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**Edinburgh Napier University**  
**General Information**

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| Chancellor                               | David Eustace BA DArt  |
| Chair of Court                           | The Very Revd Dr Graham Forbes CBE MA BD DUni LLD                            |
| Principal and Vice-Chancellor            | Professor Andrea M Nolan OBE MVB FRCVS DVA PhD<br>DipIECVA DipECVPT          |
| Secretary                                | David Cloy MA (Hons) DipAA   |
| Director of Finance                      | Andy McGoff MA (Hons) CA   |
| External Auditor                         | KPMG LLP<br>Saltire Court<br>20 Castle Terrace<br>Edinburgh<br>EH1 2EG       |
| Internal Auditor<br>(until 31 July 2018) | Scott-Moncrieff<br>Exchange Place<br>3 Semple Street<br>Edinburgh<br>EH3 8BL |
| Internal Auditor<br>(from 1 August 2018) | Ernst & Young LLP<br>5 George Square<br>Glasgow<br>G2 1DY                    |
| Bankers                                  | Royal Bank of Scotland plc<br>206 Bruntsfield Place<br>Edinburgh<br>EH10 4DF |
| Solicitors                               | Anderson Strathern LLP<br>1 Rutland Court<br>Edinburgh<br>EH3 8EY            |
| Actuaries                                | Mercer Limited<br>G1 Building<br>5 George Square<br>Glasgow<br>G2 1AR        |

## Edinburgh Napier University

### Court Membership

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The following persons served as members of Court during the year to 31 July 2018, and up to the date of approval of these Financial Statements. In the case of those who became or ceased to be members during the year, the appropriate dates are shown.

| Court Member              | Date of Appointment | Date of Retirement | Category                    |
|---------------------------|---------------------|--------------------|-----------------------------|
| Mr R Adams                |                     |                    | Non-Executive               |
| Mr N Ballantyne           |                     |                    | Non-Executive               |
| Ms J Boyle                |                     |                    | Non-Executive               |
| Mr S Brannan              | 1 October 2018      |                    | Non-Executive               |
| Rt Hon Lord Brodie        |                     |                    | Non-Executive               |
| Ms J Brown                |                     |                    | Non-Executive               |
| Mr G Cullen               | 1 October 2018      |                    | Staff                       |
| Dr V Ellis                |                     | 14 May 2018        | Staff                       |
| The Very Revd Dr G Forbes |                     |                    | Non-Executive               |
| Mr J Fraser               | 1 September 2018    |                    | Student                     |
| Mr C Guest                |                     |                    | Non-Executive               |
| Mr R Hare                 |                     |                    | Non-Executive               |
| Mr C Ibanez               | 1 October 2018      |                    | Staff                       |
| Ms S Jiwa                 |                     |                    | Non-Executive               |
| Mr M Khatri               | 1 September 2017    | 31 August 2018     | Student                     |
| Ms H Markley              | 1 September 2017    | 31 August 2018     | Student                     |
| Prof A McCleery           |                     |                    | Staff                       |
| Ms A McLean               | 1 September 2018    |                    | Student                     |
| Mr S Moir                 | 1 October 2018      |                    | Non-Executive               |
| Prof A Nolan              |                     |                    | Principal & Vice-Chancellor |
| Ms E Partyka              |                     |                    | Non-Executive               |
| Prof A Sambell            |                     |                    | Vice-Principal & Deputy V-C |
| Ms G Scholefield          | 1 October 2018      |                    | Non-Executive               |
| Ms A Scullion             |                     |                    | Non-Executive               |
| Dr P Stollard             |                     | 31 July 2018       | Non-Executive               |
| Mr S Walls                |                     |                    | Staff                       |
| Ms P Woodburn             |                     | 31 July 2018       | Non-Executive               |
| Mr N Woodcock             |                     |                    | Non-Executive               |
| Prof L Yellowlees         | 1 October 2017      |                    | Non-Executive               |

## Edinburgh Napier University

### Court Membership

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The following persons who served as members of Court during the year to 31 July 2018, are shown below with their attendance records at relevant Committees.

| Court Member              | Court | Audit & Risk | Finance & Property | Nominations | Remuneration |
|---------------------------|-------|--------------|--------------------|-------------|--------------|
| Mr R Adams                | 100%  |              | 80%                |             |              |
| Mr N Ballantyne           | 100%  | 75%          |                    |             | 0%           |
| Ms J Boyle                | 100%  | 100%         |                    |             | 100%         |
| Rt Hon Lord Brodie        | 100%  |              |                    |             |              |
| Ms J Brown                | 75%   |              | 60%                |             |              |
| Dr V Ellis                | 0%    |              |                    |             |              |
| The Very Revd Dr G Forbes | 100%  |              |                    | 100%        | 100%         |
| Mr C Guest                | 100%  |              | 40%                |             |              |
| Mr R Hare                 | 50%   |              | 60%                |             |              |
| Ms S Jiwa                 | 75%   |              |                    |             |              |
| Mr M Khatri               | 100%  |              |                    | 100%        |              |
| Prof A McCleery           | 50%   |              |                    |             |              |
| Ms H Markley              | 75%   |              |                    |             |              |
| Prof A Nolan              | 100%  | 75%          | 80%                | 50%         | 100%         |
| Ms E Partyka              | 100%  | 100%         |                    |             |              |
| Prof A Sambell            | 100%  |              | 100%               |             |              |
| Ms A Scullion             | 100%  |              |                    | 50%         |              |
| Dr P Stollard             | 100%  |              | 0%                 |             |              |
| Mr S Walls                | 100%  |              |                    | 0%          |              |
| Ms P Woodburn             | 50%   | 75%          |                    | 50%         | 100%         |
| Mr N Woodcock             | 75%   |              | 100%               |             | 100%         |
| Prof L Yellowlees         | 75%   |              |                    |             |              |
|                           |       |              |                    |             |              |

A solid financial performance, underpinned by a continued focus on identifying recurring efficiencies and a reduction in borrowing, has supported a year in which we have delivered many notable academic achievements.

The new academic appointment and promotions framework we put in place three years ago with its four pathways of research, learning and teaching, enterprise and professional practice, delivered the largest annual number of promotions so far with several other colleagues achieving the award of title of Associate professor. This reflects not only the impact of the approach we have adopted but the steadily growing talent and esteem among our academic staff.

Our Global Online provision had its largest intakes yet in both January and May 2018. The University was a late entrant to delivering online education and we have developed a distinctive and attractive offer which is making an Edinburgh Napier education available to individuals and communities we would not otherwise reach.

Our transnational higher education working with high quality partners around the world continues to develop. The first cohort of students graduated from our new partnerships in Myanmar. And we celebrated some of our longest standing partnerships including 10 years of delivering Engineering in Shanghai, 20 years delivering accounting and 25 years of Biological Sciences both with partners in Hong Kong.

Individual achievements of staff and students span academic distinctions including National Teaching Fellowships and election to the Royal Society of Edinburgh's Young Academy of Scotland. Our creative students won a portfolio of prizes in high profile UK awards as they do every year. The founder of a biofuels spinout company has been recognised as an inspirational business leader and other academic staff have been recognised for academic-industry collaboration in the built environment and in cybersecurity.

We have introduced innovative new courses in recognition of industry needs and technological advances, including a MSc in Financial Technology.

We have committed to expanding our academic portfolio in professional education, including teacher education and allied health in future years. We have already almost achieved our 2020 target of ensuring that 100% of our courses offer students work-related experience, living our commitment to developing highly employable graduates.

We continue to link strongly with business, public sector bodies and cultural communities working in partnership to address challenges and solve problems through application of our research expertise and innovation. For example, we opened our new Security Operations Centre (SOCLAB) in collaboration with Satisnet, to provide one of the world's most advanced cyber security facilities, helping train students and practitioners to combat malicious software attacks. One of our academics partnered with the Scottish Prison Service and Fife College to direct a short film documenting the experiences of four women who had served sentences in Polmont prison. Research conducted by our criminologists led to a change in the Stop and Search policy of Police Scotland, while the development of an innovative website to support patients recovering from critical illness was nominated for a national social enterprise award; many more examples of our achievements are touched on in the following pages.

This is a strong record of institutional and individual achievement. We do face challenges. Our income from the Scottish Funding Council fell in 2017/18 compared to 2016/17, our student satisfaction and research income numbers are not where we want them to be and we will focus our efforts on turning those around. There have been many developments, including Widening Access targets, the Lifelong Learning Review, the new Enterprise and Skills Strategic Board and the impending prospect of Brexit to which we must respond and we are doing so innovatively.

I look forward to the next stage of our journey confident that we can build on everything we have delivered in the past year.



**Professor Andrea M Nolan, OBE**  
**Principal and Vice-Chancellor**

## The University

The University Court was established under The Further and Higher Education (Scotland) Act 1992 for the purpose of governing Edinburgh Napier University. The University is an exempt charity for the purposes of the Charities and Trustee Investment (Scotland) Act 2005 (No.SCO18373). The University Court considers that the University meets the 'Charity Test' set out in Section 7 of the Charities and Trustee Investment (Scotland) Act 2005. It will take such actions as are necessary to ensure continued full compliance with the legislation and retention of charitable status. A copy of these Financial Statements can be obtained from the principal address of the University, which is 219 Colinton Road, Edinburgh, EH14 1DJ.

## Strategy 2020

The University adopted Strategy 2020: Building Success in 2014 and this was the fourth year of implementation. Strategy 2020 sets out a vision of an "innovative and enterprising community, renowned internationally and with an unrivalled student experience". Our four strategic objectives, underpinned by enabling strategies and plans provide focus and prioritisation for decision making. Our values - professional, inclusive, innovative and ambitious - underpin everything we do, guide our actions and describe the organisational culture we aspire to.

Delivery of our strategy is supported by periodic review and renewal of a risk register owned and approved by Court, monitoring the effectiveness of the actions being taken in the context of both the University's Strategy and Corporate Plans and the external environment. Key developments during the year which have been reflected in the risk register have included the Brexit vote and difficult market conditions for the recruitment of international students with frequently changing and challenging policies and practices of UK Visas and Immigration.

The University has a Stakeholder Engagement Plan which clarifies responsibility and accountability for managing corporate relationships with government, educational, professional, international, community, business, research and philanthropic partners.

## Operational Review

Our Corporate Plan 2017/18 built on our investments and achievements from the first three years of Strategy 2020 across our four strategic objectives, but with a particular focus on growing our academic reputation and delivering the surplus required to ensure financial sustainability and underpin essential investment. It included a number of actions to deliver an excellent student experience, achieve growth in taught postgraduate, transnational and online programmes and also realise increases in research outputs and funding. Progress and achievement against each of our four strategic objectives is summarised below.



### Growing our academic reputation

The focus this year was on continuing to prioritise assessment and feedback to students and improving the student learning experience, increasing our research income activity and quality outputs, embedding an academic leadership ethos and driving planned growth through our academic portfolio.

The University continued to deliver its planned home student growth, with our overall taught postgraduate community exceeding target and research postgraduate growth on track. Unfortunately, the University's overall satisfaction rating in the National Student Survey of final year undergraduates was extremely disappointing, dropping to 74%, in large part driven by the performance of a few key programmes with very large student cohorts. Although these results were driven by local issues now being addressed, their impact will be felt in our overall position in national league tables. There were a number of positive results though, with 16 of our 30 subject areas featuring in the upper two quartiles of all UK universities, an improvement from 10 out of 30 last year. We have also moved coursework submission online as part of our approach to improving our students' experience of the assessment and feedback process. Taught and research postgraduate student experiences showed 82% satisfaction for both cohorts, with positive improvements across the board for our research students' experiences.

Our goal to double the number of staff submitted to the next research excellence framework, (REF) in 2021 is on track, as more staff engage with research and publish quality outputs. Our research income, however, remained broadly flat, as although the value of bids submitted was at target, the number of applications made was lower than forecast, however our success in terms of research council grants was a significant achievement given the highly competitive nature of these funding sources.

We continued to embed a strong academic culture, and build capability through enhanced recruitment practices and processes, leadership development, recognition and reward actions and the academic promotions framework. Indeed we ran our fourth academic promotions round against the new academic performance framework, with a success rate of c.a. 58%. This process continues to bed in as an enabler of our academic reputation development, which in turn is part of our long-term cultural change agenda.

We have developed new programmes to build our portfolio in applied subject areas and professions, including allied health and teacher education, reflecting a focus on our reputation for excellence in applied and professional disciplines. We also bid successfully, and have recruited for new graduate level apprenticeships in computing science, engineering and business. The percentage of academic staff holding Higher Education Academy Fellowships grew from 57% to over 61%, with two members of staff being awarded UK National Teaching Fellowships, out of only 5 in Scotland.

Further examples of successes during the year include: partnering with industry to launch the pioneering Blockpass Identity Lab in the School of Computing; being awarded a major tranche of funding as a partner in a successful Creative Industries Clusters programme award; and running the first UK student sales competition. Our Wildlife Biology and Conservation degree programmes were the first in Scotland to receive accreditation from the Chartered Institute for Ecology and Environmental management (IEEM), we won the bid to host the Scottish Institute for Policing Research,

with the new Director one of our Associate Professors, and we were also awarded Centre of Excellence in Architectural Technology, one of only 4 universities in the UK.



### **Delivering an excellent personalised student experience**

Our focus this year has been on continuing to increase access to work-related learning experiences, growing participation in co-curricular opportunities, increasing applications from and offers to under-represented applicants and supporting retention.

The number of students participating in work-related experience and co-curricular activity have both continued to increase in line with our ambitions. Graduate employability has remained high at 95.9%, with graduate level employment up from 77% to 84%.

Examples of new experiences offered to students include: our partnership with the National Museum of Scotland, involving 30 students from our School of Arts and Creative Industries creating content for the exhibition documenting the story of Scottish pop, 'Rip it Up'; and the award-winning Built Environment Exchange (beX) Programme, providing international internship and scholarship opportunities for students in sustainable construction.

We have continued to roll out technology to support an improved experience, such as the award-winning LapSafe facility, providing students with 24/7 access to laptops for loan, as well as the fully personalised 'myTimetable' app. We have also renewed our approach to open days to improve our students' experience from their first point of contact with us.

