the same survey. This builds on the recognition received earlier in the year when the University was given the accolade of Best Accommodation in the WhatUni awards in April. A third place position was also obtained for Student Support in the same awards ceremony and this was a major highlight of last year, providing further evidence of the successful service developments that have been put in place.

Over the past six months the provision within the Inclusion, Counselling and Health & Wellbeing teams within Student Services has been reviewed. This took into account internal factors such as current increases in demand for these services from students; and the external factors such as government changes, particularly in relation to Disabled student funding support. As a result a new structure has been agreed and is now being implemented. The aim of the new structure is to bring these three areas together under one strategic leader. Merging these approaches and departments and providing a singular line

EDGE HILL UNIVERSITY

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

of management will create opportunities to not only provide an integrated approach to student support, but also ensure the right member of staff is providing the right support at the right time.

A new Transitions team has been created within Student Services in 2016/17. This team is made up of two full time staff members working to support the Edge Hill student community. The team will have two main areas of focus, the first is on maximising student retention, and ensuring a consistent, high-quality and streamlined approach to supporting students who are at risk of leaving the University. The team will work closely with the relevant teams in Academic Registry and partners in Academic departments and faculties. The second area of focus is targeted support for students who might find accessing higher education presents additional barriers and who require greater levels of transitional support. The team will be both a direct point of contact to support students, and develop services with colleagues to enable good practice and new ideas around how students can be supported from a wide range of backgrounds to achieve a successful outcome. The team will work closely with the Widening Participation Team and help support them in developing pre-entry work utilising their knowledge of the challenges identified working with students on course. It will also work closely with Careers staff who will ensure these students can go on to achieve improved graduate outcomes.

Last year's review of out of hours support for students has been implemented and embedded throughout this academic year. The resulting support for students out of hours is professional and of a high quality with clear boundaries between the various roles and teams. Where necessary improvements to services have been made throughout the year and sharing of information between teams has become regular and well-structured.

The new working partnership established with Beacon Primary Care GP practice last year has been very successful. The practice have increased the number and type of surgeries provided to students from the University premises at Milton House in line with students' needs and feedback.

Student Services is now planning for relocation of services to the new Catalyst building that will house Learning Services, Careers and Student Services in 2018. This building will open up a number of opportunities for new ways of working both within Student Services and with other co-located services. A programme of work to incorporate all required activity to prepare for the move is ongoing across all three service areas who will occupy the building. This work will continue into 2017/18 to enable a successful and smooth transition to the new location.

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.

A full review and re-write of the Student Charter has been carried out in 2016/17. The new document details how Students, Staff and the Students' Union work together and embeds the values of the University to provide opportunity for all. There has also been a review of the University Equality and Diversity Policy. A single policy now covers staff, students and the wider community and has been brought up to date with current legislation and best

EDGE HILL UNIVERSITY

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

practice. Both the Student Charter and Equality and Diversity Policy have been consulted on throughout the University and the final versions take on board the feedback received.

In 2015 Universities UK established a task force to address a number of issues around violence against women, harassment and hate crime. The recommendations of the taskforce were published at the end of last year (2016) and Student Services have been working with colleagues to implement them. The recommendations include new guidelines for staff and students, training for staff and new policies. The project work in this area will continue into the next academic year.

Health & Safety Management

The University has successfully completed all planned audits for 2016/17 as part of its cyclical departmental audit programme. This provided an independent and objective assessment of risk management controls and demonstrated the University's commitment to effective management of health and safety. During the latter part of 2016 the University considered its future approach to audit and has worked with a third party to develop a two tier programme which will utilise a self-auditing tool for lower net risk areas and a more practical robust assessment of higher net risk areas. This programme will be rolled out in the next academic year.

The University has seen the Health and Safety Representative Forum grow, with membership now standing at 84. There has been increased engagement with a number of the members becoming involved in policy review and in health and safety initiatives that have been taken forward by the Health and Safety Manager on behalf of the University.

The newly introduced accident and near miss on line reporting system has been well received across the University, with work continuing during 2016/17 to promote its benefits and encourage reporting particularly around near misses. The system also provides a tool to analyse trends in relation to accidents and near misses which is reported directly into the Institutional Health, Safety and Environment Committee.

The University has looked to upskill key staff in undertaking investigations. A number of practical training sessions were piloted in Facilities Management and the Faculty of Education, the feedback from which was extremely positive. These sessions will be rolled out across the University during the next academic year.

Environmental Sustainability

The University remains committed to the broad environmental sustainability agenda and minimising the environmental impact of all of our activities and operations. The extant University Strategic Plan is supported by five cross-cutting themes, one of which is Sustainability. We continue to utilise both technical interventions and measures, and culture and behaviour change strategies to help us improve our overall performance.

A revised and refreshed 3 year University Environmental Management Strategy is currently under development, with the previous Strategy delivering a number of tangible environmental benefits at its expiry in 2016/17.

