

Edge Hill University

Report & Financial Statements For the Year Ended 31 July 2018

EDGE HILL UNIVERSITY**ANNUAL REPORT****Key Performance Indicators**

<u>Year Ended 31 July</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Income in £'000 (1)	126,231	127,365	128,127	123,935	115,376
Surplus for the year in £'000 (1)	13,985	20,254	21,637	21,247	17,899
Cash Generated by Activities in £'000	24,931	31,711	31,699	30,165	22,760
Cash for Investment in £'000	45,177	49,803	38,073	29,029	21,127
Financial Worth of the University in £'000 (1)	228,655	194,749	171,240	162,796	147,316
Applications for University FT UG Programmes (2)	16,125	18,035	19,767	19,133	18,931
Total number of students of the University (3)	14,256	15,220	15,543	16,170	16,750
Percentage of Staff who rate the University as a good employer (4)	91%	N/A	93%	94%	92%
Employee Turnover	6.7%	6.8%	6.6%	5.6%	6.9%
Level of University Staff Absence	3.1%	2.9%	3.6%	3.2%	3.4%

Notes

- 1) Total income and surplus for the year based on the 2015 SORP.
- 2) Based on UCAS statistics.
- 3) Based on HESA Student Record.
- 4) The University's independently scrutinised Staff Survey is undertaken bi-annually with effect from 2016. The most recent survey took place in July 2018.

EDGE HILL UNIVERSITY

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2018

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EDGE HILL UNIVERSITY

REPORT OF THE BOARD OF GOVERNORS

This is my second report as Chair of the Board and I am delighted that Edge Hill has enjoyed another very successful year both academically and financially. In addition to the Gold Award obtained in the new Teaching Excellence Framework assessment last year, the University was named the Times and Sunday Times University of the Year for Student Retention this year further validating the consistent focus on the student experience which is central to the University's mission and strategy. The Board has particularly welcomed the announcement that the University has been awarded a new, freestanding Medical School noting that this marks a step change in the development of the University.

From a financial perspective, 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 continue to move through 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 and nurse 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 and Participation Plan approved by the Board, the University expends considerable resource and effort in building purposeful relationships with schools and colleges regionally and beyond which both increases institutional resilience and reaches out to underrepresented groups. Recruitment figures for September 2018 suggest the University's strategy in relation to recruitment is sound.

As a university which places students and the quality of the student experience at the heart of our institutional strategy, the Board takes a keen interest in the associated key performance indicators. The excellent results in the 2018 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 considerable 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. The annual report from the Pro Vice-Chancellor with responsibility for Research has shown significant progress against targeted objectives and 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 the Edge Hill approach and we expect the University to return a sizeable percentage of staff in the next exercise.

EDGE HILL UNIVERSITY

REPORT OF THE BOARD OF GOVERNORS (CONTINUED)

In terms of capital development, this year has seen completion of a two-year £26 million project to deliver the flagship Catalyst building, an advanced, 24/7 innovative learning facility which also incorporates Student Services and Careers. In addition, further residential units have come on stream and there has been a substantial refurbishment programme to provide for departmental expansion and ensure teaching facilities remain at the highest standard. It is through the generation of strong surpluses that the Board has been able to support an unprecedented level of investment in the estate over more than a decade, 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 been fully involved in the University's successful registration with the Office for Students (OfS) and is aware of its ongoing responsibilities for assuring compliance with the conditions of registration. Having committed to the CUC HE Governance Code on its publication in 2015, the Board received a report confirming continued compliance and noting updates. Following consideration by the Remunerations Committee, the Board has adopted the CUC Remuneration Code and the impact of this can be seen in the Remunerations Committee report included in the Financial Statements. It has also guided the work of the committee over the year. The Governance and Nominations Committee has overseen a major review of the Board's governance processes and committee terms of reference which were approved by the Board in July 2018. Resources Committee discussed the University's Gender Pay Gap report and, whilst noting there is more work to do in this area was pleased to see that the results compared well with the sector. The committee also approved revised Financial Regulations as well as overseeing other financial and estates matters. The Board approved RSM as the new Internal Auditors for the University following a tendered selection process overseen by the Audit Committee.

Members of the Board have been fully involved in monitoring the progress of the serious fraud incident which occurred in 2014 and it has been pleasing to see this matter finally closed off with the resulting criminal prosecution concluding last summer with guilty verdicts and jail sentences for the two proponents. The Audit Committee commissioned PwC to undertake a final review of issues raised as a result of the fraud and received a full assurance that these had been comprehensively addressed by the University. This report was received and welcomed by the Board in March 2018. Associated data investigations were also overseen by the Audit Committee and I am pleased to report that all outstanding matters have now been resolved.

Following the HEFCE Assurance Review (HAR) carried out in July 2017, the Board received the associated reports at the March 2018 meeting along with an Action Plan addressing the detailed requirements and observations. Progress has been monitored by the Audit Committee with a further report coming to the Board in September 2018 and the Board is confident that appropriate actions have been taken. Details of the OfS Institutional Effectiveness Review (IER), which was a requirement of the HAR, have now been received and we look forward to engaging with this in November.

Whilst the University has enjoyed another very successful year overall, looking forward, the Board is very aware that we operate in an increasingly challenging environment with a likely reduction in income and growing cost pressures. This has been recognised in the realistic budget approved for 2018/19. 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 face the future with optimism and a renewed commitment to relevant, accessible higher education which offers the highest quality student experience.

EDGE HILL UNIVERSITY

REPORT OF THE BOARD OF GOVERNORS (CONTINUED)

In July this year we made six honorary doctorate awards recognizing exceptional achievement in areas of particular relevance to the university. We were delighted to honour Professor Phil Scraton for his work researching and supporting the Hillsborough Inquiry; Gary Everett, Artistic Director of Liverpool's Homotopia Festival; Jacky Hayden, Dean of Postgraduate Medical Studies for the NHS North Western Deanery; Janice Long, radio broadcaster; Dawn Airey, Chief Executive of Getty Images and David Yates, film director and producer. Steve Cram, athlete and broadcaster received his honorary doctorate at the December 2017 ceremonies.

Internally, there have been no changes to the senior team this year but the Board has seen a number of changes with Richard Benjamin and Denise Walker leaving the Board and Robert Green and Martin Ainscough finishing in November 2018 following completion of terms of office. Following a very successful recruitment round, we have been pleased to welcome three new members to the Board with Joanne Flitcroft, Founder and Director of Opallios Ltd - a specialist pharmacovigilance consultancy business, Margret Williams, Executive Chief Nurse, Integrated Governance and Quality Improvement, Morecambe Bay Clinical Commissioning Group and Fin McNicol, Director of Communications, Aintree University Hospital NHS all joining in September 2018.

This year has also seen the departure of our founding Chancellor, Professor Tanya Byron, after ten years in office. Tanya has supported the University in many ways and has enlivened our graduation ceremonies with her unique personal style which has brought joy to many. We are grateful for her commitment and contribution and wish her and her family well for the future.

Edge Hill is fortunate in the vision and leadership afforded through the long-standing Vice-Chancellor, Dr 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 (completed term of office 31 July 2018)

Pro-Chancellors

Professor C Edwards

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)	Completed term of office November 2018
Mr R Benjamin	(4)	Resigned September 2017
Mr J Bucknall	(4)	
Mr G Collinge	(2) (4)	Chair of Resources Committee
Ms C Donnelly	(1) (3)	
Professor C Edwards	(2) (3) (4)	Chair of the Board. Also chairs Governance & Nominations Committee
Mr C Elliott	(1)	
Ms J Flitcroft	(1)	Appointed September 2018
Mr R Green	(3) (4)	Completed term of office November 2018
Ms L Greenhalgh	(1) (2) (3)	Deputy Chair of the Board. Also chairs Audit and Remunerations Committees
Mr F McNicol	(4)	Appointed September 2018
Mr T Rankin	(4)	
Mrs L Robinson	(1) (3)	
Mr M Rush	(1)	
Ms D Walker	(3) (4)	Completed term of office March 2018
Ms M Williams	(4)	Appointed September 2018

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REPORT OF THE BOARD OF GOVERNORS (CONTINUED)

Ex-officio member:

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

* Since November 2017, the Vice-Chancellor attends in an advisory capacity and does not attend for matters relating to his salary, terms and conditions.

Co-opted Staff member (elected):

Ms E Carnegie	Completed term of office November 2017
Mr P Aplin	Appointed January 2018
Mr R Bayfield	Completed term of office November 2018

Student Body members:

Mr B Whittle	Finished 30th June 2018 (retiring Students' Union President)
Mr T Dodd	Finished 30th June 2018 (elected)
Mr J Bradford	Commenced 1st July 2018 (incoming Students' Union President)
Mr L Myer	Commenced 1st July 2018 (elected)

Academic Board member:

Prof G Talbot (3)

Governors are also trustees of the University

Key to Committee membership

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

Clerk to the Governors:

Ms L Munro Re-appointed 1 August 2018 to 31 July 2019

Professional Advisors

The University uses the following professional advisors:

External Auditor - KPMG LLP

Internal Auditor - PwC (RSM appointed from 1 August 2018)

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 2017/18 cycle**

Name	Full Board	Audit	Resources	Noms	Remunerations
Total meetings	6	4	4	2	5
Ex-Officio					
John Cater	5/6	3/4**	4/4	2/2	3/5*****
Independents					
Martin Ainscough	6/6		4/4		5/5
Richard Benjamin	0/1*		N/A		
Julian Bucknall	5/6		3/4		
Graeme Collinge	5/6		4/4		5/5
Christine Donnelly	6/6	4/4		2/2	
Clive Edwards	5/6		3/4	2/2	5/5
Clive Elliott	4/6	4/4			
Rob Green****	3/4		2/2	1/1	
Lisa Greenhalgh	6/6	4/4		1/2	5/5
Tony Rankin	6/6		2/4		
Louise Robinson	6/6	3/4			
Mike Rush	3/6	4/4			
Denise Walker	0/3*		0/2*	0/1*	
Staff members					
Roy Bayfield***	6/6				
Evelyn Carnegie	2/2*				
Paul Aplin	3/4*				
Academic Board Representative					
George Talbot	5/6			1/1*	
Student members					
Joe Bradford	1/1*				
Ben Whittle	5/5*				
Thomas Dodd	3/5*				
Luke Myer	1/1*				

- * Partial terms of office
 ** Officer in attendance
 *** Co-opted
 **** Approved part year sabbatical
 ***** First meeting as member, then in advisory capacity



Professor C Edwards
Chair of the Board of Governors
26 November 2018

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 Edge Hill Sport. The other companies in the Group are involved in various aspects of property management.

