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Scottish Charity Number – SC018373

Edinburgh Napier University

General Information

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 DipIECVA DipECVPT
Secretary	David Cloy MA (Hons) DipAA
Director of Finance	Andy McGoff MA (Hons) CA
External Auditor	KPMG LLP Saltire Court 20 Castle Terrace Edinburgh EH1 2EG
Internal Auditor	Ernst & Young LLP 5 George Square Glasgow G2 1DY
Bankers	Royal Bank of Scotland plc 206 Bruntsfield Place Edinburgh EH10 4DF
Solicitors	Anderson Strathern LLP 1 Rutland Court Edinburgh EH3 8EY
Actuaries	Mercer Limited G1 Building 5 George Square Glasgow G2 1AR

Edinburgh Napier University

Court Membership

The following persons served as members of Court during the year to 31 July 2019, 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		31 July 2019	Non-Executive
Ms J Boyle			Non-Executive
Mr S Brannan	1 October 2018		Non-Executive
Rt Hon Lord Brodie			Non-Executive
Ms J Brown		31 July 2019	Non-Executive
Mr J Chittleburgh	1 October 2019		Non-Executive
Mr G Cullen	1 October 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		31 July 2019	Non-Executive
Mr C Ibanez	1 October 2018		Staff
Ms S Jiwa			Non-Executive
Prof A McCleery			Staff
Ms A McLean	1 September 2018	31 July 2019	Student
Dr S Moir	1 October 2018		Non-Executive
Ms G Moran	1 September 2019		Student
Prof A Nolan			Principal & Vice-Chancellor
Ms E Partyka			Non-Executive
Dr H Patrick	14 February 2019		Staff
Prof A Sambell			Vice-Principal & Deputy V-C
Ms G Scholefield	1 October 2018		Non-Executive
Prof A Scullion			Non-Executive
Mr S Walls			Staff
Mr N Woodcock			Non-Executive
Prof L Yellowlees			Non-Executive

Edinburgh Napier University

Court Membership

The following persons who served as members of Court during the year to 31 July 2019, 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%	100%			100%
Ms J Boyle	100%	100%			100%
Mr S Brannan	75%		100%		
Rt Hon Lord Brodie	100%				
Ms J Brown	25%	50%			
Mr G Cullen	100%				
The Very Revd Dr G Forbes	100%			100%	100%
Mr J Fraser	100%			100%	100%
Mr C Guest	50%		80%		
Mr R Hare	50%		80%		
Mr C Ibanez	100%				
Ms S Jiwa	75%			100%	
Prof A McCleery	75%				
Ms A McLean	100%				
Dr S Moir	75%				
Prof A Nolan	100%	75%	80%	50%	
Ms E Partyka	100%	75%			
Dr H Patrick	50%				
Prof A Sambell	75%		80%		
Ms G Scholefield	75%		75%		
Prof A Scullion	50%				
Mr S Walls	100%			50%	100%
Mr N Woodcock	100%		100%		100%
Prof L Yellowlees	75%				0%

University Leadership Team

Professor Andrea Nolan	Principal & Vice-Chancellor
Professor Alistair Sambell	Senior Vice-Principal & Deputy Vice-Chancellor
Professor Alyson Tobin	Vice-Principal of Learning and Teaching
Andy McGoff	Director of Finance and Operations
Kerry Dewar	Director of People and Services
Professor Nick Antonopoulos	Vice-Principal of Research and Innovation
Naomi Graham	Vice-Principal, International

Edinburgh Napier University has enjoyed a year of notable successes including many individual achievements by students and staff. This has been underpinned by the solid financial performance reported in these pages delivering an operating surplus of £3.5m with low borrowing and growing cash.

We have improved our student satisfaction scores in the National Student Survey following the targeted action we took in response to some relatively challenging outcomes from the survey in 2018. Overall satisfaction rose to 79%, and there were some outstanding outcomes at subject level. Improving overall student satisfaction to over 90% remains a key objective and target for the University. Our standing in national league tables also improved overall.

We have continued to grow as an international university. We have been exploring potential new markets and have broadened and deepened our relationships with partners in China. Our Transnational Higher Education (TNE) provision in Singapore produced over 400 new graduates, while overall we graduated over 1,000 students overseas through partnership working around the world. We have also been active in strengthening our academic relationships in Europe, of particular importance in the context of Brexit, particularly through our membership of the U!REKA consortium. Our income from international students on campus grew by 10.6% year on year, and our income from TNE also grew. Our Global Online provision continued to build on the strong growth reported last year and over 1,800 students around the world are now part of this community.

Our reputation as a leader in Cyber Security teaching and research was reflected in the 2018 Scottish Cyber Awards where one of our research students won 'Best New Cyber Talent' and one of our spin-outs won 'Best Cyber Start Up'. We opened a new Blockpass Identity Lab which will explore ways in which blockchain technology can protect personal data from online scammers and hackers. We were also pleased that our BEng (Hons) in Cyber Security and Forensics became the first undergraduate course in the UK to be fully certified by the National Cyber Security Centre.

The launch of the Scottish Forest and Timber Industry Leadership Group's new Forest Industry Strategy highlighted the considerable contribution the University makes to research and innovation in that sector and we learned that the University will be leading a new £6m skills and jobs delivery project for housing and infrastructure under the Edinburgh and South East Scotland City Region Deal.

Individual achievements spanned the Times Higher awards, the Digital Health and Care Awards for criticalcare.recovery.com, two National Teaching Fellowships, Outstanding Information Science Teacher of the Year Award (UK), and The Society of Light and Lighting Young Lighter of the Year Award, among others.

Our inclusive culture was recognised by the Diversity in Business award from the Edinburgh Chamber of Commerce and by being named Scottish University of the Year at the Scottish Diversity Awards. We also continued to support diverse learning pathways, for example by securing funding to increase the number of Graduate Level Apprenticeships we offer, and to extend that portfolio into Data Science and Engineering Design and Manufacture.

During the year we began a review of our strategy, engaging staff, students and stakeholders in shaping our strategic direction beyond 2020. Scottish Universities work in an environment which presents considerable challenges to long-term planning. A series of one-year Scottish Government spending reviews, shifting UK government policy on the immigration rules which apply to students and staff and the unknowns associated with Brexit are just a few examples. Our achievements in 2018/19, set out in more detail in the following pages, demonstrate our capacity to innovate and our determination to succeed for our community and the communities we support. I am confident our success will continue in the year ahead.



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.SC018373). 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 fifth and penultimate year of implementation. Strategy 2020 sets out a compelling vision of an "enterprising and innovative community, renowned internationally with an unrivalled student learning experience". Our four strategic objectives, underpinned by enabling strategies and plans, provide focus and prioritisation. Our University values are inclusive, innovative, professional and ambitious, and are very much at the heart of Strategy 2020. We aspire to be recognised as a University that acts with respect and integrity and creates an environment where everyone involved feels proud, confident, challenged and supported. We are currently in the process of developing our next strategy to build on the progress we have made as we look beyond 2020.

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. Key developments during the year, reflected in our risk register, have included ongoing Brexit preparations and dealing with difficult market conditions for the recruitment of international students.

The University has a Stakeholder Engagement Plan, which clarifies responsibility and accountability for managing corporate relationships mapped against the following categories: government/public bodies; business; and community.

Operational Review

Our Annual Plan 2018/19 built on our investments and achievements from the first four years of Strategy 2020 across our four strategic objectives, but with a significant focus on student experience and staff engagement. Our top 10 priorities also included actions to: increase the number and proportion of widening participation students; increase the number of research postgraduate students; extend our teaching portfolio with new on-campus and online programmes; as well as deliver our in-year budget contribution to ensure financial sustainability and underpin essential investment progress and achievement against each of our four strategic objectives is summarised below.



Growing our academic reputation

The top priority for this year was to improve our National Students Survey (NSS) results following a disappointing outcome in the previous academic year. Thanks to significant efforts across all schools and services, our NSS overall satisfaction improved from 74% to 79%, which, although falling short of our 85% target, represented a positive trajectory with improvements in scores for almost all questions. Four of our six schools improved their overall NSS scores with only minor decreases in the other two schools. 15 subject areas achieved scores of 90% or above, with five subjects sitting in the top 10 in the UK. Our position in the UK has also improved.

Our work to make staff student liaison committees (SSLCs) more effective was also shown to be successful with the 'opportunities to feedback on the course' question improving 4%, moving us up two quartiles in the UK.

In terms of our portfolio, over the past 2 years we have focused and rationalised our provision with 37% and 27% reductions in undergraduate (UG)

and postgraduate (PG) programmes respectively. This has been coupled by growing our professionally-orientated portfolio through targeted development of attractive new routes. For example, in 2018/19, we successfully launched new taught postgraduate pathway programmes in Criminology & Policing, Physiotherapy, Occupational Health, Social Work and Teacher Education, with the latter staff group already receiving a first research grant, demonstrating our focus on integrating teaching with research. As well as adding to our Global online portfolio, we also launched Scotland's first MFA in photography degree and the world's first master's degree for sports officials.

Our new Graduate Level Apprenticeships (GLAs) are running successfully and continuing to grow, with excellent feedback from employers and students. We were awarded double the number of places in this 3rd phase, and 185 places across the University for 2020 entry. The University also continued to deliver its planned postgraduate student growth, with our overall growth again exceeding target.

