



University of Chester

Annual Report and Financial Statements **Year ended 31 July 2020**

Registered Charity No. 525938

Contents**Year ended 31 July 2020**

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Financial Highlights

Year ended 31 July 2020

Result

During the year to 31 July 2020 (year to 31 July 2019 figures in brackets) the consolidated University and subsidiary companies:

- Generated income of £119.7 million (£127.3 million)
- Generated a deficit before other gains and losses of £4.6 million (£3.2 million surplus)
- Generated a net cash inflow from operating activities of £3.2million (£12.5 million)
- Increased expenditure by £0.3 million (£5.8 million)

Financial Strength

At 31 July 2020 the University had:

- Cash and cash equivalents of £18.5 million (£20.7 million)
- Investments of £20.1 million (£20.0 million)
- Total net assets of £44.5 million (£70.1 million)
- A defined benefit pension liability of £54.4 million (£29.6 million)

Financial Investments

During the year to 31 July 2020 the University invested £2.6m million (£3.9 million) in tangible fixed assets.

Staff and students

During the academic year the University:

- Employed an average of 1,595 members of staff (1,599)
- Taught, directly or through collaborative provision and distance learning, higher education students as follows:

Student Headcounts - based on HESA Returns (Student and Agg. Overseas) - (ex Dormant modes)

		Full-Time	Other	2019/0 Total	2018/9 Total	Increase/ Decrease(-)
Home/EU	Undergraduate	7074	665	7739	8398	-8%
	Postgraduate	1046	3531	4577	4663	-2%
	Nursing and Midwifery	1524	389	1913	2056	-7%
International	Undergraduate	1166	169	1335	1386	-4%
	Postgraduate	673	251	924	810	14%
	Nursing and Midwifery	104	36	140	129	9%
2019/20 Total		11587	5041	16628	17442	-5%
2018/19 Total		12113	5329	17442		
Increase/ Decrease(-)		-4%	-5%	-5%		

The 2019/20 figures are for students studying between August 2019 and July 2020. The 2018/19 figures are for students studying between August 2018 and July 2019.

Members of the University Council and their interests
Year ended 31 July 2020

The members of the University Council are the University's charity trustees under charity law. The members of the University Council who served as trustees during the year or subsequently are detailed below:

Members of the University Council	(1)	(2)	(3)
Foundation Members:			
Canon Dr Jeff Turnbull (<i>President</i>)	•		
The Right Reverend the Lord Bishop of Chester, Dr Peter Forster	Left 30-09-2019	•	
The Very Reverend Dr Tim Stratford			
Professor Timothy Wheeler (<i>Vice-Chancellor</i>)	Left 31-12-2019	•	•
Professor Eunice Simmons (<i>Vice-Chancellor</i>)	Appointed 01-01-2020	•	•
Professor Anna Sutton			
Dr Christine Allen	Left 31-08-2019	•	•
Mr Francis Ball	Translated 01-09-2019		•
Dr David Briggs		•	
Mr Ian Davies		•	
Professor Charles Forsdick			•
Mrs Jeannie France-Hayhurst	Translated 01-09-2019	•	•
Mr Nick Jenkins		•	
Dr Cathy Maddaford	Left 31-08-2019		•
Mrs Angela Seeney	Appointed 01-09-2019		
Mrs Sandra Verity		•	•
Dr Sandra Rudd	Left 31-08-2019		•
Non-Foundation Members:			
Ms Eleanor Lewis (<i>Student Union President</i>)		•	
Mrs Cathy Bond	Appointed 01-09-2019		•
Mr Marcus Clinton			
Sir Neil Cossons	Appointed 01-09-2019	•	
Dr Meredydd David (<i>Deputy Chair</i>)		•	
Ms Karen Howell			•
Dr Andrew Miller	Deceased 23-12-2019		
Dr Liane Smith			•
Associate Professor Martin Degg			•
Associate Professor Garfield Southall			
Mr Gordon Reay			•
Mr Adrian Lee (<i>Secretary to the Council</i>)			•

Report of the University Council

Year ended 31 July 2020

During the year the main operational activities of the University Council were carried out through three committees. The current membership of these committees is shown above for each Council member

- (1) Planning & Resources Committee
- (2) Audit & Risk Management Committee
- (3) Human Resources Committee/Joint Forum

The University is also guided and governed by four further committees, namely, Mission; Nominations & Governance Review; Promotions and Senior Salaries.

Members of the University Council had no interest in contracts with the University.

University Senior Staff

The senior staff of the University to whom day to day management is delegated are as follows:

Professor Tim Wheeler	Vice-Chancellor – Retired 31/12/2019
Professor Eunice Simmons	Vice-Chancellor – Commenced 01/01/2020
Professor Anna Sutton	Deputy Vice-Chancellor and Provost of Shrewsbury
Mr Adrian Lee	Senior Pro Vice-Chancellor, University Secretary & Director of Legal Services
Dr Chris Haslam	Senior Pro Vice-Chancellor Academic Quality and Institutional Performance & Provost of Warrington
Mr Richard Waddington	Pro Vice-Chancellor Resources Chief Financial Officer/Bursar
Professor Nick Avis	Pro Vice-Chancellor (0.6) Research & Knowledge Transfer
Mr Brian Fitzpatrick	Pro Vice-Chancellor Professional Services & Operations & COO
Professor Neville Ford	Pro Vice-Chancellor (0.5) Enhancement
Professor Annette McIntosh-Scott	Pro Vice-Chancellor and Provost of Warrington – Retired 31/12/2019
Mr Paul Vernon	Executive Director of Commercial Operations and CEO Thornton Research Properties

Report of the University Council (continued)**Year ended 31 July 2020**

University Advisors

The University retains a number of profession advisers. The advisers during the year were as follows:

Bankers:

NatWest Bank plc
2-8 Church Street
1st Floor
Liverpool
L1 3BG

Auditors:**External**

KPMG LLP
1 St Peter's Square
Manchester
M2 3AE

Internal

RSM
9th Floor
3 Hardman Street
Manchester
M3 3HF

Solicitors:

Knights LLP
58 Nicholas Street
Chester
CH1 2NP

Insurance Brokers:

U M Association Ltd
5 St Helen's Place
London
EC3A 6AB

Report of the University Council (continued)
Year ended 31 July 2020

The Members of the University Council present their Annual Report for the year ended 31 July 2020 under the Charities Act 2011 together with the audited financial statements for the year.

Structure, Governance and Management

Type of organisation: Registered Charity

Nature of Governing Document: Trust Deed

How the Charity is constituted: The University Council set the mission and approve the strategy and policies. Members of the University Council (Governors) are the management trustees and the day-to-day management is with the Senior Management. Chester Diocesan Board of Finance is the custodian trustee of the charity's real estate property, acting as bare trustee of land.

Method of Appointment of Trustees: Trustees are appointed in accordance with the Instrument of Government. The Charity has a Nominations and Governance Review Committee. The Charity is responsible for ensuring that appropriate training is provided. Trustees are appointed for an initial term of office not exceeding three years.

Governors Induction and Training: The University Council have available a range of training opportunities delivered through a variety of formats. The main source of external training is through attendance on various courses organised by Advance HE. In addition, the University Council attends an "Away Day" where contributions on relevant topics are made by external and internal speakers. New members of Council are provided with an induction briefing by the Charity Secretary and an induction meeting with the President of the Council.

Organisation: The Composition of the Council is set out on page 4. It is the Council's responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct.

The Chief Executive (Vice-Chancellor Professor E.A. Simmons) is appointed by the Council to manage the day to day operations of the Charity, and is supported by a Senior Management Team.

Scope and period of financial statements

The financial statements have been presented for the year ended 31 July 2020.

Principal activities of the University

The principal activity of the University is the provision of higher education. The University has a series of well-established programmes leading to the award of BA, BSc, BEd, BTh, BPhil, MA, MEd, MSc and PhD degrees.

The University is committed to the promotion of academic, vocational and personal development and professional training, preparing its students, in collaboration with employers and professional partners in the region and beyond, to make a positive contribution to the social and economic context in which they hope to work.

The University owns a substantial amount of property including a large number of residential properties which are maintained for the sole use of its students.

The Charity has three trading wholly owned subsidiaries:

- Chester Conferences Limited – provision of conference and short-course facilities
- Thornton Research Properties Limited – rental of office and industrial space at Thornton Science Park
- Universities Economic Development Unit Limited - facilitate and support the North West HEIs' future collective activity, engagement and representation in relation to European Structural Funds

Report of the University Council (continued)**Year ended 31 July 2020**

Strategic Report

The 2019-20 academic year has been one of unprecedented challenges not just for the University of Chester but for the Higher Education sector and the Economy as a whole. The over-riding impact of Covid-19 means that the business model of the University has had to temporarily change dramatically and with this there have been both challenges and positive developments.

The University recorded an operating deficit of £4.6m on turnover of £120m. Income was reduced compared to the previous financial years as a result of lower Home/EU student numbers and the financial impact of Covid-19. The latter had a significant impact on residential catering and conference income and this reduced by £3.7m compared to the last financial year and other income streams were impacted. The University experienced a reduction in student enrolments onto its traditional undergraduate programmes although it exceeded internal budget expectations. However, recruitment to professional programmes in Health & Social Care and Education & Children's Services remained strong and there was growth in Apprenticeships, the Centre for Foundation Studies and International postgraduates.

The University continues its work to develop a Medical School with extensive preparations for General Medical Council approval and the appointment of a new Dean of Medicine.

The Higher Education market has continued to be exposed to great uncertainty mainly due to Covid-19 which has resulted in a fragile economy but also due to the continuing negotiations to leave the European Union. Competition for new students continued to intensify with unconditional offers still being made by some institutions. The demographic downturn in the number of 18 year olds persisted and varying external institutional strategies to maintain or grow student numbers has culminated in a difficult market place for new student recruitment. Initiatives to support our student number intake included: a focus on Clearing, the use of UCAS extra and the transferring students into our institution. This has had a positive effect on recruitment in 2020 with home /EU undergraduate recruitment in September being circa 7% better than in 2019.

In January 2020, Professor Eunice Simmons, joined the University as Vice-Chancellor and it has been under her experienced leadership and guidance that the University has responded to the current situation.

