

**UNIVERSITY OF CHESTER**

**Annual Report and Financial  
Statements for the year ended  
31 July 2017**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**For the year ended 31 July 2017****CONTENTS**

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## FINANCIAL HIGHLIGHTS

### Result

During the year to 31 July 2017 (year to 31 July 2016 figures in brackets) the University:

- Generated income of £121.3 million (£119.4 million)
- Generated a surplus of £7.6 million (£0.3 million)
- Generated a net cash inflow from operating activities of £21.3 million (£9.2 million)
- Decreased expenditure by £5.5 million (£7.4 million increase)

### Financial Strength

At 31 July 2017 the University had:

- Cash and short term deposits of £24.5 million (£12.4 million)
- Total net assets of £64.2 million (£51.6 million)
- A defined benefit pension liability of £24.2 million (£26.8 million)

### Financial Investments

During the year to 31 July 2017 the University invested £7.2 million (£15.9million) in tangible fixed assets.

### Staff and students

During the academic year the University:

- Employed an average of 1,504 members of staff (1,588)
- Taught, directly or through collaborative provision and distance learning, higher education students as follows:

|               |                       | Full-Time | Other | 2016/7<br>Total | 2015/6<br>Total | Increase |
|---------------|-----------------------|-----------|-------|-----------------|-----------------|----------|
| Home/EU       | Undergraduate         | 8,030     | 1,005 | 9,035           | 8,823           | 2%       |
|               | Postgraduate          | 792       | 3,591 | 4,383           | 3,995           | 10%      |
|               | Nursing and Midwifery | 1,517     | 974   | 2,491           | 2,392           | 4%       |
| International | Undergraduate         | 1,398     | 240   | 1,638           | 1,457           | 12%      |
|               | Postgraduate          | 534       | 268   | 802             | 767             | 5%       |
|               | Nursing and Midwifery | 92        | 84    | 176             | 172             | 2%       |
| 2016/7 Total  |                       | 12,363    | 6,162 | 18,525          | 17,606          | 5%       |
| 2015/6 Total  |                       | 11,509    | 6,097 | 17,606          |                 |          |
| Increase      |                       | 7%        | 1%    | 5%              |                 |          |

The 2016/17 figures are for students studying between August 2016 and July 2017. The 2015/16 figures are for students studying between August 2015 and July 2016

## MEMBERS OF THE UNIVERSITY COUNCIL AND THEIR INTERESTS

The Members of the University Council who held office during the year were as follows:

### *Foundation Members of the University Council*

The Right Reverend Dr Peter Forster, Lord Bishop of Chester, President  
Canon J Turnbull, Deputy President  
Professor TJ Wheeler, Vice-Chancellor  
Professor A Sutton  
Mrs C Allen  
Dr C Daniels  
Mr JS Evans  
Professor JR Fisher  
Mrs C Maddaford  
The Very Reverend Professor G McPhate  
Mrs M Needham (Retired 31/08/2016)  
Mrs S Rudd  
Mrs M Steward  
Mrs S Verity

### *Non Foundation Members of the University Council*

Mr F Ball  
Mr M David  
Dr M Degg  
Professor D Garrett (Left 31/03/2017)  
Ms J France-Hayhurst (Joined 01/09/2016)  
Ms K Howell (Joined 01/09/2016)  
Mr N Jenkins  
Dr A Mackenzie  
Ms C Mitchell (Student Union President)  
Mr D Munt  
Dr L Smith  
Ms E Thrane (Left 30/06/17)  
Mr A Lee (Secretary)

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

## ADVISERS

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

|                    |                          |
|--------------------|--------------------------|
| Bankers:           | NatWest Bank plc         |
| Auditor:           | External: Deloitte LLP   |
|                    | Internal: RSM            |
| Solicitors:        | Knights LLP              |
| Insurance Brokers: | U.M. Association Limited |

## REPORT OF THE UNIVERSITY COUNCIL For the year ended 31 JULY 2017

### Structure, Governance and Management

**Type of organisation:** Registered Charity

**Nature of Governing Document:** Trust Deed

**How the Charity is constituted:** Chester Diocesan Board of Finance is the custodian trustee and the Members of the University Council (Governors) are the management trustees. The University Council set the mission and approve the strategy and policies. The day-to-day management is with the Senior Management.

**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 the Leadership Foundation for Higher Education. 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 TJ Wheeler DL) 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 2017.

### 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
- North West Universities European 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) For the year ended 31 JULY 2017

### Strategic Report

#### Financial Performance

The 2016-17 academic year has been another encouraging year for the University. Building upon the success of previous years, the University has achieved a turnover in excess of £121.3 million, and alongside this growth in income the University reported a £7.6 million operating surplus.

#### Sector developments

In addition to the notable uncertainties occasioned by the United Kingdom's decision to leave the European Union, particularly in respect of the nation's future economic prosperity and standing in the wider global community, the English higher education sector is in the process of some considerable change. These changes by Government offices include: building upon existing assessments of research capability and outputs; implementation of the second year of the Teaching Excellence Framework (TEF), changes to the funding of NHS programmes, the development of Apprenticeship Schemes and the development of the Office for Students. Other changes in the Sector have included further intensification of competitive practices and in particular the wider use of unconditional offers to applicants which has made the market less predictable. Alongside these developments, the ways in which the quality and financial performance of institutions is assessed and reported upon to Government, hitherto undertaken by the Quality Assurance Agency for Higher Education, is in the process of substantial modification with Governing Bodies being required to provide clear and accountable assurances regarding the many and various institutional activities over which they preside.

This is indeed a period of considerable change and challenge for the institution. Despite this, the University of Chester faces these uncertainties with confidence and optimism. Our Silver award in the Teaching Excellence Framework (TEF), reflects the sustained high quality teaching and learning opportunities being provided to students at the University.

#### Student Voice

Student enrolments were up from the previous year's enrolments in part due to the launching of the Centre for Foundation Studies which delivers programmes at level 3. The continued attractiveness of the University to applicants - not only reflects our continuing high levels of commitment and enthusiasm of our staff and students, but we also recognise that an important key to our current and future success lies in continuing to provide an extremely high quality teaching experience and ensuring a friendly, inclusive approach to living and learning. The institution's wide range of courses remains up-to-date and flexible, with constant expansion of undergraduate and postgraduate provisions being offered.

Importantly, the University continues to listen carefully to what its students and employer organisations say about the University, and to make improvements to our provision that take advantage of the latest research, pedagogy and developments in the world of work. A visible manifestation of our success in this regard are our Employment Performance Indicators, which continue to show that in excess of 95% of our students go into work or further study within six months of leaving the University. This is the third consecutive year that the University has scored over 95% on this measure.

The latest National Student Survey results for 2017 have again been strong. The University's overall satisfaction rate was 85.9% which is 1.72% above the sector-wide average, with two subjects areas receiving 100% positive feedback and a further fourteen scoring above 90% for overall satisfaction. The University's Faculty of Education and Children's Services secured the highest possible grading of 'Outstanding' for its provision, which places the University amongst the very best institutions in the United Kingdom. In addition, a number of programmes successfully renewed or secured professional and statutory body recognition. Several courses in Life Sciences were reaccredited by the Health and Care Professions Council and the Chemical Engineering BEng course gained IChemE professional body accreditation.

**REPORT OF THE UNIVERSITY COUNCIL (continued)**  
**For the year ended 31 JULY 2017**

**Strategic Report (continued)**  
**Student Voice (continued)**

The journey taken by the University during the course of 2016-17 has not been without its challenges. Further work has been undertaken to help ensure that the contributions made by Thornton, Warrington and Shrewsbury are at levels commensurate with our current forward business planning assumptions. This work will continue. Also, there has been a huge amount of work across the University in implementing the new Attendance Monitoring system, which is enabling early interventions with students who are not engaging sufficiently in their studies. This work will be expanded in 2017/18 into wider Engagement Analytics and we are working with the Joint Information Services Council (JISC) on this project. We have also continued to work on the issues associated with the transition into higher education for new students, particularly in the centre for Foundation Studies and the ways in which the retention of such students can be enhanced.