Our research postgraduate student community of 192 FTE is on track for 2020 target (220 FTE) but was below our stretch ambition for 2018/19. Our approach to recruiting PhD students was revamped, with more visibility and focus on the opportunities available. Growing our research postgraduate community and improving the research culture will continue to be a focus in 2019/20, as will enhancement of the research postgraduate student experience (78%). We were pleased to retain our HR Excellence in Research Award.

Our preparations for the next Research Excellence Framework (REF) are going well and we are on target to double the number of staff submitted. A successful mini-REF was completed during the year, with good progress demonstrated and clear next steps agreed as we move towards submission.

Our research income, however, decreased and was below target for the year, as although the value of bids submitted was on target, the number of applications made was lower than forecast.

Looking forward we will focus on supporting our early career academics to get on the funding

mentoring to support this development. More positively, our success in terms of UK 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, with all academic staff now aligned to one of our four academic pathways. We have grown the percentage of academic staff with doctorates to 63%, representing an increase of over 20% since 2014. We have also continued to promote a reflective and professional approach to teaching and learning with 73% of substantive academic staff having gained Fellowship of the Higher Education Academy (HEA) by the 2018/19 year end, compared to 52% in 2015/16. One member of our academic staff was awarded the highest award of National Teaching Fellow in 2019, following on from two successful awards last year. Indeed, of the seven National Teaching Fellows in Scotland, Edinburgh Napier hosts four. Another academic staff member picked up the Outstanding Information Science Teacher of the Year Award (UK).

Further highlights during the year include: multiple wins at the 2018 Scottish Cyber Awards and opening our new Blockpass Identity Lab in our School of Computing (SoC); an academic from the School of Health and Social Care (SHSC) has taken on Presidency of the British Association of Cardiovascular Prevention and Rehabilitation, the first president residing in Scotland; while another from our School of Applied Sciences (SAS) led a team winning a Collaborative Award for Teaching Excellence (CATE). Academics from our School of Engineering and the Built Environment (SEBE) are leading a £6m skills and jobs delivery project under the Edinburgh and South East Scotland City Region Deal, while academics from our Business School (TBS) worked in partnership with the Workforce Development Trust on a UK-wide survey on workforce development and skills, which was launched at the Houses of Parliament. Finally, our School of Arts and Creative Industries (SACI) was delighted to be awarded funding to relaunch the much praised Screen NETS (New Entrants Training Scheme) in partnership with Screen Scotland, providing trainees with paid professional work experience on feature films and TV drama.



**Delivering an excellent
personalised student
experience**

A key priority for this the year has been on increasing the number and proportion of widening access students entering the University through extending our contextual admissions policy to articulating students, in particular those with HNC/HND qualifications. This approach, along with the appointment of a widening participation (WP) triage post, has helped us exceed our WP target, achieving 12.7% of full-time first degree students entering from an SIMD20 postcode, and keeping us on track for our 2020 ambition of 14%.

Moving forward we are looking at how contextual admissions applies to subject areas that use portfolios and performance as part of the admissions process and strengthening the monitoring of students entering under the contextual admissions policy. In addition, we have established, and continue to lead, a regional consortium to address issues in relation to curriculum pathways and admissions processes, successfully engaging all HEIs in Edinburgh and surrounding areas, along with the SFC.

We have also continued to build on the launch of the HUB for S.U.C.C.E.S.S, the partnership project, for which we are host and lead institution, which increases the educational opportunities open to care experienced people. The Hub has worked with over 100 individuals in its first year and recently hosted Deputy First Minister John Swinney at an event where he was able to meet some students who have benefited from its work.

Another focus this year was on relaunching our Personal Development Tutor (PDT) scheme to provide students in all schools with regular opportunities for face-to-face guidance. The PDT policy has been revised and rolled out, supported by a PDT forum, toolkit and FAQs for staff, as well as guidance and a YouTube video for students.

A new electronic module leader report was implemented to capture academic responses to student feedback through online module evaluations. Work to deliver a new induction calendar experience for students from 2019 has progressed well, as have efforts to enhance timetabling practices and other operational improvements, including making timetables available through Office 365 calendars, all helping to improve the NSS results for Organisation and Management.

Graduate employability has remained high and on target at 95% for UK domiciled students, but even higher when you include our postgraduate and overseas students. We launched a reshaped Student Futures service in order to be more effective in delivering a professional careers and skills development experience for our students.

Our Information Services team have been nominated for a Times Higher Education (THE) Award for Outstanding Support for Students, for making exam time less stressful by introducing a range of innovative initiatives including specially created relaxation areas comprising sofas and colourful cushions, with jigsaws, games, colouring books and earplugs available to those who wanted some real quiet time. Shelf Help, a bibliotherapy initiative providing students with access to a range of self-help materials, was also introduced, with feedback from students saying reading about other people's experiences and feelings can sometimes help you understand your own.

The Big White Wall, an online support service (24/7) for students and staff with any mental health concerns was also launched in 2018, with over 600 students and staff having registered to use the service by July 2019. Feedback on the service has been very positive and we will continue to expand our offering in the year ahead through other mechanisms.

New guidance for pregnant students was developed and launched, along with associated guidance for staff, led by one of our student association sabbaticals, helping the University ensure that students who become pregnant are supported in engaging and completing their studies.

We are also delighted that this year eight of our Built Environment Exchange (beX) students have secured internships around the world through the Saltire Scholar Internship Programme, which prepares university students in their penultimate year of study for working life by undertaking commercially valuable projects in Scotland and across the globe.



Building innovation, enterprise and citizenship

Over the last year we also continued our focus on supporting enterprise and entrepreneurship. Our Bright Red Triangle (BRT) team exceeded expectations by supporting 55 new businesses and 198 new registrants, who are working towards starting a business. Eight entrepreneurs participated in our summer accelerator programme and the team successfully supported 16 student-led consultancy projects through to completion, with three still ongoing. The team also ran training sessions for 670 students, well exceeding our target of 300, and are also assisting 12 international students in their process of applying for University endorsement for Tier 1 Start-Up Visas.

We made good progress with our income growth from Continuing Professional Development (CPD), which increased to £3.1m, above our 2020 target and within 10% of our ambitious in-year target.

We are also proud of our enterprising staff who are using their research to support innovation and have a positive impact on society. For example one of our SACI academics designed new ways to re-use ocean plastic as the raw material for 3D printers, while a colleague from SEBE has been playing a key role in a government funded investigation into the feasibility of hydrogen as a fuel to decarbonise the distilling process; the HySpirits project is being conducted at The Orkney Distillery.

An academic from The Business School conducted research on why more companies are going dog friendly, while another in SAS has been awarded significant funding to standardise the building of mountain bike trails across Europe.

Our 2010 spinout cyber security firm, ZoneFox, was sold successfully to a US business, and Cyan Forensics, another spinout from the School of Computing, whose software helps police detect indecent images of children in minutes, has announced its first partnership in America.

Our Lions' Gate Garden – an in-development interactive permaculture gardens project based at Merchiston campus – has also been making an impact with significant interest and engagement from students, staff and the local community. The Lions' Gate is about living a sustainable future, creating abundance and providing an interdisciplinary learning environment for our students to develop designs and concepts that have sustainability at their core.

We have been announced as the first University in Scotland to be awarded Gold in the Defence Employer recognition scheme, which showcases employers who have signed the Armed Forces Covenant and are actively supporting the armed forces community, including ex-service personnel and their families. We were also delighted that an academic from the School of Arts and Creative Industries was shortlisted for the Contribution to the Local Community THE Award, for their powerful short film telling the story of four females who had previously served sentences at HMPYOI Polmont.

We are especially proud of our student-lead 'Bleedin' Saor' project, which kicked off in 2018, and aims to raise awareness of period poverty and end stigma attached to menstruation. They have hosted 'Bloody Big Brunches' on all three campuses, established a partnership with 'Hey Girls' and undertaken a research trip to Uganda, which will feature in a documentary they are currently filming for release in 2020.

This is all while individual students continue to win awards for their enterprising initiatives, and established projects, such as our Student Law Clinic, go from strength to strength.



Internationalising our work

Our long term approach and work on international student recruitment have been successful, even in the face of a very challenging political and policy landscape, including uncertainty around Brexit, as well as shifting demographics and the policy environment in Hong Kong (our largest Trans National Education (TNE) market) and China.

In a highly competitive market we achieved a 12% increase in new enrolments of international students on campus compared with the previous year. This growth was accounted for by our best January intake yet. Full-time enrolments of 233 for January exceeded the previous year's intake of 155, and exceeded the university target of 180. When including Study Abroad and other study types, an overall headcount of 333 students was achieved compared to 254 in January 2018.

In collaboration with our China staff, we created new pre-session courses of different lengths targeted at a range of English language entry points. The China Summer School was piloted last year for students with low IELTS grades, and saw 12 students on the 10-week programme and 13 students on the 5 week programme, all of whom passed. We have also created further bespoke in-session programmes tailored to school and student requirements.

Our Global Online programmes, in particular, continued to attract significant growth, with new programmes launched and income surpassing budget, breaking the £3million mark for the first time, and a 26% growth in income in comparison to 2017/18. In terms of student numbers, all three intakes in 2018/19 have exceeded the numbers achieved the previous year. Student satisfaction is also very high with our online postgraduate students reporting an 87% satisfaction rate in 2019.