Charitable Status of the University

Edge Hill University is a Higher Education Corporation as defined under the provisions of the Education Reform Act 1988 as amended from time to time. Under these provisions the University is an exempt charity and as such is regulated by the Office for Students 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	2018 £'000	2017 £'000
Income	126,231	127,365
Expenditure before pensions charges	<u>(107,546)</u>	<u>(104,700)</u>
Surplus pre pensions adjustments and capital write downs	18,685	22,665
Loss on disposal of fixed assets	<u>(24)</u>	<u>(349)</u>
	18,661	22,316
Pensions charges to income and expenditure	<u>(4,676)</u>	<u>(2,062)</u>
Surplus for the year	13,985	20,254
Actuarial gain in respect of pension scheme	<u>19,921</u>	<u>2,172</u>
	<u>33,906</u>	<u>22,426</u>

Income

Overall income lines are £1.134m or 0.9% lower than the previous year with marginal reductions in tuition fees and other income partially mitigated by an increase in funding body grants.

In terms of the constituent elements of income, tuition fees and education contracts are £2.112m or 2% lower than the previous year. There is undoubtedly increasing levels of competition in a marketplace characterised by a reducing 18-21 year old demographic where all UK universities are permitted to recruit freely. However, this reducing income line is also symptomatic of a strategy to maintain our entry requirements with average intake requirements for courses at Edge Hill University continuing to exceed 320 points. The ongoing transition of health students from a bursary to a student loan basis of funding has also impacted, with a proportion of income attributable to our Spring student cohort being deferred. In relation to health students, the transition to a new model of funding continues to impact adversely upon applications although this has not translated into a reduction in income given the strength of applications relative to places available. The displacement of Health England North West (HENW) funding with Student Loan Company (SLC) loans is, however, undoubtedly bringing new challenges and opportunities in the marketplace as the government seek more affordable ways of addressing ongoing resource shortfalls in the healthcare workforce.

Funding body grant income is £1.248m or 23% higher than the previous year however this relates primarily to a provision made in our previous year's financial statements of £1.441m for restitution of funds to NCTL in relation to a 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 within the Faculty of Education given the increasingly difficult funding landscape they are operating in. More generally, there continues to be significant challenge in this marketplace in particular in relation to secondary provision though we anticipate stabilisation in the coming year. 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.

EDGE HILL UNIVERSITY

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

The increase in research grants and education contracts of £465k reflects a more than doubling of income and is symptomatic of a marked improvement in research performance. This is driven by increasing the availability of research support funds internally alongside the effective application of strategies for improving academic engagement as we continue to build the foundations for a successful Research Excellence Framework 2021 submission.

Other income has reduced by £748k or 4.6%. This is partly due to a reduced level of project funding in the Faculty of Education, the most significant of which relates to Every Child Counts (ECC). This is an area of provision that the university has recently withdrawn from given the reduced level of external funding available to support it. Aside from this, external funding for learning facilitators also continues to reduce with support for students now increasingly internally funded. Reduced levels of other income attributable to Health Education North West funding have also been absorbed as a result of the transition from a bursary to a SLC basis of funding. In the Faculty of Arts and Science there has been a reduction in other income though this is more than offset by an increase in research grants and contracts. Mitigating these reductions is an increase in residence and catering operations. We have continued to implement our medium term estates strategy and as a result our build programme continues apace with a further 182 bed spaces brought on stream in September 2017 which has helped drive a 4% or £466k increase in residence and catering income this year. Our residential development programme has continued unabated into 2018/19 with a further 81 bed spaces constructed and occupied in September 2018, adding to both residence and catering fees directly and tuition fees indirectly through improved retention performance.

Expenditure

Operating expenditure (pre pension adjustments) has increased by £2.846m or 2.7% compared to the previous year.

The most significant component of operating expenditure, as ever, is staff costs which have risen by 4.8% or £3.222m (pre pension adjustments) compared to the previous year. Significant investment in new staff has been supported this year, particularly in the Faculty of Arts and Sciences with investment supported in Biology, Computing, Policing, the Business School and Psychology. In the Research Office there has also been significant investment in staffing which has helped support a marked increase in research income. 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 also enabled the further enhancement of key services we provide to our students including the provision of mental health support and counselling.

Operating expenses have decreased by £360k or 1.3% from £28.618m to £28.258m. In terms of specific areas of expenditure, the most significant movements include office services and supplies which have fallen from £1.712m to £1.564m and primarily reflect a reduction in printing costs with more use of online materials and tendering of printing services contributing to the improved position. Publicity and advertising has increased from £729k to £822k reflecting the increasingly competitive HE environment in which the university operates. School based training payments are lower reflecting reduced activity in the Faculty of Education and, most significant of all, is a reduction in professional fees from £1.538m to £940k. The previous year included significant expenditure on professional fees attributable to work undertaken to investigate a number of regulatory issues relating to the Faculty of Education. These have now been fully resolved.

EDGE HILL UNIVERSITY

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

Key Performance Indicators

The University measures its performance using a variety of tools. Easily quantifiable measures that consider past financial performance covering cash generated from operations, liquidity, surplus generation and capital employed have all performed well given the challenges faced, with a cash inflow from operations of £24.93m reported for the year. Year-end cash balances of £45.177m are strong in spite of considerable investment in our estate of £27.8m which consists primarily of expenditure relating to our new state of the art Catalyst building housing Learning Services, Careers and Student Services in one location to provide a seamless experience to our student population.

Year-end cash balances of £45.177m should be viewed within the context of a requirement to hold a minimum year end cash balance of no less than £30m if the University is to avoid running out of cash part way through the year. This arises because of the timing of cash receipts from the Student Loan Company (SLC) whereby the University must wait until May before it receives the final 50% of tuition fee funding. Aside from this, the University also carries £32.85m of long term external debt which is repayable at £2.06m per year plus interest. Much has been made in the media of the prospect of increasing financial pressures on universities and the potential need for them to sell off valuable assets to avoid insolvency. Edge Hill University does not own assets of this nature with all fixed assets relating to buildings designated for educational purposes only. As such it must ensure it maintains sufficient liquidity to cover its debts, manage its working capital and provide a buffer to manage change and restructure in a measured way so as to minimise the potential damage to the business. At this point cash balances are at a level that is consistent with our medium term financial strategy and plans.

Clearly a leading, and perhaps the most important, measure of performance is our ability to generate income. In this regard and in common with the HE sector more generally, the University has found student recruitment increasingly challenging. Brexit uncertainty continues to adversely affect the recruitment of European students across the sector and whilst this poses little direct threat to Edge Hill, the ensuing competitive behaviour of those universities who rely more heavily on international recruitment does. Increasingly we are witnessing a downturn in tariff entry requirements within our competitor group with an increasing number of universities making unconditional offers and offering incentives. As a result, student intake numbers have fallen and, as the record intakes of previous years fall away we expect, and have planned for, a rebalancing of our all-years student numbers in future years.

The removal of restrictions on our capacity to recruit in the Faculty of Health accompanied the transition from a bursary style funding arrangement to tuition fee loans administered through the SLC has limited growth opportunities. In the Faculty of Education there continue to be recruitment challenges as a result of the after effects of the Government's policy agenda towards University based initial teacher training.

In overall terms, whilst student numbers are expected to reduce, this forms part of a longer term strategy that is driven by sustainability considerations and, in particular, the avoidance of recruitment tactics that may in any way impinge on the academic progress and employability of our student population. In this regard it is important to recognise that there is a clear trade-off between entry requirements and student numbers and in an environment where a number of universities are increasingly sacrificing the former in favour of the latter. Taking a mid-term view, we are convinced that our strategy is correct and in the institutions' and students' interests.

EDGE HILL UNIVERSITY

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

The TEF is an important barometer of university performance and whilst changes announced last year will halve the weighting of the teaching excellence measures from the National Student Survey, this 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. 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.

In terms of NSS over 2,300 Edge Hill students took part in the survey this year taking the overall response rate up from 69.2% to 71.6%. The university received an overall student satisfaction score of 85.1% which is 1.4% higher than last year and 1.6% higher than the sector average. This places the university 39th out of 116 English HEIs.

Whilst overall satisfaction across the sector dropped from 84.2% to 83.5%, Edge Hill saw an increase from 83.7% to 85.1%. In fact, Edge Hill saw an improvement in satisfaction across every category (except NHS Practice Placements, which still scores extremely high) and performed better than the sector averages. Edge Hill students are most satisfied with Learning Resources (88.7%), Learning Opportunities (85.4%) and Teaching on my Course (85.1%). The University has also improved its performance and substantially outperformed the sector in the areas of assessment and feedback and organisation and management.

Equally relevant in terms of long term competitive advantage are the results from our bi-annual staff survey. In 2017/18 ninety-one per cent of staff rated the University as a good employer with 90% of staff saying they are proud to work at Edge Hill and 94% saying their department delivers good quality service to students and service users. These positive results are key indicators for levels of staff engagement and job satisfaction.