Similarly, attention has been given to the ways in which employment and life skills can at all levels of study be linked more closely to the academic journey being taken by our students. In this regard, and reflecting our founding Mission, the University is acutely conscious of the importance of the 'student voice' and continues to work particularly closely with the Students' Union to extend and enhance the services we provide to our students. This work will continue through numerous routes both formal and informal, but particularly through the Committee system which is deliberative in nature and informs developments across the whole University.

The University Council and Senior Management of the institution would like to take this opportunity to thank all the staff, students and friends of the University for their outstanding hard work and continued commitment to our success. Our people make our University. Our achievements continue to be recognised by our Gold Investor in People status and the University embarks upon the 2017-18 academic session with appropriate optimism about its future plans.

**REPORT OF THE UNIVERSITY COUNCIL (continued)**  
**For the year ended 31 JULY 2017**

**Financial review**

|   | <b>Year ended<br/>31 July<br/>2017</b> | <b>Year ended<br/>31 July<br/>2016</b> |
|---|--|--|
| <b>Financial Performance indicator</b>  |  |  |
| Surplus for the year  | £7.6m                                  | £0.26m                                 |
| Margin %  | 6.3%                                   | 0.2%                                   |
| Staff costs as % of income  | 56.3%                                  | 56.7%                                  |
| Cash inflow from operating activities   | £21.3m                                 | £9.2m                                  |
| Current assets ratio  | 1.2                                    | 0.73                                   |
| Net liquidity (days)  | 84                                     | 40                                     |
| (Number of days expenditure held as cash/investments, based on total expenditure less depreciation) |  |  |

**Financial Performance in 2016/17 compared to previous year:**

|             | <b>Year ended<br/>31 July<br/>2017<br/>£'000</b> | <b>Year ended<br/>31 July<br/>2016<br/>£'000</b> |
|-------------|--|--|
| Income      | 121,266  | 119,414  |
| Expenditure | (113,652)  | (119,159)  |
| Surplus     | 7,614  | 255  |

- University income has increased by £1.9m (1.6%).
  - Tuition fees increased by £4.3m (4.8%), this was due to increased Full Time Home and International fees.
  - Other income decreased by £2.6m (14.0%), this was mainly due to a fall in RGF income of £2m.
- Expenditure decreased by £5.5m (4.6%)
  - Staffing costs increased by £0.6m (0.8%), this was as a result of an decrease in staff numbers (5.3%), offset pay awards (1.1%), increased employer costs (Apprenticeship Levy, National Insurance, increase LGPS contributions) and payment of salary increments for staff not at the top of their salary band.
  - Depreciation increased by £0.2m (2.3%).
  - Other operating expenses decreased by £5.9m (14.2%). 5% of this was a matching reduction to the fall in income from the European Regional Growth Fund.
- The University invested £7.2m in fixed assets. The largest investments included:
  - Completion of the Energy Centre at Thornton Science Park
  - New science laboratories in Old College.



**REPORT OF THE UNIVERSITY COUNCIL (continued)**  
**For the year ended 31 JULY 2017****Risks and uncertainties**

There still remains a lot of risks and uncertainties resulting from the UK's planned exit from the European Union. This creates uncertainties across several areas of activity, particularly grant funding for research and commercial projects and future funding for undergraduate students from Europe. In addition the University has two projects – Thornton Science Park (opened 2014) and University Centre Shrewsbury (opened 2015) which are both in early development phases. More generally there is an upward pressure on running costs particularly payroll costs driven by pay awards and employer pension costs. Therefore the University is taking measures to minimise costs and maximise efficiencies however the surplus is expected to be reduced in 2017-18.

Applications and resulting recruitment for 2017/18 were healthy, with intake at level 4 and below roughly the same as for 2016/17. The University has been modelling and preparing for constraints in public funding and in addition is looking to increase other income streams in order to ensure that it generates sufficient surpluses for reinvestment in the increasing asset base.

**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 £25,000 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.

**REPORT OF THE UNIVERSITY COUNCIL (continued)  
For the year ended 31 JULY 2017**

**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.
- 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 develop the Thornton Science Park and the associated new Faculty of Science and Engineering.
- 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.

## REPORT OF THE UNIVERSITY COUNCIL (continued) For the year ended 31 JULY 2017

### Strategies employed to achieve the objectives (continued)

- 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 £37k (2016: £40k).

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.

### 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 2017 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 (excluding pension reserve) for year ended 31 July 2017:

Unrestricted: £63,801k (2016: £51,215k)

Endowments: £366k (2016: £355k)

At 31 July 2017 consolidated reserves are therefore 246% 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 1,504 (2016: 1,588). 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.

**REPORT OF THE UNIVERSITY COUNCIL (continued)**  
**For the year ended 31 JULY 2017**

**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.

Deloitte LLP have come to the end of their appointed term and the University is currently undergoing to a tender exercise to appoint auditors for the Financial Statements for the year ending 31 July 2018.

**Going concern**

The University ended the year with cash and short term investments of £24.5m. The budget for 2017-18 continues to generate a surplus, and forward cash forecasts demonstrate adequate availability of financial resources. However there is a lot of pressure on the cost base of the University. Staff costs continue to rise as a result of the pay award in August 2017 of 1.7-2.4% as well as increases in LGPS pension contributions from April 2017 which will rise each year for the next 3 years. Other operating expenses are expected to rise as a result of inflation and the weakness of Sterling. Therefore, surpluses are expected to reduce over the next 3 years.

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 strong demand for the University's courses across all its faculties which should ensure the University can continue to recruit well in the future.

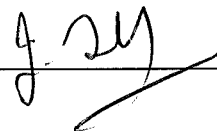
President of the Council: \_\_\_\_\_



The Right Reverend Dr Peter Forster, the Lord Bishop of Chester

Deputy President of the Council: \_\_\_\_\_

Canon J Turnbull



23<sup>rd</sup> November 2017

## **CORPORATE GOVERNANCE STATEMENT**

### **For the year ended 31 JULY 2017**

The University is committed to exhibiting best practice in all aspects of governance. This summary describes the manner in which the University has applied the principles set out in Section 1 of the Combined Code on Corporate Governance issued by the London Stock Exchange. The University also complies with the guide for members of Governing Bodies of universities and colleges in England and Wales which was issued by the Committee of University Chairmen in November 2004 and revised in March 2009. 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 Combined Code in so far as they apply to the Higher Education Sector, and it has applied these throughout the year ended 31 July 2017.

#### **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 Policy Committee (Employment and Finance), the General Purposes 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.

#### **Policy Committee**

The Policy Committee (Employment and Finance) meets at least three 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.

#### **General Purposes Committee**

The General Purposes Committee meets at least three times a year and considers in detail the business plan and financial statements of the Students' Union and the development and maintenance of the University's premises and the general requirements for the University's academic and recreational provision. It provides advice and makes recommendations as appropriate to the Policy Committee.

#### **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.

**CORPORATE GOVERNANCE STATEMENT (continued)**  
**For the year ended 31 JULY 2017****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 Policy 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.

**Senior Salaries Remuneration Committee**

The Senior Salaries Committee determines the remuneration of the senior management team, including the Vice-Chancellor.

**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 is a professional member who is not a Member 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.

**Statement of Internal Control**


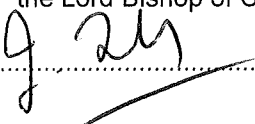
The University Council is responsible for the University's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material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

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 it has been in place for the year ended 31 July 2017 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 the internal control guidance for directors on the Combined Code as deemed appropriate for higher education.

