



LIVERPOOL  
HOPE  
UNIVERSITY

Est. 1844



## Financial Statements for year ending 31<sup>st</sup> July 2017

Registered Company Number: 3285547

A company limited by guarantee, without share capital, registered in England

Registered Charity number: 1060579

## Contents

Members of the University Council	1
Strategic Report	3
Directors' Report	7
Statement on Corporate Governance and Risk Management	12
Independent auditor's report to the University Council of Liverpool Hope University	15
Statement of Principal Accounting Policies	18
Statement of Comprehensive Income	23
Statement of Changes in Reserves	24
Balance Sheet	25
Statement of Cash Flows	26
Notes	27

## Members of the University Council

The following persons served as governors during the year ended 31<sup>st</sup> July 2017 or were members as at 28<sup>th</sup> November 2017 when these financial statements were approved. In the case of those who became or ceased to be governors during the year, the appropriate dates are shown.

The governors are generally appointed for a period of three years. Each year they sign a register of interests. All the members of the Council are Trustees of the University and directors of the Company.

Mgr JP Devine	Chair (until 31 <sup>st</sup> July 2017, when he left Council)
Revd Canon P Winn	Chair with effect from 1 <sup>st</sup> August 2017
Mr C Mills	Vice-Chair
Revd Dr S Anderson	
The Right Reverend Paul Bayes	
Mrs J Veever	With effect from 25 <sup>th</sup> April 2017
Sr. M. Charles-Murray	
Cllr Jane Corbett	With effect from 1 <sup>st</sup> August 2017
Revd Canon C Fallon	With effect from 1 <sup>st</sup> August 2017
Mr M Gilbertson	
Fr C. McCoy	
Dr S Hulme	
Dr J McClelland	With effect from 1 <sup>st</sup> August 2017
Sr M McKnight	With effect from 1 <sup>st</sup> August 2017
Dr A. Naylor	
Mr J Norbury	
Professor H Russell	Term of Office ended 31 <sup>st</sup> July 2017
Mr U Russell	With effect from 1 <sup>st</sup> August 2017
Mrs D Shaw	
Cllr. N Small	Term of Office ended 31 <sup>st</sup> July 2017
Mrs M Swinson	
Sr M Walsh	Term of Office ended 31 <sup>st</sup> July 2017
Miss C Whittington-Egan	Resigned 31 <sup>st</sup> July 2016
Revd P Winn	
HH Judge Graham Wood QC	
Professor GJ Pillay	Vice Chancellor and Rector
Dr I Vandewalle	Rectorate Team
Professor N Rees	Rectorate Team
Dr J Bennett	Staff Member
Dr W Bignold	Staff Member, Term of Office ended 31 <sup>st</sup> July 2017
Dr S Tiernan	With effect from 1 <sup>st</sup> August 2017
Ms K Cox	President, Students' Union, Term of Office ended 31 <sup>st</sup> July 2017
Mr J Johnson	President Students' Union, with effect from 1 <sup>st</sup> August 2017
Mr G Donelan	Secretary

### *Senior Salaries Remuneration Panel*

Chair of University Council, Mgr J Devine	Until 31 <sup>st</sup> July 2017
Reverend P Winn	
Mr S Mills	From 1 <sup>st</sup> August 2017
Mr J Norbury	
Professor GJ Pillay (except for discussion of his own salary)	

## Members of the University Council *(continued)*

### *Finance & General Purposes Committee*

Mr J Norbury (Chair)  
Fr C. McCoy  
Mrs D Shaw  
Professor GJ Pillay

### *Audit Committee*

Reverend P Winn (Chair until 31<sup>st</sup> July 2017)  
Mr Charles Mills (Chair from 1<sup>st</sup> August 2017)  
Revd Dr S Anderston  
Mr M Gilbertson  
Professor H Russell (Until 31<sup>st</sup> July 2017)  
HH Judge Graham Wood QC

### *Nominations Committee*

Mgr J Devine (Chair until 31<sup>st</sup> July 2017)  
Revd Canon P Winn (Chair with effect from 1<sup>st</sup> August 2017)  
Professor GJ Pillay  
Mr C Mills

## Advisers

External Auditors:           KPMG LLP  
                                  1 Sovereign Square  
                                  Sovereign Street  
                                  Leeds  
                                  LS1 4DA

Bankers:                     Lloyds Bank  
                                  Merchants Court  
                                  2-12 Lord Street  
                                  Liverpool  
                                  L2 XF

Barclays plc  
48B & 50 Lord Street  
Liverpool  
L2 1TD

National Westminster Bank plc  
Liverpool

Solicitors:                 Weightmans LLP                     Bond Dickinson  
                                  India Building                     One Trinity  
                                  4 Water Street                    Broad Chare  
                                  Liverpool                           Newcastle Upon Tyne  
                                  L2 0NH                               NE1 2HF

Internal Auditor:           RSM Risk Assurance Services LLP  
                                  The Pinnacle, 170 Midsummer Boulevard  
                                  Milton Keynes  
                                  Buckinghamshire  
                                  MK9 1BP

## Strategic Report

### *Corporate Plan and Strategic Objectives*

The University continued to build its profile as a serious alternative in the higher education sector. Given its history and size, the University does not see itself competing with the large metropolitan Universities (ex-Polytechnics) nor, given the lack of a large science, engineering or medical base with the “red-bricks”. The essence of what Liverpool Hope is striving to be is summarised in the Corporate Plan – a path of excellence in scholarship and collegial life without reservation or hesitation. The University’s distinctive philosophy is to ‘educate in the round’ – mind, body and spirit - in the quest for Truth, Beauty and Goodness.

The Corporate Plan, updated in 2016, provides the strategic framework within which the University operates.

This Corporate Plan identifies goals for the University in six key areas:

- high quality academic pursuit
- knowing our students one by one – deepening the culture of the collegium
- a transformational experience for students and all those we serve
- an enterprising University encourages entrepreneurship and supports graduate employability
- a carefully managed University that works efficiently and effectively
- a distinctive place for learning

### *Academic Profile*

One of the key strategic aims of the University is to continue to develop the academic profile through its student body and academic staff recruitment and development. Over 75% of academic staff are qualified to doctoral level – amongst the top 10 in the country – and the entry requirements to undergraduate degrees have remained at an average of over 300 points, even during the turbulence of the new student funding regime. This has meant that there continues to be a small shortfall on the long term recruitment target of 1,400 non-QTS home and EU undergraduates. Council supported this maintenance of the entry requirements in full cognisance of the likely impact on student numbers recognising that the long term impact of better retention and student success outweighed any short term shortfall in numbers. Whilst there was a slight decrease in retention rates, the University continues to work towards improvements in this important area. Year on year improvements in the National Students Survey now mean that the University is ranked first in the North West for student satisfaction and fourth in the UK.

Following the University’s strong outcome in the Research Excellence Framework with 55% of its academic staff submitted in twelve Units of Assessment. The results of which were published in December 2014, ambitious plans for the next such exercise have been put in place so that 75% of eligible staff will submit research at least of international significance. Thirty full-funded PhD Scholarships were awarded in the year in areas of research strength and attached to lead researchers.

A new outreach and recruitment campaign has been launched to double the number of undergraduate applicants so that a more selective approach to recruiting 1,400 students each year can be adopted. This will use the resources of the whole University, bringing together student recruitment, corporate communications, conferencing, alumni and events to coordinate this campaign with active involvement of Faculty staff. Awareness raising activities as well as direct student recruitment will continue to move the University from being a sub-regional provider to being a national recruiter. International links with the like-minded institutions of quality in Africa, North and South America and Europe are continually explored and the international strategy will run alongside the strategy for home recruitment.

## **Strategic Report** *(continued)*

The University continued to make a number of academic appointments in areas where the curriculum was developing and student numbers made it viable, all in line with the well-established policy of appointing only those staff who would improve the University's academic profile and in all but the rarest of cases with doctorates. The University also appointed a limited number of professional staff in support services and administration to provide the best possible assistance to Faculties and students.

The University completed a Higher Education Review by the Quality Assurance Agency in 2015/16 and the outcomes were excellent with all the necessary standards being met and a commendation awarded for the enhancement of student learning opportunities. This was an important review for the University in terms of reputation.

### *Widening Participation*

The University is committed to the Widening Participation agenda and invests considerable money and effort each year on its work with schools and young people. The University's Access Agreement has been approved by the Office of Fair Access and hardship loans are available for students who experience financial difficulties. There are also a range of facilities available for disabled students to ensure that they are not disadvantaged in any way and are able to fully participate in the life of the University. The University continues to beat its benchmarks in the Higher Education Statistical Agency's Performance Indicators for students from state schools, low participation neighbourhoods, socio-economic classes 4-7 and for students with disabilities.

### *Capital Developments*

After investments in buildings and equipment of over £50m in the previous six years, the University's major capital project has been the construction of a £13.5 million Science Avenue developed in two phases. The initial phase, completed in 2015/16 provides modern laboratory and teaching space for the Faculty of Science (£8.5m) and the second phase, which opened in early 2016/17 focused on Sports Facilities (£5m). The capital build is tied to a strategy of increasing student numbers in Science from the current total, around 900, to around 1,300.

### *Finance*

- Fee income

In 2016/17 Liverpool Hope University charged the maximum £9,000 for full-time undergraduate and PGCE programmes and took the decision to apply the inflationary increase allowed by the Secretary of State in 2017 for new and continuing students; the fee will then be £9,250. The University continued its Scholarships Scheme though, to ensure excellence is rewarded at the desired level, with tighter qualifying criteria than in previous years, paying out a total of £1,227,126 (2015/16 £1,489,368).

