

# Edge Hill University

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## **Report & Financial Statements For the Year Ended 31 July 2019**

## **EDGE HILL UNIVERSITY**

### **ANNUAL REPORT**

#### **Key Performance Indicators**

<b><u>Year Ended 31 July</u></b>	<b><u>2019</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>
Total Income in £'000 (1)	123,774	126,231	127,365	128,127	123,935
Surplus for the year in £'000 (1)	954	13,985	20,254	21,637	21,247
Cash Generated by Activities in £'000	18,497	24,931	31,711	31,699	30,165
Cash for Investment in £'000	48,265	45,177	49,803	38,073	29,029
Financial Worth of the University in £'000 (1)	214,026	228,655	194,749	171,240	162,796
Applications for University FT UG Programmes (2)	15,116	16,125	18,035	19,767	19,133
Total number of students of the University (3)	14,075	14,256	15,220	15,543	16,170
Percentage of Staff who rate the University as a good employer (4)	N/A	91%	N/A	93%	94%
Employee Turnover	6.6%	6.7%	6.8%	6.6%	5.6%
Level of University Staff Absence	3.2%	3.1%	2.9%	3.6%	3.2%

#### **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 2019**

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## **EDGE HILL UNIVERSITY**

### **REPORT OF THE BOARD OF GOVERNORS**

This is my third report as Chair of the Board, and I write at a time of uncertainty and challenging economic conditions for the sector. It is with this backdrop that I am pleased to report that Edge Hill has enjoyed another successful year and stands in a position of relative strength.

The University is ranked Gold in the Teaching Excellence Framework and is one of a select few universities to have held the coveted UK University of the Year title, awarded by the Times Higher Education. Our performance in prestigious and influential league tables has consistently improved, with the University rising by 13 places in the Complete University Guide 2020, which reflects entry standards, student satisfaction, research quality and graduate prospects.

From a financial perspective, the external environment sets an important context. The University's income derives primarily from tuition fees which, as a unit of resource, have increased by a total of just 2.8% in the past eight years since the uplift in tuition fees in 2012. There continues to be a decline in the student demographic, at a time when there are more providers of higher education in the UK system than ever before. Competition is intense and maintaining recruitment levels is increasingly challenging. To compound matters, the University has also experienced a sharp increase in operating costs, with a notable rise in the amount levied to the University for pension contributions. The University does, however, continue to manage its finances exceptionally well and the accompanying Strategic Report provides the detailed figures which underline a contextually robust and resilient position. Consequently, despite a reduced income and squeezed margins, the University has maintained a level of surplus that has enabled continued investment in strategically important areas, and Edge Hill continues to be a forward looking and ambitious institution.

With tuition fee income at the heart of institutional sustainability, the Board is conscious of the pressure on student recruitment. Reputation which has been hard won can be easily lost, and the Board's overriding responsibility is to long term institutional success. In this context, the Board has supported the University's continued commitment to maintaining academic entry standards and making pedagogically-sound offers. The Board has also endorsed the University's Access and Participation Plan, which outlines how the University expends considerable resource and effort building purposeful relationships with schools and colleges across the nation, enabling us to reach out to underrepresented groups and widen access as part of our general recruitment strategy. While applications are down, which is not unexpected in the circumstances, the Board was delighted to note that conversion rates for 2019 have seen a marked improvement. Governors observed that this improvement is likely to flow from the University's growing reputation with key stakeholders, which has been strengthened by our ethical approach to offer making.

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 Board noted improvements in student retention, a reduction in attainment gaps for underrepresented groups, excellent degree outcomes and good results in the 2019 National Student Satisfaction Survey. The Board was particularly pleased to learn that the University was shortlisted in six of the twelve available categories in the WhatUni? awards 2019, including University of the Year, since these were based on student reviews. Governors also recognise 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.

## **EDGE HILL UNIVERSITY**

### **REPORT OF THE BOARD OF GOVERNORS (CONTINUED)**

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 now at an advanced stage. Significant progress has been made against targeted objectives, and a recent mock REF exercise indicates that in REF 2021 we will nearly double the number of staff Edge Hill entered in REF 2014. The Board strongly supports the University's continued investment in this area and sees commitment to this aspect of the University's work as a key factor in enhancing the student learning experience and advancing the University's reputation.

In terms of capital development, this year's principal focus has been on refurbishment. A renovation of the 'old library' was completed, providing generic teaching space as well as outstanding facilities for Law, Criminology and Policing, Psychology and a new Language Centre. The Board also approved the development and fit-out of the former LINC building to provide a skills and simulation facility to service the Faculty of Health, Social Care and Medicine, along with the reconfiguration of the East Wing Halls in the Main Building to provide contemporary en-suite accommodation for students. The University's campus remains an outstanding environment, adding immeasurably to the quality of academic provision and student life.

Edge Hill is fortunate in the vision and leadership afforded through the long-standing Vice-Chancellor, Dr John Cater CBE, and the Executive team, who this year welcomed Dr Jane Moore as Pro Vice-Chancellor and Dean of Education, succeeding Dr Lynnette Turner. Together the senior leadership team has driven forward a clear strategy for excellence with the quality of the student experience at its heart.

In addition to outstanding strategic leadership and financial management, the University can rely on sound governance. An Independent Effectiveness Review undertaken in December 2018 tested the University's compliance across a broad regulatory spectrum, with a particular emphasis on governance arrangements. The Board was pleased with the review report, noting a limited number of observations that were all accepted and resultant actions are now complete. Having committed to the CUC HE Governance Code on its publication in 2015, the Board continues to adopt this Code along with the CUC Remuneration Code 2018. The University is rigorous in its approach to senior staff remuneration, and full details are provided in the accompanying Remuneration Committee report.

Over the past year the Board has been particularly mindful of its duties under the Office for Students' (OfS) new regulatory framework. The Board is alert to its ongoing responsibilities for ensuring that there are appropriate governance and management arrangements in place to comply with the OfS' Ongoing Conditions of Registration and, along with executing its direct functions, has taken significant assurance from the evidence provided by the Executive in support of the University's general compliance.

My appreciation and good wishes are extended to those members of the Governing Board whose terms ended in 2018/19. Martin Ainscough and Robert Green completed their terms of office, Roy Bayfield retired and Tony Rankin stepped down, with our thanks for his service. I was also pleased to welcome Neil Dixon, along with our new student representatives Will Adams and Kate Vickers who replaced Joe Bradford and Luke Myer.

## **EDGE HILL UNIVERSITY**

### **REPORT OF THE BOARD OF GOVERNORS (CONTINUED)**

Completing the academic year, in July we made four honorary doctorate awards recognising exceptional achievement in areas of particular relevance to the University. We were delighted to honour Gill Burns MBE, Women's Rugby World Cup winner and trailblazer for the sport; Gary Everett, Artistic Director of Liverpool's Homotopia Festival; Lady Brenda Hale, the first female President of the UK Supreme Court and Sir Robin Saxby, engineer, leader and pioneer of innovation.

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 2019/20. 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.

All members of the University contribute 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**

Vacant

##### **Pro-Chancellor**

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 and University Secretary)

Mr S Crofts (Dean of Health)

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

Dr J Moore (Dean of Education) [*Dr L Turner until 31 March 2019*]

#### **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 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) (3)	
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)	Resigned May 2019
Mrs L Robinson	(1) (2)	
Mr M Rush	(1)	
Ms M Williams	(4)	Appointed September 2018

## **EDGE HILL UNIVERSITY**

### **REPORT OF THE BOARD OF GOVERNORS (CONTINUED)**

#### **Ex-officio member:**

Dr J Cater (2)^ (3) (4)

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

#### **Co-opted Staff member (elected):**

Mr R Bayfield	Completed term of office November 2018
Mr P Aplin	
Mr N Dixon	Appointed March 2019

#### **Student Body members:**

Mr J Bradford	Finished 30th June 2019 (retiring Students' Union President)
Mr L Myer	Finished 30 June 2019 (elected)
Ms K Vickers	Commenced 1st July 2019 (incoming Students' Union President)
Mr W Adams	Commenced 1st July 2019 (elected)

#### **Academic Board member:**

Professor 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	To 31 July 2019
Ms H Smallbone	From 1 August 2019

#### **Professional Advisors**

The University uses the following professional advisors:

External Auditor - KPMG LLP

Internal Auditor - RSM

Banker - Barclays Bank PLC

Insurance Broker - Aon Ltd

Solicitor - DLA Piper LLP, Eversheds LLP and SGH Martineau LLP



**EDGE HILL UNIVERSITY****REPORT OF THE BOARD OF GOVERNORS (CONTINUED)****Attendance at Meetings 2018/19 cycle**

Name	Full Board	Audit	Resources	Gov & Noms	Remunerations
<b>Total meetings</b>	<b>6</b>	<b>4</b>	<b>3</b>	<b>3</b>	<b>4</b>
<b>Ex-Officio</b>					
John Cater	6	4**	3	3	3
<b>Independents</b>					
Martin Ainscough*	2/2		1/1		N/A
Julian Bucknall	6/6		2/3		
Graeme Collinge	5/6		3/3		2/4
Christine Donnelly	6/6	4/4		3/3	
Clive Edwards	6/6		3/3	3/3	4/4
Clive Elliott	6/6	3/4		1/1*	
Joanne Flitcroft	5/6	2/3*			
Rob Green*	1/2		1/1	1/1	
Lisa Greenhalgh	6/6	4/4		3/3	4/4
Tony Rankin****	0/5		0/2		
Fin McNicol	5/6		1/3		
Louise Robinson	6/6	4/4			3/4
Mike Rush	4/6	2/4			
Margaret Williams	4/6		1/3		
<b>Staff members</b>					
Roy Bayfield*/***	2/2				
Paul Aplin	5/6				
Neil Dixon***	2/3				
<b>Academic Board Representative</b>					
George Talbot	6/6			2/3	
<b>Student members</b>					
Joe Bradford*	5/5				
Luke Myer*	3/5				
Will Adams*	1/1				
Kate Vickers*	1/1				

\* Partial terms of office  
 \*\* Officer in attendance  
 \*\*\* Co-opted  
 \*\*\*\* Resigned in-year



**Professor C Edwards**  
**Chair of the Board of Governors**  
**25 November 2019**

## **EDGE HILL UNIVERSITY**

### **STRATEGIC REVIEW**

#### **Mission, Objectives and Strategy**

The Governing Body serves 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.