During Covid-19 a lot of Government developments such as the Teaching Excellence and Student Outcomes Framework (TEF) have been put on hold. The University awaits guidance in this area. However, during this time of uncertainty the University has continued its own work on developing mechanisms to enhance the quality of the provision in the broadest sense. In September 2020 the Office for Students approved the University's new Access and Participation plan which aims to ensure that equality of opportunity is given to all applicants and students of the University. The plan contains targets that the University has set itself in areas of its under-performance in relation to certain underrepresented groups and it also forms part of the Conditions for Registration as an approved provider. The University has quickly begun work in this area with the development of a new Access and Participation sub-Committee which maintains oversight of this area of work with reports to the Senior Team and Senate. In addition to this work the VC has initiated a Race Equality Challenge group to address any inequalities experienced by staff and students.

In March 2020, the University lost its appeal against the rejection of retrospective planning permission seeking a change in use to Class D1 (non-residential institutions) of Thornton Science Park. As a result of this, the University will be unable to teach on the site from March 2021. This will mean that from this date, teaching will move to the Parkgate Road site and the University will have a new teaching building constructed for the 2021-22 academic year to replace teaching spaces at Thornton. The site will still be retained by the University for the purposes of research and there will still be postgraduate research student based on the site as well as University staff.

Report of the University Council (continued)**Year ended 31 July 2020**

Strategic Report (continued)

The University values what its students and employer organisations say about the University and it responds to feedback, helping to make improvements to our provision in teaching, research and employability skills. During 2019-20, specific attention has been given to the ways in which the employment and life skills of our students can be linked more closely to the development of their academic skills. Employability enhancing experiences were also developed outside of the curriculum that are inclusive for all students regardless of their background. The latest National Student Survey results for 2020 have improved on 2019 results, they remain very positive and continue to be a strength for the University. The University's overall satisfaction rate was 86.36%, which is 3.71% above the sector-wide average. The University is acutely conscious of the importance of the 'student voice' and the scores for 'student voice' were the highest in the North West region. All areas of the University continue to work closely with the Students' Union to extend and enhance the services we provide to our students. Work to enhance the student experience will continue through active partnership and dialogue with all our students.

The transition to Higher Education and the retention of students enrolled at the University continues to be a focus for the institution. To support students in their studies the Student Relationship Management system continues to be developed, taking in to account the new ways of teaching and engaging with students and the PAT system remains key for individual student support. Continuing high levels of student engagement with wellbeing and mental health services combined with the introduction of lockdown measures to help control the spread of Covid-19 has led the University of Chester to adopt innovative ways to support students. New developments include; a 24/7 online counselling service, more peer to peer support services, more staff trained in Mental Health First Aid, plus introducing virtual group wellbeing and one to one appointments following lockdown measures. The University is confident that this proactive approach will help support students to continue their studies. In addition, the move to online delivery across most University support departments is providing greater access for more students.

The University Council, the Vice-Chancellor and the rest of the Senior Team would like to take this opportunity to thank all the staff, students and friends of the University for their hard work, adaptability and flexibility, and continued commitment to our students and our success.

Report of the University Council (continued)
Year ended 31 July 2020

Financial Review

	Year ended 31 July 2020	Year ended 31 July 2019
Financial Performance Indicator		
(Deficit)/surplus before other gains and losses for the year	(£4.6m)	£3.2m
Margin %	(3.8%)	2.5%
Deficit for the year	(£5.0m)	(£1.7m)
Margin %	(4.2%)	(1.3%)
Staff costs as % of income	67.6%	58.8%
Cash inflow from operating activities	£3.2m	£12.5m
Current assets ratio	2.0	1.9
Net liquidity (days) (Number of days expenditure held as cash/investments, based on total expenditure less depreciation)	113	126

Financial Performance in 2019/20 compared to previous year:

	Year ended 31 July 2020	Year ended 31 July 2019
	£'000	£'000
Income	119,754	127,251
Expenditure	(124,364)	(124,080)
Loss on changes in fair value on investment properties	(422)	(4,873)
Deficit	(5,032)	(1,702)

- Group income has decreased by £7.5m (5.8%).
 - Tuition fees decreased by £1.2m (1.2%), this was due to a decrease in Full Time Home students.
- Other income decreased by £5.0m (26%)
 - Residence, catering and conference income decreased by £3.7m (39%). This was due to having no student residence income or catering income since March and the cancelling of conferences during Easter and summer due to Covid-19 restrictions.
 - Other income decreased by £1.3m (14%) primarily due to European funded projects coming to an end and reductions in other income streams due to Covid-19 restrictions e.g. Nursery

Report of the University Council (continued)

Year ended 31 July 2020

- Expenditure increased by £0.3m (0.2%)
- Staffing costs increased by £6.2m (8.3%), this was primarily as a result of an increase in pension charges (increase in contribution rate and pension provision) (4.2%) and pay awards (2%).
 - Depreciation decreased by £0.7m (12.0%).
 - Other operating expenses decreased by £5.3m (12.8%). This was due to reduced costs associated with reduced income generating as well as reduced academic costs and facilities costs due to Covid-19 restrictions.

The University invested £2.6m in fixed assets. The largest items of capital expenditure included:

- IT infrastructure
- Improvements to teaching spaces

Trade Union Facilities Time data for the period April 2019 – March 2020

TABLE 1	Total Number of Union Officials		15
	Full time equivalent employee number		12.74
TABLE 2	Percentage of time Spent on facility time		
		0%	0
		1-50%	15
		51-99%	0
		100%	0
TABLE 3	Percentage of pay bill spent on facility time		
	Total cost of facility time		22415.42
	Total Pay Bill		74,938,258.48
	% of the total pay bill spent on facility time		0.03
TABLE 4	Paid trade union activities		
	% of total paid facility time hours		0

Risks and uncertainties

Covid-19 remains the key risk for the University with uncertainty over lockdown rules and international travel having the potential to impact on the University income further as it has done in 2019-20, with the potential to impact in year income by closure of residences as well as impact future financial years by making student applications levels uncertain from both Home and International students.

Recruitment to undergraduate, education and nursing courses was circa 7% higher than in 2019, and arrests the fall in these numbers over the previous two financial years. However, the two years of lower recruitment is still impacting on the University financial position.

There continues to be upward pressure on the University cost base, particularly around pensions and payroll, with no increase in the undergraduate fee of £9,250 to offset. 2019-20 saw an increase in pension contributions for staff in the Teachers' Pension Scheme of around £2m, the Local Government Pension Scheme will see increases of £300k in 2020-21 and increases in pension provision continued to be required each year.

Report of the University Council (continued)**Year ended 31 July 2020**

Risks and uncertainties (continued)

The movement of the University in a deficit position has seen compliance with banking covenants at risk and though agreement has been reached with lenders for the 2020 and 2021 year ends, this will remain a key risk until the University moves into a stable surplus position.

There still remains a lot of risks and uncertainties resulting from the UK's exit from the European Union. This creates uncertainties across several areas of activity, particularly grant funding for research and commercial projects and the removal of funding for undergraduate students from Europe. It is also anticipated that this could have an impact on the University cost base through increased inflation or weakness in the value of sterling.

Public benefits and inclusivity

The beneficiaries are the students who participate in higher education at the University of Chester. Ultimately higher education provides a skilled population that can contribute to the growth of the economy and the wider community as a whole.

The University of Chester has a strong network of student support including a Students' Union, has a commitment to providing education in an open inclusive environment and a bursary scheme for those students from low income households. In addition tuition fee loans allow students to defer the repayment of fees until they finish their studies and earn over £26,568 a year. It is felt that these measures contribute to widening participation and ensure that the opportunity to participate is not restricted by the ability to pay fees.

The acquisition of property ensures residences are available for occupation solely by students of the University of Chester at an affordable rent and has the underlying benefit of widening participation in higher education. This investment in the housing stock is facilitated by the activities of the subsidiary companies and gift aiding taxable profits to the Charity. Once in receipt of these funds the Charity can utilise them to meet the overall objectives stated above.

In setting our objectives and planning our activities the University Council has given careful consideration to the Charity Commission's general guidance on public benefit. The balance of the benefits against any detriment or harm are considered during the decision-making processes of the University and during the activities performed. Property purchases and developments always comply with building regulation guidelines and restrictive covenants and there is regard for the wider environmental impacts. The aim of the Charity is the provision of higher education, and the infrastructure required for this should be balanced against the environmental impact this can have.

Aims, objectives and activities for the public benefit

The underlying aim of the Charity continues to be the provision of higher education.

The objectives of the Charity are:

- To ensure that the University's Christian foundation, underpinning ethos and supportive people-centred culture continue to play an appropriately prominent and facilitative role in the development and strengthening of the institution.
- To be a successful teaching led and research informed University.
- To deliver high quality, actively supported and highly regarded teaching within a curriculum.
- To employ a framework which is responsive to emerging developments and improvements in programme design and delivery including work-based learning and technology enhanced learning.
- To ensure that teaching activities are informed by relevant and up-to-date research and advanced scholarship.

Report of the University Council (continued)**Year ended 31 July 2020**

Aims, objectives and activities for the public benefit (continued)

- To promote an environment within which staff are able to translate the research undertaken by themselves or others into effective technology and knowledge transfer and exchange services to business and industry.
- To creatively develop new and successful niche markets.
- To seek modest growth and consolidation in student numbers, with an emphasis upon: maintaining a broadly based curriculum grounded in the University's current portfolio of disciplines; further development of taught postgraduate and research degree provision; further development of part-time student numbers and foundation degree programmes; and exploring appropriate international development opportunities.
- To be committed to employer and community engagement which is successful in attracting into study individuals with a range of backgrounds and experiences.
- To manage the University's operations and finances efficiently and prudently with an increasingly varied range of income sources.
- To ensure that the University's forward vision and strategy are actively shared and promoted amongst staff, students and interested external stakeholders.

Strategies employed to achieve the objectives

- To provide our students with the best possible integrated learning experiences that enhance their intellectual, professional and personal growth, both inside and outside of the University.
- To provide programmes of study, delivery methods and academic support arrangements that are of high quality and responsive to learner needs and employer expectations.
- To foster excellence in research, scholarship and knowledge transfer/enterprise.
- To apply our intellectual and academic resources to social, economic and community development in the region, the nation and, where appropriate, internationally.
- To create an intellectual community and workplace that respects, welcomes and promotes diversity and equality through learning and teaching; research and scholarship; outreach and other University activities and practices.
- To provide a modern learning and working environment that meets the diverse needs of our staff, students and other users in a flexible, cost effective and efficient manner.
- To sustain and develop a financially secure University within which management systems and structures actively empower staff and students to respond creatively, collaboratively and effectively to the many opportunities and challenges facing the institution.