**CORPORATE GOVERNANCE STATEMENT (continued)**  
**For the year ended 31 JULY 2017**

**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 2017 by considering documentation from the Vice-Chancellor and the Audit and Risk Management Committee, and took account of events since 31 July 2017.

President of the Council.....   
The Right Reverend Dr Peter Forster, the Lord Bishop of Chester  
Deputy President of the Council.....   
Canon J Turnbull

Parkgate Road,  
CHESTER,  
CH1 4BJ

23<sup>rd</sup> November 2017

## STATEMENT OF RESPONSIBILITIES OF THE MEMBERS OF THE UNIVERSITY COUNCIL

In accordance with the Instrument and Articles of Government, the Council of the University of Chester is responsible for the administration and management of the affairs of the University and is required to present audited financial statements for the financial year.

The Council is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the University of Chester and enable it to ensure that the financial statements are prepared in accordance with the Instrument and Articles of Government, the Accounts Direction issued by the Higher Education Funding Council for England (HEFCE); the Financial Memorandum agreed with HEFCE, the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2015 and applicable United Kingdom law, as well as reflecting current best practice in public sector corporate governance. In addition, within the terms and conditions of a Financial Memorandum agreed between the Higher Education Funding Council for England and the Council of the University, the Council, through its designated office holder, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Council and of the surplus or deficit and cash flows for that period.

In preparing these financial statements, the Council is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the University will continue in operation.

The University Council has taken reasonable steps to:

- ensure that funds from the Higher Education Funding Council for England and the National College for Teaching and Learning are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the Funding Council and any other conditions which the Funding Council may from time to time prescribe;
- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- safeguard the assets of the University and to prevent and detect fraud and other irregularities; and
- secure the economical, efficient and effective management of the University's resources and expenditure.



## INDEPENDENT AUDITOR'S REPORT TO THE UNIVERSITY COUNCIL OF THE UNIVERSITY OF CHESTER

### Report on the audit of the financial statements

#### Opinion

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<sup>st</sup> July 2017 and of the group's and the university's income and expenditure, gains and losses and changes in reserves and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Statement of Recommended Practice: Accounting for Further and Higher Education.

We have audited the financial statements of the University of Chester (the 'university') and its subsidiaries (the 'group') which comprise:

- the group and university income and expenditure accounts;
- the group and university statements of comprehensive income;
- the group and university balance sheets;
- the group and university statements of changes in reserves;
- the group cash flow statement;
- the statement of accounting policies; and
- the related notes 1 to 21.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice: Accounting for Further and Higher Education.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the university in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the governing body's use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the governing body has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the university's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

### **Other information**

The governing body is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

### **Responsibilities of the University Council**

As explained more fully in the University Council responsibilities statement, the University Council is responsible for the preparation of the financial statements that give a true and fair view, and for such internal control as the governing body determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the University Council is responsible for assessing the group's and the university's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the governing body either intends to liquidate the group or the university or to cease operations, or has no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Use of our report**

This report is made solely to the University Council in accordance with / the memorandum of assurance and accountability effective August 2017. Our audit work has been undertaken so that we might state to the governing body those matters we are required to state to it 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 board of governors as a body, for our audit work, for this report, or for the opinions we have formed.

**Report on other legal and regulatory requirements**

**Opinions on other matters prescribed by the Higher Education Funding Council for England Audit Code of Practice (HEFCE)**

In our opinion, in all material respects:

- funds from HEFCE , the National College for Teaching and Learning and the Skills Funding Agency administered by the university for specific purposes during the year ended 31 July 2017 have been applied to those purposes and managed in accordance with relevant legislation;
- funds provided by HEFCE have been applied in accordance with the memorandum of assurance and accountability and any other terms and conditions attached to them during the year ended 31 July 2017; and
- the requirements of HEFCE's accounts direction have been met.

*Deloitte LLP*

Deloitte LLP  
Statutory Auditor  
Manchester, United Kingdom  
Date: 23 November 2017

**CONSOLIDATED AND UNIVERSITY STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE**  
**YEAR ENDED 31 JULY 2017**

|   | Notes | Year ended 31 July 2017 |                     | Year ended 31 July 2016 |                     |
|---|-------|-------------------------|---------------------|-------------------------|---------------------|
|   |       | Consolidated<br>£'000   | University<br>£'000 | Consolidated<br>£'000   | University<br>£'000 |
| <b>Income</b>                                       |       |                         |                     |                         |                     |
| Tuition fees and education contracts                | 1     | 93,664                  | 93,664              | 89,394                  | 89,394              |
| Funding body grants                                 | 2     | 10,338                  | 10,338              | 9,828                   | 9,828               |
| Research grants and contracts                       | 3     | 894                     | 894                 | 1,564                   | 1,564               |
| Other income  | 4     | 15,938                  | 15,257              | 18,577                  | 17,534              |
| Investment income                                   | 5     | 421                     | 421                 | 40                      | 39                  |
| <b>Total income before endowments and donations</b> |       | <b>121,255</b>          | <b>120,574</b>      | <b>119,403</b>          | <b>118,359</b>      |
| Donations and endowments                            | 6     | 11                      | 11                  | 11                      | 11                  |
| <b>Total income</b>                                 |       | <b>121,266</b>          | <b>120,585</b>      | <b>119,414</b>          | <b>118,370</b>      |
| <b>Expenditure</b>                                  |       |                         |                     |                         |                     |
| Staff costs   | 7     | 68,221                  | 67,998              | 67,653                  | 67,295              |
| Other operating expenses                            | 9     | 35,743                  | 35,454              | 41,648                  | 41,115              |
| Depreciation  | 10    | 7,111                   | 7,111               | 6,954                   | 6,954               |
| Interest and other finance costs                    | 8     | 2,577                   | 2,577               | 2,904                   | 2,904               |
| <b>Total expenditure</b>                            |       | <b>113,652</b>          | <b>113,140</b>      | <b>119,159</b>          | <b>118,268</b>      |
| <b>Surplus for the year</b>                         |       | <b>7,614</b>            | <b>7,445</b>        | <b>255</b>              | <b>102</b>          |

**CONSOLIDATED AND UNIVERSITY STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE (continued)**  
**YEAR ENDED 31 JULY 2017**

|   | Notes | Year ended 31 July 2017 |               | Year ended 31 July 2016 |                |
|---|-------|-------------------------|---------------|-------------------------|----------------|
|   |       | Consolidated            | University    | Consolidated            | University     |
|   |       | £'000                   | £'000         | £'000                   | £'000          |
| <b>Surplus for the year</b>                           |       | <b>7,614</b>            | <b>7,445</b>  | <b>255</b>              | <b>102</b>     |
| Actuarial gain/ (loss) in respect of pension schemes  | 21    | 4,983                   | 4,983         | (5,913)                 | (5,913)        |
| <b>Total comprehensive income/(loss) for the year</b> |       | <b>12,597</b>           | <b>12,428</b> | <b>(5,658)</b>          | <b>(5,811)</b> |
| Represented by:                                       |       |                         |               |                         |                |
| Endowment comprehensive income/(loss) for the year    |       | 11                      | 11            | (5)                     | (5)            |
| Unrestricted comprehensive income/(loss) for the year |       | 12,586                  | 12,417        | (5,653)                 | (5,806)        |
| Attributable to the University                        |       | <b>12,597</b>           | <b>12,428</b> | <b>(5,658)</b>          | <b>(5,811)</b> |
| <b>Surplus for the year attributable to:</b>          |       |                         |               |                         |                |
| University  |       | <b>7,614</b>            | <b>7,445</b>  | <b>255</b>              | <b>102</b>     |

All items of income and expenditure relate to continuing activities.