- Budget management

The University's budget was devolved to the primary budget holders - the six members of Rectorate Team who report directly to the Vice-Chancellor & Rector. One of the key performance measures for Rectorate Team is the management of their devolved budgets. Monthly variance reports are provided and each budget holder meets a Finance Officer each month to ensure budgets are monitored carefully. The Senior Management Team receives corporate variance reports and any issues are discussed openly. The budget is set from zero each year with only permanent staffing automatically rolled over.

## Strategic Report *(continued)*

### *Results for the Year*

The University's Statement of Comprehensive Income and results for the year to 31<sup>st</sup> July 2017 are summarised below:

	<b>2016/17</b> <b>£000</b>	2015/16 £000
Income	<b>51,307</b>	51,322
Expenditure	<b>47,706</b>	46,817
Operating surplus	<b>3,601</b>	4,505

The University's total income remained static when compared with the previous year with the income from the funding councils decreasing by 3%.

The University continues to generate additional income through a range of Strategic Business Units and increasingly through knowledge transfer CPD and professionally accredited programmes.

The statement of comprehensive income for the year is set out on page 23.

### *Student Numbers*

As at 31<sup>st</sup> July 2017 the University had 5,185 students (31<sup>st</sup> July 2016 – 5,119).

	<b>Full Time Students</b>	<b>Part Time Students</b>
Undergraduate	3,550	150
Postgraduate (taught)	311	342
Postgraduate (research)	84	127
PGCE	415	15
Other	78	113
	-----	-----
	4,438	747
	=====	=====

### *Treasury Management Policy*

At the end of financial year 2017 the cash at bank balance had increased by £3,412,654 to £14,638,653.

There has been significant capital investment over the last four years which has been funded from reserves and grants provided by HEFCE. The University made a strategic decision not to undertake any loans to fund this building programme.

University bank loans had reduced to £6,761,692 at the year-end (2016 - £7,196,041) and no new loans were taken out in 2016/17. All borrowing is undertaken in the name of the University and conforms to HEFCE requirements. The Treasury Management policy is monitored by the Finance and General Purposes Committee and was reviewed in June 2017 with no changes recommended.

## **Strategic Report** *(continued)*

### *Environment and Sustainability*

The University Council through its Finance & General Purposes Committee receives regular reports on the Carbon Reduction Commitment and the University has adopted an overall Sustainability Policy.

### *Major Risks*

The University takes the management of risk seriously. Where a risk is seen as a threat, then mitigations are put in place. However, risks can also be seen as opportunities and the University is not risk averse. Rather, it will take a measured approach to opportunities to achieve its strategic objectives.

Through its Risk Register, reviewed at Senior Management Team meetings, and overseen by the Audit Committee on behalf of University Council, risks which are not directly financial are highlighted. These might be compliance or accountability risks such as data returns, health & safety, safeguarding matters or they might be reputational such as quality audits and inspections. The whims of government policy remain a major risk. The top four risks over the year related to student recruitment, student experience, government policy and finance.

The University continues to scan the policy environment and is fully engaged with sector bodies and local, regional and national partners. The continued healthy surplus on the accounts and the capital investments made without additional borrowing will enable the University to make decisions from a position of relative strength as the level of public funding continues to decrease dramatically. With pressures on student recruitment, it has become even more important to diversify income streams and the strategy to achieve this remains in place by increased taught postgraduate numbers, increased fee-paying international students, more bids and grant applications, more enterprise activity and increased fundraising. The University will continue to thrive and flourish.

The University is acutely aware of a number of issues that will have an impact on the whole higher education sector over the next few years, primarily the marketisation of higher education. The government drive to move initial teacher training away from Universities to schools continues and the University is planning on this basis.

In order to minimise all the risks, the University models a range of scenarios to ensure that plans are in place to respond to any major changes and protect the financial position of the University.



## Directors' Report

### *Legal status*

Liverpool Hope University was re-constituted in 2005 by order of the Privy Council under Section 129B of the Education Reform Act 1988, as a single, joint Anglican-Roman Catholic ecumenical University. It is registered in England and Wales as a Company Limited by Guarantee (3285547) and registered as a Charity (1060579).

Liverpool Hope University is the only ecumenical University in Europe, whose origins lie in colleges (one Anglican College founded in 1844, two Catholic Colleges founded in 1856 and 1965) which came together first in a federation, known as Liverpool Institute of Higher Education and then through full merger as a single ecumenical college. In 2002 taught degree awarding powers were secured and the title Liverpool Hope University College officially bestowed. In July 2005 the granting of full University status led to the adoption of the title Liverpool Hope University and in August 2009, the Privy Council granted the University the power to award research degrees. In the academic and financial year 2016/2017 there were 5,185 students and 652 members of staff, with a range of degrees at undergraduate and postgraduate levels.

### *Members of the University Council – (list of directors can be found on page 1)*

All the members of the University Council are directors of the Company. No director had any interest in any contract made by the University during the financial year, other than a contract of employment as a member of staff and that described in note 18 to the accounts.

### *Mission Statement*

The Mission Statement reflects both the University's traditions and its intention to develop and maintain a distinctive and forward-looking programme relevant to local, regional, national and international needs.

Liverpool Hope University is an ecumenical, Christian foundation which strives:

- to provide opportunities for the well-rounded personal development of all students;
- to educate the whole person in mind, body and spirit, irrespective of age, social or ethnic origins or physical capacity, including in particular those with promise who might otherwise not have had an opportunity to enter higher education;
- to be a provider of high quality educational programmes responsive to the needs of students in the UK and abroad;
- to sustain an academic community, enriched by Christian values and culture, which supports teaching and learning, scholarship and research, encourages the understanding of other faiths and beliefs, and promotes religious and social harmony;
- to be globally credible while contributing to the educational, religious, cultural, social and economic life of Liverpool, Merseyside, North-West England and beyond.

## **Directors' Report** *(continued)*

### *Employee Involvement*

The University places considerable value on the involvement of its employees and on good communication with them. Staff are encouraged to participate in formal and informal consultation at University, faculty and department level, sometimes through membership of formal Committees. The Vice-Chancellor addresses all staff at the start of the academic year. The Vice-Chancellor, meets once a month on a Monday, all Heads of Academic Departments and with his senior team and on another Monday the Directors of resource areas. There is a system of cascading information from those meetings to all staff and departments and service areas are expected to hold regular staff meetings to enhance two way communication. The University's People 2020 Strategy has a strategic strand to enhance engagement with and of staff. The Joint Consultative and Negotiating Committee, (JCNC) is a forum for management and Trades Unions' representatives which meets regularly. There is a weekly electronic newsletter sent to the inbox of all members of staff every Wednesday.

### *Equality and Diversity*

The University is cognisant of its obligations under the Equality Act 2010 and has due regard to equality and diversity in its policy making processes. Its Equality and Diversity Policy and other related information can be found at <http://www.hope.ac.uk/aboutus/governance/equalityanddiversity/>. The University has an Equality & Diversity Steering Committee which reports to Senior Management Team and the Staffing Committee of University Council. The Steering Committee takes an overview of the University's equality objectives and analyses data reports to ensure that any issues relating to groups with protected characteristics are identified and then tackled. The University has participated in the Aurora programme to support women into management and leadership positions, has registered for the Athena Swan award and a Self Assessment Team, chaired by the University Secretary and with cross-University representation and has established its own Women's Network for Leadership Development.

### *Areas of Public Benefit provided by Liverpool Hope University*

In shaping its objectives and planning its activities the University has considered the Charity Commission guidance on public benefit. The University through oversight of its activities at University Council meetings is confident that it fully satisfies the Public Benefit requirements of the Charity Commission as there is a direct benefit to students from its activities and an indirect benefit to the public at large.

The Public Benefit requirement requires two principles to be met.

1. There must be an identifiable benefit or benefits.

The objects of the University are;

- the higher education of men and women including the education and training of persons intending to enter, or engaged in, the teaching profession;
- the furtherance of the Roman Catholic Church and the Church of England, of Christian education, of ecumenical ideals, and of understanding between Christian Churches in the promotion of the Gospel;
- the advancement of knowledge by research and scholarship and teaching and learning;

This is a clearly identifiable benefit.

2. The benefit must be to the public or a section of the public. This area is expanded below.

## **Directors' Report** *(continued)*

### *Public benefit*

As well as the students themselves the University provides benefits for the general public. This includes a range of events such as concerts, lectures and the Cornerstone Festival that are either free or accessible for a minimal charge.

Health and well-being initiatives are also run at the University which the public are able to attend. The University's Service and Leadership award encourages students to undertake a range of voluntary activities across the local community and overseas and is recognised by a formal award at the end of their degree – in 2016/17 all students will automatically be registered on this award. The University is a partner of Contact the Elderly and participates in Childwall in Bloom.

### *Going concern*

The financial position of the University, its cash flow, liquidity and borrowings are described in the Financial Statements and accompanying Notes. The University currently has £6.7 million of loans outstanding with bankers, all being secured by a fixed and floating charge on University assets. The University's forecasts and financial projections indicate that it will be able to operate within these existing facilities and attached covenants for the foreseeable future, taking into account reasonably expected changes in performance.

Accordingly, the University believes that it has adequate resources to continue in operational existence for the foreseeable future and for this reason will continue to adopt the going concern basis in the preparation of its financial statements.