We also exceeded our combined target in TNE and Global Online income, representing 6% growth, even with declining student numbers in Hong Kong.

Looking forward we are seeking to consolidate TNE activity with a small number of strategic partners.

This year our International Operations team took great delight in working with the South Asian Student Society and colleagues across the University to create a programme of events to celebrate ten years of having an office in India. Indeed we have now had over 1,300 Indian students enrolled on-campus in last 10 years, with 2018/19 our most successful year in India since 2010. Our ongoing partnership as part of the European U!REKA Consortium continues to flourish. We also celebrated with over 1000 students graduating in 19 ceremonies internationally with partner universities and higher education providers during 2018/19.

Our academics had a positive impact on international policy too, such as collaborating with Zhejiang provincial government to help shape policy in smart city development in China, and our SHSC ran a bespoke neonatal nurse education programme in one of Vietnam's largest hospitals. A multidisciplinary team also ran a training event for Sri Lanka's university sector as leads for the Improving Research in Higher Education project, which is part of the British Council's larger education reform programme, TRANSFORM.

Finally, we were pleased to receive an International Association for the Exchange of Students for Technical Expertise (IAESTE) Award, for our continuous contribution over the last five years to a programme of offering paid placements to science and engineering students lasting from six weeks to a year to gain work experience in over 80 countries.



Key Performance Indicators

Key Performance Indicator	Actual 2017/18	Actual 2018/19	Strategy 2020 target
GROW OUR ACADEMIC REPUTATION			
Total students (FTE)	15,097	14,611	18,210
Academic staff active in externally funded research	24%	25%	40%
REF staff	182	178	200
Income from Research Grants and Contracts	£4.2m	£3.3m	£9.1m
Taught postgraduate students (FTE)	2,282	2,465	1,880
Research postgraduate students (FTE)	208	192	220
Student Satisfaction	74%	79%	>90%
DELIVER AN EXCELLENT PERSONALISED STUDENT EXPERIENCE			
Graduate Employability	95%	95%	>95%
Entrants to Programmes with work-related experience element	87%	92%	100%
Student participation in co-curricular activities	3,821	3,946	5,000
BUILD INNOVATION, ENTERPRISE AND CITIZENSHIP			
Total revenue from CPD	£2.0m	£3.1m	£3.0m
Reduction in Carbon emissions	54%	58%	35%
INTERNATIONALISE OUR WORK			
International (Non-EU) students (FTE)	4,608	4,083	7,770
Non-EU students on campus	1,156	1,224	1,870
Income from trans-national education	£7.5m	£7.9m	£9.0m
Student outward mobility	449	429	800
ENABLERS			
Overall Employee Engagement	76%	76%	>80%
University Total Income	£119m	£122.5m	£141m
Operating surplus (before pension charges)	£1.6m	£3.5m	£7.1m

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.



Environmental Sustainability

We are committed to reduce the environmental impact of the University. Between our 2006/07 and 2018/19 academic years we have reduced campus based utility carbon emissions by 58%. Our 2018/19 emissions principally originated from consumption of utilities at our campuses (61.5%), business travel, both locally and internationally (38.4%) and waste generated on campus (0.1%).

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 almost £300,000 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 2019/20 academic year to take the University towards net carbon zero.

Inclusion

We are passionate about our commitment to inclusion at Edinburgh Napier and are proud to be sector leading in many regards. Our aim is to create a community where everyone feels proud, confident, challenged and supported and we do this through a range of different approaches. We take a positive, flexible approach to encouraging full participation of disabled people into all aspects of University life and make every reasonable effort to provide the necessary support, adaptations, equipment and development, in order to enable students and staff to fulfil their potential. For students this is delivered by our Disability Inclusion service which is also driving forward our 'I'm In' inclusive practice programme focuses on how we can mainstream existing good practice and remove impediments to disabled staff and students by encouraging a universal design approach. We have also recently achieved successful reaccreditation at Level 2 as a Disability Confident employer.

As mental health becomes a growing issue for society, we have worked hard to put in place a range of services and resources in support of both mental wellbeing for all and for staff and students who experience impaired mental health. We have delivered a number of programmes and training on mental health awareness; managing stress; and building resilience. We deliver mindfulness programmes to students and are currently piloting a mindfulness training programme to staff with a view to rolling it out further should participants find it beneficial. This complements our Drop in Mindfulness sessions for students which are running weekly. Our Mental Health Awareness Sessions for Academics provide advice on how to recognise and support mental health issues in students. The University has over 40 trained Mental Health First Aiders who can offer support and information as well as online and telephone services such as Workplace Options and Big White Wall which can offer free advice, guided support courses and 24 hour access to mental health professionals.

Edinburgh Napier has one of the lowest gender

pay gaps in the sector with a gap of 6.92% (2019) compared to 14.3% (2016/2017) across the sector. Our pay gap has fallen for the third year in a row as we continue to focus on removing the pay gap altogether. Women are well represented on both our University Leadership Team (57%), our Senior Leadership Team (56%) and our University Court (50%). Our Women's Network has been active in helping to raise the profile of many issues which may affect female members of staff with a recent event on menopause proving to be very useful in highlighting how we can support staff members who are impacted by this.

Following our launch of Gender Based Violence cards, we are about to launch our new Report and Support tool which will allow staff and students to report their experiences of gender based violence, racism, bullying or any other act which they feel was inappropriate. We hope that this encourages more people to come forward so we can provide support and take any appropriate action. The launch of this will be through a communications campaign which will focus on our on zero tolerance approach. As part of the Preventing and Tackling Sexual Misconduct and Violence on Campus Strategy, we invested in 10 members of staff to undertake accredited training to be recognised as Sexual Violence and Misconduct Liaison Officers.

Our Carers Network and LGBT network have grown over recent years providing support, guidance and a channel through which to raise any issues or suggestions. The launch of a new Chaplaincy Service seeks to provide support to staff and students of all faiths and beliefs (including those who are not religious) and responds to feedback from our Inclusion Committee.

We were delighted that our efforts to support inclusion were recognised earlier this year when we won the Edinburgh Chamber of Commerce Award for Diversity in Business and more recently when we collected the gold award for the Defence Employer Recognition Scheme to reflect our work in embedding the Armed Forces Covenant.

Disability policy

Edinburgh Napier University welcomes people with disabilities, long term health conditions and specific learning difficulties and is committed to providing both students and staff with support in all aspects of University life. We aim to:

- Provide a positive and supportive environment for all students and staff on the basis of individual merits, ability and potential.
- Provide equality of opportunity and access and to ensure that no prospective student is denied a place on a programme on the grounds of their disability.
- Take a positive, flexible approach to encouraging full participation of people with disabilities into all aspects of University life.
- Make every reasonable effort to provide or arrange necessary support, adaptations, equipment and staff development, in order to enable students and staff to fulfil their potential.
- Take account of all our legal obligations under the Equality Act 2010 (incorporating the provisions of the former Disability Discrimination Act) to achieve best practice in promoting disability equality wherever possible.

We are constantly reviewing and improving our facilities and procedures with the involvement of students and staff. Our Equality Duty commitments are reviewed annually and this provides an effective focus for helping to evaluate, develop and improve our support to disabled staff and students, as well as reviewing the University's broader equality and diversity objectives and outcomes.

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.

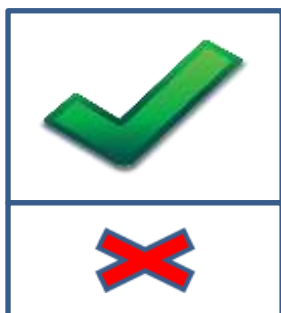
The University has established 3 pillars of sustainability and will work towards achieving these:

- A proportion of staff costs to total income of not more than 60%
- A ratio of academic staff to professional services staff of circa 1:1
- A proportion of operating surplus 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



- **Underlying operating surplus increased 119% to £3.5m**
- **Net current assets increased to £17.0m**
- **Cash increased to £26.7m with £40m undrawn facility available**
- **Net assets reduced to £76.2m due to pension valuation**

The focus over the last few 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 further strong progress with our solvency, measured by our net current assets improving for a 3rd consecutive year.

It is worth noting that while the University is reliant and is immensely grateful for the SFC grant income of £59.1m for the year, payroll taxes and the irrecoverable VAT paid and contributed back to UK government totalled £21.7m. As also highlighted in last year's report if our 2014/15 grant was inflated by RPI to the year 2018/19 then our grant receipt would be higher by some £8.5m. This demonstrates the challenges faced by the Sector, and also the need to continue to diversify our income sources and manage our cost base.

Income and Surplus

Stripping out the Development Trust and one off gains, income rose by 3.1% in the year. Including the Development Trust, our underlying operating surplus of £3.5m is equivalent to 2.9% of income and an increase of 119% on last year.

Total comprehensive income (net deficit) for the year was £16.0m, after accounting for actuarial losses and pension movements as required under FRS102.