**CONSOLIDATED AND UNIVERSITY STATEMENTS OF CHANGES IN RESERVES  
YEAR ENDED 31 JULY 2017**

| Consolidated   | Income and Expenditure Account |                     | Total          |
|--|--------------------------------|---------------------|----------------|
|  | <i>Endowment</i>               | <i>Unrestricted</i> |                |
|  | £'000                          | £'000               |                |
| <b>Balance at 1 August 2015</b>                                    | <b>360</b>                     | <b>56,868</b>       | <b>57,228</b>  |
| Surplus from the statement of comprehensive income and expenditure | 11                             | 244                 | 255            |
| Other comprehensive loss   | -                              | (5,913)             | (5,913)        |
| Release of restricted funds spent in year                          | (16)                           | 16                  | -              |
| <b>Total comprehensive loss for the year</b>                       | <b>(5)</b>                     | <b>(5,653)</b>      | <b>(5,658)</b> |
| <b>Balance at 1 August 2016</b>                                    | <b>355</b>                     | <b>51,215</b>       | <b>51,570</b>  |
| Surplus from the statement of comprehensive income and expenditure | 11                             | 7,603               | 7,614          |
| Other comprehensive income   | -                              | 4,983               | 4,983          |
| <b>Total comprehensive income for the year</b>                     | <b>11</b>                      | <b>12,586</b>       | <b>12,597</b>  |
| <b>Balance at 31 July 2017</b>                                     | <b>366</b>                     | <b>63,801</b>       | <b>64,167</b>  |

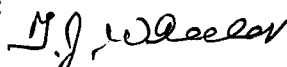
**CONSOLIDATED AND UNIVERSITY STATEMENTS OF CHANGES IN RESERVES  
(continued)  
YEAR ENDED 31 JULY 2017**

| University   | Income and Expenditure Account |                     | Total          |
|--|--------------------------------|---------------------|----------------|
|  | <i>Endowment</i>               | <i>Unrestricted</i> |                |
|  | £'000                          | £'000               | £'000          |
| <b>Balance at 1 August 2015</b>                                    | <b>360</b>                     | <b>56,033</b>       | <b>56,393</b>  |
| Surplus from the statement of comprehensive income and expenditure | 11                             | 91                  | 102            |
| Other comprehensive loss   | -                              | (5,913)             | (5,913)        |
| Release of restricted funds spent in year                          | (16)                           | 16                  | -              |
| <b>Total comprehensive loss for the year</b>                       | <b>(5)</b>                     | <b>(5,806)</b>      | <b>(5,811)</b> |
| <b>Balance at 1 August 2016</b>                                    | <b>355</b>                     | <b>50,227</b>       | <b>50,582</b>  |
| Surplus from the statement of comprehensive income and expenditure | 11                             | 7,434               | 7,445          |
| Other comprehensive income   | -                              | 4,983               | 4,983          |
| <b>Total comprehensive income for the year</b>                     | <b>11</b>                      | <b>12,417</b>       | <b>12,428</b>  |
| <b>Balance at 31 July 2017</b>                                     | <b>366</b>                     | <b>62,644</b>       | <b>63,010</b>  |

**CONSOLIDATED AND UNIVERSITY BALANCE SHEETS  
YEAR ENDED 31 JULY 2017**

|   | Notes | As at 31 July 2017    |                     | As at 31 July 2016    |                     |
|---|-------|-----------------------|---------------------|-----------------------|---------------------|
|   |       | Consolidated<br>£'000 | University<br>£'000 | Consolidated<br>£'000 | University<br>£'000 |
| Fixed assets  | 10    | 142,419               | 142,417             | 142,343               | 142,341             |
| <b>Current assets</b>                                   |       |                       |                     |                       |                     |
| Stock   | 11    | 48                    | 48                  | 51                    | 51                  |
| Trade and other receivables                             | 12    | 6,771                 | 6,597               | 5,496                 | 5,508               |
| Investments   | 13    | 17,056                | 17,056              | 9,045                 | 9,045               |
| Cash and cash equivalents                               | 18    | 7,458                 | 5,807               | 3,391                 | 1,854               |
|   |       | 31,333                | 29,508              | 17,983                | 16,458              |
| Less: Creditors: amounts falling due within one year    | 14    | (26,067)              | (25,397)            | (24,726)              | (24,187)            |
| <b>Net current assets/(liabilities)</b>                 |       | <b>5,266</b>          | <b>4,111</b>        | <b>(6,743)</b>        | <b>(7,729)</b>      |
| <b>Total assets less current liabilities</b>            |       | <b>147,685</b>        | <b>146,528</b>      | <b>135,600</b>        | <b>134,612</b>      |
| Creditors: amounts falling due after more than one year | 15    | (59,364)              | (59,364)            | (57,256)              | (57,256)            |
| <b>Provisions</b>                                       |       |                       |                     |                       |                     |
| Provisions for liabilities                              | 16    | (24,154)              | (24,154)            | (26,774)              | (26,774)            |
| <b>Net assets</b>                                       |       | <b>64,167</b>         | <b>63,010</b>       | <b>51,570</b>         | <b>50,582</b>       |
| <b>Restricted Reserves</b>                              |       |                       |                     |                       |                     |
| Income and expenditure reserve - endowment reserve      | 17    | 366                   | 366                 | 355                   | 355                 |
| <b>Unrestricted Reserves</b>                            |       |                       |                     |                       |                     |
| Income and expenditure reserve - unrestricted           |       | 63,801                | 62,644              | 51,215                | 50,227              |
| <b>Total Reserves</b>                                   |       | <b>64,167</b>         | <b>63,010</b>       | <b>51,570</b>         | <b>50,582</b>       |

The financial statements were approved by the University Council on 23<sup>rd</sup> November 2017 and were signed on its behalf on that date by:

  
Professor T J Wheeler, Vice-Chancellor

+ 

The Right Reverend Dr Peter Forster, the Lord Bishop of Chester, President of the Council.



**CONSOLIDATED CASH FLOW STATEMENT  
YEAR ENDED 31 JULY 2017**

|   | Notes | Year ended 31<br>July 2017<br>£'000 | Year ended 31<br>July 2016<br>£'000 |
|---|-------|-------------------------------------|-------------------------------------|
| <b>Cash flow from operating activities</b>                          |       |                                     |                                     |
| Surplus for the year  |       | 7,614                               | 255                                 |
| <b>Adjustment for non-cash items</b>                                |       |                                     |                                     |
| Depreciation  | 10    | 7,111                               | 6,954                               |
| Decrease/ (increase) in stock                                       | 11    | 3                                   | (3)                                 |
| (Increase)/ decrease in debtors                                     | 12    | (1,275)                             | 279                                 |
| Increase/(decrease) in creditors                                    | 14    | 5,265                               | (1,129)                             |
| Increase in pension provision                                       | 16    | 2,363                               | 2,021                               |
| <b>Adjustment for investing or financing activities</b>             |       |                                     |                                     |
| Investment income   | 5     | (37)                                | (40)                                |
| Interest payable  | 8     | 1,906                               | 2,211                               |
| Endowment income  |       | (11)                                | (11)                                |
| Capital grant income  |       | (1,641)                             | (1,379)                             |
| <b>Net cash inflow from operating activities</b>                    |       | <b>21,298</b>                       | <b>9,158</b>                        |
| <b>Cash flows from investing activities</b>                         |       |                                     |                                     |
| Capital grants receipts   |       | 5,665                               | 2,038                               |
| Withdrawal of deposits  |       | (8,011)                             | 5,991                               |
| Investment income   |       | 37                                  | 40                                  |
| Payments made to acquire fixed assets                               |       | (7,187)                             | (15,937)                            |
|   |       | <b>(9,496)</b>                      | <b>(7,868)</b>                      |
| <b>Cash flows from financing activities</b>                         |       |                                     |                                     |
| Interest paid   |       | (1,906)                             | (2,015)                             |
| Endowment cash received   |       | 11                                  | 11                                  |
| New unsecured loans   |       | -                                   | 443                                 |
| Repayments of amounts borrowed                                      |       | (2,357)                             | (2,094)                             |
|   |       | <b>(4,252)</b>                      | <b>(3,655)</b>                      |
| <b>Increase/(decrease) in cash and cash equivalents in the year</b> |       | <b>7,550</b>                        | <b>(2,365)</b>                      |
| Cash and cash equivalents at beginning of the year                  | 18    | (92)                                | 2,273                               |
| Cash and cash equivalents at end of the year                        | 18    | 7,458                               | (92)                                |

## STATEMENT OF ACCOUNTING POLICIES YEAR ENDED 31 JULY 2017

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.