Our refocused activity on widening access, including a new approach to contextual admissions, has proved successful, enabling us to exceed our MD20 recruitment target (12.4% against a target of 12%), a significant increase from 10.8% in 2017. We have led on establishing a regional consortium of higher and further education providers, along with the Scottish



Funding Council, to develop learner passports with a view to growing the efficiency and simplicity of the learner journey for prospective students. We also initiated and led the development and establishment of the HUB for S.U.C.C.E.S.S., which will provide dedicated support for care-experienced people considering entry into higher education and reflects a partnership of four Edinburgh based universities, Edinburgh College, Edinburgh City Council and others.

While retention results have been disappointing, we have now launched a new approach to personal development tutors and a number of initiatives supporting student welfare, which should achieve impact through 2018/19 and beyond.



### **Building innovation, enterprise and citizenship**

Our focus over the last year was on growing knowledge exchange partnerships, and supporting and encouraging our students and staff to be innovative and enterprising, by developing the curriculum and building on the portfolio of entrepreneurship training, opportunities and facilitation, as well as running innovative 'Changing Perceptions' events to support our citizenship ethos.

We achieved great success at the Scottish Knowledge Exchange Awards, winning the 'Building Skills through Knowledge Exchange' award, while our Professor Bill Buchanan picked up the award for Outstanding Contribution to Knowledge Exchange. Our CPD income, however, did not meet expectations and as a result we are placing renewed focus on our approach to supporting business engagement in 2018/19.

Examples of innovation, enterprise and citizenship among our staff and students are seen in the many awards won, impactful products developed and initiatives progressed. For instance, our interdisciplinary SOLUTIONS team partnered with the NHS and i4 Product Design to develop a transportation device to give children with complex healthcare needs a new sense of freedom and

independence, while another lecturer launched the 'dignity boxes campaign' to support families living in areas of deprivation with free toiletries. In addition to almost 30 student start-ups, one student entrepreneur (Helen Trail) won a prestigious Sports Innovation Challenge, Martina Zupan was accepted onto a Europe-wide accelerator programme with her sustainable materials innovation and Sydney Chasin launched snack brand 'Lil Pop', securing major investment. This is all while established initiatives, such as our Student Law Clinic for Edinburgh communities, go from strength to strength.

Additionally, our new blockchain research facility, Blockpass Identity Lab, has now opened for business. This has been built at our Merchiston campus as part of a collaboration with Honk Kong based Blockpass IDN. The pioneering new research lab will explore ways in which blockchain technology can protect personal data from online scammers and hackers. The initial three-year collaboration also includes funding for research staff, PhD studentships and a virtualised blockchain environment. Our expertise in blockchain technology also includes involvement in a pilot scheme to ensure remote care carried out via connected medical devices is safe, secure and private.

We also continue to stimulate commercial activity through developing intellectual property and encouraging spin out companies. We are proud to announce, post year-end, the successful sale of one of these companies, ZoneFox, to Fortinet, a global leader in cybersecurity solutions. Dr Jamie Graves, who designed the original software whilst studying his PhD in our School of Computing, founded ZoneFox in 2009 and has taken it to an award winning information security platform.

We are also proud of the recognition of the founder of another spin out company, and University employee, Professor Martin Tangney, who was awarded an OBE for his services to engineering and energy industries by Her Majesty the Queen in the 2018 New Year's Honours List. Professor Tangney founded Celtic Renewables Ltd, which uses by-products of the whisky industry to create sustainable biofuels.



### Internationalising our work

We focussed on international student recruitment, both on-campus and through our transnational provision, in an environment which not only remains highly competitive, but has been particularly challenging with uncertainties around BREXIT and a very fluid policy environment. We increased our overall new entrant international student numbers by 5% and are optimistic about recruitment of our planned international on-campus students for 2018. This reflects great team-work between our professional services and the Schools to deliver attractive degree programmes, market them effectively and support students into the university. We also successfully completed our first UK Visas and Immigration audit, confirming the University is compliant with its sponsor duties and has processes in place, which satisfy our regulations and guidance.

Whilst our TNE student numbers and income were down, primarily due to policy changes in Hong Kong and a shift of provision in Singapore to a new provider, we celebrated our first graduations in Macau and Myanmar and significant anniversaries with key TNE partners. Our work on our global online platform saw us achieve our largest-ever Global Online intake in September 2018, with student satisfaction rising to 85% amongst this community. Additionally we have made significant headway in exploring opportunities to extend and deepen key strategic partnerships in China.

We hosted the Urban Research and Education Knowledge Alliance (U!REKA) conference in Edinburgh, following the launch of this consortium last year, of which we are a founding member. We were also pleased to be awarded increased ERASMUS funding based on our previous excellent performance and we launched a friendship programme designed to give international students a chance to have first-hand experience of the local culture and way of life.

It has been a busy and productive year. Staff have worked exceptionally hard and with commitment to build on our reputation as a University that develops graduates highly valued by employers, with attributes that will enable them to flex, adapt and shape the future world of work, and engage with partners across sectors to conduct research that delivers impact and solutions to contemporary challenges.



## Key Performance Indicators

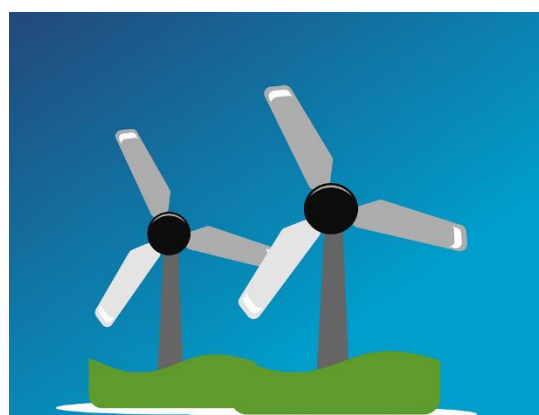
| Key Performance Indicator                                   | Actual<br>2016/17 | Actual<br>2017/18 | Strategy 2020<br>target |
|---|-------------------|-------------------|-------------------------|
| <b>GROW OUR ACADEMIC REPUTATION</b>                         |                   |                   |                         |
| Total students (FTE)  | 15,151            | 15,097            | 18,210                  |
| Academic staff active in externally funded research         | 23%               | 24%               | 40%                     |
| REF staff   | 139               | 182               | 200                     |
| Income from Research Grants and Contracts                   | £4.7m             | £4.2m             | £9.1m                   |
| Taught postgraduate students (FTE)                          | 2,052             | 2,282             | 1,880                   |
| Research postgraduate students (FTE)                        | 234               | 208               | 220                     |
| Student Satisfaction  | 80%               | 74%               | >90%                    |
| <b>DELIVER AN EXCELLENT PERSONALISED STUDENT EXPERIENCE</b> |                   |                   |                         |
| Graduate Employability                                      | 95%               | 95%               | 95%                     |
| Entrants to Programmes with work-related experience element | 88%               | 87%               | 100%                    |
| Student participation in co-curricular activities           | 3,725             | 3,821             | 5,000                   |
| <b>BUILD INNOVATION, ENTERPRISE AND CITIZENSHIP</b>         |                   |                   |                         |
| Total revenue from CPD                                      | £1.7m             | £2.0m             | £3.0m                   |
| Reduction in Carbon emissions                               | 46%               | 54%               | 35%                     |
| <b>INTERNATIONALISE OUR WORK</b>                            |                   |                   |                         |
| International (Non-EU) students (FTE)                       | 4,513             | 4,608             | 7,770                   |
| Non-EU student on campus                                    | 1,068             | 1,156             | 1,920                   |
| Income from trans-national education                        | £7.6m             | £7.5m             | £9.1m                   |
| Student outward mobility                                    | 417               | 449               | 800                     |
| <b>ENABLERS</b>   |                   |                   |                         |
| Overall Employee Engagement                                 | 80%               | 76%               | >80%                    |
| University Total Income                                     | £122m             | £119m             | £141m                   |
| Operating surplus (before pension charges)                  | £4.7m             | £1.6m             | 5%                      |

## Sustainability

The University Court monitors the sustainability of the University in a number of different ways.

The table of Key Performance Indicators (above) is reviewed annually by both the University Leadership Team and the University Court to ensure that the trajectory for each KPI is still relevant given changes in the external and internal environments. The KPIs are published in the Corporate Plan.

In addition, the University Court considers quarterly monitoring reports which contain, *inter alia*, further financial KPIs.



## Financial Sustainability

The University has a Long-Term financial planning model which is regularly updated to provide Senior Management with information about possible scenarios covering our financial strength.

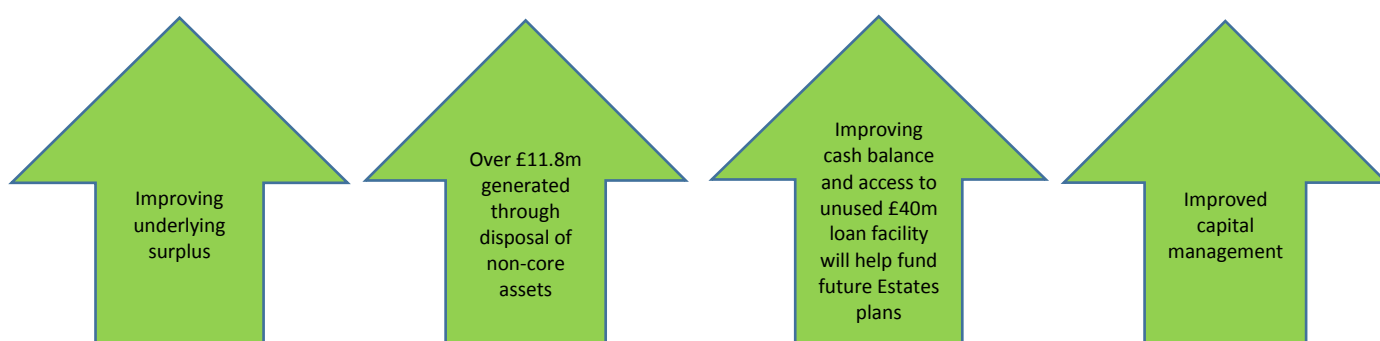
The University has established 3 pillars of sustainability and will work towards achieving these:

- A ratio of staff costs to total income of not more than 60%
- A ratio of academic staff to professional services staff of at least 50%
- A ratio of operating surplus ratio to total income of at least 5%

## Scope of the Financial Statements

The financial statements have been prepared in accordance with the Charities and Trustee Investment (Scotland) Act 2005, regulation 14 of the Charities Accounts (Scotland) Regulations 2006 (as amended), the Statement of Recommended Practice: Accounting for Further and Higher Education 2015 (SORP), and in accordance with applicable accounting standards. The University is a public benefit entity and therefore has applied relevant public benefit requirement of FRS 102. The financial statements are prepared in accordance with the historical cost convention (modified by the revaluation of certain fixed assets).

## Financial Review



The focus over the last couple of years has been on strengthening the balance sheet of the University to provide the platform to deliver our ambitious capital investment across our Estate and Digital environment over the next few years. This year's results show strong progress with not only our solvency, measured by our net current assets, increasing but our overall Net Assets growing by £13.7m to £92.3m.

## Income and Surplus

Total comprehensive income (Net Surplus) for the year was £13.7m, after accounting for actuarial gains, an improvement from £10.4m last year.

The table below splits out the effect of pension movements as required under FRS102.

| £m  | 2016/17      | 2016/17        | 2017/18      | 2017/18        |
|---|--------------|----------------|--------------|----------------|
|   | Ex-Dev Trust | Inc. Dev Trust | Ex-Dev Trust | Inc. Dev Trust |
| Income (excluding additional capital grant) | 118.5        | 119.6          | 118.6        | 119.0          |
| Expenditure before pension charges          | (117.5)      | (117.8)        | (116.9)      | (117.4)        |
| Underlying operating surplus                | 1.0          | 1.8            | 1.7          | 1.6            |
| Pension charges                             | (5.9)        | (5.9)          | (6.4)        | (6.4)          |
| Surplus / (deficit) after pension charges   | (4.9)        | (4.1)          | (4.7)        | (4.8)          |
| Additional capital grant                    | 2.9          | 2.9            | -            | -              |
| Other gains                                 | 1.2          | 1.2            | 0.1          | 0.1            |
| Actuarial gain                              | 10.4         | 10.4           | 18.4         | 18.4           |
| <b>Net surplus</b>                          | <b>9.6</b>   | <b>10.4</b>    | <b>13.8</b>  | <b>13.7</b>    |

Stripping out the Development Trust and one off gains, operating income year on year is consistent. However, our underlying operating surplus of £1.7m is a 70% increase on last year.

This was achieved through robust cost control and in particular our management of non-pay costs which reduced by 3.6% through improved process, and contract negotiation. Interest on bank loans also decreased by £0.7m due to the refinancing exercise undertaken in July 2017.

Our ratio of staff cost to income at 62.5% is still one of the highest in the sector although our ratio of academic to non-academic staff has improved in the year to 43%.

For the future, the continued generation of an underlying operating surplus will demonstrate the University's commitment to ensuring its financial health and the sustainability of its activities, thereby creating the environment necessary to support and invest in its ongoing development.

The deficit before tax of £4.7m includes £6.4m of FRS102-related and unfunded pension charges.

## Income and Student Numbers

Overall income (including the Development Trust) has decreased by 2.9% to £119.0m mostly related to a drop in SFC grant income from £59.6m to £57.1m in 2016/17. Tuition fees add a further £41.5m, an increase from £40.8m in the prior year.