The table below summarises performance over the last two years -

£m	2017/18	2017/18	2018/19	2018/19
	Excl. Dev Trust	Inc. Dev Trust	Excl. Dev Trust	Inc. Dev Trust
Income	118.6	119.0	122.3	122.5
Expenditure before pension charges	(116.9)	(117.4)	(118.5)	(119.0)
Underlying operating surplus	1.7	1.6	3.8	3.5
Pension charges	(6.4)	(6.4)	(10.4)	(10.4)
Deficit after pension charges	(4.7)	(4.8)	(6.6)	(6.9)
Other gains	0.1	0.1	0.5	0.6
Actuarial gain / (loss)	18.4	18.4	(9.7)	(9.7)
Net surplus / (deficit)	13.8	13.7	(15.8)	(16.0)

This improved performance in underlying operating surplus is largely due to robust cost control. Through continued improvement in our process and contract reviews, our non-pay costs, before FRS102 adjustments, reduced by 1.8% during the year and have now reduced by 5% over the last 2 years. Pay inflation, before FRS102 adjustments, was contained at 3.2%.

Our ratio of staff cost to income at 62.6% is still one of the highest in the sector whilst our ratio of academic to non-academic staff is 1:1.3. Neither of these statistics meets our targets and will be actively managed in the coming and future years.

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 and other gains of £6.5m includes £10.4m of pension charges.

Income and Student Numbers

Overall income (including the Development Trust) has increased by 3.0% to £122.5m.

Core SFC grant income is broadly consistent with 2017/18 although funding recognised on the Construction Scotland Innovation Centre increased by £1.3m to £3.0m.

Tuition fees increased to £43.9m from £41.5m linked to Graduate Level Apprenticeships.

Student numbers are summarised in the table. Overall headcount is slightly down on the previous year.

Increased Taught Postgraduate headcount has led to a modest increase in on-campus numbers. Our off-campus numbers have reduced in TNE delivery, but show an increase in online numbers.

Research income in the year was again disappointing, showing a further reduction from £4.2m to £3.3m, and income from residences, catering and conferences reduced slightly to £10.2m. Other income increased by over £1m.

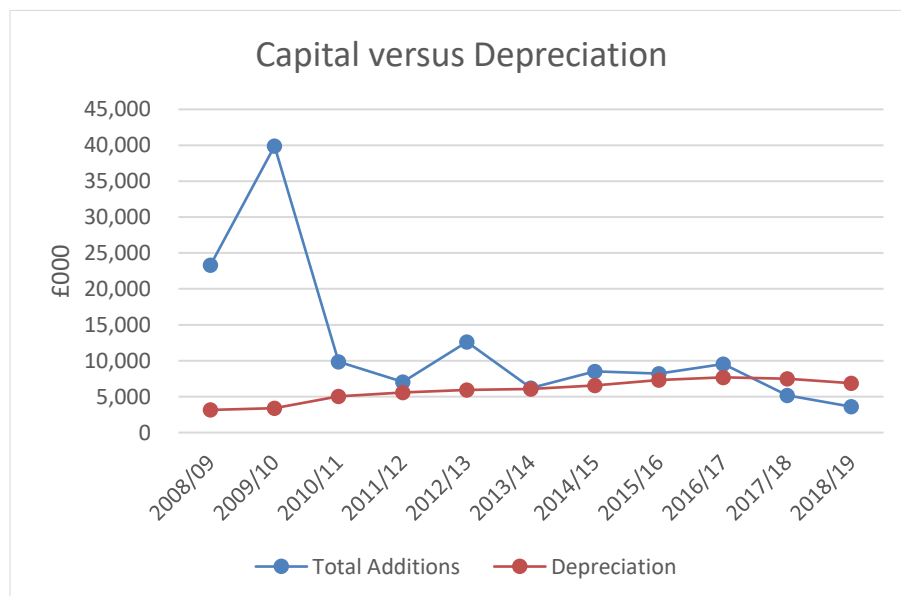
2018/19 (Headcount)					
Delivery Location		Taught		Research	Total
		Undergraduate	Postgraduate	Postgraduate	
On Campus	Scotland	8,361	1,044	106	9,511
	Other UK	677	303	30	1,010
	EU	1,527	589	40	2,156
	Overseas	630	730	61	1,421
On Campus Total		11,195	2,666	237	14,098
Off campus	Online	397	1,486	-	1,883
	TNE	3,092	370	27	3,489
Off Campus total		3,489	1,856	27	5,372
All Locations		14,684	4,522	264	19,470
2017/18 (Headcount)					
Delivery Location		Taught		Research	Total
		Undergraduate	Postgraduate	Postgraduate	
On Campus	Scotland	8,176	1,070	103	9,349
	Other UK	769	402	22	1,193
	EU	1,559	548	41	2,148
	Overseas	735	604	54	1,393
On Campus Total		11,239	2,624	220	14,083
Off campus	Online	262	1,235	-	1,497
	TNE	3,817	467	55	4,339
Off Campus total		4,079	1,702	55	5,836
All Locations		15,318	4,326	275	19,919

Development and Alumni

In 2018/19 the University, through the Development Trust, raised philanthropic income of £0.4m and distributed £0.6m to students through scholarships, bursaries and prizes. Net Funds have reduced to £2.6m.

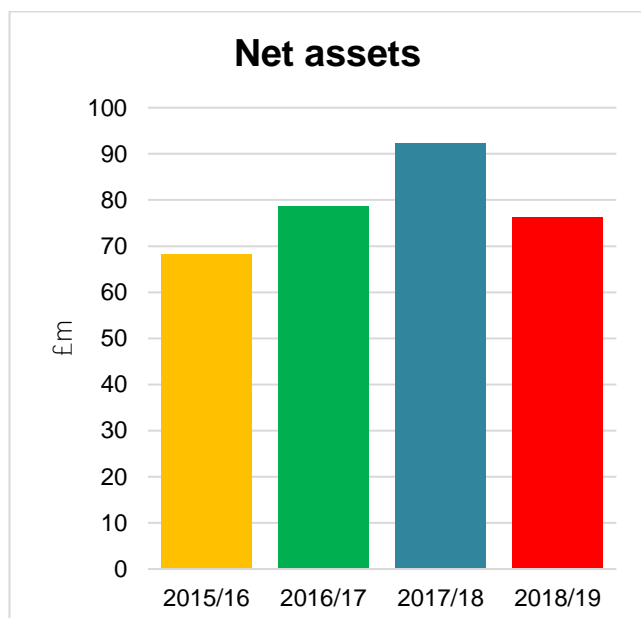
Balance Sheet

The Net Book Value of our Fixed Assets reduced during the year by £3.2m, to £124.8m as we continue to impose tighter controls around our capital spend. Over the last ten years the University has, until the last 18 months, invested in capital at a greater rate than its annual depreciation. This has seen the book value of fixed assets increase by £59m since the beginning of 2008/09, and is illustrated by the graph above.

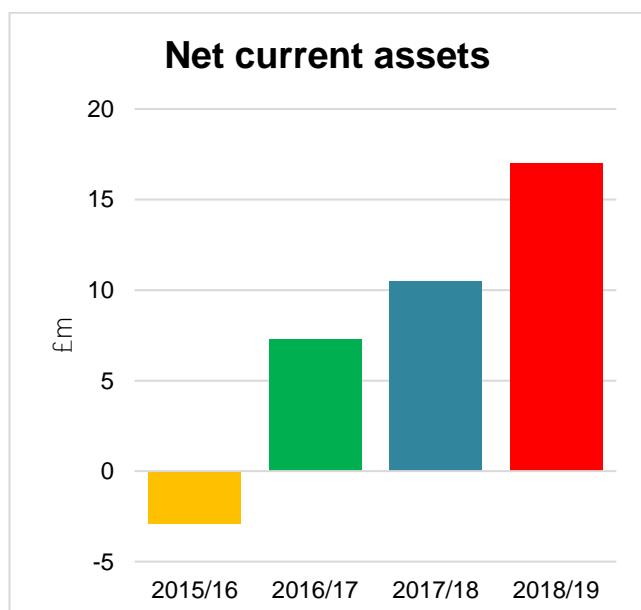


As highlighted above a strong focus has been on strengthening our Balance sheet to provide the platform for future investment and growth. Whilst consolidated Net Assets of the University fell to £76.2m at 31 July 2019 due to the adverse pension valuation, continued robust working capital management has delivered significant improvement in our net current assets balance which now stands at £17.0m, a £20m increase from just 3 years ago. Included within net current assets, our cash balance has improved to £26.7m. Our bank loans of £10m are still amongst the lowest in the sector.