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.

## **EDGE HILL UNIVERSITY**

### **STRATEGIC REVIEW (CONTINUED)**

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.

#### **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.

#### **Financial Overview**

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.

## **EDGE HILL UNIVERSITY**

### **STRATEGIC REVIEW (CONTINUED)**

#### **Core Operating Surplus**

	<b>2019 £m</b>	<b>2018 £m</b>
Core Operating surplus	12.4	19.8
Pension adjustments	(7.5)	(4.7)
Revaluation reserve	(1.1)	(1.1)
OfS clawback	(0.4)	-
Impairment charge	(0.6)	-
Refurbishment of student accommodation	<u>(1.7)</u>	<u>-</u>
SOCI* Surplus	<u>1</u>	<u>14</u>

\*Statement of Comprehensive Income and Expenditure

Core Operating surplus is our key measure of financial performance internally and excludes non-cash items which are outside of the University's direct control such as actuarial gains and losses related to LGPS (Local Government Pension Scheme) and changes in USS liabilities arising from deficit recovery plans. Adjustments are also made for transfers between revaluation and income and expenditure reserves. These adjustments are considered necessary because the accounting treatment under FRS102 can lead to significant volatility, potentially distorting a reader's view of underlying financial performance.

Items that are typically one-off in nature or non-cash are also excluded when considering underlying operating performance. These include a sum of £411k set aside in relation to possible OfS clawback liabilities and an impairment charge of £597k in relation to 51% user rights owned by the University attached to property located in Woodlands Chorley.

Over the last ten years the University has invested over £200m in new buildings and equipment in preparation for and response to the challenges of an increasingly competitive environment. Having now reached a point of maturity in our estate, focus has begun to move more towards specific one-off projects designed to ensure the longevity of key capital assets. One such program approved was a £5m business case to improve the quality of student accommodation in relation to which £1.7m of expenditure has been incurred this financial year. Given this was a major investment proposal agreed in-year it is also not included in assessing core underlying performance.

After adjusting for such items, the core operating surplus for the year is £12.4m which compares with a core operating surplus in the previous year of £19.8m. This reduction is consistent with our five-year forecasts and is reflective of an anticipated reduction in student numbers as well as a change in focus away from using cash generated from operations to support major build projects, and more towards revenue related expenditure designed to improve key TEF related metrics linked to retention, employability and research agendas.

## **EDGE HILL UNIVERSITY**

### **STRATEGIC REVIEW (CONTINUED)**

The core operating surplus for the year has driven a cash generation from operations of £18.5m and a year-end cash balance of £48.3m. This compares with long term loans of £30.8m resulting in a record net cash position (cash and cash investments less long-term loans) of £17.5m. Such liquidity will be important over the coming years as we continue to navigate the ongoing uncertainties of an increasingly volatile external environment.

#### **Income**

	<b>2019</b>	<b>2018</b>	<b>Increase/ (Decrease)</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Tuition fees	98.8	102.8	(4)
Residences, catering and conferences	12.4	11.2	1.2
Funding body grants	5.9	6.7	(0.8)
Research grants	1.4	0.9	0.5
Other	5.3	4.6	0.7
	<u>123.8</u>	<u>126.2</u>	<u>(2.4)</u>

Overall income lines are £2.4m or 2% lower than the previous year. Our two main sources of income are tuition fees (80% of total income) and residences, catering and conferences (10% of total income) which is similar to the ratio in the previous year.

Tuition fee income is £4m or 4% lower than the previous year. There is undoubtedly increasing levels of competition in a marketplace that is 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 an ongoing strategy to improve entry requirements with the average UCAS points score for entry onto courses at Edge Hill University now 129.8 points (equivalent to ABB). Income in the Faculty of Arts and Sciences has been particularly affected by competitor behaviour with a number of universities adopting increasingly aggressive approaches to recruitment such as widespread unconditional offer making and cash incentives. In particular, in relation to Sport, Media and Performing Arts programmes we have witnessed a not insignificant reduction in recruitment. There are, however, areas of growth including Policing, Psychology, Biology and Computer Science. As market conditions continue to change it will be vital that we respond effectively, managing resources so as to ensure they are appropriately deployed. In the Faculty of Education the education landscape remains unpredictable and this continues to present recruitment challenges for both PGCE and ITT undergraduate programmes. There has been some Government acknowledgement of what has now become a chronic national teacher shortage with plans to replace the current Qualified Teacher Status with accreditation based on a school's assessment of teacher's effectiveness abandoned as well as recent

## **EDGE HILL UNIVERSITY**

### **STRATEGIC REVIEW (CONTINUED)**

announcements made around future increases to teachers' starting salaries. In the Faculty of Health the transition to a new model

of funding has had a dampening effect upon applications, however this has not translated into a reduction in income given the strength of applications relative to places available. There is a growing number of students accessing direct entry onto nursing and midwifery programmes including nursing associate and apprenticeship programmes although challenges to recruitment are expected to reside in the pressures on placement capacity and availability.

Residences, catering and conferences income has increased by £1.2m or 11%. This is due, to a significant extent, to an increase in bedspaces brought on stream in September 2018. Furthermore, the number of rooms allocated to study abroad students, who are not billed for accommodation fees was reduced this year freeing up additional rooms for use by domestic students. Increased catering revenues have been secured following the opening of a new catering outlet in the Catalyst building and demand remains high for student accommodation across campus with rental charges very competitively priced when benchmarked against other providers of a similar standard.

Funding body grant income is £0.8m or 12% lower than the previous year. This relates, to a significant extent, to a required clawback provision of £411k following a reduction in student numbers compared to the previous year and a change in the student mix. Aside from this, the OfS have also reduced the level of funding allocated to support successful student outcomes.

Research grants and education contracts has increased by £0.5m or 56%. This marks a trebling of research grant income in the last two years and is reflective of a significant level of investment in research during this period. Increasing the availability of internal research support funds and investing in graduate teaching assistants undertaking PhD programmes in recent years have all proven to be effective strategies for improving academic engagement as we continue our progress towards a successful Research Excellence Framework 2021 submission.

Other income has increased by £0.7m or 15%. This is due, to a significant extent, to an increase in apprenticeship income and is reflective of recruitment challenges in the NHS that have led to new markets as the Government seeks more affordable ways of addressing resource shortfalls in the healthcare workforce. A weakening of sterling against the dollar resulting in a significant exchange rate gain at year end has also contributed.

## **EDGE HILL UNIVERSITY**

### **STRATEGIC REVIEW (CONTINUED)**

#### **Core Expenditure**

	2019	2018	Increase/ (Decrease)
	£m	£m	£m
Staff costs	79.6	74.3	5.3
Pensions adjustments	(6)	(3.4)	(2.6)
Core staff costs	<u>73.6</u>	<u>70.9</u>	<u>2.7</u>
Other operating expenditure	<u>32</u>	<u>28.3</u>	<u>3.7</u>
Interest payable	3.2	3.1	0.1
Pension adjustments	(1.5)	(1.3)	(0.2)
Core interest payable	<u>1.7</u>	<u>1.8</u>	<u>(0.1)</u>
Total core expenditure	<u>107.3</u>	<u>101</u>	<u>6.3</u>

Total core expenditure is £6.3m or 6% higher than the previous year. This excludes actuarial gains and losses related to LGPS (Local Government Pension Scheme) and changes in USS liabilities arising from deficit recovery plans. These are non-cash items which are outside the University's direct control and are therefore not used to assess cost management performance internally.

Included within total core expenditure are core staff costs which have increased by £2.7m or 4%. Given the combined effects of nationally negotiated pay awards and incremental drift amount to 3.5%, the increase attributable to non-price related factors is marginal. However, this belies a significant amount of work undertaken during the year to ensure resources are effectively deployed including a restructuring and rebasing of expenditure within the Faculty of Education and a redeployment of resources within the Faculty of Arts and Sciences. Also included in these costs is an actuarial cost of £1.9m related to past service costs/curtailment.

Other operating expenditure has increased by £3.7m or 13%. Included within other operating expenditure is a one-off impairment charge of £0.6m in relation to 51% user rights owned by the University attached to property located in Woodlands Chorley. Also included is a major refurbishment project to improve the quality of student accommodation costing £1.7m. Excluding these items other operating expenditure has increased by £1.4m or 5%. Significant increases in other operating expenditure relate to: residence, catering and conference expenses; travel and subsistence; rates; minor works; annual subscriptions; hardship funds and consultants fees. Increases in residential, catering and conference expenses are aligned to increased income. Travel and subsistence increases reflect increased numbers of academic staff involved in research and conference attendance. Increased costs associated with rates align with the increased size of the estate. Minor works include a number of individual projects agreed in-year including: gas pressurisation works; external lighting and reconfiguration of buildings to accommodate changes in use. Annual subscriptions reflect newly imposed charges by the OfS. Hardship funds reflect significant additional resources assigned to support students in financial hardship and consultants fees reflect support for a number of additional projects agreed during the year including: market data analysis; estates strategy work and costs associated with refurbishment and minor works projects.

## **EDGE HILL UNIVERSITY**

### **STRATEGIC REVIEW (CONTINUED)**

Interest payable relates primarily to long term loans. The capital amount outstanding in relation to long term loans is £30.8m and this reduces by £2m each year reducing the amount of interest payable annually by £100k.

#### **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, core operating surplus and capital employed have all performed well given the challenges faced, with a cash inflow from operations of £18.5m reported for the year. Year-end cash balances of £48.3m are strong in spite of a considerable investment in our estate of £13.6m which consists primarily of expenditure relating to the repurposing of the old library into an academic building, completion of residential works and commencement of work on our new Medical School building.

Year-end cash balances of £48.3m 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 £30.8m of long term external debt which is repayable at £2m per year plus interest. Much has been made in the media of the level of debt being carried within the Higher Education sector which, alongside an increasing level of financial pressure on universities more generally, may lead to the potential need for some institutions 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 in recent years and, as the record intakes of previous years fall away we expect, and have planned for, a rebalancing of our all-years student numbers.

The transition from a bursary style funding arrangement to tuition fee loans administered through the SLC in the Faculty of Health accompanied the removal of restrictions on recruitment and this has created some growth opportunities. There are also new career routes opening up in the Health sector including nurse associate and apprenticeship programmes as attempts are made to address the chronic shortfall in health practitioners



## **EDGE HILL UNIVERSITY**

### **STRATEGIC REVIEW (CONTINUED)**

operating in the NHS. In the Faculty of Education there continues to be recruitment challenges as a result of the after effects of the Government's policy agenda away from University based initial teacher training.

