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## Edinburgh Napier University

### General Information

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Chancellor	David Eustace BA DArt
Chair of Court	The Very Revd Dr Graham Forbes CBE MA BD DUni LLD (to 31 <sup>st</sup> July 2020)  June Boyle (from 1 August 2020)
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 319 St Vincent St Glasgow G2 5AS
Internal Auditor	Ernst & Young LLP 5 George Square Glasgow G2 1DY
Banker	Royal Bank of Scotland plc 206 Bruntsfield Place Edinburgh EH10 4DF
Solicitor	Anderson Strathern LLP 1 Rutland Court Edinburgh EH3 8EY
Actuary	Mercer Limited G1 Building 5 George Square Glasgow G2 1AR

## Edinburgh Napier University

### Court Membership

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The following persons served as members of Court during the year to 31 July 2020, 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.

<b>Court Member</b>	<b>Date of Appointment</b>	<b>Date of Retirement</b>	<b>Category</b>
Mr R Adams			Non-Executive
Prof N Antonopoulos	14 December 2020		Vice-Principal
Ms J Boyle			Non-Executive
Mr S Brannan			Non-Executive
Rt Hon Lord Brodie			Non-Executive
Mr J Chittleburgh	1 October 2019		Non-Executive
Prof S Cross	1 December 2020		Non-Executive
Mr G Cullen			Staff
Mr A Duggal	1 September 2020		Student
The Very Revd Dr G Forbes		31 July 2020	Non-Executive
Mr J Fraser	1 September 2019	31 July 2020	Student
Ms H Fyfe	1 September 2020		Staff
Mr C Guest			Non-Executive
Mr A Houghton	1 February 2020		Non-Executive
Mr C Ibanez			Staff
Ms S Jiwa			Non-Executive
Prof A McCleery		31 July 2020	Staff
Ms D Mohan	1 December 2020		Non-Executive
Dr S Moir			Non-Executive
Ms G Moran	1 September 2019	31 July 2020	Student
Ms J Morrison-Ross	1 December 2020		Non-Executive
Ms S Nairn	1 October 2020		Staff
Prof A Nolan			Principal & Vice-Chancellor
Ms E Partyka		31 July 2020	Non-Executive
Dr H Patrick			Staff
Prof A Sambell		31 July 2020	Vice-Principal & Deputy V-C
Ms G Scholefield			Non-Executive
Prof A Scullion			Non-Executive
Mr M Thomson	1 August 2020		Staff
Mr S Walls		31 July 2020	Staff
Mr N Woodcock			Non-Executive
Prof L Yellowlees			Non-Executive

## Edinburgh Napier University

### Court Membership

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The following persons who served as members of Court during the year to 31 July 2020, are shown below with their attendance records at relevant Committees.

<b>Court Member</b>	<b>Court</b>	<b>Audit &amp; Risk</b>	<b>Finance &amp; Property</b>	<b>Nominations</b>	<b>Remuneration</b>
R Adams	100%		86%		
J Boyle	75%	100%			0%
S Brannan	100%		100%		
P Brodie	100%				
J Chittleburgh	75%	75%			
G Cullen	100%				
G Forbes	100%			100%	100%
J Fraser	75%			50%	100%
C Guest	50%		29%		
A Houghton	100%				
C Ibanez	75%				
S Jiwa	100%			100%	
A McCleery	50%				
S Moir	75%		71%		
G Moran	75%				
A Nolan	100%	100%	100%	100%	100%
E Partyka	100%	75%			
H Patrick	100%				
A Sambell	75%		71%		
G Scholefield	75%		100%		0%
A Scullion	100%	100%		100%	
S Walls	100%			50%	100%
N Woodcock	75%		86%		100%
L Yellowlees	75%				100%

### University Leadership Team

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Professor Andrea Nolan	Principal & Vice-Chancellor
Professor Alistair Sambell	Senior Vice-Principal & Deputy Vice-Chancellor (to 31 July 2020)
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
Michael Greenhalgh	Interim Dean of School of Engineering and the Built Environment and School of Computing

Without any doubt this has been a year unlike any other. With mid-year forecasts indicating major growth in income and significant improvement in academic indicators, we were suddenly plunged into dealing with the impact of the global pandemic, affecting our staff, students, institution, and the Higher Education Sector as a whole, in a way that will leave a legacy for years to come. I am proud that we rose to the many challenges and this report highlights our strength, commitment and passion for providing education that makes a difference and delivers impact where it matters most – to our students, our staff and our communities, locally and globally.

From a financial perspective, I have no doubt the severity of the impact on our University was lessened by prudent planning that has helped us remain resilient in the face of great fiscal challenge, and as outlined in the following report, we have much to celebrate as we come to the end of Strategy 2020 and look towards the future.

For example, during the intense period of planning for a safe return to campus after 'lockdown', we had confirmation that the hard work of our staff had improved our scores in the National Student Survey to achieve our highest ever result, 86% overall student satisfaction. Eight of our subject areas achieved our institutional target of 90% and the same number also ranked in the upper quartile of UK institutions. Our standing in national league tables also improved significantly and we achieved the status of #1 Modern University in Scotland in the Sunday Times Good University Guide.

Even with a challenging policy environment, including the impact of Brexit, we continued to grow as an international university with a large increase in international students joining us on-campus, well in excess of our target for the year. We have deepened our relationships with Transnational Higher Education partners and our online provision has continued to grow.

We have maintained focus on building our research culture and supporting innovation, with preparations for the next Research Excellence Framework evidencing advances made in the number of staff significantly involved in research

and the quality and impact of that research, with significant recent awards showcasing the calibre of our research community. Innovation and enterprise are reflected in further spin out successes and our Bright Red Triangle team have provided support to an unprecedented number of early entrepreneurs and start-ups.

As ever, successes within our University community give us cause to celebrate. For example, two shortlisted entries each at the THE Awards and Guardian University Awards and the UK CIM awards, as well as winning two top Golds at the Heist awards, with individual achievements spanning a UK National Teaching Fellowship (we currently hold three out of a total of nine held in Scotland), Fellow of the Royal Society of Edinburgh and a plethora of student successes, such as in the Creative Conscience and Yellow Pencil awards.

I was delighted to have been part of launching our new 'BAME-ish' network to tackle the issues faced by our black and minority ethnic staff and students. This joins other successful inclusion staff networks, such as our Carer's and LGBT+. We also established an Armed Forces network and celebrated being the first Scottish university to be awarded Gold in the Defence Employer Recognition Scheme. We continued to widen access to those from disadvantaged communities, including by increasing the number of articulation pathways available from Colleges and raising their visibility through a new collaborative app - [www.pathways.ac.uk](http://www.pathways.ac.uk).

We completed a review of our strategy, engaging staff, students, and stakeholders in shaping our strategic direction beyond 2020. Our University Court endorsed 'Shaping our Future: Driving Distinctiveness' in March and in parallel, we refreshed our brand visual identity, evolving our logo to strengthen our identity and build confidence with external audiences, all of which will help create a sense of belonging even when we are unable to be physically together.



Indeed, although we were unable to hold in-person graduations this year, I was delighted to be joined by Honorary Graduates and esteemed alumna in congratulating our graduates all over the world through online messages of support.



Joanna Macdonald, 2020 Edinburgh Napier graduate and winner of the Simon Pullin Award.

But amidst all we have achieved, my highlight of this year was the amazing response from staff in dealing with the impact of the coronavirus pandemic. It was truly humbling to see our community come together with creativity, energy, commitment and a 'can do' attitude, while no doubt juggling many personal challenges, to support our students to complete their studies, look after those in our residences, and make our campuses COVID-safe as we prepared to welcome staff and students back. In fact, I have just found out we have been awarded a 'Stand Alone Pledge Award 2020', in recognition of our work supporting estranged learners during the pandemic. We know it has been an incredibly difficult time and we have sought to offer a range of ways to support staff and student wellbeing during the period and will continue to do so throughout the coming academic year. This has included online support tools; training packages; a furniture and equipment allowance; increased flexible working; and updated policies to reflect the current working environment.

The pandemic crisis has brought to the fore the resilience, innovation, dedication and also the kindness of our community. Combined with our determination to advance knowledge and innovation through education and research, I am confident that our success will continue in the years ahead as we implement our new strategy and play our critical role in the post pandemic recovery.

**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 final year of its implementation. The vision of an "enterprising and innovative community, renowned internationally with an unrivalled student learning experience", was underpinned by four strategic objectives – to grow our academic reputation, to deliver an excellent personalised student experience, to build innovation, enterprise and citizenship and to internationalise our work, in turn enabled by core cross-cutting strategies and plans. Our University values: inclusive, innovative, professional and ambitious have guided how we have approached delivery of Strategy 2020, and we continue to 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.

In March 2020 our new strategy, *Shaping Our Future: Driving Distinctiveness*, was agreed by the University Court, to build on the achievements of Strategy 2020. With its strategic objectives focused on building careers, growing networks, and advancing knowledge, and an underlying commitment to sustainable growth, the strategy was developed through a structured, people-centred approach with comprehensive staff engagement. Alignment of our new strategy with the needs of Scotland in the post pandemic recovery supports the powerful role our University will play.

Delivery of our strategy is supported by periodic review and renewal of a risk register, owned, and monitored by Court. Key developments during 2019/20, reflected in our risk register, have included ongoing Brexit preparations and dealing with highly competitive market conditions for the recruitment of international students, exacerbated by the significant disruption of the COVID-19 pandemic and associated policy implications.

## **Operational Review**

Our Annual Plan 2019/20 built on our previous investments and achievements of Strategy 2020 with a significant focus on growing our diverse student body, improving their experience and maximising their future career prospects. Our priorities also included actions to: increase the intake and retention of students from socio-economic disadvantaged communities; increase the number of postgraduate students; extend our teaching portfolio; enhance our external profile through engagement with business; increase the volume and quality of research outputs; as well as being recognised as a great place to work.

The year must be viewed in the context of the considerable challenge presented by COVID-19. This entailed a rapid shift to homeworking for staff, and online teaching and assessment in March 2020. Laboratory-based research was paused and a huge operational effort took place to support students in transferring to online learning and supporting those who remained in our residences, as well implementing new health and safety policies and procedures and planning for a restricted return to campus, in line with rapidly evolving government guidelines.

We also quickly rallied with other institutions in offering our expertise, creativity, and resources to be part of managing the impact of the pandemic. We loaned equipment to the NHS including a ventilator from our Simulation and Clinical Skills Centre and thermo cycler machines to support the drive to increase testing. Staff produced and distributed hundreds of specially designed visors to protect health workers.





Edinburgh Napier staff were awarded over £160k for COVID-19 related 'rapid research', to explore care home practice, and track public sentiment about the pandemic while staff engaged in an international taskforce researching the impact of COVID-19 on the cardiovascular system.