### *Disclosure of information to auditor*

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that s/he ought to have taken as a director to make herself/himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

## **Statement of Directors' responsibilities in respect of Strategic Report, the Directors' Report and the Financial Statements**

The Council (who are the Directors of the University company for the purposes of company law) are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with the Memorandum of Assurance and Accountability issued by HEFCE and applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the University financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*. The Memorandum of Assurance and Accountability further requires the financial statements to be prepared in accordance with the 2015 *Statement of Recommended Practice – Accounting for Further and Higher Education* and the requirements of HEFCE's Accounts Direction to higher education institutions.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the University and of its income and expenditure, gains and losses and changes in reserves for that period. In preparing the University financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;

## **Directors' Report** *(continued)*

### **Statement of Directors' responsibilities in respect of Strategic Report, the Directors' Report and the Financial Statements** *(continued)*

- assess the University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the University or to cease operations, or have no realistic alternative but to do so.

The Council is responsible for keeping adequate accounting records that are sufficient to show and explain the University's transactions and disclose with reasonable accuracy at any time the financial position of the University and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The Council are also responsible under the Memorandum of Assurance and Accountability for:

- ensuring that funds from HEFCE and other funding bodies are used only for the purposes for which they have been given and in accordance with the Memorandum of Assurance and Accountability and any other conditions which HEFCE may from time to time prescribe;
- ensuring that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources; and
- securing the economical, efficient and effective management of the university's resources and expenditure.

The Council is responsible for the maintenance and integrity of the corporate and financial information included on the University's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

While the following is not a specific recreation of the constitutional provisions within the Articles of Government, the principal responsibilities of Council, adopted in December 2005, may be summarised as being:-

1. To approve the educational character, mission and strategic vision of Liverpool Hope University, long-term academic and business plans and key performance indicators, and to ensure that these meet the interests of stakeholders.
2. To delegate authority to the head of the institution, as Rector and Vice-Chancellor, for the academic, corporate, financial, estate and personnel management of the institution, and other responsibilities as detailed in the constitution, and keeping those functions under regular review.
3. To ensure the establishment and monitoring of systems of control and accountability, including financial and operational controls and risk assessment and procedures for handling internal grievances and for managing conflicts of interest.
4. To ensure processes are in place to monitor and evaluate the performance and effectiveness of the institution against the plans and approved key performance indicators, which should be, where possible and appropriate, benchmarked against other comparable institutions.
5. To establish processes to monitor and evaluate the performance and effectiveness of council itself.
6. To conduct its business in accordance with best practice in higher education corporate governance and with the principles of public life drawn up by the Committee on Standards in Public Life.

**Directors' Report** *(continued)*

**Statement of Directors' responsibilities in respect of Strategic Report, the Directors' Report and the Financial Statements** *(continued)*

7. To safeguard the good name and values of Liverpool Hope University.
8. To appoint the head of the institution as Rector and Vice-Chancellor, and to put in place suitable arrangements for monitoring his/her performance.
9. To appoint a secretary to council and to ensure that, if the person appointed has managerial responsibilities in the institution, there is an appropriate separation in the lines of accountability.
10. To be the employing authority for all staff in the institution and to be responsible for establishing a human resources strategy.
11. To be the principal financial and business authority of Liverpool Hope University, to ensure that proper books of account are kept and resources used properly, effectively and efficiently, and to approve the annual budget and financial statements and have overall responsibility for the University's assets, property and estate.
12. To be the institution's legal authority and, as such, to ensure that systems are in place for meeting all the institution's legal obligations, including those arising from contracts and other legal commitments made in Liverpool Hope University's name.
13. To make such provision as it thinks fit for the general welfare of students, in consultation with senate, and for the operation of the Students' Union under a constitution approved by council.
14. To act as trustee for any property, legacy, endowment, bequest or gift in support of the work and welfare of Liverpool Hope University.
15. To ensure that Liverpool Hope University's constitution is followed at all times and that appropriate advice is available to enable this to happen.



Revd Canon P Winn

Director and Chair of Council

## Statement on Corporate Governance and Risk Management

The following statement is based on both HEFCE guidelines and the Higher Education Code of Governance, adopted during 2016/17:

1. This statement is provided to enable readers of the annual report and accounts of Liverpool Hope University to obtain a better understanding of its governance and legal structure.
2. The institution endeavours to conduct its business in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership), and with the guidance to institutions of higher education from the Committee of University Chairmen in its *Guide for Members of HE Governing Bodies in the UK*.
3. Liverpool Hope University is an independent corporation, established as a higher education corporation under the terms of the Education Reform Act 1988 and the Further and Higher Education Act 1992. Its objects, powers and framework of governance are set out in the articles of government which were approved by the Privy Council in 1996. The current version of the articles was approved by the Privy Council with effect from 20<sup>th</sup> April 2005.
4. The articles require Liverpool Hope University to have a governing body and a senate, each with clearly defined functions and responsibilities to oversee and manage its activities.
  - a. The **University Council** is the executive governing body, responsible for matters including the finance, property and staffing of the institution. It is specifically required to determine the educational character and mission of the institution and to set its general strategic direction.

The governing body has a majority of independent members, chosen in accordance with strict criteria contained in the legislation. The chair is elected from among the independent members. There is also provision for the appointment of co-opted members, and representatives of the academic staff and the student body. No members of the governing body will receive any reimbursement for the work they do for that body.
  - b. Subject to the overall responsibility of the governing body, the **Senate** has oversight of the academic affairs of Liverpool Hope University and draws its membership entirely from the staff and the students of the institution, save for 2 Network of Hope College Principals. It is particularly concerned with general issues relating to the learning and teaching and research work of Liverpool Hope University.
5. The Chief Executive Officer (Vice Chancellor and Rector) is the head of Liverpool Hope University and has a general responsibility to the governing body for the organisation, direction and management of the institution. Under the terms of the formal financial memorandum between Liverpool Hope University and the Higher Education Funding Council (HEFCE), the head of the institution is the accounting officer and in that capacity can be summoned to appear before the Public Accounts Committee of the House of Commons.
6. As Chief Executive, the head of the institution exercises considerable influence upon the development of institutional strategy, the identification and planning of new developments, and shaping of the institutional ethos. The Rectorate Team (Deans, Pro Vice-Chancellors and the University Secretary) all contribute in various ways to these aspects of the work, but the ultimate responsibility for what is done rests with the governing body.
7. Liverpool Hope University maintains a register of interests of members of the governing body and Rectorate Team members which may be consulted by arrangement with the Secretary.

## Statement on Corporate Governance and Risk Management *(continued)*

8. In accordance with the articles of government, a secretary to the governing body has been appointed. In that capacity, he provides independent advice on matters of governance to all members of the governing body.

As the governing body of Liverpool Hope University, we have responsibility for maintaining a sound system of internal control that supports the achievement of policies, aims and objectives, while safeguarding the public and other funds and assets for which we are responsible, in accordance with the responsibilities assigned to the governing body in the instrument and articles and the Memorandum of Assurance and Accountability with the HEFCE.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. This process has been embedded and was in operation during the year ended 31 July 2017 and, up to the date of signing these financial statements, accords with HEFCE guidance.

As the governing body, we have responsibility for reviewing the effectiveness of the system of internal control. Consistent with the Risk Management Strategy approved by us, the following processes have been established:

1. We meet four times a year to consider the plans and strategic direction of the institution.
2. We receive periodic reports from the chairman of the Audit Committee concerning internal control, and we receive regular reports from managers on the steps they are taking to manage risks in their areas of responsibility, including progress reports on key projects.
3. We receive a report on discussions of risk at Rectorate Team (the University's senior management team) and have requested the Audit Committee to provide oversight on risk.
4. The Audit Committee receives regular reports from the internal auditor, which include the internal auditor's independent opinion on the adequacy and effectiveness of the institution's system of internal control, together with recommendations for improvement.
5. A robust risk prioritisation methodology based on risk ranking and cost-benefit analysis is established.
6. An organisation-wide risk register is operational.
7. Reports are received from budget holders and project managers on internal control activities.
8. Policies such as the Code of Practice on Whistleblowing, Declarations of Interest, Financial and other Irregularities, including Fraud Policy and an Anti-Bribery Policy have been periodically reviewed and revised.
9. 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, members of the Rectorate Team and other senior managers;
  - A comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets;
  - Regular reviews of academic performance and monthly reviews of financial performance involving variance reporting and updates of forecast outturns;

## **Statement on Corporate Governance and Risk Management** *(continued)*

The Senior Salaries Remuneration Panel determines the remuneration of the most senior staff, including the Vice Chancellor and Rector and reports annually to Council.

The Audit Committee meets three times a year, with the University's external and internal auditor in attendance. The Committee considers detailed reports together with recommendations for the improvement of the University's system of internal control, management's responses and implementation plans. It also receives and considers reports from the Funding Council as they affect the University's business and monitors adherence to the regulatory requirements. Whilst senior executives attend meetings of the Audit Committee as necessary, they are not members of the Committee. The Committee is empowered to meet the External and Internal Auditors on their own for independent discussions.

The Rectorate Team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms which are embedded within the operational units and reinforced by risk awareness training.

The Rectorate Team and the Audit Committee also receive regular reports from internal audit and, as necessary, from the Health and Safety Committee, which include recommendations for improvement.

The Council's agenda includes consideration of risk and control via reports thereon from the Audit Committee and the Rectorate Team. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception.





## **Independent auditors' report to the Council of Liverpool Hope University**

### **Reports on the audit of the Financial Statements**

We have audited the financial statements of Liverpool Hope University for the year ended 31 July 2017 which comprise the Statement of Comprehensive Income, Statement of Changes in Reserves, Balance Sheet, Statement of Cash Flows and related notes, including the Statement of Principal Accounting Policies.