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

Environmental Sustainability is one of eight strategic themes within the Facilities Management (FM) department Strategy, and is embedded within policies, plans processes and systems including procurement, contracts and operations.

The recently tendered Waste Management Contract was implemented during 2016/17 and is already delivering improved results in terms of cost, quality and environmental impact.

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 2017/18, 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.

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

Edge Hill University's continuing commitment to making arts and culture central to the student experience has seen significant investment in the Arts Centre, increased support for the annual Festival of Ideas programme and plans for strategic partnership working with the Arts Council England. The University takes an innovative approach to arts and culture and in partnership with high-profile organisations with a national and international profile such as Tate Liverpool and Liverpool Sound City, provides exceptional learning and employability opportunities for students across the University.

During 2016/17 the Arts Centre welcomed over 14,500 people through its doors to engage in and enjoy a cutting-edge and diverse programme of arts activity, across all art forms including theatre, dance, music, film and visual art with a 55% increase in Edge Hill University students attending performances and a 25% increase in audience figures overall.

The Arts Centre is becoming increasingly prominent within the broader regional and national arts ecology through the development of the programme including new and original commissions and is an invaluable cultural resource for local and regional audiences.

Sports and Fitness

2016-17 has seen the second full year of operation of the Sports Centre and Edge Hill Sport has introduced new service developments to further improve the customer experience

EDGE HILL UNIVERSITY

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

including the development and launch of a new online shop. Other improvements include the introduction of a fifteen minute 'fastrack' induction to speed up the joining process for those already familiar with gym settings, 'pop up' classes to compliment the Personal Training offer, and the expanded use of software in the Fitness Suite which provides fitness programmes direct to a smartphone.

Activity levels have grown significantly with demand from the community increasing in relation to memberships, facility hire and requests to host sporting events. Fitness membership levels remain at very healthy levels with a membership mix of approximately 57% students, 32% community and 11% staff. The introduction of a new student residential membership offer for 2017-18 is expected to encourage further student use of facilities and the campus social and recreational sports programme continues to thrive with both the number of student participants and recorded visits having grown year on year by 10%.

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
23 November 2017

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 meets 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 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 Board of Governors receives an annual report from the Academic Board on the quality of academic provision and the student experience in order to enable verification of the required statements in the HEFCE Annual Accountability Return.

The University maintains a register of interests, which is published on the University's website. This was substantially updated in 2017 to provide a comprehensive picture of all relationships which could present a known conflict. 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 also 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.

EDGE HILL UNIVERSITY

CORPORATE GOVERNANCE (CONTINUED)

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

This process has been in place for the year ended 31 July 2017 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.
- The Chair of Audit attends the meeting which informs the development of the Internal Audit Plan.
- 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. Risks are linked to the aims and objectives identified in the Strategic plan.
- 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

EDGE HILL UNIVERSITY

CORPORATE GOVERNANCE (CONTINUED)

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.

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

Key:

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

MAA = Memorandum of Assurance and Accountability

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.

EDGE HILL UNIVERSITY

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

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]

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; approving the Annual Accountability Return (AAR) to HEFCE 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. Academic Assurance

Ensuring the University has an effective framework, overseen by the Academic Board, to manage the quality of learning and teaching and to maintain academic standards. Approving the academic assurance statements in the HEFCE AAR. [Code 4.1; HEFCE MAA 30 j]

12. Audit

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

13. 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]

EDGE HILL UNIVERSITY

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

14. 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]

15. 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]

16. Freedom of Speech

Safeguarding the University's role in upholding Freedom of Speech in all its activities and ensuring there are effective mechanisms in place to ensure compliance within the law. [AoG 8(2); Code 4.3]

17. 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]

18. 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
- e) the varying or revoking of the Articles of Government.

EDGE HILL UNIVERSITY

THE BOARD'S STATEMENT OF ASSURANCE

The Board of Governors are responsible for preparing the Report and the financial statements in accordance with the requirements of the Higher Education Funding Council for England's Memorandum of Assurance and Accountability issued by HEFCE and applicable law and regulations.

They are required to prepare group and parent University financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*. The Memorandum of Assurance and Accountability further requires the financial statements to be prepared in accordance with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education, in accordance with the requirements of HEFCE's Accounts Direction to higher education institutions. The directors are required to prepare financial statements which give a true and fair view of the state of affairs of the group and parent University and of their income and expenditure, gains and losses and changes in reserves for that period.

In preparing each of the group and parent University financial statements, the directors are required to:

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

The Board of Governors is responsible for keeping adequate accounting records that are sufficient to show and explain the parent University's transactions and disclose with reasonable accuracy at any time the financial position of the parent University and enable them to ensure that its financial statements comply with relevant legislation and other relevant accounting standards. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The Board of Governors are also responsible under the Memorandum of Assurance and Accountability for:

- ensuring that funds from HEFCE and other funding bodies are used only for the purposes for which they have been given and in accordance with the Memorandum of Assurance and Accountability and any other conditions which HEFCE may from time to time prescribe;
- ensuring that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources; and
- securing the economical, efficient and effective management of the university's resources and expenditure.

