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Queen Margaret University, Edinburgh is an autonomous Scottish higher education institution. The University's governing instruments and arrangements are set out under the Queen Margaret University, Edinburgh (Scotland) Order of Council 2007, amended from 1 October 2019 through the Queen Margaret University, Edinburgh (Scotland) Amendment Order of Council

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Cash flows and liquidity

The result for the year, adjusted for the effect of non-cash items and interest, was a net cash inflow of £3.7 million on operating activities (2017/18, £3.5 million inflow). Overall cash balances decreased by £0.002 million (2017/18, £0.3 million). Cash balances at 31 July 2019 of £8.1 million (2018, £8.1 million) represented 74 days' expenditure (2018, 80 days).

Management of principal risks and uncertainties

In common with other universities, Queen Margaret University has to manage its activities whilst facing significant pressures on its funding as well as on its cost base. Significant risks facing the University include:-

- Funding from government through the Scottish Funding Council (SFC), the University's main source of income, is likely to suffer from further real-terms reductions over the next few years as a consequence of spending cuts throughout the public sector.
- Recruitment of international students continues to be challenging, largely as a result of difficulties faced by international

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Borrowings

Borrowings at 31 July 2019 amounted to £30.6 million, (31 July 2018, £32.1 million) relating entirely to a secured loan facility with Barclays Bank plc taken out to fund the campus development at Musselburgh.

Pension arrangements

The University is involved in three pension schemes, as follows:-

The Lothian Pension Fund, which is part of the Local Government Pension Scheme (LGPS), is a multi-employer defined benefit scheme. The scheme had a deficit at 31 July 2019. The Fund trustees have, in recent years, applied increases to the level of

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Student involvement

The University seeks to take account of the views of the student body. The Student President and Vice-President are full

Directors' and officers' liability insurance

During the year the University maintained a Directors' and Officers' liability insurance policy to provide cover against any civil

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Membership Of The University Court

Name ; %!' *+) * <' \$
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Dr Frances Dow CBE

[Redacted]

[Redacted]

[Redacted]

[Redacted]

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Summary of the University's Structure of Corporate Governance

The University is committed to best practice in all aspects of corporate governance. This summary describes the manner in which the University has applied the principles set out in the UK Corporate Governance Code, in so far as they apply to the higher education sector. The University has followed the internal control guidance for directors on the Code as amended by the British Universities Finance Directors Group, and has also aligned its practice fully against the principles set out in the Scottish Code of Good Higher Education Governance (Revised 2017). The purpose of this summary is to assist the reader of the financial statements to understand how the principles of good governance set out in both codes have been applied.

The University is not required to comply with the UK Corporate Governance Code. However, it has reported on its Corporate Governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code that it considers to be relevant to the company and best practice, and it has done so throughout the year ended 31 July 2019. The University Court also considers that the University is compliant with the principles of the Scottish Code of Good Higher Education Governance 2017.

Consistent with Article 4(9) of the University's Statutory Instrument and the Scottish Code of Good Higher Education Governance (2017), the University Court has adopted a Statement of Primary Responsibilities which includes provisions relating to:

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To assist members in the performance of their duties, members of the University Court were offered, and attended, several training and development opportunities during 2018-19. These included external training sessions, discrete development and planning away days, as well as presentations on strategic themes relevant to the work of the University at each Court meeting. Training and development opportunities offered to Court members in 2018/19 included:

- Leadership Foundation for HE (Advance HE) – New Governors Scotland module – 24 October 2018, Edinburgh
- Onboard Training - The Effective Audit and Risk Committee: 22 October, Edinburgh; 10 December, Stirling; 4 July 2019, Stirling
- Onboard Training - Essential governance training for Board Members and Audit Committee Members, 10 December, Stirling
- Leadership Foundation for HE (Advance HE) - Governance in Scotland: What's changing? 20 February 2019
- Scott Moncrieff Non-Executive Directors Forum, 'Learning Lessons', 13 March, Glasgow
- Leadership Foundation for HE (Advance HE): Rethinking Governance online course.

New members also received a formal induction session supported by the Court Members' Handbook, published originally in October 2016 and updated annually. The current version may be found at:
<https://www.qmu.ac.uk/media/5415/court-members-handbook-october-2018.pdf>

In accordance with the Financial Memorandum with the Scottish Funding Council (SFC), the University Court is responsible for setting the strategic direction of the University, the approval of overall institutional budgets and major developments and the receipt of regular reports from executive officers on the day to day operation of its business and its subsidiary companies. The University Court has five Ordinary meetings per annum, and has provided delegated authority to a number of Committees, as set out below.