In our opinion the financial statements:

- Give a true and fair view of the state of the University's affairs as at 31 July 2017, and of the University's income and expenditure, gains and losses and changes in reserves, and of the cash flows, for the year then ended;
- Have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, and with the 2015 *Statement of Recommended Practice – Accounting for Further and Higher Education*;
- Meet the requirements of HEFCE's Accounts Direction to higher education institutions for 2016-17 financial statements; and
- Have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Basis for opinion**

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

#### **Going concern**

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

#### **Other information**

The directors are responsible for the other information, which comprises the Strategic Report, Directors' Report and the Statement on Corporate Governance and Risk Management. 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. Based solely on that work:

- we have not identified material misstatements in the other information;
- in our opinion the information given in the Strategic Report, Directors' Report and the Statement on Corporate Governance and Risk Management which together constitute the strategic report and the directors' report for the financial year, is consistent with the financial statements; and
- in our opinion the strategic report and the directors' report have been prepared in accordance with the Companies Act 2006.

# **Independent auditors' report to the Council of Liverpool Hope University**

*(continued)*

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

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the University, or returns adequate for our audit have not been received from branches not visited by us; or
- the University's financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

## **Council responsibilities**

As explained more fully in their statement set out on page 9, the Council (who are the Directors of the University company for the purposes of company law) 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 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 University or to cease operations, or has no realistic alternative but to do so.

## **Auditor's responsibilities**

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

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

## **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

We are required to report on the following matters under the HEFCE Audit Code of Practice (effective 1 August 2016) issued under the Further and Higher Education Act 1992.

In our opinion, in all material respects:

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

**Independent auditors' report to the Council of Liverpool Hope University**  
*(continued)*

**THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES**

This report is made solely to the Council, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and paragraph 13(2) of the University's Articles of Government and section 124B of the Education Reform Act 1988. Our audit work has been undertaken so that we might state to the Council 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 Council for our audit work, for this report, or for the opinions we have formed.



**Clare Partridge**

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

*Chartered Accountants*

1 Sovereign Square

Sovereign Street

Leeds

LS1 4DA

*29 November 2017*

## Statement of Principal Accounting Policies

### 1. Basis of preparation

The University is a company limited by guarantee, and was incorporated on 26 November 1996. Under the terms of the Memorandum and Articles of Association, the members of the University Governing Council have each undertaken to contribute a maximum of £1 in the event of winding up of the company.

These financial statements have been prepared in accordance with both the Statement of Recommended Practice (SORP): Accounting in Further and Higher Education Institutions (2015), applicable accounting standards (FRS 102), and Companies Act where appropriate. The University is a public benefit entity and therefore has applied the relevant public benefit requirement of the applicable accounting standards. They conform to guidance published by the Higher Education Funding Council for England.

The fixed assets were valued at 31<sup>st</sup> July 2014, the University chose to freeze the valuation at that date and use the deemed cost going forward in accordance with FRS 102. Capital grants are accounted for using the performance model as opposed to the accruals model. A requirement for holiday pay involves an accrual for unused annual leave as an expense. Pension fund changes relate to interest computations and the inclusion of the USS scheme.

### 2. Basis of accounting

The financial statements have been prepared under the historical cost convention as modified by the deemed cost of certain fixed assets.

### 3. Basis of consolidation

The financial statements include the University only as there are no trading subsidiaries in existence.

The financial statements do not include those of Liverpool Hope Students' Union as it is a separate organisation in which the University has no control or significant influence over policy decisions.

### 4. Format of the accounts

The directors have taken advantage of the Companies Act 2006 to adapt the format of the accounts to reflect the special nature of the Company's business.

### 5. Recognition of income

The recurrent grants from the Higher Education Funding Council for England (HEFCE) and the National College for Teaching and Leadership (NCTL) represent the funding allocation which is attributable to the current financial year and is credited direct to the statement of comprehensive income.

Grants intended to support the acquisition of tangible fixed assets are credited to the statement of comprehensive income when the University becomes entitled to them, subject to any performance related conditions being met.

Tuition fees represent student fees received and receivable attributable to the current accounting period.

Income to which the University is entitled from research grants and contracts is released to the statement of comprehensive income in proportion to the degree of completion of the associated activity, with reference to expenditure. The University uses the accruals method of accounting for research grants and contracts.

## Statement of Principal Accounting Policies *(continued)*

### 5. Recognition of income *(continued)*

The University acts as an agent in the payment of training bursaries from the NCTL. Related payments received and subsequent disbursements to students are excluded from the statement of comprehensive income and are shown separately in note 17.

### 6. Retirement benefits

The University operates a defined benefit scheme for staff, the Enhanced Pension Provision (EPP). The scheme is a defined benefit scheme which is externally funded and contracted out of the State Second Pension (S2P).

#### Defined Contribution Plan

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the statement of comprehensive income in the periods during which services are rendered by employees.

#### Defined Benefit Plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The University net obligation in respect of defined benefit pension plans and other post-employment benefits is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) and any unrecognised past service costs are deducted. The liability discount rate is the yield at the balance sheet date on AA credit rated bonds denominated in the currency of, and having that have maturity dates approximating to the terms of the University obligations. When the calculation results in a benefit to the University the recognised asset is limited to the total of any unrecognised past services costs and the present value of benefits available in the form of any future refunds from the plan, reductions in future contributions to the plan or on settlement of the plan and takes into account the adverse effect of any minimum funding requirements.

The USS is a multi-employer scheme for which it is not possible to identify the assets and liabilities to the University members due to the nature of the scheme and therefore this scheme is accounted for as a defined contribution retirement benefit scheme. A liability is recorded within provisions for any contractual commitment to fund past deficits within the USS scheme (Note 20).

Retirement benefits for employees of the University are provided by defined benefit schemes, which are funded by contributions from the University and its employees.

The principal schemes for the University's staff are the Teacher's Pension Scheme (TPS) for academic and related staff, the Greater Manchester Pension Fund (GMPF) and the Merseyside Pension (MPF) for non-academic staff. These are defined benefit schemes which are externally funded and contracted out of the State Earnings Related Pension Scheme. Contributions to the scheme are charged to the comprehensive statement of income so as to spread the cost of pensions over employee's working lives with the University in such a way that the pension cost is a substantially level percentage of present and future pensionable payroll. Variations from regular costs are spread over the expected average remaining lifetime of members of the schemes after making allowances for further withdrawals. The contributions are determined by qualified actuaries.

### 7. Employment benefits

Short term employment benefits such as salaries and compensated absences are recognised as an expense during the year in which the employees render service to the organisation. Any unused benefit is accrued and measured as the additional amount the University expects to pay as a result of the unused entitlement.

### 8. Maintenance of premises

The cost of routine corrective maintenance is charged to the statement of comprehensive income as incurred.

## Statement of Principal Accounting Policies *(continued)*

### 9. Operating Leases

Costs in respect of operating leases are charged to the statement of comprehensive income as incurred on a straight-line basis over the lease term.

### 10. Provisions

Provisions are recognised 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.

The calculation of the cost of early retirement provisions charged to the statement of comprehensive income in the year of retirement is based on the total capital cost of providing enhanced pensions with allowance for future investment returns at 2.5% in excess of price inflation.

An amount is included in provisions for liabilities and charges representing the extent to which the capital cost charged exceeds actual payments made. The provision will be released against the cost to the University of enhanced pension entitlements over the estimated life expectancy of each relevant employee. (See note 20).

### 11. Fixed assets

In 1980 the two former colleges, St. Katharine's and Christ's and Notre Dame, entered into a Deed of Adherence with the Liverpool Institute of Higher Education under which they provided their respective properties to the Institute. These were superseded in 1998 by similar Deeds of Arrangement of Membership with Liverpool Hope.

St. Katharine's College (Warrington Training College Incorporated), was granted a 99 year lease in 1963 from the Central Board of Finance of the Church of England for the properties provided to the Institute under the Deed of Adherence. The lease is renewable upon request for a second and final 99 years from 2062.

Christ's and Notre Dame College property is owned by the Trustees of Christ's and Notre Dame College. Under the Deed of Adherence the property of the College was made available for the use of the Institute. These buildings have been included on the balance sheet since 2004/05 to reflect the fact that the University carries the majority of the benefits and liabilities of the buildings.

Under the terms of the Deed of Adherence neither College shall withdraw from Liverpool Hope without the agreement of the remaining College and the consent of the Secretary of State for Education.

Subject to the appropriate agreements, written notice must be given at least five years prior to any withdrawal and, in the first instance, may only be given to expire no earlier than 31<sup>st</sup> August 2023.

Within the Trust Deed and the Deeds of Adherence between the Colleges and the Institute, those elements of the tangible fixed assets which are additions and/or improvements to buildings also become the property of the respective College Trustees.

Fixed assets land and buildings were subject to a full revaluation as at 31<sup>st</sup> July 2014 under a policy of periodic reappraisal at least every five years. The revaluation was undertaken by Eddisons, a firm of chartered surveyors and the basis of valuation has varied depending upon the nature of the property. The majority of properties were valued on a depreciated replacement cost basis, others such as St Michaels & St Julies at Aigburth and Gerard Manley Hopkins at Everton at market value. The accounting policy hitherto had been to revalue all land and buildings within a class of revalued assets but for practical purposes there was one instance where this had not been possible and the property has always been carried at depreciated historical cost, namely the refurbishment of HE teaching facilities at St. Mary's 6<sup>th</sup> Form College, Blackburn. The net book value of the refurbishment in the financial statements as at 31<sup>st</sup> July 2017 is £84,000 (2016 - £94,500).

The revaluation carried out as at 31<sup>st</sup> July 2014 will serve henceforth as deemed cost in accordance with the SORP and no further revaluations will be taking place.