Progress and key achievements against each of our four strategic objectives for this year is summarised below.



### **Growing our academic reputation**

A key priority for this year was to build on the improved National Student Survey (NSS) results that we achieved last year. This year's sustained efforts saw a further increase to 86% student satisfaction, significantly above the UK average and resulting in a rise of 91 places in the UK table from 119th to 28th, the highest placing we have achieved. This result, which saw all six schools improve, was the outcome of focus across a number of key Annual Plan priorities. Although short of our Strategy 2020 target of 90%, the improvement exceeded our revised 2019/20 target and now sees us ranked as the number one university in Edinburgh for overall student satisfaction.

We delivered significant improvements in our league table positions. In this year's Guardian University League Table, we moved up 43 places from 105<sup>th</sup> to 62<sup>nd</sup>, placing us as the 19<sup>th</sup> and 3<sup>rd</sup> ranked modern university in the UK and Scotland, respectively. In the same tables we have five subjects in the top 10 for UK institutions – Film Production and Photography (1); Media and Film studies (5); Hospitality, Event Management and Tourism (6); Music (7) and Journalism, Publishing and Public Relations (10). In the Sunday Times Good University Guide 2021 we climbed 38 places to 63<sup>rd</sup> in the UK and are the highest placed Scottish modern university. Our Art & Design and Librarianship & Information Management subjects ranked top 5 among all UK institutions and among UK modern universities, we featured as the top institution for these same subject areas as well as English.

Our work to make staff student liaison committees more effective continued to deliver improvements, with the 'opportunities to provide.

feedback on the course' NSS question improving a further 5%, moving us up to quartile 1 in the UK with an overall rank of 10 out of 140.

Another highlight of the year was the successful outcome of our Enhancement-Led Institutional Review (ELIR), conducted on behalf of the Quality Assurance Agency for Higher Education. The positive result not only reflects our passion for learning and teaching, our commitment to our diverse student community, and our innovation, but also confirms there can be confidence in the standards of the awards we confer and in the quality of the learning experience we provide for our current and future students.

The challenges presented by COVID-19 necessitated a quick and effective response to the need to rapidly transition to online teaching. A project focussed on online learning, the Digital Support Partnership Project, was launched in June 2020, with an extensive package of support being made available to all staff.

This year we launched a series of Upskilling Short Courses in response to Scottish Government priorities placing a deliberate focus on applied courses relevant to the needs of employers. We offered a wealth of options covering skills in essential areas such as data, finance, strategy and project management, and from the initial short course offering, we were identified as one of the top 5 universities in Scotland for Upskilling.

Research income against our target was severely disrupted due to the pandemic, reducing from an estimated £4.1m (as of February 2020) to £3.2m. However, since March we have had significant success in grant awards and next year's target has been mostly secured. We also restructured our Research and Innovation office and recruited a Head of Knowledge Exchange.

Our preparations for the next Research Excellence Framework (REF) are going well, with the submission deadline being postponed to March 2021 due to COVID-19. On the REF staff census date (31 July 2020) 251 staff were deemed significantly responsible for research according to the University REF2021 Code of Practice, exceeding our target of 200. We are confident of a good outcome reflecting our advances in this area and the calibre of our

research community. The impact of our research has also been reflected in further press attention regarding our spinouts such as Cyan Forensics and Celtic Renewables.

Our postgraduate research (PGR) student community of 172 FTE is close to the 2019/20 target of 174, but short of the 2020 target of 220 FTE. COVID-19 presented some specific challenges for these students but over 30 events were hosted to support remote working. Growing our PGR community along with our research income remain key priorities beyond 2020.

We continued to embed a strong academic culture and grow staff Fellowship of the Higher Education Academy (HEA) - 77%, at the end 2019/20. One member of our academic staff, was elected as a Fellow of The Royal Society of Edinburgh while our 'Get on Board' team was awarded a 2020 Collaborative Award for Teaching Excellence (CATE Award) by Advance HE, in recognition of their collaborative working to deliver an extra-curriculum programme to support employability of students and address the issue of diversity on boards, a key Scottish national outcome.

Further academic highlights during the year include: development of a new technique for understanding osteoarthritis and launch of Cricket Scotland Performance Academy at Sighthill; research funding for collaborative research on autonomous robot evolution and double winner at the 2019 Scottish Cyber Awards (Best Cyber Education Programme and Best Cyber Breakthrough); development of a psychological intervention to support treatment decision-making capacity in psychosis; input into the Bill to Reform Family Law; and collaborative work showcased at Milan Design Week.



**Cricket Scotland Performance Academy**



**Delivering an excellent personalised student experience**

An ongoing priority has been increasing the number of students from socio-economic disadvantaged communities entering the University. The proportion of SIMD20 entrants in 2019/20 was 14.3%, exceeding our 2020 target of 14%. Further, our care-experienced new student matriculations increased from 22 to 31, albeit from a low base.

There has also been focus on increasing awareness of articulation pathways available for learners, and a new web-app ([www.pathways.ac.uk](http://www.pathways.ac.uk)), was developed as part of a collaborative project through the Regional Learner Passport Partnership. In 2019/20, 45% of our full-time undergraduate Scottish-domiciled entrants were from a further college, with 683 joining via formal articulation routes and 67% of those receiving full credit for prior learning. To support ongoing opportunities for learners we also increased the number of articulation pathways from college courses into our University from 225 to 243.

We continue to be proud of the work of the HUB for SUCCESS (Support for University and College for Care Experienced in South-East Scotland), the partnership project, for which we are host institution, which increases the educational opportunities open to care experienced people. Over the last year the Hub has provided personalised tailored support for over 140 individuals seeking to access higher education.

In terms of student successes, two School of Arts & Creative Industries students were crowned winners of a prestigious annual award that recognises new creative advertising talent, while MSc Creative Advertising students scooped the UK Data and Marketing Association Breakthrough Award and journalism students took the winner and runner-up places in the third year of the Ian Bell 'New Writing' Awards for unpublished writers in Scotland aged 30 or under. A student from our School of Applied Sciences has been nationally recognised for her pioneering physiotherapy techniques for capuchin monkeys, while students from our School of Engineering and the Built Environment collaborated with

students from City of Glasgow College to design a new ecologically sustainable, environmentally friendly visitor hub for Beecraigs Country Park, that could be built using offsite construction.



**Beecraigs Country Park design**

Edinburgh Napier was nominated in the 'Teaching Innovation of the Year' and 'Most Inspirational Student Nurse of the Year' categories at the Student Nursing Times Awards 2020, with the latter recognising one of our students for her work creating the play, 'Cracks'.

Our Information Services team was shortlisted at the 2019 Times Higher Education Awards in the Outstanding Support for Students category for making exam time less stressful for our students through a range of innovative initiatives, while our work on Climate Week in 2019 has been selected as a finalist in the Student Engagement category in the Green Gown Awards for UK & Ireland.

Student wellbeing and inclusion have remained a critical focus this year. A Wellbeing and Inclusion survey indicated satisfaction rates improved by 1% to 88% for the service as a whole, with satisfaction rates for the individual services also high: Counselling – 90%; Mental Health Advice – 93%; Disability Inclusion – 90%; Student Funding – 89%. The team have continued to provide a much-needed virtual service during the pandemic. The Student Futures service has also run a successful series of digital events, and additionally a Graduate Futures service, targeting final year UG and PG students was launched alongside a new online platform, Gradplus.

We worked with the Edinburgh Napier Students Association and SPARQS to introduce School events for student reps and staff, with very good feedback, as well as launching a new Chaplaincy service, Transgender and Maternity policies for students and establishing a safeguarding group. In addition to our core support for students in hardship, we raised and distributed over £135k to support more than 400 students who were not eligible for the Government discretionary fund.



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

Over the last year we continued our focus on supporting enterprise and entrepreneurship reflected in our recent Entrepreneurial Impact Ranking, which placed us 6<sup>th</sup> out of all Scottish HEIs. Our Bright Red Triangle (BRT) team have had 174 new student and graduate registrations and supported 71 new businesses, a 30% increase on the previous year. Our Bright Red Sparks competition had a record number of entries and we gave away £11k in prize money and a further £15k in in-kind services from our sponsors at our online awards ceremony which reached 6,300 views on Facebook.

During the year, BRT continued to run bootcamps for our Freelance Academy and the Start-Up Visa applicants, as well as many other training sessions across the University. They participated in a pitching competition for the Business School, involving 60 student teams, with 3 of these taking their ideas forward into the eBridge Alliance start-up programme of which Edinburgh Napier is one of 12 international universities participating. They hosted the BRT Summer Accelerator with 22 entrepreneurs from 16 businesses participating, seeing winners in the final pitch splitting a prize pot of £8k from Santander Universities.

A collaboration between Edinburgh Napier and HAS Technology picked up Innovation of the Year at the Scottish Knowledge Exchange Awards, for technology that predicts the risk of people falling. Advanced Risk Modelling for Early Detection (ARMED) combines pioneering predictive analytics modelling and innovative wearable technology with health and social care data, identifying risks earlier in the care cycle, reducing the number of falls and associated hospital admissions leading to significant financial savings.

We continue to have a strong commitment to supporting the British Armed Forces community and were honoured to be the first university in Scotland to be awarded Gold in the Defence Employer Recognition Scheme, acknowledging our work to offer increased educational and employment opportunities for ex-service personnel. We also launched our Armed Forces Network and received related research funding.



The city of Edinburgh has become a member of the Cities Can B network, following a collaborative bidding process involving Edinburgh Napier University, the Edinburgh Chamber of Commerce, Scotland CAN B, the SDG Network Scotland, and B Lab UK. The Cities Can B network is a global movement of cities working to be more sustainable, prosperous, inclusive and resilient. The key role played by our Business School links closely to a number of initiatives, including an annual conference, where students and staff work in partnership to deliver meaningful contributions to the Scottish National Performance Framework and United Nations Sustainable Development Goals.

The year's RISE Awards, the Conference, saw Edinburgh Napier's Bernardino D'Amico and Francesco Pomponi take home the Design, Innovation & Creativity award. The awards celebrate talented companies, groups and individuals who are changing the nature of the built environment industry through extensive research, development and innovation. The School of Engineering and the Built Environment colleagues were recognised for their RAEng-funded research on a holistic approach to post-disaster, post-conflict emergency sheltering.

The University's Music department is launching an online music school for young people aged 14-17, which focuses on creating and producing music while also teaching valuable technical skills in the use of music software. Four product design students have been shortlisted for the Social Award, Creative Edinburgh 2020, for their Wee Inventors work with school pupils in Oxbgangs Primary School, while nine students took home prizes from the Creative Conscience Awards that aim to creatives to apply their talents to socially valuable projects.