In overall terms, whilst all-year student numbers have reduced, this forms part of a longer term strategy designed to enhance brand and reputation which encompasses 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 we continue to operate in an environment where a number of universities are increasingly sacrificing the former in favour of the latter. We remain convinced that our strategy is correct and in both the institutions' and students' long term interests.

The TEF is an important barometer of university performance and whilst changes have been applied which reduce the impact of measures linked to the National Student Survey, TEF will continue to be perceived as a proxy measure for teaching excellence. In that regard, Edge Hill University's current Gold status will help to shape 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 also continue to drive the University forward.

In terms of NSS, a response rate of 69.7% translated into 2,176 Edge Hill students taking part in the survey this year. The University received an overall student satisfaction score of 82.3% performing particularly well in Learning Resources, Assessment and Feedback, Academic Support and Learning Community.

Equally relevant in terms of long term competitive advantage are the results from our bi-annual staff survey. In 2017/18, 91% 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 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 2019/20 and future risks**

Looking ahead there are a number of key risks. From an income perspective, competition in the marketplace will continue to intensify as the 18-21 year old demographic further declines. Government sentiment towards Higher Education has recently been expressed in guidance to the OfS around value for money, TEF, post qualifying admissions systems, student contracts and consumer rights. Government continue to promote alternative post 18 educational routes and ongoing Brexit uncertainty also threaten growth opportunities. From an expenditure point of view, pensions continue to feature prominently in university risk registers with a significant increase in TPS and USS contributions agreed and a LGPS detailed actuarial review soon to be concluded. Inflationary pressures will almost certainly

## **EDGE HILL UNIVERSITY**

### **STRATEGIC REVIEW (CONTINUED)**

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.

Cash generated from operations has reduced significantly over the last two financial years from a record high of £31.8m in 2016/17 to £18.5m this financial year. The dual impact of increasing pension costs and reducing student numbers having contributed to this reduction. However, we anticipate an increased student number intake in 2019/20 and this will also be the year in which the last of the larger intakes of previous years graduate. As a result we expect to see all-years student numbers begin to grow again from 2020/21 onwards as demographics improve, the Medical School becomes established and new programmes build critical mass. During the next two years, however, it will remain important that we manage resources effectively reducing staff headcount in areas of the University that have become over-resourced as a result of reduced student numbers and supporting areas of growth. Administrative functions will also be subject to review where investment in new systems and processes have lead to improved efficiency and effectiveness.

It is important to note that whilst student numbers have reduced, this is as a direct result of choosing to maintain entry requirements and standards relative to our competitors. Core operating surplus reductions have also been driven by a decision to invest more heavily in student facilities including key initiatives such as the Student Opportunity fund designed to support students in improving their employability. The financial landscape continues to be littered with challenges and opportunities. Navigating a safe passage through the next two years will be essential however we remain in a strong position financially with campus development at an advanced stage of completion. We will continue to deliver a managed reduction in activity where relevant 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 are likely to present themselves. We have a strong track record of managing change most recently within the Faculty of Arts and Sciences. 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 improved recruitment to Health programmes offsetting reductions in all-years student numbers in Arts and Sciences.

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 and increasing Government pressure to demonstrate the VFM of a University degree we continue to operate in a period of considerable change but one from which we can 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 60 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

## **EDGE HILL UNIVERSITY**

### **STRATEGIC REVIEW (CONTINUED)**

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 £48.3m have been achieved in spite of significant internal financing attached to capital expenditure. Net cash inflow from operating activities of £18.5m has enabled the completion of residential works and re-purposing of the old library into a teaching and learning building as well as the commencement of works on a new Medical School.

Total borrowings are £30.8m which is £2m 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.

### **Student Services**

The Strategic Plan 2018-2021 for Student Services entitled 'Making a Positive Difference' seeks to build on the developments over the past 3 years 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.

The most significant development for Student Services over the past 12 months has been the delivery of services and support from Catalyst, the new home for the service co-located with Careers and Learning Services. The facilities within the new building have vastly improved the experience for both students and staff. The helpdesk provides a single point of contact for students accessing all the services and has become well known in the university as the first place for students to go and ask if they have any questions, concerns or problems that need to be resolved. The most significant physical space improvements in Catalyst include bright new office spaces, confidential appointment rooms, presentation areas and group rooms. This, coupled with the enhancement of software systems, has enabled the delivery of an enhanced service to students, both virtually and face to face.

Student Services in collaboration with Human Resources have embarked on an incremental transformational change programme entitled Wellbeing for All. This programme aims to have a positive impact on the wellbeing of the entire University community including staff and students. In response to the growing demand by academic staff to receive more support in helping them to support students in a wide range of areas, a project strand focusing on "Supporting Staff to Support Students" has been launched. The objective is to provide and procure relevant staff training, and to develop online toolkits which will provide guidance and information for staff including how and when to refer. The training and online guidance will focus on supporting staff to support students with a range of issues including Mental Health, Disability and Inclusion, Students thinking of Leaving, and Sexual Violence disclosures.

We have moved towards a bespoke model of Mental Health Awareness Training which is tailored to staff requirements and this is now available and being provided to Academic Staff and Support Staff across the University. The training covers professional boundaries, and guidance on how to support students and when to refer them for specialist support.

## **EDGE HILL UNIVERSITY**

### **STRATEGIC OPERATING REVIEW (CONTINUED)**

There has been a significant investment in building high quality student accommodation on campus over the last 10 years with the final phase of new townhouses in Woodlands Court completed in 2018. In the last 12 months the focus has moved from new buildings to refurbishment of existing accommodation. An ambitious and exciting programme of redevelopment on the East wing of the Main Building has delivered ensuite accommodation for 96 students. The rooms have been designed to maintain the original features and style of the iconic and historic main building but with all the modern fixtures and fittings of the new build accommodation elsewhere on campus. The large kitchens and social spaces are designed to provide a comfortable and relaxing living environment where students can make friends and socialise together. The high quality accommodation on campus was recognised yet again at a national level this year when the University was presented with the Best Value for Money award by the National Student Housing Survey 2019. The new refurbishment programme will further enhance this value for money, providing high quality ensuite rooms in a lower price bracket, further expanding the variety and choice of accommodation available to students.

With the number of students requiring support continuously on the rise, the developments and new initiatives within the Counselling and Wellbeing Services have proven invaluable in dealing with the increased demand this year. The introduction of a short initial appointment to assess a student's practical, wellbeing and therapeutic needs has allowed students to be prioritised and referred into services quickly and effectively. The successful pilots with both group therapy and workshops has enabled an improved programme to be developed and rolled out in the next academic year. This allows students to benefit from a different model of support where they meet other students as well as providing services on a one to many basis, increasing the capacity of the staff within the team.

The Thinking of Leaving Service provided by the Transitions team has delivered improved outcomes this year with over half of those engaging with the service still being registered at the University, demonstrating that the intervention is contributing to the retention and success of students. The team are also developing bespoke support and pilot projects targeted at widening participation groups to better enable access, success and progression. Edge Hill is one of just eight universities selected to take part in the pilot for the new National Network for the Education of Care Leavers (NNECL) Quality Mark.

Looking to the future, Student Services will be making further enhancements to services and developing pilot projects in recognition of the targets set for retention, success and progression of widening participation groups highlighted as part of the University Access and Participation Plan. The aim to improve wellbeing for all by embedding support into the curriculum and this will be explored further with the introduction of modules on specific programmes from September 2019.

### **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 recent, externally facilitated, staff focus groups which positively highlighted an inclusive and welcoming environment.

In exercising our policies, practices, procedures and other functions, our culture naturally helps 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

## **EDGE HILL UNIVERSITY**

### **STRATEGIC REVIEW (CONTINUED)**

environment where everyone is inspired to excel by working together to reach their full potential and our strategic objectives are specifically tailored to ensure support of this. The appointment of the Pro Vice-Chancellor and Dean of Education to chair the newly created EDI Steering Group is testament to our commitment to provide strategic leadership and governance to all related EDI frameworks (such as Athena Swan and HR Excellence in Research)

Given the rising profile of equality and diversity within the sector, the University established a dedicated Equality Diversity and Inclusion Partner in January 2019. This role has helped to; formalise and centrally coordinate a proactive approach to the equality and diversity projects and agenda, strengthen the EDI provision at the university for the benefit of both staff and students and continue to build this positive trajectory.

Key achievements in 2019 have included:

- Bronze Institutional Athena Swan award achieved;
- REF Code of Practice 2020 approved;
- Established strategic EDI Steering Group;
- BAME Steering Group established;
- Published Gender Pay Gap report;
- Stonewall membership renewed;
- An external review on EDI undertaken by Advance HE – the results of which will inform both the EDI strategy, Policy and procedure and all related policies;
- Monthly LGBTQI+ Support Group in place;
- Presence at Liverpool Pride 2019;
- Mandatory e-learning module in E&D rolled out to all existing and new staff;
- General Unconscious Bias training now available to all staff;
- Specialist Unconscious Bias training for DMG / Senior Decision makers delivered;
- Academic Career Development Implementation Group established to stimulate progression routes for both research, enterprise and teaching staff;
- Highest levels of successful applications for academic progression achieved;
- Equality Impact Assessment process and guidance notes developed and ready for roll out;
- New jobs boards used for all vacancies to stimulate applications from underrepresented groups and gender neutral software for all job advertisements routinely used;
- Disability Confident status maintained;
- Faculty and Departmental Athena Swan working groups continue in all faculties;
- Mindful Employer Status retained;
- Ambassadors of Hope training delivered;
- Preparations for the first suite of events and promotion around Black History Month underway;
- The first menopause café was well attended with follow up events scheduled throughout the year.

### **Health & Safety Management**

The University continued with its risk-based approach to audit enabling the release of resources to provide a more practical robust assessment for higher net risk areas. The outcome of this has allowed a greater cognizance of the level of risk in decision making processes so ensuring they can be more effectively managed. The audit process has been further developed to ensure management information is provided to the Institutional Health, Safety and Environment Committee in relation to significant findings and to give assurance

## **EDGE HILL UNIVERSITY**

### **STRATEGIC REVIEW (CONTINUED)**

that these have been acted upon. Our overriding objective is to ensure the University provides a safe environment for our staff, students and visitors.