The University is reliant for approximately 50% of its income on the SFC and while appreciative of the SFC grant income it is interesting to note that if our 2014/15 grant was inflated by RPI to the year 2017/18 then our receipt would be higher by some £7.4m! This demonstrates the challenges faced by the Sector, but also our focus on diversifying our income sources and managing our cost base.

| 2017/18 (Headcount)     |          |               |              |              |               |
|-------------------------|----------|---------------|--------------|--------------|---------------|
| Delivery Location       |          | Taught        |              | Research     | Total         |
|                         |          | Undergraduate | Postgraduate | Postgraduate |               |
| On Campus               | Scotland | 8,176         | 1070         | 103          | 9,349         |
|                         | Other UK | 769           | 402          | 22           | 1,193         |
|                         | EU       | 1,559         | 548          | 41           | 2,148         |
|                         | Overseas | 735           | 604          | 54           | 1,393         |
| <b>On Campus Total</b>  |          | <b>11,239</b> | <b>2,624</b> | <b>220</b>   | <b>14,083</b> |
| Off campus              | Online   | 262           | 1,235        | -            | 1,497         |
|                         | TNE      | 3,817         | 467          | 55           | 4,339         |
| <b>Off Campus total</b> |          | <b>4,079</b>  | <b>1,702</b> | <b>55</b>    | <b>5,836</b>  |
| <b>All Locations</b>    |          | <b>15,318</b> | <b>4,326</b> | <b>275</b>   | <b>19,919</b> |
| 2016/17 (Headcount)     |          |               |              |              |               |
| Delivery Location       |          | Taught        |              | Research     | Total         |
|                         |          | Undergraduate | Postgraduate | Postgraduate |               |
| On Campus               | Scotland | 8,208         | 901          | 118          | 9,227         |
|                         | Other UK | 861           | 306          | 27           | 1,194         |
|                         | EU       | 1,601         | 650          | 56           | 2,307         |
|                         | Overseas | 757           | 462          | 58           | 1,277         |
| <b>On Campus Total</b>  |          | <b>11,427</b> | <b>2,319</b> | <b>259</b>   | <b>14,005</b> |
| Off campus              | Online   | 176           | 1,118        | -            | 1,294         |
|                         | TNE      | 4,006         | 498          | 41           | 4,545         |
| <b>Off Campus total</b> |          | <b>4,182</b>  | <b>1,616</b> | <b>41</b>    | <b>5,839</b>  |
| <b>All Locations</b>    |          | <b>15,609</b> | <b>3,935</b> | <b>300</b>   | <b>19,844</b> |

Student numbers are summarised in these tables. Overall headcount is consistent year on year.

Increased Taught Postgraduate headcount has led to a modest increase in on-campus numbers while our off-campus numbers have remained consistent with 2016/17.

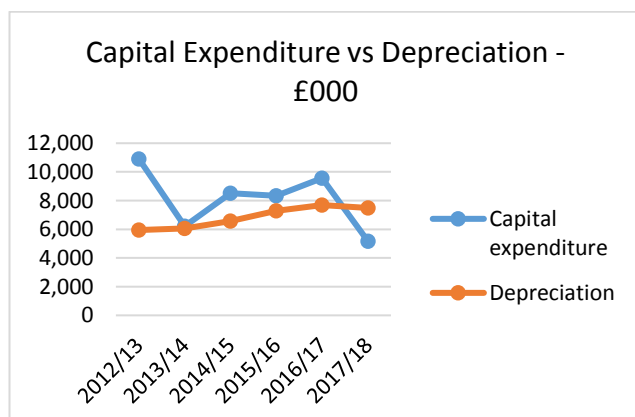
Research income in the year was disappointing, showing a reduction from £4.7m to £4.2m, although income from residences, catering and conferences continued to improve growing from £10.1m to £10.5m.

### Development and Alumni

In 2017/18 the University, through the Development Trust, raised philanthropic income of £0.5m and distributed £0.6m to students through scholarships, bursaries and prizes. £0.3m of the income raised is support future student awards.

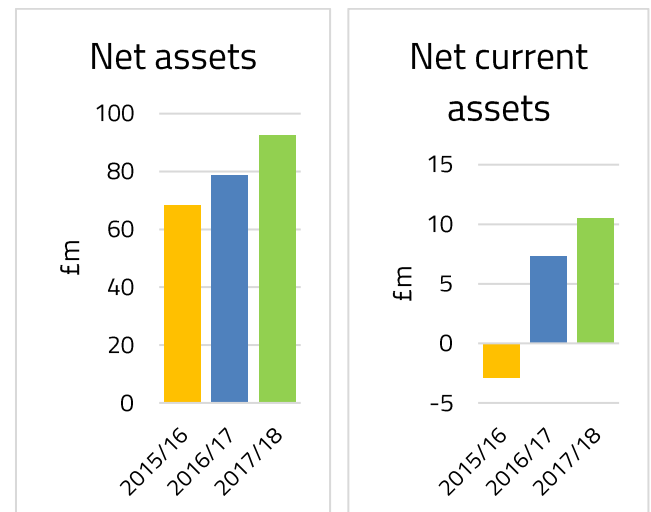
### Balance Sheet

The Net Book Value of our Fixed Assets reduced slightly during the year by £2.3m, to £128.0m as we impose tighter controls around our capital spend with a view to maximising resource available for our longer term capital plans. The graph illustrates our spend compared to our underlying depreciation.



Focused balance sheet management is reflected in this table. Reduced bank debt has significantly reduced our gearing whilst our reserves have grown in relation to our income. Income per FTE reflects our productivity which has reduced by 3.3% over the year.

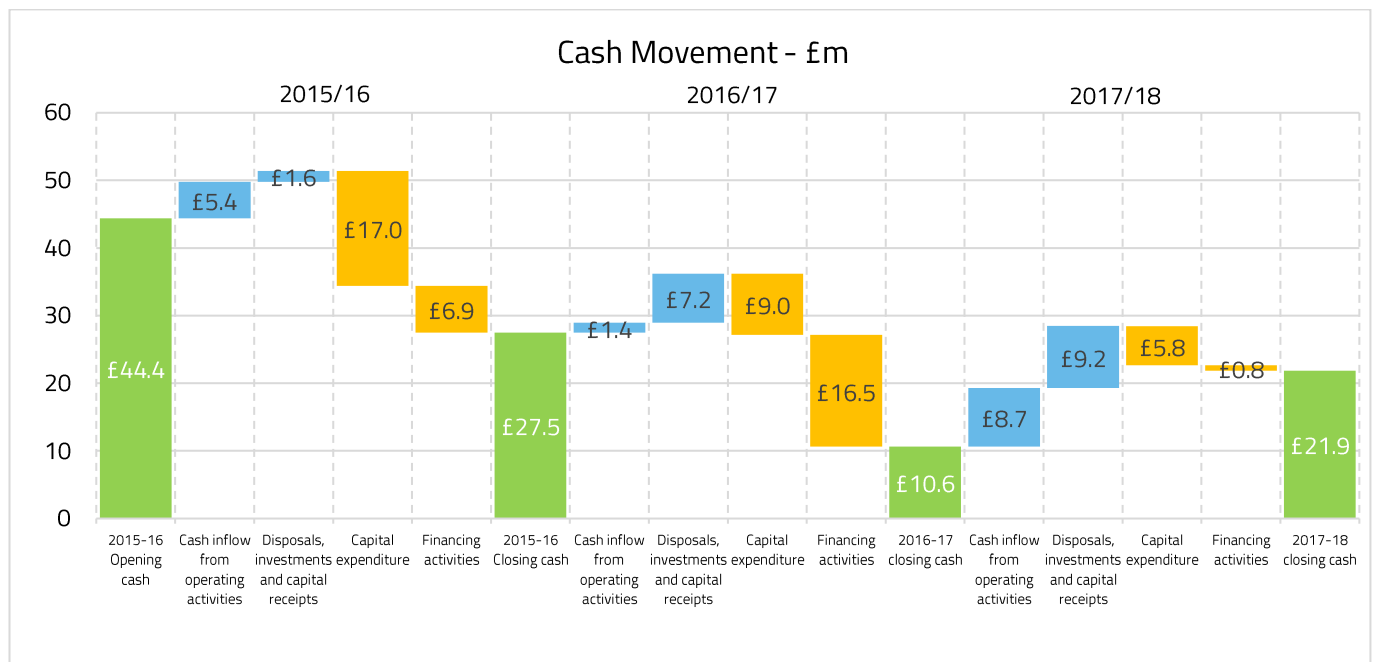
As highlighted above a strong focus has been on strengthening our Balance Sheet to provide the platform for future investment and growth. The consolidated Net Assets of the University are £92.3m at 31 July 2018, an increase of £13.7m from the previous year. More pleasingly, robust working capital management has delivered significant improvement in our net current assets balance which now stands at £10.5m, a £13.4m increase from just 2 years ago. Included within net current assets, our cash balance doubled to £21.9m assisted by the sale of 3 non-core assets. Our bank loans of £10m are amongst the lowest in the sector.



It is the University's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the University and its suppliers, providing that all trading terms and conditions have been complied with. At 31 July 2018, there was an average of 30 days purchases (2017 – 24 days) outstanding in trade creditors. No interest was paid under the Late Payment of Commercial Debts (Interest) Act 1998.

|  | 2015/16 | 2016/17 | 2017/18 |
|--|---------|---------|---------|
| Gearing - debt as % of Net Assets      | 36.7%   | 12.7%   | 11.4%   |
| External borrowing as a % of income    | 21.3%   | 8.2%    | 8.8%    |
| Unrestricted reserves as a % of income | 52.5%   | 58.1%   | 71.5%   |
| Total Net Assets (£000)                | £68,160 | £78,582 | £92,268 |
| Income per staff FTE                   | £85,324 | £89,534 | £86,626 |

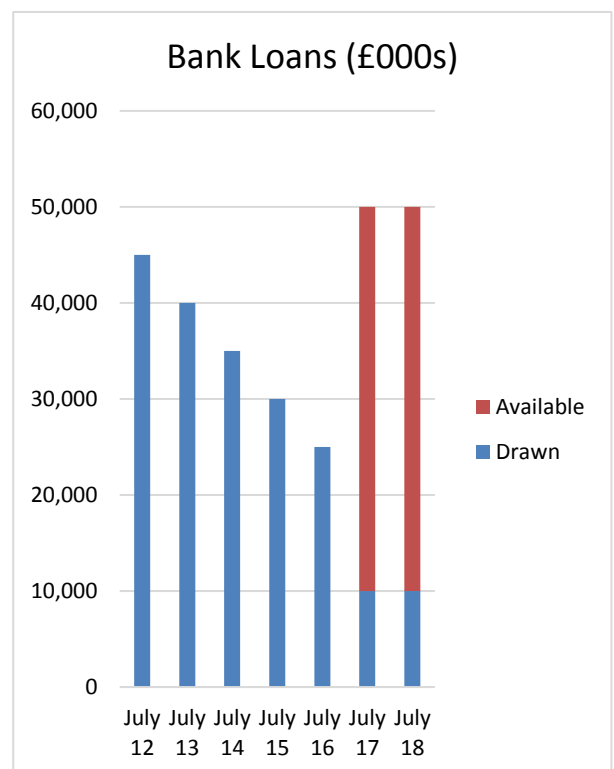
### Cash, Cashflow and Loans



Cash and cash equivalents are £21.9m at 31 July 2018. This is an increase of £11.3m during the year and can be summarised as follows:

- Net cash inflow from operating activities was £8.7m.
- Investing in fixed assets totalled £5.8m. This was offset by asset sales, capital grant receipts and investment income totalling £9.2m, resulting in a net cash inflow from investing activities of £3.4m.
- Financing activities decreased from £16.5m in 2016/17 to £0.8m in 2017/18 due to there being no loan repayments in the year whilst there was a £0.7m (46.5%) saving in interest costs.

To fund our Estates Strategy, the University entered into a £40m agreement for a revolving credit facility (RCF) with Bank of Scotland during 2016/17. This is a 5 year facility with the ability to convert into a term loan for a further 5 years. No drawdown has been made against this facility during 2017/18.



## **Taxation**

Although the University is an exempt charity within the meaning of the Charities and Trustee Investment (Scotland) Act 2005, and recognised as a charity by HM Revenue & Customs (HMRC), it receives no exemption in respect of Value Added Tax (VAT). Commercial trading activities undertaken by the University are operated through its subsidiary companies and attract VAT where applicable.

The University's tax strategy outlines that we are committed to full compliance with tax laws and regulations, whilst taking advantage of reliefs and exemptions. In the year we renegotiated our partial exemption special method with HMRC. The new method allows for greater VAT recovery, particularly for Construction Scotland Innovation Centre.

## **Pensions**

Total pension liabilities have reduced by £12.9m to £38.5m. Further information about the University's pension schemes can be found at note 20 of the Financial Statements.

## **Sustainable Procurement**

Further to a review of Procurement delivery at the University in 2015, the University established a high quality Procurement service within the institution (delivered via Advanced Procurement for Universities and Colleges, the sector's Centre of Procurement Expertise) (APUC) to maximise the value and sustainable impacts that can be achieved from management of the institution's external spend. This was further enhanced in 2016 by the forming of the innovative Edinburgh Region Procurement Team (ERPT) with Edinburgh College. This allows for more efficient delivery of the service (both organisations were able to reduce headcount by 1 FTE without any impacts on service) but also provides improved leverage and resilience of service for the institutions involved.

The team clearly focusses on achieving savings, but it aims to carefully balance this with ensuring appropriate quality of the goods, works and services purchased, while increasing visibility of, and enhancing the positive impact of the ethical and environmental aspects of the institution's supply chain, assisting in safeguarding the institution's reputation as a globally responsible and progressive international University.

The University is continually looking to deliver efficiencies and maximise resources through Procurement practices. Our total influence-able non-pay spend is c.£27m and in the Academic year 2017/18 the University has achieved savings of c.£433k through the use of sector led collaborative contracts. Local procurement exercises have resulted in additional savings of c.£300k. Specific Procurement-led initiatives have resulted in additional benefits of c.£320k per annum being realised.

The University's Responsible Procurement Champion has been responsible for leading the development, in cooperation with the relevant staff in APUC's core team and University staff expert in this area, of a comprehensive Responsible Procurement Assessment & Checklist which is now firmly embedded in all Procurement strategies and processes for contracts above £12.5k in value.

This checklist also challenges the need for the purchase in the first place and explores alternative options to meet the need such as existing internal resources, which can completely remove the need for the expenditure in its entirety. Related guidance for lower value procurement activity managed in devolved areas, has also been developed and will be launched shortly.

The University is at the forefront of the initiative to implement Responsible Procurement Champions across all Institutions, with Edinburgh Napier being the first institution to do so (this role is now supporting both the University and Edinburgh College under the ERPT approach), which will now be emulated across other Universities and Colleges in Scotland.



## Environmental Sustainability

We are committed to reduce the environmental impact of the University. Between our 2006/07 and 2017/18 academic years we have reduced campus based utility carbon emissions by 54%. Our 2017/18 emissions principally originated from consumption of utilities at our campuses (53.0%), business travel, both locally and internationally (46.5%) and waste generated on campus (0.5%).

We continue to embed a number of measures to sustain and support ongoing reductions in environmental impact across the University. Recent and on-going projects include switching to LED lighting, improved ventilation and heating controls and boiler upgrades. The feasibility of installing several large scale solar panels systems is also currently being investigated.

We have gained over £200,000 in grants from public bodies to support active travel on campus. Initiatives range from bicycle maintenance training to installing infrastructure such as an off-road route which improves the connection between the Sighthill Campus and the local active travel and public transport networks.