Our student led 'Bleedin' Saor' project with aims to raise awareness of period poverty and end stigma attached to menstruation, continues to make an impact and worked with the social enterprise Hey Girls to design a free sanitary product dispenser which was unveiled at our Merchiston campus.

This is all while individual students continue to win awards for their enterprising initiatives, and established projects, such as our Business School's Student Law Clinic, go from strength to strength. The UK Times Higher Education Awards 2019 shortlisted our collaboration with the Scottish Prison Service and Fife College in the Outstanding Contribution to the Local Community category. On the Outside, directed by colleague Paul Gray, is a powerful short film that tells the stories of female offenders in their own voices, which has benefited offenders, students and ultimately society.

UK Research and Innovation also provided backing for the Business School led 'Seven Kingdoms of Wester Hailes' project, one of a number of new UK-wide projects which will enable members of the public to actively contribute to research and innovation projects that affect their lives.



### **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 planning for Brexit, shifting demographics and policy challenges in our key markets and not least the disruptive impact of the COVID-19 pandemic.

We achieved targets in our home/EU student intake and continued to admit talented students from the EU. While we will still be able to recruit undergraduate students from the EU post-Brexit, given they will be classed as international students from 2020/21 onwards from a tuition fees perspective, it is likely that we will see a reduction in those joining us. As yet, we remain unclear whether or not we will participate in, or the terms of, any UK association with Horizon Europe (research funding) and the Erasmus student mobility programme.

Tuition fee income targets were exceeded for 2019/20 for international on-campus students, with income for the year at £17.9m a significant increase on the previous year. Following this strong performance, the outlook for on-campus intake in September 2020 had initially been very good, but ultimately was seriously challenged by

the impact of the COVID-19 pandemic.. As part of the scenario planning exercise, we revised our target down by 50% in line with SFC guidance to prepare for this challenge and this target has been achieved for the September intake.

We continue to work with our key partners in China, Hong Kong, Singapore, Myanmar, Sri Lanka and elsewhere to deliver our degree programmes in partnership and to deepen relationships. Due to the impact of the pandemic preventing travel overseas, teaching of Transnational Education (TNE) programmes continued online with some practical aspects of programmes being deferred. We have ended the

year with income of £8.4 million across the Global Online and TNE portfolios, an increase on the previous year's performance. Despite the impact of the pandemic, new enrolments for our online programmes in May 2020 were at similar levels to that of the previous year and enrolments for September 2020 were up on the previous year. Our International Operations and Student Recruitment team picked up bronze in the 'Student Recruitment on a Shoestring' category at this year's Circle of Excellence Awards for their work on increasing enrolments in this highly competitive environment. This was a significant achievement given there were 2,752 entries from 587 member institutions across 28 countries.

## Sustainability

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

The table of Key Performance Indicators is reviewed annually by 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 University Annual Plan.

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

## Key Performance Indicators

Key Performance Indicator	Strategy 2020	Target 2019/20	Final 2019/20
<b>GROW OUR ACADEMIC REPUTATION</b>			
Taught postgraduate students (FTE)	1,880	2,741	3,297
Postgraduate research students (FTE)	220	174	172
Staff submitted to Research Excellence Framework (FTE)	200	200	251
Income from Research Grants and Contracts	£9.1m	£5.8m	£3.2m
Student Satisfaction (National Student Survey)	>90%	85%	86%
<b>DELIVER AN EXCELLENT PERSONALISED STUDENT EXPERIENCE</b>			
Graduate employability	>95%	95%	96%
Entrants to programmes with work-related experience element	100%	96%	97%
SIMD20 students	14%	13%	14.3%
<b>BUILD INNOVATION, ENTERPRISE AND CITIZENSHIP</b>			
Total revenue from CPD	£3.0m	£4.7m	£3.6m
Reduction in Carbon emissions	>35%	>35%	59%
<b>INTERNATIONALISE OUR WORK</b>			
Non-EU students on campus (FTE)	1,870	1,312	1,824
Non-EU students on-campus (income)	-	£11.8m	£17.9m
Income from trans-national education (TNE)	£9.0m	£8.3m	£8.4m
<b>ENABLERS</b>			
University Total Income	£140m	£126.7m	£127.6m
Operating Contribution (£m)	£7m	£3m	(£0.9m)
Operating Contribution (%)	5%	2.4%	(0.7%)



## Environmental Sustainability

We have a strong history of enhancing environmental sustainability within and beyond Edinburgh Napier. To maintain our achievements and develop our work further we have set significant commitments within our new University Strategy, approved during our 2019/20 academic year.

We will achieve net zero carbon in our operations by 2030 at the latest. We will seek to minimise both our wider and legacy carbon footprint and influence sustainable practices within and beyond our campuses. We will build cross disciplinary academic themes within our research and teaching which will include environment sustainability and we will demonstrate delivery against the United Nations Sustainable Development Goals.

During 2019/20 we established a new Environmental Sustainability Strategy Group (ESSG), representing our student and staff community and started the development of an Environmental Sustainability Strategy in 2019/20, to be launched within our 2020/21 academic year. The Strategy will build upon our academic and research excellence, achievements and projects carried out to date and our existing partnerships with a wide range of bodies within Scotland and beyond.

To read more about our work visit [www.napier.ac.uk/environment](http://www.napier.ac.uk/environment). The pages include our annual carbon emissions reported to the Scottish Government, greater detail covering the commitments referenced above and examples of ongoing projects led by our community such as the Lions' Gate permaculture project at our Merchiston campus.



The Lions' Gate project

## Equality, Diversity and Inclusion

We are passionate about our commitment to equality, diversity and inclusion at Edinburgh Napier. With inclusion as one of our core values, our aim is to create a community where everyone feels proud, confident, challenged and supported. As a public body, we are required to evidence our progress against our Public Sector Duty requirements, including our Equality Outcomes. These strategic objectives tackle key areas where we seek to challenge our practice to better support those with protected characteristics within our University community.

Edinburgh Napier has one of the lowest gender pay gaps across the sector with a gap of 6% (2020) compared to 15% (HESA, 2019). With sustained focus, our pay gap has fallen for the fourth year in a row..

Women are well represented in our University Leadership Team (57%) our Senior Leadership Team (56%) and our University Court (46%), while 37% of our professoriate are female.

The Dignity at Work Policy promotes equality in all we do and ensures that bullying, harassment and discrimination of any kind is not tolerated. The policy sets out the procedures for employees to raise a complaint and outlines the responsibilities of staff to resolve and manage complaints fairly and consistently.

Following the launch of the Gender Based Violence cards in 2018, we launched our Report and Support website which enables staff and students to report their experiences of gender based violence, racism, bullying or any hate crime. The launch was accompanied by the communications campaign which focuses on our zero tolerance approach. As part of this strategy, a number of staff undertook accredited training to be recognised as Sexual Violence and Misconduct Liaison Officers. A Student Safeguarding and Equality Manager has recently been recruited to lead on this key strategy.

The University has 5 Staff Inclusion Networks, namely; LGBT+, the Carer's Network, Women's Network and the Armed Forces Network for which we recently collected the gold award for the Defence Employer Recognition Scheme, reflecting our work in embedding the Armed Forces Covenant. During National Inclusion week in this year we also launched our BAME staff network. The networks continue to provide support and safe spaces for staff and have influenced the development of policies, such as the Transitioning Gender policy and the Menopause Guidance for Managers and Staff.

The launch of our new Chaplaincy Service provides support to staff and students of all faiths and beliefs (including those who are not religious) and can now be accessed online.

### **Disability policy**

Edinburgh Napier University welcomes those with visible or hidden disabilities, those with 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 take a positive, flexible approach to encouraging full participation of disabled people into all aspects of University life and make every reasonable effort to anticipate and 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 that focuses on how we can mainstream existing good practice and remove barriers to disabled staff and students by encouraging a universal design approach.

For staff this is delivered through our participation in the Disability Confident scheme, which we have recently gained reaccreditation at Level 2 (Employer). This scheme encourages us to think differently about disability and take action to improve how we recruit, retain and develop people.

### **Mental Health and Wellbeing Support**

We have worked hard to put in place a range of services and resources in support of mental wellbeing for all staff and students who experience impaired mental health. We have recently moved a number of our staff programmes on mental health awareness and training online. These include, managing stress, managing anxiety and building resilience. The online training programme includes tailored sessions for our Personal Development Tutors which provides guidance to staff who work closely with students to help them identify signs of poor mental health or distress and to effectively signpost them to the relevant support available.

We deliver CBT and mindfulness programmes for students and for staff there is also a weekly drop-in mindfulness session which is currently delivered virtually. In October 2020 we launched a new resource for staff and students. SilverCloud is an online platform, providing access to CBT based learning programmes covering the most common mental health problems experienced by students and staff.

The Mental Health First Aid at Work Champions network launched in May 2020. Our trained Mental Health Champions are a point of contact for any employee who is experiencing a mental health issue or is in emotional distress, helping them get the appropriate help they need as quickly as possible.

The University continues to offer a comprehensive Employee Assistance Programme for staff which offers confidential resources to help employees balance work, family and personal life. All staff and students also have access to #togetherall, where mental health and wellbeing support is available in a confidential and safe environment.



Craiglockhart campus

## Financial Sustainability

The continued generation of an underlying surplus will demonstrate the University's commitment to ensuring its financial health and sustainability. We will provide the platform to deliver our ambitious capital investment across our Estate and Digital Environment enabling our teaching, learning and research strategies. Our finance strategy will effectively address key operational challenges which include maintaining high levels of student and staff satisfaction while planning and responding effectively to changes in the external environment.



To enable our strategy, we will:

- Ensure the basket of financial sustainability metrics is always at a weighted, acceptable level, maintaining access to liquidity that will allow us to meet our obligations, even under stress.
- Target a ratio of academic to professional staff of 1:1 (2019/20: 0.75:1) with our ratio of staff costs not exceeding 60% (2019/20: 64%). We will strive towards an operating surplus of at least 5% of total income (2019/20: -1.3%). (Prior to COVID-19 we were on track to meet the latter two targets).
- Look to reduce our reliance on Scottish Government income (from grants and tuition fees) to less than 50% (2019/20: 47% grant, 13% tuition fees) by increasing the proportion of international, commercial and research income. This supports our academic strategy and aspirations to be a leader in applying our knowledge to wider stakeholders.
- Develop an Estate that provides the best learning environment, is relevant to the modern workplace, linking seamlessly with the community and our industrial and other partners.
- Support an IT infrastructure that provides a first-class user experience and facilitates maximum efficiencies and access to relevant data.