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 96.6% 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 2018/19 and future risks

As indicated above, 2017/18 was a positive year for Edge Hill University in spite of the recruitment challenges that an increasingly competitive marketplace pose. Looking ahead there are a number of key risks. From an income perspective, competition in the marketplace will only intensify as the 18-21 year old demographic continues to decline. The review of Post-18 Education and Funding has been postponed pending the Office for National Statistics review of how the Government accounts for student debt. Government continue to promote alternative post 18 educational routes and ongoing Brexit uncertainty alongside a decision to continue to include students in immigration targets also threaten growth opportunities. From an expenditure point of view pensions continue to feature prominently in university risk registers with the USS Joint Expert Panel making recommendations for increased contributions, the likelihood of a significant hike in TPS

EDGE HILL UNIVERSITY

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

contributions from September 2019 and a LGPS valuation due next March. Inflationary pressures will almost certainly impact adversely upon future efforts to restrain pay and recent exchange rate movements have triggered significant increases in expenditure in relation to learning materials and IT related expenditure.

In many ways our response to these challenges has already taken place with the University having positioned itself in the upper quintile of financial performance and much of its campus development now complete. Edge Hill University has planned for these recruitment challenges and will not be faced with a requirement to significantly reduce entry requirements with the sole and, evidentially, unsuccessful desire of alleviating a reduction in recruitment. Instead we will continue to deliver a managed reduction in activity during this difficult phase, whilst at the same time positioning Edge Hill University so as to be ideally placed to take full advantage of the future long term opportunities that will inevitably present themselves to well managed organisations in the future. We have a strong 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 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 and will continue to prosper. We will continue to manage the University in furtherance of our strategic aims, sustaining our culture, ethos and absolute commitment to provide an outstanding and invaluable student experience, whilst remaining ever mindful of the threats and potential opportunities that will arise as the marketplace and the policy framework continues to evolve.

Treasury Policy, Objectives and Liquidity

The University manages cashflow through its principal bankers, Barclays Bank PLC. Surplus cash is swept daily from the current account to an interest bearing deposit account. The current rate earned on the deposit account is 35 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 £45.177m have been achieved in spite of significant internal financing attached to capital expenditure. Net cash inflow from operating activities of £24.93m has enabled the near completion of the new Catalyst building as well as investment in additional residences.

Total borrowings are £32.85m 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 14.4%. 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.

EDGE HILL UNIVERSITY

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

Student Services

Student Services provides a wide range of personal services, with interventions and support built on approaches, which help individuals take responsibility and develop their capabilities in dealing with life's challenges, and we believe this expertise strengthens resilience in new and innovative ways.

In 2015, Student Services drafted their 3-year strategy entitled 'Thriving Not Just Surviving' which set out an annually updated plan to move towards a more expansive service to support students more broadly and 2017/18 was the final year of this particular focus.

The University Accommodation has won numerous awards over the past few years and 2017/18 was no exception. Edge Hill University accommodation was ranked 2nd place in the WhatUni Student Choice Awards 2018 followed up later in the year by gaining the Best University Halls award in the National Student Housing Survey 2018. An additional accolade for Best Value for Money in the same set of awards was particularly welcome, evidencing the high quality, affordable campus accommodation. Following the success of the extremely popular Woodland Court townhouses built during 2016/17 the second phase of this development will provide additional on campus accommodation for over 81 2nd and 3rd year students in the future. With over 2500 student bedrooms now available this community living environment builds a strong sense of belonging from the moment students arrive on campus.

The recommendations from the review of Inclusion, Counselling and Wellbeing services have been implemented during this academic year with a new Head of the Services appointed and in the role from February 2018. Excellent progress has been made on the integration of service provision with a short initial appointments system in place for the start of Academic year 2018/19. This means students do not need to know whether they require support from the Wellbeing or Counselling services but will receive an assessment of their practical, wellbeing and therapeutic needs and be referred to relevant services (including internal counselling and external provision). The pilot of the 'Let Us Know' project proved to be very effective with over 70 students using this mechanism to make us aware of themselves or another student who may need support. Now this has been established and tested this initiative will be further rolled out next year.

The Transitions team established last year has resulted in positive outcomes for students in the first year of operation. The 'Thinking of Leaving' service has helped to identify and support those students who find the transition into university difficult and have challenges they need to overcome. This has helped a number of students to navigate the issues they face and gain the support they need to remain on their programme of study. A coordinated and consistent approach has been developed to be adopted by any staff member who provides advice and support to students who are thinking of leaving. The team structure is developing with another post established this year and this will enable further progress to be made in 2018/19.

The most significant development for Student Services has been the preparation for, and transition to Catalyst, the new home for the service co-located with Careers and Learning Services. Throughout the year the teams have been working towards the physical move to the new building, planning space and services and working together with partners to implement a smooth and effective relocation.

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

The delivery of services to students from this cutting edge new building will vastly improve the experience for both students and staff. New software and systems behind the scenes coupled with the physical space offered by private appointment rooms, presentation areas, group rooms and other more informal spaces offers an enormous opportunity to rethink delivery to students, both virtually and face to face.

Looking to the future Student Services' new Strategic Plan 2018-2021 entitled 'Making a Positive Difference' seeks to build on that work focussing attention on the opportunities available in Catalyst, developing partnerships with academic staff and seeking new and innovative ways to work with students to have a real and demonstrable impact.

Equality, Diversity and Inclusion

At Edge Hill we have a uniquely warm and friendly culture where the rights and dignity of our staff and students are respected. This is reflected in the feedback from our staff survey and NSS scores, both of which positively highlight an inclusive and welcoming environment.

In exercising our policies, practices, procedures and other functions, this culture has naturally helped to ensure that inclusive practices underpin everything we do. The Strategic vision for equality and diversity is to create an intellectually stimulating, creative and inclusive environment where everyone is inspired to excel by working together to reach their full potential and our strategic objectives are specifically tailored to support this.

Given the changing environment in which we operate and the rising profile of equality and diversity within the sector, the University will establish a dedicated Equality Diversity and Inclusion Manager from January 2019. This role will; formalise and centrally coordinate a proactive approach to the equality and diversity agenda, strengthen the EDI provision at the university for the benefit of both staff and students and continue to build the positive trajectory achieved in 2017/18. Key achievements include:

- Published Gender Pay Gap report;
- Stonewall membership renewed;
- HR Excellence in Research status achieved;
- Diversity champions established and training undertaken;
- Monthly LGBTIQ+ Group established;
- EHU first presence at Liverpool Pride parade;
- Transgender training delivered;
- First mandatory e-learning module in E&D under development;
- General Unconscious Bias training available to all staff;
- Specialist Unconscious Bias training for DMG / Senior Decision makers under development;
- Academic Career Development Working Group established to review, develop and govern progression routes for both research and teaching staff;
- Policy Review Group established to review existing policies and procedures and their impact on all staff and student communities;
- Disability Confident status maintained;
- Institutional Athena Swan submission prepared for November 2018;
- Faculty and Departmental Athena Swan working groups established in all faculties;
- Mental Health Road Show successfully hosted and extended staff development provision on mental health awareness and intervention;
- Mindful Employer Status achieved;
- 'Wonder Woman' university wide celebration of 100 years of women's suffrage programme of activity successfully hosted.

EDGE HILL UNIVERSITY

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

Health & Safety Management

The University has undertaken a fundamental review of how we gather our assurance around Health & Safety. This encompassed a revised approach to audit that better gauges risk, releasing more resource to enable a more practical robust assessment for higher net risk areas. The outcome of this review has been to ensure a greater cognizance of the level of risk in decision making processes so ensuring that it can be more effectively managed. Our overriding objective is to ensure the university provides a safe environment for our staff, students and visitors.

The University has a thriving Health and Safety representative network which has witnessed an increased level of engagement around policy review, the audit process and specific health and safety initiatives taken forward by the university during the year.

A number of policies and procedures have been reviewed during the reporting period in order to ensure that these policies were fit for purpose and met the needs of the university. This review included a full consultation process before formal ratification by the Institutional Health Safety and Environment Committee.

Enhanced training has also been undertaken this year to upskill our managers in the process of investigations. The training was be-spoke to the needs of the university with the overriding objective of ensuring that senior managers understood their roles and responsibilities within this area. The feedback from this was extremely positive and further sessions are planned for the next academic year.

Environmental Sustainability

The University remains committed to the broad environmental sustainability agenda and in so doing minimising the environmental impact of our activities and operations. We continue to utilise both technical interventions and measures, as well as culture and behaviour change strategies to help us improve our overall performance.

An updated Environmental Sustainability Strategy and Policy has been ratified and provides realistic targets up to 2021. Environmental Sustainability is one of eight strategic themes within the Facilities Management (FM) departmental strategy, and is embedded within policies, plans, processes and systems including procurement, contracts and operations.

Various awareness-raising events were held throughout the year encouraging staff and students to use active travel and low carbon transport options. Reserved parking for car sharers continues to be helpful in reducing the number of cars arriving on campus. We have also been successful in retaining Green Flag status for 2018/19, recognising the exceptional campus environment we have developed at the university, as well as the Soil Association Gold Catering Mark standard for our Water's Edge catering offer.

EDGE HILL UNIVERSITY

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

Fund Raising

Aside from welcoming donations through our alumni of past and present staff and students, the university does not actively fundraise. Rather, we encourage our alumni to make those who would benefit from studying with us aware of the University's attributes. We do not employ anyone to raise funds on our behalf and have received no complaints regarding fundraising activities.

Service to Society

Under the provisions of the Education 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 its charitable purposes for the public benefit is included in this report.

Arts and Culture

The importance of placing arts and culture at the centre of the student experience has become increasingly evident throughout 2017/18, as the University continues to invest in ambitious and innovative approaches to ensuring that all students can access the highest quality arts and entertainment during their time at Edge Hill.

The number of Edge Hill University students, from across all three faculties, attending events and performances at the university's Arts Centre has increased by 30% on the previous year, which sees a total EHU student audience increase of 140% over the past two years. The Arts Centre and Public Events programme continue to draw large numbers of people from the wider community, both locally and regionally, making for a vibrant environment in which students and prospective students can experience arts and culture.

Audiences from schools and colleges have increased by 180% during 2017/18, and there is no doubt that the quality of the cultural programme here at Edge Hill continues to attract and impress prospective students.

The University's partnerships with arts and cultural organisations has developed, providing increased opportunities for students to both experience and be involved in an arts programme that has received significant national coverage.