A key focus this year has been compliance with the objective of ensuring we meet our legal obligations around fire, gas, asbestos, electricity and legionella management. An audit has taken place with specific focus on compliance to identify any gaps in process and procedure, and allowing actions to be put in place to resolve.

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 continue to be fit for purpose and meet the needs of the University. We also introduced several new policies and procedures around research, compressed gas and health surveillance, the aim of which was to ensure the University was legally compliant and applied a consistency of approach. Consultation took place with key stakeholders across the University before formal ratification by the Institutional Health Safety and Environment Committee.

The development of our staff continues to be a priority in relation to Health and Safety. This year we have trained 387 staff in corporate Health and Safety modules, the feedback from which has been extremely positive. The university has also started to work towards e-learning with the aim of allowing a more flexible approach to training and enabling a greater fit with the operational needs of the business.

### **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.

Great inroads have been made to the actions identified within the Environmental Sustainability Strategy 2017-2021 with 48% of the 54 identified actions completed within the first year. 17% have been assessed as not viable and work is ongoing on the remaining 35% of actions.

Work is ongoing in Facilities Management to encourage further supplier engagement with the Net Positive Futures framework to ensure ethical sustainability is addressed within the supply chain.

Waste Management services have continued to deliver improved results in terms of cost, quality and environmental impact with front of house food waste now segregated in the Hub.

Various awareness-raising events were held throughout the year to engage with staff and students in all areas of the UN Sustainable Development Goals (SDG). Work with the Faculty of Education has resulted in a SDG 'go to' [portal](#) for use by teachers working on SDG activities. Promotion of sustainable travel has remained a priority and resulted in a 14% increase in lift share guaranteed parking for the first semester of 2018 compared to 2017.

## **EDGE HILL UNIVERSITY**

### **STRATEGIC 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 all student experience has continued to remain a priority for the University, with continued investment in ambitious and innovative approaches to ensuring that all students can access the highest quality arts and entertainment during their time at Edge Hill from the very first moment that they engage with the University.

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 300% since 2015/16. We have also diversified our student audiences, with over 40% of students attending being from courses other than Performing Arts, as compared with only 10% in 2015/16. 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, and we continue to diversify our programme often in partnership with other cultural organisations.

Audiences from schools and colleges have increased by 200% during 2018/19, 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**

2018-19 saw a continued increase in student engagement in both membership and participation. The Campus Sport programme continues to offer a high quality and varied mix of social and recreational sport and one-off events, with participants increasing by 16% and visits up 7% compared to the previous year.

## **EDGE HILL UNIVERSITY**

### **STRATEGIC REVIEW (CONTINUED)**

Fitness membership levels increased by approximately 4% over the year. The student residential membership scheme continued to grow in popularity with over 55% of all students living on campus taking advantage of a free 4-week trial membership and approximately 40% of all residents continuing on to a 40-week discounted membership. This offer is to change for our 2019 intake, becoming a 'new student' membership offer which will be available to all new students starting at EHU regardless of whether they live on campus or not.

Other Fitness developments saw the introduction of a new social media-based member engagement tool (Coach AI); a new Personal Training offer (Transform in 12); the launch of a re-branded exercise class timetable with 50 weekly classes; new Body Assessment equipment; and new Technogym MyWellness software ('Profile') to help develop training programmes.

A small funding grant from Sport England allowed an increase in capacity of the student Active Wellbeing referral scheme for a 5-month period in 2019. Results have continued to show an average 40% improvement in 'Wellbeing' of those students completing the programme suggesting, this can be an area for continued expansion.

Competitive sport (Team Edge Hill) formally transferred back from the Students Union to Edge Hill Sport with the TUPE transfer of 2 staff this year. Sports results and news are circulated via social media and also to the local newspapers.

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

Edge Hill Sport has successfully retained 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.



## **EDGE HILL UNIVERSITY**

### **STRATEGIC REVIEW (CONTINUED)**

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.

Our focus is therefore not only on access but also success in relation to both retention and attainment and progression for our students into graduate employment. We have recently had our 2020-2025 5-Year Access and Participation Plan approved by the Office for Students who commented that our plan was both "ambitious and credible".

#### **Employability and Enterprise**

In 2018-19 the University secured £1.4m of funding for Leading Lancashire and £284k for the Up Skilling Lancashire programme enabling the Employability, Enterprise, Entrepreneurship and innovation (E3i) team to expand its funded business support activities into workforce and leadership development programmes.

Engagement with departments has dramatically increased through the introduction of Work Related Learning Cluster Coordinators. This new dedicated resource, supported by our Module Enhancement Framework, has further increased the range and scope of work related learning activities including tasters, simulations, live projects and work placements within modules. The new resource is also enabling the University to specifically target areas which had not traditionally engaged in such activities, comprising of both practice-based activities and theory and practice-based projects.

In 2018-19, increased emphasis has been placed on improving the quality of student placement activities in order to enhance the ability of our graduates to achieve highly skilled employment. Short-term work placement experiences have risen to 726 in the year linked to the closer relationships developed in 2017-18 with local employers and key organisations in the North West. Short-term work placement experiences are forecast to see a further marked uplift in 19/20, with an upward trend in student registrants in Business, Psychology and Creative Writing.

E3i has worked closely with departments to identify opportunities to support activities that have the potential to help to increase more highly skilled employment opportunities for our students. This has led to 3 department-based submissions to our Student Opportunity Fund, impacting on over 300 students. A key initiative in 2018-19 has been the re-development of a new long term partnership between Crooked Dice and Creative Writing which has already led to highly skilled employment for a number of our graduates.

In 2018-19 a further 19 visualising success case studies have been written which have been used to support student recruitment, marketing, work related learning and enterprise activities. The new £6m Law and Psychology building has become an excellent example of where visualising success case studies have been used to promote graduate successes to both prospective and current students and external visitors.

## **EDGE HILL UNIVERSITY**

### **STRATEGIC REVIEW (CONTINUED)**

The ESF funded Up-Skilling Lancashire project is enabling the University to work with employers to align their needs with our plans for our degree programme development, resulting in co-creating modules with employers. This is a University wide approach and is contributing to building up a pipeline of talent in the region to attract investment in the industries of the future.

The Student Enterprise Fund has provided guidance, support and encouragement for student business start-up activities with the University currently reviewing how the use of external partners can potentially help accelerate student engagement.

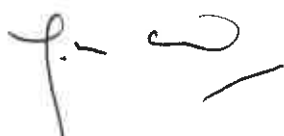
In 2018, the ERDF funded Productivity and Innovation Centre (PIC) was fully established, with activities supporting SMEs commencing in May. This has led to the development, launch and operation of a new business support programme funded by ERDF called the Innovation Sprint. This has enabled us to proactively 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 academic expertise, skills and knowledge within the University. In total 49 SMEs have been intensively supported during the academic year.

Towards the end of the academic year, E3i was also engaged strategically with the Liverpool City Region Combined Authority to extend activities as part of a high growth programme progressing past the outline application stage for funding, with optimism for success.

E3i are supporting the Business School to deliver the £1.4m Leading Lancashire programme, which commenced July 2019. This is involving working in partnership with 8 other regional partners to deliver leadership and management provision to SMEs.

Regionally, Edge Hill has been instrumental in helping form the Lancashire HEI Innovation Forum with UCLAN and Lancaster University jointly funding a three-year fixed term post of Lancashire Universities Innovation (LUI) Manager. This post is enabling Edge Hill to better align its capabilities with Lancashire's economic development and innovation priorities.

E3i continues to support 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). Specifically, E3i has helped the Department of Computer Science to secure 2 KTPs in the field of data science, with a combined project value of £451k. Both KTPs have arisen subsequently from SMEs engaged in the Productivity and Innovation Centre, Innovation Sprint programme.



**Dr John Cater**  
**Vice-Chancellor**  
**25 November 2019**

## **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**

The University is committed to best practice in all aspects of corporate governance and conducts its business:

- In accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership)
- In compliance with the guidance on corporate governance which has been provided for the sector by the Committee of University Chairs (CUC), including the Higher Education Code of Governance first published in December 2014 and revised in June 2018.

The University's statutory framework upholds the public interest governance principles outlined by the Office for Students (OfS).

The University is an exempt-charity under the terms of the Charities Act 2011, and is regulated by the OfS. Members of the Governing Body are the charitable trustees and are responsible for ensuring compliance with charity law.

The University is registered with the OfS as a higher education provider with degree awarding powers and was previously funded by the Higher Education Funding Council for England.

#### **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 the Office for Students (OfS) as the sector regulator. The Board is in receipt of regular reports from executive officers on the day-to-day operation of its business and its subsidiary companies.

## **EDGE HILL UNIVERSITY**

### **CORPORATE GOVERNANCE (CONTINUED)**

With respect to structure, the Board meets formally six times during the year and operates a sub-committee structure comprising Audit, Governance & Nominations, Resources, and Remunerations. All sub-committees operate with agreed terms of reference, with independent governors in the majority of whom one is the designated Chair. The major sub-committees meet formally three or four times a year, reporting to 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 OfS 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 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 a private session at the commencement of each meeting.

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 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.

The Remunerations Committee, which operates in accordance with the CUC Remuneration Code 2018, 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. Membership of the Remunerations Committee is restricted to Independent Governors and is chaired by the Deputy Chair of the Board. Senior executives, namely the Director of Human Resources and the Vice-Chancellor, attend meetings of the Committee as required to provide advice.

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 be generally assured and able to verify the required statements in the OfS Annual Accountability Return.

## **EDGE HILL UNIVERSITY**

### **CORPORATE GOVERNANCE (CONTINUED)**

The University maintains a register of interests which is published on the University's website and provides 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.

#### **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 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 2019 and up to the date of approval of the Financial Statements. They accord with OfS guidance:

- The Board meets at regular intervals to consider the plans and strategic direction of the University.
- The Board receives regular reports on progress in relation to Key Performance Indicators which are referenced to the University's Strategic Plan and Risk Register.
- The Board has requested the Audit Committee to provide oversight of the University's management of risks.
- The Board 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.