Investment powers and policy

The Charity invests funds on short-term deposit to ensure a safe and reasonable level of interest is earned and assists the Charity in achieving its objectives. The interest earned within the year amounted to £255k (2019: £251k).

The use of short-term deposits is deemed appropriate as this provides a low risk investment with an acceptable rate of return. Short-term deposits also provide the required flexibility to access cash quickly as and when it is required.

The University's Treasury Management Policy incorporates the Socially Responsible Investment Policy.

Report of the University Council (continued)**Year ended 31 July 2020**

Reserves policy (not including pension reserve)

The Charity's Trust Deed places no specific restrictions on the application of the Charity's funds, provided that they are applied solely towards the objectives of the Charity as set forth in the Deed.

The Charity aims to provide facilities of a high standard and this is achieved through a programme of substantial capital investment, which is financed from general reserves, the subsidiary covenant payments and from bank borrowings. It is the University Council's policy to keep free reserves at a reasonable level in light of the organisation's requirements.

Reserves are mainly needed to fund growth and asset acquisition and refurbish the existing property stock. In addition, short-term reserves will also be needed to fund the development of new courses as well as other initiatives. The Trustees therefore consider the ideal level of reserves at 31 July 2020 to be at least 150% of short-term creditors before taking into consideration the pension liability. This level of reserves would allow all external short-term creditors at this date to be paid in full, and leave sufficient funds to invest.

The actual Consolidated Reserves for year ended 31 July 2020:

Unrestricted: £44,138k (2019: £69,688k)

Endowments: £405k (2019: £400k)

At 31 July 2020 consolidated reserves are therefore 188% of short-term creditors and deemed to be sufficient.

Employee consultation

The average number of lecturing and support staff employed by the University during the year was 1,595 (2019: 1599). An active policy of information dissemination encourages employee involvement and participation in the University development process. Employee representatives are regularly consulted on a variety of issues affecting their own and the University's interests.

Auditor

The members of the University Council who held office at the date of approval of this report confirm that;

- so far as they are each aware, there is no relevant audit information of which the University's auditor is unaware; and
- each member has taken all the steps that he or she ought to have taken to be aware of any relevant audit information and to establish that the University's auditor is aware of that information.

Going concern

The University recorded a deficit of £4.6m before other gains and losses, but a positive operating cashflow helped ensure the University ended the year with cash and cash equivalents of £18.5m, and investments of £20.1m. The budget for 2020-21 is for a consecutive deficit, forward cash forecasts demonstrate adequate availability of financial resources.

These deficits mean that the University was not compliant with some existing loan covenants for 2020 and 2021, however agreement has been reached with lenders to amend these covenants to ensure that the University remains compliant.

Report of the University Council (continued)**Year ended 31 July 2020**

Going concern (continued)

The impact of Covid-19 had an impact on several income streams during the 19-20 year particularly income from student residences and conferences. The pandemic remains a key risk in that area as well as the ability of the University to enrol students from overseas. That said the University has seen an increase in the number of new full-time home students enrolling in the University in 2020, and applications from overseas students increased significantly for 2020 and early indications are that applications will grow again for 2021 entry.

There continues to be pressure on the cost base of the University and 2019-20 saw an increase of 7.2% in Teachers Pension Scheme payments as well as a small increase in LGPS contributions. There also remains uncertainty over the UK's exit from the European Union and the impact this will have on the value of sterling and inflation.

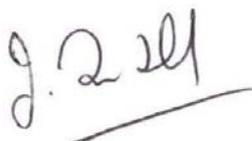
We have sensitised our forecasts to assess the impact of potential falls in student numbers and potential cost increases and are satisfied that the University has sufficient headroom in its cash flow projections to withstand the impact of reasonably possible downside scenarios during the 12 months following the date of approval of the financial statements.

On this basis, the University Council is satisfied that, despite the current economic and political uncertainty, the University has adequate resources to continue in operational existence for the foreseeable future and for at least 12 months from the date of signature of these financial statements. Further details regarding the basis of preparation are given in the Statement of Accounting Policies.

Conclusion

The University has had a successful year. Despite reductions in public funding and upward pressure on costs, the University is well placed to manage challenges in the coming years, due to careful cost management and the strategic refocusing of the University's portfolio across all its faculties and sites which should ensure the University can continue to recruit well in the future.

President of the Council:
Canon Dr J. Turnbull



Deputy President of the Council:
Dr M. David



24th February 2021

Corporate Governance Statement

Year ended 31 July 2020

Corporate Governance Statement

The University is committed to exhibiting best practice in all aspects of governance. This summary describes the manner in which the University complies with Committee of University Chairs (CUC) Higher Education Code of Governance (2014) and its continued compliance with the 2020 edition issued September 2020. The purpose of this summary is to help the reader of the financial statements understand how the principles have been applied.

In the opinion of the Members of the University Council, the University has applied the principles of the Higher Education Code of Governance (2014 and 2020) in so far as they apply to the Higher Education Sector, and it has applied these throughout the year ended 31 July 2020 and up to the date of these accounts.

The Council

The composition of the Council is set out on page 4. It is the Council's responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct.

The University Council meets four times a year and has several committees, including the Planning and Resources Committee, the Nominations and Governance Review Committee, the Human Resources Committee, the Senior Salaries (Remuneration) Committee, the Mission Committee and the Audit and Risk Management Committee.

Planning and Resources Committee

The Planning and Resources Committee meet six times a year and considers in detail the Strategic Plan and the Financial Forecasts. It also considers the mid-year Financial Forecast and Budgets. It considers the overall objectives of the University and is provided with the minutes from the Council Committees and receives a report at each meeting from the Vice-Chancellor. It makes recommendations, as appropriate, to the Council.

Nominations and Governance Review Committee

Any new appointments to the University Council are made in accordance with the Instrument of Government. The University Council has a Nominations and Governance Review Committee which considers the skills mix and general requirements for membership of the University Council. The University Council is responsible for ensuring that appropriate training is provided. Members of the Council are appointed for an initial term of office not exceeding three years.

Human Resources Committee

The Human Resources Committee meets at least three times a year and considers the consultative procedures with the staff unions recognised by the University Council, monitors the implications of all staffing policies of the University, and makes recommendations as appropriate to the Planning and Resources Committee.

A University Health, Safety and Environment Committee reports to the Human Resources Committee. It meets at least three times a year, reviews existing safety policies, considers the need for new safety procedures, reviews the implementation of approved safety procedures, provides advice on health and safety to staff and students, receives notification of all accidents, studies incidents and related statistics, receives reports from the safety representative and the health and safety adviser and promotes co-operation across the University to secure sound health and safety. The Health, Safety and Environment Committee's annual report is presented to the University Council.

Corporate Governance Statement (continued)**Year ended 31 July 2020**

Senior Salaries Remuneration Committee

Considers and makes recommendations to the University Council on the remuneration and conditions of service of:

- the Vice-Chancellor;
- the Deputy Vice-Chancellor; and (following the recommendation of the Vice-Chancellor):

(i) the holders of senior posts (defined as follows as at 15th June 2020):

- University Secretary and Director of Legal Services
- Senior PVC, Academic Quality and Institutional Performance
- PVC Resources and Bursar/Chief Financial Officer

and

(ii) the holders of such other senior posts as the Council Members may from time to time determine and the following posts:

- Pro Vice-Chancellor (Research & Knowledge Transfer)
- Pro Vice-Chancellor (Professional Services & Operations and Chief Information Officer)
- Pro Vice-Chancellor (Enhancement)

The University Council shall take the Senior Salaries Committee's recommendations into account in considering and determining the remuneration and conditions of service of the holders of the senior posts specified above.

To determine grievances against the Vice-Chancellor and similar matters which relate to remuneration and conditions of service.

In discharging its terms of reference the Senior Salaries Committee will:

1. consider comparative information on the emoluments of employees within its remit when determining salaries, benefits and terms and conditions;
2. ensure that all arrangements are clearly recorded;
3. report on its decisions and operation at least annually to the University Council. Such a report should not normally be withheld from any members of the University Council and will record, inter alia:
 - (a) the resulting overall levels of increase in the aggregate salary costs of the Vice-Chancellor, the Deputy Vice-Chancellor and the holders of other posts the remuneration of which is determined by the Committee; and
 - (b) the agreed base salary for the Vice-Chancellor.

Justification for total remuneration package for the Vice Chancellor

The Committee is influenced by a wide range of factors in determining the Vice-Chancellor's remuneration and utilises evidence from the higher education sector to benchmark pay and normally agrees quantified performance targets that are aligned to the strategy of the University. Market rates for remuneration are considered and evidenced by the comparative data, together with growing sector and institutional challenge and complexity, increasing competition and size of roles; skills, experience and individual performance.

Justification for total remuneration package for the Vice Chancellor (continued)

Professor Simmons was appointed as Vice-Chancellor by resolution of the University Council passed on 11th July 2019. She took up post on 1st January 2020. The Committee had been advised as to remuneration during the recruitment process by an external professional search organisation and by a serving Vice-Chancellor who sat as an external adviser on the University Council recruitment panel and took into account members' own knowledge and experience.

The data supporting decisions on the Vice-Chancellor's and other senior staff pay is drawn from the following:

- data maintained by the Higher Education Statistics Agency and the Office for Students;
- the UCEA Annual Senior Staff Remuneration Survey;
- the Committee of University Chairs' Vice-Chancellor Salary Survey (when available).

Mission Committee

The Mission Committee meets at least three times a year and its role is to promote and support the Christian ethos of the University through interpreting the nature and character of the University as defined by the University Council, monitoring its impact on University life and to make recommendations as necessary to the University Council.