## Statement of Principal Accounting Policies *(continued)*

### 12 Fixed assets (continued)

Where buildings are acquired with the aid of specific grants the assets are capitalised and depreciated on the basis shown below. The related grants are treated as income and released to the statement of comprehensive income within the year in which the grant is received.

Finance costs which are directly attributable to the construction of land and buildings are not capitalised as part of the cost of those assets.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable.

Buildings under construction are accounted for at cost, based on the value of architects' certificates and other direct costs incurred to 31<sup>st</sup> July. They are not depreciated until they are brought into use.

Building refurbishment works are capitalised subject to a minimum threshold of £20,000 per refurbishment project. Such costs are not depreciated until the works are completed. Costs of refurbishment projects costing less than £20,000 are written off to the statement of comprehensive income in the period in which they are incurred.

Equipment costing less than £10,000 per individual item or group of related items constituting a single suite of equipment is written off to the statement of comprehensive income in the period of acquisition. All other equipment is capitalised at cost.

All assets are depreciated over their useful economic lives as follows, and a full year's depreciation is charged in the year of acquisition or transfer:

#### Land & Buildings

Buildings existing at 31 <sup>st</sup> July 2014	As estimated*
New buildings	50 years
Building refurbishments (greater than £20,000)	10-20 years

#### Vehicles

Motor vehicles	5 years
----------------	---------

#### Equipment

Computer equipment	3 years
Furniture & fittings	5 years
Steinway Pianos	10 years

\*As part of the revaluation carried out on 31<sup>st</sup> July 2014, the estimated useful lives of the existing buildings were reassessed in consultation with the firm of chartered surveyors who had carried out the revaluation. Estimates varied from building to building, ranging from a minimum of 10 years to a maximum of 60 years.

### 12. Taxation Status

The University is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 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 exclusively for charitable purposes. Subsidiary companies are liable for corporation tax for charitable purposes.

The University is partially exempt in respect of Value Added Tax, so that it can only recover a minor element of VAT charged as inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

## Statement of Principal Accounting Policies *(continued)*

### 13. Bursaries and Scholarships

The University provides bursaries and scholarships to students from its own revenue funds. These bursaries and scholarships are shown in the statement of comprehensive income, as expenditure, and not deducted from income.

The University also distributes bursaries on behalf of the National College for Teaching and Leadership. The University only acts as agent and has no interest in these funds. As such, these transactions are not recognised in the consolidated income and expenditure account.

### 14. Cash Flows, Cash and Cash Equivalents

Cash flows comprise increases or decreases in cash. Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty. Cash Equivalents are short term highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value. They include term deposits, government securities and loan stock held as part of the University's Treasury Management activities and policies.

### 15. Finance Leases

Fixed assets held under hire purchase agreements and the related hire purchase obligations are recorded in the balance sheet and these assets are depreciated over their useful life.

On 31<sup>st</sup> March 2011 the University acquired the remaining lease on Gerard Manley Hopkins Hall, a 188 bed student accommodation block at their Everton campus. The remainder of the lease was acquired for a premium of £625,000 payable to the former lease holder, also requiring the payment of an annual rent payable to the lessor, at time of acquisition, of £376,494 (currently £447,015) with inflationary increases every 5 years until the termination of the lease in November 2038. At the end of the term the University has the option to buy the freehold for 25% of market value and this outcome has been treated in the accounts as a foregone conclusion. Taking all aspects of the lease into account the University is accounting for it as a hire purchase, at the rate of interest implicit in the minimum lease payments (including the payment to acquire the freehold at the end of the term), and therefore including the asset at open market value of the property (£6,261,151 adjusting for dilapidations) at 31<sup>st</sup> March 2011.



## Statement of Comprehensive Income

Year ended 31<sup>st</sup> July 2017

	<i>Note</i>	<b>2017</b> £	<b>2016</b> £
<b>Income</b>			
Funding council grants	<i>1</i>	<b>3,434,332</b>	3,615,339
Tuition fees and support grants	<i>2</i>	<b>41,162,245</b>	40,728,352
Research grants and contracts	<i>3</i>	<b>311,127</b>	196,290
Other operating income	<i>4</i>	<b>5,942,303</b>	6,265,559
Investment income	<i>5</i>	<b>64,770</b>	132,223
		<hr/>	<hr/>
<b>Total income before other grants and donations</b>		<b>50,914,777</b>	50,937,763
Donations and other grant income		<b>392,285</b>	384,600
		<hr/>	<hr/>
Total Income		<b>51,307,062</b>	51,322,363
		<hr/>	<hr/>
<b>Expenditure</b>			
Staff costs	<i>6</i>	<b>28,021,907</b>	27,077,608
Other operating expenses	<i>7</i>	<b>14,506,367</b>	14,520,636
Depreciation	<i>10</i>	<b>3,751,675</b>	3,700,399
Interest and other finance costs	<i>8</i>	<b>1,425,882</b>	1,518,038
		<hr/>	<hr/>
<b>Total expenditure</b>	<i>9</i>	<b>47,705,831</b>	46,816,681
		<hr/>	<hr/>
<b>Operating surplus</b>		<b>3,601,231</b>	4,505,682
		<hr/>	<hr/>
<b>Surplus for the year</b>		<b>3,601,231</b>	4,505,682
<b>Actuarial gain/(loss) in respect of pension scheme</b>		<b>7,114,787</b>	(3,781,273)
		<hr/>	<hr/>
<b>Total comprehensive income for the year</b>		<b>10,716,018</b>	724,409
		<hr/>	<hr/>
<b>Represented by:</b>			
Restricted comprehensive income for the year		-	-
Unrestricted comprehensive income for the year		<b>10,716,018</b>	724,409
		<hr/>	<hr/>
		<b>10,716,018</b>	724,409
		<hr/> <hr/>	<hr/> <hr/>

## Statement of Changes in Reserves

Year ended 31<sup>st</sup> July 2017

	Unrestricted Reserve £	Revaluation Reserve £	Total £
Balance at 1 August 2016	55,767,306	36,235,768	92,003,074
Operating surplus	3,601,230	-	3,601,230
Actuarial gain in respect of pension scheme	7,114,787	-	7,114,787
Transfers	948,518	(948,518)	-
<b>Balance at 31 July 2017</b>	<b>67,431,841</b>	<b>35,287,250</b>	<b>102,719,091</b>

## Statement of Changes in Reserves

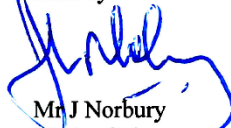
Year ended 31<sup>st</sup> July 2016


	Endowment £	Unrestricted Reserve £	Revaluation Reserve £	Total £
Balance at 1 August 2015	113,237	54,094,377	37,184,287	91,391,901
Operating surplus	(113,237)	4,505,682	-	4,392,445
Actuarial gain in respect of pension scheme	-	(3,781,273)	-	(3,781,273)
Transfers	-	948,519	(948,519)	-
<b>Balance at 31 July 2016</b>	<b>-</b>	<b>55,767,306</b>	<b>36,235,768</b>	<b>92,003,074</b>

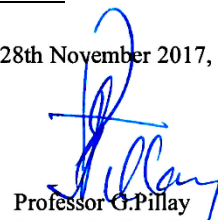
## Balance Sheet as at 31<sup>st</sup> July 2017

	<i>Note</i>	2017 £	2016 £
<b>Fixed assets</b>			
Tangible assets	<i>10</i>	<b>119,423,449</b>	119,504,844
		<hr/>	<hr/>
		<b>119,423,449</b>	119,504,844
		<hr/>	<hr/>
<b>Current assets</b>			
Debtors	<i>11</i>	<b>1,828,609</b>	1,555,375
Cash at bank and in hand		<b>14,638,653</b>	11,225,999
		<hr/>	<hr/>
		<b>16,467,262</b>	12,781,374
<b>Creditors: amounts falling due within one year</b>	<i>12</i>	<b>(5,537,965)</b>	(6,478,428)
		<hr/>	<hr/>
<b>Net current assets</b>		<b>10,929,297</b>	6,302,946
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		<b>130,352,746</b>	125,807,790
		<hr/>	<hr/>
<b>Creditors: amounts falling due after more than one year</b>	<i>13</i>	<b>(12,309,611)</b>	(12,673,723)
<b>Provisions for liabilities and charges</b>	<i>20</i>	<b>(722,044)</b>	(551,993)
		<hr/>	<hr/>
<b>Net assets excluding pension liability</b>		<b>117,321,091</b>	112,582,074
<b>Pension liability</b>	<i>21</i>	<b>(14,602,000)</b>	(20,579,000)
		<hr/>	<hr/>
<b>Total net assets</b>		<b>102,719,091</b>	92,003,074
		<hr/> <hr/>	<hr/> <hr/>
<b>Restricted Reserves:</b>			
<b>Unrestricted Reserves:</b>			
Income and expenditure reserve		<b>67,431,841</b>	55,767,306
Revaluation reserve		<b>35,287,250</b>	36,235,768
		<hr/>	<hr/>
<b>Total funds</b>		<b>102,719,091</b>	92,003,074
		<hr/> <hr/>	<hr/> <hr/>

The financial statements on pages 23 to 42 were approved by the University Council on 28th November 2017, and signed on its behalf by:

