

UNIVERSITY OF CHESTER

Report and Financial Statements

Year ended 31 July 2013

REPORT AND FINANCIAL STATEMENTS
For the 12 months ended 31 July 2013

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FINANCIAL HIGHLIGHTS**Results**

During the 12 months to 31 July 2013 (12 months to 31 July 2012 figures in brackets) the University:

Generated income of £88 million (£80 million)

Generated a surplus of £4.8 million (£3.1 million)

Generated a net cash inflow from operating activities of £11.7 million (£5.3 million)

Increased expenditure by £6.3m (8%)

Financial Strength

At 31 July 2013 the University had:

Cash and short term deposits of £16.2 million (£13.3 million)

Total net assets (excluding deferred capital grants and endowment funds) of £42.5 million (£34.2 million)

An FRS 17 Pension liability of £12.9m (£15.7m).

Financial Investments

During the 12 months to 31 July 2013 the University invested £13.8 million (£5.3 million) in tangible fixed assets.

Staff and students

During the academic year the University:

Employed an average of 1,244 members of staff (2012: 1,224)

Taught, directly or through collaborative provision and distance learning, higher education students as follows:

	Full-time	Other	2012/13 Total	2011/12 Total	Increase/ (decrease) %
Home/EU					
Undergraduate	6,785	1,800	8,585	9,390	(9%)
Postgraduate	570	2,791	3,361	3,468	(3%)
Nursing and Midwifery	1,476	1,198	2,674	2,893	(8%)
International					
Undergraduate	445	186	631	488	29%
Postgraduate	377	229	606	332	83%
Nursing and Midwifery	34	17	51	74	(31%)
2012/13 Total students	9,687	6,221	15,908	16,645	(4%)
2011/12 Totals	9,170	7,475	16,645		
Increase/(Decrease)	6%	(17%)	(4%)		

The 2012/13 figures are for students studying between August 2012 and July 2013. The 2011/12 figures are for students studying between August 2011 and July 2012.

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
Reverend Dr LE Cooke
Mrs C Allen
Mr C Daniels
Mr JS Evans
Professor JR Fisher
Professor M Hoey
The Very Reverend Professor G McPhate
Mrs M Needham
Mr D Pickering (Resigned 22-4-13)
Mrs M Steward
Mrs S Verity (Translated from Non foundation 23-4-13)

Non Foundation Members of the University Council

Miss K Badman
Mr F Ball (Appointed 23-4-13)
Judge E Edwards
Ms K Fisher
Professor N Ford
Ms J Jones
Professor R Kay (Resigned 31-8-13)
Dr K McLay (Appointed 1-9-13)
Mrs C Maddaford
Mr D Munt (Appointed 1-8-12)
Mr G Ramsbottom (Resigned 31-12-12)
Mrs S Rudd
Dr L Smith
Mrs S Verity (Appointed 1-1-13)
Councillor A Walmsley
Mr JD Stevens (Secretary) (Resigned 31-12-12)
Mr A Lee (Secretary) (Appointed 1-1-13)

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 period are as follows:

Bankers: NatWest Bank plc
Auditors: External: Deloitte LLP
Internal: RSM Tenon LLP
Solicitors: Hill Dickinson
Insurance Brokers: U.M. Association Limited

REPORT OF THE UNIVERSITY COUNCIL For the 12 months ended 31 July 2013

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 Limited is the custodian trustee and the Members of the University Council (Governors) are the management trustees. The Governors 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 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 Governors 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 Governors attend an "Away Day" where contributions on relevant topics are made by external and internal speakers. New Governors 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 accounts

The accounts have been presented for the year ended 31 July 2013.

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 and made available through the activities of the trading subsidiary Chester Housing Limited (see below), for which it receives rental income less the deduction of a management fee.

The Charity has four wholly owned subsidiaries:

- Chester Conferences Limited – provision of conference and short-course facilities
- Chester Housing Limited – provision and administration of student accommodation
- Chester College Enterprises Limited – provision of nursery services for students (at a subsidised rate) and staff at the University and members of the general public at both Chester and Warrington and the head tenancy scheme (which involves the rental of student houses on behalf of landlords). From 1st August 2013 this company ceased trading and the activity transferred to the University.
- North West Universities European Unit Limited - facilitate and support the North West HEIs' future collective activity, engagement and representation in relation to European Structural Fund Issue

REPORT OF THE UNIVERSITY COUNCIL (continued)
For the 12 months ended 31 July 2013

Strategy and operational review

The Members of the University Council present their report on the affairs of the University together with the accounts and Auditor's report for the year ended 31 July 2013.

The University Council meets four times each academic year. Various committees deal with much of the Council's detailed work; these committees comprise the Policy Committee (Employment and Finance), the General Purposes Committee, the Human Resources Committee, Health and Safety Committee, the Mission Committee, the Senior Salaries (Remuneration) Committee, the Nominations Committee and the Audit and Risk Management Committee. The minutes of all committees are formally reported to, and discussed by, the Council.

Business review 2012/13

The highly impressive performance of the University reported last year has continued unabated in the Academic Year 2012-13. Despite the continuing global economic recession and on-going uncertainties regarding the policy environment for higher education in the UK, the University is justifiably proud of its sustained strong performance. Whilst adverse environments can bring about uncertainty, they can also present exciting development opportunities for entrepreneurial universities such as Chester. The University has continued to build on its considerable strengths to ensure that the institution is well placed to respond innovatively and successfully to the challenges that undoubtedly lie ahead. Though most certainly not complacent, the University faces the future with particular confidence and enthusiasm.