## **EDGE HILL UNIVERSITY**

### **CORPORATE GOVERNANCE (CONTINUED)**

- A system of reporting on risk management has operated throughout the year. The process incorporates a range of formal reports and an analysis of risk at each meeting. Risks are linked to the aims and objectives identified in the Strategic plan.
- At the end of the year the Chair of the Audit Committee formally reports to the full Board on the Committee's activities during the year in accordance with relevant guidance. This report includes an assessment of the effectiveness of the internal control system (including risk management) during the year.
- A robust risk prioritisation methodology 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 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 thirteen 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 a 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 in 2017/18, 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 Committee met four times during 2018/19, with all meetings quorate. Reports of committee meetings are made to the Board.

## **EDGE HILL UNIVERSITY**

### **REMUNERATIONS COMMITTEE REPORT (CONTINUED)**

Name	Position	15 Oct	4 March	29 April	15 July
L Greenhalgh	Committee Chair, Deputy Chair of the Board & Chair of Audit	√	√	√	√
C Edwards	Chair of the Board	√	√	√	√
G Collinge	Chair of Resources	√	X	√	X
M Ainscough	Independent Board member	X	N/A	N/A	N/A
L Robinson	Independent Board member	N/A	√	√	√
J Cater*	Vice-Chancellor	√	√	X	√
S Clarkson	Director of Human Resources	√	√	√	√
L Munro	Clerk	√	√	√	√

\*Attendance is in an advisory capacity, when required

### **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.



**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**

Designated senior postholders are the Vice-Chancellor, Deputy Vice-Chancellor and Clerk to Governors.

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, focussing on regional competitors and post 92 universities with an income between £100m-£160m)
- 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.

In line with the Board's policy, designated senior postholders must seek approval from the Remunerations Committee to undertake any external work for other organisations. Any such work will normally be in the interests of the University or public. Decisions on the retention of any income will be made by the Remunerations Committee, guided by the principle that designated senior postholders will not retain significant sums.

## **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. The University is committed to maintaining the quality of the student intake during the demographic downturn; whilst the number of applications has fallen, in line with the sector average, conversion rates have improved. 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 £195,250 which represents 0.16% of the University's total income for the year ending 31 July 2019.

#### **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 (to the period 31 July 2019)

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 limit within such management functions as shall be undertaken by and under the authority of the Vice-Chancellor. [AoG 3.2 b; Code 3.6]

**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;
- 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 2019 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 2019 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 2019, and of the Group's and the University's income and expenditure, gains and losses and changes in reserves, and of the Group's cash flows, for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, and with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education; 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.

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

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

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the group's and the University's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.



## **EDGE HILL UNIVERSITY**

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

#### **Going concern**

The Board of Governors has prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the University or to cease their operations, and as they have concluded that the Group and the University's financial position means that this is realistic.

They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

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

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

#### **Other information**

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

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

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

**Board of Governors responsibilities**

As explained more fully in their statement set out on page 32, 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](http://www.frc.org.uk/auditorsresponsibilities).

**REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

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

In our opinion, in all material respects:

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

**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

**26** November 2019

## **EDGE HILL UNIVERSITY**

### **STATEMENT OF ACCOUNTING POLICES FOR THE YEAR ENDED 31 JULY 2019**

#### **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 2019 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 2019** **(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 institution participates in Universities Superannuation Scheme. The scheme is a hybrid pension scheme, providing defined benefits (for all members), as well as defined 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 institution is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. As required by Section 28 of FRS 102 "Employee benefits", the institution 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.

## **EDGE HILL UNIVERSITY**

### **STATEMENT OF ACCOUNTING POLICES FOR THE YEAR ENDED 31 JULY 2019** **(CONTINUED)**

Since the institution has entered into an agreement (the Recovery Plan) that determines how each employer within the scheme will fund the overall deficit, the institution recognises a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and therefore an expense is recognised.

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 2019** **(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

Depreciation methods, useful lives and residual values are reviewed at the date of preparation of each Balance Sheet.

#### **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 2019** **(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 applies 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 2018/19 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.

FRS 102 makes the distinction between a group plan and a multi-employer scheme. A group plan consists of a collection of entities under common control typically with a sponsoring employer. A multi-employer scheme is a scheme for entities not under common control and represents (typically) an industry-wide scheme such as Universities Superannuation Scheme. The accounting for a multi-employer scheme where the employer has entered into an agreement with the scheme that determines how the employer will fund a deficit results in the recognition of a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and the resulting expense in profit or loss in accordance with section 28 of FRS 102. The Governors are satisfied that the Universities Superannuation Scheme meets the definition of a multi-employer scheme and have



**EDGE HILL UNIVERSITY**

**STATEMENT OF ACCOUNTING POLICES FOR THE YEAR ENDED 31 JULY 2019**  
**(CONTINUED)**

therefore recognised the discounted fair value of the contractual contributions under the recovery plan in existence at the date of approving the financial statements.

In relation to USS and LGPS, 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, 18 and 19 to the accounts.

**EDGE HILL UNIVERSITY****CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE  
YEAR ENDED 31 JULY 2019**

	Note	Year ended 31 July 2019		Year ended 31 July 2018	
		Consolidated	University	Consolidated	University
Income		£'000	£'000	£'000	£'000
Tuition fees and education contracts	1	98,809	98,809	102,822	102,822
Funding body grants	2	5,939	5,939	6,741	6,741
Research grants and contracts	3	1,435	1,435	917	917
Other income	4	17,251	18,958	15,451	17,109
Investment income		340	340	300	300
<b>Total income</b>		<b>123,774</b>	<b>125,481</b>	<b>126,231</b>	<b>127,889</b>
<b>Expenditure</b>					
Staff costs	5	79,644	79,644	74,331	74,331
Other operating expenses	6	31,960	33,606	28,258	29,866
Depreciation/Impairment		8,064	8,064	6,570	6,570
Interest and other finance costs	7	3,175	3,230	3,063	3,110
<b>Total expenditure</b>		<b>122,843</b>	<b>124,544</b>	<b>112,222</b>	<b>113,877</b>
<b>Surplus before other gains losses and share of operating surplus/deficit of joint ventures and associates.</b>		<b>931</b>	<b>937</b>	<b>14,009</b>	<b>14,012</b>
Gain/(Loss) on disposal of fixed assets		23	23	(24)	(24)
<b>Surplus / (Deficit) for the year</b>		<b>954</b>	<b>960</b>	<b>13,985</b>	<b>13,988</b>
Actuarial gain/(loss) in respect of pension schemes		(15,583)	(15,583)	19,921	19,921
<b>Total comprehensive income</b>		<b>(14,629)</b>	<b>(14,623)</b>	<b>33,906</b>	<b>33,909</b>

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 51 to 71 form an integral part of these financial statements.

**EDGE HILL UNIVERSITY****CONSOLIDATED STATEMENT OF CHANGES IN RESERVES  
YEAR ENDED 31 JULY 2019**

<b>Consolidated</b>	<b>Income and Expenditure Account £'000</b>	<b>Revaluation Reserve £'000</b>	<b>Total £'000</b>
<b>Balance At 1 August 2017</b>	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
Transfers between revaluation and income and expenditure reserve	1,153	(1,153)	-
<b>Total comprehensive income for the year</b>	35,059	(1,153)	33,906
Addition to reserve	-	-	-
<b>Total</b>	35,059	(1,153)	33,906
<b>Balance at 1 August 2018</b>	181,241	47,414	228,655
Surplus/(deficit) from the income and expenditure statement	954	-	954
Other comprehensive income	(15,583)	-	(15,583)
Addition to reserve	-	-	-
Transfers between revaluation and income and expenditure reserve	1,083	(1,083)	-
<b>Total comprehensive income for the year</b>	(13,546)	(1,083)	(14,629)
<b>Balance at 1 August 2019</b>	167,695	46,331	214,026
<b>University</b>			
<b>Balance At 1 August 2017</b>	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
Transfers between revaluation and income and expenditure reserve	1,153	(1,153)	-
<b>Total comprehensive income for the year</b>	35,062	(1,153)	33,909
Addition to reserve	-	-	-
<b>Total</b>	35,062	(1,153)	33,909
<b>Balance at 1 August 2018</b>	181,138	47,414	228,552
Surplus/(deficit) from the income and expenditure statement	960	-	960
Other comprehensive income	(15,583)	-	(15,583)
Addition to reserve	-	-	-
Transfers between revaluation and income and expenditure reserve	1,083	(1,083)	-
<b>Total comprehensive income for the year</b>	(13,540)	(1,083)	(14,623)
<b>Balance at 1 August 2019</b>	167,598	46,331	213,929

The notes on pages 51 to 71 form an integral part of these financial statements.

**EDGE HILL UNIVERSITY****CONSOLIDATED AND UNIVERSITY BALANCE SHEET  
YEAR ENDED 31 JULY 2019**

		Year ended 31 July 2019		Year ended 31 July 2018	
	Note	Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>Non-current assets</b>					
Fixed assets	8	291,760	291,760	286,233	286,233
Investments in subsidiaries	9	-	7,139	-	7,139
Other investments		2	2	2	2
		291,762	298,901	286,235	293,374
<b>Current assets</b>					
Stock	10	172	172	101	101
Trade and other receivables	11	6,921	7,828	5,495	6,371
Investments	12	17,000	17,000	16,000	16,000
Cash and cash equivalents		31,265	30,273	29,177	28,084
		55,358	55,273	50,773	50,556
Less: Creditors: amounts falling Due within one year	13	(19,805)	(20,348)	(16,614)	(17,031)
<b>Net current assets</b>		35,553	34,925	34,159	33,525
<b>Total assets less current liabilities</b>		327,315	333,826	320,394	326,899
Creditors: amounts falling due after more than one year	14	(49,712)	(56,320)	(51,172)	(57,780)
<b>Provisions</b>					
Pension provisions	15	(63,577)	(63,577)	(40,567)	(40,567)
<b>Total net assets</b>		214,026	213,929	228,655	228,552
<b>Unrestricted Reserves</b>					
Income and expenditure reserve		167,695	167,598	181,241	181,138
Revaluation reserve		46,331	46,331	47,414	47,414
<b>Total Reserves</b>		214,026	213,929	228,655	228,552

The financial statements on pages 41 to 71 were approved by the Board of Governors on 25 November 2019.