  
Mr J Norbury  
Chair of Finance & General  
Purposes Committee

  
Revd Cannon P Winn  
Chair of University Council

  
Professor G Pillay  
Rector & Vice Chancellor

## Statement of Cash Flows

Year ended 31<sup>st</sup> July 2017

	2017 £	2016 £
<b>Cash flow from operating activities</b>		
Surplus for the year	3,601,231	4,505,682
<b>Adjustment for non-cash items</b>		
Depreciation	3,751,675	3,700,399
Investment income	(64,770)	(132,223)
Interest payable	1,425,882	1,518,038
(Increase)/decrease in Debtors	(273,234)	131,018
(Decrease) in Creditors	(870,225)	(59,994)
Increase/(decrease) in Provisions	110,263	(25,914)
Pension costs	680,000	244,000
<b>Adjustment for investing or financing activities</b>		
Capital grants utilised in year	(392,285)	(384,600)
<b>Net cash inflow from operating activities</b>	<u>7,968,537</u>	<u>9,496,406</u>
<b>Cash flows from investing activities</b>		
Capital grants received	392,285	384,600
Payments to acquire fixed assets	(3,670,280)	(9,663,263)
	<u>(3,277,995)</u>	<u>(9,278,663)</u>
<b>Cash flows from financing activities</b>		
Income from endowments	-	(113,237)
Other interest received	64,770	132,223
Interest paid	(908,307)	(923,187)
Repayments of borrowed amounts	(434,349)	(414,990)
	<u>(1,277,886)</u>	<u>(1,319,191)</u>
	<u>3,412,656</u>	<u>(1,101,448)</u>
<b>Increase/(decrease) in cash</b>	<u><u>3,412,656</u></u>	<u><u>(1,101,448)</u></u>

## Notes

(forming part of the financial statements)

### 1 Funding council grants

	2017 £	2016 £
Recurrent grant – HEFCE	2,149,355	2,193,761
Recurrent grant – NCTL	-	27,540
<b>Specific grants</b>		
HEFCE Research Assessment	964,224	959,565
Higher Education Innovation Fund	320,753	434,473
	<u>3,434,332</u>	<u>3,615,339</u>

### 2 Tuition fees and short course fees

	2017 £	2016 £
Full-time students	37,146,900	36,611,364
Full-time students charged overseas fees	689,160	754,604
Part-time students	932,200	605,518
	<u>38,768,260</u>	<u>37,971,486</u>
Total fees paid by or on behalf of individual students		
Short course fees	2,393,985	2,756,866
	<u>41,162,245</u>	<u>40,728,352</u>

### 3 Research grants and contracts

	2017 £	2016 £
Research councils	10,584	-
Research charities	90,135	114,821
Industry and commerce	107,373	15,264
Other	103,035	66,205
	<u>311,127</u>	<u>196,290</u>

### 4 Other operating income

	2017 £	2016 £
Residences, catering and conferences	5,296,191	5,604,148
Other income	646,112	661,411
	<u>5,942,303</u>	<u>6,265,559</u>

**Notes** (*continued*)

<b>5 Investment income</b>	<b>2017</b>	2016
	£	£
Interest receivable	<b>64,770</b>	132,223
	<u>                    </u>	<u>                    </u>

**6 Staff costs (including directors' emoluments)**

	<b>2017</b>	2016
	£	£
Wages and salaries	<b>22,310,783</b>	22,009,842
Social security costs	<b>2,204,894</b>	1,828,935
Other pension costs	<b>3,506,230</b>	3,238,831
	<u>                    </u>	<u>                    </u>
	<b>28,021,907</b>	27,077,608
	<u>                    </u>	<u>                    </u>

The average numbers of staff employed by the University (FTE)	<b>2017</b>	2016
	Number	Number
	FTE	FTE
Academic	<b>306</b>	277
Administrative and technical	<b>251</b>	263
Manual and ancillary	<b>95</b>	98
	<u>                    </u>	<u>                    </u>
	<b>652</b>	638
	<u>                    </u>	<u>                    </u>

**Emoluments of the Vice-chancellor**

	<b>2017</b>	2016
	£	£
Salary	<b>264,723</b>	261,240
Benefits	<b>5,526</b>	9,741
Pension	<b>43,626</b>	42,533
	<u>                    </u>	<u>                    </u>
Total	<b>313,875</b>	313,514
	<u>                    </u>	<u>                    </u>

The emoluments of the Rector are shown on the same basis as for higher paid staff (excluding employer's social security contributions). The University's pension contributions to the Teachers Pension Scheme are paid on behalf of the Vice-Chancellor & Rector at the same rate as for other academic staff.

All payments to directors are in respect of services as members of staff and relate to the period of office. Where appropriate these emoluments are also included in the bands for higher paid staff.

## Notes (continued)

The number of staff, including senior post-holders and the Vice Chancellor & Rector, who received remuneration excluding employer pension contributions in the following ranges was:

	2017 Number	2016 Number
£100,000 - £109,999	-	-
£110,000 - £119,999	2	2
£120,000 - £129,999	-	1
£130,000 - £139,999	2	1
£250,000 - £259,999	-	-
£270,000 - £279,999	1	1
	<u>5</u>	<u>5</u>

## Key Management Personnel

	2017 £	2016 £
	<u>1,310,206</u>	<u>1,299,347</u>

While administration of the University is controlled and managed by the University Council, the day to day operations are conducted by the Senior Management Team, comprising the members of the Rectorate team (Vice Chancellor, Pro-vice Chancellors, University Secretary and Deans) and the Directors of Finance, IT Services, Student Administration and Estates. The figure disclosed comprises total gross salaries of the Senior Management Team excluding employer's pension and national insurance contributions.

## 7 Other operating expenses

	2017 £	2016 £
Residences, catering and conference operating expenses	481,300	306,651
Teaching departments	3,015,185	3,141,614
Books and periodicals	486,658	659,286
Heat, light, water and power	1,395,099	1,357,837
Repairs and general maintenance	1,643,590	1,824,189
Grants to Liverpool Hope Students' Union	240,000	241,772
External auditors' remuneration	42,840	44,768
Other support services	544,077	528,429
Administration and central services	5,329,359	5,135,659
Other income generating activities	203,446	231,893
Other operating expenses	1,123,683	1,047,500
Reimbursement of Trustees' expenses	1,130	1,038
	<u>14,506,367</u>	<u>14,520,636</u>

2 Trustees were reimbursed for expenses directly connected with their duties as Trustees. In 2016/17 these expenses were travel (including international travel), conferences and hospitality amounting to £1,130. In 2015/16 the expenses related to travel and conferences and amounted to £1,038.

**Notes** (*continued*)

**8 Interest and other finance costs**

	2017 £	2016 £
Interest payable on bank loans not wholly repayable within five years	367,187	389,088
Pension fund interest payable	517,575	594,850
Interest payable on finance lease	541,120	534,100
	<u>1,425,882</u>	<u>1,518,038</u>

**9 Analysis of expenditure**

	Staff costs £	Depreciation £	Interest payable £	Other operating expenses £	Total £
Academic departments	16,758,155	-	-	3,015,185	19,773,340
Academic support services	1,734,570	-	-	1,213,707	2,948,277
Other support services	1,356,072	-	-	784,077	2,140,149
Administration and central services	4,331,516	-	-	5,329,359	9,660,875
General education expenditure	-	-	-	42,862	42,862
Premises	2,262,205	-	-	3,436,431	5,698,636
Other income generating activities	511,627	-	-	203,446	715,073
Residences, catering and conferences	1,067,762	-	-	481,300	1,549,062
Depreciation	-	3,751,675	-	-	3,751,675
Interest payable	-	-	1,425,882	-	1,425,882
	<u>28,021,907</u>	<u>3,751,675</u>	<u>1,425,882</u>	<u>14,506,367</u>	<u>47,705,831</u>
Total per Statement of Comprehensive Income	<u>28,021,907</u>	<u>3,751,675</u>	<u>1,425,882</u>	<u>14,506,367</u>	<u>47,705,831</u>



**Notes (continued)**

**10 Tangible fixed assets**

	<b>Assets in the course of construction</b>	<b>Land and Buildings</b>	<b>Equipment</b>	<b>Vehicles</b>	<b>Total</b>
	£	£	£	£	£
<b>Deemed cost</b>					
At 1 August 2016	4,378,803	119,597,710	6,739,862	106,713	130,823,086
Additions at cost	2,051,918	1,246,133	372,229	-	3,670,280
Disposals at cost	-	-	-	(11,312)	(11,312)
Transfers	(5,986,424)	5,986,424	-	-	-
	<u>444,298</u>	<u>126,830,267</u>	<u>7,112,091</u>	<u>95,401</u>	<u>134,482,055</u>
At 31 July 2017	<u>444,298</u>	<u>126,830,267</u>	<u>7,112,091</u>	<u>95,401</u>	<u>134,482,055</u>
<b>Depreciation</b>					
At 1 August 2016	-	5,832,410	5,379,120	106,713	11,318,243
Eliminated on disposals	-	-	-	(11,312)	(11,312)
Charge for the year	-	3,084,860	666,814	-	3,751,675
	<u>-</u>	<u>8,917,270</u>	<u>6,045,934</u>	<u>95,401</u>	<u>15,058,606</u>
At 31 July 2017	<u>-</u>	<u>8,917,270</u>	<u>6,045,934</u>	<u>95,401</u>	<u>15,058,606</u>
<b>Net book value</b>					
At 31 July 2016	4,378,803	113,765,300	1,360,742	-	119,504,844
	<u>444,298</u>	<u>117,912,996</u>	<u>1,066,157</u>	<u>-</u>	<u>119,423,449</u>
<b>At 31 July 2017</b>	<b><u>444,298</u></b>	<b><u>117,912,996</u></b>	<b><u>1,066,157</u></b>	<b><u>-</u></b>	<b><u>119,423,449</u></b>

Included is £6,154,875 which relates to Gerard Manley Hopkins Hall, acquired at an imputed cost of £6,261,151 in March 2011. The substantive nature of the acquisition was that of a hire purchase arrangement with rental payments due for 27½ years from the date of acquisition. The property is being depreciated over its remaining useful economic life of 42 years.