We report our activities on an annual basis to the Scottish Government, Scottish Funding Council and Higher Education Statistics Agency amongst other bodies to ensure transparency of our progress. We have also developed a number of strong partnerships with a range of bodies within networks such as the Environmental Association for Universities and Colleges and the Sustainable Scotland Network enabling knowledge sharing of best practice.

Recognising both our own progress and the commitment of the Scottish Government to reduce the environmental impact of Scotland as a whole, we will set new targets and develop updated strategies within our 2018/19 academic year to take the University towards net carbon zero.

## Inclusion

Inclusion is at the heart of Edinburgh Napier's values and we continue to be sector leading in this respect. Our Equality Outcomes 2017-2021 help to fulfil our duties under the Equality Act 2010 by embedding equality and diversity across all we do. One of our core University values is inclusion, and our inclusion statement outlines our commitment to promoting and implementing equality of opportunity.

The gender pay gap figure for the University has reduced year on year since 2015. The current average hourly rate of basic pay for a man at the University is **£21.85** and **£19.92** for a woman making the gender pay gap **8.9%** (at 31 December 2017). The University continues to have one of the lowest gender pay gap figures amongst other Higher Education Institutions where the median figure is reported to be 14.8%. Research suggests institutions that report the smallest average pay gaps tend to have a much better gender balance on their top teams and this is indeed the case at Edinburgh Napier University.

We have a majority of female leaders on our University Leadership Team (57% at executive level) and 58% in our Senior Leadership Team. 37% of our professoriate are females and we are working hard to ensure this number increases year on year. In two-thirds of universities less than a quarter of top academic staff are women and some institutions have no female professors at all so it's clear to see that inclusion is a value that we live by.

The University is a Disability Confident Employer, the accreditation which replaced the 'Two Ticks' scheme and has expressed an 'aim to continue to increase the total number of disabled employees' in its Inclusion Strategy. There is a dedicated University Student Disability and Inclusion team and Inclusive Practice programme (I'm in) considering how we can mainstream existing good practice and remove impediments to disabled staff and students. We aim to create a community where everyone feels proud, confident, challenged and supported. This includes providing equality of opportunity and access as well as ensuring that no prospective student is denied a place on a programme on the grounds of their disability. We take a positive, flexible approach to

encouraging full participation of people with disabilities into all aspects of University life and make every reasonable effort to provide the necessary support, adaptations, equipment and staff development, in order to enable students and staff to fulfil their potential.

This year saw the launch of Gender Based Violence cards to raise awareness of sexual violence and ensure all staff are equipped to support students and colleagues who may have experienced this. We also saw the launch of Big White Wall which is one of a range of support tools to address the growing number of young people that are presenting mental health issues.

### Governance and Risk Management

Our Governance arrangements are outlined in the Corporate Governance Statement on page 18.

The University has an established risk management framework, incorporating a risk management policy, with oversight from the Risk and Resilience Committee. The University maintains a comprehensive risk register, supported by departmental level School and Professional Services risk registers.

The main risks facing the University are:

- Ensuring financial sustainability and effectively managing financial challenges
- Achieving student number and transnational education targets
- Enhancing and maintaining high levels of student and staff satisfaction
- Planning and responding effectively to changes in the external environment, particularly Brexit.

Our Audit and Risk Committee has oversight of our risk management process. During the year, the Committee agreed to the appointment of Ernst and Young LLP as our new internal auditor.



On behalf of the University Court,

A handwritten signature in black ink, appearing to read 'Graham Forbes'.

The Very Revd Dr Graham Forbes, CBE, Chair  
17 December 2018

## **Introduction**

Edinburgh Napier University is committed to exhibiting good practice in all aspects of corporate governance. This summary describes the manner in which the University has applied the principles set out in the Scottish Code of Good Higher Education Governance as directed by the Scottish Funding Council. Its purpose is to help the reader of the financial statements understand how the principles have been applied.

## **Statement of full compliance**

In the opinion of the Court, the University complies with the provisions of the 2013 Scottish Code of Good Higher Education Governance, and it has so complied throughout the year ended 31 July 2018. Throughout the year the Court has worked towards achieving full compliance with the new provisions introduced by the 2017 Scottish Code of Good Higher Education Governance. Court approved, at its meeting on 18 June 2018, the necessary changes to the University's governance framework which will ensure full compliance from 1 August 2018.

Effectiveness Reviews are conducted by the Court on a quinquennial basis, most recently in 2017/18, to ensure compliance and to ensure appropriate ongoing enhancement of governance arrangements at the University. The report of the 2017/18 Court Effectiveness Review is published on the University's website.

## **University Court**

The University Court meets four times a year and has a committee structure through which it conducts its business. Each committee has formally constituted terms of reference and constitutions. These committees include: a Finance & Property Committee, a Nominations Committee, a Remuneration Committee and an Audit & Risk Committee.

Revisions to Court's constitution necessitated by the revised membership requirements introduced by the Higher Education Governance (Scotland) Act 2016

were made by the Privy Council through an amendment to the University's Statutory Instrument on 22 May 2018. The Edinburgh Napier University Amendment Order of Council 2018 was laid before the Scottish Parliament on 24 May 2018 and came into force on 15 September 2018. In proposing these changes, Court ensured that its total membership remained at a maximum of 25 and sought to secure an appropriate balance of elected, ex-officio and appointed members which would ensure a range of skills and experience on the Court and its sub-committees sufficient to enable the effective discharge of its functions.

The Finance & Property Committee, in its range of responsibilities, recommends to the Court the University's annual revenue and capital budgets and monitors performance in relation to approved budgets.

In parallel with the Audit & Risk Committee, it also reviews the financial statements and makes appropriate recommendations regarding their approval to the Court. The Chair of Court ensures that Court fulfils its responsibilities as set out in the Statutory Instrument by means of its Statement of Primary Responsibilities, reserved powers and the scheme of delegated responsibility.

The Nominations Committee considers nominations for vacancies in the Court membership including those from public advertisement. The University fulfils its responsibility for ensuring that a process is in place to make appropriate training available to Court members as required. In the past year, a full induction to new members has been provided and members have been given the opportunity to attend governor development events run by Advance HE and other relevant externally organised development events. The University provides administrative and financial support to members to enable their attendance.

The Remuneration Committee determines the remuneration of the most senior staff, including the Principal. Details of the remuneration of senior post-holders for the year ended 31 July 2018 are set out in note 8 to the financial statements.

Meetings of the Audit & Risk Committee have the University's external and internal auditors in attendance. The Audit & Risk Committee advises the Court on the appointment of the internal and external auditors and the auditors' remuneration. In parallel with the Finance & Property Committee, it also reviews the financial statements and makes appropriate recommendations regarding their approval to the Court.

The University's internal auditors monitor the systems of internal control, risk management controls and governance processes in accordance with an agreed plan, and report their findings to management and the Audit & Risk Committee. Management is responsible for the implementation of agreed audit recommendations and the internal auditors undertake periodic follow-up reviews to ensure that such recommendations have been implemented. The Audit & Risk Committee considers detailed reports together with recommendations for the improvement of the University's systems of internal control and management responses and implementation plans.

It also receives and considers relevant reports from the Scottish Funding Council (the SFC) as they affect the University's business and monitors adherence to the regulatory requirements.

It is the opinion of the University's internal auditors that the University has a framework of controls in place that provides reasonable assurance regarding the organisation's governance framework, internal controls, effective and efficient achievement of objectives and the management of key risks.

Whilst members of the University Leadership Team attend meetings of the Audit & Risk Committee as necessary, they are not members of the committee and once a year the committee meets both the internal and external auditors on their own for independent discussions.

### **Corporate Strategy**

In respect of its strategic and development responsibilities, the Court receives recommendations and advice from members of the University Leadership Team. The Court holds an annual conference with the University Leadership Team and other senior managers to discuss strategic issues facing the University. It is the Court that approves the University Strategy and puts in place appropriate measures by which it can monitor progress.

### **University Court Statement on Internal Control**

The University Court is responsible for the system of internal control and has delegated to the Principal the review of its effectiveness, as the nominated officer responsible to the SFC for propriety and regularity in the use of public funding and for the economic, efficient and effective use of all available resources. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Court and University Leadership Team receive reports setting out key performance and risk indicators and consider possible control issues brought to their attention by early warning mechanisms which are embedded within the operational units and reinforced by risk awareness activity. A review of key performance indicators was conducted following publication of the relevant Committee of University Chairs Report in November 2006 and further improvements were subsequently made to the institutional performance monitoring reports provided to the Court since 1998.

The University Leadership Team and the Court Committees also receive regular reports from internal audit and health, safety and environmental monitoring functions which include recommendations for improvement. The Audit & Risk Committee's role in this area is confined to a high level review of the arrangements for internal control.

The Court regularly considers risk and control and receives reports thereon from the University Leadership Team and the Audit & Risk Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2017 meeting the Court received the annual report from the Audit & Risk Committee covering the period to 30 November 2017. At its June 2018 meeting, the Court considered the annual risk assessment for the year ahead by considering documentation from the University Leadership Team and internal audit, and taking account of events since 31 July 2017.

The Court is of a view that there is an ongoing process for identifying, evaluating and managing the University's significant risks that has been in place throughout the year ended 31 July 2018 and up to the date of approval of the annual report and financial statements. This process is reviewed regularly by the Court and accords with current good practice of governance in the higher education sector of the UK.

### Going Concern

The Court considers that the University has adequate resources to continue in operational existence for the foreseeable future.



Craiglockhart campus



Merchiston campus

On behalf of the University Court,

The Very Revd Dr Graham Forbes, CBE, Chair

Professor Andrea M Nolan, OBE,  
Principal and Vice-Chancellor  
17 December 2018

The University Court has unambiguous and collective responsibility for the oversight of the University's activities and determining its future direction. In addition, in accordance with its Statutory Instrument, the University Court is responsible for the administration and management of the affairs of the University including ensuring an effective system of internal control and is required to present audited financial statements for each financial year. The Court, however, ensures that its functions relating to the organisation and management of the University are discharged by the Principal and may delegate such other of its functions and powers as the Court may from time to time determine. In discharging such functions, the Principal is subject to the strategic direction and control of the Court, but otherwise the Principal has all the powers and duties of the Court in relation to the implementation of such strategy. The full Statement of Primary Responsibilities of the University Court is published on the University's website.

The Court is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the University and to enable it to ensure that the financial statements are prepared in accordance with the University's Statutory Instrument, the Statement of Recommended Practice: Accounting for Further and Higher Education and other relevant standards. In addition, within the terms and conditions of the Financial Memorandum agreed between the SFC and the Court of the University, the Court, through its designated Officer, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the University and of its surplus or deficit and cash flows for that year.

The Court takes proper account of the interests of stakeholders, including students, staff, alumni, the wider community and funding bodies.

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

- suitable accounting policies are selected and applied consistently;
- judgements and estimates are made that are reasonable and prudent;
- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- financial statements are prepared which comply with the Charities and Trustee Investment (Scotland) Act 2005;
- the ability to continue as a going concern has been assessed and matters relating to going concern have been disclosed, as applicable;
- financial statements are prepared on the going concern basis, unless they intend to liquidate the Group or University or to cease operations, or have no realistic alternative but to do so. The Court is satisfied that it has adequate resources to continue in operation for the foreseeable future: for this reason the going concern basis continues to be adopted in the preparation of the financial statements.

The Court has taken reasonable steps to:

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

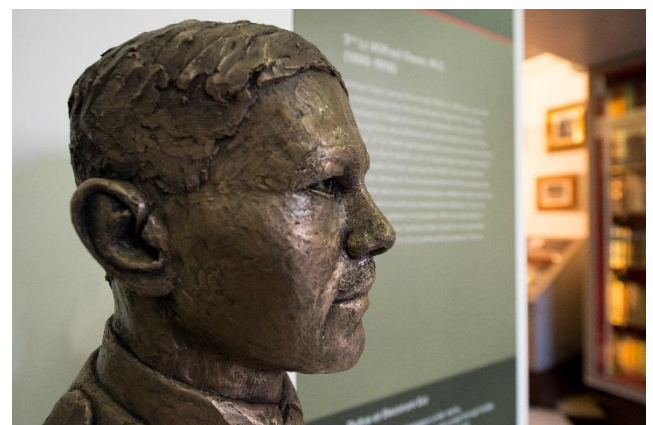
The key elements of the University's system of internal financial control, which is designed to discharge the responsibilities set out above, include the following:

- clear definitions of the responsibilities of, and the authority delegated to, Senior Managers, Deans of Schools and Directors of Professional Services, as set out in the University's Schedule of Delegated Authority which was updated and approved by the Court in October 2012;
- a comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets;
- regular reviews of key performance indicators and business risks;
- periodic reviews of financial results involving variance reporting and periodic updates of forecast outturns;
- clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the Court;
- comprehensive Financial Procedures and Regulations, detailing financial controls and procedures, approved by the Audit & Risk Committee and the Finance and Property Committee;
- a professional third party Internal Audit team whose annual programme is approved by the Audit & Risk Committee and endorsed by the Court. Internal Audit provides the Court with a report on internal audit activity within the University and an opinion on the adequacy and effectiveness of the University's system of internal control, including internal financial control.

Any system of internal financial control can, however, only provide reasonable, but not absolute, assurance against material misstatement or loss.



Sighthill campus



Wilfred Owen

**On behalf of the University Court,**

A handwritten signature in black ink, appearing to read 'Paul Yates'.

**The Very Revd Dr Graham Forbes, CBE, Chair**  
**17 December 2018**

# INDEPENDENT AUDITOR'S REPORT TO UNIVERSITY COURT OF EDINBURGH NAPIER UNIVERSITY

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

We have audited the financial statements of Edinburgh Napier University ("the University") for the year ended 31 July 2018 which comprise the Consolidated Statement of Comprehensive Income and Expenditure, the Consolidated and University Statement of Changes in Reserves, the Consolidated and University Balance Sheet, the Consolidated Statement of Cash Flows and the related notes, including the Principal Accounting Policies.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the University's affairs as at 31 July 2018 and of the Group's and the University's income and expenditure, gains and losses and changes in reserves and of the Group's cash flows for the year then ended;
- have been properly prepared in accordance with UK accounting standards, 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
- have been prepared in accordance with the Charities and Trustee Investment (Scotland) Act 2005 and regulation 14 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

### Basis for opinion

We have been appointed as auditor under section 44 (1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and report to you in accordance with the regulations made under that Act.