The Board of Governors is responsible for the maintenance and integrity of the corporate and financial information included on the University's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

EDGE HILL UNIVERSITY

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Edge Hill University ("the University") for the year ended 31 July 2017 which comprise the Group and University Statement of Comprehensive Income and Expenditure, the Group and University Statement of Changes in Reserves, the Group and University Balance Sheet, the Group Cash Flow Statement and related notes, including the Statement of Accounting Policies.

In our opinion the financial statements:

- * give a true and fair view of the state of the Group's and the University's affairs as at 31 July 2017, and of the Group's and the University's income and expenditure, gains and losses and changes in reserves, and of the Group's cash flows, for the year then ended;
- * have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, and with the 2015 *Statement of Recommended Practice – Accounting for Further and Higher Education*; and
- * meet the requirements of HEFCE's Accounts Direction to higher education institutions for 2016-17 financial statements.

Basis for opinion

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

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Other information

The Board of Governors is responsible for the other information, which comprises the Report of the Board of Governors, the Vice Chancellor's Financial and Operating Review, the Corporate Governance Statement and the Board's Statement of Assurance. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

Board of Governors responsibilities

As explained more fully in their statement set out on page 25, the Board of Governors is responsible for: the preparation of the financial statements and for being satisfied that they

EDGE HILL UNIVERSITY

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

give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the group or the parent University or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

We are required to report on the following matters under the HEFCE Audit Code of Practice (effective 1 August 2016) issued under the Further and Higher Education Act 1992.

In our opinion, in all material respects:

- * funds from whatever source administered by the Group or the University for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- * income has been applied in accordance with the University's articles of government, and
- * funds provided by HEFCE have been applied in accordance with the Memorandum of Assurance and Accountability and any other terms and conditions attached to them.

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

This report is made solely to the Board of Governors, in accordance with 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 them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the University and the Board of Governors for our audit work, for this report, or for the opinions we have formed.



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

24 November 2017

EDGE HILL UNIVERSITY

STATEMENT OF ACCOUNTING POLICES FOR THE YEAR ENDED 31 JULY 2017

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 2017 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 2017 **(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 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 which is contracted out of the State Second Pension (S2P) and 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 that is valued every five years by the Government Actuary. The assets of the scheme are held separately from those of the group in an independently administered fund. The University is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. 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 2017 **(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 Buildings

Buildings are stated at cost less accumulated depreciation and accumulated impairment losses. 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, being the revalued amount at the date of that revaluation. All buildings are depreciated on a straight line basis over their expected useful lives being from 20 to 70 years.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable.

Freehold land is not depreciated as it is considered to have an indefinite useful life. Improvements to land are depreciated on a straight line basis over 20 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 £10,000 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

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.

EDGE HILL UNIVERSITY

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

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.

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.

EDGE HILL UNIVERSITY

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

Key Estimates and Judgements

The University apply a judgement to outstanding debt and provide against debt on an estimated basis by applying historic recovery rates. The basis for the provision is considered annually in relation to experience of debt collection and the basis for 2016/17 has been updated to reflect the specific debts outstanding and the most up to date experience of collection rates. This has no material impact on the amount of provision recognised in the financial statements.

In preparing these financial statements a number of estimates and judgements have also been made 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 2017

	Note	Year ended 31 July 2017		Year ended 31 July 2016	
		Consolidated	University	Consolidated	University
		£'000	£'000	£'000	£'000
Income					
Tuition fees and education contracts	1	104,934	104,934	103,686	103,686
Funding body grants	2	5,493	5,493	7,505	7,505
Research grants and contracts	3	452	452	496	496
Other income	4	16,199	17,555	16,213	17,574
Investment income		287	287	227	227
Total income		127,365	128,721	128,127	129,488
Expenditure					
Staff costs	5	70,430	70,430	65,223	65,223
Other operating expenses	6	28,618	29,918	32,086	33,392
Depreciation/Impairment		6,475	6,475	5,703	5,703
Interest and other finance costs	7	1,239	1,286	3,398	3,445
Total expenditure		106,762	108,109	106,410	107,763
Surplus/deficit before other gains losses and share of operating surplus/deficit of joint ventures and associates.		20,603	20,612	21,717	21,725
Gain/(loss) on disposal of fixed assets		(349)	(349)	(80)	(80)
Surplus / (Deficit) for the year		20,254	20,263	21,637	21,645
Actuarial gain/(loss) in respect of pension schemes		2,172	2,172	(13,193)	(13,193)
Total comprehensive income		22,426	22,435	8,444	8,452

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 37 to 56 form an integral part of these financial statements.