Audit and Risk Management Committee

The Audit and Risk Management Committee meets at least four times a year. The Audit and Risk Management Committee considers both internal and external audit reports and recommendations together with management's response and it reviews the annual financial statements. In order to allow sufficient independence, members of the Audit and Risk Management Committee do not sit on Council Committees where staffing or financial matters are decided. For further independence there are professional members who are not Members of the University Council. The Independent Auditor responsible for Internal Audit attends each meeting of the Audit and Risk Management Committee. The Audit and Risk Management Committee meet annually with the Internal and External Auditors without Officers of the University being present. During the year the committee undertook a mapping exercise against the new CUC HE Audit code of Practice and recommended adoption of the code.

Statement of Internal Control

The University Council is responsible for the University's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

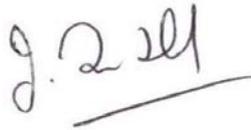
During the course of the year, internal audit work was undertaken by RSM. RSM's annual report for the year 19/20 concluded a positive overall opinion and confirmed that the university had "an adequate and effective assurance framework".

The Council has reviewed the key risks to which the University is exposed, together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Council is of the view that there is an ongoing process for identifying, evaluating and managing the University's significant risks, that has been in place for the year ended 31 July 2020 and up to the date of approval of the annual report and financial statements, that it is regularly reviewed by the Council and that it accords with Higher Education Code of Governance.

Corporate Governance Statement (continued)Year ended 31 July 2020

Statement of Internal Control (continued)

The Senior Management 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 Senior Management Team and the Audit and Risk Management Committee also receive regular reports from the internal auditor and from the Health, Safety and Environment Committee which include recommendations for improvement. The Audit and Risk Management Committee's role in this area is confined to a high level review of the arrangements for internal financial control. The Council's agenda includes a regular item for consideration of risk and control and receives reports thereon from the Vice-Chancellor and the Audit and Risk Management Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its Michaelmas meeting, the Council carried out the annual assessment for the year ended 31 July 2020 by considering documentation from the Vice-Chancellor and the Audit and Risk Management Committee, and took account of events since 31 July 2020.



President of the Council

Canon Dr J. Turnbull

Parkgate Road,
CHESTER,
CH1 4BJ

Deputy President of the Council.....

Dr M. David

24th February 2021

Statement of University Council Responsibilities in Respect of the Annual Report and the Financial Statements**Year ended 31 July 2020**

Statement of University Council Responsibilities in Respect of the Annual Report and the Financial Statements

The University Council are responsible for preparing the Annual Report and the financial statements in accordance with the requirements of the Office for Students' Terms and conditions of funding for higher education institutions and Research England's Terms and conditions of Research England grant and applicable charity law and regulations.

They are required to prepare group and parent 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 terms and conditions of funding further require the financial statements to be prepared in accordance with the 2019 Statement of Recommended Practice – Accounting for Further and Higher Education, in accordance with the requirements of the Accounts Direction issued by the Office for Students. The University Council are required to prepare financial statements which give a true and fair view of the state of affairs of the group and parent University and of their income and expenditure, gains and losses and changes in reserves for that period.

In preparing each of the group and parent University financial statements, the University Council 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;
- assess the group and parent 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 group or the parent University or to cease operations, or have no realistic alternative but to do so.

The University Council is responsible for keeping proper accounts and proper records in relation to the accounts. 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 University Council are also responsible for ensuring that:

- funds from whatever source administered by the Group or the University for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- funds provided by the Office for Students and Research England have been applied in accordance with the terms and conditions attached to them;
- 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 University 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.

Independent Auditor's Report to the University Council
Report on the Audit of the Financial Statements
Year ended 31 July 2020

Opinion

We have audited the financial statements of the University of Chester ("the University") for the year ended 31 July 2020 which comprise the Consolidated and University Statement of Comprehensive Income and Expenditure, Consolidated and University Statements of Changes in Reserves, Consolidated and University Balance Sheets, Consolidated Cash Flow Statement and related notes, including the Statement of Accounting Policies.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the University's affairs as at 31 July 2020 and of the Group's and the University's income and expenditure, gains and losses and changes in reserves, and of the Group's cash flows, for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, and with the 2019 *Statement of Recommended Practice – Accounting for Further and Higher Education*; and
- meet the requirements of the Accounts Direction dated 25 October 2019 issued by the Office for Students.
- have been properly prepared in accordance with the requirements of the Charities Act 2011.

Basis for opinion

We have been appointed as auditor under section 144 of the Charities Act 2011 (or its predecessors) and report in accordance with regulations made under section 154 of that Act.

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

Going concern

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

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

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

Independent Auditor's Report to the University Council (continued)
Report on the Audit of the Financial Statements
Year ended 31 July 2020

Other information

The University Council is responsible for the other information, which comprises the Annual Report and the Report of the University Council and Corporate Governance Statement. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

University Council responsibilities

As explained more fully in their statement set out on page 20, the University Council is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the Group or the parent University or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

We are required to report on the following matters by the Accounts Direction dated 25 October 2019 issued by the Office for Students ('the Accounts Direction').

In our opinion, in all material respects:

- funds from whatever source administered by the Group or the University for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- income has been applied in accordance with the University's articles of government; and
- funds provided by the Office for Students, UK Research and Innovation (including Research England), the Education and Skills Funding Agency and the Department for Education have been applied in accordance with the relevant terms and conditions.

Independent Auditor's Report to the University Council (continued)
Report on the Audit of the Financial Statements
Year ended 31 July 2020

Matters on which we are required to report by exception

We are required by the Accounts Direction to report to you where the University has an access and participation plan that has been approved by the Office for Students' director of fair access and participation and the results of our audit work indicate that the Group's and the University's expenditure on access and participation activities for the financial year disclosed in note 9 has been materially misstated.

We are also required by the Accounts Direction to report to you where the results of our audit work indicate that the Group's and the University's grant and fee income, as disclosed in note 3 to the financial statements has been materially misstated.

We have nothing to report in these respects.

Under the Charities Act 2011 we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

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

This report is made solely to the University Council, who are the trustees of the university for the purposes of charity law, in accordance with section 144 of the Charities Act 2011 (or its predecessors) and regulations made under section 154 of that Act, and paragraph 12(3) 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 University 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 University Council for our audit work, for this report, or for the opinions we have formed.



Timothy Cutler
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 St Peter's Square
Manchester
M2 3AE

26th February 2021

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

Consolidated and University Statement of Comprehensive Income and Expenditure
Year ended 31 July 2020

	Notes	Year ended 31 July 2020		Year ended 31 July 2019	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
Income					
Tuition fees and education contracts	1	93,797	93,797	94,964	94,964
Funding body grants	2	9,819	9,819	10,439	10,439
Research grants and contracts	4	1,699	1,699	2,458	2,458
Other income	5	14,072	14,797	19,073	18,975
Investment income	6	358	357	313	313
Total income before endowments and donations		119,745	120,469	127,247	127,149
Donations and endowments	7	9	9	4	4
Total Income		119,754	120,478	127,251	127,153
Expenditure					
Staff costs	8	81,028	81,028	74,822	74,818
Other operating expenses	11	36,136	36,432	41,425	41,597
Depreciation	12	4,946	4,946	5,623	5,623
Interest and other finance costs	10	2,254	2,254	2,210	2,210
Total Expenditure		124,364	124,660	124,080	124,248
(Deficit)/Surplus before other gains or losses		(4,610)	(4,182)	3,171	2,905

**Consolidated and University Statement of Comprehensive Income and Expenditure
(continued)**

Year ended 31 July 2020

	Notes	Year ended 31 July 2020		Year ended 31 July 2019	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
Loss on changes in fair value of investment properties*	12	(422)	(422)	(4,873)	(4,873)
Deficit for the year		(5,032)	(4,604)	(1,702)	(1,968)
Actuarial loss in respect of pension schemes	24	(20,513)	(20,513)	(8,395)	(8,395)
Total comprehensive income for the year		(25,545)	(25,117)	(10,097)	(10,363)
Represented by					
Endowment comprehensive income for the year		5	5	5	5
Unrestricted comprehensive income for the year		(25,550)	(25,122)	(10,102)	(10,368)
Attributable to the University		(25,545)	(25,117)	(10,097)	(10,363)
Surplus for the year attributable to:					
University		(5,032)	(4,604)	(1,702)	(1,968)

All items of income and expenditure relate to continuing activities

Consolidated and University Statement of changes in Reserves
Year ended 31 July 2020

Consolidated	Income and Expenditure Account		Total
	Endowment	Unrestricted	
	£'000	£'000	
Balance at 1 August 2018	395	79,790	80,185
Surplus from the statement of comprehensive income	4	(1,706)	(1,702)
Other comprehensive income		(8,395)	(8,395)
Release of restricted funds spent in year	1	(1)	-
Total comprehensive income for the year	5	(10,102)	(10,097)
Balance at 1 August 2019	400	69,688	70,088
Surplus from the statement of comprehensive income and expenditure	9	(5,041)	(5,032)
Other comprehensive income		(20,513)	(20,513)
Release of restricted funds spent in year	(4)	4	-
Total comprehensive income for the year	5	(25,550)	(25,545)
Balance at 31 July 2020	405	44,138	44,543

Consolidated and University Statement of changes in Reserves (continued)
Year ended 31 July 2020

University	Income and Expenditure Account		Total
	Endowment	Unrestricted	
	£'000	£'000	
Balance at 1 August 2018	395	78,888	79,283
Surplus from the statement of comprehensive income and expenditure	4	(1,972)	(1,968)
Other comprehensive income	-	(8,395)	(8,395)
Release of restricted funds spent in year	1	(1)	-
Total comprehensive income for the year	5	(10,368)	(10,363)
Balance at 1 August 2019	400	68,520	68,920
Surplus from the statement of comprehensive income and expenditure	9	(4,613)	(4,604)
Other comprehensive income		(20,513)	(20,513)
Release of restricted funds spent in year	(4)	4	-
Total comprehensive income for the year	5	(25,122)	(25,117)
Balance at 31 July 2020	405	43,398	43,803

Consolidated and University Balance Sheets
Year ended 31 July 2020

	Notes	As at 31 July 2020		As at 31 July 2019	
		Consolidated	University	Consolidated	University
		£'000	£'000	£'000	£'000
Fixed assets	12	118,792	118,792	121,158	121,158
Investment properties	12	9,063	9,063	9,485	9,485
Current assets					
Stock	13	79	79	42	42
Trade and other receivables	14	7,547	7,584	7,753	7,159
Investments	15	20,101	20,101	20,028	20,028
Cash and cash equivalents	21	18,457	17,196	20,742	19,554
		46,184	44,960	48,565	46,783
Less: Creditors: amounts falling due within one year	16	(23,669)	(23,185)	(24,982)	(24,366)
Net current assets		22,515	21,775	23,583	22,417
Total assets less current liabilities		150,370	149,630	154,226	153,058
Creditors: amounts falling due after more than one year	17	(51,000)	(51,000)	(53,779)	(53,779)
Provisions					
Provisions for liabilities	18	(54,827)	(54,827)	(30,359)	(30,359)
Net assets		44,543	43,803	70,088	68,920
Restricted Reserves					
Income and expenditure reserve - endowment reserve	19	405	405	400	400
Unrestricted Reserves					
Income and expenditure reserve - unrestricted		44,138	43,398	69,688	68,520
Total Reserves		44,543	43,803	70,088	68,920

The financial statements were approved by the University Council on 24th February 2021 and were signed on its behalf on that date by:

Euse A. Simmons

Professor E.A. Simmons, Vice-Chancellor.....