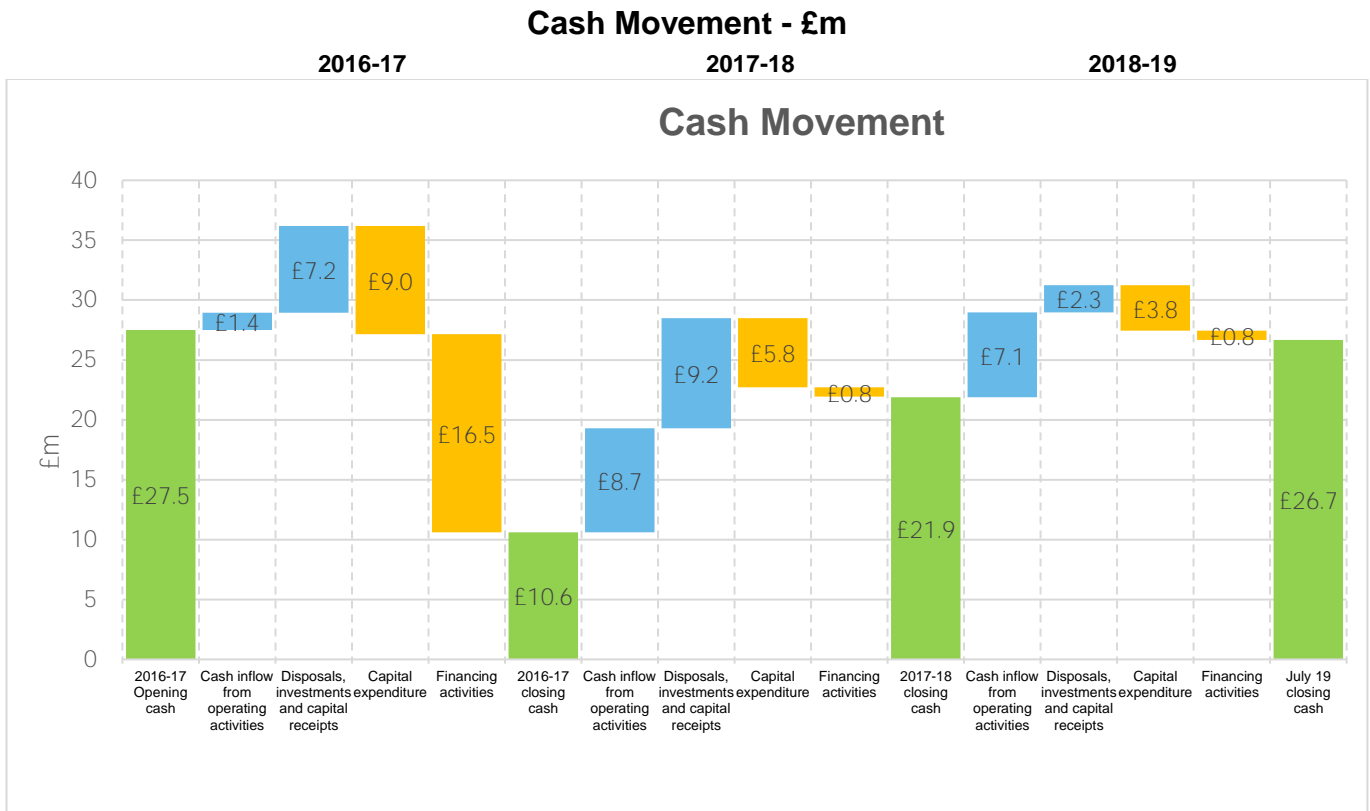
It is the University's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the University and its suppliers, providing that all trading terms and conditions have been complied with. At 31 July 2019, there was an average of 39 days purchases (2018 – 30 days) outstanding in trade creditors. No interest was paid under the Late Payment of Commercial Debts (Interest) Act 1998.



	2016/17	2017/18	2018/19
Gearing – debt as a % of Net Assets	12.7	10.8	13.1
External borrowing as a % of income	8.2	8.4	8.2
Unrestricted reserves as a % of income	58.1	71.5	56.5
Total net assets (£000)	78,582	92,268	76,243
Income per staff FTE (£)	89,534	86,626	87,184



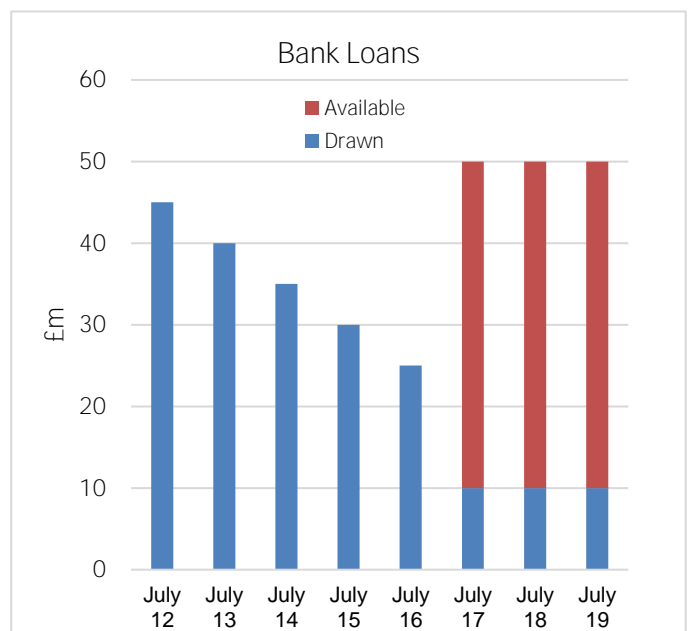
Cash, Cashflow and Loans



Cash and cash equivalents are £26.7m at 31 July 2019. This is an increase of £4.8m during the year and can be summarised as follows:

- Net cash inflow from operating activities was £7.1m.
- Investing in fixed assets totalled £3.8m. This was offset by asset sales, capital grant receipts and investment income totalling £2.3m, resulting in a net cash outflow from investing activities of £1.5m.
- Financing activities were consistent at £0.8m reflecting our continued low level of borrowings.

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 2018/19.



Pensions

Total pension liabilities have increased by £19.2m to £57.7m. Further information about the University’s pension schemes can be found at note 19 of the Financial Statements.

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 the Construction Scotland Innovation Centre.

Sustainable Procurement

The Procurement service within the Institution continues to be delivered by Advanced Procurement for Universities and Colleges, the sector's Centre of Procurement Expertise (APUC), in the form of the Edinburgh Region Procurement Team (ERPT), a shared service with Edinburgh College. The shared service continues to provide improved leverage in the supply chain, and increased resilience in service provision for both institutions involved. In addition opportunities for wider collaboration are continually sought, the latest of these being a collaboration with a neighbouring University on two significant local estates related framework agreements.

Delivering savings and improved value for money remains a focus for the team, whilst balancing an increased focus on the social, ethical and environmental impacts through the institution's supply chain.

The University is continually looking to deliver efficiencies and maximise resources through Procurement practices. Our total influence-able non-pay spend is c.£25m and in the Academic year 2018/19 the University has achieved savings of c.£665k through the use of sector led collaborative contracts. Local procurement exercises have resulted in additional savings of c.£860k.

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.

Since the 2018 implementation of the University's Responsible Procurement Assessment & Checklist, the Responsible Procurement Champion has collaborated on the integration of sustainable procurement questions within the Procurement Request Form, the University's online business case for all expenditure over £12.5k. In line with the ethos of the departmental Responsible Procurement Assessment & Checklist, the Procurement Request Form asks University stakeholders to assess the need for the purchase in the first place and to explore alternative options to meet the need such as existing internal resources, which can completely remove the need for the expenditure in its entirety.

In consultation with APUC, the Responsible Procurement Champion has created a user guide for lower value devolved procurement which has been adopted and circulated across the sector by the Higher Education Procurement Academy. This user guide is available on the University Intranet.

The University continues to be 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.

Following the pilot approach at Edinburgh Napier, Responsible Procurement Champions are now in place across most regions in the Scottish college sector and in each university where APUC manages the service. There is also one in each of the Category teams in APUC's Collaborative Contracting Team.

Governance and Risk Management

Our Governance arrangements are outlined in the Corporate Governance Statement on page 21.

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.

Brexit

Brexit continues to be a major focus for the University, and our Europe Advisory Group has established contingency plans and actions in place to mitigate the impacts as they arise.

Although uncertain, there are many potential implications of the UK's exit from the EU which have been considered by the University. Following the UK's withdrawal the immigration rules affecting EU/EEA (and other overseas) nationals coming to the UK could potentially change. The longer term implications for EU/EEA students will depend on the future immigration system that the UK puts in place. The University is now starting to see the impact on the recruitment and retention of staff from EU27 member states.

Undergraduate applications from EU domiciled applicants for full-time undergraduate study for September 2019 entry decreased by 9% compared to 2018/19. 12% of full-time undergraduate entrants are from the EU.

For full-time postgraduate students, applications from the EU dropped by 31% for September 2019 intake, with 34% of entrants from the EU.

As part of the 2019 Student Number target setting process, Schools sought to target increased recruitment from Scottish domiciled applicants to mitigate against risk of falling EU student applications. Recruitment plans to attract online students from within Europe and undergraduate and postgraduate students from the rest of the UK to mitigate the impact are also being developed.

The Scottish Government has confirmed the continuation of free tuition in Scotland for eligible EU undergraduate students commencing their studies in 2019 and 2020. However, beyond that date, EU Nationals may face international student fees, potentially having a negative future impact on EU student numbers.

The University is committed to being an international University and will seek out and welcome talent from Europe and beyond. Following the triggering of article 50 there is no immediate change to the rights/status of EU nationals working in the UK. However, in the longer term, the recruitment of EU/EEA staff will be dependent on the kind of relationship the UK agrees with the EU and the migration system that is established after withdrawal. Given the nature of our work, many of the skill sets that we require are unique and specialist so an international approach to talent is the only way we can ensure we attract top talent. If the UK is seen as a less desirable place to seek work or if the future is uncertain, this will have an impact on our ability to attract specialist skills and ensure that our programmes are being delivered and informed by world class academics.