EDGE HILL UNIVERSITY

CONSOLIDATED STATEMENT OF CHANGES IN RESERVES YEAR ENDED 31 JULY 2017

<u>Consolidated</u>	Income and Expenditure Account £'000	Revaluation Reserve £'000	Total £'000
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
Surplus/(deficit) from the income and expenditure statement	20,254	-	20,254
Other comprehensive income	2,172	-	2,172
Addition to reserve	-	1,083	1,083
Transfers between revaluation and income and expenditure reserve	1,287	(1,287)	-
Total comprehensive income for the year	23,713	(204)	23,509
Balance at 1 August 2017	146,182	48,567	194,749
<u>University</u>			
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
Surplus/(deficit) from the income and expenditure statement	20,263	-	20,263
Other comprehensive income	2,172	-	2,172
Addition to reserve	-	1,083	1,083
Transfers between revaluation and income and expenditure reserve	1,287	(1,287)	-
Total comprehensive income for the year	23,722	(204)	23,518
Balance at 1 August 2017	146,076	48,567	194,643

Note. The addition to revaluation reserve of £1.083m is the result of receipt in 2016/17 of under-recovered VAT relating to a prior period. This is credited to the revaluation reserve to recognise the impact of this recovery on the cost of the assets at the formal revaluation date of 31st July 2014

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 2017**

	Note	Year ended 31 July 2017		Year ended 31 July 2016	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
Non-current assets					
Fixed assets	8	265,014	265,014	251,691	251,691
Investments in subsidiaries	9	-	7,139	-	7,139
Other investments		2	2	2	2
		<u>265,016</u>	<u>272,155</u>	<u>251,693</u>	<u>258,832</u>
Current assets					
Stock	10	139	139	90	90
Trade and other receivables	11	5,373	6,208	6,332	6,969
Investments	12	16,000	16,000	16,000	16,000
Cash and cash equivalents		<u>33,803</u>	<u>32,475</u>	<u>22,073</u>	<u>21,047</u>
		55,315	54,822	44,495	44,106
Less: Creditors: amounts falling Due within one year	13	<u>(17,133)</u>	<u>(17,277)</u>	<u>(16,886)</u>	<u>(17,143)</u>
Net current (liabilities)/assets		38,182	37,545	27,609	26,963
Total assets less current liabilities		<u>303,198</u>	<u>309,700</u>	<u>279,302</u>	<u>285,795</u>
Creditors: amounts falling due after more than one year	14	(52,554)	(59,162)	(51,975)	(58,583)
Provisions					
Pension provisions	15	(55,895)	(55,895)	(56,087)	(56,087)
Total net assets		<u>194,749</u>	<u>194,643</u>	<u>171,240</u>	<u>171,125</u>
Unrestricted Reserves					
Income and expenditure reserve		146,182	146,076	122,469	122,354
Revaluation reserve		<u>48,567</u>	<u>48,567</u>	<u>48,771</u>	<u>48,771</u>
Total Reserves		<u>194,749</u>	<u>194,643</u>	<u>171,240</u>	<u>171,125</u>

The financial statements on pages 28 to 56 were approved by the Board of Governors on 23 November 2017.



Prof Clive Edwards - Chairman, Board of Governors



Dr John Cater – Vice-Chancellor

EDGE HILL UNIVERSITY**CONSOLIDATED CASH FLOW STATEMENT
YEAR ENDED 31 JULY 2017**

	Note	31 July 2017 £'000	31 July 2016 £'000
Cash flow from operating activities			
Surplus for the year		20,254	21,637
Adjustment for non-cash items			
Depreciation		6,476	5,703
Increase in stock		(49)	-
Decrease in debtors		444	604
Increase/(Decrease) in creditors		1,062	(450)
Increase in pension provision		1,980	2,914
Decrease in other provisions		-	(131)
Adjustment for investing or financing activities			
Investment income		(287)	(227)
Interest payable		1,912	1,921
Loss on the sale of fixed assets		349	80
Capital grant income release		(430)	(352)
Net cash inflow from operating activities		<u>31,711</u>	<u>31,699</u>
Cash flows from investing activities			
Capital grants receipts		3,623	710
VAT refund *		1,083	-
Disposal proceeds on sale of fixed assets		20	19
Investment income		304	187
Payments made to acquire fixed assets		(21,020)	(19,457)
New deposits		-	(8,000)
Total cash flow from investing activities		<u>(15,990)</u>	<u>(26,541)</u>
Cash flows from financing activities			
Interest paid		(1,930)	(2,053)
Repayments of amounts borrowed		(2,061)	(2,061)
Total cash flow from financing activities		<u>(3,991)</u>	<u>(4,114)</u>
Increase in cash and cash equivalents in the year		<u>11,730</u>	<u>1,044</u>
Cash and cash equivalents at the beginning of the year		<u>22,073</u>	<u>21,029</u>
Cash and cash equivalents at the end of the year		<u>33,803</u>	<u>22,073</u>

* The VAT refund was the result of receipt in 2016/17 of under-recovered VAT relating to a prior period. This has been credited to the revaluation reserve to recognise the impact of this recovery on the cost of the assets at the formal revaluation date of 31st July 2014.