## 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 2019 (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

 <p><b>Net Assets</b></p>	<b>But</b>	 <p><b>Liquidity</b></p>
<ul style="list-style-type: none"> <li>• Income Streams impacted by COVID-19</li> <li>• Underlying operating deficit of £0.9m</li> <li>• Overall deficit for year is £47.6m due to adverse pension valuation</li> </ul>		<ul style="list-style-type: none"> <li>• Net Current Asset Growth</li> <li>• Cash strengthens to £35.2m</li> <li>• Borrowing low at £10m</li> <li>• Undrawn bank facilities of £40m</li> </ul>

Building on from last year we set out looking to further strengthen our Balance sheet to provide the platform to deliver our ambitious capital investment across our Estate and Digital environment over the next few years. Investment priorities were identified and plans to progress the implementation of the project were underway until COVID-19 struck at the beginning of the calendar year.

Our focus rapidly changed to maintaining our liquidity during the crisis to ensure we had the reliance to withstand the challenges and shocks that may arise. Our foundations were robust as a result of work mentioned above and this reflected in our year-end balance sheet which shows improved net current asset position underpinned by growing cash reserves and low borrowings. We will continue to deploy strict spend and cashflow management into 2020/21 progressing only critical capital projects until the future landscape has more clarity.

### Income and Surplus

Just after New Year, we were applauding a bumper January recruitment and we were forecasting record income of £133m and healthy surplus of over £5m. However, then COVID-19 struck, resulting in a reduction of our income which has dropped to £127.6m. This is related to reduced accommodation income as students terminated their leases early, whilst we have lost business from summer schools, conferences, events and catering and much of our business and research activity dried up over the period. We have also seen an increase in defaults on student fees and commercial debts all of which has eliminated our surplus and we are now showing an operational deficit of £0.9m.

Whilst this is clearly disappointing and quite a turnaround from earlier in the year, the impact has been less severe than initially feared thanks to the prompt mitigating actions taken across the whole organisation.

Our operating deficit is £0.9m although we are required to include the annual revaluation of our pension schemes in our accounts. Due to economic conditions, we have seen a huge adverse impact and the actuarial valuation on the LGPS scheme shows an increase in our pension deficit of some £46m. This is a staggering increase and increases the scheme deficit to £103.5m.

As a consequence, our overall deficit for year is £47.6m.

£m	2018/19	2018/19	2019/20	2019/20
	Excl. Dev Trust	Inc. Dev Trust	Excl. Dev Trust	Inc. Dev Trust
<b>Income</b>	122.3	122.5	127.5	127.6
<b>Expenditure</b> before pension charges	(118.5)	(119.0)	(126.1)	(126.5)
<b>Surplus</b> before other gains / losses	3.8	3.5	1.4	1.1
Other gains / (losses)	0.5	0.6	(1.9)	(2.0)
<b>Surplus / (deficit)</b> before pension charges	4.3	4.1	(0.5)	(0.9)
Pension charges	(10.4)	(10.4)	(5.1)	(5.1)
<b>Deficit</b> after pension charges	(6.1)	(6.3)	(5.6)	(6.0)
Actuarial loss	(9.7)	(9.7)	(41.6)	(41.6)
<b>Net deficit for the year</b>	(15.8)	(16.0)	(47.2)	(47.6)

## Income and Student Numbers

Despite the impact of COVID-19 our overall income (including the Development Trust) increased by 4.2% to £127.6m.

Our SFC grant income rose by £0.9m to £60.0m which now represents 47% of our total income (2018/19: 49%), highlighting the reduced dependency on government funding and the growing diversity of our income streams.

Tuition fees increased by some 16% to £51.0m mainly from the growth in international students and Graduate Apprenticeships and if not for COVID-19 would have been significantly higher still.

Many research projects were suspended in the second half of the

year leaving income flat at £3.2m although as they restart in the new academic year coupled with new bid success, we expect strong growth in 2020/21.

Income from residences, catering and conferences reduced to £8.2m (2018/19: £10.2m) impacted by the lockdown affecting our ability host events, particularly summer schools.

## Development and Alumni

Throughout 2019/20, thanks to the generous philanthropic support of friends, alumni, charitable trusts, foundations and corporates, Edinburgh Napier Development Trust (“the Trust”) was successful in raising £0.3m. £0.6m was disbursed through student scholarships, bursaries and prizes as well as innovative programmes like the HUB for SUCCESS which supports care-experienced students into, through and on from higher education. Additionally, in response to the impact of COVID-19 the Trust received a ten-fold increase in emergency hardship funding applications during Spring 2020 and 470 individual awards were made to help the most vulnerable students with basic living costs.

Over the year, net funds have reduced to £2.1m due partly to the impact of COVID-19 on

investment returns but mainly as a result of planned disbursement of restricted funds gifted in previous years for specific projects, scholarships and bursaries.

Throughout 2019/20 we have warmly welcomed increased engagement by alumni and supporters. Their volunteering, support-in-kind and funding always brings an added dimension, helping to build collaborative partnerships that have lasting impact for individuals and society. Aligned to the university’s strategic ambitions, we continue to expand ‘ENCourage’, our student support programme and welcome past, current and new supporters to become involved in some of Scotland’s most exciting applied research programmes.

2019/20 (Headcount)					
Delivery Location		Taught Undergraduate	Taught Postgraduate	Research Postgraduate	Total
On Campus	Scotland	8,429	1,044	107	9,580
	Other UK	572	306	28	906
	EU	1,383	485	26	1,894
	Overseas	521	1,396	59	1,976
<b>On Campus Total</b>		<b>10,905</b>	<b>3,231</b>	<b>220</b>	<b>14,356</b>
Off campus	Online	519	1,767	-	2,286
	TNE	2,871	393	21	3,285
<b>Off Campus total</b>		<b>3,390</b>	<b>2,160</b>	<b>21</b>	<b>5,571</b>
<b>All Locations</b>		<b>14,295</b>	<b>5,391</b>	<b>241</b>	<b>19,927</b>
<b>2018/19 (Headcount)</b>					
Delivery Location		Taught Undergraduate	Taught Postgraduate	Research Postgraduate	Total
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
<b>On Campus Total</b>		<b>11,195</b>	<b>2,666</b>	<b>237</b>	<b>14,098</b>
Off campus	Online	397	1,486	-	1,883
	TNE	3,092	370	27	3,489
<b>Off Campus total</b>		<b>3,489</b>	<b>1,856</b>	<b>27</b>	<b>5,372</b>
<b>All Locations</b>		<b>14,684</b>	<b>4,522</b>	<b>264</b>	<b>19,470</b>



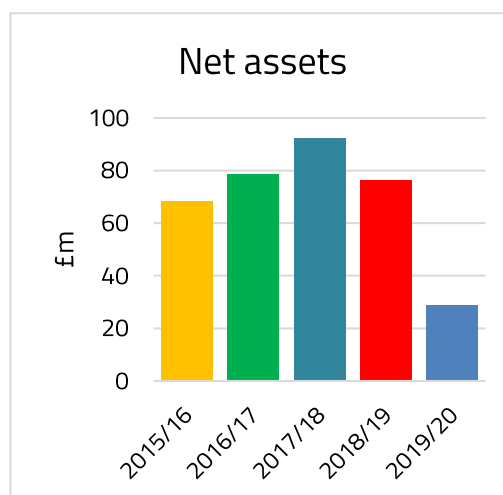
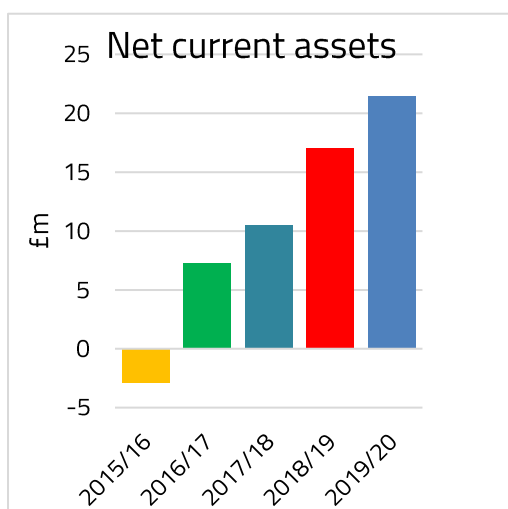
## Balance Sheet

Our year-end balance sheet shows continued improvement in our net current asset position underpinned by growing cash reserves and low borrowings. Net current assets now sit at £21.6m which is inclusive of a cash balance of £35.2m.

Net assets, however, were significantly impacted by the adverse year-end pension valuation, primarily in relation to our participation in the Local

Government Pension Scheme where we suffered from a significant change in the discount rate, from 2.2% in 2018/19 to 1.6% in 2019/20. The overall increase in the scheme deficit for the year was £46.1m. When combined with movements in our unfunded pension provision, and the operating deficit for the year, this reduced our net assets from £76.2m to £28.6m. Our pension provision now sits at £103.5m and managing this exposure is a key focus for the year ahead.

	2017/18	2018/19	2019/20
Gearing – debt as a % of Net Assets	10.8	13.1	34.9
External borrowing as a % of income	8.4	8.2	7.8
Unrestricted reserves as a % of income	71.5	56.5	17.3
Total net assets (£000)	92,268	76,243	28,635
Income per staff FTE (£)	86,626	87,184	91,153