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

### Going concern

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

### Other information

The University Court of Edinburgh Napier University is responsible for the other information, which comprises of Court Membership, the Principal's Foreword, Strategic Report, Corporate Governance Statement and Statement of Primary Responsibilities of the University Court. 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.

We are required to report to you if:

- based solely on that work, we have identified material misstatements in the other information; or
- in our opinion, the information given in the Strategic Report is inconsistent in any material respect with the financial statements.

We have nothing to report in these respects.

### Matters on which we are required to report by exception

Under the Charities Accounts (Scotland) Regulations 2006 (as amended) we are required to report to you if, in our opinion:



## **INDEPENDENT AUDITOR'S REPORT TO UNIVERSITY COURT OF EDINBURGH NAPIER UNIVERSITY (continued)**

- the University has not kept proper accounting records; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

### **University Court of Edinburgh Napier University responsibilities**

As explained more fully in their statement set out on pages 21 and 22, the University Court of Edinburgh Napier University 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 relating 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 matters**

We are required under the terms of our engagement to report on the following matters.

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, if relevant, managed in accordance with relevant legislation and any other terms and conditions attached to them;
- funds provided by the Scottish Funding Council have been applied in accordance with the Financial Memorandum with Higher Education Institutions.

### **The purpose of our audit work and to whom we owe our responsibilities**

This report is made solely to the University Court of Edinburgh Napier University in accordance with paragraph B of schedule 1 of the Napier University (Scotland) Order of Council 1993, and, in the University Court's role as charity trustees, in accordance with section 44(1)(c) of the Charity and Trustee Investment (Scotland) Act 2005 and regulation 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended). Our audit work has been undertaken so that we might state to the University Court of Edinburgh Napier University 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 University Court of Edinburgh Napier University for our audit work, for this report, or for the opinions we have formed.



**Andrew Shaw**

**For and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*

Saltire Court

20 Castle Terrace

Edinburgh EH1 2EG

18 December 2018

*KPMG LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006*

|  | Notes | Year Ended 31 July 2018 |                    | Year Ended 31 July 2017 |                    |
|--|-------|-------------------------|--------------------|-------------------------|--------------------|
|  |       | Consolidated<br>£000    | University<br>£000 | Consolidated<br>£000    | University<br>£000 |
| <b>Income</b>                                  |       |                         |                    |                         |                    |
| Scottish Funding Council grants                | 2     | 57,104                  | 57,104             | 59,626                  | 59,626             |
| Tuition fees and education contracts           | 3     | 41,545                  | 32,111             | 40,839                  | 31,511             |
| Research grants and contracts                  | 4     | 4,218                   | 3,927              | 4,693                   | 4,189              |
| Other income                                   | 5     | 15,479                  | 14,512             | 15,819                  | 14,494             |
| Investment income                              | 6     | 108                     | 68                 | 234                     | 208                |
| Donations and endowments                       | 7     | 483                     | 4,856              | 1,271                   | 4,743              |
|  |       | -----                   | -----              | -----                   | -----              |
| <b>Total income</b>                            |       | 118,937                 | 112,578            | 122,482                 | 114,771            |
|  |       | -----                   | -----              | -----                   | -----              |
| <b>Expenditure</b>                             |       |                         |                    |                         |                    |
| Staff costs                                    | 8     | 79,387                  | 74,370             | 77,472                  | 72,447             |
| Restructuring costs                            |       | 320                     | 319                | 202                     | 177                |
| Other operating expenses                       |       | 34,610                  | 31,708             | 35,767                  | 33,047             |
| Depreciation                                   | 12    | 7,479                   | 7,474              | 7,689                   | 7,680              |
| Interest and other finance costs               | 10    | 1,863                   | 1,863              | 2,530                   | 2,530              |
|  |       | -----                   | -----              | -----                   | -----              |
| <b>Total expenditure</b>                       |       | 123,659                 | 115,734            | 123,660                 | 115,881            |
|  |       | -----                   | -----              | -----                   | -----              |
| <b>Deficit before other gains and losses</b>   |       | (4,722)                 | (3,156)            | (1,178)                 | (1,110)            |
| Gain on disposal of fixed assets               |       | 70                      | 70                 | 1,159                   | 196                |
| Gain / (loss) on investments                   |       | 10                      | (16)               | 41                      | 8                  |
|  |       | -----                   | -----              | -----                   | -----              |
| <b>Surplus / (deficit) before tax</b>          |       | (4,642)                 | (3,102)            | 22                      | (906)              |
| Taxation                                       | 11    | (19)                    | (19)               | -                       | -                  |
|  |       | -----                   | -----              | -----                   | -----              |
| <b>Surplus / (deficit) for the year</b>        |       | (4,661)                 | (3,121)            | 22                      | (906)              |
| Actuarial gain in respect of pension schemes   | 20    | 18,347                  | 18,347             | 10,400                  | 10,400             |
|  |       | -----                   | -----              | -----                   | -----              |
| <b>Total comprehensive income for the year</b> |       | <b>13,686</b>           | <b>15,226</b>      | <b>10,422</b>           | <b>9,494</b>       |
|  |       | =====                   | =====              | =====                   | =====              |
| Represented by:                                |       |                         |                    |                         |                    |
| Endowment comprehensive income for the year    |       | 21                      | 7                  | 42                      | 13                 |
| Restricted comprehensive income for the year   |       | (110)                   | -                  | 675                     | -                  |
| Unrestricted comprehensive income for the year |       | 13,775                  | 15,219             | 9,705                   | 9,481              |
|  |       | -----                   | -----              | -----                   | -----              |
|  |       | <b>13,686</b>           | <b>15,226</b>      | <b>10,422</b>           | <b>9,494</b>       |
|  |       | =====                   | =====              | =====                   | =====              |

# Edinburgh Napier University

## Consolidated and University Statement of Changes in Reserves

Year to 31 July 2018

| Consolidated  | Income and expenditure reserve |              |               | Revaluation Reserve | Total         |
|---|--------------------------------|--------------|---------------|---------------------|---------------|
|   | Endowment                      | Restricted   | Unrestricted  |                     |               |
|   | £000                           | £000         | £000          | £000                | £000          |
| <b>Balance at 1 August 2016</b>                                 | <b>655</b>                     | <b>1,678</b> | <b>61,457</b> | <b>4,370</b>        | <b>68,160</b> |
| Surplus / (deficit) from the income and expenditure statement   | 42                             | 675          | (695)         | -                   | 22            |
| Other comprehensive income                                      | -                              | -            | 10,400        | -                   | 10,400        |
| Transfer between revaluation and income and expenditure reserve | -                              | -            | 45            | (45)                | -             |
| <b>Total comprehensive income for the year</b>                  | <b>42</b>                      | <b>675</b>   | <b>9,750</b>  | <b>(45)</b>         | <b>10,422</b> |
| <b>Balance at 1 August 2017</b>                                 | <b>697</b>                     | <b>2,353</b> | <b>71,207</b> | <b>4,325</b>        | <b>78,582</b> |
| Surplus / (deficit) from the income and expenditure statement   | 21                             | (110)        | (4,572)       | -                   | (4,661)       |
| Other comprehensive income                                      | -                              | -            | 18,347        | -                   | 18,347        |
| <b>Total comprehensive income for the year</b>                  | <b>21</b>                      | <b>(110)</b> | <b>13,775</b> | <b>-</b>            | <b>13,686</b> |
| <b>Balance at 31 July 2018</b>                                  | <b>718</b>                     | <b>2,243</b> | <b>84,982</b> | <b>4,325</b>        | <b>92,268</b> |
| <b>University</b>   |                                |              |               |                     |               |
| <b>Balance at 1 August 2016</b>                                 | <b>291</b>                     | <b>-</b>     | <b>56,512</b> | <b>4,325</b>        | <b>61,128</b> |
| Surplus / (deficit) from the income and expenditure statement   | 13                             | -            | (919)         | -                   | (906)         |
| Other comprehensive income                                      | -                              | -            | 10,400        | -                   | 10,400        |
| <b>Total comprehensive income for the year</b>                  | <b>13</b>                      | <b>-</b>     | <b>9,481</b>  | <b>-</b>            | <b>9,494</b>  |
| <b>Balance at 1 August 2017</b>                                 | <b>304</b>                     | <b>-</b>     | <b>65,993</b> | <b>4,325</b>        | <b>70,622</b> |
| Surplus / (deficit) from the income and expenditure statement   | 7                              | -            | (3,128)       | -                   | (3,121)       |
| Other comprehensive income                                      | -                              | -            | 18,347        | -                   | 18,347        |
| <b>Total comprehensive income for the year</b>                  | <b>7</b>                       | <b>-</b>     | <b>15,219</b> | <b>-</b>            | <b>15,226</b> |
| <b>Balance at 31 July 2018</b>                                  | <b>311</b>                     | <b>-</b>     | <b>81,212</b> | <b>4,325</b>        | <b>85,848</b> |

|   | Notes | As at 31 July 2018   |                    | As at 31 July 2017   |                    |
|---|-------|----------------------|--------------------|----------------------|--------------------|
|   |       | Consolidated<br>£000 | University<br>£000 | Consolidated<br>£000 | University<br>£000 |
| <b>Non-current assets</b>                             |       |                      |                    |                      |                    |
| Fixed assets  | 12    | 128,010              | 127,965            | 130,342              | 130,292            |
| Investments   | 13    | 2,769                | 1,598              | 2,651                | 1,605              |
|   |       | -----                | -----              | -----                | -----              |
|   |       | 130,779              | 129,563            | 132,993              | 131,897            |
|   |       | -----                | -----              | -----                | -----              |
| <b>Current assets</b>                                 |       |                      |                    |                      |                    |
| Stock   | 14    | 50                   | 50                 | 52                   | 52                 |
| Assets held for sale                                  | 15    | -                    | -                  | 7,895                | 7,895              |
| Trade and other receivables                           | 16    | 7,492                | 5,148              | 9,211                | 5,477              |
| Cash and cash equivalents                             | 24    | 21,878               | 20,564             | 10,620               | 9,223              |
|   |       | -----                | -----              | -----                | -----              |
|   |       | 29,420               | 25,762             | 27,778               | 22,647             |
| Less: creditors falling due within one year           | 17    | (18,918)             | (20,464)           | (20,473)             | (22,206)           |
|   |       | -----                | -----              | -----                | -----              |
| <b>Net current assets</b>                             |       | 10,502               | 5,298              | 7,305                | 441                |
|   |       | -----                | -----              | -----                | -----              |
| <b>Total assets less current liabilities</b>          |       | 141,281              | 134,861            | 140,298              | 132,338            |
| Less: creditors falling due after more than one year  | 18    | (10,496)             | (10,496)           | (10,000)             | (10,000)           |
| <b>Provisions</b>                                     |       |                      |                    |                      |                    |
| Pensions provision                                    | 19    | (38,517)             | (38,517)           | (51,441)             | (51,441)           |
| Other provisions                                      | 19    | -                    | -                  | (275)                | (275)              |
|   |       | -----                | -----              | -----                | -----              |
| <b>Total net assets</b>                               |       | <b>92,268</b>        | <b>85,848</b>      | <b>78,582</b>        | <b>70,622</b>      |
|   |       | =====                | =====              | =====                | =====              |
| <b>Restricted reserves</b>                            |       |                      |                    |                      |                    |
| Income and expenditure reserve – endowment reserve    | 21    | 718                  | 311                | 697                  | 304                |
| Income and expenditure reserve – restricted reserve   | 22    | 2,243                | -                  | 2,353                | -                  |
| <b>Unrestricted reserves</b>                          |       |                      |                    |                      |                    |
| Income and expenditure reserve – unrestricted reserve |       | 84,982               | 81,212             | 71,207               | 65,993             |
| Revaluation reserve                                   |       | 4,325                | 4,325              | 4,325                | 4,325              |
|   |       | -----                | -----              | -----                | -----              |
| <b>Total reserves</b>                                 |       | <b>92,268</b>        | <b>85,848</b>      | <b>78,582</b>        | <b>70,622</b>      |
|   |       | =====                | =====              | =====                | =====              |

The financial statements were approved by the University Court on 17 December 2018 and signed on its behalf by:



The Very Rev Dr Graham Forbes, CBE, Chair



Professor Andrea M Nolan, OBE, Principal and Vice-Chancellor

|   | 31 July 2018<br>£000 | 31 July 2017<br>£000 |
|---|----------------------|----------------------|
| <b>Cash flow from operating activities</b>                            |                      |                      |
| Surplus / (deficit) for the year                                      | (4,661)              | 22                   |
| <b>Adjustment for non-cash items</b>                                  |                      |                      |
| Depreciation  | 7,479                | 7,689                |
| Gain on investments   | (10)                 | (41)                 |
| (Increase) / decrease in stock  | 2                    | (9)                  |
| Decrease in debtors   | 1,719                | 29                   |
| Decrease in creditors   | (434)                | (5,417)              |
| Increase in pensions provision  | 5,423                | 4,973                |
| Decrease in other provisions  | (275)                | (1,813)              |
| <b>Adjustment for investing or financing activities</b>               |                      |                      |
| Investment income   | (108)                | (234)                |
| Interest payable  | 774                  | 1,448                |
| Gain on disposal of fixed assets                                      | (70)                 | (1,159)              |
| Capital grant income  | (1,169)              | (4,057)              |
|   | -----                | -----                |
| <b>Net cash inflow from operating activities</b>                      | <b>8,670</b>         | <b>1,431</b>         |
|   | =====                | =====                |
| <b>Cash flows from investing activities</b>                           |                      |                      |
| Proceeds from disposal of fixed assets                                | 7,980                | 3,585                |
| Proceeds from disposal of non-current asset investments               | 76                   | 158                  |
| Capital grant receipts  | 1,169                | 4,057                |
| Investment income   | 108                  | 234                  |
| Payments made to acquire fixed assets                                 | (5,786)              | (9,028)              |
| Payments made to acquire non-current asset investments                | (184)                | (792)                |
|   | -----                | -----                |
| <b>Net cash inflow / (outflow) from investing activities</b>          | <b>3,363</b>         | <b>(1,786)</b>       |
|   | =====                | =====                |
| <b>Cash flows from financing activities</b>                           |                      |                      |
| Interest paid   | (775)                | (1,529)              |
| Repayment of amounts borrowed   | -                    | (15,000)             |
|   | -----                | -----                |
| <b>Net cash outflow from financing activities</b>                     | <b>(775)</b>         | <b>(16,529)</b>      |
|   | =====                | =====                |
| <b>Increase / (decrease) in cash and cash equivalents in the year</b> | <b>11,258</b>        | <b>(16,884)</b>      |
|   | =====                | =====                |
| Cash and cash equivalents at the beginning of the year                | 10,620               | 27,504               |
| Cash and cash equivalents at the end of the year                      | 21,878               | 10,620               |

The accompanying notes form part of the financial statements

# Edinburgh Napier University

## Notes to the 2017/18 Financial Statements

### 1. Principal Accounting Policies

#### Basis of preparation

These financial statements have been prepared in accordance with the Charities and Trustee Investment (Scotland) Act 2005, regulation 14 of the Charities Accounts (Scotland) Regulations 2006 (as amended), the Statement of Recommended Practice: Accounting for Further and Higher Education 2015, (SORP) and in accordance with applicable accounting standards. 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). The financial statements have been prepared on the basis that the University has adequate resources to continue in operational existence for the foreseeable future.