J. Turnbull

Canon Dr J. Turnbull, President of the Council.....

Consolidated Cash Flow Statement
Year ended 31 July 2020

	Notes	Year ended 31 July 2020	Year ended 31 July 2019
		£'000	£'000
Cash flow from operating activities			
Deficit for the year		(5,032)	(1,702)
Adjustment for non-cash items			
Depreciation	12	4,946	5,623
Loss on investments	12	422	4,873
(Increase)/decrease in stock	13	(37)	5
Decrease in debtors	14	206	21
(Decrease) in creditors	16	(1,127)	(220)
Increase in pension provision	24	4,214	3,521
(Decrease)/increase in other provisions	18	(259)	259
Adjustment for investing or financing activities			
Investment income	6	(257)	(253)
Interest payable	10	1,560	1,675
Endowment income	19	(9)	(4)
Capital grant income	2	(1,421)	(1,336)
Net cash inflow from operating activities		<u>3,206</u>	<u>12,462</u>
Cash flows from investing activities			
Proceeds from sales of fixed assets		12	-
Capital grants receipts		603	1,066
New deposits	15	(73)	(20,028)
Investment income	6	257	253
Payments made to acquire fixed assets	12	(2,592)	(3,854)
		<u>(1,793)</u>	<u>(22,563)</u>
Cash flows from financing activities			
Interest paid	10	(1,560)	(1,675)
Endowment cash received	19	9	4
Repayments of amounts borrowed	17	(2,147)	(2,173)
		<u>(3,698)</u>	<u>(3,844)</u>
Decrease in cash and cash equivalents in the year		<u>2,285</u>	<u>(13,945)</u>
Cash and cash equivalents at beginning of the year	18	20,742	34,687
Cash and cash equivalents at end of the year	18	18,457	20,742

Statement of Accounting Policies

Year ended 31 July 2020

The following accounting policies have been applied consistently in the current and preceding years dealing with items which are considered material in relation to the University's financial statements.

Basis of preparation

The financial statements have been prepared under the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education Institutions 2015 and in accordance with Financial Reporting Standards (FRS 102). These financial statements are prepared in accordance with the historical cost convention. They have also been prepared in accordance with the 'carried forward' powers and duties of previous legislation (Further and Higher Education Act 1992 and the Higher Education Act 2004) and the new powers of the Higher Education and Research Act 2017 during the transition period to 31 July 2019, the Accounts Direction issued by the Office for Students (OfS), the Terms and conditions of funding for higher education institutions issued by the Office for Students and the Terms and conditions of Research England Grant.

The University is a public benefit entity and therefore has applied the relevant public benefit requirement of the applicable UK laws and accounting standards.

Going concern

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

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

The University recorded a deficit of £4.6m before other gains and losses, but a positive operating cashflow helped ensure the University ended the year with cash and cash equivalents of £18.5m, and investments of £20.1m. The budget for 2020-21 is for a consecutive deficit, forward cash forecasts demonstrate adequate availability of financial resources. These deficits mean that the University was not compliant with some existing loan covenants for 2020 and 2021, however agreement has been reached with lenders to amend these covenants to ensure that the University remains compliant.

The Council have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements. We have sensitised our forecasts to assess the impact of potential falls in student numbers and potential cost increases and are satisfied that the University has sufficient headroom in its cash flow projections to withstand the impact of reasonably possible downside scenarios during the 12 months following the date of approval of the financial statements. After reviewing these forecasts the Council is of the opinion that, taking account of severe but plausible downsides, including the anticipated impact of COVID-19 the Group and parent University will have sufficient funds to meet their liabilities as they fall due over the period of 12 months from the date of approval of the financial statements (the going concern assessment period). The Report of the University Council provides more information on going concern on page 14.

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

Basis of consolidation

The consolidated financial statements include the University and all of its subsidiaries for the financial year to 31 July 2020. Intra group sales and profits are eliminated on consolidation.

The consolidated financial statements do not include those of the Students' Union because the University does not control these activities.

Statement of Accounting Policies (continued)**Year ended 31 July 2020**

Cash flow statement

As permitted by Section 7, paragraphs 1.11 and 1.12 of FRS 102 'Statements of Cash Flows', the University's cash flow statement has not been included in these financial statements.

Recognition of income

Funding council block grants are accounted for in the year to which they relate.

Fee income is stated gross and credited to the Statement of Comprehensive Income and Expenditure account over the period in which the students are studying. Where the amount of the tuition fee is reduced, income receivable is shown net of the discount. Bursaries and scholarships are accounted for gross as expenditure and included within operating income.

Recurrent income from government grants, contracts and other services rendered are accounted for on an accruals basis and included to the extent of the completion of the contract or service concerned; any payments received in advance of such performance are recognised on the balance sheet as liabilities.

Recurrent income from non-government grants are accounted for under the performance model, and the grant is recognised as and when performance conditions are met.

Government grants received in respect of the acquisition or construction of fixed assets are treated as deferred capital grants under the accruals model. The grants are credited to deferred capital grants and an annual transfer made to the Statement of Comprehensive Income and Expenditure account over the useful economic life of the asset at the same rate as the depreciation charge on the asset for which the grant was awarded.

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

Fixed assets and depreciation

A fixed asset is capitalised at cost where the expenditure exceeds £10,000. Assets are depreciated over their useful lives on a straight line basis as follows:

Freehold buildings	-	2% pa on cost
Plant and machinery	-	25% pa on cost
Computer equipment	-	33% pa on cost

Land is capitalised at cost and is not depreciated.

Investment Properties

Investment property is land and buildings held for rental income or capital appreciation rather than for use delivering services. Investment properties are measured initially at cost and subsequently at fair value movements recognised in the Surplus or Deficit. Properties are not depreciated but are revalued or reviewed annually according to market conditions as at 31 July each year.

Intangible assets – research and development

Research expenditure is written off as incurred. Development expenditure is also written off, except where the directors are satisfied as to the technical, commercial and financial viability of individual projects. In such cases, the identifiable expenditure is capitalised as an intangible asset and amortised over the period during which the Group is expected to benefit. This period is between three and five years. Provision is made for any impairment.

Statement of Accounting Policies (continued)**Year ended 31 July 2020**

Maintenance

The University has a five year planned maintenance programme which is reviewed on an annual basis. Actual expenditure on routine and planned maintenance is charged to the Statement of Comprehensive Income and Expenditure in the year it is incurred.

Stocks

Stocks are stated at the lower of cost and net realisable value.

Provisions

Provisions are recognised when the University has a 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.

Pension schemes

The two principal pension schemes for the University's staff are the Cheshire Pension Fund and the Teachers' Pension Scheme. Pension costs are assessed on the latest actuarial valuations of the schemes and are accounted for on the basis of FRS 102 Section 28. The Cheshire Pension Fund has a full valuation every three years (last valued at March 2019) carried out by professionally qualified independent actuaries and the Teachers' Pension Scheme is assessed every five years (last valued at March 2016).

The Cheshire Pension Fund is a funded, defined benefit scheme with the assets of the scheme held separately from those of the Group in separate trustee administered funds. Assets are included in the valuation at market value, and scheme liabilities are measured on an actuarial basis using the projected unit method; these liabilities are discounted at the current rate of return on AA rated corporate bonds. The post-retirement benefit surplus or deficit is included on the University's balance sheet. Surpluses are included only to the extent that they are recoverable through reduced contributions in the future or through refunds from the schemes. The current service cost and any past service costs are included in the Statement of Comprehensive Income and Expenditure account within operating expenses and the expected return on the scheme's assets, net of the impact of the unwinding of the discount on scheme liabilities, is included within other finance income. Actuarial gains and losses, including differences between the expected and actual return on scheme assets, are recognised in the statement of total recognised gains and losses.

The Teachers' Pension Scheme is an unfunded, defined benefit multi-employer scheme. Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual institutions and scheme-wide contribution rates are set. The University is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. Therefore, as required by FRS 102 Section 28 this scheme is accounted for as if it is a defined contribution scheme. As a result, the amount charged to the Statement of Comprehensive Income and Expenditure account represents the contributions payable to the scheme in respect of the accounting year.

Employment benefits

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

Statement of Accounting Policies (continued)**Year ended 31 July 2020**

Leases

Where the University enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a 'finance lease'. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

All other leases are accounted for as 'operating leases' and the rental charges are charged to the Statement of Comprehensive Income and Expenditure on a straight line basis over the life of the lease.

Cash flows and liquid resources

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. No investments, however liquid, are included in cash.

Liquid resources represent assets held that are readily disposable. They comprise term deposits held as part of the University's treasury management activities.

Taxation

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 to charitable purposes. Subsidiary companies are liable to corporation tax.

The University is partially exempt in respect of Value Added Tax, so that it can only recover a minor element of VAT charged on its 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.

Endowment assets

Endowment assets are carried at market value. Appreciation/depreciation in the market value of endowment assets and any gain or loss on disposal is added to or subtracted from the endowment funds concerned and is not brought into the Statement of Comprehensive Income and Expenditure account, but reported through the statement of total recognised gains and losses.

Financial instruments

Financial assets and financial liabilities are recognised when the University becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the University after deducting all of its liabilities.

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction.