## Suppliers

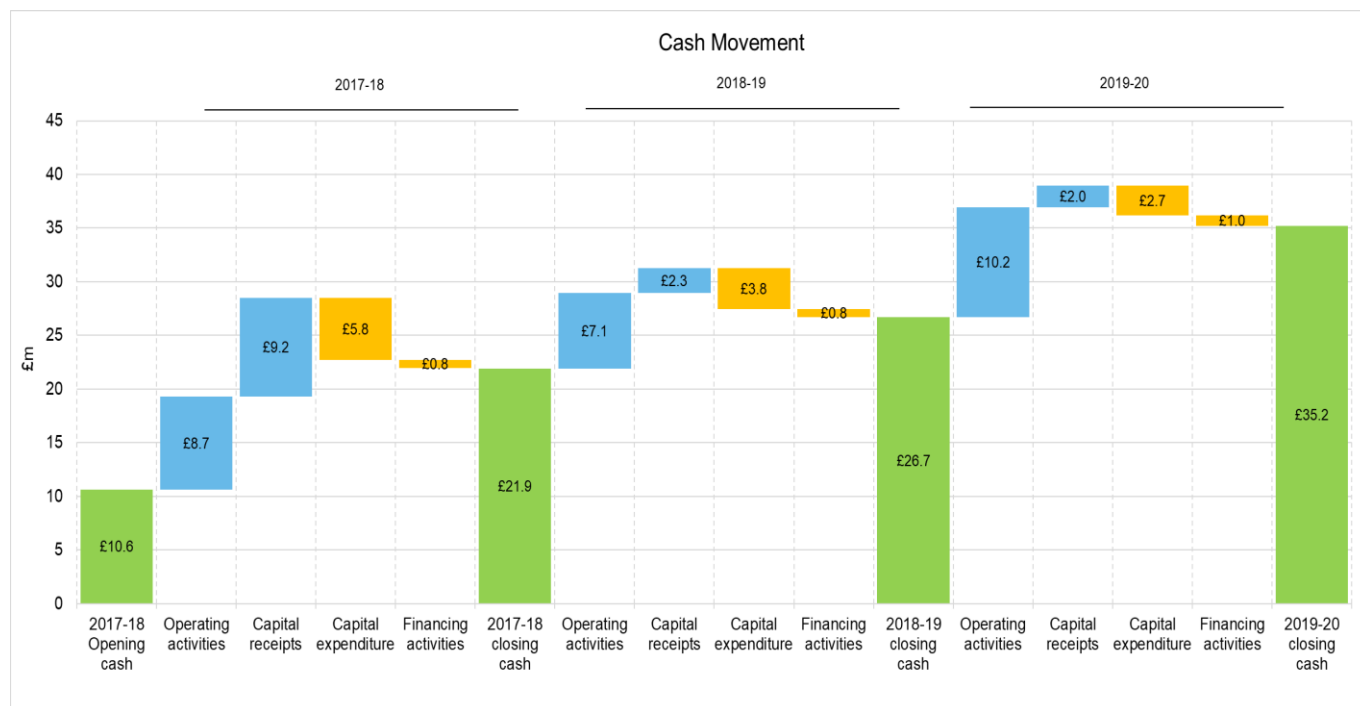
It is the University's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the University and its suppliers, providing that all trading terms and conditions have been complied with. The University recognises that COVID-19 has placed additional financial pressures on our supply chain and therefore to protect and assist our relationships we have accelerated payments to suppliers and at 31 July 2020, there was an average of 20 days purchases (2019 – 39 days) outstanding in trade creditors. No interest was paid under the Late Payment of Commercial Debts (Interest) Act 1998.

## Pensions

Total pension liabilities have increased by £45.7m to £103.5m. Further information about the University's pension schemes can be found at note 19 of the Financial Statements.

## Cash, Cashflow and Loans

Cash and cash equivalents are £35.2m at 31 July 2020. This is an increase of £8.5m during the year and can be summarised as follows:



- Net cash inflow from operating activities was £10.2m.
- Investing in fixed assets and investments totalled £2.7m. This was offset by asset sales, capital grant receipts and investment income totalling £2.0m, resulting in a net cash outflow from investing activities of £0.7m.
- Financing activities were consistent at £1.0m reflecting our continued low level of borrowings.

The University entered 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.

## 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.

The University has recognised a provision of £1.6m for potential tax liabilities relating to its historic trading activated in overseas territories. The University is working closely with its advisors to ensure full compliance with local tax laws.

## **Sustainable Procurement**

The Procurement service within the Institution continues to be delivered by Advanced Procurement for Universities and Colleges (APUC), the sector's Centre of Procurement Expertise, 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. Wider opportunities for collaboration have also been explored with two Estates related agreements currently being tendered in collaboration with a neighbouring University.

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 for academic year 2019/20 was c.£20m, in which the University achieved savings of c.£300k through the use of sector led collaborative contracts, and local procurement exercises have resulted in achieving savings of c.£900k.

In 2018 the Procurement Team developed, in cooperation with the relevant staff in APUC's core team and University staff expert in this area, a comprehensive Responsible Procurement Assessment & Checklist which is now firmly embedded in all Procurement strategies and processes for contracts above £12.5k in value, and integrated within the University Procurement Request Form.

The Procurement Request Form asks University stakeholders to assess the need for the purchase in the first place and to explore circular alternative options to meet the need such as re-use and re-purpose, whilst establishing other social, ethical, and environmental opportunities at the outset of any procurement exercise.

Recent examples include the Cleaning Services tender for student accommodation which had

increased weightings applied to the environmental impact of the use of chemicals, fair work practices, and adherence to the Modern Slavery Act, and the collaborative framework agreement for Minor Works which has been structured in a way to promote local SME engagement.

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 supports both the University and Edinburgh College under the ERPT approach), which has now been emulated across other Universities and Colleges in Scotland.

## **Governance and Risk Management**

Our Governance arrangements are outlined in the Corporate Governance Statement on page 22.

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.

The UK officially left the EU on 31<sup>st</sup> January 2020, with a transition period to 31<sup>st</sup> December 2020.

There remains a risk that no agreement will be reached by the end of the transition period. Although still 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 will change, with a new points-based immigration system coming into effect from 1 January 2021 for both students and staff.

Whilst free tuition for eligible EU undergraduate students was held for students commencing their studies in 2020, Scottish Government have confirmed that EU students will be required to pay tuition fees from the academic year 2021/22. Undergraduate applications from EU domiciled applicants for full-time undergraduate study for September 2019 entry decreased by 9% compared to 2018/19, and applications for September 2020 decreased by a further 3%. This reduced our full-time undergraduate EU student population to 12% for 2020/21. The changes to tuition fee arrangements for EU students is likely to significantly impact the number of EU students choosing to study in the UK. In order to mitigate this risk and to support continued student recruitment from the EU beyond 2020, an approach to scholarships and discounting has been agreed for 2020/21.

The University is committed to being an international University and will continue to seek out and welcome talent from Europe and beyond. 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,**



**June Boyle, Chair**  
**14 December 2020**



**One way system in place at Sighthill Campus**

## **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 no annual appraisal of the Chair of Court took place due to their demitting office in the year.

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 the months May to October 2020, Finance & Property Committee has met monthly to consider the up to date financial position of the University as a result of COVID-19.

In parallel with the Audit & Risk Committee, Finance & Property Committee 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 2020 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.

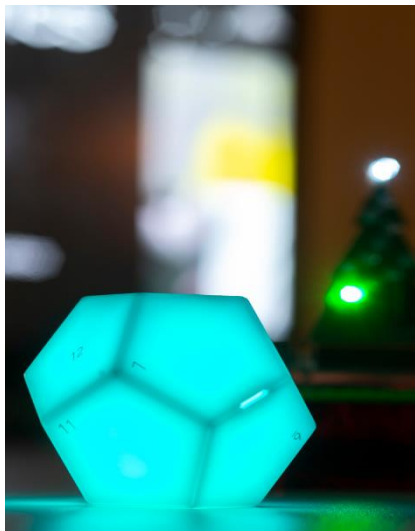
The University Leadership Team and the Court Committees also receive regular reports from internal audit and health, safety and environmental monitoring functions which include recommendations for improvement. The Audit & Risk Committee's role in this area is confined to a high level review of the arrangements 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 2019 meeting the Court received the annual report from the Audit & Risk Committee covering the period to 31 July 2019. At its June 2019 meeting, the Court considered the annual risk assessment for the 2019/20 as considered and recommended by the Audit & Risk Committee following the annual risk review process. The annual risk assessment for 2020/21 was considered at the June 2020 meeting.

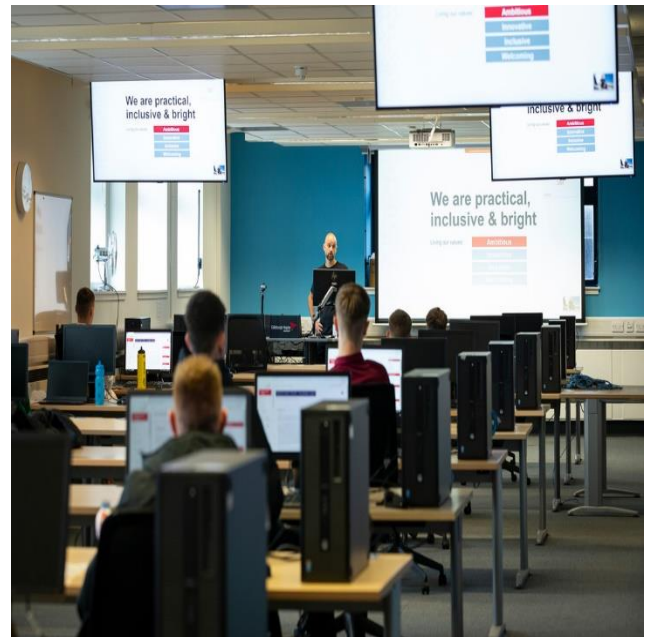
The Court is of a view that there is an ongoing process for identifying, evaluating and managing the University’s significant risks that has been in place throughout the year ended 31 July 2020 and up to the date of approval of the annual report and financial statements. This process is reviewed regularly 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, and at least 12 months from the date of the approval of the financial statements, as described in more detail on page 34.



**Creative Informatics**



**Socially distanced teaching**

**On behalf of the University Court,**

**June Boyle, Chair**

**Professor Andrea M Nolan, OBE,  
Principal and Vice-Chancellor  
14 December 2020**

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 (at least 12 months from the date of approval of the financial statements): 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.

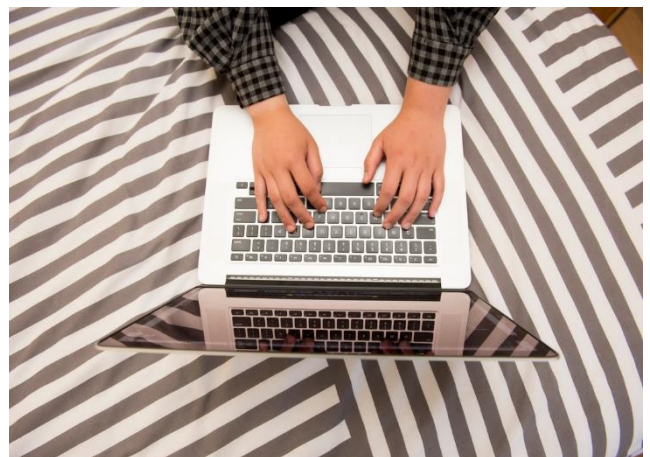
The key elements of the University's system of internal financial control, which is designed to discharge the responsibilities set out above, include the following:

- 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.



Craiglockhart Campus



Student working from home

**On behalf of the University Court,**



**June Boyle, Chair**  
**14 December 2020**

# **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 2020 which comprise the Consolidated Statement of Comprehensive Income and Expenditure, the Consolidated and University Statement of Changes in Reserves, the Consolidated and University Balance Sheet, the Consolidated Statement of Cash Flows and the related notes, including the Principal Accounting Policies in 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 2020 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 2019 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.

We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### **Going concern**

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

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the University Court's conclusions, we considered the inherent risks to the Group's business model 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.