Sports and Fitness

2017/18 has seen another busy year for Edge Hill Sport, with academic teaching within sports facilities increasing by 37% compared to 2016-17. In collaboration with Student Services, 2017-18 also saw the pilot of a 10-week student Active Wellbeing referral scheme. The results were remarkable with the average 'Wellbeing' score increasing by 45% and the average 'Retention' score measuring the likelihood to continue on course increasing by 29%. Fitness membership levels increased by approximately 7% over the year, helped by the introduction of a new student residential membership scheme which proved successful with over 50% of all resident students taking advantage of a free 4-week trial, and approximately 35% of all residents continuing on into a 40-week discounted membership. This resulted in an increase in the proportion of students holding membership, with the overall membership mix being 59% students, 29% community and 12% staff.

EDGE HILL UNIVERSITY

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

A new 30-minute Personal Training offer was also introduced in 2017/18 which, uniquely, is included free within most memberships and our Campus Sport programme continues to offer a high quality and varied range of social and recreational sport.

In collaboration with the Faculty of Arts and Science, Edge Hill Sport has increased the number of 40-hour work placements to students in both the Fitness and Sports development teams, as well as increasing the recruitment of student volunteers to help deliver the Campus Sport programme.

Finally, following the re-accreditation of Customer Service Excellence, Edge Hill Sport has successfully achieved both the CIMSPA Pool Water Quality standard and Quest, the Sport England backed national quality standard for sports facilities, further evidencing the high quality of service provided.

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 underrepresented and disadvantaged groups in our student body compared to UK averages. For example, our comprehensive financial and pastoral support packages for Care Leavers helps to support individuals who might not otherwise embark on HE programmes; and our innovative Student Opportunity Fund provides financial support to enable students to take employment enhancing opportunities and allows them to shape support to suit their own needs.

Edge Hill liaises closely with local schools and colleges, delivering tailored packages of activities designed to inspire, raise aspirations and motivate young people; and through our Fastrack Programme, designed to bridge the gap between existing qualifications and those required to enter Higher Education, we provide a unique 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 groups. We recognise that widening participation is not just about attracting students into Higher Education. It is also about supporting them to stay on course, to attain the very best degree award and to support them into graduate level employment or further study to enhance their life chances. We continue to increase our investment across the student lifecycle and to provide both embedded and bespoke support to our students to deliver against our own objectives and also those emerging from the recently created Office for Students.

Employability and Enterprise

In 2017-18, the Employability, Enterprise, Entrepreneurship and innovation (E3I) team has been expanded, working across the university in order to identify, support and deliver a wide range of business and student focused Knowledge Exchange. The University also secured over £1.3m of funding for a new Productivity and Innovation Centre as well as a number of Up-Skilling projects in the Lancashire region.

EDGE HILL UNIVERSITY

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

The University has fully embedded a wide range of work related learning activities including tasters, simulations, live projects and work placements using our Module Enhancement Framework. This has enabled the piloting of live development projects within modules where this is not traditionally done, comprising practice-based activity as well as theory and practice-based projects.

Short-term work placement experiences have increased by 28.5% this year with closer relationships with local employers in the North West developed and several new industry partnerships now in place with regional Chambers of Commerce, Media Production Companies and Major Regional Theatres. Our Business School and Productivity & Innovation Centre are working with St Helens Chamber to grow student placements and stimulate the pipeline of fledgling graduate businesses.

Our Student Opportunity Fund has enabled our student body to bid for investment in extra-curricular activity to support project work related learning opportunities that are, in turn, helping develop employment prospects.

In 2017/18 55 new student success/case studies were published (Visualising Success). The Visualising Success case studies have been used to supporting student recruitment, marketing, work related learning and enterprise activities.

The ESF funded Up-Skilling Lancashire project will further embed employability skills within the curriculum. It will enable us to work with employers to align their needs with our plans for our degree programme development, resulting in co-creating modules with employers. This will be a university wide approach and will contribute to building up a pipeline of talent in the region to attract investment in the industries of the future.

2017-18 also saw the University invest in a Student Enterprise Fund to provide guidance, support and encouragement for student business start-up activities. The university has also supported students to take part in our Graduate Enterprise scheme and other subject specific competitions such as the University Technology Challenge hosted by Barclays.

Enterprise

In 2018, the ERDF funded Productivity and Innovation Centre (PIC) was established. This has led to the development, launch and operation of a new business support programme funded by ERDF called the Innovation Sprint. This has enabled us to proactively engage with organisations and businesses to understand their needs and local opportunities through the introduction of dedicated business development coordinators. This newly introduced resource has helped align business and organisational needs with access to appropriate expertise, skills and knowledge within the University.

EDGE HILL UNIVERSITY

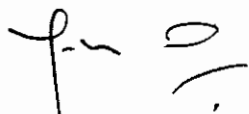
VICE-CHANCELLOR'S FINANCIAL AND OPERATING REVIEW (CONTINUED)

Regionally, Edge Hill has been instrumental in helping form the Lancashire HEI Innovation Forum with UCLAN and Lancaster University and have jointly-funded a three-year fixed term post of Lancashire Universities Innovation (LUI) Manager. This post, with strategic and operational input from Lancashire LEP and Lancashire County Council, will ensure that all three universities are involved in the development and implementation of innovation strategies and programmes in Lancashire. The LUI Manager will lead on the development of a portfolio of activities focused to better enable the three universities to drive economic development in Lancashire and beyond, in alignment with Lancashire's economic development and innovation priorities.

Our continued investment in STEM subjects including Computer Science, Virtual Reality applications, AI and robotics support key LEP Digital Priorities. This is underpinned by the introduction of AI & Robotics, Biotechnology, Food Science, Data Science, Geo-environmental programmes and developing medical innovation collaborations.

Finally, E3i is supporting Edge Hill's Research Office to connect academics with appropriate external organisations to facilitate the translation of research-based expertise into impact with support from the university's Impact and Knowledge Exchange Fund (IKEF). Enabling engagement with a wide range of organisations, including businesses, local government, health authorities and others to support the development of new Knowledge Exchange offers across the university.

In summary Edge Hill provides an invaluable contribution to the financial, cultural and health related well-being of its students and the wider stakeholder communities it serves helping to strengthen local ties and serving as an excellent vehicle for engaging with and motivating people into Higher Education.



Dr John Cater
Vice-Chancellor
26 November 2018

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 responsibility 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/OfS as the sector regulator and as set out in the Memorandum of Assurance and Accountability/Terms and Conditions of Funding. The Board is in receipt of regular reports from executive officers on the day-to-day operation 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, Governance & 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.

EDGE HILL UNIVERSITY

CORPORATE GOVERNANCE (CONTINUED)

The Governance & 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 and associated policies and procedures. It also agrees the total envelope available for the pay and reward of managerial and professorial staff who are employed on locally agreed pay scales. On recommendation by the committee, the Board has adopted the CUC Remuneration Code. Membership of Remunerations Committee is restricted to Independent Governors and is chaired by the Deputy Chair of the Board.

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 approves the Internal Audit Plan and considers the subsequent reports together with recommendations, and management responses, for the improvement of the University's systems of internal control. Members also receive and consider specific review reports from the Higher Education Funding Council for England/Office for Students 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. The committee provides an annual report to the Board which sets out its opinion on the adequacy and effectiveness of the University's arrangements for risk management, control and governance; economy, efficiency and effectiveness (VFM) and the management and quality assurance of data. 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/OfS 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 potential conflict. All Board members are expected to adhere to the seven Principles of Public Life as set out by Lord Nolan in 1995 and to meet the Fit and Proper Person requirements set out by the OfS. 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.

EDGE HILL UNIVERSITY

CORPORATE GOVERNANCE (CONTINUED)

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/OfS Terms and Conditions of Funding which also includes charity regulation requirements.

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. It is designed to manage rather than eliminate the risk of failure and can therefore only provide reasonable and not absolute assurance of effectiveness against material mis-statement or loss.

The following processes have been established by the Board and have been in place for the year ended 31 July 2018 and up to the date of approval of the financial statements. They accord with HEFCE/OfS guidance :

- 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 (or nominee) 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.

EDGE HILL UNIVERSITY

CORPORATE GOVERNANCE (CONTINUED)

- A robust risk prioritisation methodology is in use based on risk ranking and cost-benefit analysis has been established.
- An organisation-wide risk register is maintained.
- Reports are regularly received from budget holders and/or other key members of staff on key risks.

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

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 2017. The subsequent report for this review made clear that HEFCE were able to place reliance on the accountability information provided by Edge Hill University. The report included a number of recommendations and implementation of the Action Plan to address these has been monitored by the Board, through the Audit Committee. 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

REMUNERATIONS COMMITTEE REPORT

Institutional Context

In the twelve years since designation as a University in 2006, Edge Hill has become one of the leading universities in the North West with an enviable campus built on the back of a consistently strong financial performance. Awarded the Times Higher Education 'University of the Year' in 2014/15, the 2017 'gold' ranking in the Teaching Excellence Framework (TEF) further recognises the University's commitment to delivering an outstanding student experience as set out in the Strategic Plan. Operating across a wide range of subjects in Arts and Sciences, the University also offers professional qualification programmes in Health and Education and was one of only three Universities to be awarded a new, freestanding, Medical School in 2018. With a developing research base, acknowledged in the 2014 Research Excellence Framework (REF), the University is seeking to significantly improve its position in the REF 2021.

For a large and complex institution, performance at this level requires vision and strong academic and organisational leadership from the Vice-Chancellor, supported by able and effective Executive and senior staff, so that all members of the University community, staff and students, are able to achieve at their full potential.

The University is an exempt charity and, as such, the Board of Governors has a responsibility to ensure remuneration policy is developed and applied having due regard to the requirement to safeguard public funds as well as the need to recognise the efforts of staff in securing the University's continued success.

The Remunerations Committee

The purpose of the Remunerations Committee, as set out in the Terms of Reference approved by the Board, is to determine all matters pertaining to the salary and terms and conditions of employment of designated Senior Postholders within policy guidelines approved by the Board and to have oversight of the University's policy framework for the remuneration and reward of other senior staff on management contracts.