Fixed assets include £8,266,000 in relation to land. The land has not been depreciated in the accounts.

**11 Debtors**

	2017 £	2016 £
<b>Amounts falling due within one year</b>		
Trade debtors	1,103,416	868,852
Sundry debtors	112,760	234,817
Prepayments and accrued income	612,433	451,706
	<u>1,828,609</u>	<u>1,555,375</u>

**Notes** (continued)

**12 Creditors: amounts falling due within one year**

	2017 £	2016 £
Loans	458,217	434,349
Trade creditors	556,648	347,334
Social security and other taxation payable	1,105,453	1,028,260
Accruals and deferred income	3,417,647	4,668,485
	<u>5,537,965</u>	<u>6,478,428</u>

**13 Creditors: amounts falling due after more than one year**

	2017 £	2016 £
Loans secured on residential and other property repayable by 2030	6,303,475	6,761,692
Obligations under hire purchase agreement	6,006,136	5,912,031
	<u>12,309,611</u>	<u>12,673,723</u>

Analysis of secured and unsecured loans:	2017 £	2016 £
<b>Due within one year or on demand (Note 12)</b>	<b>458,217</b>	<b>434,349</b>
Due between one and two years	481,096	458,217
Due between two and five years	1,592,798	1,515,722
Due in five years or more	4,229,581	4,787,753
	<u>6,303,475</u>	<u>6,761,692</u>
<b>Debt due after more than one year</b>	<b>6,303,475</b>	<b>6,761,692</b>
	<u>6,761,692</u>	<u>7,196,041</u>
<b>Total secured and unsecured loans</b>	<b>6,761,692</b>	<b>7,196,041</b>

Interest/terms on loans	Original Value	Interest rate	Basis	Number of years remaining
	£	%		
Alexander Jones Building	600,000	1.225	Fixed	6
Sports centre	1,900,000	7.101	Fixed	6
Cloisters/Hermitage	420,000	1.123	Fixed	11
Student accommodation	8,300,000	5.622	£7m Fixed	13
		0.908	£1.3m Variable	

The loans are secured on the relevant assets of the University. All loans are repaid by instalments over the period of the loan.

## Notes (continued)

### 14 Lease Obligations

Total payable under hire purchase agreement	<b>2017</b>	2016
	£	£
Later than 5 years	<b>6,006,136</b>	5,912,031
	<hr/>	<hr/>
Total payment due	<b>6,006,136</b>	5,912,031
	<hr/> <hr/>	<hr/> <hr/>

### 15 Reconciliation of cash flow to Statement of Financial Position

	2016	Cash flows	<b>2017</b>
Cash at bank	11,225,999	3,412,654	<b>14,638,653</b>
	<hr/>	<hr/>	<hr/>

### 16 Capital commitments

	<b>2017</b>	2016
	£	£
Commitments contracted for at 31 <sup>st</sup> July	<b>1,617,489</b>	1,709,000
	<hr/>	<hr/>

### 17 Training bursary payments

	<b>2017</b>	2016
	£	£
Grant due (from)/to NCTL at start of year	<b>(93,710)</b>	172,898
Grant paid by National College for Teaching and Leadership (NCTL)	<b>3,406,290</b>	2,956,942
Payments to trainees	<b>(3,291,600)</b>	(3,223,550)
	<hr/>	<hr/>
<b>Grant due to/(from) NCTL at end of year</b>	<b>20,980</b>	(93,710)
	<hr/> <hr/>	<hr/> <hr/>

During the year the University administered the Training Bursary Scheme for PGCE students. The University acts only as paying agent. The grants and related disbursements are therefore excluded from the income and expenditure account.

### 18 Related party disclosures

Due to the nature of the University's operations and the composition of the University Council (being drawn from local public and private sector organisations), it is inevitable that transactions will take place with organisations in which a Member of the Board may have an interest. All transactions involving organisations in which a member of the board of governors may have an interest are conducted at arm's length and in accordance with the University's financial regulations and normal procurement procedures.

The financial statements of the University include transactions with related parties. Council members declare their interests, the University updates the register of interests annually and will disclose any material transactions. Following the testing of transactions we have concluded there are no material items to be disclosed.

## Notes (continued)

### 19 Connected Charitable Institutions

The University is connected to one charitable institution, Liverpool Hope Carter Preston Foundation which was set up in its current state in April 2012. The University appoints two of the trustees. The Foundation has no income or expenditure. Assets were valued by the insurer at £440,000 and the Foundation has £500,000 in its current account as at 31 July 2015.

### 20 Provisions for liabilities and charges

	Obligation to fund deficit on USS pension	Pension enhancement on termination	Total pension provision	Other	Total
	£	£	£	£	£
At 1 <sup>st</sup> August 2016	304,857	247,135	551,992	-	551,992
Utilised in year	59,370	(24,702)	34,668	134,950	169,618
Interest cost	9,024	8,551	17,575	-	17,575
Actuarial loss	-	(17,156)	(17,156)	-	(17,156)
	<u>373,251</u>	<u>213,828</u>	<u>587,079</u>	<u>134,950</u>	<u>722,029</u>

Other provision relates to potential European Regional Development Fund (ERDF) fine.

### 21 Pension and similar obligations

The University's employees belong to three principal pension schemes, the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff, the Greater Manchester Pension Fund (GMPF) and the Merseyside Pension Fund (MPF) for non-academic staff. The total pension cost for the period was £3,732,232, (2016: £3,513,679).

	2017 £	2016 £
As at 1 August	20,579,000	16,007,000
(Decrease)/increase in liability	(5,977,000)	4,572,000
	<u>14,602,000</u>	<u>20,579,000</u>
As at 31 <sup>st</sup> July (see note 21 for further details)	<u>14,602,000</u>	<u>20,579,000</u>
The University's pension liability is analysed as follows:	£	£
Greater Manchester Pension Fund	13,462,000	18,719,000
Merseyside Pension Fund	1,140,000	1,860,000
	<u>14,602,000</u>	<u>20,579,000</u>

## Notes (continued)

### Teachers' Pension Scheme (TPS)

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations 2010, and, from 1 April 2014, by the Teachers' Pension Scheme Regulations 2014. These regulations apply to teachers in schools and other educational establishments, including academies, in England and Wales that are maintained by local authorities. In addition, teachers in many independent and voluntary-aided schools and teachers and lecturers in some establishments of further and higher education may be eligible for membership. Membership is automatic for full-time teachers and lecturers and, from 1 January 2007, automatic too for teachers and lecturers in part-time employment following appointment or a change of contract. Teachers and lecturers are able to opt out of the TPS.

### The Teachers' Pension Budgeting And Valuation Account

Although members may be employed by various bodies, their retirement and other pension benefits are set out in regulations made under the Superannuation Act 1972 and are paid by public funds provided by Parliament. The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – these contributions, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Act.

The Teachers' Pensions Regulations 2010 require an annual account, the Teacher's Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pension increases). From 1 April 2001, the Account has been credited with a real rate of return, which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

### Valuation of the Teachers' Pension Scheme

The latest actuarial review of the TPS was carried out as at 31 March 2012 and in accordance with The Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014. The valuation report was published by the Department for Education (the Department) on 9 June 2014. The key results of the valuation are:

- employer contribution rates were set at 16.4% of pensionable pay;
- total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £14.9 billion
- an employer cost cap of 10.9% of pensionable pay.

The new employer contribution rate for the TPS was implemented in September 2015.

**A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website at the following location:**

<https://www.teacherspensions.co.uk/news/employers/2014/06/publication-of-the-valuation-report.aspx>

## **Notes** *(continued)*

### **Scheme Changes**

Following the Hutton report in March 2011 and the subsequent consultations with trade unions and other representative bodies on reform of the TPS, the Department published a Proposed Final Agreement, setting out the design for a reformed TPS to be implemented from 1 April 2015.

The key provisions of the reformed scheme include: a pension based on career average earnings; an accrual rate of 1/57th; and a Normal Pension Age equal to State Pension Age, but with options to enable members to retire earlier or later than their Normal Pension Age. Importantly, pension benefits built up before 1 April 2015 will be fully protected.

In addition, the Proposed Final Agreement includes a Government commitment that those within 10 years of Normal Pension Age on 1 April 2012 will see no change to the age at which they can retire, and no decrease in the amount of pension they receive when they retire. There will also be further transitional protection, tapered over a three and a half year period, for people who would fall up to three and a half years outside of the 10 year protection.

Regulations giving effect to a reformed Teachers' Pension Scheme came into force on 1 April 2014 and the reformed scheme commenced on 1 April 2015.

The pension costs paid to TPS in the year amounted to £1,703,632 (2016: £1,574,696).

**Notes** *(continued)*

**Greater Manchester Pension Fund (GMPF)**

The GMPF is a funded defined benefit scheme, with the assets held in a separate trustee administered fund. The total contribution made for the year ended 31 July 2017 was £2,039,000 of which employers contributions totalled £1,510,000 and employees contributions totalled £529,000. The agreed contribution rates for future years are 19.1% for employers and ranges between 5.5% to 12.5% for employees, dependent on salary.

The following information is based upon a full actuarial valuation of the fund as 31 March 2013 updated to 31 July 2017 by a qualified independent actuary.