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

### **Other information**

The University Court of Edinburgh Napier University is responsible for the other information, which comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. 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 other information; or
- in our opinion, the information given in the Strategic Report is inconsistent in any material respect with the financial statements.

We have nothing to report in these respects.

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

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

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

### **Auditor's responsibilities**

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

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

[www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

**INDEPENDENT AUDITOR'S REPORT TO UNIVERSITY COURT OF EDINBURGH NAPIER UNIVERSITY (CONT.)**

**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.



**Michael Wilkie (Senior Statutory Auditor)  
for and on behalf of KPMG LLP, Statutory  
Auditor**

*Chartered Accountants*  
319 St Vincent St  
Glasgow  
G2 5AS

16 December 2020

*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 2020

	Notes	Year Ended 31 July 2020 Consolidated £000	Year Ended 31 July 2020 University £000	Year Ended 31 July 2019 Consolidated £000	Year Ended 31 July 2019 University £000
<b>Income</b>					
Scottish Funding Council grants	2	59,950	59,950	59,076	59,076
Tuition fees and education contracts	3	51,032	39,003	43,875	32,863
Research grants and contracts	4	3,172	3,048	3,349	2,942
Other income	5	13,047	12,087	15,767	14,689
Investment income	6	363	324	274	229
Donations and endowments	7	52	5,154	152	3,378
<b>Total income</b>		127,616	119,566	122,493	113,177
<b>Expenditure</b>					
Staff costs	8	82,212	76,342	85,046	79,637
Restructuring costs		658	651	214	213
Other operating expenses		38,814	36,483	35,703	32,817
Depreciation	12	8,123	8,111	6,850	6,838
Interest and other finance costs	10	1,815	1,815	1,555	1,555
<b>Total expenditure</b>	9	131,622	123,402	129,368	121,060
<b>Deficit before other gains and losses</b>		(4,006)	(3,836)	(6,875)	(7,883)
Gain / (loss) on disposal of non-current assets		(27)	(20)	578	(3)
Gain / (loss) on investments		(244)	(45)	105	70
<b>Deficit before tax</b>		(4,277)	(3,901)	(6,192)	(7,816)
Taxation	11	(1,693)	(1,577)	(127)	(37)
<b>Deficit for the year</b>		(5,970)	(5,478)	(6,319)	(7,853)
Actuarial loss in respect of pension schemes	19	(41,638)	(41,638)	(9,706)	(9,706)
<b>Total comprehensive income for the year</b>		<b>(47,608)</b>	<b>(47,116)</b>	<b>(16,025)</b>	<b>(17,559)</b>
Represented by:					
Endowment comprehensive income for the year		(76)	(36)	136	7
Restricted comprehensive income for the year		(381)	-	(365)	-
Unrestricted comprehensive income for the year		(47,151)	(47,080)	(15,796)	(17,566)
		<b>(47,608)</b>	<b>(47,116)</b>	<b>(16,025)</b>	<b>(17,559)</b>

**Edinburgh Napier University**  
**Consolidated and University Statement of Changes in Reserves**

**Year to 31 July 2020**

	Income and expenditure reserve			Revaluation Reserve	Total
	Endowment	Restricted	Unrestricted		
Consolidated	£000	£000	£000	£000	£000
<b>Balance at 1 August 2018</b>	<b>718</b>	<b>2,243</b>	<b>84,982</b>	<b>4,325</b>	<b>92,268</b>
Surplus / (deficit) from the income and expenditure statement	136	(365)	(6,090)	-	(6,319)
Other comprehensive income	-	-	(9,706)	-	(9,706)
<b>Total comprehensive income for the year</b>	<b>136</b>	<b>(365)</b>	<b>(15,796)</b>	<b>-</b>	<b>(16,025)</b>
<b>Balance at 1 August 2019</b>	<b>854</b>	<b>1,878</b>	<b>69,186</b>	<b>4,325</b>	<b>76,243</b>
Deficit from the income and expenditure statement	(76)	(381)	(5,513)	-	(5,970)
Other comprehensive income	-	-	(41,638)	-	(41,638)
<b>Total comprehensive income for the year</b>	<b>(76)</b>	<b>(381)</b>	<b>(47,151)</b>	<b>-</b>	<b>(47,608)</b>
<b>Balance at 31 July 2020</b>	<b>778</b>	<b>1,497</b>	<b>22,035</b>	<b>4,325</b>	<b>28,635</b>
<b>University</b>					
<b>Balance at 1 August 2018</b>	<b>311</b>	<b>-</b>	<b>81,212</b>	<b>4,325</b>	<b>85,848</b>
Surplus / (deficit) from the income and expenditure statement	7	-	(7,860)	-	(7,853)
Other comprehensive income	-	-	(9,706)	-	(9,706)
<b>Total comprehensive income for the year</b>	<b>7</b>	<b>-</b>	<b>(17,566)</b>	<b>-</b>	<b>(17,559)</b>
<b>Balance at 1 August 2019</b>	<b>318</b>	<b>-</b>	<b>63,646</b>	<b>4,325</b>	<b>68,289</b>
Surplus / (deficit) from the income and expenditure statement	(36)	-	(5,442)	-	(5,478)
Other comprehensive income	-	-	(41,638)	-	(41,638)
<b>Total comprehensive income for the year</b>	<b>(36)</b>	<b>-</b>	<b>(47,080)</b>	<b>-</b>	<b>(47,116)</b>
<b>Balance at 31 July 2020</b>	<b>282</b>	<b>-</b>	<b>16,566</b>	<b>4,325</b>	<b>21,173</b>

	Notes	As at 31 July 2020		As at 31 July 2019	
		Consolidated £000	University £000	Consolidated £000	University £000
<b>Non-current assets</b>					
Fixed assets	12	118,309	118,228	124,758	124,656
Investments	13	2,491	1,330	2,683	1,394
		-----	-----	-----	-----
		120,800	119,558	127,441	126,050
		-----	-----	-----	-----
<b>Current assets</b>					
Stock	14	-	-	52	52
Trade and other receivables	15	7,095	5,469	9,701	6,536
Investments		-	-	279	279
Cash and cash equivalents	23	35,211	34,078	26,683	25,467
		-----	-----	-----	-----
		42,306	39,547	36,715	32,334
Less: creditors falling due within one year	16	(20,754)	(24,215)	(19,713)	(21,895)
		-----	-----	-----	-----
<b>Net current assets</b>		21,552	15,332	17,002	10,439
		-----	-----	-----	-----
<b>Total assets less current liabilities</b>		142,352	134,890	144,443	136,489
Less: creditors falling due after more than one year	17	(10,250)	(10,250)	(10,477)	(10,477)
<b>Provisions</b>					
Pensions provision	18	(103,467)	(103,467)	(57,723)	(57,723)
		-----	-----	-----	-----
<b>Total net assets</b>		<b>28,635</b>	<b>21,173</b>	<b>76,243</b>	<b>68,289</b>
		=====	=====	=====	=====
<b>Restricted reserves</b>					
Income and expenditure reserve – endowment reserve	20	778	282	854	318
Income and expenditure reserve – restricted reserve	21	1,497	-	1,878	-
<b>Unrestricted reserves</b>					
Income and expenditure reserve – unrestricted reserve		22,035	16,566	69,186	63,646
Revaluation reserve		4,325	4,325	4,325	4,325
		-----	-----	-----	-----
<b>Total reserves</b>		<b>28,635</b>	<b>21,173</b>	<b>76,243</b>	<b>68,289</b>
		=====	=====	=====	=====

The financial statements were approved by the University Court on 14 December 2020 and signed on its behalf by:



Ms June Boyle, Chair



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



**Edinburgh Napier University**  
**Consolidated Statement of Cash Flows**

**Year to 31 July 2020**

	31 July 2020 £000	31 July 2019 £000
<b>Cash flow from operating activities</b>		
Deficit for the year before tax	(4,277)	(6,192)
<b>Adjustment for non-cash items</b>		
Depreciation	8,123	6,850
(Gain) / loss on valuation of investments	244	(105)
(Increase) / decrease in stock	52	(2)
(Increase) / decrease in debtors	2,606	(2,209)
Increase in creditors	1,661	643
Increase in pensions provision	4,106	9,500
<b>Adjustment for investing or financing activities</b>		
Investment income	(363)	(274)
Interest payable	772	771
Endowment income	-	(15)
(Gain) / loss on disposal of non-current assets	27	(578)
Capital grant income	(993)	(1,178)
	-----	-----
<b>Cash inflow from operating activities</b>	<b>11,958</b>	<b>7,211</b>
Taxation	(1,693)	(127)
	-----	-----
<b>Net cash inflow from operating activities</b>	<b>10,265</b>	<b>7,084</b>
	=====	=====
<b>Cash flows from investing activities</b>		
Proceeds from disposal of tangible assets	68	-
Proceeds from disposal of non-current asset investments	285	835
Proceeds from disposal of current asset investments	272	-
Capital grant receipts	993	1,178
Investment income	363	274
Payments made to acquire fixed assets	(2,369)	(3,467)
Payments made to acquire non-current asset investments	(350)	(345)
	-----	-----
<b>Net cash outflow from investing activities</b>	<b>(738)</b>	<b>(1,525)</b>
	=====	=====
<b>Cash flows from financing activities</b>		
Interest paid	(772)	(769)
Repayments of amounts borrowed	(227)	-
Endowments cash received	-	15
	-----	-----
<b>Net cash outflow from financing activities</b>	<b>(999)</b>	<b>(754)</b>
	=====	=====
<b>Increase in cash and cash equivalents in the year</b>	<b>8,528</b>	<b>4,805</b>
	=====	=====
Cash and cash equivalents at the beginning of the year	26,683	21,878
Cash and cash equivalents at the end of the year	35,211	26,683

The accompanying notes form part of the financial statements

# Edinburgh Napier University

## Notes to the 2019/20 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 2019, (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).

#### Going concern

The Group and parent University's activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic Report. The Strategic Report also describes the financial position of the Institution, its cash flows, liquidity position and borrowing facilities.

The financial statements have been prepared on a going concern basis which the University Court considers to be appropriate for the following reasons.

The University Audit and Risk Committee has reviewed cash flow forecasts for a period of 24 months from the date of approval of these financial statements. The University Court has discussed and endorsed the Committee's conclusion that, taking account of severe but plausible downsides, including the anticipated impact of Covid, the Group and parent University will have sufficient funds to meet their liabilities as they fall due over the period of 12 months from the date of approval of the financial statements (the going concern assessment period).