Membership of the Committee was revised following a review of the Committee's Terms of Reference at the meeting on 25 September 2017, and now comprises the Chair of the Board, the Deputy Chair, the Chairs of Resources and Audit Committees and a further independent governor. The Vice-Chancellor attends in an advisory capacity as required whilst the Director of Human Resources attends as an officer. The Committee is chaired by the Chair of Audit Committee and serviced by the Clerk to the Board. Neither the Vice-Chancellor nor the Clerk are permitted to be present when matters concerning their own salaries are discussed. The changes to the Terms of Reference were discussed and approved by the Board at the meeting on 23 November 2017.

The Committee has met five times during 2017/18 with all members in attendance. The number of meetings has been higher than normal both to accommodate the further development of the University's policy framework for staff remuneration and conditions of service and consideration of the Committee of University Chairs' (CUC) Remuneration Code. Reports of committee meetings are made to the Board.

EDGE HILL UNIVERSITY

REMUNERATIONS COMMITTEE REPORT (CONTINUED)

Name	Position	25 Sept	29 Jan	19 Feb	11 June	9 July
L Greenhalgh	Committee Chair, Deputy Chair of the Board & Chair of Audit	√	√	√	√	√
C Edwards	Chair of the Board	√	√	√	√	√
G Collinge	Chair of Resources	√	√	√	√	√
M Ainscough	Independent Board member	√	√	√	√	√
J Cater*	Vice-Chancellor	√	x	x	√	√
S Clarkson	Director of Human Resources	NA	√	√	√	√
L Munro	Clerk	√	√	√	√	√

*A member of the Committee in September, subsequent attendance has been in an advisory capacity

The University's Approach to Remuneration

The University operates in a competitive market with respect to the employment of staff and market forces can affect the University's ability to recruit and retain staff in particular areas of acute shortage. The University offers an excellent working environment however and scores very highly in staff surveys, suggesting that remuneration is only one of a number of factors that impact individual employee decisions to work here.

1. Underlying Principles of Remuneration

- a) The University has adopted the CUC Remuneration Code and with it a commitment to ensuring:
 - A fair, appropriate and justifiable level of remuneration;
 - Procedural fairness; and
 - Transparency and accountability.
- b) Commitment to annual Performance Review across the University and the opportunity for staff to develop.
- c) Equal Pay for work of Equal Value.

2. Staff employed on the National Pay spine

The University appoints staff to specific roles. Roles are evaluated using the Higher Education Role Analysis (HERA) scheme with each role assigned to an identified grade boundary (which specifies the minimum and maximum salary for each grade and the incremental progression points) on the nationally agreed 51 point pay spine. The University also monitors any increase to the minimum wage level proposed by the Living Wage Foundation and will consider if it should adjust relevant salary points on the pay spine to meet or exceed the minimum proposed. Subject to a satisfactory performance review, staff are generally entitled to annual incremental progression within the grade as well as a pay award agreed through national bargaining. The University recognises that there is an expectation of progression between grades for certain roles and that, in other cases, roles themselves will develop in response to business needs. The Progression Policy. ensures that the process of managing progression through grades is operated fairly and consistently and follows the principles of Equal Pay.

EDGE HILL UNIVERSITY

REMUNERATIONS COMMITTEE REPORT (CONTINUED)

3. Senior staff employed on Manager and Professorial Grades

Senior management and professorial staff are appointed on locally agreed pay scales. The point on the scale is determined having regard to benchmarking, experience, expertise and market forces. The annual pay award for staff on locally agreed pay scales is determined by the Vice-Chancellor operating within an overall sum agreed for staffing as set out through the University's budget process - this sum being guided by the annual national pay award agreed for the main body of staff. Roles are reviewed annually in terms of benchmarking and reflect changes or development in role. There is no incremental progression for these staff but the Vice-Chancellor is further informed by detailed performance assessments by Directorate and a discretionary, performance driven non-consolidated bonus scheme is in operation for those staff whose performance review grade is judged to be in the top two grades of a five point scale. The Remunerations Committee agrees the total envelope available for the pay and reward of this group of staff on behalf of the Board and seeks to keep a close match to the overall percentage increase in remuneration for the body of staff (which includes incremental drift).

All staff in this group have an option to access a private healthcare scheme and cover for life insurance.

4. Designated Senior Postholders

In determining the individual salaries and any discretionary payments for which the Remunerations Committee has direct responsibility, account is taken of:

- Likely national pay award levels
- Comparative benchmarking data for similar roles (from UCEA and CUC surveys)
- The outcomes of performance review against agreed objectives
- Institutional performance in relation to the Strategic Plan (Institutional KPI report)
- Major (planned or unplanned) achievements
- Internal pay differentials
- Demonstrable added value from length of experience in post

Performance Review is carried out by the Chair and Deputy Chair of the Board and incorporates objective setting for the next year. The process is documented.

The Board operates a discretionary, non-consolidated bonus scheme for designated senior postholders which is applied in the same way as that for manager and professorial staff.

Designated senior postholders have an option to access a private healthcare scheme and cover for life insurance. The Vice-Chancellor and Deputy Vice-Chancellor also currently participate in a car scheme.

EDGE HILL UNIVERSITY

REMUNERATIONS COMMITTEE REPORT (CONTINUED)

Institutional Performance (Key indicators for Remunerations Committee decisions)

The University was one of only three in the North West to gain TEF Gold status. Despite a fallback in the University's comparative (above sector average) position in terms of the NSS, other key indicators for the University have been maintained or improved. Retention rates remain well ahead of benchmark and, for 2017/18, the University was named as the Times and Sunday Times University of the Year for retention. First destination figures continue at a very high level for employment or further study whilst the percentage of students in graduate level jobs has shown a further significant improvement. Whilst the number of applications has fallen in line with the sector average, reflecting the demographic downturn, conversion rates have been largely maintained. The average tariff points score for degree entrants has continued to rise whilst the sector average has fallen back (demonstrating the University's commitment to maintain the quality of the intake during the demographic downturn). Research indicators are strongly positive although these have yet to be tested in REF 2021. Financial indicators for the University continue to be very robust and are sector leading. The success of the bid for the new Medical School is extremely significant for the University.

The Vice-Chancellor's performance has been rated as "Outstanding" in his performance review for this and the preceding year.

Other data

The total of funds distributed for performance pay for designated postholders and senior staff is £160,250 which represents 0.13% of the University's total income for the year ending 31 July 2017.

Remuneration of the Vice-Chancellor

The details of the salary and benefits paid to the Vice-Chancellor are disclosed in note 5 to the accounts.

EDGE HILL UNIVERSITY

STATEMENT OF PRIMARY RESPONSIBILITIES OF THE BOARD OF GOVERNORS

Key:

Code = CUC The Higher Education Code of Governance

AoG = Articles of Government

T&C = OfS: Terms and Conditions

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 academic and 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. [AoG 3.1; Code 3.1 – 3.3; 4]

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. [AoG 3.1 d; Code 7.9]

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; setting a framework for pay and conditions of service; establishing a human resources strategy and ensuring there are proper procedures for handling internal grievances. [AoG 3.1 e]

6. Chancellor

The Chair of the Board and the Vice-Chancellor will jointly appoint a Chancellor for the University advised by the Honorary Awards Committee.

7. Delegation of Authority

Delegation of authority to the Vice-Chancellor, as chief executive, for the academic, corporate, financial, estate and human resource management of the University and establishing and keeping under regular review the policies, procedures and limits within such management functions as shall be undertaken by and under the authority of the Vice-Chancellor. [AoG 3.2 b; Code 3.6]

EDGE HILL UNIVERSITY

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

8. Stewardship and Sustainability

To be the principal financial and business authority of the institution ensuring that proper books of account are kept. 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, property and estate; approving the Annual Accountability Return (AAR) to OfS and approving the annual budget and financial statements of the University. [AoG 3.1 b & c; Code 3.2; T&C 22 c & g]

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; T&C 22 b]

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 HE corporate governance as outlined in the CUC Code; including ensuring and demonstrating integrity and objectivity in the transaction of Board business with proper procedures for managing conflicts of interest, and wherever possible following a policy of openness and transparency in the dissemination of Board decisions. [Code 2.1 – 2.4; T&C 22 a]

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 OfS AAR. [Code 4.1; T&C 22 i]

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 as detailed in the Students' Union Code of Practice. [Code 2.5]

EDGE HILL UNIVERSITY

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

14. Health & Safety

Having responsibility for 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 and Academic Freedom

Safeguarding the University's role in upholding Freedom of Speech in all its activities, including the freedom for academic staff to question and test perceived wisdom, 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 that appropriate advice is available for this to happen; 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

STATEMENT OF BOARD OF GOVERNORS RESPONSIBILITIES IN RESPECT OF THE REPORT AND THE FINANCIAL STATEMENTS

The Board of Governors are responsible for preparing the Report and the financial statements in accordance with the requirements of the Office for Students' Terms and conditions of funding for higher education institutions and Research England's Terms and conditions of Research England grant and applicable law and regulations.

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 terms and conditions of funding further require the financial statements to be prepared in accordance with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education, in accordance with the requirements of the Accounts Direction issued by the Office for Students. The Board of Governors 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 Board of Governors 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 proper accounts and proper records in relation to the accounts. 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.

EDGE HILL UNIVERSITY

STATEMENT OF BOARD OF GOVERNORS RESPONSIBILITIES IN RESPECT OF THE REPORT AND THE FINANCIAL STATEMENTS (CONTINUED)

The Board of Governors are also responsible for ensuring that:

- funds from whatever source administered by the Group or the University for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- funds provided by the Office for Students and Research England have been applied in accordance with the terms and conditions attached to them;
- 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
- 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 2018 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 accounting policies in the Statement of Accounting Policies for the Year Ended 31 July 2018 disclosure.

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 2018, 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, 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 the Accounts Direction dated 19 June 2018 issued by the Office for Students.

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, Remunerations Committee Report 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.