Statement of Accounting Policies (continued)Year ended 31 July 2020

Financial instruments (continued)

If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the balance sheet when, and only when there exists a legally enforceable right to set off the recognised amounts and the University intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Derivatives

Derivatives are held on the balance sheet at fair value with movements in fair value recorded in the Surplus or Deficit.

Significant estimates and judgements

Preparation of financial statements require significant estimates and judgements for which management relies of appropriate professional advice. The estimates and judgements that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are:

a. Pension liabilities

The University participates in the Cheshire Pension Fund which is a defined benefit scheme. The present value of the University obligations depend on a number of factors including life expectancy, salary increases, asset valuations, liability periods and discount rates on corporate bonds. A qualified actuary estimate these values so management can determine net pension obligations in the balance sheet.

Asset values are reported using estimated asset allocations prepared by the scheme Actuary. This asset value is calculated at each triennial valuation. Thereafter it is rolled forward for accounting valuation purposes using investment returns, contributions received, and benefits paid out. During each annual reporting period between triennial valuations asset returns are estimated using 11 months of market experience and one month of extrapolation being assumed. However, for the year ended 31 July 2020 the pension valuation was calculated using asset returns as at that date. The difference in asset values using the actual asset return data compared to estimated was £451k.

Details of the assumptions used, and associated sensitivities, are included in note 24.

b. Investment properties

These properties are located at Thornton Science Park. In June 2018, the Planning Committee of Cheshire West and Cheshire Council (CWaC) elected to reject a retrospective planning permission seeking a change of use to Class D1 (non-residential institutions) for certain elements of the site. An appeal against this decision was not successful and as such, the University will cease teaching on the site from March 2021. The University will continue to operate the site for research, and maintain investment properties. Staff will also continue to have offices on the site.

Despite this, the decision does create some future uncertainty around future marketability of the properties which may impact fair value which cannot be quantified. Therefore the fair value of investment property is determined by management upon receipt of a report by a registered valuer on the properties in question on the basis of continual use.

Due to the outbreak of COVID-19 impacting global financial markets, the fair value of investment properties at 31 July 2020 has been reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution- should be attached to the valuation than would normally be the case.

Notes to the Financial Statements
Year ended 31 July 2020

	Year Ended 31 July 2020		Year Ended 31 July 2019	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
1 Tuition Fees and Education Contracts				
Full-time home and EU students	75,515	75,515	76,025	76,025
Full-time international students	8,960	8,960	7,292	7,292
Part-time students	3,141	3,141	2,906	2,906
Education Contracts	3,668	3,668	6,648	6,648
Other Fees and Support Grants	2,513	2,513	2,093	2,093
	93,797	93,797	94,964	94,964
2 Funding Body Grants				
Recurrent Grant				
Office for Students	6,774	6,774	7,321	7,321
DFE	248	248	-	-
Education Skills Funding Agency	-	-	30	30
National College for Teaching and Leadership	-	-	217	217
Capital grant	1,421	1,421	1,336	1,336
Specific Grants				
Higher Education Academic Subject Centres	106	106	74	74
Higher Education Innovation Fund	948	948	871	871
NCOP Higher Horizons Project	322	322	590	590
	9,819	9,819	10,439	10,439
3 Details of Grant and Fee Income				
Grant income from Office for Students	5,400	5,400	6,070	6,070
Grant income from other bodies	4,419	4,419	4,369	4,369
Fee income for taught awards	88,818	88,818	91,663	91,663
Fee income for research awards	1,176	1,176	515	515
Fee income for non-qualifying courses	3,803	3,803	2,786	2,786
Total grant and fee income	103,616	103,616	105,403	105,403

Notes to the Financial Statements (continued)

Year ended 31 July 2020

	Notes	Year Ended 31 July 2020		Year Ended 31 July 2019	
		Consolidated	University	Consolidated	University
		£'000	£'000	£'000	£'000
4 Research Grants and Contracts					
Research councils		156	156	192	192
Research charities		534	534	176	176
Government (UK and overseas)		303	303	363	363
Industry and commerce		241	241	1,143	1,143
Other		465	465	584	584
		1,699	1,699	2,458	2,458
5 Other income					
Residences, catering and conferences		5,724	5,329	9,407	8,398
Other income		8,348	9,468	9,666	10,577
		14,072	14,797	19,073	18,975
Other income relates to European grants, rental income and other income (e.g. nurseries, fitness centres).					
6 Investment income					
Investment income on endowments	19	2	2	2	2
Other investment income		255	254	251	251
Movement in fair value of derivatives	17	101	101	60	60
		358	357	313	313
7 Donations and endowments					
New endowments	19	9	9	4	4
8 Staff costs					
Salaries		59,914	59,914	56,956	56,952
Social security costs		6,085	6,085	5,930	5,930
Other pension costs		15,029	15,029	11,936	11,936
Total		81,028	81,028	74,822	74,818

Notes to the Financial Statements (continued)

Year ended 31 July 2020

8 Staff Costs (continued)

Emoluments of the Head of Institution

The emoluments below relate to Professor T.J. Wheeler, who was Vice Chancellor for the period to 31 December 2019, and to Professor E.A. Simmons who was Vice Chancellor from 1 January 2020.

	2020	2019
	£'000	£'000
Professor T.J. Wheeler 1 August 2019 to 31 December 2019:		
Salary	118	282
Benefits	1	2
Other Remuneration – Expenses	1	3
	120	287

In addition to the emoluments above, Professor Wheeler received salary as Professor Emeritus for the period from 1 January 2020 to 31 July 2020 of £164,500, and benefits of £1,208. The arrangements were the subject of advice from the Senior Salaries Committee at a meeting on 11th July 2019 and approved by the University Council on 19th November 2019.

	2020	2019
	£'000	£'000
Professor E.A. Simmons 1 January 2020 to 31 July 2020:		
Salary	146	-
Benefits	0	-
Other Remuneration – Pension & Expenses	35	-
	181	-

Head of Institution Median Pay Ratios:

	2020	2019
	£'000	£'000
Professor T.J. Wheeler 1 August 2019 to 31 December 2019:		
Basic Salary Ratio	8.3	8.3
Total Remuneration Ratio	8.3	8.3

	2020	2019
	£'000	£'000
Professor E.A. Simmons 1 January 2020 to 31 July 2020:		
Basic Salary Ratio	7.3	-
Median Total Remuneration all staff	7.3	-

The justification for the Head of Institution pay can be found on page 18.

Notes to the Financial Statements (continued)

Year ended 31 July 2020

8 Staff Costs (continued)

Remuneration of other higher paid staff, excluding employer's pension contributions:

£100,000 to £104,999	1	1
£105,000 to £109,999	2	4
£110,000 to £114,999	-	-
£115,000 to £119,999	-	-
£120,000 to £124,999	-	-
£125,000 to £129,999	1	3
£130,000 to £134,999	-	-
£135,000 to £139,999	-	1
£140,000 to £144,999	2	1
£145,000 to £149,999	-	-
£150,000 to £154,999	1	1
£155,000 to £159,999	1	-
Over £160,000	-	-
	8	11

Total Compensation paid to key management personnel	1,553	1,667
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Key Management personnel consist of 10 individuals that make up the Senior Management Team. Compensation consists of salary, bonus, employer's national insurance and employer's pension contribution.

Average staff numbers by major category:	No.	No.
Academic Departments	589	607
Academic Services	139	140
Administration/Central Services	441	413
Premises	199	209
Catering and Residence	79	85
Nursing	148	146
	1,595	1,600

Compensation for loss of office

37 payments was made in respect of compensation for loss of office during the year totalling £428,265

Council Members

Reimbursements to members of University Council for expenditure incurred in attending Council and meetings of its Committees amounted to £299 (2019: £756). Council members did not receive any remuneration from the University.

Notes to the Financial Statements (continued)

Year ended 31 July 2020

	Notes	Year Ended 31 July 2020	
		Consolidated	University
		£'000	£'000
9 Access & participation			
Access Investment		710	710
Financial Support	1	1,978	1,978
Disability Support		786	786
Research and evaluation (i)		245	245
		3,719	3,719

(i) £1,548k of these costs are already included in the overall staff costs figures included in the financial statements, see note 8

The University of Chester's Access and Participation plan can be found here:

<https://www1.chester.ac.uk/undergraduate/widening-participation/access-and-participation-plan>

	Notes	Year Ended 31 July 2020		Year Ended 31 July 2019	
		Consolidated	University	Consolidated	University
		£'000	£'000	£'000	£'000
10 Interest and other finance costs					
Loan interest		1,560	1,560	1,675	1,675
Net charge on pension scheme	24	694	694	535	535
		2,254	2,254	2,210	2,210

11 Analysis of other operating expenses by activity

Academic and related expenditure		11,980	11,987	14,679	14,746
Administration and central services		8,582	8,592	8,687	8,711
Premises (including service concession cost)		12,526	12,526	13,639	13,637
Residences, catering and conferences		2,264	2,230	2,347	2,428
Research grants and contracts		250	250	1,252	1,252
Other expenses		534	847	821	823
		36,136	36,432	41,425	41,597

Notes to the Financial Statements (continued)

Year ended 31 July 2020

11 Analysis of other operating expenses by activity (continued)

	Notes	Year Ended 31 July 2020		Year Ended 31 July 2019	
		Consolidated	University	Consolidated	University
		£'000	£'000	£'000	£'000
Other operating expenses include:					
External auditor's remuneration in respect of audit services		81	63	78	65
External auditor's remuneration in respect of non-audit services		21	13	41	31
Operating lease rentals:					
vehicles		132	132	114	114

12 Fixed Assets

	Freehold Land and Buildings	Plant and Machinery	Computer Equipment	Total
Consolidated	£'000	£'000	£'000	£'000
Cost				
At 1 August 2019	145,397	25,361	8,089	178,847
Additions	271	1,132	1,189	2,592
Disposals	-	(20)	-	(20)
At 31 July 2020	145,668	26,473	9,278	181,419
Depreciation				
At 1 August 2019	27,290	22,822	7,577	57,689
Charge for the year	2,775	1,494	677	4,946
Disposal	-	(8)	-	(8)
At 31 July 2020	30,065	24,308	8,254	62,627
Net book value				
At 31 July 2020	115,603	2,165	1,024	118,792
As 31 July 2019	118,107	2,539	512	121,158

Notes to the Financial Statements (continued)

Year ended 31 July 2020

12 Fixed Assets (continued)

	Freehold Land and Buildings	Plant and Machinery	Computer Equipment	Total
	£'000	£'000	£'000	£'000
University				
Cost				
At 1 August 2019	145,397	25,361	8,089	178,847
Additions	271	1,132	1,189	2,592
Disposals	-	(20)	-	(20)
At 31 July 2020	145,668	26,473	9,278	181,419
Depreciation				
At 1 August 2019	27,290	22,822	7,577	57,689
Charge for the year	2,775	1,494	677	4,946
Disposal	-	(8)	-	(8)
At 31 July 2020	30,065	24,308	8,254	62,627
Net book value				
At 31 July 2020	115,603	2,165	1,024	118,792
At 31 July 2019	118,107	2,539	512	121,158

At 31 July 2020, freehold land and buildings included £7.8m (2019 - £7.8m) in respect of freehold land and is not depreciated.