Each of the standing Committees of the University Court is formally constituted with published terms of reference, and with membership comprised mainly of lay members of the University Court, one of whom is the Convener. Lay members are represented on the Equality and Diversity Committee and the Health and Safety Committee, both of which report to the University Court.

The Audit & Risk Committee meets at least three times annually to discuss audit, risk and control matters, with the University's external and internal auditors in attendance as appropriate. The Committee considers detailed internal audit reports and recommendations for the impro

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Higher Education Governance (Scotland) Act 2016

The Higher Education Governance (Scotland) Act 2016 (Commencement, Transitory, Transitional and Savings Provisions) Regulations 2016 were laid in Parliament on 24 November 2016, and came into force on 30 December 2016.

Equality and Diversity (continued)

Embedding equality and diversity in our governance structures and in our strategic planning process is critical to mainstreaming equality and diversity, as is defining responsibilities, setting performance measures and monitoring progress against those measures. The University's Mainstreaming Report and Equality Outcomes, which sets out progress on mainstreaming equality

In accordance with the Companies Act and the University's Statutory Instrument, the University Court is responsible for the strategic development of the University, and also for ensuring that the affairs of the University are administered and managed appropriately, including ensuring an effective system of internal control, and that audited financial statements are presented for each financial year.

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

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

- suitable accounting policies are selected and applied consistently;
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Matters on which we are required to report by exception

In light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have identified no material misstatements in the strategic report or the directors' report included within the Strategic Report and Financial Statements.

We have nothing to report in respect of the following matters where the Companies Act 2006 and the Charities Accounts (Scotland) regulations 2006 (as amended) requires us to report to you if, in our opinion:

- adequate and proper accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
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(D) Accounting for retirement benefits

Retirement benefits for employees of the University are provided by the Local Government Pension Scheme (LGPS)

(G) Foreign currency translations

Assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the end of the financial year, with all resulting exchange differences being taken to the income and expenditure account in the year in which they arise.

(H) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets which had been revalued to fair value on or prior to the date of transition to SO RP 2015 are held on a basis of fair value cost, being the revalued amount at the date of that valuation. Where parts of a fixed asset have different useful lives, they are accounted for as separate items of fixed assets.

Land and Buildings are stated at cost or valuation. Land and Buildings are externally valued every five years. The basis of valuation is depreciated replacement cost. In the period between external valuations the University Court reviews the value of the assets. Where the value of the Land and Buildings is considered to be below cost, either by external valuation

(L) Taxation

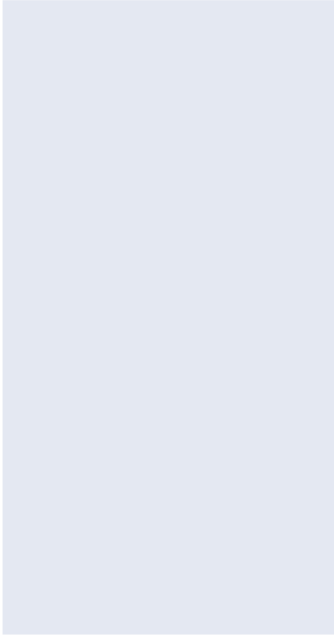
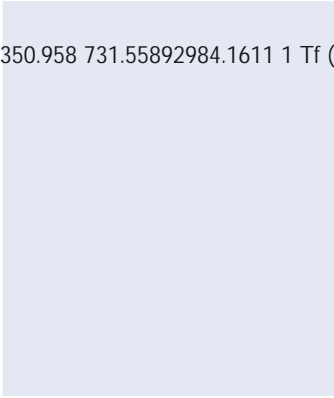
The University is an exempt Charity within the meaning of the Trustee Investment and Charities (Scotland) Act 2005, and as such is a charity within the meaning of section 506(1) of the Income and Corporation Taxes Act 1988. The University is recognised as a charity by HM Revenue & Customs and is recorded on the index of charities maintained by the Office of the Scottish Charity Regulator. It is therefore a charity within the meaning of Para 1 of schedule 6 to the Finance Act 2010 and accordingly, the University is potentially exempt from taxation in respect of income and capital gains received within categories covered by sections 478 to 488 of the Corporation Tax Act 2010 or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively for charitable purposes.