EDGE HILL UNIVERSITY

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

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

Auditor's responsibilities

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

In our opinion, in all material respects:

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

EDGE HILL UNIVERSITY

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

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.



Robert Jones

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

1 St Peters Square,

Manchester,

M2 3AE

27 November 2018

EDGE HILL UNIVERSITY

STATEMENT OF ACCOUNTING POLICES FOR THE YEAR ENDED 31 JULY 2018

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 2018 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 2018 **(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.

Donations and Endowments

Non-exchange transactions without performance related conditions are donations and endowments. Donations and endowments with no restrictions are recognised in income when the University is entitled to the funds.

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 deficit is recognised in full with the movement in the scheme deficit being split between operating charges, finance items and actuarial gains and losses. Any pension scheme surplus is only recognised to the extent to which the University is able to recover the surplus through reduced contributions in the future.

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.

EDGE HILL UNIVERSITY

STATEMENT OF ACCOUNTING POLICES FOR THE YEAR ENDED 31 JULY 2018 **(CONTINUED)**

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.

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

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. Freehold buildings are depreciated at rates estimated to write off the cost or valuation over their anticipated useful lives the principal rates being:

	%
Leased land	1
Landscaping	5
Temporary buildings	10

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

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

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

EDGE HILL UNIVERSITY

STATEMENT OF ACCOUNTING POLICES FOR THE YEAR ENDED 31 JULY 2018 **(CONTINUED)**

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.

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.

EDGE HILL UNIVERSITY

STATEMENT OF ACCOUNTING POLICES FOR THE YEAR ENDED 31 JULY 2018 **(CONTINUED)**

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.

A contingent asset arises where an event has taken place that gives the University a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the University.

Contingent assets and 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.

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 2017/18 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 2018**

	Note	Year ended 31 July 2018		Year ended 31 July 2017	
		Consolidated	University	Consolidated	University
		£'000	£'000	£'000	£'000
Income					
Tuition fees and education contracts	1	102,822	102,822	104,934	104,934
Funding body grants	2	6,741	6,741	5,493	5,493
Research grants and contracts	3	917	917	452	452
Other income	4	15,451	17,109	16,199	17,555
Investment income		300	300	287	287
Total income		126,231	127,889	127,365	128,721
Expenditure					
Staff costs	5	74,331	74,331	70,430	70,430
Other operating expenses	6	28,258	29,866	28,618	29,918
Depreciation/Impairment		6,570	6,570	6,475	6,475
Interest and other finance costs	7	3,063	3,110	1,239	1,286
Total expenditure		112,222	113,877	106,762	108,109
Surplus before other gains losses and share of operating surplus/deficit of joint ventures and associates.		14,009	14,012	20,603	20,612
Loss on disposal of fixed assets		(24)	(24)	(349)	(349)
Surplus / (Deficit) for the year		13,985	13,988	20,254	20,263
Actuarial gain in respect of pension schemes		19,921	19,921	2,172	2,172
Total comprehensive income		33,906	33,909	22,426	22,435

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 46 to 64 form an integral part of these financial statements.

EDGE HILL UNIVERSITY**CONSOLIDATED STATEMENT OF CHANGES IN RESERVES
YEAR ENDED 31 JULY 2018**

Consolidated	Income and Expenditure Account £'000	Revaluation Reserve £'000	Total £'000
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
Transfers between revaluation and income and expenditure reserve	1,287	(1,287)	-
Total comprehensive income for the year	23,713	(1,287)	22,426
Addition to reserve	-	1,083	1,083
Total	23,713	(204)	23,509
Balance at 1 August 2017	146,182	48,567	194,749
Surplus/(deficit) from the income and expenditure statement	13,985	-	13,985
Other comprehensive income	19,921	-	19,921
Addition to reserve	-	-	-
Transfers between revaluation and income and expenditure reserve	1,153	(1,153)	-
Total comprehensive income for the year	35,059	(1,153)	33,906
Balance at 1 August 2018	181,241	47,414	228,655
University			
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
Transfers between revaluation and income and expenditure reserve	1,287	(1,287)	-
Total comprehensive income for the year	23,722	(1,287)	22,435
Addition to reserve	-	1,083	1,083
Total	23,722	(204)	23,518
Balance at 1 August 2017	146,076	48,567	194,643
Surplus/(deficit) from the income and expenditure statement	13,988	-	13,988
Other comprehensive income	19,921	-	19,921
Addition to reserve	-	-	-
Transfers between revaluation and income and expenditure reserve	1,153	(1,153)	-
Total comprehensive income for the year	35,062	(1,153)	33,909
Balance at 1 August 2018	181,138	47,414	228,552

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 46 to 64 form an integral part of these financial statements.

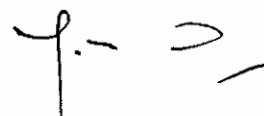
EDGE HILL UNIVERSITY**CONSOLIDATED AND UNIVERSITY BALANCE SHEET
YEAR ENDED 31 JULY 2018**

		Year ended 31 July 2018		Year ended 31 July 2017	
	Note	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Non-current assets					
Fixed assets	8	286,233	286,233	265,014	265,014
Investments in subsidiaries	9	-	7,139	-	7,139
Other investments		2	2	2	2
		<u>286,235</u>	<u>293,374</u>	<u>265,016</u>	<u>272,155</u>
Current assets					
Stock	10	101	101	139	139
Trade and other receivables	11	5,495	6,371	5,373	6,208
Investments	12	16,000	16,000	16,000	16,000
Cash and cash equivalents		<u>29,177</u>	<u>28,084</u>	<u>33,803</u>	<u>32,475</u>
		50,773	50,556	55,315	54,822
Less: Creditors: amounts falling Due within one year	13	<u>(16,614)</u>	<u>(17,031)</u>	<u>(17,133)</u>	<u>(17,277)</u>
Net current assets		34,159	33,525	38,182	37,545
Total assets less current liabilities		<u>320,394</u>	<u>326,899</u>	<u>303,198</u>	<u>309,700</u>
Creditors: amounts falling due after more than one year	14	(51,172)	(57,780)	(52,554)	(59,162)
Provisions					
Pension provisions	15	(40,567)	(40,567)	(55,895)	(55,895)
Total net assets		<u>228,655</u>	<u>228,552</u>	<u>194,749</u>	<u>194,643</u>
Unrestricted Reserves					
Income and expenditure reserve		181,241	181,138	146,182	146,076
Revaluation reserve		<u>47,414</u>	<u>47,414</u>	<u>48,567</u>	<u>48,567</u>
Total Reserves		<u>228,655</u>	<u>228,552</u>	<u>194,749</u>	<u>194,643</u>

The financial statements on pages 37 to 64 were approved by the Board of Governors on 26 November 2018.



Prof Clive Edwards - Chairman, Board of Governors



Dr John Cater – Vice-Chancellor

EDGE HILL UNIVERSITY**CONSOLIDATED CASH FLOW STATEMENT**
YEAR ENDED 31 JULY 2018

	Note	31 July 2018 £'000	31 July 2017 £'000
Cash flow from operating activities			
Surplus for the year		13,985	20,254
Adjustment for non-cash items			
Depreciation		6,570	6,476
Decrease/(Increase) in stock		38	(49)
(Increase)/Decrease in debtors		(310)	444
(Decrease)/Increase in creditors		(1,047)	1,062
(Decrease)/Increase in pension provision		4,593	1,980
Decrease in other provisions		-	-
Adjustment for investing or financing activities			
Investment income		(300)	(287)
Interest payable		1,801	1,912
Loss on the sale of fixed assets		24	349
Capital grant income release		(423)	(430)
Net cash inflow from operating activities		<u>24,931</u>	<u>31,711</u>
Cash flows from investing activities			
Capital grants receipts		1,321	3,623
VAT refund *		-	1,083
Disposal proceeds on sale of fixed assets		-	20
Investment income		292	304
Payments made to acquire fixed assets		(27,290)	(21,020)
New deposits		-	-
Total cash flow from investing activities		<u>(25,677)</u>	<u>(15,990)</u>
Cash flows from financing activities			
Interest paid		(1,819)	(1,930)
Repayments of amounts borrowed		(2,061)	(2,061)
Total cash flow from financing activities		<u>(3,880)</u>	<u>(3,991)</u>
(Decrease)/ Increase in cash and cash equivalents in the year		<u>(4,626)</u>	<u>11,730</u>
Cash and cash equivalents at the beginning of the year		<u>33,803</u>	<u>22,073</u>
Cash and cash equivalents at the end of the year		<u>29,177</u>	<u>33,803</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 2018		Year ended 31 July 2017	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
1. Tuition Fees and Education Contracts				
Full-time home and EU students	99,964	99,964	100,506	100,506
Full-time international students	1,674	1,674	1,937	1,937
Part-time students	390	390	722	722
Short course fees	794	794	1,769	1,769
	102,822	102,822	104,934	104,934
2. Funding Body Grants				
Recurrent grant				
Office for Students	1,317	1,317	1,075	1,075
National College for Teaching and Leadership	-	-	-	-
Specific grants				
Office for Students	4,910	4,910	5,184	5,184
National College for Teaching and Leadership	514	514	(766)	(766)
	6,741	6,741	5,493	5,493
3. Research Grants and Contracts				
Research councils	51	51	11	11
Research charities	121	121	75	75
Industry and commerce	24	24	17	17
Other	721	721	349	349
	917	917	452	452
4. Other Income				
Residences, catering and conferences	11,225	11,158	10,759	10,658
Other income	4,226	5,951	5,440	6,897
	15,451	17,109	16,199	17,555
5. Staff Costs				
Salaries	60,292	60,292	56,853	56,853
Social security costs	5,452	5,452	5,233	5,233
Movement on USS provision	(10)	(10)	69	69
Other pension costs	8,597	8,597	8,275	8,275
	74,331	74,331	70,430	70,430

EDGE HILL UNIVERSITY

NOTES TO THE ACCOUNTS (CONTINUED)

Emolument of the Vice-Chancellor

	2018	2017
	£'000	£'000
Salary	338	333
Benefits in kind	12	10
	<u>350</u>	<u>343</u>
Pension contribution	-	-
	<u>350</u>	<u>343</u>

	Basic Pay	All Emoluments
The Vice-Chancellor's salary and emoluments set out in pay multiples In accordance with OfS Accounts directive 2018.26:	8.5	10.0
Expressed as a multiple of the mean salary in the University For the year to 31st July 18:	4.0	5.0
On 1 st May 2018 the Vice-Chancellor voluntarily reduced his basic pay by £53,217. Assuming this reduced level of basic pay applied throughout the year the pay multiple expressed as a percentage of the mean salary at 31st July 18 would be:	3.4	4.0

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

	2018	2017
	Number	Number
£100,000 - £104,999	2	1
£105,000 - £109,999	2	1
£110,000 - £114,999	2	1
£115,000 - £119,999	0	4
£120,000 - £124,999	4	1
£125,000 - £129,999	0	2
£135,000 - £139,999	1	0
£140,000 - £144,999	2	0
£225,000 - £229,999	0	1
£240,000 - £244,999	1	0

Average Full Time Equivalent staff numbers by function

	2018	2017
	Number	Number
Academic Departments	794	771
Academic Support Services	104	99
Other Support Services	168	150
Administration and Central Services	176	168
Premises	110	111
Income Generating Activities	48	47
Catering and Residence	52	46
	<u>1,452</u>	<u>1,392</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. Total compensation consists of salary and benefits including any employers pension contribution.