A base case going concern scenario and a Covid-impacted scenario have been forecasted using the assumptions built into the budget as approved by Court in November 2020. The key assumptions in the Covid-impacted scenario were: no research, residency, catering,

consultancy or CPD income for a period of 6 weeks due to an additional assumed lockdown. This is in addition to the core budget assumptions of significantly reduced facilities income, reduced rest of UK ("RUK") and overseas fee income and reduced research and commercial income.

The scenarios illustrate that the University will have sufficient funds to meet its liabilities as they fall due over the period of 12 months from the date of approval of the financial statements (the going concern assessment period).

The University has a revolving credit facility of up to £40 million, which was unused at 31 July 2020 and is not forecast to be utilised during 2020-21 or 2021-22.

There is also a drawdown loan facility of £10m with covenants in place. The University Court does not anticipate any breaches of these covenants over the going concern assessment period.

Consequently, the University Court is confident that the Group and parent University will have sufficient funds to continue to meet their liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

#### Basis of consolidation

The consolidated financial statements include the University and all its subsidiaries for the financial year to 31 July 2020. 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.

# Edinburgh Napier University

## Notes to the 2019/20 Financial Statements

### 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

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.

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.

# Edinburgh Napier University

## Notes to the 2019/20 Financial Statements

### **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 STSS 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.

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

# Edinburgh Napier University

## Notes to the 2019/20 Financial Statements

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) Vehicles and 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

### 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.



# **Edinburgh Napier University**

## **Notes to the 2019/20 Financial Statements**

### **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 2019/20 Financial Statements**

	Year ended 31 July 2020		Year ended 31 July 2019	
	Consolidated	University	Consolidated	University
	£000	£000	£000	£000
<b>2. Scottish Funding Council grants</b>				
Recurrent teaching grant	50,829	50,829	49,388	49,388
Research grant	2,309	2,309	2,392	2,392
Capital grants	993	993	1,052	1,052
Other grants	5,819	5,819	6,244	6,244
	-----	-----	-----	-----
	<b>59,950</b>	<b>59,950</b>	<b>59,076</b>	<b>59,076</b>
	=====	=====	=====	=====
<b>3. Tuition fees and education contracts</b>				
Scotland and EU fees	17,177	17,177	16,862	16,862
Other UK fees	3,974	3,974	4,425	4,425
Non-EU fees	26,290	17,852	19,459	11,576
Non-credit bearing course fees	3,591	-	3,129	-
	-----	-----	-----	-----
	<b>51,032</b>	<b>39,003</b>	<b>43,875</b>	<b>32,863</b>
	=====	=====	=====	=====
<b>4. Research grants and contracts</b>				
Research councils and charities	953	953	783	783
Industry and commerce	438	314	780	373
Government	858	858	749	749
Other	923	923	1,037	1,037
	-----	-----	-----	-----
	<b>3,172</b>	<b>3,048</b>	<b>3,349</b>	<b>2,942</b>
	=====	=====	=====	=====
<b>5. Other income</b>				
Residences, catering and conferences	8,158	8,158	10,209	10,209
Capital grants	-	-	126	126
Job retention scheme ('furlough') grant	303	303	-	-
Other income	4,586	3,626	5,432	4,354
	-----	-----	-----	-----
	<b>13,047</b>	<b>12,087</b>	<b>15,767</b>	<b>14,689</b>
	=====	=====	=====	=====
<b>6. Investment income</b>				
Investment income from endowments	10	10	10	10
Other investment income	353	314	264	219
	-----	-----	-----	-----
	<b>363</b>	<b>324</b>	<b>274</b>	<b>229</b>
	=====	=====	=====	=====

**Edinburgh Napier University**  
**Notes to the 2019/20 Financial Statements**

7. Donations and endowments	Year ended 31 July 2020		Year ended 31 July 2019	
	Consolidated £000	University £000	Consolidated £000	University £000
New endowments	-	-	15	-
Restricted donations	32	-	101	-
Unrestricted donations	20	5,154	36	3,378
	-----	-----	-----	-----
	<b>52</b>	<b>5,154</b>	<b>152</b>	<b>3,378</b>
	=====	=====	=====	=====

**8. Staff costs**

Salaries	60,675	55,869	60,131	55,459
Social security costs	6,235	5,847	6,447	6,130
Other pension costs (note 19)	15,302	14,626	18,468	18,048
	-----	-----	-----	-----
	<b>82,212</b>	<b>76,342</b>	<b>85,046</b>	<b>79,637</b>
	=====	=====	=====	=====

Emoluments of the Vice-Chancellor:	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
Salary	210	205
Payments in lieu of pension contributions	40	31
	-----	-----
	<b>250</b>	<b>236</b>
	=====	=====

The remuneration of the Vice-Chancellor is 5.2 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:

	2020 number	2019 number
£100,000 - £109,999	3	3
£110,000 - £119,999	3	1
£120,000 - £129,999	1	-
£140,000 - £149,999	4	4
£160,000 - £169,999	-	1
£170,000 - £179,999	1	-

**Edinburgh Napier University**  
**Notes to the 2019/20 Financial Statements**

**8. Staff costs (cont.)**

	<b>2020 number</b>	<b>2019 number</b>
The average number of staff by major category was:		
Academic departments	759	785
Academic services	256	235
Central administration	237	234
Other	148	151
	-----	-----
	<b>1,400</b>	<b>1,405</b>
	=====	=====

	<b>£000</b>	<b>£000</b>
<b>Compensation for loss of office paid to former senior post-holders</b>		
Compensation paid to one (2019: one) former senior post-holder	<b>109</b>	<b>28</b>
	=====	=====

**Key management personnel**

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

<b>Key management personnel compensation</b>	<b>1,268</b>	<b>1,096</b>
	=====	=====

**Edinburgh Napier University**  
**Notes to the 2019/20 Financial Statements**

9. Analysis of expenditure by activity	Year ended 31 July 2020		Year ended 31 July 2019	
	Consolidated £000	University £000	Consolidated £000	University £000
Academic departments	47,800	47,800	47,754	47,754
Academic services	26,211	26,211	21,371	21,371
Central administration	17,563	17,563	15,191	15,191
Property	10,878	10,878	9,535	9,535
Research grants and contracts	5,188	5,188	6,920	6,920
Residences and catering	9,231	9,231	9,828	9,828
Napier University Ventures Ltd	7,817	-	7,858	-
Other expenditure	6,934	6,531	10,911	10,461
	-----	-----	-----	-----
	<b>131,622</b>	<b>123,402</b>	<b>129,368</b>	<b>121,060</b>
	=====	=====	=====	=====

Other operating expenses includes:

External auditor – audit services	86	80	58	52
External auditor – other services	61	58	46	46
Internal auditor – audit services	63	63	98	98
Operating lease rentals - buildings	5,780	5,778	5,604	5,596
Operating lease rentals - vehicles	25	25	20	20
	-----	-----	-----	-----
	<b>6,015</b>	<b>6,004</b>	<b>5,826</b>	<b>5,812</b>
	=====	=====	=====	=====

**10. Interest and other finance costs**

Loans interest	582	582	581	581
Non-utilisation costs	190	190	190	190
Net charge on pension scheme (note 19)	1,043	1,043	784	784
	-----	-----	-----	-----
	<b>1,815</b>	<b>1,815</b>	<b>1,555</b>	<b>1,555</b>
	=====	=====	=====	=====

**11. Taxation**

Corporate tax on overseas activities	<b>1,693</b>	<b>1,577</b>	<b>127</b>	<b>37</b>
	=====	=====	=====	=====



**Edinburgh Napier University**  
**Notes to the 2019/20 Financial Statements**

12. Fixed assets - Consolidated	Assets under construction £000	Land and buildings £000	Vehicles and equipment £000	Total £000
<b>Cost or valuation</b>				
At 1 August 2019	67	150,056	32,828	182,951
Additions	157	246	1,347	1,750
Disposals	(67)	(851)	(5,242)	(6,160)
	-----	-----	-----	-----
At 31 July 2020	157	149,451	28,933	178,541
	=====	=====	=====	=====
<b>Depreciation</b>				
At 1 August 2019	-	37,400	20,793	58,193
Charge for the year	-	4,337	3,786	8,123
Disposals	-	(851)	(5,233)	(6,084)
	-----	-----	-----	-----
At 31 July 2020	-	40,886	19,346	60,232
	=====	=====	=====	=====
<b>Net book value at 31 July 2020</b>	<b>157</b>	<b>108,565</b>	<b>9,587</b>	<b>118,309</b>
	=====	=====	=====	=====
<b>Net book value at 31 July 2019</b>	<b>67</b>	<b>112,656</b>	<b>12,035</b>	<b>124,758</b>
	=====	=====	=====	=====
<b>Fixed assets – University</b>				
<b>Cost or valuation</b>				
At 1 August 2019	67	150,056	32,653	182,776
Additions	157	246	1,347	1,750
Disposals	(67)	(851)	(5,229)	(6,147)
	-----	-----	-----	-----
At 31 July 2020	157	149,451	28,771	178,379
	=====	=====	=====	=====
<b>Depreciation</b>				
At 1 August 2019	-	37,400	20,720	58,120
Charge for the year	-	4,337	3,774	8,111
Disposals	-	(851)	(5,229)	(6,080)
	-----	-----	-----	-----
At 31 July 2020	-	40,886	19,265	60,151
	=====	=====	=====	=====
<b>Net book value at 31 July 2020</b>	<b>157</b>	<b>108,565</b>	<b>9,506</b>	<b>118,228</b>
	=====	=====	=====	=====
<b>Net book value at 31 July 2019</b>	<b>67</b>	<b>112,656</b>	<b>11,933</b>	<b>124,656</b>
	=====	=====	=====	=====

**Edinburgh Napier University**  
**Notes to the 2019/20 Financial Statements**

	Year ended 31 July 2020		Year ended 31 July 2019	
	Consolidated £000	University £000	Consolidated £000	University £000
<b>13. Non-current investments</b>				
At 1 August	2,683	1,394	2,769	1,598
Additions	350	61	345	59
Disposals	(286)	(68)	(835)	(51)
Appreciation / (diminution) of investments	(256)	(57)	683	67
Transfer to current asset investments	-	-	(279)	(279)
	-----	-----	-----	-----
<b>At 31 July</b>	<b>2,491</b>	<b>1,330</b>	<b>2,683</b>	<b>1,394</b>
	=====	=====	=====	=====
<b>14. Stock</b>				
Stock for resale	-	-	52	52
	=====	=====	=====	=====
<b>15. Trade and other receivables</b>				
Trade receivables	3,383	2,284	3,980	1,368
Prepayments and accrued income	3,229	2,795	4,515	4,246
Other receivables	260	167	646	362
Research grants receivable	223	223	560	560
	-----	-----	-----	-----
	<b>7,095</b>	<b>5,469</b>	<b>9,701</b>	<b>6,536</b>
	=====	=====	=====	=====
<b>16. Creditors: amounts falling due within one year</b>				
Trade payables	2,111	2,111	3,658	3,658
Taxation and social security	1,682	1,682	1,663	1,663
Other payables	2,502	2,406	1,517	1,428
Accruals and deferred income	12,434	11,921	11,190	9,718
Research grants received on account	1,796	1,796	1,011	1,011
Loans from Scottish Funding Council	21	21	466	466
Other loans	208	208	208	208
Amounts owed to subsidiary undertakings	-	4,070	-	3,743
	-----	-----	-----	-----
	<b>20,754</b>	<b>24,215</b>	<b>19,713</b>	<b>21,895</b>
	=====	=====	=====	=====