EDGE HILL UNIVERSITY

NOTES TO THE ACCOUNTS

	Year ended 31 July 2017		Year ended 31 July 2016	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
1. Tuition Fees and Education Contracts				
Full-time home and EU students	100,506	100,506	98,987	98,987
Full-time international students	1,937	1,937	1,906	1,906
Part-time students	722	722	210	210
Short course fees	1,769	1,769	2,583	2,583
	<u>104,934</u>	<u>104,934</u>	<u>103,686</u>	<u>103,686</u>

2. Funding Body Grants

Recurrent grant				
Higher Education Funding Council	1,075	1,075	950	950
National College for Teaching and Leadership	-	-	-	-
Specific grants				
Higher Education Funding Council	5,184	5,184	5,417	5,417
National College for Teaching and Leadership	(766)	(766)	1,138	1,138
	<u>5,493</u>	<u>5,493</u>	<u>7,505</u>	<u>7,505</u>

The debit balance attributable to National College for Teaching and Leadership (NCTL) above relates to an accrual for restitution of funds to NCTL in relation to a review of historic learner records.

3. Research Grants and Contracts

Research councils	11	11	20	20
Research charities	75	75	81	81
Industry and commerce	17	17	29	29
Other	349	349	366	366
	<u>452</u>	<u>452</u>	<u>496</u>	<u>496</u>

4. Other Income

Residences, catering and conferences	10,759	10,658	9,684	9,604
Other income	5,440	6,897	6,529	7,970
	<u>16,199</u>	<u>17,555</u>	<u>16,213</u>	<u>17,574</u>

5. Staff Costs

Salaries	56,853	56,853	53,195	53,195
Social security costs	5,233	5,233	4,338	4,338
Movement on USS provision	69	69	53	53
Other pension costs	8,275	8,275	7,637	7,637
	<u>70,430</u>	<u>70,430</u>	<u>65,223</u>	<u>65,223</u>

EDGE HILL UNIVERSITY

NOTES TO THE ACCOUNTS (CONTINUED)

Emolument of the Vice-Chancellor

	2017	2016
	£'000	£'000
Salary	333	324
Benefits in kind	10	10
	<u>343</u>	<u>334</u>
Pension contribution	-	-
	<u>343</u>	<u>334</u>

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

	2017	2016
	Number	Number
£100,000 - £109,999	2	1
£110,000 - £119,999	5	3
£120,000 - £129,999	3	1
£220,000 - £229,999	1	1

Average Full Time Equivalent staff numbers by function

	2017	2016
	Number	Number
Academic Departments	771	740
Academic Support Services	99	102
Other Support Services	150	148
Administration and Central Services	168	162
Premises	111	102
Income Generating Activities	47	40
Catering and Residence	46	43
	<u>1,392</u>	<u>1,337</u>

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. The university defines these as: the Vice-Chancellor, the Deputy Vice-Chancellor, the Pro Vice-Chancellor (Student Experience) and the Pro Vice-Chancellor (External Relations). Total compensation consists of salary and benefits including any employers pension contribution.

	2017	2016
Number of Staff	4	4
Total compensation (£'000)	813	785

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 16 independent members of the Board of Governors was £964. Expenses paid in the previous year were £381. 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 2017		Year ended 31 July 2016	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Residence, catering and conferences operating expenses	1,401	1,400	1,374	1,366
Books and periodicals	1,457	1,457	1,511	1,512
Heat, light, water, electricity, waste collection and rates	2,256	2,256	2,466	2,466
Maintenance materials	3,410	3,380	3,327	3,313
Office services and supplies	1,712	1,699	1,907	1,887
Consumables and supplies	2,357	2,328	1,957	1,939
Publicity and advertising	729	722	814	806
Staff training and development	576	570	529	521
Bursaries	1,213	1,213	2,810	2,810
School practice and educational visits	1,076	1,076	1,531	1,480
School based training payments	1,757	1,757	2,277	2,277
Temporary staff	319	319	1,424	1,412
Staff travel and subsistence	925	924	848	841
Grants to Student Union	617	617	551	551
Professional fees	1,538	1,529	1,561	1,532
Auditors' remuneration – external audit	44	41	41	39
Auditors' remuneration – internal audit	51	51	42	34
Auditors' remuneration in respect of non-audit services	71	62	396	396
Other operating expenses	7,109	8,517	6,720	8,210
	28,618	29,918	32,086	33,392
Other operating expenses include:				
Operating lease rentals	177		175	