	2018	2017
Number of Staff	4	4
Total compensation (£'000)	856	813

EDGE HILL UNIVERSITY

NOTES TO THE ACCOUNTS (CONTINUED)

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 13 independent members of the Board of Governors was £45. Expenses paid in the previous year were £964. These expenses represent travel and subsistence incurred attending governors and committee meetings and courses and conferences in their official capacity.

Trade Union Facilities Time – Statutory Report 01 April 2017 to 31 March 2018

Relevant Union Officials

Total number of employees who were relevant union officials during the relevant period

Number of employees who were relevant union officials during the relevant period	20
Full-time equivalent employee number (weekly FTE)	18.32 FTE

Percentage of time spent on facility time

Number of employees who were relevant union officials employed during the relevant period spending a) 0%, b) 1%-50%, c) 51%-99% or d) 100% of their working hours on facility time

Percentage of time	Number of employees
0%	3
1-50%	17
51%-99%	0
100%	0

Percentage of pay bill spent on facility time

Total cost of facility time as percentage of the total pay bill spent on paying employees who were relevant union officials for facility time during the relevant period (includes pension and NI contributions).

Total cost of facility time	£47,153.14
Total pay bill	£68,273,948
Percentage of the total pay bill spent on facility time, calculated as: (total cost of facility time ÷ total pay bill) x 100	0.07%

Paid trade union activities

Percentage of total paid facility time hours, spent by employees who were relevant union officials during the relevant period on paid trade union activities?

Time spent on paid trade union activities as a percentage of total paid facility time hours calculated as: (total hours spent on paid trade union activities by relevant union officials during the relevant period ÷ total paid facility time hours) x 100	13.00%
--	--------

EDGE HILL UNIVERSITY**NOTES TO THE ACCOUNTS (CONTINUED)****6. Analysis of Other Operating Expenses**

	Year ended 31 July 2018		Year ended 31 July 2017	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Residence, catering and conferences operating expenses	1,338	1,333	1,401	1,400
Books and periodicals	1,560	1,560	1,457	1,457
Heat, light, water, electricity, waste collection and rates	2,228	2,228	2,256	2,256
Maintenance materials	3,428	3,383	3,410	3,380
Office services and supplies	1,564	1,554	1,712	1,699
Consumables and supplies	2,428	2,386	2,357	2,328
Publicity and advertising	822	818	729	722
Staff training and development	550	544	576	570
Bursaries	1,203	1,203	1,213	1,213
School practice and educational visits	1,128	1,128	1,076	1,076
School based training payments	1,582	1,582	1,757	1,757
Temporary staff	356	356	319	319
Staff travel and subsistence	940	939	925	924
Grants to Student Union	677	677	617	617
Professional fees	940	942	1,538	1,529
Auditors' remuneration – external audit	45	43	44	41
Auditors' remuneration – internal audit	64	64	51	51
Auditors' remuneration in respect of non-audit services	46	37	71	62
Other operating expenses	7,359	9,089	7,109	8,517
	28,258	29,866	28,618	29,918

Other operating expenses include:

Operating lease rentals	119	177
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7. Interest and Other Finance Costs

	Year ended 31 July 2018		Year ended 31 July 2017	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Loan interest	1,801	1,848	1,912	1,959
LGPS pension finance adjustment	1,247	1,247	(686)	(686)
Movement on USS provision	15	15	13	13
	3,063	3,110	1,239	1,286

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 2017	10,733	262,616	1,040	13,010	11	94	287,504
Additions	26,150	39	-	1,624	-	-	27,813
Disposals	-	-	-	(261)	-	-	(261)
Inter category transfer	(10,730)	10,730	-	-	-	-	-
At 31 July 2018	26,153	273,385	1,040	14,373	11	94	315,056
Depreciation							
At 1 August 2017	-	13,623	-	8,792	11	64	22,490
Charge for the year	-	5,149	-	1,404	-	17	6,570
Disposals	-	-	-	(237)	-	-	(237)
At 31 July 2018	-	18,772	-	9,959	11	81	28,823
Net book value							
At 31 July 2018	26,153	254,613	1,040	4,414	-	13	286,233
At 31 July 2017	10,733	248,993	1,040	4,218	-	30	265,014

As at 31st July 2018 Land and Buildings included £20.028m (2017: £20.028m) in respect of freehold land that is not depreciated.

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 2017	10,733	260,180	3,478	13,009	11	94	287,505
Additions	26,150	39	-	1,624	-	-	27,813
Disposals	-	-	-	(261)	-	-	(261)
Inter Category transfer	(10,730)	10,730	-	-	-	-	-
At 31 July 2018	26,153	270,949	3,478	14,372	11	94	315,057
Depreciation							
At 1 August 2017	-	13,458	165	8,793	11	64	22,491
Charge for the year	-	5,094	55	1,404	-	17	6,570
Disposals	-	-	-	(237)	-	-	(237)
At 31 July 2018	-	18,552	220	9,960	11	81	28,824
Net book value							
At 31 July 2018	26,153	252,397	3,258	4,412	-	13	286,233
At 31 July 2017	10,733	246,722	3,313	4,216	-	30	265,014

As at 31st July 2018 Land and Buildings included £20.028m (2017: £20.028m) in respect of freehold land that is not depreciated.

EDGE HILL UNIVERSITY

NOTES TO THE ACCOUNTS (CONTINUED)

9. Investments in subsidiaries

	University	
	2018	2017
	£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	-	-
	<u>7,139</u>	<u>7,139</u>

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.

10. Stock

	Year ended 31 July 2018		Year ended 31 July 2017	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
General Consumables	<u>101</u>	<u>101</u>	<u>139</u>	<u>139</u>

EDGE HILL UNIVERSITY**NOTES TO THE ACCOUNTS (CONTINUED)****11. Trade and other receivables**

	Year ended 31 July 2018		Year ended 31 July 2017	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Payments in advance	2,228	2,219	1,923	1,914
Trade receivables	3,220	3,216	3,390	3,316
Other amounts owed by subsidiary undertakings	-	889	-	918
Amounts falling due after one year:				
Other	47	47	60	60
	<u>5,495</u>	<u>6,371</u>	<u>5,373</u>	<u>6,208</u>

12. Current Investments

	Year ended 31 July 2018		Year ended 31 July 2017	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Short term deposits	16,000	16,000	16,000	16,000
	<u>16,000</u>	<u>16,000</u>	<u>16,000</u>	<u>16,000</u>

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 2018, the weighted average interest rate of these fixed rate deposits was 1.26% per annum, and the remaining weighted average period for which the interest rate is fixed on these deposits was 203 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 2018		Year ended 31 July 2017	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Secured loans	2,060	2,060	2,060	2,060
VAT payable	143	139	174	171
Corporation tax/income tax	-	-	-	-
Trade payables	2,909	2,900	3,176	3,168
Social security and other taxation payable	2,473	2,473	2,313	2,313
Accruals and deferred income	9,029	9,002	9,410	9,381
Amount owed to subsidiary undertakings	-	457	-	184
	16,614	17,031	17,133	17,277

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

	Year ended 31 July 2018		Year ended 31 July 2017	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Deferred income	20,380	20,380	19,702	19,702
Obligations under finance lease	-	3,466	-	3,466
Secured loans	30,792	30,792	32,852	32,852
Amounts owed to subsidiary undertakings	-	3,142	-	3,142
	51,172	57,780	52,554	59,162

Analysis of secured loans:

	2018	2017
	£'000	£'000
Due within one year or on demand	2,060	2,060
Due between one and two years	2,061	2,061
Due between two and five years	6,181	6,180
Due in five years or more	22,550	24,611
Total secured loans	32,852	34,912

Included in loans are the following:

Lender	Amount	Remaining	Interest rate
	£'000	Term	%
Barclays Bank	1,125	7	5.55
Barclays Bank	2,800	14	5.52
Barclays Bank	4,480	14	5.775
Barclays Bank	23,400	19	5.23
Barclays Bank	1,047	6	5.30
	32,852		

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 2017	725	1,098	54,072	55,895
Utilised in year	(59)	(121)	(3,387)	(3,567)
Increase/(decrease) in provision in year	64	38	(11,863)	(11,761)
As At 31 July 2018	730	1,015	38,822	40,567

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 3% and applied a discount rate of 2.5%.

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.