--TUITION FEES AND EDUCATION CONTRACTS (consolidated and university)

2018/19 2017/18

£000 £000

Scottish higher education snj ET BT .T11 1 Tf (0ts 9 350.958 731.55892984.1611 1 Tf (Scottish higher 5,1.4 9 362.181 717.5999 T700TT11 1 Tf



Emoluments of the Principal and Vice-Chancellor
(who was also the highest paid Member of the University Court)

| | 2018/19 £000 | 2017/18 £000 |
|--|-----------------|-----------------|
| Professor Petra Wend | | |
| Salary | 215 | 210 |
| Employers' pension contributions | - | - |
| In lieu of employers' pension contribution | 32 | 32 |
| Benefits in kind | 2 | 2 |
| | <u>1A3</u> | <u>1AA</u> |

There are no pension contributions for Professor Wend. The Principal opted out of the pension scheme in the previous year. Additional payments equivalent to pensions contributions foregone are included within emoluments. The head of the University's basic salary is 5.27 times the median pay of staff, where the median pay is calculated on a full-time equivalent basis for the salaries paid by the University to its staff.

Key management personnel

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The number of members of staff, including the Principal, who received remuneration (including benefits and excluding pension contributions) in the following range was:-

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13. 11GJ?4CP?GC4
Subsidiary Undertaking

| Name of undertaking | Country of incorporation and registration | Description of shares | Proportion of nominal value | Percentage of shares held as at 31 August 2018 |
|-------------------------|---|-----------------------|-----------------------------|--|
| QMU Enterprises Limited | Scotland | Ordinary £1 shares | 100 | 100 |
| | | | <u>100</u> | |

QMU Enterprises Limited undertakes activities which, for legal or commercial reasons, are more appropriately channelled through a separate limited company. These activities include vacation letting, conferences and rendering of services (other than research) for a variety of commercial and other organisations. The results of QMU Enterprises Limited have been consolidated into the group financial statements.

14. 11C6; Q?; GQ\$HCK?6\$6?0?11J; FI?4

| | Consolidated | | University | |
|--------------------------------------|--------------|-------------|-------------|-------------|
| | 2019 | 2018 | 2019 | 2018 |
| | £000 | £000 | £000 | £000 |
| Amounts falling due within one year: | | | | |
| Trade debtors | 858 | 1,040 | 677 | 905 |
| Prepayments and accrued income | 851 | 671 | 784 | 671 |
| Amounts due from subsidiaries | - | - | 364 | 406 |
| | <u>-923</u> | <u>-9--</u> | <u>-71D</u> | <u>-371</u> |

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16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | Consolidated and University | |
|-----------------------------|--------------------------------|------|
| | 2019 | 2018 |
| | £000 | £000 |
| Secured loans (see note 15) | 29,086 | |

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19. REVALUATION RESERVE

| | Consolidated and University | |
|----------------------------|-----------------------------|---------------|
| | 2019 | 2018 |
| | £000 | £000 |
| At 1 August | 31,132 | 31,132 |
| Revaluation Gains | 30,614 | - |
| Release to general reserve | (334) | - |
| At 31 July | <u>£61,412</u> | <u>31,132</u> |

20. L?G4MHG4\$; GQ\$4MPMI ; 6\$HF1 MN; CMHG4

The University's employees belong to three principal pension schemes, the Scottish Teachers Superannuation Scheme (STSS), the Local Government Pension Scheme (LGPS) and the Universities Superannuation Scheme (USS). The total pension cost for the year was £5,833,000 (2017/18: £4,196,000).

Consolidated and University

20. PENSIONS AND SIMILAR OBLIGATIONS (continued)

C) Universities Superannuation Scheme (U SS) (continued)

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

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

The main demographic assumption used relates to the mortality assumptions. The assumptions are based on analysis of the scheme's experience carried out as part of the 2017 actuarial valuation. The mortality assumptions used in these figures are as follows:-

2017 valuation

| | |
|----------------------------------|--|
| Mortality base table | Pre-retirement: 71% of AMC00 (duration 0) for males and 112% of AFC00 (duration 0) for females Post retirement: 96.5% of SAPS S1NMA "light" for males and 101.3% of RFV00 for females |
| Future improvements to mortality | CMI_2016 with a smoothing parameter of 8.5 and a long term improvement rate of 1.8% p.a. for males and 1.6% p.a. for females |

The current life expectancies on retirement at age 65 are:

| | 12-3 | 12-7 |
|-----------------------------------|------|------|
| Males currently aged 65 (years) | 24.6 | 24.5 |
| Females currently aged 65 (years) | 26.1 | 26.0 |
| Males currently aged 45 (years) | 26.6 | 26.5 |
| Females currently aged 45 (years) | 27.9 | |