#### Basis of consolidation

The consolidated financial statements include the University and all its subsidiaries for the financial year to 31 July 2018. Intra-group transactions are eliminated on consolidation.

The consolidated financial statements do not include the income and expenditure of the Students' Union as the University does not exert control or dominant influence over policy decisions.

#### Recognition of income

Income from the sale of goods or services is credited to the Consolidated Statement of Comprehensive Income and Expenditure when the goods or services are supplied to the external customers or the terms of the contract have been satisfied.

Tuition fee income is stated gross and credited to the Consolidated Statement of Comprehensive Income and Expenditure when the University is entitled to the income. Bursaries and scholarships are accounted for gross as expenditure and not deducted from income.

Investment income is credited to the Consolidated Statement of Comprehensive Income and Expenditure on a receivable basis.

Funds which 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.

#### a) Grant funding

Government revenue grants, including SFC recurrent grants and research grants from government sources 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, including research 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 and released to income as the conditions are met.

#### b) Donations and endowments

Non exchange transactions without performance related conditions are donations and endowments. Donations and endowments with donor imposed restrictions are recognised in income when the University is entitled to the funds. Income is retained within the restricted reserve until such time that it is utilised in line with such restrictions at which point the income is released to general reserves through a reserve transfer.

Donations with no restrictions are recognised in income when the University is entitled to the funds.

## Edinburgh Napier University

### Notes to the 2017/18 Financial Statements

Investment income and appreciation of endowments are recorded in income in the year in which they arise as either restricted or unrestricted income according to the terms of any restriction applied to the individual endowment fund.

There are potentially four main types of donations and endowments identified within reserves:

1. Restricted donations – the donor has specified that the donation must be used for a particular objective.
2. Unrestricted permanent endowments – the donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of the University.
3. Restricted expendable endowments – the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and the University has the power to use the capital.
4. Restricted permanent endowments – the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective.

#### **c) Capital grants**

Capital grants are recognised in income when the University is entitled to the funds subject to any performance related conditions being met.

#### **Accounting for retirement benefits**

The two principal pension schemes operated for the University's staff are the Scottish Teachers' Superannuation Scheme ("STSS") and the Local Government Pension Scheme ("LGPS"). Academic staff join the STSS, whilst the LGPS provides similar benefits for other employees of the University. Both schemes are defined benefit schemes which are externally funded.

Contributions to the STSS are charged to the income and expenditure so as to spread the cost of pensions over the period during which the University benefits from the employee's services. Variations from regular cost are spread over the expected average remaining

working lifetime of members of the scheme after making allowances for future withdrawals.

The contributions are determined by the Trustees on the basis of advice provided by qualified actuaries.

In the LGPS scheme the University's obligation is to provide the agreed benefits to current and former employees, and actuarial risk (that benefits will cost more or less than expected) and investment risk (that returns on assets set aside to fund the benefits will differ from expectations) are borne, in substance, by the University. The University will recognise a liability for its obligations under the defined benefit scheme net of scheme assets. This net defined benefit liability is measured as the estimated amount of benefit that employees have earned in return for their service in the current and prior periods, discounted to determine its present value, less the fair value (at bid price) of scheme assets. The calculation is performed by a qualified actuary using the projected unit method. Where the calculation results in a net asset, recognition of the asset is limited to the extent to which the University is able to recover the surplus either through reduced contributions in the future or through refunds from the 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 which the University expects to pay as a result of the unused entitlement.

#### **Finance leases**

Leases in which the University assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Leased assets acquired by way of a finance lease and the corresponding lease liabilities are initially recognised at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease.

# Edinburgh Napier University

## Notes to the 2017/18 Financial Statements

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

### Service Concession Arrangements

Fixed assets held under service concession arrangements are recognised on the Balance Sheet at the present value of the minimum lease payments when the assets are brought into use with a corresponding financial liability.

Payments under service concession arrangements are allocated between service costs, finance charges and financial liability repayments to reduce the financial liability to nil over the lifetime of the arrangement.

### Operating leases

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

### Foreign currency

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling either at year end rates or, where there are related forward foreign exchange contracts, at contract rates. The resulting exchange differences are dealt with in the determination of income and expenditure for the financial year.

### Fixed assets

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets which were revalued to fair value on the date of transition to the 2015 SORP are measured on the basis of deemed cost being the revalued amount at the date of that revaluation. Where parts of a fixed asset have different useful

lives they are accounted for as separate items of fixed assets.

### a) Land and Buildings

Land is stated at deemed cost on the date of transition to the 2015 SORP. Land is not depreciated as it is considered to have an indefinite life.

Buildings are stated at cost less accumulated depreciation. Costs incurred in relation to buildings after their initial purchase or construction are capitalised to the extent that they increase the expected future benefits to the University.

Buildings are depreciated over their expected useful life of 50 years. Certain items of infrastructure, including wiring and heating installations are depreciated over their expected useful life of 25 years.

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

Property which is expected to be sold within one year of the Balance Sheet date is held within Current Assets as an Asset held for sale.

Investment property is initially measured at cost. Subsequent valuations will be at fair value and carried out at least every three years.

### b) Equipment

Equipment, including computers and software, costing less than £10,000 per individual item or group of related items, is written off in the year of acquisition. All other equipment is capitalised at cost. Capitalised equipment is stated at cost and is depreciated over its useful economic life as follows:

|                                   |                         |
|-----------------------------------|-------------------------|
| Non-computer equipment            | 10 years                |
| Furniture                         | 10 years                |
| Residences furniture and fittings | 8 years                 |
| Computer equipment                | 3 years                 |
| Research equipment                | 2 years or project life |



# Edinburgh Napier University

## Notes to the 2017/18 Financial Statements

### **Investments**

Investments are held at fair value, with movements recognised in the Consolidated Statement of Comprehensive Income and Expenditure.

### **Stock**

Stock is held at the lower of cost and net realisable value. No account is taken of stock held in academic or professional service departments.

### **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 converted to known amounts of cash with insignificant risk of change in value.

### **Provisions**

Provisions are recognised in the financial statements when the University has a present legal or constructive obligation as a result of a past event, it is probable that a transfer of economic benefit will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

### **Taxation**

The University is an exempt charity within the meaning of the Charities and Trustee Investment (Scotland) Act 2005 and as such is a charity within the meaning of section 506 (1) of the Income and Corporation Taxes (ICTA) Act 1988. The University is recognised as a charity by HM Revenue & Customs and is recorded on the index of charities maintained by the Office of the Scottish Charity Regulator. It is therefore a charity within the meaning of Para 1 of schedule 6 to the Finance Act 2010 and accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within

categories covered by section 505 of the ICTA 1988 or sections 478 to 488 of the Corporation Tax Act 2010 or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

The University receives no similar exemption in respect of Value Added Tax (VAT). Irrecoverable VAT on inputs is included in the costs of such inputs. Any irrecoverable VAT allocated to tangible 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.

### **Reserves**

Reserves are classified as restricted or unrestricted. Restricted endowment reserves include balances which, through endowment to the University, are held as permanently restricted funds which the University must hold in perpetuity.

Other restricted reserves include balances where the donor has designated a specific purpose and therefore the University is restricted in the use of these funds.

### **Estimation techniques**

The preparation of the financial statements requires management to make estimations that affect the financial statements during the reporting period. Actual results could differ from those estimates. Estimates are principally used when accounting for defined benefit pension schemes and the carrying value and depreciation of tangible fixed assets. Details of the estimates used are set out in the relevant accounting policy and financial statement note.

**Edinburgh Napier University**  
**Notes to the 2017/18 Financial Statements**

|  | Year ended 31 July 2018 |                    | Year ended 31 July 2017 |                    |
|--|-------------------------|--------------------|-------------------------|--------------------|
|  | Consolidated<br>£000    | University<br>£000 | Consolidated<br>£000    | University<br>£000 |
| <b>2. Scottish Funding Council grants</b>      |                         |                    |                         |                    |
| Recurrent teaching grant                       | 49,035                  | 49,035             | 49,119                  | 49,119             |
| Research grant                                 | 2,290                   | 2,290              | 2,210                   | 2,210              |
| Capital grants                                 | 1,071                   | 1,071              | 4,057                   | 4,057              |
| Other grants                                   | 4,708                   | 4,708              | 4,240                   | 4,240              |
|  | -----                   | -----              | -----                   | -----              |
|  | <b>57,104</b>           | <b>57,104</b>      | <b>59,626</b>           | <b>59,626</b>      |
|  | =====                   | =====              | =====                   | =====              |
| <b>3. Tuition fees and education contracts</b> |                         |                    |                         |                    |
| Scotland and EU fees                           | 16,661                  | 16,661             | 16,708                  | 16,708             |
| Other UK fees                                  | 4,982                   | 4,982              | 4,293                   | 4,293              |
| Non-EU fees                                    | 17,934                  | 10,468             | 18,061                  | 10,510             |
| Non-credit bearing course fees                 | 1,968                   | -                  | 1,777                   | -                  |
|  | -----                   | -----              | -----                   | -----              |
|  | <b>41,545</b>           | <b>32,111</b>      | <b>40,839</b>           | <b>31,511</b>      |
|  | =====                   | =====              | =====                   | =====              |
| <b>4. Research grants and contracts</b>        |                         |                    |                         |                    |
| Research councils and charities                | 703                     | 703                | 730                     | 730                |
| Industry and commerce                          | 734                     | 443                | 986                     | 482                |
| Government                                     | 1,370                   | 1,370              | 1,212                   | 1,212              |
| Other  | 1,411                   | 1,411              | 1,765                   | 1,765              |
|  | -----                   | -----              | -----                   | -----              |
|  | <b>4,218</b>            | <b>3,927</b>       | <b>4,693</b>            | <b>4,189</b>       |
|  | =====                   | =====              | =====                   | =====              |
| <b>5. Other income</b>                         |                         |                    |                         |                    |
| Residences, catering and conferences           | 10,487                  | 10,487             | 10,126                  | 10,126             |
| Capital grants                                 | 98                      | 98                 | -                       | -                  |
| Other income                                   | 4,894                   | 3,927              | 5,693                   | 4,368              |
|  | -----                   | -----              | -----                   | -----              |
|  | <b>15,479</b>           | <b>14,512</b>      | <b>15,819</b>           | <b>14,494</b>      |
|  | =====                   | =====              | =====                   | =====              |
| <b>6. Investment income</b>                    |                         |                    |                         |                    |
| Investment income from endowments              | 10                      | 10                 | 13                      | 13                 |
| Other investment income                        | 98                      | 58                 | 221                     | 195                |
|  | -----                   | -----              | -----                   | -----              |
|  | <b>108</b>              | <b>68</b>          | <b>234</b>              | <b>208</b>         |
|  | =====                   | =====              | =====                   | =====              |

**Edinburgh Napier University**  
**Notes to the 2017/18 Financial Statements**

|                                    | Year ended 31 July 2018 |                    | Year ended 31 July 2017 |                    |
|------------------------------------|-------------------------|--------------------|-------------------------|--------------------|
|                                    | Consolidated<br>£000    | University<br>£000 | Consolidated<br>£000    | University<br>£000 |
| <b>7. Donations and endowments</b> |                         |                    |                         |                    |
| Restricted donations               | 409                     | -                  | 1,240                   | -                  |
| Unrestricted donations             | 74                      | 4,856              | 31                      | 4,743              |
|                                    | -----                   | -----              | -----                   | -----              |
|                                    | <b>483</b>              | <b>4,856</b>       | <b>1,271</b>            | <b>4,743</b>       |
|                                    | =====                   | =====              | =====                   | =====              |

**8. Staff costs**

|                               |               |               |               |               |
|-------------------------------|---------------|---------------|---------------|---------------|
| Salaries                      | 58,571        | 54,261        | 58,474        | 54,250        |
| Social security costs         | 6,237         | 5,925         | 5,947         | 5,565         |
| Other pension costs (note 20) | 14,579        | 14,184        | 13,051        | 12,632        |
|                               | -----         | -----         | -----         | -----         |
|                               | <b>79,387</b> | <b>74,370</b> | <b>77,472</b> | <b>72,447</b> |
|                               | =====         | =====         | =====         | =====         |

| Emoluments of the Vice-Chancellor:        | 2018<br>£000 | 2017<br>£000 |
|---|--------------|--------------|
| Salary                                    | 199          | 196          |
| Payments in lieu of pension contributions | 30           | 30           |
|   | -----        | -----        |
|   | <b>229</b>   | <b>226</b>   |
|   | =====        | =====        |

The remuneration of the Vice-Chancellor is 4.7 times the median remuneration of all other staff.