Professor Clive Edwards - Chair, Board of Governors



Dr John Cater – Vice-Chancellor

**EDGE HILL UNIVERSITY****CONSOLIDATED CASH FLOW STATEMENT**  
**YEAR ENDED 31 JULY 2019**

	Note	31 July 2019 £'000	31 July 2018 £'000
<b>Cash flow from operating activities</b>			
Surplus for the year		954	13,985
<b>Adjustment for non-cash items</b>			
Depreciation		8,064	6,570
(Increase)/Decrease in stock		(71)	38
(Increase)/Decrease in debtors		(1,432)	(310)
Increase/(Decrease) in creditors		2,669	(1,047)
Increase/(Decrease) in pension provision		7,427	4,593
<b>Adjustment for investing or financing activities</b>			
Investment income		(341)	(300)
Interest payable		1,719	1,801
(Gain)/Loss on the sale of fixed assets		(22)	24
Capital grant income release		(470)	(423)
<b>Net cash inflow from operating activities</b>		18,497	24,931
<b>Cash flows from investing activities</b>			
Capital grants receipts		919	1,321
Disposal proceeds on sale of fixed assets		28	-
Investment income		347	292
Payments made to acquire fixed assets		(13,136)	(27,290)
New deposits		(1,000)	-
<b>Total cash flow from investing activities</b>		(12,842)	(25,677)
<b>Cash flows from financing activities</b>			
Interest paid		(1,735)	(1,819)
Repayments of amounts borrowed		(2,085)	(2,061)
New debt acquired		253	-
<b>Total cash flow from financing activities</b>		(3,567)	(3,880)
<b>(Decrease)/ Increase in cash and cash equivalents in the year</b>		2,088	(4,626)
<b>Cash and cash equivalents at the beginning of the year</b>		29,177	33,803
<b>Cash and cash equivalents at the end of the year</b>		31,265	29,177

## **EDGE HILL UNIVERSITY**

### **NOTES TO THE ACCOUNTS**

	<b>Year ended 31 July 2019</b>		<b>Year ended 31 July 2018</b>	
	<b>Consolidated</b>	<b>University</b>	<b>Consolidated</b>	<b>University</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>1. Tuition Fees and Education Contracts</b>				
Full-time home and EU students	90,249	90,249	89,501	89,501
Full-time international students	1,579	1,579	1,674	1,674
Part-time students	379	379	390	390
Short course fees	6,602	6,602	11,257	11,257
	<b>98,809</b>	<b>98,809</b>	<b>102,822</b>	<b>102,822</b>
<b>2. Funding Body Grants</b>				
<b>Recurrent grant</b>				
Office for Students	1,105	1,105	1,317	1,317
<b>Specific grants</b>				
Office for Students	4,545	4,545	4,910	4,910
National College for Teaching and Leadership	289	289	514	514
	<b>5,939</b>	<b>5,939</b>	<b>6,741</b>	<b>6,741</b>
<b>3. Research Grants and Contracts</b>				
Research councils	51	51	51	51
Research charities	188	188	121	121
Industry and commerce	15	15	24	24
Other	1,181	1,181	721	721
	<b>1,435</b>	<b>1,435</b>	<b>917</b>	<b>917</b>
<b>4. Other Income</b>				
Residences, catering and conferences	12,398	12,318	11,225	11,158
Other income	4,853	6,640	4,226	5,951
	<b>17,251</b>	<b>18,958</b>	<b>15,451</b>	<b>17,109</b>
<b>5. Staff Costs</b>				
Salaries	58,977	58,977	56,868	56,868
Actuarial pension adjustment	4,611	4,611	3,424	3,424
Social security costs	5,633	5,633	5,452	5,452
Movement on USS provision	1,428	1,428	(10)	(10)
Other pension costs	8,995	8,995	8,597	8,597
	<b>79,644</b>	<b>79,644</b>	<b>74,331</b>	<b>74,331</b>

# **EDGE HILL UNIVERSITY**

## **NOTES TO THE ACCOUNTS (CONTINUED)**

### **Emolument of the Vice-Chancellor**

	<b>2019 £'000</b>	<b>2018 £'000</b>
Basic Salary	225	261
Bonus (reflective of 16/17)	-	20
Bonus (reflective of 17/18)	20	-
Bonus (reflective of 18/19)	20	-
Payment in lieu of pension	37	43
Backdated payment in lieu of pension	-	14
	<u>302</u>	<u>338</u>
Benefits in kind	12	12
	<u>314</u>	<u>350</u>
Net Pay	<u>184</u>	<u>197</u>

	<b>Basic Pay</b>	<b>All Emoluments</b>
The Vice-Chancellor's salary and emoluments set out in pay multiples In accordance with OfS Accounts directive 2018.26:	7.8	9.0
Expressed as a multiple of the mean salary in the University For the year to 31st July 19:	4.6	6.0

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

	<b>2019 Number</b>	<b>2018 Number</b>
£100,000 - £104,999	5	2
£105,000 - £109,999	2	2
£110,000 - £114,999	0	2
£120,000 - £124,999	1	4
£130,000 - £134,999	1	0
£135,000 - £139,999	0	1
£140,000 - £144,999	0	2
£145,000 - £149,999	1	0
£150,000 - £154,999	1	0
£240,000 - £244,999	1	1

### **Average Full Time Equivalent staff numbers by function**

	<b>2019 Number</b>	<b>2018 Number</b>
Academic Departments	817	794
Academic Support Services	114	104
Other Support Services	185	168
Administration and Central Services	163	176
Premises	121	110
Income Generating Activities	53	48
Catering and Residence	39	52
	<u>1,492</u>	<u>1,452</u>

## **EDGE HILL UNIVERSITY**

### **NOTES TO THE ACCOUNTS (CONTINUED)**

#### **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.

	<b>2019</b>	<b>2018</b>
Number of Staff	4	4
Total compensation (£'000)	832	856

#### **Governor Members**

The University governor members are the trustees for charitable law purposes. Due to the nature of the University's operations and the composition of the Board of Governors, being drawn from local public and private sector organisations, it is inevitable that transactions can take place with organisations in which a member of the Board of Governors may have an interest. No such payments involving organisations in which a member of the Board of Governors has an interest were, however, made this year. Where payments are made, they are conducted at arms length and in accordance with the University's Financial Regulations and usual procurement procedures. In their capacity as trustees of the University, total expenses paid to or on behalf of the 11 independent members of the Board of Governors was nil. Expenses paid in the previous year were £45. 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 2018 to 31 March 2019**

##### **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	15
Full-time equivalent employee number (weekly FTE)	13.73 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

<b>Percentage of time</b>	<b>Number of employees</b>
0%	0
1-50%	15
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	£53,412.60
Total pay bill	£71,209,716
Percentage of the total pay bill spent on facility time, calculated as: (total cost of facility time ÷ total pay bill) x 100	0.08%



## **EDGE HILL UNIVERSITY**

### **NOTES TO THE ACCOUNTS (CONTINUED)**

#### **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 26.82%

<b>6. Analysis of Other Operating Expenses</b>	<b>Year ended 31 July 2019</b>		<b>Year ended 31 July 2018</b>	
	<b>Consolidated</b>	<b>University</b>	<b>Consolidated</b>	<b>University</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Residence, catering and conferences operating expenses	1,660	1,657	1,338	1,333
Books and periodicals	1,511	1,510	1,560	1,560
Heat, light, water, electricity, waste collection and rates	2,491	2,491	2,228	2,228
Maintenance materials	5,872	5,839	3,428	3,383
Office services and supplies	1,624	1,617	1,564	1,554
Consumables and supplies	1,892	1,844	2,428	2,386
Publicity and advertising	894	890	822	818
Staff training and development	551	545	550	544
Bursaries	1,132	1,132	1,203	1,203
School practice and educational visits	1,026	1,030	1,128	1,128
School based training payments	1,572	1,572	1,582	1,582
Temporary staff	343	343	356	356
Staff travel and subsistence	1,131	1,126	940	939
Grants to Student Union	604	604	677	677
Professional fees	1,387	1,380	940	942
Auditors' remuneration – external audit	63	58	45	43
Auditors' remuneration – internal audit	48	48	64	64
Auditors' remuneration in respect of non-audit services	42	33	46	37
Other operating expenses	8,117	9,887	7,359	9,089
	<b>31,960</b>	<b>33,606</b>	<b>28,258</b>	<b>29,866</b>

Other operating expenses include:

Operating lease rentals	157	157	119	119
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<b>7. Interest and Other Finance Costs</b>	<b>Year ended 31 July 2019</b>		<b>Year ended 31 July 2018</b>	
	<b>Consolidated</b>	<b>University</b>	<b>Consolidated</b>	<b>University</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Loan interest	1,701	1,756	1,801	1,848
LGPS pension finance adjustment	1,456	1,456	1,247	1,247
Movement on USS provision	18	18	15	15
	<b>3,175</b>	<b>3,230</b>	<b>3,063</b>	<b>3,110</b>

# 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
<b>Cost</b>							
At 1 August 2018	26,153	273,385	1,040	14,373	11	94	315,056
Additions	11,867	165	-	1,533	-	32	13,597
Disposals	-	-	-	(1,563)	-	(74)	(1,637)
Inter category transfer	(35,805)	35,805	-	-	-	-	-
<b>At 31 July 2019</b>	<b>2,215</b>	<b>309,355</b>	<b>1,040</b>	<b>14,343</b>	<b>11</b>	<b>52</b>	<b>327,016</b>
<b>Depreciation</b>							
At 1 August 2018	-	18,772	-	9,959	11	81	28,823
Charge for the year	-	5,880	-	1,697	-	10	7,587
Impairment	-	-	587	-	-	-	587
Impairment reversal	-	(110)	-	-	-	-	(110)
Disposals	-	-	-	(1,563)	-	(68)	(1,631)
<b>At 31 July 2019</b>	<b>-</b>	<b>24,542</b>	<b>587</b>	<b>10,093</b>	<b>11</b>	<b>23</b>	<b>35,256</b>
<b>Net book value</b>							
<b>At 31 July 2019</b>	<b>2,215</b>	<b>284,813</b>	<b>453</b>	<b>4,250</b>	<b>-</b>	<b>29</b>	<b>291,760</b>
<b>At 31 July 2018</b>	<b>26,153</b>	<b>254,613</b>	<b>1,040</b>	<b>4,414</b>	<b>-</b>	<b>13</b>	<b>286,233</b>

As at 31<sup>st</sup> July 2019 Land and Buildings included £20.028m (2018: £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
<b>Cost</b>							
At 1 August 2018	26,153	270,949	3,478	14,372	11	94	315,057
Additions	11,867	165	-	1,533	-	32	13,597
Disposals	-	-	-	(1,563)	-	(74)	(1,637)
Inter Category transfer	(35,805)	35,805	-	-	-	-	-
<b>At 31 July 2019</b>	<b>2,215</b>	<b>306,919</b>	<b>3,478</b>	<b>14,342</b>	<b>11</b>	<b>52</b>	<b>327,017</b>
<b>Depreciation</b>							
At 1 August 2018	-	18,552	220	9,960	11	81	28,824
Charge for the year	-	5,825	55	1,697	-	10	7,587
Impairment	-	-	587	-	-	-	587
Impairment reversal	-	(110)	-	-	-	-	(110)
Disposals	-	-	-	(1,563)	-	(68)	(1,631)
<b>At 31 July 2019</b>	<b>-</b>	<b>24,267</b>	<b>862</b>	<b>10,094</b>	<b>11</b>	<b>23</b>	<b>35,257</b>
<b>Net book value</b>							
<b>At 31 July 2019</b>	<b>2,215</b>	<b>282,652</b>	<b>2,616</b>	<b>4,248</b>	<b>-</b>	<b>29</b>	<b>291,760</b>
<b>At 31 July 2018</b>	<b>26,153</b>	<b>252,397</b>	<b>3,258</b>	<b>4,412</b>	<b>-</b>	<b>13</b>	<b>286,233</b>

As at 31<sup>st</sup> July 2019 Land and Buildings included £20.028m (2018: £20.028m) in respect of freehold land that is not depreciated.