7. Interest and Other Finance Costs

	Year ended 31 July 2017		Year ended 31 July 2016	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Loan interest	1,226	1,273	3,386	3,433
Movement on USS provision	13	13	12	12
	1,239	1,286	3,398	3,445

EDGE HILL UNIVERSITY

NOTES TO THE ACCOUNTS (CONTINUED)

8. Fixed Assets

	Consolidated						
	Buildings Under Construction	Land and Buildings	Long Term Leased Land and Buildings	Equipment	Leased Equipment	Vehicles	Total
	£000	£000	£000	£000	£000	£000	£000
Cost							
At 1 August 2016	13,801	242,806	1,040	11,633	11	155	269,446
Additions	16,676	66	-	3,426	-	-	20,168
Disposals	-	-	-	(2,049)	-	(61)	(2,110)
Inter category transfer	(19,744)	19,744	-	-	-	-	-
At 31 July 2017	10,733	262,616	1,040	13,010	11	94	287,504
Depreciation							
At 1 August 2016	-	8,583	-	9,069	11	92	17,755
Charge for the year	-	4,930	-	1,409	-	27	6,366
Disposals	-	-	-	(1,686)	-	(55)	(1,741)
Impairment	-	110	-	-	-	-	110
At 31 July 2017	-	13,623	-	8,792	11	64	22,490
Net book value							
At 31 July 2017	10,733	248,993	1,040	4,218	-	30	265,014
At 31 July 2016	13,801	234,223	1,040	2,564	-	63	251,691

As at 31st July 2017 Land and Buildings included £20.028m (2016: £20.028m) in respect of freehold land that is not depreciated.

The impairment charge relates to building/buildings which have been assessed in year to have no further economic value.

EDGE HILL UNIVERSITY

NOTES TO THE ACCOUNTS (CONTINUED)

			University				
	Buildings Under Construction	Land and Buildings	Long Term Leased Land and Buildings	Equipment	Leased Equipment	Vehicles	Total
	£000	£000	£000	£000	£000	£000	£000
Cost							
At 1 August 2016	13,801	240,370	3,478	11,632	11	155	269,447
Additions	16,676	66	-	3,426	-	-	20,168
Disposals	-	-	-	(2,049)	-	(61)	(2,110)
Inter Category transfer	(19,744)	19,744	-	-	-	-	-
At 31 July 2017	10,733	260,180	3,478	13,009	11	94	287,505
Depreciation							
At 1 August 2016	-	8,473	110	9,070	11	92	17,756
Charge for the year	-	4,875	55	1,409	-	27	6,366
Disposals	-	-	-	(1,686)	-	(55)	(1,741)
Impairment	-	110	-	-	-	-	110
At 31 July 2017	-	13,458	165	8,793	11	64	22,491
Net book value							
At 31 July 2017	10,733	246,722	3,313	4,216	-	30	265,014
At 31 July 2016	13,801	231,897	3,368	2,562	-	63	251,691

As at 31st July 2017 Land and Buildings included £20.028m (2016: £20.028m) in respect of freehold land that is not depreciated.

The impairment charge relates to building/buildings which have been assessed in year to have no further economic value.

EDGE HILL UNIVERSITY

NOTES TO THE ACCOUNTS (CONTINUED)

9. Investments in subsidiaries

	University	
	2017	2016
	£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 2017		Year ended 31 July 2016	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
General Consumables	139	139	90	90

11. Trade and other receivables	Year ended 31 July 2017		Year ended 31 July 2016	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Payments in advance	1,923	1,914	1,684	1,677
Trade receivables	3,390	3,316	4,576	4,561
Other amounts owed by subsidiary undertakings	-	918	-	659
Amounts falling due after one year:				
Other	60	60	72	72
	5,373	6,208	6,332	6,969

12. Current Investments	Year ended 31 July 2017		Year ended 31 July 2016	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Short term deposits	16,000	16,000	16,000	16,000
	16,000	16,000	16,000	16,000

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 2017, the weighted average interest rate of these fixed rate deposits was 1.08% per annum, and the remaining weighted average period for which the interest rate is fixed on these deposits was 452 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 2017		Year ended 31 July 2016	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Secured loans	2,060	2,060	2,060	2,060
VAT payable	174	171	130	126
Corporation tax/income tax	-	-	-	-
Trade payables	3,176	3,168	3,881	3,872
Social security and other taxation payable	2,313	2,313	2,219	2,219
Accruals and deferred income	9,410	9,381	8,596	8,572
Amount owed to subsidiary undertakings	-	184	-	294
	17,133	17,277	16,886	17,143

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

	Year ended 31 July 2017		Year ended 31 July 2016	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Deferred income	19,702	19,702	17,062	17,062
Obligations under finance lease	-	3,466	-	3,466
Secured loans	32,852	32,852	34,913	34,913
Amounts owed to subsidiary undertakings	-	3,142	-	3,142
	52,554	59,162	51,975	58,583