The number of other higher paid staff who received emoluments, excluding national insurance and pension contributions, but including payments in lieu of pension contributions, in the following ranges was:

|                     | 2018<br>number | 2017<br>number |
|---------------------|----------------|----------------|
| £100,000 - £109,999 | 1              | 3              |
| £110,000 - £119,999 | 1              | 2              |
| £130,000 - £139,999 | 2              | 2              |
| £160,000 - £169,999 | 1              | 1              |

**Edinburgh Napier University**  
**Notes to the 2017/18 Financial Statements**

**8. Staff costs (contd)**

|  | <b>2018<br/>number</b> | <b>2017<br/>number</b> |
|--|------------------------|------------------------|
| The average number of staff by major category was: |                        |                        |
| Academic departments                               | 764                    | 764                    |
| Academic services                                  | 226                    | 209                    |
| Central administration                             | 234                    | 244                    |
| Other  | 149                    | 151                    |
|  | -----                  | -----                  |
|  | <b>1,373</b>           | <b>1,368</b>           |
|  | =====                  | =====                  |

|   | <b>£000</b> | <b>£000</b> |
|---|-------------|-------------|
| <b>Compensation for loss of office paid to former senior post-holders</b> |             |             |
| Compensation paid to one (2017: none) former senior post-holder           | 50          | -           |
|   | =====       | =====       |

**Key management personnel**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the University. Staff costs include compensation paid to key management personnel. The University's key management personnel are the members of the University Leadership Team.

|  |            |              |
|--|------------|--------------|
| <b>Key management personnel compensation</b> | <b>937</b> | <b>1,177</b> |
|  | =====      | =====        |

**Edinburgh Napier University**  
**Notes to the 2017/18 Financial Statements**

| 9. Analysis of expenditure by activity | Year ended 31 July 2018 |                    | Year ended 31 July 2017 |                    |
|--|-------------------------|--------------------|-------------------------|--------------------|
|  | Consolidated<br>£000    | University<br>£000 | Consolidated<br>£000    | University<br>£000 |
| Academic departments                   | 46,795                  | 46,795             | 48,353                  | 48,353             |
| Academic services                      | 20,701                  | 20,701             | 18,397                  | 18,397             |
| Central administration                 | 14,084                  | 14,084             | 14,085                  | 14,085             |
| Property                               | 9,326                   | 9,326              | 10,885                  | 10,885             |
| Research grants and contracts          | 7,613                   | 7,613              | 8,320                   | 8,320              |
| Residences and catering                | 9,964                   | 9,964              | 9,618                   | 9,618              |
| Napier University Ventures Ltd         | 7,462                   | -                  | 7,398                   | -                  |
| Other expenditure                      | 7,714                   | 7,251              | 6,604                   | 6,223              |
|  | -----                   | -----              | -----                   | -----              |
|  | <b>123,659</b>          | <b>115,734</b>     | <b>123,660</b>          | <b>115,881</b>     |
|  | =====                   | =====              | =====                   | =====              |

Other operating expenses includes:

|                                     |              |              |              |              |
|-------------------------------------|--------------|--------------|--------------|--------------|
| External auditor – audit services   | 55           | 49           | 52           | 46           |
| External auditor – other services   | 53           | 53           | 101          | 101          |
| Internal auditor – audit services   | 62           | 62           | 49           | 49           |
| Operating lease rentals - buildings | 5,383        | 5,383        | 5,192        | 5,192        |
| Operating lease rentals - vehicles  | 24           | 24           | 15           | 15           |
|                                     | -----        | -----        | -----        | -----        |
|                                     | <b>5,577</b> | <b>5,571</b> | <b>5,409</b> | <b>5,403</b> |
|                                     | =====        | =====        | =====        | =====        |

**10. Interest and other finance costs**

|                              |              |              |              |              |
|------------------------------|--------------|--------------|--------------|--------------|
| Loans interest               | 576          | 576          | 1,448        | 1,448        |
| Non-utilisation costs        | 198          | 198          | -            | -            |
| Net charge on pension scheme | 1,089        | 1,089        | 1,082        | 1,082        |
|                              | -----        | -----        | -----        | -----        |
|                              | <b>1,863</b> | <b>1,863</b> | <b>2,530</b> | <b>2,530</b> |
|                              | =====        | =====        | =====        | =====        |

**11. Taxation**

Recognised in the statement of comprehensive income

|                 |       |       |       |       |
|-----------------|-------|-------|-------|-------|
| Withholding tax | 19    | 19    | -     | -     |
|                 | ===== | ===== | ===== | ===== |

**Edinburgh Napier University**  
**Notes to the 2017/18 Financial Statements**

| 12. Fixed assets - Consolidated       | Assets under<br>construction<br>£000 | Land and<br>buildings<br>£000 | Vehicles and<br>equipment<br>£000 | Total<br>£000  |
|---------------------------------------|--------------------------------------|-------------------------------|-----------------------------------|----------------|
| <b>Cost or valuation</b>              |                                      |                               |                                   |                |
| At 1 August 2017                      | 330                                  | 147,081                       | 30,852                            | 178,263        |
| Additions                             | 18                                   | 2,346                         | 2,798                             | 5,162          |
| Transfers                             | (315)                                | 315                           | -                                 | -              |
| Disposals                             | (15)                                 | -                             | (1,359)                           | (1,374)        |
|                                       | -----                                | -----                         | -----                             | -----          |
| At 31 July 2018                       | 18                                   | 149,742                       | 32,291                            | 182,051        |
|                                       | =====                                | =====                         | =====                             | =====          |
| <b>Depreciation</b>                   |                                      |                               |                                   |                |
| At 1 August 2017                      | -                                    | 30,119                        | 17,802                            | 47,921         |
| Charge for the year                   | -                                    | 3,638                         | 3,841                             | 7,479          |
| Disposals                             | -                                    | -                             | (1,359)                           | (1,359)        |
|                                       | -----                                | -----                         | -----                             | -----          |
| At 31 July 2018                       | -                                    | 33,757                        | 20,284                            | 54,041         |
|                                       | =====                                | =====                         | =====                             | =====          |
| <b>Net book value at 31 July 2018</b> | <b>18</b>                            | <b>115,985</b>                | <b>12,007</b>                     | <b>128,010</b> |
|                                       | =====                                | =====                         | =====                             | =====          |
| <b>Net book value at 31 July 2017</b> | <b>330</b>                           | <b>116,962</b>                | <b>13,050</b>                     | <b>130,342</b> |
|                                       | =====                                | =====                         | =====                             | =====          |
| <b>Fixed assets – University</b>      |                                      |                               |                                   |                |
| <b>Cost or valuation</b>              |                                      |                               |                                   |                |
| At 1 August 2017                      | 330                                  | 147,081                       | 30,746                            | 178,157        |
| Additions                             | 18                                   | 2,346                         | 2,798                             | 5,162          |
| Transfers                             | (315)                                | 315                           | -                                 | -              |
| Disposals                             | (15)                                 | -                             | (1,359)                           | (1,374)        |
|                                       | -----                                | -----                         | -----                             | -----          |
| At 31 July 2018                       | 18                                   | 149,742                       | 32,185                            | 181,945        |
|                                       | =====                                | =====                         | =====                             | =====          |
| <b>Depreciation</b>                   |                                      |                               |                                   |                |
| At 1 August 2017                      | -                                    | 30,119                        | 17,746                            | 47,865         |
| Charge for the year                   | -                                    | 3,638                         | 3,836                             | 7,474          |
| Disposals                             | -                                    | -                             | (1,359)                           | (1,359)        |
|                                       | -----                                | -----                         | -----                             | -----          |
| At 31 July 2018                       | -                                    | 33,757                        | 20,223                            | 53,980         |
|                                       | =====                                | =====                         | =====                             | =====          |
| <b>Net book value at 31 July 2018</b> | <b>18</b>                            | <b>115,985</b>                | <b>11,962</b>                     | <b>127,965</b> |
|                                       | =====                                | =====                         | =====                             | =====          |
| <b>Net book value at 31 July 2017</b> | <b>330</b>                           | <b>116,962</b>                | <b>13,000</b>                     | <b>130,292</b> |
|                                       | =====                                | =====                         | =====                             | =====          |

**Edinburgh Napier University**  
**Notes to the 2017/18 Financial Statements**

|  | Year ended 31 July 2018 |                    | Year ended 31 July 2017 |                    |
|--|-------------------------|--------------------|-------------------------|--------------------|
|  | Consolidated<br>£000    | University<br>£000 | Consolidated<br>£000    | University<br>£000 |
| <b>13. Non-current investments</b>   |                         |                    |                         |                    |
| At 1 August  | 2,651                   | 1,605              | 1,976                   | 1,601              |
| Additions  | 184                     | 21                 | 792                     | 44                 |
| Disposals  | (76)                    | (12)               | (158)                   | (48)               |
| Appreciation of investments  | 10                      | (16)               | 41                      | 8                  |
|  | -----                   | -----              | -----                   | -----              |
| <b>At 31 July</b>  | <b>2,769</b>            | <b>1,598</b>       | <b>2,651</b>            | <b>1,605</b>       |
|  | =====                   | =====              | =====                   | =====              |
| <b>14. Stock</b>   |                         |                    |                         |                    |
| Stock for resale   | 50                      | 50                 | 52                      | 52                 |
|  | =====                   | =====              | =====                   | =====              |
| <b>15. Assets held for sale</b>  |                         |                    |                         |                    |
| The Stones (South Gyle Park)   | -                       | -                  | 7,895                   | 7,895              |
|  | =====                   | =====              | =====                   | =====              |
| Three properties in South Gyle Park (The Stones) were sold on 30 <sup>th</sup> April 2018. |                         |                    |                         |                    |
| <b>16. Trade and other receivables</b>   |                         |                    |                         |                    |
| Trade receivables  | 2,706                   | 1,199              | 4,723                   | 1,707              |
| Prepayments and accrued income   | 3,588                   | 3,256              | 3,178                   | 2,953              |
| Other receivables  | 751                     | 246                | 690                     | 197                |
| Research grants receivable   | 447                     | 447                | 620                     | 620                |
|  | -----                   | -----              | -----                   | -----              |
|  | <b>7,492</b>            | <b>5,148</b>       | <b>9,211</b>            | <b>5,477</b>       |
|  | =====                   | =====              | =====                   | =====              |
| <b>17. Creditors: amounts falling due within one year</b>                                  |                         |                    |                         |                    |
| Trade payables   | 2,812                   | 2,812              | 2,233                   | 2,233              |
| Taxation and social security   | 1,524                   | 1,524              | 1,510                   | 1,510              |
| Other payables   | 1,550                   | 1,412              | 1,754                   | 1,608              |
| Accruals and deferred income   | 11,679                  | 10,183             | 13,575                  | 12,023             |
| Research grants received on account  | 1,295                   | 1,295              | 1,401                   | 1,401              |
| Loans from Scottish Funding Council (note 18)  | 58                      | 58                 | -                       | -                  |
| Amounts owed to subsidiary undertakings  | -                       | 3,180              | -                       | 3,431              |
|  | -----                   | -----              | -----                   | -----              |
|  | <b>18,918</b>           | <b>20,464</b>      | <b>20,473</b>           | <b>22,206</b>      |
|  | =====                   | =====              | =====                   | =====              |

# Edinburgh Napier University

## Notes to the 2017/18 Financial Statements

| 18. Creditors: amounts falling due after more than one year | Year ended 31 July 2018 |                    | Year ended 31 July 2017 |                    |
|---|-------------------------|--------------------|-------------------------|--------------------|
|   | Consolidated<br>£000    | University<br>£000 | Consolidated<br>£000    | University<br>£000 |
| Unsecured loan repayable by 2039                            | 10,000                  | 10,000             | 10,000                  | 10,000             |
| Loans from Scottish Funding Council                         | 496                     | 496                | -                       | -                  |
|   | -----                   | -----              | -----                   | -----              |
|   | <b>10,496</b>           | <b>10,496</b>      | <b>10,000</b>           | <b>10,000</b>      |
|   | =====                   | =====              | =====                   | =====              |

The University has an unsecured loan from Barclays Bank plc repayable by 2039. Interest is fixed at a rate of 5.80%

The University has an unsecured revolving credit facility from Bank of Scotland plc which may be converted into a Term Loan in July 2022. The Term Loan will be repayable in July 2027. To date, none of this facility has been used.

Loans from the Scottish Funding Council (SFC) are unsecured and interest-free, offered under the SFC's University Carbon Reduction Programme. The loans are repayable in line with the forecast energy savings which will benefit the University through the delivery of solar panels and LED lighting.

| 19. Provisions – Consolidated and University        | Unfunded<br>pensions<br>£000 | Defined<br>benefit<br>obligations<br>£000 | Dilapidations<br>£000 | Total<br>£000 |
|---|------------------------------|---|-----------------------|---------------|
| At 1 August 2017                                    | 13,586                       | 37,855                                    | 275                   | 51,716        |
| Income from investments                             | 28                           | -   | -                     | 28            |
| Early retirement pensions                           | (929)                        | -   | -                     | (929)         |
| Transfer (to) / from income and expenditure account | 179                          | (12,202)                                  | (275)                 | (12,298)      |
|   | -----                        | -----                                     | -----                 | -----         |
| <b>At 31 July 2018</b>                              | <b>12,864</b>                | <b>25,653</b>                             | <b>-</b>              | <b>38,517</b> |
|   | =====                        | =====                                     | =====                 | =====         |

### Unfunded pensions

A valuation of the unfunded pensions liability was carried out at 31 July 2018, by Mercer Limited, an independent firm of actuaries.

### Defined benefit obligations

A valuation of the defined benefit obligations was carried out at 31 July 2018 by Hymans Robertson, an independent firm of actuaries (see note 20).

### Dilapidations

The dilapidations provision was in respect of leased property where the University had taken a decision to vacate the property at the end of the lease.



# Edinburgh Napier University

## Notes to the 2017/18 Financial Statements

### 20. Pension schemes

There are two pension schemes operated for University staff. These are the Scottish Teachers Superannuation Scheme (STSS) and the Local Government Pension Scheme (LGPS). The total pension cost for the year was £14,579,000 (2017 - £13,051,000)

|   | 2018          | 2017          |
|---|---------------|---------------|
|   | £000          | £000          |
| <b>Total pension costs for the year (note 8)</b>    |               |               |
| STSS – contributions paid                           | 4,518         | 4,008         |
| LGPS – charge to the income and expenditure account | 10,061        | 9,043         |
|   | -----         | -----         |
|   | <b>14,579</b> | <b>13,051</b> |
|   | =====         | =====         |

**The Scottish Teachers Superannuation Scheme** is the principal scheme for University academic staff. It is an unfunded defined benefit scheme. Contributions on a pay as you go basis are credited to the exchequer under arrangements governed by the Superannuation Act 1972. A notional asset value is ascribed to the scheme for the purposes of determining contribution rates.