On behalf of the University Court,



The Very Revd Dr Graham Forbes, CBE, Chair
16 December 2019

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 has complied with the provisions of the 2017 Scottish Code of Good Higher Education Governance throughout the year, excepting that the discussion of the Chair of Court's annual appraisal was deferred from the June 2019 Court meeting to the next academic session.

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 manages the process of filling vacancies in the external membership of Court and makes recommendations on the membership and convenorship of Court's sub-committees. 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 2019 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 the convenor 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 ongoing improvements have been made to the institutional performance monitoring reports provided to the Court.

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 2018 meeting the Court received the annual report from the Audit & Risk Committee covering the period to 30 November 2018. At its June 2018 meeting, the Court considered the annual risk assessment for the year ahead as considered and recommended by the Audit & Risk Committee following the annual risk review process.

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 2019 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.



The Sports Science lab at Sighthill



Sighthill campus

On behalf of the University Court,

A handwritten signature in black ink, appearing to read "Carl Forbes".

The Very Revd Dr Graham Forbes, CBE, Chair

A handwritten signature in black ink, appearing to read "Andrea M. Nolan".

Professor Andrea M Nolan, OBE,
Principal and Vice-Chancellor
16 December 2019

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.



Creative Degree Show 2019



Creative Degree Show 2019

On behalf of the University Court,

The Very Revd Dr Graham Forbes, CBE, Chair
16 December 2019

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 2019 which comprise the Consolidated and University 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 Note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the University's affairs as at 31 July 2019 and of the Group's and the University's income and expenditure, gains and losses and changes in reserves and of the Group's cash flows for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, and with the 2015 *Statement of Recommended Practice – Accounting for Further and Higher Education*; and
- 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.

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

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the University Court, such as in respect of the value of defined benefit pension obligations and the carrying value of fixed assets and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Group's future prospects and performance.

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

Going concern

The University Court has prepared the financial statements on the going concern basis as it does not intend to liquidate the Group or the University or to cease their operations, and as it has concluded that the Group and the University's financial position means that this is realistic. It has also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

INDEPENDENT AUDITOR'S REPORT TO UNIVERSITY COURT OF EDINBURGH NAPIER

UNIVERSITY (CONTD)

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

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

Other information

The University Court is responsible for the other information, which comprises the Court Membership, 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, except as explicitly stated below, 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 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:

- 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.

The University Court's responsibilities

As explained more fully in its statement set out on pages 24 and 25, the University Court is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the group or the parent University or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT TO UNIVERSITY COURT OF EDINBURGH NAPIER UNIVERSITY (CONTD)

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at:

www.frc.org.uk/auditorsresponsibilities

REPORT ON OTHER LEGAL AND REGULATORY 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 (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor**

Chartered Accountants

Saltire Court

20 Castle Terrace

Edinburgh EH1 2EG

18 December 2019

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

Edinburgh Napier University

Consolidated and University Statement of Comprehensive Income and Expenditure Year to 31 July 2019

	Notes	Year Ended 31 July 2019 Consolidated £000	Year Ended 31 July 2019 University £000	Year Ended 31 July 2018 Consolidated £000	Year Ended 31 July 2018 University £000
Income					
Scottish Funding Council grants	2	59,076	59,076	57,104	57,104
Tuition fees and education contracts	3	43,875	32,863	41,545	32,111
Research grants and contracts	4	3,349	2,942	4,218	3,927
Other income	5	15,767	14,689	15,479	14,512
Investment income	6	274	229	108	68
Donations and endowments	7	152	3,378	483	4,856
Total income		122,493	113,177	118,937	112,578
Expenditure					
Staff costs	8	85,046	79,637	79,387	74,370
Restructuring costs		214	213	320	319
Other operating expenses		35,703	32,817	34,610	31,708
Depreciation	12	6,850	6,838	7,479	7,474
Interest and other finance costs	10	1,555	1,555	1,863	1,863
Total expenditure	9	129,368	121,060	123,659	115,734
Deficit before other gains and losses		(6,875)	(7,883)	(4,722)	(3,156)
Gain / (loss) on disposal of non-current assets		578	(3)	70	70
Gain / (loss) on investments		105	70	10	(16)
Deficit before tax		(6,192)	(7,816)	(4,642)	(3,102)
Taxation	11	(127)	(37)	(19)	(19)
Deficit for the year		(6,319)	(7,853)	(4,661)	(3,121)
Actuarial gain / (loss) in respect of pension schemes	19	(9,706)	(9,706)	18,347	18,347
Total comprehensive income for the year		(16,025)	(17,559)	13,686	15,226
Represented by:					
Endowment comprehensive income for the year		136	7	21	7
Restricted comprehensive income for the year		(365)	-	(110)	-
Unrestricted comprehensive income for the year		(15,796)	(17,566)	13,775	15,219
		(16,025)	(17,559)	13,686	15,226

Edinburgh Napier University
Consolidated and University Statement of Changes in Reserves

Year to 31 July 2019

	Income and expenditure reserve			Revaluation Reserve	Total
	Endowment	Restricted	Unrestricted		
Consolidated	£000	£000	£000	£000	£000
Balance at 1 August 2017	697	2,353	71,207	4,325	78,582
Surplus / (deficit) from the income and expenditure statement	21	(110)	(4,572)	-	(4,661)
Other comprehensive income	-	-	18,347	-	18,347
Total comprehensive income for the year	21	(110)	13,775	-	13,686
Balance at 1 August 2018	718	2,243	84,982	4,325	92,268
Surplus / (deficit) from the income and expenditure statement	136	(365)	(6,090)	-	(6,319)
Other comprehensive income	-	-	(9,706)	-	(9,706)
Total comprehensive income for the year	136	(365)	(15,796)	-	(16,025)
Balance at 31 July 2019	854	1,878	69,186	4,325	76,243
University					
Balance at 1 August 2017	304	-	65,993	4,325	70,622
Surplus / (deficit) from the income and expenditure statement	7	-	(3,128)	-	(3,121)
Other comprehensive income	-	-	18,347	-	18,347
Total comprehensive income for the year	7	-	15,219	-	15,226
Balance at 1 August 2018	311	-	81,212	4,325	85,848
Surplus / (deficit) from the income and expenditure statement	7	-	(7,860)	-	(7,853)
Other comprehensive income	-	-	(9,706)	-	(9,706)
Total comprehensive income for the year	7	-	(17,566)	-	(17,559)
Balance at 31 July 2019	318	-	63,646	4,325	68,289

	Notes	As at 31 July 2019		As at 31 July 2018	
		Consolidated £000	University £000	Consolidated £000	University £000
Non-current assets					
Fixed assets	12	124,758	124,656	128,010	127,965
Investments	13	2,683	1,394	2,769	1,598
		-----	-----	-----	-----
		127,441	126,050	130,779	129,563
		-----	-----	-----	-----
Current assets					
Stock	14	52	52	50	50
Trade and other receivables	15	9,701	6,536	7,492	5,148
Investments		279	279	-	-
Cash and cash equivalents	23	26,683	25,467	21,878	20,564
		-----	-----	-----	-----
		36,715	32,334	29,420	25,762
Less: creditors falling due within one year	16	(19,713)	(21,895)	(18,918)	(20,464)
		-----	-----	-----	-----
Net current assets		17,002	10,439	10,502	5,298
		-----	-----	-----	-----
Total assets less current liabilities		144,443	136,489	141,281	134,861
Less: creditors falling due after more than one year	17	(10,477)	(10,477)	(10,496)	(10,496)
Provisions					
Pensions provision	18	(57,723)	(57,723)	(38,517)	(38,517)
		-----	-----	-----	-----
Total net assets		76,243	68,289	92,268	85,848
		=====	=====	=====	=====
Restricted reserves					
Income and expenditure reserve – endowment reserve	20	854	318	718	311
Income and expenditure reserve – restricted reserve	21	1,878	-	2,243	-
Unrestricted reserves					
Income and expenditure reserve – unrestricted reserve		69,186	63,646	84,982	81,212
Revaluation reserve		4,325	4,325	4,325	4,325
		-----	-----	-----	-----
Total reserves		76,243	68,289	92,268	85,848
		=====	=====	=====	=====

The financial statements were approved by the University Court on 16 December 2019 and signed on its behalf by:



The Very Rev Dr Graham Forbes, CBE, Chair



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

Edinburgh Napier University
Consolidated Statement of Cash Flows

Year to 31 July 2019

	31 July 2019 £000	31 July 2018 £000
Cash flow from operating activities		
Deficit for the year before tax	(6,192)	(4,642)
Adjustment for non-cash items		
Depreciation	6,850	7,479
Gain on investments	(105)	(10)
(Increase) / decrease in stock	(2)	2
(Increase) / decrease in debtors	(2,209)	1,719
Increase / (decrease) in creditors	643	(434)
Increase in pensions provision	9,500	5,423
Decrease in other provisions	-	(275)
Adjustment for investing or financing activities		
Investment income	(274)	(108)
Interest payable	771	774
Endowment income	(15)	-
Gain on disposal of non-current assets	(578)	(70)
Capital grant income	(1,178)	(1,169)
	-----	-----
Cash inflow from operating activities	7,211	8,689
Taxation	(127)	(19)
	-----	-----
Net cash inflow from operating activities	7,084	8,670
	=====	=====
Cash flows from investing activities		
Proceeds from disposal of tangible assets	-	7,980
Proceeds from disposal of non-current asset investments	835	76
Capital grant receipts	1,178	1,169
Investment income	274	108
Payments made to acquire fixed assets	(3,467)	(5,786)
Payments made to acquire non-current asset investments	(345)	(184)
	-----	-----
Net cash inflow / (outflow) from investing activities	(1,525)	3,363
	=====	=====
Cash flows from financing activities		
Interest paid	(769)	(775)
Endowments cash received	15	-
	-----	-----
Net cash outflow from financing activities	(754)	(775)
	=====	=====
Increase in cash and cash equivalents in the year	4,805	11,258
	=====	=====
Cash and cash equivalents at the beginning of the year	21,878	10,620
Cash and cash equivalents at the end of the year	26,683	21,878