The financial statements have been prepared on the going concern basis of accounting in accordance with the consideration set out in the Report of the University Council.

### **Basis of consolidation**

The consolidated financial statements include the University and all of its subsidiaries for the financial year to 31 July 2017. 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.

### **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 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.

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.

**STATEMENT OF ACCOUNTING POLICIES (continued)**  
**YEAR ENDED 31 JULY 2017****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.

**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 carried out by professionally qualified independent actuaries and the Teachers' Pension Scheme is assessed every five years.

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 2017****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. 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.

**STATEMENT OF ACCOUNTING POLICIES (continued)**  
**YEAR ENDED 31 JULY 2017**

**Derivatives**

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 July 2017**

|   | Year Ended 31 July 2017 |               | Year Ended 31 July 2016 |               |
|---|-------------------------|---------------|-------------------------|---------------|
|   | Consolidated            | University    | Consolidated            | University    |
|   | £'000                   | £'000         | £'000                   | £'000         |
| <b>1 Tuition Fees and Education Contracts</b> |                         |               |                         |               |
| Full-time home and EU students                | 69,795                  | 69,795        | 66,864                  | 66,864        |
| Full-time international students              | 5,803                   | 5,803         | 4,181                   | 4,181         |
| Part-time students                            | 3,356                   | 3,356         | 2,587                   | 2,587         |
| Education Contracts                           | 12,323                  | 12,323        | 13,839                  | 13,839        |
| Other Fees and Support Grants                 | 2,387                   | 2,387         | 1,923                   | 1,923         |
|   | <b>93,664</b>           | <b>93,664</b> | <b>89,394</b>           | <b>89,394</b> |
| <b>2 Funding Body Grants</b>                  |                         |               |                         |               |
| <b>Recurrent grant</b>                        |                         |               |                         |               |
| Higher Education Funding Council              | 7,404                   | 7,404         | 7,662                   | 7,662         |
| Skills Funding Agency                         | 64                      | 64            | -                       | -             |
| National College for Teaching and Leadership  | 328                     | 328           | 78                      | 78            |
| Capital grant                                 | 1,641                   | 1,641         | 1,379                   | 1,379         |
| <b>Specific grants</b>                        |                         |               |                         |               |
| Higher Education Academic Subject Centres     | 50                      | 50            | 163                     | 163           |
| Higher Education Innovation Fund              | 818                     | 818           | 546                     | 546           |
| NCOP Higher Horizons Project                  | 33                      | 33            | -                       | -             |
|   | <b>10,338</b>           | <b>10,338</b> | <b>9,828</b>            | <b>9,828</b>  |
| <b>3 Research Grants and Contracts</b>        |                         |               |                         |               |
| Research councils                             | 56                      | 56            | 312                     | 312           |
| Research charities                            | -                       | -             | 209                     | 209           |
| Government (UK and overseas)                  | 646                     | 646           | 251                     | 251           |
| Industry and commerce                         | 130                     | 130           | 47                      | 47            |
| Other   | 62                      | 62            | 745                     | 745           |
|   | <b>894</b>              | <b>894</b>    | <b>1,564</b>            | <b>1,564</b>  |

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 31 July 2017**

|                                      | Notes | Year Ended 31 July 2017 |               | Year Ended 31 July 2016 |               |
|--------------------------------------|-------|-------------------------|---------------|-------------------------|---------------|
|                                      |       | Consolidated            | University    | Consolidated            | University    |
|                                      |       | £'000                   | £'000         | £'000                   | £'000         |
| <b>4 Other income</b>                |       |                         |               |                         |               |
| Residences, catering and conferences |       | 9,845                   | 8,781         | 10,017                  | 9,258         |
| Other income                         |       | 6,093                   | 6,476         | 8,560                   | 8,276         |
|                                      |       | <b>15,938</b>           | <b>15,257</b> | <b>18,577</b>           | <b>17,534</b> |

Other income relates to European grants, commercial rents and other commercial income (e.g. nurseries, fitness centres).

**5 Investment income**

|                                       |    |            |            |           |           |
|---------------------------------------|----|------------|------------|-----------|-----------|
| Investment income on endowments       | 17 | 2          | 2          | 1         | 1         |
| Other investment income               |    | 35         | 35         | 39        | 38        |
| Movement in fair value of derivatives | 15 | 384        | 384        | -         | -         |
|                                       |    | <b>421</b> | <b>421</b> | <b>40</b> | <b>39</b> |

**6 Donations and endowments**

|                |    |    |    |    |    |
|----------------|----|----|----|----|----|
| New endowments | 17 | 11 | 11 | 11 | 11 |
|----------------|----|----|----|----|----|

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 31 July 2017**

|                       | Year Ended 31 July 2017 |               | Year Ended 31 July 2016 |               |
|-----------------------|-------------------------|---------------|-------------------------|---------------|
|                       | Consolidated            | University    | Consolidated            | University    |
|                       | £'000                   | £'000         | £'000                   | £'000         |
| <b>7 Staff costs</b>  |                         |               |                         |               |
| Staff costs:          | £'000                   | £'000         | £'000                   | £'000         |
| Salaries              | 53,459                  | 53,284        | 53,988                  | 53,721        |
| Social security costs | 5,034                   | 5,018         | 4,424                   | 4,394         |
| Other pension costs   | 9,728                   | 9,696         | 9,241                   | 9,180         |
| <b>Total</b>          | <b>68,221</b>           | <b>67,998</b> | <b>67,653</b>           | <b>67,295</b> |

|                                    | 2017       | 2016       |
|------------------------------------|------------|------------|
|                                    | £'000      | £'000      |
| Emoluments of the Vice-Chancellor: |            |            |
| Salary                             | 271        | 268        |
| Benefits                           | 2          | 3          |
|                                    | <b>273</b> | <b>271</b> |

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

|                      | No.      | No.      |
|----------------------|----------|----------|
| £100,000 to £109,999 | 3        | 5        |
| £110,000 to £119,999 | -        | -        |
| £120,000 to £129,999 | 2        | 1        |
| £130,000 to £139,999 | 1        | 1        |
|                      | <b>6</b> | <b>7</b> |

| Average staff numbers by major category: | No.          | No.          |
|--|--------------|--------------|
| Academic Departments                     | 589          | 645          |
| Academic Services                        | 141          | 143          |
| Administration/Central Services          | 346          | 361          |
| Premises                                 | 208          | 208          |
| Catering and Residence                   | 73           | 80           |
| Nursing                                  | 144          | 149          |
| Other                                    | 3            | 2            |
|  | <b>1,504</b> | <b>1,588</b> |

**Council Members**

Reimbursements to members of University Council for expenditure incurred in attending Council and meetings of its Committees amounted to £1,109 (2016: £1,929). Council members did not receive any remuneration from the University.