The UK Government's Public Service Pensions Act requires that a valuation of the STSS must be undertaken every four years to measure the costs of benefits being provided. The assumptions and other data that have the most significant effect on the determination of the contribution levels are as follows:

|  |                |
|--|----------------|
| Latest actuarial valuation   | 31 March 2012  |
| Actuarial method   | Projected unit |
| Discount rate  | 5.06%          |
| Pension increases  | 2.00%          |
| Long term salary growth  | 4.75%          |
| Actuarial value of assets  | £19.6bn        |
| Proportion of members' accrued benefits covered by the actuarial value of the assets | 93.8%          |

The notional value of assets at the valuation date was £19.6bn. The past service liabilities of the scheme were valued at £20.9bn, resulting in a notional deficit of £1.3bn.

The employer contribution rate was 17.2% throughout the financial year.

Under the definitions set out in FRS102 and the 2015 SORP, the STSS is a multi-employer pension scheme. The University is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the University has taken advantage of the exemption in the SORP and has accounted for its contributions to the scheme as if it were a defined contribution scheme.

# Edinburgh Napier University

## Notes to the 2017/18 Financial Statements

### 20. Pension schemes (contd)

The **Local Government Pension Scheme** is the principal scheme for non-academic staff of the University. It is a funded defined benefit scheme, with assets held in separate trustee administered funds. The University is one of many employers who participate in the scheme.

The most recent actuarial valuation was performed for the three year period to 31 March 2017. The following assumptions were made for actuarial valuation purposes:

|                                     |      |
|-------------------------------------|------|
| Discount rate                       | 3.2% |
| Pay increases                       | 4.1% |
| Price inflation / pension increases | 2.4% |

The market value of the assets at the valuation date was £6,598m. The past service liabilities of the scheme have been valued at £6,743m resulting in a deficit of £145m, which is an improvement on the 2014 deficit of £417m. The 2017 valuation represents a funding level of 97.8%. For the year ended on 31 March 2018 employer contributions were 18.7% of pensionable pay plus a fixed sum of £166,000. Future employer contributions are expected to be:

|             |               |   |
|-------------|---------------|---|
| Year ended: | 31 March 2019 | 19.2% of pensionable pay plus a fixed sum of £166,000 |
|             | 31 March 2020 | 19.7% of pensionable pay plus a fixed sum of £166,000 |
|             | 31 March 2021 | 20.2% of pensionable pay plus a fixed sum of £166,000 |

The following information is based upon the full actuarial valuation of the fund at 31 March 2017, updated to 31 July 2018 by a qualified independent actuary.

|                              | July 2018 | July 2017 | July 2016 |
|------------------------------|-----------|-----------|-----------|
| Rate of increase in salaries | 4.5%      | 4.5%      | 4.4%      |
| Rate of increase in pensions | 2.4%      | 2.5%      | 1.9%      |
| Discount rate                | 2.8%      | 2.7%      | 2.4%      |
| Inflation rate               | 2.4%      | 2.5%      | 1.9%      |

The following mortality rate assumptions have been used:

|                    | 2018       |            | 2017       |            |
|--------------------|------------|------------|------------|------------|
|                    | males      | females    | males      | females    |
| Current pensioners | 21.7 years | 24.3 years | 22.1 years | 23.7 years |
| Future pensioners  | 24.7 years | 27.5 years | 24.2 years | 26.3 years |

In calculating the scheme assets and liabilities, the fund's actuaries had to make a number of assumptions about events and circumstances in the future. These assumptions represent the best estimate of expected outcomes but it is possible that actual outcomes will differ from those included in the financial statements. Any differences between expected and actual outcomes are reported through experience gains and losses.

On 26 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". The UK Government will need to consider this outcome in conjunction with its recent consultation on GMP indexation in public sector schemes before concluding on any changes required to Local Government Pension Schemes, such as The Lothian Pension Fund.

**Edinburgh Napier University**  
**Notes to the 2017/18 Financial Statements**

**20. Pension schemes (contd)**

|                                     | July 2018<br>Fair value<br>£000 | July 2017<br>Fair value<br>£000 | July 2016<br>Fair value<br>£000 |
|-------------------------------------|---------------------------------|---------------------------------|---------------------------------|
| Equities                            | 162,497                         | 156,602                         | 120,203                         |
| Bonds                               | 21,104                          | 24,093                          | 37,121                          |
| Property                            | 14,772                          | 12,046                          | 14,142                          |
| Cash                                | 12,662                          | 8,031                           | 5,303                           |
|                                     | -----                           | -----                           | -----                           |
| Fair value of assets                | 211,035                         | 200,772                         | 176,769                         |
| Present value of scheme liabilities | (236,688)                       | (238,627)                       | (219,816)                       |
|                                     | -----                           | -----                           | -----                           |
| <b>Net pension deficit</b>          | <b>(25,653)</b>                 | <b>(37,855)</b>                 | <b>(43,047)</b>                 |
|                                     | =====                           | =====                           | =====                           |

The following amounts at 31 July were measured in accordance with the requirements of FRS102:

|  | 2018<br>£000    | 2017<br>£000    |
|--|-----------------|-----------------|
| <b>Analysis of the amount shown in the Balance Sheet</b> |                 |                 |
| The University's estimated assets share                  | 211,035         | 200,772         |
| Present value of the University's scheme liabilities     | (236,688)       | (238,627)       |
|  | -----           | -----           |
| <b>Deficit in the scheme</b>                             | <b>(25,653)</b> | <b>(37,855)</b> |
|  | =====           | =====           |

**Analysis of the amount charged to staff costs (note 8) within the Consolidated Statement of Comprehensive Income and Expenditure**

|  |                 |                |
|--|-----------------|----------------|
| Current service cost                       | (10,040)        | (9,037)        |
| Past service cost (including curtailments) | (21)            | (6)            |
|  | -----           | -----          |
| <b>Net charge</b>                          | <b>(10,061)</b> | <b>(9,043)</b> |
|  | =====           | =====          |

**Analysis of the amount charged to interest and other finance costs (note 10) within the Consolidated Statement of Comprehensive Income and Expenditure**

|   |                |                |
|---|----------------|----------------|
| Interest income on plan assets              | 5,448          | 4,269          |
| Interest cost on defined benefit obligation | (6,537)        | (5,351)        |
|   | -----          | -----          |
| <b>Net charge</b>                           | <b>(1,089)</b> | <b>(1,082)</b> |
|   | =====          | =====          |

**Edinburgh Napier University**  
**Notes to the 2017/18 Financial Statements**

**20. Pension schemes (contd)**

|   | 2018           | 2017           |
|---|----------------|----------------|
|   | £000           | £000           |
| <b>Analysis of movements in the present value of scheme liabilities</b> |                |                |
| Balance at 1 August   | 238,627        | 219,816        |
| Current service cost  | 10,040         | 9,037          |
| Contributions   | 1,674          | 1,644          |
| Past service cost (including curtailments)                              | 21             | 6              |
| Benefits paid   | (4,367)        | (4,074)        |
| Interest costs  | 6,537          | 5,351          |
| Other experience  | (6,302)        | -              |
| Changes in financial assumptions  | (9,542)        | 6,847          |
|   | -----          | -----          |
| <b>Balance at 31 July</b>   | <b>236,688</b> | <b>238,627</b> |
|   | =====          | =====          |

**Analysis of movements in the fair value of scheme assets**

|   |                |                |
|---|----------------|----------------|
| Balance at 1 August   | 200,772        | 176,769        |
| Contributions   | 6,679          | 6,561          |
| Benefits paid   | (4,367)        | (4,074)        |
| Expected return on assets                                   | 5,448          | 4,269          |
| Return on assets excluding amounts included in net interest | 2,503          | 17,247         |
|   | -----          | -----          |
|   | <b>211,035</b> | <b>200,772</b> |
|   | =====          | =====          |

**Actuarial gain recognised in the Consolidated Statement of Comprehensive Income and Expenditure**

|                                  |               |               |
|----------------------------------|---------------|---------------|
| Return on scheme assets          | 2,503         | 17,247        |
| Changes in financial assumptions | 9,542         | (6,847)       |
| Other experience                 | 6,302         | -             |
|                                  | -----         | -----         |
| <b>Net gain</b>                  | <b>18,347</b> | <b>10,400</b> |
|                                  | =====         | =====         |

**History of experience gains and losses**

|  | 2018   | 2017    | 2016     | 2015    | 2014  |
|--|--------|---------|----------|---------|-------|
|  | £000   | £000    | £000     | £000    | £000  |
| Difference between the expected and actual return on scheme assets | 2,503  | 17,247  | 26,800   | 8,114   | 1,289 |
| % of scheme assets   | 1.2%   | 8.6%    | 15.2%    | 5.7%    | 1.0%  |
| Experience gains / (losses) on scheme liabilities                  | 15,844 | (6,847) | (31,767) | (4,906) | 52    |
| % of the present value of the scheme liabilities                   | 6.7%   | 2.9%    | 14.5%    | 2.8%    | 0.0%  |

**Edinburgh Napier University**  
**Notes to the 2017/18 Financial Statements**

| 21. Endowment reserve                              | Restricted<br>permanent<br>£000 | Restricted<br>expendable<br>£000 | 2018<br>Total<br>£000 | 2017<br>Total<br>£000 |
|--|---------------------------------|----------------------------------|-----------------------|-----------------------|
| <b>At 1 August</b>                                 |                                 |                                  |                       |                       |
| Capital  | 619                             | 7                                | 626                   | 584                   |
| Accumulated income                                 | 71                              | -                                | 71                    | 71                    |
|  | -----                           | -----                            | -----                 | -----                 |
|  | 690                             | 7                                | 697                   | 655                   |
| Increase in market value of investments            | 17                              | -                                | 17                    | 42                    |
| Investment income                                  | 10                              | -                                | 10                    | 13                    |
| Expenditure for the year                           | (5)                             | (1)                              | (6)                   | (13)                  |
|  | -----                           | -----                            | -----                 | -----                 |
| Total endowment comprehensive income for the year  | 22                              | (1)                              | 21                    | 42                    |
|  | -----                           | -----                            | -----                 | -----                 |
| <b>At 31 July</b>                                  | <b>712</b>                      | <b>6</b>                         | <b>718</b>            | <b>697</b>            |
|  | =====                           | =====                            | =====                 | =====                 |
| Represented by:                                    |                                 |                                  |                       |                       |
| Capital  | 636                             | 6                                | 642                   | 626                   |
| Accumulated income                                 | 76                              | -                                | 76                    | 71                    |
|  | -----                           | -----                            | -----                 | -----                 |
|  | 712                             | 6                                | 718                   | 697                   |
|  | =====                           | =====                            | =====                 | =====                 |
| <b>22. Restricted reserve</b>                      |                                 |                                  |                       |                       |
| <b>At 1 August</b>                                 |                                 |                                  | 2,353                 | 1,678                 |
|  |                                 |                                  | -----                 | -----                 |
| New donations                                      |                                 |                                  | 409                   | 1,240                 |
| Increase in market value of investments            |                                 |                                  | 13                    | 2                     |
| Investment income                                  |                                 |                                  | 34                    | 18                    |
| Expenditure  |                                 |                                  | (566)                 | (585)                 |
|  |                                 |                                  | -----                 | -----                 |
| Total restricted comprehensive income for the year |                                 |                                  | (110)                 | 675                   |
|  |                                 |                                  | -----                 | -----                 |
| <b>At 31 July</b>                                  |                                 |                                  | <b>2,243</b>          | <b>2,353</b>          |
|  |                                 |                                  | =====                 | =====                 |

# Edinburgh Napier University

## Notes to the 2017/18 Financial Statements

### 23. Subsidiary undertakings

Napier University Ventures Limited, a company limited by guarantee, is not a legal subsidiary of the University. However, as the University exercises a dominant influence, it is treated as a subsidiary for financial reporting and consolidated in these accounts.

Edinburgh Napier Development Trust is not a legal subsidiary of the University. However, as the University exercises a dominant influence, it is treated as a subsidiary for financial reporting and consolidated in these accounts.

| 24. Cash and cash equivalents          | At 1 August 2017<br>£000 | Cash flows<br>£000 | At 31 July 2018<br>£000 |
|--|--------------------------|--------------------|-------------------------|
| Consolidated cash and cash equivalents | 10,620                   | 11,258             | 21,878                  |
|  | =====                    | =====              | =====                   |

### 25. Capital commitments

As at 31 July 2018 the University and its consolidated subsidiaries had commitments contracted for amounting to £412,477 (2017 - £1,616,480)

| 26. Lease obligations                        | Buildings<br>£000 | Vehicles<br>£000 | 2018<br>£000 | 2017<br>£000 |
|--|-------------------|------------------|--------------|--------------|
| <b>Future minimum lease payments due:</b>    |                   |                  |              |              |
| Not later than 1 year                        | 5,433             | 63               | 5,496        | 5,448        |
| Later than 1 year and not later than 5 years | 21,493            | 175              | 21,668       | 21,520       |
| Later than 5 years                           | 80,969            | -                | 80,969       | 86,419       |
|  | -----             | -----            | -----        | -----        |
|  | 107,895           | 238              | 108,133      | 113,387      |
|  | =====             | =====            | =====        | =====        |

### 27. Discretionary, childcare and midwifery funds

|                        | Discretionary<br>2018<br>£000 | Childcare<br>2018<br>£000 | Midwifery<br>2018<br>£000 | All Funds<br>2018<br>£000 | All Funds<br>2017<br>£000 |
|------------------------|-------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| Balance at 1 August    | -                             | -                         | -                         | -                         | -                         |
| Grants received        | 570                           | 171                       | 74                        | 815                       | 788                       |
| Transfer between funds | (41)                          | 41                        | -                         | -                         | -                         |
|                        | -----                         | -----                     | -----                     | -----                     | -----                     |
|                        | 529                           | 212                       | 74                        | 815                       | 788                       |
| Disbursed to students  | (529)                         | (212)                     | (74)                      | (815)                     | (788)                     |
|                        | -----                         | -----                     | -----                     | -----                     | -----                     |
| Balance at 31 July     | -                             | -                         | -                         | -                         | -                         |
|                        | =====                         | =====                     | =====                     | =====                     | =====                     |

# Edinburgh Napier University

## Notes to the 2017/18 Financial Statements

### **27. Discretionary, childcare and midwifery funds (contd)**

Discretionary, Childcare and Midwifery Funds are available solely for students; the University acts only as paying agent. The grants and related disbursements are therefore excluded from the Statement of Comprehensive Income and Expenditure.

### **28. Related party transactions**

The University has taken advantage of the exemption available under FRS102, Related Party Transactions, not to disclose transactions with subsidiary companies that are eliminated on consolidation. No other related party transactions have occurred during the period.