16. Capital and other commitments

	Consolidated 2018 £000	and University 2017 £000
Contracted at 31 July	<u>11,851</u>	<u>2,893</u>
Authorised but not contracted at 31 July	<u>1,184</u>	<u>23,570</u>

17. Finance Leases

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

	Consolidated 2018 £000	2017 £000	University 2018 £000	2017 £000
In one year or less	-	-	-	-
Between one and two years	-	-	-	-
Between two and five years	-	-	-	-
In five years or more	<u>-</u>	<u>-</u>	<u>3,466</u>	<u>3,466</u>
	<u>-</u>	<u>-</u>	<u>3,466</u>	<u>3,466</u>

EDGE HILL UNIVERSITY

NOTES TO THE ACCOUNTS (CONTINUED)

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 an annual amount which is based on an assessment of the University's share of the deficit in the scheme. In 2017/18 that amount was £787,525. This figure will be reassessed in detail as part of each detailed actuarial review. Employee contribution rates vary according to salary level bandings.

On 26 October, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits, "GMP". The Government will need to consider this outcome in conjunction with the Government's recent consultation on GMP indexation in public sector schemes before concluding on any changes required to LGPS schemes.

The solvency funding level (proportion of liabilities covered by assets) is 90%. The full actuarial valuation was updated for FRS102 purposes to 31st July 2018 by a qualified independent actuary as follows:

	2018	2017	2016
Inflation assumption CPI	2.1%	2.2%	1.7%
Rate of increase in salaries	3.6%*	3.7%*	3.2%
Rate of increase in pensions	2.2%	2.2%	1.8%
Discount rate applied to scheme liabilities	2.9%	2.6%	2.5%

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

Assumed life expectation on retirement age of 65 are:	At 31 July 2018	At 31 July 2017
Retiring today		
Males	22.7	22.6
Females	25.4	25.2
Retiring in 20 years		
Males	25	24.9
Females	28	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.

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

The fair value of the scheme's assets is:

	2018	2017	2016
	Value	Value	Value
	£'000	£'000	£'000
Equities	64,136	58,320	47,618
Government Bonds	4,967	2,524	-
Other Bonds	877	3,055	3,084
Property	13,441	13,816	11,720
Cash/Liquidity	1,315	6,111	4,318
Other	61,361	49,021	56,625
	<u>146,097</u>	<u>132,847</u>	<u>123,365</u>

The scheme's assets are not intended to be realised in the short term and maybe subject to significant change before they are realised. The following amounts at 31 July 2018 were measured in accordance with the requirements of FRS102:

	2018	2017	2016
University's estimated asset share	146,097	132,847	123,365
Present value of scheme liabilities	<u>(184,919)</u>	<u>(186,919)</u>	<u>(177,629)</u>
Deficit in the scheme	<u>(38,822)</u>	<u>(54,072)</u>	<u>(54,264)</u>

Asset and Liability Reconciliation

	2018	2017
	£000	£000
Reconciliation of Liabilities		
Liabilities at start of period	186,919	177,629
Service cost	7,687	6,633
Interest cost	4,835	4,425
Employee contributions	1,606	1,565
Remeasurements	(12,742)	(584)
Benefits paid	(3,387)	(2,823)
Curtailments and settlements	1	74
Liabilities at end of period	<u>184,919</u>	<u>186,919</u>

Reconciliation of Assets

Assets at start of period	132,847	123,365
Interest cost	3,486	3,119
Remeasurements	7,402	3,696
Administration expenses	(121)	(116)
Employer contributions	4,264	4,041
Employee contributions	1,606	1,565
Benefits paid	(3,387)	(2,823)
Assets at end of period	<u>146,097</u>	<u>132,847</u>

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

	2018	2017
	£000	£000
Employer service cost	(7,687)	(6,633)
Past service cost/curtailments	(1)	(74)
Employer contributions	4,264	4,041
Total operating charge	<u>(3,424)</u>	<u>(2,666)</u>

Analysis of pension finance costs

	2018	2017
	£000	£000
Interest on plan assets less administration expenses	3,365	3,003
Interest on pension liabilities	(4,835)	(4,425)
Net finance charge	(1,470)	(1,422)
Interest cost adjustment re discount rate	223	2,108
	<u>(1,247)</u>	<u>686</u>

Analysis of other comprehensive income

	2018	2017
	£000	£000
Remeasurements (assets)	7,402	3,696
Remeasurements (liabilities)	12,742	584
Net actuarial gain less recognised in SOCI	20,144	4,280
Interest cost adjustment re discount rate	(223)	(2,108)
	<u>19,921</u>	<u>2,172</u>

Movement in deficit during the year

	2018	2017
	£000	£000
Deficit in scheme at 1 August	(54,072)	(54,264)
Movement in year:		
Current service charge	(7,687)	(6,633)
Contributions	4,264	4,041
Part service cost/curtailments	(1)	(74)
Net finance charge	(1,470)	686
Loss recognised in other comprehensive income	20,144	2,172
Deficit in scheme at 31 July	<u>(38,822)</u>	<u>(54,072)</u>

History of experience gains and losses

	2018	2017	2016	2015	2014
Difference between the expected & actual return on assets amount	7,402	3,696	16,080	(4,400)	(3,606)
% of scheme assets	5.1%	2.8%	13%	4.4%	4.1%
Experience gains/(losses) on scheme liabilities:					
Amount	0	4,320	0	0	7,053
% of scheme assets	0%	3.3%	0%	0%	7.9%

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.

Universities Superannuation Scheme

The University participates in the Universities Superannuation Scheme (USS). This is a multi-employer hybrid pension, providing defined benefits (for all members), as well as contribution benefits. The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the assets are not attributed to individual institutions and a scheme-wide contribution rate is set. The University is therefore exposed to actuarial risks associated with other Universities employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. As required by Section 28 of FRS102 "Employee benefits", the University therefore accounts for the scheme as if it were a wholly defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme. Since the University has entered into an agreement (the Recovery Plan) that determines how each employer within the scheme will fund the overall deficit of the scheme, the University also recognises a liability for the contributions payable that arise from this agreement (to the extent that they relate to the deficit).

The total cost charged to the profit and loss account is £477,661 (2017 £454,396)

The latest available complete actuarial valuation of the Scheme is at 31 March 2014 (the valuation date), which was carried out using the projected unit method. The valuation as at 31 March 2017 is underway but not yet completed.

EDGE HILL UNIVERSITY

NOTES TO THE ACCOUNTS (CONTINUED)

Universities Superannuation Scheme (Continued)

Since the institution cannot identify its share of the Scheme assets and liabilities, the following disclosures reflect those relevant for the Scheme as a whole:

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. These figures will be revised once the 2017 Scheme Valuation is complete.

Defined benefit liability numbers for the Scheme for accounting purposes have been produced using the following assumptions as at 31 March 2017 and 2018.

	2018	2017
Discount rate	2.64%	2.57%
Pensionable salary growth	n/a	n/a
Pensions increases (CPI)	2.02%	2.41%

The main demographic assumption used relates to the mortality assumptions. These assumptions have been updated for the 31 March 2018 accounting position, based on updated analysis of the Scheme's experience carried out as part of the 2017 actuarial valuation. The mortality assumptions used in these figures are as follows:

	2018	2017
Mortality base table	<u>Pre-retirement:</u> 71% of AMC00 (duration 0) for males and 112% of AFC00 (duration 0) for females. <u>Post retirement:</u> 96.5% of SAPS S1NMA "light" for males and 101.3% of RFV00 for females.	<u>Pre-retirement:</u> 98% of SAPS S1NA "light" YOB unadjusted for males. <u>Post retirement:</u> 99% of SAPS S1NA "light" YOB with a -1 year adjustment for females.
Future improvements to mortality	CMI_2016 with a smoothing parameter of 8.5 and a long term improvement rate of 1.8% p.a. for males and 1.6% p.a. for females.	CMI_2014 with a long term rate of 1.5% p.a.

The current life expectancies on retirement at age 65 are:

	2018	2017
Males currently aged 65 (years)	24.5	24.4
Females currently aged 65 (years)	26.0	26.6
Males currently aged 45 (years)	26.5	26.5
Females currently aged 45 (years)	27.8	29.0

	2018	2017
Scheme assets	£63.6bn	£60.0bn
Total Scheme liabilities	£72.0bn	£77.5bn
FRS 102 total Scheme deficit	£8.4bn	£17.5bn
FRS 102 total funding level	88%	77%

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 shortfall in respect of that employer will be spread across the remaining participant employers and reflected in the next actuarial valuation of the scheme.

EDGE HILL UNIVERSITY**NOTES TO THE ACCOUNTS (CONTINUED)****19. Bursary And Hardship Funds**

	Year ended 31 July 2018		Year ended 31 July 2017	
	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	26	26
Grants	-	-	-	-
Disbursed to students	(1)	(1)	-	-
Balance at 31 July	25	25	26	26
NCTL Early Years Gem Bursary				
Balance at 1 August	2	2	4	4
Grants	27	27	23	23
Funds returned	-	-	-	-
Claw back	-	-	(4)	(4)
Disbursed to students	(21)	(21)	(21)	(21)
Balance at 31 July	8	8	2	2
HEFCE Further Education Bursaries				
Balance at 1 August	76	76	77	77
Grants	-	-	-	-
Write off	-	-	(1)	(1)
Disbursed to students	-	-	-	-
Balance at 31 July	76	76	76	76
Teacher Training Bursaries				
Balance at 1 August	(584)	(584)	967	967
Grants	4,741	4,741	4,835	4,835
Disbursed to students	(4,733)	(4,733)	(6,386)	(6,386)
Balance at 31 July*	(576)	(576)	(584)	(584)

*The negative closing balance on Teacher Training Bursaries related to bursaries paid by the University that are expected to be reimbursed by NCTL or its successor body.

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 2018		Year ended 31 July 2017	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'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	Expenditure	Balance at
	£'000	£'000	31 st July 2018
			£'000
Edge Hill Student Union	172	685	-

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	11	125	(128)	8

Edge Hill Maintenance Services Limited is a wholly owned subsidiary of Edge Hill University and as such is included in the consolidated accounts of the University. The objectives of the company which has been established as a charity are to promote the advancement of education by the provision of funds , property repair and maintenance services and other such services for the educational and charitable needs 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.