	2017	2016	2015
Rate of increase in salaries	3.30%	3.20%	3.80%
Rate of increase in pensions in payment/inflation	2.50%	1.90%	2.60%
Discount rate for liabilities	2.70%	2.40%	3.60%
Commutation of pension to lump sums	55.00%	55.00%	55.00%

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement age 65 are:

	At 31 July 2017	At 31 July 2016	At 31 July 2015
Retiring today			
Males	21.50	21.40	21.40
Females	24.10	24.00	24.00
Retiring in 20 years			
Males	23.70	24.00	24.00
Females	26.20	26.60	26.60

## Notes (continued)

### Greater Manchester Pension Fund (continued)

The University's share of assets in the scheme (which is estimated at 0.2% of total scheme assets) and the expected rates of return were:

	Value at 31 July 17	Value at 31 July 16	Long term rate of return Expected 31 Jul 15	Value at 31 July 15
	£000	£000		£000
Equities	32,864	28,108	3.60%	23,684
Bonds	7,303	6,546	3.60%	6,004
Property	2,739	1,925	3.60%	2,335
Cash	2,739	1,925	3.60%	1,334
	<u>45,645</u>	<u>38,504</u>		<u>33,357</u>
Share of total market value of assets				
Present value of scheme liabilities				
- Funded	(59,068)	(57,183)		(47,606)
- Unfunded	(38)	(40)		(41)
Deficit in the scheme	<u>(13,461)</u>	<u>(18,719)</u>		<u>(14,290)</u>

Asset values are at bid value for 2017 while prior years are reported at mid market value. This adjustment has been made in current year as the value is not material.

### Analysis of the amount charged to the statement of comprehensive income

	2017 £000	2016 £000	2015 £000
Current service cost	(2,381)	(1,921)	(1,778)
Past service cost (including curtailments)	(23)	(24)	(17)
Total service cost	<u>(2,404)</u>	<u>(1,945)</u>	<u>1,795</u>

### Analysis of pension finance income

	2017 £000	2016 £000	2015 £000
Interest income on plan assets	935	1,220	1,228
Interest cost on defined benefit obligation	(1,394)	(1,744)	(1,677)
Total net interest	<u>(459)</u>	<u>(524)</u>	<u>449</u>
<b>Total defined benefit recognised in the statement of comprehensive income</b>	<u><b>(2,863)</b></u>	<u><b>(2,469)</b></u>	



## Notes (continued)

<b>Movement in deficit during year</b>	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Deficit in scheme	(18,719)	(14,290)
Movement in year:		
Current service charge	(2,381)	(1,921)
Past service charge (including curtailments)	(23)	(24)
Net interest/return on assets	(459)	(524)
Contributions	1,510	1,432
Remeasurments recognised in the statement of comprehensive income	6,610	(3,392)
	<hr/>	<hr/>
Deficit in the scheme at end of year	(13,462)	(18,719)
	<hr/> <hr/>	<hr/> <hr/>

## History of experience gains or losses

	2017	2016	2015	2014	2013
	£	£	£	£	£
Difference between the expected and actual return on assets	5,253	2,839	880	(1,567)	3,657
Value of Assets	45,644	38,504	33,357	30,190	29,039
% of scheme assets	11.51%	7.37%	2.64%	(5.19%)	12.59%
Experience gains and losses on scheme liabilities	4,174	458	254	223	(1)
Total present value of liabilities	(59,106)	(57,223)	(47,674)	(41,209)	(35,594)
% of Total present value of scheme liabilities	(7.06%)	(0.80%)	(0.53%)	(0.54%)	0.00%
Actuarial gain/(loss) recognised in statement of comprehensive income	6,610	(3,392)	(2,373)	(4,052)	3,030
% of the present value of liabilities	(11.18%)	5.93%	4.98%	9.83%	(8.51%)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**Notes** (continued)

**Merseyside Pension Fund (MPF)**

The MPF is a funded defined benefit scheme, with the assets held in separate trustee administered funds. The total contribution made for the year ended 31 July 2017 was £265,000 of which employer's contributions totalled £256,000 and employees' contributions totalled £9,000. The agreed contribution rates for future years are 38.3% for employers and ranges between 5.5% to 12.5% for employees, dependent on salary.

The following information is based upon a full actuarial valuation of the fund as at 31 March 2016 updated to 31 July 2017 by a qualified independent actuary.

	<b>2017</b> <b>£000</b>	2016 £000	2015 £000
Rate of increase in salaries	<b>3.70%</b>	3.20%	3.70%
Rate of increase in pensions in payment/inflation	<b>2.20%</b>	1.70%	2.20%
Discount rate for liabilities	<b>2.50%</b>	2.40%	3.60%
Commutation of pension to lump sum	<b>50.00%</b>	50.00%	50.00%

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement age 65 are:

	At 31 July 2017	At 31 July 2016	At 31 July 2015
Retiring today			
Males	21.90	22.50	22.40
Females	24.70	25.40	25.30
Retiring in 20 years			
Males	24.90	24.90	24.80
Females	27.70	28.20	28.10

The University's share of assets in the scheme (which is estimated at 0.1% of total scheme assets) and the expected rates of return were:

	<b>Value at 31 July 17</b>	Value at 31 July 16	Long term rate of return expected 31 Jul 15	Value at 31 July 15
	<b>£000</b>	£000		£000
Equities	<b>3,585</b>	3,058	6.50%	3,126
Bonds – government	<b>233</b>	268	2.50%	718
Bonds – other	<b>828</b>	688	3.60%	271
Property	<b>548</b>	478	6.10%	447
Cash & other	<b>1,650</b>	1,335	0.50%	640
	<b>6,844</b>	5,827		5,202
Present value of scheme liabilities				
- Funded	<b>(7,974)</b>	(7,680)		(6,911)
- Unfunded	<b>(10)</b>	(7)		(8)
Related deferred tax liability				
	<b>(1,140)</b>	(1,860)		(1,717)

**Notes** (*continued*)

Asset values are at bid value for 2017 while prior years are reported at mid market value. This adjustment has been made in year as the value is not material.

**Analysis of the amount charged to the income and expenditure account**

	<b>2017</b> <b>£000</b>	2016 £000	2015 £000
Employer service cost (net of employee contributions)	<b>(41)</b>	(36)	(32)
Past service cost	<b>0</b>	0	0
	<hr/>	<hr/>	<hr/>
Total operating credit/(charge)	<b>(41)</b>	(36)	(32)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**Analysis of pension finance income/(costs)**

	<b>2017</b> <b>£000</b>	2016 £000	2015 £000
Interest on plan assets	<b>139</b>	187	194
Interest on pension scheme liabilities	<b>(180)</b>	(244)	(258)
	<hr/>	<hr/>	<hr/>
Pension finance costs	<b>(41)</b>	(57)	(64)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

	<b>2017</b> <b>£000</b>	2016 £000	2015 £000
Actual return on plan assets	<b>601</b>	642	465
Experience gains and losses arising on the scheme liabilities	<b>0</b>	0	0
Change in financial and demographic assumptions underlying the scheme liabilities	<b>(54)</b>	(997)	(662)
	<hr/>	<hr/>	<hr/>
Total remeasurement included within statement of comprehensive income	<b>547</b>	(355)	(197)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**Movement in deficit during year**

	<b>2017</b> <b>£000</b>	2016 £000	2015 £000
Deficit in scheme at beginning of year	<b>(1,860)</b>	(1,717)	(1,712)
Movement in year:			
Current service charge	<b>(41)</b>	(36)	(32)
Contributions	<b>256</b>	306	311
Administration costs	<b>(1)</b>	(1)	(1)
Settlements and Curtailments	<b>0</b>	0	(22)
Net interest/return on assets	<b>(41)</b>	(57)	(64)
Actuarial loss	<b>547</b>	(355)	(197)
	<hr/>	<hr/>	<hr/>
Deficit in scheme at end of year	<b>(1,140)</b>	(1,860)	(1,717)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

## Notes (continued)

### History of experience gains or losses

	2017	2016	2015	2014	2013
	£	£	£	£	£
Difference between the expected and actual return on assets	601	642	465	299	1,080
Value of assets	6,844	5,827	5,202	4,737	4,403
% of scheme assets	8.78%	11.02%	8.94%	6.31%	25.53%
Experience gains and losses on scheme liabilities	-	-	-	(234)-	-
Total present value of liabilities	(7,984)	(7,687)	(6,919)	(6,449)	(6,298)
% of Total present value of scheme liabilities	0.00%	0.00%	0.00%	3.63%	0.00%
Actuarial gain/(loss) recognised in statement of comprehensive income	547	(355)	(197)	(80)	433
% of the present value of liabilities	(6.85%)	4.62%	2.85%	1.24%	(6.88%)

## 22 Financial Instruments

The University operates a treasury management function which is responsible for managing the credit, liquidity and interest risk. These financial risks are managed within the parameters specified in the approved Treasury Management Policy. The Treasury Management Policy adopts the key recommendations of the Code of Practice on Treasury Management in Public Service as issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) as recommended by Higher Education Funding Council for England (HEFCE) and is reviewed, updated and approved annually.

The University's principal financial instruments are cash, investments and loans. The core objective of these financial instruments is to meet the financing needs of the University's operations. The University also has other financial assets and liabilities arising directly from its operations ie trade debtors and creditors.

Credit risk arises from bank balances, investments, student debtor and commercial customers. Student and commercial debtors are reviewed on an ongoing basis and a bad debt provision is made if recovery becomes uncertain, or written off if deemed irrecoverable.

Liquidity risk refers to the risk that the University will not be able to meet its financial obligations as they fall due. Daily, weekly and monthly monitoring of cash position and regular cashflow forecasts are part of the control environment and planning throughout the year. The University policy is to maintain a balance of no more than £10m with any single banking organisation.

Interest rate risk refers to the likelihood that changes in interest rates will result in fluctuations in the value of balance sheet items.

The fair values of each category of the University's financial instruments are the same as their carrying value on the balance sheet.