**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 31 July 2017**

|  | Notes | Year Ended 31 July 2017 |               | Year Ended 31 July 2016 |               |
|--|-------|-------------------------|---------------|-------------------------|---------------|
|  |       | Consolidated            | University    | Consolidated            | University    |
|  |       | £'000                   | £'000         | £'000                   | £'000         |
| <b>8 Interest and other finance costs</b>                        |       |                         |               |                         |               |
| Loan interest  |       | 1,906                   | 1,906         | 2,015                   | 2,015         |
| Net charge on pension scheme                                     | 21    | 671                     | 671           | 693                     | 693           |
| Movement in fair value of derivatives                            |       | -                       | -             | 196                     | 196           |
|  |       | <b>2,577</b>            | <b>2,577</b>  | <b>2,904</b>            | <b>2,904</b>  |
| <b>9 Analysis of other operating expenses by activity</b>        |       |                         |               |                         |               |
| Academic and related expenditure                                 |       | 15,308                  | 15,308        | 16,196                  | 16,196        |
| Administration and central services                              |       | 5,136                   | 5,136         | 4,870                   | 4,898         |
| Premises (including service concession cost)                     |       | 9,978                   | 9,977         | 12,578                  | 12,249        |
| Residences, catering and conferences                             |       | 3,004                   | 2,971         | 3,127                   | 2,994         |
| Research grants and contracts                                    |       | 536                     | 536           | 1,086                   | 1,086         |
| Other expenses   |       | 1,781                   | 1,526         | 3,791                   | 3,692         |
|  |       | <b>35,743</b>           | <b>35,454</b> | <b>41,648</b>           | <b>41,115</b> |
| Other operating expenses include:                                |       |                         |               |                         |               |
| External auditor's remuneration in respect of audit services     |       | 54                      | 54            | 53                      | 53            |
| External auditor's remuneration in respect of non-audit services |       | 24                      | 24            | 27                      | 27            |
| Operating lease rentals:   |       |                         |               |                         |               |
| Other  |       | 157                     | 157           | 148                     | 148           |

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 31 July 2017**

**10 Fixed Assets**

|                        | Freehold Land<br>and Buildings | Plant and<br>Machinery     | Computer<br>Equipment    | Total                        |
|------------------------|--------------------------------|----------------------------|--------------------------|------------------------------|
|                        | £'000                          | £'000                      | £'000                    | £'000                        |
| <b>Consolidated</b>    |                                |                            |                          |                              |
| <b>Cost</b>            |                                |                            |                          |                              |
| At 1 August 2016       | 155,429                        | 21,216                     | 7,001                    | 183,646                      |
| Additions              | <u>5,237</u>                   | <u>1,702</u>               | <u>248</u>               | <u>7,187</u>                 |
| <b>At 31 July 2017</b> | <b><u>160,666</u></b>          | <b><u>22,918</u></b>       | <b><u>7,249</u></b>      | <b><u>190,833</u></b>        |
| <b>Depreciation</b>    |                                |                            |                          |                              |
| At 1 August 2016       | 20,754                         | 14,657                     | 5,892                    | 41,303                       |
| Charge for the year    | <u>3,052</u>                   | <u>3,280</u>               | <u>779</u>               | <u>7,111</u>                 |
| <b>At 31 July 2017</b> | <b><u>23,806</u></b>           | <b><u>17,937</u></b>       | <b><u>6,671</u></b>      | <b><u>48,414</u></b>         |
| <b>Net book value</b>  |                                |                            |                          |                              |
| <b>At 31 July 2017</b> | <b><u><u>136,859</u></u></b>   | <b><u><u>4,982</u></u></b> | <b><u><u>578</u></u></b> | <b><u><u>142,419</u></u></b> |
| At 31 July 2016        | <u>134,675</u>                 | <u>6,559</u>               | <u>1,109</u>             | <u>142,343</u>               |

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 31 July 2017**

**10 Fixed Assets continued**

|                        | Freehold Land<br>and Buildings | Plant and<br>Machinery | Computer<br>Equipment | Total                 |
|------------------------|--------------------------------|------------------------|-----------------------|-----------------------|
|                        | £'000                          | £'000                  | £'000                 | £'000                 |
| <b>University</b>      |                                |                        |                       |                       |
| <b>Cost</b>            |                                |                        |                       |                       |
| At 1 August 2016       | 154,469                        | 20,564                 | 7,001                 | 182,034               |
| Additions              | <u>5,237</u>                   | <u>1,702</u>           | <u>248</u>            | <u>7,187</u>          |
| <b>At 31 July 2017</b> | <b><u>159,706</u></b>          | <b><u>22,266</u></b>   | <b><u>7,249</u></b>   | <b><u>189,221</u></b> |
| <b>Depreciation</b>    |                                |                        |                       |                       |
| At 1 August 2016       | 19,796                         | 14,005                 | 5,892                 | 39,693                |
| Charge for the year    | <u>3,052</u>                   | <u>3,280</u>           | <u>779</u>            | <u>7,111</u>          |
| <b>At 31 July 2017</b> | <b><u>22,848</u></b>           | <b><u>17,285</u></b>   | <b><u>6,671</u></b>   | <b><u>46,804</u></b>  |
| <b>Net book value</b>  |                                |                        |                       |                       |
| <b>At 31 July 2017</b> | <b><u>136,858</u></b>          | <b><u>4,981</u></b>    | <b><u>578</u></b>     | <b><u>142,417</u></b> |
| At 31 July 2016        | <u>134,673</u>                 | <u>6,559</u>           | <u>1,109</u>          | <u>142,341</u>        |

At 31 July 2017, freehold land and buildings included £7.8m (2016 - £7.8m) in respect of freehold land and is not depreciated.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 31 July 2017**

**11 Stock**

|                     | Year ended 31 July 2017 |            | Year ended 31 July 2016 |            |
|---------------------|-------------------------|------------|-------------------------|------------|
|                     | Consolidated            | University | Consolidated            | University |
|                     | £'000                   | £'000      | £'000                   | £'000      |
| General consumables | 48                      | 48         | 51                      | 51         |

**12 Trade and other receivables**

|                                       | Year ended 31 July 2017 |              | Year ended 31 July 2016 |              |
|---------------------------------------|-------------------------|--------------|-------------------------|--------------|
|                                       | Consolidated            | University   | Consolidated            | University   |
|                                       | £'000                   | £'000        | £'000                   | £'000        |
| Amounts falling due within one year:  |                         |              |                         |              |
| Tuition fee receivables               | 2,848                   | 2,848        | 552                     | 552          |
| Other trade receivables               | 377                     | 128          | 681                     | 63           |
| Other receivables                     | 1,302                   | 1,302        | 2,366                   | 2,366        |
| Prepayments and accrued income        | 2,244                   | 1,406        | 1,897                   | 1,771        |
| Amounts due from subsidiary companies | -                       | 913          | -                       | 756          |
|                                       | <u>6,771</u>            | <u>6,597</u> | <u>5,496</u>            | <u>5,508</u> |

**13 Current Investments**

|                     | Year ended 31 July 2017 |            | Year ended 31 July 2016 |            |
|---------------------|-------------------------|------------|-------------------------|------------|
|                     | Consolidated            | University | Consolidated            | University |
|                     | £'000                   | £'000      | £'000                   | £'000      |
| Short term deposits | 17,056                  | 17,056     | 9,045                   | 9,045      |

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 2017 the weighted average interest rate of these fixed rate deposits was 0.4% per annum and the remaining weighted average period for which the interest rate is fixed on these deposits was 229 days. The fair value of these deposits was not materially different from the book value.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 31 July 2017**

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

|  | Year ended 31 July 2017 |               | Year ended 31 July 2016 |               |
|--|-------------------------|---------------|-------------------------|---------------|
|  | Consolidated            | University    | Consolidated            | University    |
|  | £'000                   | £'000         | £'000                   | £'000         |
| Bank overdraft                             | -                       | -             | 3,483                   | 3,483         |
| Secured loans*                             | 774                     | 774           | 758                     | 758           |
| Unsecured loans                            | 1,192                   | 1,192         | 1,599                   | 1,599         |
| Trade payables                             | 6,451                   | 6,391         | 10,074                  | 9,992         |
| Social security and other taxation payable | 1,503                   | 1,356         | 1,465                   | 1,333         |
| Accruals and deferred income               | 16,147                  | 15,684        | 7,347                   | 7,022         |
|  | <u>26,067</u>           | <u>25,397</u> | <u>24,726</u>           | <u>24,187</u> |