Analysis of secured loans:

	2017	2016
	£'000	£'000
Due within one year or on demand	2,060	2,061
Due between one and two years	2,061	2,060
Due between two and five years	6,180	6,180
Due in five years or more	24,611	26,672
Total secured loans	34,912	36,973

Included in loans are the following:

Lender	Amount	Remaining	Interest rate
	£'000	Term	%
Barclays Bank	1,275	8	5.55
Barclays Bank	3,000	15	5.52
Barclays Bank	4,800	15	5.775
Barclays Bank	24,600	20	5.23
Barclays Bank	1,237	7	5.30
	34,912		

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 2016	643	1,180	54,264	56,087
Utilised in year	(54)	(123)	(2,823)	(3,000)
Increase/(decrease) in provision in year	136	41	2,631	2,808
As At 31 July 2017	725	1,098	54,072	55,895

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 2017 £000	and University 2016 £000
Contracted at 31 July	<u>2,893</u>	<u>7,180</u>
Authorised but not contracted at 31 July	<u>23,570</u>	<u>4,730</u>

17. Finance Leases

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

	Consolidated 2017 £000	2016 £000	University 2017 £000	2016 £000
In one year or less	-	-	-	-
Between one and two years	-	-	-	-
Between two and five years	-	-	-	-
In five years or more	-	-	3,466	3,466
	<u>-</u>	<u>-</u>	<u>3,466</u>	<u>3,466</u>

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 2016. The major assumptions used in this valuation were:

Actuarial method	Projected Unit
Rate of Discount	4.4% per annum
Pension increases per annum	2.2% per annum
Pensionable pay increases per annum	3.7% per annum
Market value of assets at date of last valuation	£6,036 million

In addition to the employer contribution rate of 14.3%, the employer also pays a fixed annual sum of £780,300 which is based on an assessment of the University's share of the deficit in the scheme. This figure will be reassessed in detail as part of each detailed actuarial review. Employee contribution rates vary according to salary level bandings.

The solvency funding level (proportion of liabilities covered by assets) is 90%. The full actuarial valuation was updated for FRS102 purposes to 31st July 2017 by a qualified independent actuary as follows:

EDGE HILL UNIVERSITY**NOTES TO THE ACCOUNTS (CONTINUED)****Local Government Pension Scheme (Continued)**

	2017	2016	2015
Inflation assumption CPI	2.2%	1.7%	2.2%
Rate of increase in salaries	3.7%*	3.2%	3.7%
Rate of increase in pensions	2.2%	1.8%	2.2%
Discount rate applied to scheme liabilities	2.6%	2.5%	3.8%

*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 2017	At 31 July 2016
Retiring today		
Males	22.6	23
Females	25.2	25.6
Retiring in 20 years		
Males	24.9	25.2
Females	27.9	27.9

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 is:

	2017 Value £'000	2016 Value £'000	2015 Value £'000
Equities	58,320	47,618	34,568
Government Bonds	2,524	—	5,527
Other Bonds	3,055	3,084	2,613
Property	13,816	11,720	9,145
Cash/Liquidity	6,111	4,318	1,306
Other	49,021	56,625	47,331
	132,847	123,365	100,490

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 2017 were measured in accordance with the requirements of FRS102:

	2017	2016	2015
University's estimated asset share	132,847	123,365	100,490
Present value of scheme liabilities	(186,919)	(177,629)	(138,831)
Deficit in the scheme	<u>(54,072)</u>	<u>(54,264)</u>	<u>(38,341)</u>

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

	2017 £000	2016 £000
Reconciliation of Liabilities		
Liabilities at start of period	177,629	138,831
Service cost	6,633	5,122
Interest cost	4,425	5,262
Employee contributions	1,565	1,533
Remeasurements	(584)	29,153
Benefits paid	(2,823)	(2,272)
Curtailments and settlements	74	-
Liabilities at end of period	186,919	177,629
Reconciliation of Assets		
Assets at start of period	123,365	100,490
Interest cost	3,119	3,876
Remeasurements	3,696	16,080
Administration expenses	(116)	(91)
Employer contributions	4,041	3,749
Employee contributions	1,565	1,533
Benefits paid	(2,823)	(2,272)
Assets at end of period	132,847	123,365

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

	2017	2016
	£000	£000
Employer service cost	(6,633)	(5,122)
Past service cost/curtailments	(74)	-
Employer contributions	4,041	3,749
Total operating charge	<u>(2,666)</u>	<u>(1,373)</u>

Analysis of pension finance costs

	2017	2016
	£000	£000
Interest on plan assets less administration expenses	3,003	3,785
Interest on pension liabilities	<u>(4,425)</u>	<u>(5,262)</u>
Net finance charge	<u>(1,422)</u>	<u>(1,477)</u>
Interest cost adjustment re discount rate	2,108	120
	<u>686</u>	<u>(1,357)</u>