Investment properties

Consolidated and University	Investment Properties £'000
At 1 August 2018	14,225
Additions	133
Loss on change in fair value	(4,873)
At 31 July 2019	9,485
Additions	-
Loss on change in fair value	(422)
At 31 July 2020	9,063

Notes to the Financial Statements (continued)

Year ended 31 July 2020

12 Fixed Assets (continued)

The investment properties are at Thornton Science Park. An overage deed is in place on these properties until 20th March 2034. Under the terms of this overage deed, if the University disposes of these properties then 50% (40% from 31st March 2024) of the market value is payable to the former owners, Shell Research Limited.

Due to the outbreak of COVID-19 impacting global financial markets, the fair value of investment properties at 31 July 2020 has been reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution- should be attached to the valuation than would normally be the case.

The non-current investments have been valued at market value

13 Stock

	Year ended 31 July 2020		Year ended 31 July 2019	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
General consumables	<u>79</u>	<u>79</u>	<u>42</u>	<u>42</u>

14 Trade and other receivables

Amounts falling due within one year:

Tuition fee receivables	2,444	2,444	2,412	2,412
Other trade receivables	1,741	1,112	2,576	1,411
Other receivables	38	38	32	32
Prepayments and accrued income	3,324	3,289	2,733	2,082
Amounts due from subsidiary companies	-	701	-	1,222
	<u>7,547</u>	<u>7,584</u>	<u>7,753</u>	<u>7,159</u>

15 Current Investments

	Year ended 31 July 2020		Year ended 31 July 2019	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Short term deposits	<u>20,101</u>	<u>20,101</u>	<u>20,028</u>	<u>20,028</u>

Deposits are held with banks and building societies operating in the London market and licensed by the Financial Services Authority with more than three months maturity at the balance sheet date. The interest rates for these deposits are fixed for the duration of the deposit at time of placement.

At 31 July 2020 the weighted average interest rate of these deposits was 0.74% per annum. The deposits are in accounts that require notice. The weighted average period of notice was 110 days. The fair value of these deposits was not materially different from the book value.

Notes to the Financial Statements (continued)
Year ended 31 July 2020

16 Creditors: amounts falling due within one year

	Year ended 31 July 2020		Year ended 31 July 2019	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Secured loans*	819	819	802	802
Unsecured loans	1,309	1,309	1,345	1,345
Trade payables	4,356	4,347	5,172	5,130
Social security and other taxation payable	1,588	1,398	1,557	1,350
Accruals and deferred income	15,597	15,257	16,106	15,651
Amounts due to subsidiary companies	-	55	-	88
	<u>23,669</u>	<u>23,185</u>	<u>24,982</u>	<u>24,366</u>

* The bank loans are secured on freehold properties owned by the University with a carrying value of £7.3m (2019: £7.4m), over which the lender holds a legal charge.

17 Creditors: amounts falling due after more than one year

Deferred income	21,786	21,786	22,337	22,337
Derivatives	704	704	805	805
Secured loans	6,965	6,965	7,784	7,784
Unsecured loans	21,545	21,545	22,853	22,853
	<u>51,000</u>	<u>51,000</u>	<u>53,779</u>	<u>53,779</u>

Analysis of secured and unsecured loans:

Due within one year or on demand (Note 14)	2,128	2,128	2,147	2,147
Due between one and two years	2,162	2,162	2,128	2,128
Due between two and five years	6,729	6,729	6,518	6,518
Due in five years or more	19,618	19,618	21,991	21,991
Due after more than one year	<u>28,509</u>	<u>28,509</u>	<u>30,637</u>	<u>30,637</u>
Total secured and unsecured loans	<u>30,637</u>	<u>30,637</u>	<u>32,784</u>	<u>32,784</u>
Secured loans repayable by 2031	7,784	7,784	8,586	8,586
Unsecured loans repayable by 2038	22,853	22,853	24,198	24,198
	<u>30,637</u>	<u>30,637</u>	<u>32,784</u>	<u>32,784</u>

Notes to the Financial Statements (continued)

Year ended 31 July 2020

17 Creditors: amounts falling due after more than one year (continued)

The secured loans were all repaid during the year. Refinancing followed at a lower amount. Included in loans are the following:

Lender	Amount £'000	Term	Interest rate %	Borrower
Barclays	2,363	2026	5.94%	University
Barclays	1,360	2028	5.31%	University
Barclays	1,308	2031	0.40%	University
Barclays	4,112	2031	5.55%	University
Lloyds TSB	7,299	2034	5.55%	University
Santander	9,815	2037	5.43%	University
Santander	4,380	2038	2.56%	University
Salix	0	2019	interest free	University
Salix	0	2019	interest free	University
TOTAL	30,637			

18 Provisions for Liabilities

Consolidated	Pension enhancements on termination £'000	Pension scheme provision under FRS 102 (Note 24) £'000	Other Provisions £'000	Total Provisions £'000
At 1 August 2019	536	29,564	259	30,359
Utilised in year	(105)	-	(259)	(364)
Additions in year		24,832	-	24,832
At 31 July 2020	431	54,396	0	54,827
University	Pension enhancement on termination £'000	Pension scheme provision under FRS 102 (Note 24) £'000	Other Provisions £'000	Total Provisions £'000
At 1 August 2019	536	29,564	259	30,359
Utilised in year	(105)	-	(259)	(364)
Additions in year		24,832		24,832
At 31 July 2020	431	54,396	-	54,827

Notes to the Financial Statements (continued)

Year ended 31 July 2020

18 Provisions for Liabilities (continued)

The Pension enhancement on termination provision relates to enhancements given to staff taking early retirement under a reorganisation programme. It is expected that this provision will be fully utilised over the next 10-20 years.

The pension scheme provision relates to the Cheshire Pension Fund, a funded defined benefit scheme with the assets of the scheme held separately from those of the Group in separate trustee administered funds. The provision is the deficit on the post-retirement benefits in excess of those assets.

Pension enhancement

The assumptions for calculating the provision for Pension enhancements on termination under FRS 102 are as follows:

	Consolidated	
	2020	2019
Discount rate	2.0%	2.0%
Inflation	2.2%	2.2%

19 Endowment Reserves

Restricted net assets relating to endowments are as follows:

	Restricted permanent endowments	Expendable endowments	2020	2019
	£'000	£'000	Total	Total
			£'000	£'000
Balances at 1 August 2019				
Capital	130	243	373	369
Accumulated income	-	27	27	26
	<u>130</u>	<u>270</u>	<u>400</u>	<u>395</u>
New Endowments	-	9	9	4
Investment Income	-	2	2	2
Expenditure (Decrease) / increase in market value of investments	-	(6)	(6)	(1)
	-	-	-	-
Total endowment Comprehensive income for the year	<u>-</u>	<u>5</u>	<u>5</u>	<u>5</u>
At 31 July 2020	<u><u>130</u></u>	<u><u>275</u></u>	<u><u>405</u></u>	<u><u>400</u></u>

Notes to the Financial Statements (continued)
Year ended 31 July 2020

19 Endowment Reserves (continued)

	Restricted permanent endowments	Expendable endowments	2020	2019
	£'000	£'000	Total £'000	Total £'000
Represented by:				
Capital	130	252	382	373
Accumulated income	-	23	23	27
	<u>130</u>	<u>275</u>	<u>405</u>	<u>400</u>
Analysis by type of purpose:				
Prize funds	-	239	239	369
General	130	36	166	31
	<u>130</u>	<u>275</u>	<u>405</u>	<u>400</u>
Analysis by asset				
Cash & cash equivalents	130	275	405	395

20 Financial Instruments

Year ended 31 July 2020

Year ended 31 July 2019

Financial Liabilities

Derivatives	<u>704</u>	<u>704</u>	<u>805</u>	<u>805</u>
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The University uses derivatives to hedge interest rate exposure on some of its secured loans.

The Financial liabilities are at fair value through Statement of Comprehensive Income at the balance sheet date.

21 Cash and Cash Equivalents

Notes	At 1st August 2019	Cash Flows	At 31st July 2020
	£'000	£'000	£'000
Consolidated			
Cash and cash equivalents	<u>20,742</u>	<u>(2,285)</u>	<u>18,457</u>

Notes to the Financial Statements (continued)
Year ended 31 July 2020

22 Lease Obligations

Total rentals payable under operating leases:

	31 July 2020		31 July 2019
	Other leases £'000	Total £'000	Total £'000
Payable during the year			
Future minimum lease payments due:			
Not later than 1 year	79	79	127
Later than 1 year and not later than 5 years	190	190	280
Total lease payments due	269	269	407

Lease obligations relate to vehicle leases.

23 Subsidiary Undertakings

The subsidiary companies (all of which are registered in England & Wales), wholly-owned or effectively controlled by the University, are as follows:

Company	Principal Activity	Status
Chester Conferences Ltd	Management of conference and related commercial facilities	100% owned
Universities Economic Development Unit Ltd	Management of European Grant funding	100% owned
Thornton Research Properties	Management of Thornton Science Park	100% owned

The registered office for the subsidiary companies is:

C/O Vice-Chancellor
University of Chester
Parkgate Road
Chester
CH1 4BJ

Notes to the Financial Statements (continued)**Year ended 31 July 2020**

24 Pension Schemes

Contributions to the schemes are charged to the Income and Expenditure account so as to spread the cost of the pensions over the employees' working lives with the University of Chester. The pension charge for the year was £15,029,231 (2019: £11,936,102) which includes £48,477 (2019: £49,814) in respect of enhanced pension entitlements of staff taking early retirement under the reorganisation programme. The calculation of the cost of early retirement provisions charged to the Statement of Comprehensive Income and Expenditure account in the year of retirement is based on the total capital cost of providing enhanced pensions with allowance for future investment returns at 4% in excess of price inflation.