\* The bank loans are secured on freehold properties owned by the University with a carrying value of £7.5m (2016: £7.6m), over which the lender holds a legal charge.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 31 July 2017**

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

|                 | Year ended 31 July 2017 |                     | Year ended 31 July 2016 |                     |
|-----------------|-------------------------|---------------------|-------------------------|---------------------|
|                 | Consolidated<br>£'000   | University<br>£'000 | Consolidated<br>£'000   | University<br>£'000 |
| Deferred income | 23,048                  | 23,048              | 18,590                  | 18,590              |
| Derivatives     | 1,181                   | 1,181               | 1,565                   | 1,565               |
| Secured loans   | 9,375                   | 9,375               | 10,149                  | 10,149              |
| Unsecured loans | 25,760                  | 25,760              | 26,952                  | 26,952              |
|                 | <u>59,364</u>           | <u>59,364</u>       | <u>57,256</u>           | <u>57,256</u>       |

Analysis of secured and unsecured loans:

|   |               |               |               |               |
|---|---------------|---------------|---------------|---------------|
| Due within one year or on demand<br>(Note 14) | 1,966         | 1,966         | 2,357         | 2,357         |
| Due between one and two years                 | 1,996         | 1,966         | 2,144         | 2,144         |
| Due between two and five years                | 5,905         | 5,905         | 6,448         | 6,448         |
| Due in five years or more                     | 27,234        | 27,234        | 28,509        | 28,509        |
| <b>Due after more than one year</b>           | <u>35,135</u> | <u>35,135</u> | <u>37,101</u> | <u>37,101</u> |
| <b>Total secured and unsecured loans</b>      | <u>37,101</u> | <u>37,101</u> | <u>39,458</u> | <u>39,458</u> |
| Secured loans repayable by 2031               | 10,149        | 10,149        | 10,908        | 10,908        |
| Unsecured loans repayable by 2038             | <u>26,952</u> | <u>26,952</u> | <u>28,550</u> | <u>28,550</u> |
|   | <u>37,101</u> | <u>37,101</u> | <u>39,458</u> | <u>39,458</u> |

Included in loans are the following:

|               | Lender       | Amount<br>£'000 | Term | Interest rate<br>% | Borrower   |
|---------------|--------------|-----------------|------|--------------------|------------|
| Repaid Nov'16 | Santander    | -               | 2016 | 2.34%              | University |
|               | Barclays     | 3,545           | 2026 | 5.94%              | University |
|               | Barclays     | 1,840           | 2028 | 5.31%              | University |
|               | Barclays     | 1,691           | 2031 | 0.84%              | University |
|               | Barclays     | 4,913           | 2031 | 5.55%              | University |
|               | Lloyds TSB   | 8,214           | 2034 | 5.55%              | University |
|               | Santander    | 3,590           | 2038 | 5.62%              | University |
|               | Santander    | 7,931           | 2038 | 5.62%              | University |
|               | Santander    | 5,100           | 2038 | 3.11%              | University |
|               | Salix        | 114             | 2019 | interest free      | University |
|               | Salix        | 163             | 2019 | interest free      | University |
|               | <b>TOTAL</b> | <u>37,101</u>   |      |                    |            |

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 31 July 2017**

**16 Provisions for liabilities**

| Consolidated           | Pension enhancements<br>on termination<br>£'000 | Pension scheme<br>provision under<br>FRS 102 (Note 21)<br>£'000 | Total<br>Provisions<br>£'000 |
|------------------------|---|---|------------------------------|
| At 1 August 2016       | 800   | 25,974  | 26,774                       |
| Utilised in year       | (81)  | (4,983)   | (5,064)                      |
| Additions in year      | -   | 2,444   | 2,444                        |
| <b>At 31 July 2017</b> | <b>719</b>                                      | <b>23,435</b>   | <b>24,154</b>                |

| University             | Pension<br>enhancement<br>on termination<br>£'000 | Pension scheme<br>provision under<br>FRS 102 (note 21)<br>£'000 | Total<br>Provisions<br>£'000 |
|------------------------|---|---|------------------------------|
| At 1 August 2016       | 800   | 25,974  | 26,774                       |
| Utilised in year       | (81)  | (4,983)   | (5,064)                      |
| Additions in year      | -   | 2,444   | 2,444                        |
| <b>At 31 July 2017</b> | <b>719</b>  | <b>23,435</b>   | <b>24,154</b>                |

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 |      |
|---------------|--------------|------|
|               | 2017         | 2016 |
| Discount rate | 2.5%         | 2.5% |
| Inflation     | 2.9%         | 2.9% |

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 31 July 2017**

**17 Endowment Reserves**

Restricted net assets relating to endowments are as follows:

|  | Restricted<br>permanent<br>endowments | Expendable<br>endowments | 2017<br>Total | 2016<br>Total |
|--|---------------------------------------|--------------------------|---------------|---------------|
|  | £'000                                 | £'000                    | £'000         | £'000         |
| <b>Balances at 1 August 2016</b>                             |                                       |                          |               |               |
| Capital  | 130                                   | 225                      | 355           | 330           |
| Accumulated income   | -                                     | -                        | -             | 30            |
|  | <u>130</u>                            | <u>225</u>               | <u>355</u>    | <u>360</u>    |
| New Endowments   | -                                     | 11                       | 11            | 11            |
| Investment Income  | -                                     | 2                        | 2             | 1             |
| Expenditure  | -                                     | (2)                      | (2)           | (17)          |
| <b>Total endowment Comprehensive income<br/>for the year</b> | <u>-</u>                              | <u>11</u>                | <u>11</u>     | <u>(5)</u>    |
| <b>At 31 July 2017</b>                                       | <u>130</u>                            | <u>236</u>               | <u>366</u>    | <u>355</u>    |
| <b>Represented by:</b>                                       |                                       |                          |               |               |
| Capital  | 130                                   | 211                      | 341           | 330           |
| Accumulated income   | -                                     | 25                       | 25            | 25            |
|  | <u>130</u>                            | <u>236</u>               | <u>366</u>    | <u>355</u>    |
| <b>Analysis by type of purpose:</b>                          |                                       |                          |               |               |
| Prize funds  |                                       | 60                       | 60            | 61            |
| General  | 130                                   | 176                      | 306           | 299           |
|  | <u>130</u>                            | <u>236</u>               | <u>366</u>    | <u>360</u>    |
| <b>Analysis by asset</b>                                     |                                       |                          |               |               |
| Cash & cash equivalents                                      | 130                                   | 236                      | 366           | 355           |



**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 31 July 2017**

**18 Cash and Cash Equivalents**

|                           | Notes | At 1st August<br>2016<br>£'000 | Cash<br>Flows<br>£'000 | At 31st July<br>2017<br>£'000 |
|---------------------------|-------|--------------------------------|------------------------|-------------------------------|
| Consolidated              |       |                                |                        |                               |
| Cash and cash equivalents |       | 3,391                          | 4,067                  | 7,458                         |
| Bank overdraft            | 14    | (3,483)                        | 3,483                  | -                             |
|                           |       | <u>(92)</u>                    | <u>7,550</u>           | <u>7,458</u>                  |

**19 Lease Obligations**

Total rentals payable under operating leases:

|  | 31 July 2017          |                | 31 July 2016   |
|--|-----------------------|----------------|----------------|
|  | Other leases<br>£'000 | Total<br>£'000 | Total<br>£'000 |
| <b>Payable during the year</b>               |                       |                |                |
| <b>Future minimum lease payments due:</b>    |                       |                |                |
| Not later than 1 year                        | 105                   | 105            | 120            |
| Later than 1 year and not later than 5 years | <u>114</u>            | <u>114</u>     | <u>150</u>     |
| <b>Total lease payments due</b>              | <u>219</u>            | <u>219</u>     | <u>270</u>     |

Lease obligations relate to vehicle leases.