## **EDGE HILL UNIVERSITY**

### **NOTES TO THE ACCOUNTS (CONTINUED)**

#### **9. Investments in subsidiaries**

	<b>University</b>	
	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
<b>Non-current investments consist of:</b>		
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.

<b>10. Stock</b>	<b>Year ended 31 July 2019</b>		<b>Year ended 31 July 2018</b>	
	<b>Consolidated</b>	<b>University</b>	<b>Consolidated</b>	<b>University</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
General Consumables	<u>172</u>	<u>172</u>	<u>101</u>	<u>101</u>

## **EDGE HILL UNIVERSITY**

### **NOTES TO THE ACCOUNTS (CONTINUED)**

<b>11. Trade and other receivables</b>	<b>Year ended 31 July 2019</b>		<b>Year ended 31 July 2018</b>	
	<b>Consolidated</b>	<b>University</b>	<b>Consolidated</b>	<b>University</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Amounts falling due within one year:				
Payments in advance	2,021	2,005	2,228	2,219
Trade receivables	4,865	4,859	3,220	3,216
Other amounts owed by subsidiary undertakings	-	929	-	889
Amounts falling due after one year:				
Other	35	35	47	47
	<b>6,921</b>	<b>7,828</b>	<b>5,495</b>	<b>6,371</b>

<b>12. Current Investments</b>	<b>Year ended 31 July 2019</b>		<b>Year ended 31 July 2018</b>	
	<b>Consolidated</b>	<b>University</b>	<b>Consolidated</b>	<b>University</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Short term deposits</b>	17,000	17,000	16,000	16,000
	<b>17,000</b>	<b>17,000</b>	<b>16,000</b>	<b>16,000</b>

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 2019, the weighted average interest rate of these fixed rate deposits was 1.44% per annum, and the remaining weighted average period for which the interest rate is fixed on these deposits was 322 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 2019		Year ended 31 July 2018	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Secured bank loans	2,060	2,060	2,060	2,060
Other loans	51	51	-	-
VAT payable	164	160	143	139
Corporation tax/income tax	-	-	-	-
Trade payables	3,186	3,171	2,909	2,900
Social security and other taxation payable	2,594	2,594	2,473	2,473
Accruals and deferred income	11,750	11,721	9,029	9,002
Amount owed to subsidiary undertakings	-	591	-	457
	19,805	20,348	16,614	17,031

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

	Year ended 31 July 2019		Year ended 31 July 2018	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Deferred income	20,803	20,803	20,380	20,380
Obligations under finance lease	-	3,466	-	3,466
Secured bank loans	28,732	28,732	30,792	30,792
Other loans	177	177	-	-
Amounts owed to subsidiary undertakings	-	3,142	-	3,142
	49,712	56,320	51,172	57,780

### Analysis of secured loans:

	2019	2018
	£'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	6,086	6,181
Due in five years or more	20,585	22,550
<b>Total secured loans</b>	<b>30,792</b>	<b>32,852</b>

### Other loans:

Salix Energy Efficiency Loan repayable over 5 years

Included in loans are the following:

Lender	Amount	Remaining	Interest rate
	£'000	Term	%
Barclays Bank	975	6	5.55
Barclays Bank	2,600	13	5.52
Barclays Bank	4,160	13	5.775
Barclays Bank	22,200	18	5.23
Barclays Bank	857	5	5.30
Salix Finance	228	5	0
	31,020		

## **EDGE HILL UNIVERSITY**

### **NOTES TO THE ACCOUNTS (CONTINUED)**

#### **15. Provisions for liabilities**

<b>Consolidated and University</b>	<b>Obligation to fund deficit on USS Pension</b>	<b>Pension enhancements on termination</b>	<b>Defined Benefit Obligations</b>	<b>Total pensions Provisions</b>
At 1 August 2018	730	1,015	38,822	40,567
Utilised in year	(39)	(122)	(3,562)	(3,723)
Increase/(decrease) in provision in year	1,485	36	25,212	26,733
<b>As At 31 July 2019</b>	<b>2,176</b>	<b>929</b>	<b>60,472</b>	<b>63,577</b>

#### **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 to deficit payments in accordance with the deficit recovery plan. 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%.

The adoption of the new deficit recovery plan following the 2017 actuarial valuation has given rise to a significant increase in the deficit provision which has increased from £730k to £2.176m. £1,417m of this increase is attributable to the change in the deficit contributions contractual commitment. More details on the 2017 actuarial valuation are set out in Note 19.

Since the year end, following completion of the 2018 actuarial valuation, a new deficit recovery plan has been agreed of which more detail is given in Note 19. As at 31<sup>st</sup> July 2019 and with all other assumptions used to calculate the provision unchanged, this would have resulted in a revised provision of £1.278m, a decrease of £898k from the current year end provision

#### **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 19 below.

#### **16. Capital and other commitments**

	<b>Consolidated 2019 £000</b>	<b>and University 2018 £000</b>
Contracted at 31 July	11,472	11,851
Authorised but not contracted at 31 July	2,478	1,184

## **EDGE HILL UNIVERSITY**

### **NOTES TO THE ACCOUNTS (CONTINUED)**

#### **17. Finance Leases**

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

	<b>Consolidated</b>		<b>University</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
In one year or less	-	-	-	-
Between one and two years	-	-	-	-
Between two and five years	-	-	-	-
In five years or more	-	-	3,466	3,466
	<u>-</u>	<u>-</u>	<u>3,466</u>	<u>3,466</u>

#### **18. Events after the reporting period**

As set out in note 19 of the USS pension scheme, a new Schedule of Contributions based on the 2018 actuarial valuation has been agreed. This results in a decrease of £0.898 million in the provision for the obligation to fund the deficit on the USS pension which would instead be £1.278 million. This adjustment will be reflected in the University's Financial Statements for the year ended 31<sup>st</sup> July 2020.

#### **19. 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 31<sup>st</sup> March 2016. The major assumptions used in this valuation were:

<b>Actuarial method</b>	<b>Projected Unit</b>
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 2018/19 that amount was £816,675. This figure will be reassessed in detail as part of each detailed actuarial review. Employee contribution rates vary according to salary level bandings.

In October 2018, 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". In response to this judgement HM Treasury stated that public sector schemes already have a method to equalise guaranteed minimum pension benefits. It is therefore concluded that at the present time it is not appropriate for any provision to be included for the effect of the Lloyds Bank judgement.



## **EDGE HILL UNIVERSITY**

### **NOTES TO THE ACCOUNTS (CONTINUED)**

In December 2018, the Court of Appeal ruled against the Government in the two linked cases of Sargeant and McCloud relating to the Firefighters unfunded pension schemes and the Judicial pension arrangements. The Court held that transitional protections afforded to older members within the reformed schemes constituted unlawful age discrimination. This decision was upheld following appeal in 27 June 2019, by the Supreme Court. As a result of this the LGPS might also be required to take remedial action and an estimate of the effect of the judgement of £1.862m has therefore been included within past service costs.

The solvency funding level (proportion of liabilities covered by assets) is 90%. The full actuarial valuation was updated for FRS102 purposes to 31<sup>st</sup> July 2019 by a qualified independent actuary as follows:

	2019	2018	2017
Inflation assumption CPI	2.2%	2.1%	2.2%
Rate of increase in salaries	3.7%*	3.6%*	3.7%*
Rate of increase in pensions	2.3%	2.2%	2.2%
Discount rate applied to scheme liabilities	2.2%	2.9%	2.6%

\*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 2019	At 31 July 2018
<b>Retiring today</b>		
Males	22.8	22.7
Females	25.5	25.4
<b>Retiring in 20 years</b>		
Males	25.1	25
Females	28.2	28

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.