An amount of £431,394(2019: £535,739) 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. Were the institution to close and there be no successor established, the Secretary of State would become the compensating authority.

Teachers' Pension Scheme

The Teachers' Pension Scheme is an unfunded defined benefit scheme. Contributions on a pay as you go basis are credited to the exchequer under arrangements governed by the Superannuation Act 1972. The total contribution for the year ended 31 July 2020 was £9,483,994(2019: £8,056,999) of which the employers' contributions totalled £6,628,498(2019: £4,995,215) and the employees' contributions totalled £2,855,496 (2019: £3,061,784). The pensions cost is assessed every five years in accordance with the advice of the government actuary. The assumptions and other data that have the most significant effect on the determination of the contribution levels are as follows:

Latest actuarial valuations	31 March 2016
Actuarial method	Prospective Benefits
Investment returns per annum	2.9%
Salary scale increases per annum	4.2 %
Market value of assets at date of last valuation	£196.1bn
Proportion of members' accrued benefits covered by the actuarial value of the assets	90%

Following the implementation of Teachers' Pensions (Employers' Supplementary Contributions) Regulations 2000, the government actuary carried out a further review on the level of employers' contributions. The employer contributions for August 2019 were paid at the rate of 16.48%, and for September 2019 were paid at the rate of 23.68%. Employee contribution rates are dependent on salary levels and were in bandings between 7.4% -11.7%.

The TPS is a multi-employer scheme where the share of assets and liabilities applicable to each employer is not identified. The University accounts for its pension costs on a defined contribution basis as permitted by FRS 102 Section 28.

Notes to the Financial Statements (continued)

Year ended 31 July 2020

24 Pension Schemes (continued)

Cheshire Pension Fund

The University participates in the Cheshire Pension Fund, which is a funded defined benefit pension scheme where contributions payable are held in a trust separately from the University. The total contribution made for the 12 months ended 31 July 2020 was £5,879,576(2019: £5,896,469) of which the employers' contributions totalled £4,584,662 (2019: £4,564,916) and employees contributions totalled £1,294,914 (2019: £1,331,553). The agreed contribution rates for future years are 20.6% (15.2% to 31 March 2017) for employers and in bandings 5.5%-12.5% from April 2014 for employees depending on the level of their salary.

Valuation date	31 March 2019
Valuation Method	Projected Unit Method
Value of notional needs	£115 Million
Funding level of accrued benefits	98.4%
Investment return per annum	3.20%
Salary scale increases per annum	2.90%

The following information is based upon a full actuarial valuation of the fund as at 31 March 2019 updated to July 2020 by a qualified independent actuary.

	31 July 2020	31 July 2019	31 July 2018
	%	%	%
Inflation	3.1	3.5	3.4
Rate of increases in salaries	2.8	2.7	2.7
Rate of increase in pensions	2.1	2.4	2.4
Discount rate for liabilities	1.4	2.2	2.8

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

	31 July 2020	31 July 2019
	%	%
Retiring today		
Males	21.2	21.2
Females	23.6	23.5
Retiring in 20 years		
Males	21.9	22.1
Females	25.0	25.0

Notes to the Financial Statements (continued)

Year ended 31 July 2020

24 Pension Schemes (continued)

The expected return on assets is based on the long-term future expected investment return for each asset class at the beginning of the year. The University's share of assets in the scheme were:

	31 July 2020	31 July 2019
	£'000	£'000
Equities	56,257	53,661
Bonds	54,949	53,661
Property	13,083	9,540
Cash	6,542	2,384
	<hr/>	<hr/>
Total market value of assets	130,831	119,246

The above asset values as at 31 July 2020 are at bid value as required under FRS 102 Section 28:

	2020	2019
	£'000	£'000
University's estimated asset share	130,831	119,246
Present value of scheme liabilities	(185,227)	(148,810)
	<hr/>	<hr/>
Deficit in the scheme	(54,396)	(29,564)

Under FRS 102 Section 28, provision has been made by the University for the institution's share of the deficit in the scheme.

Analysis of amount (charged)/credited to the Statement of Comprehensive Income and Expenditure account

The University's pension charge for the year in accordance with FRS 102 Section 28 is made up of the following:

	2020	2019
	£'000	£'000
Service cost	8,211	7,241
	<hr/>	<hr/>
	8,211	7,241

Notes to the Financial Statements (continued)
Year ended 31 July 2020

24 Pension Schemes (continued)

Analysis of net return on pension scheme

	2020 £'000	2019 £'000
Expected return on pension scheme assets	2,671	3,042
Impact on pension scheme liabilities	(3,365)	(3,577)
Net charge	(694)	(535)

Amounts recognised in Other Comprehensive Income

	2020 £'000	2019 £'000
Actuarial gain/(loss)– defined benefit obligations	(25,572)	(13,865)
Actuarial gain– fair value of employer assets	5,059	5,470
Actuarial (loss)/gain	(20,513)	(8,395)

The cumulative amount of actuarial gains and losses recognised in the Statement of Comprehensive Income and Expenditure since the adoption of FRS 102 Section 28 is £3.9 million (2019: £12.3 million).

Deficit in scheme at beginning of year	(29,564)	(17,630)
Movement in year:		
Current service charge	(8,211)	(7,241)
Employer contributions	4,586	4,237
Net charge on assets	(694)	(535)
Actuarial loss	(20,513)	(8,395)
Net deficit	(54,396)	(29,564)

	2020 £'000	2019 £'000
Liabilities at start of year	148,810	124,382
Service cost	8,211	7,241
Interest cost	3,365	3,577
Employee contributions	1,295	1,233
Actuarial loss/(gain)	25,572	13,865
Benefits paid	(2,026)	(1,488)
Liabilities at end of year	185,227	148,810

Notes to the Financial Statements (continued)

Year ended 31 July 2020

24 Pension Schemes (continued)

	2020 £'000	2019 £'000
Assets at start of year	119,246	106,752
Expected return on Assets	2,671	3,042
Actuarial gain	5,059	5,470
Employer contributions	4,586	4,237
Employee contributions	1,295	1,233
Benefits paid	(2,026)	(1,488)
Assets at end of year	130,831	119,246

At 31 March 2020, in order to reflect the impact of proposals by the UK Chancellor and the UK Statistics Authority (UKSA) to align RPI with CPIH (a variant of the Consumer Prices Index that includes an estimate of housing costs), the CPI assumption methodology was reassessed. In particular, the assumed long term gap between RPI inflation and CPI inflation was reduced from 1.1% at the prior year end to 0.6% at this year-end. The impact of this change is expected to have resulted in a c. £4.7m increase in the Fund's liabilities since the prior year end.

25 Related Party Transactions

Members of the Council are required to declare any outside interests. When an item arises in which a member has a pecuniary, business, family or other personal interest, it must be declared and the member concerned may not take part in the consideration of the matter nor vote on it. The Council has considered the financial effect of all transactions involving organisations in which a member of the Council may have an interest. It is confirmed that these are conducted at arm's length and in accordance with the University's Financial Regulations.

The Vice-Chancellor (to 31 December 2019), Professor T.J. Wheeler, Mr M. Clinton, Professor C. Haslam and Mr C. Woodcock were on the Governing Body of Reaseheath College. The University receives fee income from Reaseheath students, and subsequently passes 100% of this income to Reaseheath College. For the 19/20 year this was a total of £630k (18/19 £2,209k). The University also received £18k of other income from the College (18/19 £11k).

Professor Wheeler is also a member or director of the following organisations:

- Cheshire and Warrington Local Enterprise Partnership (LEP) payments were made of £25k (18/19 £600) and £5k income received (18/19 £7k).
- Coleg Cambria - The University received the sum of £43k. (18/19 £16k)
- Cheshire Business Leaders – Nil Income was received in 19/20 (18/19 £1k), payment of £500 (18/19 £500).
- North West Business Leadership Team – Membership fees of £14k (18/19 £12k) were paid.
- Universities UK – Membership fees of £24k (18/19 £23k) were paid
- Warrington Chamber of Commerce – Membership fees of £500 (18/19 £1k) were paid
- Chester Cathedral – payments were made of £32k (18/19 £31k)
- British Psychological Society – payments were made of £3k (18/19 £3k)

Notes to the Financial Statements (continued)**Year ended 31 July 2020**

25 Related Party Transactions (continued)

Vice-Chancellor, Professor T.J. Wheeler, Deputy Vice-Chancellor, Professor A. Sutton, and Chair of the University Council Canon Dr J. Turnbull were on the board of the University of Chester Academies Trust - The University received nil (18/19 £51k).

Deputy Vice Chancellor, Professor A. Sutton is also a board member of the following organisations:

- The Hammond School - During the year the University received the sum of £134k (18/19 £119k).
- Empower Academic Trust – payments were made of £80k (18/19 £38k). The University received nil (18/19 £4k).

Canon Dr J. Turnbull is also Clerk of Chester Blue Coat C of E Educational Foundation – payments were made of £4k (18/19 £4k).

Dr A. Miller, Trustee of UKRIO - payments were made of £3k (18/19 £3k).

Dr D. Briggs is also a member or director of the following organisations:

- Active Cheshire – payments were made of £1k (18/19 nil).
- Cheshire Business Leaders (mentioned above).
- Chester Cathedral (mentioned above).
- Cheshire Agricultural Society – payments were made of £300 (18/19 £300).
- St John's Ambulance – payments were made of £2k (18/19 £19k).
- Cheshire Business Leaders (mentioned above).
- Warrington Youth Club – payments were made of £500

The following are also associated with Chester Cathedral:

- Associate Professor G. Southall,
- The Very Reverend Dr T. Stratford,
- Dr F. Hulbert
- Canon Dr J. Turnbull (mentioned above)

Ms E. Degg wife of Associate Professor M. Degg, is the CEO of NW Business Leadership team (mentioned above).

Mrs Jenkins wife of Mr N. Jenkins is a governor at Glyndwr University – £27k income received (18/19 £28k).