The accompanying notes form part of the financial statements

Edinburgh Napier University

Notes to the 2018/19 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 2019. 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 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 2018/19 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 2018/19 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 2018/19 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 2018/19 Financial Statements

	Year ended 31 July 2019		Year ended 31 July 2018	
	Consolidated	University	Consolidated	University
	£000	£000	£000	£000
2. Scottish Funding Council grants				
Recurrent teaching grant	49,388	49,388	49,035	49,035
Research grant	2,392	2,392	2,290	2,290
Capital grants	1,052	1,052	1,071	1,071
Other grants	6,244	6,244	4,708	4,708
	-----	-----	-----	-----
	59,076	59,076	57,104	57,104
	=====	=====	=====	=====
3. Tuition fees and education contracts				
Scotland and EU fees	16,862	16,862	16,661	16,661
Other UK fees	4,425	4,425	4,982	4,982
Non-EU fees	19,459	11,576	17,934	10,468
Non-credit bearing course fees	3,129	-	1,968	-
	-----	-----	-----	-----
	43,875	32,863	41,545	32,111
	=====	=====	=====	=====
4. Research grants and contracts				
Research councils and charities	783	783	703	703
Industry and commerce	780	373	734	443
Government	749	749	1,370	1,370
Other	1,037	1,037	1,411	1,411
	-----	-----	-----	-----
	3,349	2,942	4,218	3,927
	=====	=====	=====	=====
5. Other income				
Residences, catering and conferences	10,209	10,209	10,487	10,487
Capital grants	126	126	98	98
Other income	5,432	4,354	4,894	3,927
	-----	-----	-----	-----
	15,767	14,689	15,479	14,512
	=====	=====	=====	=====
6. Investment income				
Investment income from endowments	10	10	10	10
Other investment income	264	219	98	58
	-----	-----	-----	-----
	274	229	108	68
	=====	=====	=====	=====

Edinburgh Napier University
Notes to the 2018/19 Financial Statements

7. Donations and endowments	Year ended 31 July 2019		Year ended 31 July 2018	
	Consolidated £000	University £000	Consolidated £000	University £000
New endowments	15	-	-	-
Restricted donations	101	-	409	-
Unrestricted donations	36	3,378	74	4,856
	-----	-----	-----	-----
	152	3,378	483	4,856
	=====	=====	=====	=====

8. Staff costs

Salaries	60,131	55,459	58,571	54,261
Social security costs	6,447	6,130	6,237	5,925
Other pension costs (note 19)	18,468	18,048	14,579	14,184
	-----	-----	-----	-----
	85,046	79,637	79,387	74,370
	=====	=====	=====	=====

Emoluments of the Vice-Chancellor:	2019 £000	2018 £000
Salary	205	199
Payments in lieu of pension contributions	31	30
	-----	-----
	236	229
	=====	=====

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:

	2019 number	2018 number
£100,000 - £109,999	3	1
£110,000 - £119,999	1	1
£130,000 - £139,999	-	2
£140,000 - £149,999	4	-
£160,000 - £169,999	1	1

Edinburgh Napier University
Notes to the 2018/19 Financial Statements

8. Staff costs (contd)

	2019 number	2018 number
The average number of staff by major category was:		
Academic departments	785	764
Academic services	235	226
Central administration	234	234
Other	151	149
	-----	-----
	1,405	1,373
	=====	=====

	£000	£000
Compensation for loss of office paid to former senior post-holders		
Compensation paid to one (2018: one) former senior post-holder	28	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.

Key management personnel compensation	1,096	937
	=====	=====

Edinburgh Napier University
Notes to the 2018/19 Financial Statements

9. Analysis of expenditure by activity	Year ended 31 July 2019		Year ended 31 July 2018	
	Consolidated £000	University £000	Consolidated £000	University £000
Academic departments	47,754	47,754	46,795	46,795
Academic services	21,371	21,371	20,701	20,701
Central administration	15,191	15,191	14,084	14,084
Property	9,535	9,535	9,326	9,326
Research grants and contracts	6,920	6,920	7,613	7,613
Residences and catering	9,828	9,828	9,964	9,964
Napier University Ventures Ltd	7,858	-	7,462	-
Other expenditure	10,911	10,461	7,714	7,251
	-----	-----	-----	-----
	129,368	121,060	123,659	115,734
	=====	=====	=====	=====

Other operating expenses includes:

External auditor – audit services	58	52	55	49
External auditor – other services	46	46	53	53
Internal auditor – audit services	98	98	62	62
Operating lease rentals - buildings	5,604	5,596	5,383	5,383
Operating lease rentals - vehicles	20	20	24	24
	-----	-----	-----	-----
	5,826	5,812	5,577	5,571
	=====	=====	=====	=====

10. Interest and other finance costs

Loans interest	581	581	576	576
Non-utilisation costs	190	190	198	198
Net charge on pension scheme (note 19)	784	784	1,089	1,089
	-----	-----	-----	-----
	1,555	1,555	1,863	1,863
	=====	=====	=====	=====

11. Taxation

Withholding tax	127	37	19	19
	=====	=====	=====	=====

Edinburgh Napier University
Notes to the 2018/19 Financial Statements

12. Fixed assets - Consolidated	Assets under construction £000	Land and buildings £000	Vehicles and equipment £000	Total £000
Cost or valuation				
At 1 August 2018	18	149,742	32,291	182,051
Additions	67	314	3,217	3,598
Transfers	(18)	-	18	-
Disposals	-	-	(2,698)	(2,698)
	-----	-----	-----	-----
At 31 July 2019	67	150,056	32,828	182,951
	=====	=====	=====	=====
Depreciation				
At 1 August 2018	-	33,757	20,284	54,041
Charge for the year	-	3,643	3,207	6,850
Disposals	-	-	(2,698)	(2,698)
	-----	-----	-----	-----
At 31 July 2019	-	37,400	20,793	58,193
	=====	=====	=====	=====
Net book value at 31 July 2019	67	112,656	12,035	124,758
	=====	=====	=====	=====
Net book value at 31 July 2018	18	115,985	12,007	128,010
	=====	=====	=====	=====
Fixed assets – University				
Cost or valuation				
At 1 August 2018	18	149,742	32,185	181,945
Additions	67	314	3,148	3,529
Transfers	(18)	-	18	-
Disposals	-	-	(2,698)	(2,698)
	-----	-----	-----	-----
At 31 July 2019	67	150,056	32,653	182,776
	=====	=====	=====	=====
Depreciation				
At 1 August 2018	-	33,757	20,223	53,980
Charge for the year	-	3,643	3,195	6,838
Disposals	-	-	(2,698)	(2,698)
	-----	-----	-----	-----
At 31 July 2019	-	37,400	20,720	58,120
	=====	=====	=====	=====
Net book value at 31 July 2019	67	112,656	11,933	124,656
	=====	=====	=====	=====
Net book value at 31 July 2018	18	115,985	11,962	127,965
	=====	=====	=====	=====

Edinburgh Napier University
Notes to the 2018/19 Financial Statements

	Year ended 31 July 2019		Year ended 31 July 2018	
	Consolidated £000	University £000	Consolidated £000	University £000
13. Non-current investments				
At 1 August	2,769	1,598	2,651	1,605
Additions	345	59	184	21
Disposals	(835)	(51)	(76)	(12)
Appreciation / (diminution) of investments	683	67	10	(16)
Transfer to current asset investments	(279)	(279)	-	-
	-----	-----	-----	-----
At 31 July	2,683	1,394	2,769	1,598
	=====	=====	=====	=====
14. Stock				
Stock for resale	52	52	50	50
	=====	=====	=====	=====
15. Trade and other receivables				
Trade receivables	3,980	1,368	2,706	1,199
Prepayments and accrued income	4,515	4,246	3,588	3,256
Other receivables	646	362	751	246
Research grants receivable	560	560	447	447
	-----	-----	-----	-----
	9,701	6,536	7,492	5,148
	=====	=====	=====	=====
16. Creditors: amounts falling due within one year				
Trade payables	3,658	3,658	2,812	2,812
Taxation and social security	1,663	1,663	1,524	1,524
Other payables	1,517	1,428	1,550	1,412
Accruals and deferred income	11,190	9,718	11,679	10,183
Research grants received on account	1,011	1,011	1,295	1,295
Loans from Scottish Funding Council	466	466	58	58
Other loans	208	208	-	-
Amounts owed to subsidiary undertakings	-	3,743	-	3,180
	-----	-----	-----	-----
	19,713	21,895	18,918	20,464
	=====	=====	=====	=====

Edinburgh Napier University

Notes to the 2018/19 Financial Statements

17. Creditors: amounts falling due after more than one year	Year ended 31 July 2019		Year ended 31 July 2018	
	Consolidated £000	University £000	Consolidated £000	University £000
Unsecured loan repayable by 2039	10,000	10,000	10,000	10,000
Loans from Scottish Funding Council	60	60	496	496
Other loans	417	417	-	-
	-----	-----	-----	-----
	10,477	10,477	10,496	10,496
	=====	=====	=====	=====

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.