**20 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 |
| Northwest Universities European 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)**  
**For the year ended 31 July 2017**

**21 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 £9,728,000 (2016: £9,241,487) which includes £48,615 (2016: £51,247) 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 £719,058 (2016: £799,590) 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 2017 was £6,890,299 (2016: £7,008,898) of which the employers' contributions totalled £4,268,024 (2016: £4,342,612) and the employees' contributions totalled £2,622,276 (2016: £2,666,286). 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 2004        |
| Actuarial method   | Prospective Benefits |
| Investment returns per annum   | 3.50%                |
| Salary scale increases per annum   | 1.50%                |
| Market value of assets at date of last valuation                                     | £163,240m            |
| Proportion of members' accrued benefits covered by the actuarial value of the assets | 98%                  |

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 the year were paid at the rate of 16.48%. Employee contribution rates are dependent on salary levels and were in bandings between 5.5%-12.5%.

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)**  
**For the year ended 31 July 2017**

**21 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 2017 was £4,755,248 (2016: £4,684,032) of which the employers' contributions totalled £3,568,819 (2016: £3,488,343) and employees contributions totalled £1,186,429 (2016: £1,195,689). The agreed contribution rates for future years are 15.2% 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 2016         |
| Valuation Method                  | Projected Unit Method |
| Value of notional needs           | £76.5 Million         |
| Funding level of accrued benefits | 98.4%                 |
| Investment return per annum       | 3.80%                 |
| Salary scale increases per annum  | 2.40%                 |

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

|                               | 31 July<br>2017<br>% | 31 July<br>2016<br>% | 31 July<br>2015<br>% |
|-------------------------------|----------------------|----------------------|----------------------|
| Inflation                     | 3.5                  | 2.9                  | 3.7                  |
| Rate of increases in salaries | 2.7                  | 2.9                  | 3.6                  |
| Rate of increase in pensions  | 2.4                  | 1.9                  | 2.7                  |
| Discount rate for liabilities | 2.7                  | 2.5                  | 3.7                  |

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<br>2017<br>% | 31 July<br>2016<br>% |
|-----------------------------|----------------------|----------------------|
| <b>Retiring today</b>       |                      |                      |
| Males                       | 22.3                 | 22.3                 |
| Females                     | 24.5                 | 24.4                 |
| <b>Retiring in 20 years</b> |                      |                      |
| Males                       | 23.9                 | 24.1                 |
| Females                     | 26.5                 | 26.7                 |

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 31 July 2017**

**21 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<br>2017<br>£'000 | 31 July<br>2016<br>£'000 |
|------------------------------|--------------------------|--------------------------|
| Equities                     | 37,738                   | 45,263                   |
| Bonds                        | 38,681                   | 29,627                   |
| Property                     | 5,661                    | 5,761                    |
| Cash                         | 12,265                   | 1,646                    |
| Total market value of assets | <u>94,345</u>            | <u>82,297</u>            |

The above asset values as at 31 July 2017 are at bid value as required under FRS 102 Section 28:

|                                     | 2017<br>£'000   | 2016<br>£'000   |
|-------------------------------------|-----------------|-----------------|
| University's estimated asset share  | 94,345          | 82,297          |
| Present value of scheme liabilities | (117,780)       | (108,271)       |
| Deficit in the scheme               | <u>(23,435)</u> | <u>(25,974)</u> |

Under FRS 102 Section 28, provision has been made by the University for the institution's share of the deficit in the scheme and the following entries were made:

|  | 31 July<br>2017<br>£'000 | 31 July<br>2016<br>£'000 | 31 July<br>2015<br>£'000 |
|--|--------------------------|--------------------------|--------------------------|
| <b>Balance sheet presentation</b>                  |                          |                          |                          |
| Net assets excluding pension liability             | 87,620                   | 78,313                   | 98,543                   |
| Net pension liability                              | (23,435)                 | (25,974)                 | (18,075)                 |
| Net assets including pension liability             | <u>64,185</u>            | <u>52,339</u>            | <u>80,468</u>            |
| <b>Reserves note</b>                               |                          |                          |                          |
| Income and expenditure excluding pension liability | 87,254                   | 77,958                   | 62,037                   |
| Net pension liability                              | (23,435)                 | (25,974)                 | (18,075)                 |
| Income and expenditure including pension liability | <u>63,819</u>            | <u>51,984</u>            | <u>43,962</u>            |

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 31 July 2017**

**21 Pension Schemes (continued)**

**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:

|   | 2017<br>£'000 | 2016<br>£'000  |
|---|---------------|----------------|
| Service cost  | 5,334         | 4,774          |
|   | <u>5,334</u>  | <u>4,774</u>   |
| <b>Analysis of net return on pension scheme</b>         |               |                |
|   | 2017<br>£'000 | 2016<br>£'000  |
| Expected return on pension scheme assets                | 2,097         | 2,703          |
| Impact on pension scheme liabilities                    | (2,768)       | (3,396)        |
| <b>Net charge</b>                                       | <u>(671)</u>  | <u>(693)</u>   |
| <b>Amounts recognised in Other Comprehensive Income</b> |               |                |
|   | 2017<br>£'000 | 2016<br>£'000  |
| Actuarial loss– defined benefit obligations             | (4,509)       | (11,349)       |
| Actuarial gain– fair value of employer assets           | 9,492         | 5,436          |
| <b>Actuarial gain/(loss)</b>                            | <u>4,983</u>  | <u>(5,913)</u> |

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 (previously FRS 17) is £12.3 million (2016: £17.3 million).

**Movement in deficit during the year**

|  | 2017<br>£'000   | 2016<br>£'000   |
|--|-----------------|-----------------|
| Deficit in scheme at beginning of year | (25,974)        | (18,075)        |
| <b>Movement in year:</b>               |                 |                 |
| Current service charge                 | (5,344)         | (4,774)         |
| Employer contributions                 | 3,571           | 3,481           |
| Net charge on assets                   | (671)           | (693)           |
| Actuarial gain/(loss)                  | 4,983           | (5,913)         |
| <b>Net deficit</b>                     | <u>(23,435)</u> | <u>(25,974)</u> |

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 31 July 2017**

**21 Pension Schemes (continued)**

|                                     | <b>2017</b><br><b>£'000</b> | <b>2016</b><br><b>£'000</b> |
|-------------------------------------|-----------------------------|-----------------------------|
| <b>Liabilities at start of year</b> | 108,271                     | 89,443                      |
| Service cost                        | 5,344                       | 4,774                       |
| Interest cost                       | 2,768                       | 3,396                       |
| Employee contributions              | 1,183                       | 1,196                       |
| Actuarial loss                      | 1,658                       | 10,726                      |
| Benefits paid                       | (1,444)                     | (1,264)                     |
| <b>Liabilities at end of year</b>   | <u><u>117,780</u></u>       | <u><u>108,271</u></u>       |
|                                     | <b>2017</b><br><b>£'000</b> | <b>2016</b><br><b>£'000</b> |
| <b>Assets at start of year</b>      | 82,297                      | 71,368                      |
| Expected return on Assets           | 2,097                       | 2,703                       |
| Actuarial gain                      | 6,641                       | 4,813                       |
| Employer contributions              | 3,571                       | 3,481                       |
| Employee contributions              | 1,183                       | 1,196                       |
| Benefits paid                       | (1,444)                     | (1,264)                     |
| <b>Assets at end of year</b>        | <u><u>94,345</u></u>        | <u><u>82,297</u></u>        |