# Edinburgh Napier University

## Notes to the 2019/20 Financial Statements

17. Creditors: amounts falling due after more than one year	Year ended 31 July 2020		Year ended 31 July 2019	
	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	42	42	60	60
Other loans	208	208	417	417
	-----	-----	-----	-----
	<b>10,250</b>	<b>10,250</b>	<b>10,477</b>	<b>10,477</b>
	=====	=====	=====	=====

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

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

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

18. Provisions – Consolidated and University	Unfunded	Defined	Total
	pensions	benefit	
	£000	obligations	£000
At 1 August 2019	13,237	44,486	57,723
Income from investments	29	-	29
Early retirement pensions	(965)	-	(965)
Transfer from income and expenditure account	614	46,066	46,680
	-----	-----	-----
<b>At 31 July 2020</b>	<b>12,915</b>	<b>90,552</b>	<b>103,467</b>
	=====	=====	=====

### Unfunded pensions

A valuation of the unfunded pension liability was carried out at 31 July 2020, by Mercer Limited, an independent firm of actuaries.

### Defined benefit obligations

A valuation of the defined benefit obligations was carried out at 31 July 2020 by Hymans Robertson, an independent firm of actuaries (see note 19).

# Edinburgh Napier University

## Notes to the 2019/20 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 £15,302,000 (2019 - £18,468,000)

	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
<b>Total pension costs for the year (note 8)</b>		
STSS – contributions paid	6,278	4,827
LGPS – charge to the income and expenditure account	9,024	13,641
	-----	-----
	<b>15,302</b>	<b>18,468</b>
	=====	=====

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

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

Latest actuarial valuation	31 March 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% during August 2019, and increased 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 2019/20 Financial Statements

### 19. Pension schemes (cont.)

**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 University has updated its approach to setting RPI and CPI inflation assumptions in light of the RPI reform proposals published on 4 September 2019 by the UK Chancellor and UK Statistics Authority.

The University continued to set RPI inflation in line with the market break even expectations with no adjustment for an inflation risk premium. In LGPS, all inflationary increases are linked to CPI and, as such, the absolute value of the RPI assumption does not have a direct impact on the defined benefit obligation, though it is used to derive the CPI assumption. For CPI, the University has proposed a long term gap between RPI and CPI of 90 basis points at 31 July 2020, compared to 100 basis points at 31 July 2019. The estimated impact is an increase of £7.6m in the defined benefit obligation in respect of the LPF scheme.

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 2020 employer contributions were 19.7% of pensionable pay plus a fixed sum of £166,000. Future employer contributions are expected to be:

Year ended: 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 2020 by a qualified independent actuary.

	July 2020	July 2019	July 2018
Rate of increase in salaries	3.9%	4.3%	4.5%
Rate of increase in pensions	2.2%	2.2%	2.4%
Discount rate	1.6%	2.2%	2.8%
Inflation rate	2.2%	2.2%	2.4%

The following mortality rate assumptions have been used:

	2020		2019	
	males	females	males	females
Current pensioners	20.1 years	23.1 years	21.0 years	24.0 years
Future pensioners	21.5 years	24.7 years	22.8 years	25.9 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.



**Edinburgh Napier University**  
**Notes to the 2019/20 Financial Statements**

**19. Pension schemes (cont.)**

	<b>July 2020</b>	<b>July 2019</b>	<b>July 2018</b>
	<b>Fair</b>	<b>Fair</b>	<b>Fair</b>
	<b>value</b>	<b>value</b>	<b>value</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Equities	169,649	172,194	162,497
Bonds	24,555	27,924	21,104
Property	15,626	16,289	14,772
Cash	13,393	16,289	12,662
	-----	-----	-----
Fair value of assets	223,223	232,696	211,035
Present value of scheme liabilities	(313,775)	(277,182)	(236,688)
	-----	-----	-----
<b>Net pension deficit</b>	<b>(90,552)</b>	<b>(44,486)</b>	<b>(25,653)</b>
	=====	=====	=====

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

	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
<b>Analysis of the amount shown in the Balance Sheet</b>		
The University's estimated assets share	223,223	232,696
Present value of the University's scheme liabilities	(313,775)	(277,182)
	-----	-----
<b>Deficit in the scheme</b>	<b>(90,552)</b>	<b>(44,486)</b>
	=====	=====

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

Current service cost	(11,437)	(9,568)
Past service gain / (cost) (including curtailments)	2,413	(4,073)
	-----	-----
<b>Net charge</b>	<b>(9,024)</b>	<b>(13,641)</b>
	=====	=====

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

Interest income on plan assets	5,149	5,933
Interest cost on defined benefit obligation	(6,192)	(6,717)
	-----	-----
<b>Net charge</b>	<b>(1,043)</b>	<b>(784)</b>
	=====	=====

**Edinburgh Napier University**  
**Notes to the 2019/20 Financial Statements**

**19. Pension schemes (cont.)**

	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
<b>Analysis of movements in the present value of scheme liabilities</b>		
Balance at 1 August	277,182	236,688
Current service cost	11,437	9,568
Employee contributions	1,780	1,732
Past service cost (including curtailments)	(2,413)	4,073
Benefits paid	(4,661)	(4,514)
Interest costs	6,192	6,717
Other experience	(943)	-
Changes in financial assumptions	25,201	22,918
	-----	-----
<b>Balance at 31 July</b>	<b>313,775</b>	<b>277,182</b>
	=====	=====

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

Balance at 1 August	232,696	211,035
Employee contributions	1,780	1,732
Employer contributions	5,637	5,298
Benefits paid	(4,659)	(4,514)
Expected return on assets	5,149	5,933
Return on assets excluding amounts included in net interest	(17,380)	13,212
	-----	-----
	<b>223,223</b>	<b>232,696</b>
	=====	=====

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

Return on scheme assets	(17,380)	13,212
Changes in financial assumptions	(25,201)	(22,918)
Other experience	943	-
	-----	-----
<b>Net loss</b>	<b>(41,638)</b>	<b>(9,706)</b>
	=====	=====

**History of experience gains and losses**

	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Difference between the expected and actual return on scheme assets	(17,380)	13,212	2,503	17,247	26,800
% of scheme assets	7.8%	5.7%	1.2%	8.6%	15.2%
Experience gains / (losses) on scheme liabilities	(24,258)	(22,918)	15,844	(6,847)	(31,767)
% of the present value of the scheme liabilities	7.7%	8.3%	6.7%	2.9%	14.5%

**Edinburgh Napier University**  
**Notes to the 2019/20 Financial Statements**

20. Endowment reserve	Restricted permanent £000	Restricted expendable £000	2020 Total £000	2019 Total £000
<b>At 1 August</b>				
Capital	769	6	775	642
Accumulated income	79	-	79	76
	-----	-----	-----	-----
	848	6	854	718
New endowments	-	-	-	15
Transfer from restricted reserve	-	-	-	99
Increase / (decrease) in market value of investments	(72)	-	(72)	19
Investment income	10	-	10	10
Expenditure for the year	(14)	-	(14)	(7)
	-----	-----	-----	-----
Total endowment comprehensive income / (expenditure) for the year	(76)	-	(76)	136
	-----	-----	-----	-----
<b>At 31 July</b>	<b>772</b>	<b>6</b>	<b>778</b>	<b>854</b>
	=====	=====	=====	=====
Represented by:				
Capital	697	6	703	775
Accumulated income	75	-	75	79
	-----	-----	-----	-----
	<b>772</b>	<b>6</b>	<b>778</b>	<b>854</b>
	=====	=====	=====	=====

**21. Restricted reserve**

<b>At 1 August</b>	1,878	2,243
	-----	-----
New donations	199	283
Increase in market value of investments	(59)	20
Transfer to endowment reserve	-	(99)
Investment income	35	39
Expenditure	(556)	(608)
	-----	-----
Total restricted comprehensive income / (expenditure) for the year	(381)	(365)
	-----	-----
<b>At 31 July</b>	<b>1,497</b>	<b>1,878</b>
	=====	=====

# Edinburgh Napier University

## Notes to the 2019/20 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.

The University held 100% of the share capital of Napier Overseas Developments Limited. This company has been dormant since its incorporation and was struck off in September 2020.

<b>23. Cash and cash equivalents</b>	<b>At 1 August 2019 £000</b>	<b>Cash flows £000</b>	<b>At 31 July 2020 £000</b>
Consolidated cash and cash equivalents	<b>26,683</b> =====	<b>8,528</b> =====	<b>35,211</b> =====

### 24. Capital commitments

As at 31 July 2020 the University and its consolidated subsidiaries had contracted commitments amounting to £1,328,781 (2019 - £568,578).

<b>25. Lease obligations</b>	<b>Buildings £000</b>	<b>Vehicles £000</b>	<b>2020 £000</b>	<b>2019 £000</b>
<b>Future minimum lease payments due:</b>				
Not later than 1 year	5,697	584	6,281	5,760
Later than 1 year and not later than 5 years	23,454	885	24,339	23,430
Later than 5 years	71,732	-	71,732	77,016
	----- <b>100,883</b> =====	----- <b>1,469</b> =====	----- <b>102,352</b> =====	----- <b>106,206</b> =====

**Edinburgh Napier University**  
**Notes to the 2019/20 Financial Statements**

**26. Discretionary, childcare and midwifery funds**

	<b>Discretionary</b>	<b>Childcare</b>	<b>Midwifery</b>	<b>All Funds</b>	<b>All Funds</b>
	<b>2020</b>	<b>2020</b>	<b>2020</b>	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Balance at 1 August	-	-	-	-	-
Grants received	1,142	216	100	1,458	850
Transfer between funds	(7)	7	-	-	-
	-----	-----	-----	-----	-----
Disbursed to students	(527)	(223)	(100)	(850)	(850)
	-----	-----	-----	-----	-----
Balance at 31 July	<b>608</b>	-	-	<b>608</b>	-
	=====	=====	=====	=====	=====

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 FRS102, section 33. The transactions and balances at the end of the year are disclosed in note 19.