18. Provisions – Consolidated and University	Unfunded pensions £000	Defined benefit obligations £000	Total £000
At 1 August 2018	12,864	25,653	38,517
Income from investments	29	-	29
Early retirement pensions	(946)	-	(946)
Transfer (to) / from income and expenditure account	1,290	18,833	20,123
	-----	-----	-----
At 31 July 2019	13,237	44,486	57,723
	=====	=====	=====

Unfunded pensions

A valuation of the unfunded pension liability was carried out at 31 July 2019, by Mercer Limited, an independent firm of actuaries.

Defined benefit obligations

A valuation of the defined benefit obligations was carried out at 31 July 2019 by Hymans Robertson, an independent firm of actuaries (see note 19).

Edinburgh Napier University

Notes to the 2018/19 Financial Statements

19. 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 £18,468,000 (2018 - £14,579,000)

	2019	2018
	£000	£000
Total pension costs for the year (note 8)		
STSS – contributions paid	4,827	4,518
LGPS – charge to the income and expenditure account	13,641	10,061
	-----	-----
	18,468	14,579
	=====	=====

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 2016
Actuarial method	Projected unit
Discount rate	4.45%
Pension increases	2.00%
Long term salary growth	4.20%
Actuarial value of assets	£21.5bn
Proportion of members' accrued benefits covered by the actuarial value of the assets	94.3%

The notional value of assets at the valuation date was £21.5bn. The past service liabilities of the scheme were valued at £22.8bn, resulting in a notional deficit of £1.3bn.

The employer contribution rate was 17.2% throughout the financial year. This rate will increase to 23% with effect from 1 September 2019, until 31 March 2023.

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 2018/19 Financial Statements

19. 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 2019 employer contributions were 19.2% of pensionable pay plus a fixed sum of £166,000. Future employer contributions are expected to be:

Year ended:	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 2019 by a qualified independent actuary.

	July 2019	July 2018	July 2017
Rate of increase in salaries	4.3%	4.5%	4.5%
Rate of increase in pensions	2.2%	2.4%	2.5%
Discount rate	2.2%	2.8%	2.7%
Inflation rate	2.2%	2.4%	2.5%

The following mortality rate assumptions have been used:

	2019		2018	
	males	females	males	females
Current pensioners	21.7 years	24.3 years	21.7 years	24.3 years
Future pensioners	24.7 years	27.5 years	24.7 years	27.5 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.

Following the McCloud judgement (public service pensions age discrimination cases), the actuary has made an allowance of £3.7m for the estimated financial impact. The actuary has also made an allowance of £0.4m for guaranteed minimum pension benefits (GMP) in connection with the equalisation of pension benefits for men and women. These allowances are both included within past service costs, and charged to staff costs within the Consolidated Statement of Comprehensive Income and Expenditure.

Edinburgh Napier University
Notes to the 2018/19 Financial Statements

19. Pension schemes (contd)

	July 2019	July 2018	July 2017
	Fair	Fair	Fair
	value	value	value
	£000	£000	£000
Equities	172,194	162,497	156,602
Bonds	27,924	21,104	24,093
Property	16,289	14,772	12,046
Cash	16,289	12,662	8,031
	-----	-----	-----
Fair value of assets	232,696	211,035	200,772
Present value of scheme liabilities	(277,182)	(236,688)	(238,627)
	-----	-----	-----
Net pension deficit	(44,486)	(25,653)	(37,855)
	=====	=====	=====

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

	2019	2018
	£000	£000
Analysis of the amount shown in the Balance Sheet		
The University's estimated assets share	232,696	211,035
Present value of the University's scheme liabilities	(277,182)	(236,688)
	-----	-----
Deficit in the scheme	(44,486)	(25,653)
	=====	=====

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

Current service cost	(9,568)	(10,040)
Past service cost (including curtailments)	(4,073)	(21)
	-----	-----
Net charge	(13,641)	(10,061)
	=====	=====

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	5,933	5,448
Interest cost on defined benefit obligation	(6,717)	(6,537)
	-----	-----
Net charge	(784)	(1,089)
	=====	=====

Edinburgh Napier University
Notes to the 2018/19 Financial Statements

19. Pension schemes (contd)

	2019	2018
	£000	£000
Analysis of movements in the present value of scheme liabilities		
Balance at 1 August	236,688	238,627
Current service cost	9,568	10,040
Contributions	1,732	1,674
Past service cost (including curtailments)	4,073	21
Benefits paid	(4,514)	(4,367)
Interest costs	6,717	6,537
Other experience	-	(6,302)
Changes in financial assumptions	22,918	(9,542)
	-----	-----
Balance at 31 July	277,182	236,688
	=====	=====

Analysis of movements in the fair value of scheme assets

Balance at 1 August	211,035	200,772
Contributions	7,030	6,679
Benefits paid	(4,514)	(4,367)
Expected return on assets	5,933	5,448
Return on assets excluding amounts included in net interest	13,212	2,503
	-----	-----
	232,696	211,035
	=====	=====

Actuarial gain / (loss) recognised in the Consolidated Statement of Comprehensive Income and Expenditure

Return on scheme assets	13,212	2,503
Changes in financial assumptions	(22,918)	9,542
Other experience	-	6,302
	-----	-----
Net gain / (loss)	(9,706)	18,347
	=====	=====

History of experience gains and losses

	2019	2018	2017	2016	2015
	£000	£000	£000	£000	£000
Difference between the expected and actual return on scheme assets	13,212	2,503	17,247	26,800	8,114
% of scheme assets	5.7%	1.2%	8.6%	15.2%	5.7%
Experience gains / (losses) on scheme liabilities	(22,918)	15,844	(6,847)	(31,767)	(4,906)
% of the present value of the scheme liabilities	8.3%	6.7%	2.9%	14.5%	2.8%

Edinburgh Napier University
Notes to the 2018/19 Financial Statements

20. Endowment reserve	Restricted permanent £000	Restricted expendable £000	2019 Total £000	2018 Total £000
At 1 August				
Capital	636	6	642	626
Accumulated income	76	-	76	71
	-----	-----	-----	-----
	712	6	718	697
New endowments	15	-	15	-
Transfer from restricted reserve	99	-	99	-
Increase in market value of investments	19	-	19	17
Investment income	10	-	10	10
Expenditure for the year	(7)	-	(7)	(6)
	-----	-----	-----	-----
Total endowment comprehensive income for the year	136	-	136	21
	-----	-----	-----	-----
At 31 July	848	6	854	718
	=====	=====	=====	=====
 Represented by:				
Capital	769	6	775	642
Accumulated income	79	-	79	76
	-----	-----	-----	-----
	848	6	854	718
	=====	=====	=====	=====

21. Restricted reserve

At 1 August	2,243	2,353
	-----	-----
New donations	283	409
Increase in market value of investments	20	13
Transfer to endowment reserve	(99)	-
Investment income	39	34
Expenditure	(608)	(566)
	-----	-----
Total restricted comprehensive income for the year	(365)	(110)
	-----	-----
At 31 July	1,878	2,243
	=====	=====

Edinburgh Napier University

Notes to the 2018/19 Financial Statements

22. 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.

23. Cash and cash equivalents	At 1 August 2018 £000	Cash flows £000	At 31 July 2019 £000
Consolidated cash and cash equivalents	21,878	4,805	26,683
	=====	=====	=====

24. Capital commitments

As at 31 July 2019 the University and its consolidated subsidiaries had commitments contracted for amounting to £568,578 (2018 - £412,477).

25. Lease obligations	Buildings £000	Vehicles £000	2019 £000	2018 £000
Future minimum lease payments due:				
Not later than 1 year	5,617	143	5,760	5,496
Later than 1 year and not later than 5 years	23,013	417	23,430	21,668
Later than 5 years	77,013	3	77,016	80,969
	-----	-----	-----	-----
	105,643	563	106,206	108,133
	=====	=====	=====	=====

26. Discretionary, childcare and midwifery funds

	Discretionary 2019 £000	Childcare 2019 £000	Midwifery 2019 £000	All Funds 2019 £000	All Funds 2018 £000
Balance at 1 August	-	-	-	-	-
Grants received	534	223	93	850	815
Transfer between funds	(1)	1	-	-	-
	-----	-----	-----	-----	-----
	533	224	93	850	815
Disbursed to students	(533)	(224)	(93)	(850)	(815)
	-----	-----	-----	-----	-----
Balance at 31 July	-	-	-	-	-
	=====	=====	=====	=====	=====

Edinburgh Napier University

Notes to the 2018/19 Financial Statements

26. 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.

27. 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.

The University participates in the Lothian Pension Fund, which is a related party per FRS 102, section 33. The transactions and balances at the end of the year are disclosed in note 19.