### **Local Government Pension Scheme (Continued)**

The fair value of the scheme's assets is:

	2019 Value £'000	2018 Value £'000	2017 Value £'000
Equities	81,457	64,136	58,320
Government Bonds	-	4,967	2,524
Other Bonds	2,727	877	3,055
Property	14,996	13,441	13,816
Cash/Liquidity	3,067	1,315	6,111
Other	68,165	61,361	49,021
	<u>170,412</u>	<u>146,097</u>	<u>132,847</u>

**EDGE HILL UNIVERSITY****NOTES TO THE ACCOUNTS (CONTINUED)**

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 2019 were measured in accordance with the requirements of FRS102:

	2019	2018	2017
University's estimated asset share	170,412	146,097	132,847
Present value of scheme liabilities	(230,884)	(184,919)	(186,919)
Deficit in the scheme	(60,472)	(38,822)	(54,072)

**Asset and Liability Reconciliation**

	2019 £000	2018 £000
<b>Reconciliation of Liabilities</b>		
<b>Liabilities at start of period</b>	184,919	186,919
Service cost	7,210	7,687
Past Service Cost	1,862	-
Interest cost	5,334	4,835
Employee contributions	1,690	1,606
Remeasurements	33,431	(12,742)
Benefits paid	(3,562)	(3,387)
Curtailments and settlements	-	1
<b>Liabilities at end of period</b>	<u>230,884</u>	<u>184,919</u>
<b>Reconciliation of Assets</b>		
<b>Assets at start of period</b>	146,097	132,847
Interest cost	4,274	3,486
Remeasurements	17,578	7,402
Administration expenses	(126)	(121)
Employer contributions	4,461	4,264
Employee contributions	1,690	1,606
Benefits paid	(3,562)	(3,387)
<b>Assets at end of period</b>	<u>170,412</u>	<u>146,097</u>

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

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Employer service cost	(7,210)	(7,687)
Past service cost/curtailments	(1,862)	(1)
Employer contributions	4,461	4,264
Total operating charge	<u>(4,611)</u>	<u>(3,424)</u>

**Analysis of pension finance costs**

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Interest on plan assets less administration expenses	4,148	3,365
Interest on pension liabilities	<u>(5,334)</u>	<u>(4,835)</u>
Net finance charge	<u>(1,186)</u>	<u>(1,470)</u>
Interest cost adjustment re discount rate	(270)	223
	<u>(1,456)</u>	<u>(1,247)</u>

**Analysis of other comprehensive income**

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Remeasurements (assets)	17,578	7,402
Remeasurements (liabilities)	<u>(33,431)</u>	<u>12,742</u>
Net actuarial gain less recognised in SOCI	<u>(15,853)</u>	<u>20,144</u>
Interest cost adjustment re discount rate	270	(223)
	<u>(15,583)</u>	<u>19,921</u>

**Movement in deficit during the year**

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Deficit in scheme at 1 August	(38,822)	(54,072)
Movement in year:		
Current service charge	(7,210)	(7,687)
Contributions	4,461	4,264
Part service cost/curtailments	(1,862)	(1)
Net finance charge	(1,186)	(1,470)
Loss recognised in other comprehensive income	<u>(15,853)</u>	<u>20,144</u>
Deficit in scheme at 31 July	<u>(60,472)</u>	<u>(38,822)</u>

**History of experience gains and losses**

	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Difference between the expected & actual return on assets amount	17,578	7,402	3,696	16,080	(4,400)
% of scheme assets	10.3%	5.1%	2.8%	13%	4.4%
Experience gains/(losses) on scheme liabilities:					
Amount	(33,431)	12,742	584	(29,153)	(11,039)
% of scheme liabilities	(14.5%)	6.9%	0%	16.4%	8.0%

## **EDGE HILL UNIVERSITY**

### **NOTES TO THE ACCOUNTS (CONTINUED)**

#### **Teachers Pension Scheme**

The Teachers Pension Scheme (TPS) is an unfunded statutory defined benefit scheme for academic staff. The regulations under which the TPS operates are the Teachers' Pensions Regulations 2010 (as amended) and the Teachers' Pensions regulations 2014 (as amended).

Every four years the Government Actuary's department carries out a valuation of the TPS.

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 2016
Actuarial method	Projected Unit
Discount rate	2.8% until 2019 then 2.4% thereafter
Pension increase	2.0% per annum
Rate of real earnings growth	2.2% per annum

The key results of the latest actuarial valuation were that aggregated scheme assets at the 31st March 2016 are valued at £196.1billion and scheme liabilities are £218.1billion leaving a shortfall of £22billion. 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.

As a result of the latest actuarial valuation the employer contribution rate was set to rise from 16.48% to 22.88% (including 0.08% to cover administrative expenses) with effect from 1st April 2019. However, following agreement with the Department for Education and HM Treasury this change was delayed until 1st September 2019. As a consequence, an additional 0.8% was applied to ensure that the level of the notional fund at the next valuation of the scheme is unaffected. As a result the employer contribution rate will increase from 16.48% to 23.68% with effect from 1st September 2019.

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 institution participates in Universities Superannuation Scheme (USS) which is a hybrid pension scheme, providing defined benefits (for all members), as well as defined 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 institution is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. As required by Section 28 of FRS 102 "Employee Benefits", the institution therefore accounts for the scheme as if it were a wholly defined contribution scheme. As a result, the amount charged to the Consolidated Statement of Comprehensive Income represents the contributions payable to the scheme. Since the institution has entered into an agreement (the Recovery Plan) that determines how each employer within the scheme will fund the overall deficit, the institution recognises a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and therefore an expense is recognised.

The total cost charged to the Consolidated Statement of Comprehensive Income is £1,966,703 (2018: £482,311).

## **EDGE HILL UNIVERSITY**

### **NOTES TO THE ACCOUNTS (CONTINUED)**

The latest available complete actuarial valuation of the Retirement Income Builder section of the Scheme is at 31 March 2017 ("the valuation date"), which was carried out using the projected unit method. As at the year end a valuation as at 31 March 2018 was underway but not yet complete.

Since the institution cannot identify its share of the Retirement Income Builder section of the scheme assets and liabilities, the following disclosures reflect those relevant for the section as a whole.

The 2017 valuation was the fourth 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 £60.0 billion and the value of the scheme's technical provisions was £67.5 billion indicating a shortfall of £7.5 billion and a funding ratio of 89%.

The key financial assumptions used in the 2017 valuation are described below. More detail is set out in the Statement of Funding Principles.

Discount Rate (forward rates)	Years 1-10: CPI – 0.53% reducing linearly to CPI – 1.32% Years 11-20: CPI + 2.56% reducing linearly to CPI + 1.7% by year 21 Years 21 +: CPI + 1.7%
Pensions increases (CPI)	Term dependent rates in line with the difference between the Fixed Interest and Index Linked yield curves, less 1.3% p.a.

The main demographic assumption used relates to the mortality assumptions. These assumptions are based on 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:

	<b>2017 Valuation</b>
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.
Future improvements to mortality	CMI_2016 with a smoothing parameter of 8.5 and a long term improvement rate of 1.8% pa for males and 1.6% pa for females.

The current life expectancies on retirement at age 65 are:

	<b>2019</b>	<b>2018</b>
Males currently aged 65 (years)	24.6	24.5
Females currently aged 65 (years)	26.1	26.0
Males currently aged 45 (years)	26.6	26.5
Females currently aged 45 (years)	27.9	27.8

## **EDGE HILL UNIVERSITY**

### **NOTES TO THE ACCOUNTS (CONTINUED)**

The funding position of the scheme has since been updated on FRS 102 basis:

	<b>2019</b>	<b>2018</b>
Scheme assets	£67.4bn	£63.6bn
Total scheme liabilities	£79.2bn	£72.0bn
FRS 102 total scheme deficit	£11.8bn	£8.4bn
FRS 102 total funding level	85%	88%

Key Assumptions used are:

	<b>2019</b>	<b>2018</b>
Discount rate	2.44%	2.64%
Pensionable salary growth	n/a	n/a
Pension increases (CPI)	2.11%	2.02%

A new deficit recovery plan was put in place as part of the 2017 valuation and is set out in the new Schedule of Contributions dated 28 January 2019. This requires payment of 5% of salaries over the period 1 April 2020 to 30 June 2034. In accordance with the requirements of FRS 102 and the SORP, the University has made a provision for this contractual commitment to fund the past deficit. In the prior year, the deficit payments were 2.1% of salaries up to March 2031

This significant increase in deficit contributions has given rise to a substantial increase in the deficit provision which has increased from £0.73 million to £2.176 million as set out in note 15. £1.417 million of this increase is attributable to the change in the deficit contributions contractual commitment.

The 2018 actuarial valuation was finalised after the year end which indicated a shortfall of £3.6 billion and a funding ratio of (o/s).

Since the year end, following the completion of the 2018 actuarial valuation, a new deficit recovery plan has been agreed. This amends the existing deficit recovery plan as set out in the 2017 valuation Schedule of Contributions. This new plan requires deficit payments of 2% of salaries from 1 October 2019 to 30 September 2021 and then payments of 6% of salaries from 1 October 2021 to 31 March 2028. As at 31 July 2019 and assuming all other assumptions used to calculate the provision remain unchanged, this would have resulted in a revised provision of £1.278m, a decrease of £0.898m from the current year end provision.

**EDGE HILL UNIVERSITY****NOTES TO THE ACCOUNTS (CONTINUED)****20. Bursary And Hardship Funds**

	Year ended 31 July 2019		Year ended 31 July 2018	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>Foundation Bursaries</b>				
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	25	25	26	26
Grants	-	-	-	-
Disbursed to students	-	-	(1)	(1)
Balance at 31 July	25	25	25	25

**NCTL Early Years Gem Bursary**

Balance at 1 August	8	8	2	2
Grants	(8)	(8)	27	27
Funds returned	-	-	-	-
Claw back	-	-	-	-
Disbursed to students	-	-	(21)	(21)
Balance at 31 July	0	0	8	8

**HEFCE Further Education Bursaries**

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

**Teacher Training Bursaries**

Balance at 1 August	(576)	(576)	(584)	(584)
Grants	6,126	6,126	4,741	4,741
Disbursed to students	(5,129)	(5,129)	(4,733)	(4,733)
Balance at 31 July*	421	421	(576)	(576)

\*The negative closing balance on Teacher Training Bursaries related to bursaries paid by the University that are expected to be reimbursed by DfE.

## **EDGE HILL UNIVERSITY**

### **NOTES TO THE ACCOUNTS (CONTINUED)**

Funds provided by the DfE 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 DfE has set.

	<b>Year ended 31 July 2019</b>		<b>Year ended 31 July 2018</b>	
	<b>Consolidated</b>	<b>University</b>	<b>Consolidated</b>	<b>University</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Early Years Bursaries</b>				
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

## **21. 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:

	<b>Income</b>	<b>Expenditure</b>	<b>Balance at</b>
	<b>£'000</b>	<b>£'000</b>	<b>31<sup>st</sup> July 2019</b>
			<b>£'000</b>
Edge Hill Student Union	174	678	-

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)**

#### **22. Linked Charities**

Charities with income over £100,000:

	<b>Brought Forward £'000</b>	<b>Income £'000</b>	<b>Expenditure £'000</b>	<b>Carry Forward £'000</b>
Edge Hill Maintenance Services Limited	8	145	(152)	1

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.

#### **23. 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 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 2019, 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.

#### **24. 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. Copies of the group accounts are available on the University's website [www.edgehill.ac.uk](http://www.edgehill.ac.uk).