Analysis of other comprehensive income

	2017	2016
	£000	£000
Remeasurements (assets)	3,696	16,080
Remeasurements (liabilities)	584	(29,153)
Net actuarial gain/(loss) less recognised in SOCI	<u>4,280</u>	<u>(13,073)</u>
Interest cost adjustment re discount rate	<u>(2,108)</u>	<u>(120)</u>
	<u>2,172</u>	<u>(13,193)</u>

Movement in deficit during the year

	2017	2016
	£000	£000
Deficit in scheme at 1 August	(54,264)	(38,341)
Movement in year:		
Current service charge	(6,633)	(5,122)
Contributions	4,041	3,749
Part service cost/curtailments	(74)	-
Net finance charge	686	(1,357)
Loss recognised in other comprehensive income	<u>2,172</u>	<u>(13,193)</u>
Deficit in scheme at 31 July	<u>(54,072)</u>	<u>(54,264)</u>

History of experience gains and losses

	2017	2016	2015	2014	2013
Difference between the expected & actual return on assets amount	3,696	16,080	(4,400)	(3,606)	8,464
% of scheme assets	2.7%	13%	4.4%	4.1%	9.9%
Experience gains/(losses) on scheme liabilities:					
Amount	4,320	0	0	7,053	0
% of scheme assets	3.2%	0%	0%	7.9%	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.

The University is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by 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.

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, 31 March 2016 and 31 March 2017 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%. Finally, during the year ended 31 March 2017 the funding level of the scheme was maintained at 83%. The deterioration in funding level since the full 31st March 2014 actuarial valuation is largely due to a continued decline in the yield on government bonds with the result that the value placed on the scheme's liabilities have increased. It is important to note that all funding updates since 31st March 2014 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 is in the process of being completed for the year ended 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 50 active members participating in the scheme.

EDGE HILL UNIVERSITY

NOTES TO THE ACCOUNTS (CONTINUED)

19. Bursary And Hardship Funds

	Year ended 31 July 2017		Year ended 31 July 2016	
	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	26	26	27	27
Grants	-	-	-	-
Disbursed to students	-	-	(1)	(1)
Balance at 31 July	26	26	26	26

NCTL Early Years Gem Bursary

Balance at 1 August	4	4	7	7
Grants	23	23	77	77
Funds returned	-	-	(7)	(7)
Claw back	(4)	(4)	-	-
Disbursed to students	(21)	(21)	(73)	(73)
Balance at 31 July	2	2	4	4

HEFCE Further Education Bursaries

Balance at 1 August	77	77	77	77
Grants	-	-	-	-
Write off	(1)	(1)	-	-
Disbursed to students	-	-	-	-
Balance at 31 July	76	76	77	77

Teacher Training Bursaries

Balance at 1 August	967	967	(67)	(67)
Grants	4,835	4,835	7,337	7,337
Disbursed to students	(6,386)	(6,386)	(6,303)	(6,303)
Balance at 31 July*	(584)	(584)	967	967

*The negative closing balance on Teacher Training Bursaries related to bursaries paid by the University that are expected to be reimbursed by NCTL in the following year.

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 2017		Year ended 31 July 2016	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Early Years Bursaries				
Balance at 1 August	4	4	4	4
Grants	-	-	-	-
Disbursed to students	-	-	-	-
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 possible that transactions will take place with organisations in which a member of the Board may have an interest. The University maintains a register of interests for all related parties of the University and undertakes checks to establish whether there has been any transfer of resources, services or obligations between the University and the related party, and ensures 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. Included within the financial statements are the following transactions with related parties:

	Income £'000	Expenditure £'000	Balance at 31 st July 2017 £'000
Edge Hill Student Union	129	621	-

Edge Hill Student Union is an independent organisation largely funded by Edge Hill University. The University has taken advantage of the exemption allowed under FRS102 not to disclose transactions between wholly owned group companies.

EDGE HILL UNIVERSITY

NOTES TO THE ACCOUNTS (CONTINUED)

21. Linked Charities

Charities with income over £100,000:

	Brought Forward £'000	Income £'000	Expenditure £'000	Carry Forward £'000
Edge Hill Maintenance Services Limited	21	158	(168)	11

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.

22. 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 2017, 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 University has considered its principal financial instruments (being cash, investments, trade debtors, trade creditors and loans) in line with FRS102 and concluded that they meet the classification of basic financial instruments, including derivative financial instruments. Given the basic nature of the University's financial instruments, they are accounted for at amortised cost and the carrying value of each category in the balance sheet is considered to equate to fair value. Therefore there are no adjustments for fair value re-measurements recognised in the Statement of Comprehensive Income and Expenditure.

23. 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.