When development and innovation are taking place at such a rate and across a number of fronts, it is all the more important to hold on to the things that are consistent with our mission and values and, through experience, are proven to be well-founded. Having regard to the need to provide a high quality and supportive learning environment for both its students and staff, the University continues to maintain a prudent approach to managing its finances whilst at the same time ensuring investment in key future development. The Academic Year 2012-13 has again seen a substantial growth in income accompanied by a very encouraging operating surplus.

The introduction of higher student fees has not seen a lessening in demand for the University's full time undergraduate and postgraduate provision. Indeed, for the second year running, applications per place for full time undergraduate courses have exceeded 8:1 and intake targets were met. The growth in undergraduate provision has been mirrored by continuing expansion of the University's taught and research postgraduate provision. However, the University has seen, in line with the rest of the sector, a reduction in part time students under the new tuition fee regime. Investment in the University's international activities has been rewarded with marked growth in the number of international students coming to the UK to study with the University and a prudent expansion of the University's offshore interests in carefully targeted market areas in Asia, China and the Middle East. The development of new and innovative provision and delivery mechanisms will continue and, to this end, the University has recently been recognised by the Times Higher Education Supplement as one of the most innovative universities in the country.

The growth in the national and international popularity of the University and attendant growth in student numbers is due to a number of factors, not least the continuing high level commitment and enthusiasm of our staff and students. We recognise that an important key to our current and future success lies in providing an extremely high quality teaching experience and ensuring a friendly, inclusive approach to living and learning. The institution's wide range of programmes remain up-to-date and flexible, enabling our students to design their studies around their particular interests. Importantly, the University listens carefully to what students and employers say about the University, and makes improvements to our provision that take advantage of the latest research, pedagogy and developments in the world of work.

The latest National Student Survey results for 2013 have again been outstanding. The University's overall satisfaction rate rose by 2% to 88%, the highest score that the University has ever achieved and 2% higher than the national average. 91% of students who attended the University indicated that they would recommend the institution as a good place to study. During the course of the year, the University's rapidly developing reputation was also reflected in an outstanding set of improved performances in the league tables produced by the national press. Of particular satisfaction was a placing of 46th out of 119 UK universities in the Guardian League Table, putting the University amongst the top three universities in the North West of England, and a ranking of 52nd in the combined Sunday Times/Times league table.

**REPORT OF THE UNIVERSITY COUNCIL (continued)
For the 12 months ended 31 July 2013**

Business review 2012/13 (continued)

In order to provide an appropriate learning environment for our students, staff and visitors, the University faces a constant need to invest in updating its existing estate, infrastructure and the creation of new facilities. Following recent successful site acquisitions at Kingsway and Riverside in Chester, during the course of the past year the University has pursued a number of key developments that, moving forward, will change very substantially the geography and status of the University. The most significant of these developments is the proposed acquisition of Shell's former European Research Centre at Thornton, just to the North of Chester. This state of the art technology research and innovation centre will host a range of new undergraduate and postgraduate programmes in Engineering and the Natural Sciences, for delivery from the 2014-15 academic session. In addition, the site will be home to a number of technology-based external organisations who will make use of the extensive facilities located on the 63 acre site. This very substantial and ambitious development, which has received both Central Government and European funding support, will enable the University to extend its curriculum and research offer and, with time, locate it alongside more established pre-1992 university provision.

In the light of student feedback and detailed analysis of current and likely future demand, the University has also invested substantially in extending its student accommodation provision. A new purpose built accommodation block comprising high specification studio flats for over 200 students has been constructed on the main Chester Campus and the purchase of a modern former City Centre hotel, with one hundred and sixty study bedrooms, has been agreed (See note 22). In addition, the existing accommodation blocks Astbury and Fisher have undergone extensive refurbishment and modernisation. The phased refurbishment of the accommodation facilities at the Warrington Campus has also continued apace. The University will further explore ways in which its student accommodation stock can be further enhanced and extended so as to ensure that our students have the highest quality environment within which to live, study and socialise. The positive student response to these investments in the University's estate and learning infrastructure has been reflected in notably improved ratings in the National Student Survey.

The University is acutely conscious of the importance of the 'student voice' and in the past year has worked particularly hard with the Students' Union to extend and enhance the services we provide to our students. This work will continue in 2013-14 with a particular emphasis on the University's personal academic tutor system and the ways in which student programme representatives can act as conduits for positive change.

Government regulations concerning fee levels and the number of full-time undergraduate students each University is allowed to recruit have put pressures on universities to carefully manage their student intakes. Allied to this, the requirements of the Office of Fair Access aimed at promoting access to higher education for students from lower income backgrounds has led to the development of carefully considered expenditure by the University on outreach activities, strategies to improve retention and success and bursaries for such students. The effectiveness of this expenditure will be carefully monitored.

Future outlook

These are exciting times to study and work at the University of Chester. The Governing Council and Senior Management 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 achievements were amply recognised with the granting of Investor in People status during the course of the year. The University embarks upon the 2013-14 academic session with considerable confidence and ambition.

REPORT OF THE UNIVERSITY COUNCIL (continued)
For the 12 months ended 31 July 2013

Financial review

	12 months to 31 July 2013	12 months to 31 July 2012
Financial Performance indicator		
Retained surplus pre FRS 17 adjustment*	£5.9m	£3.4m
Margin %	6.75%	4.21%
FRS 17 adjustment	(£1.1m)	(£0.3m)
Retained surplus after FRS 17 adjustment*	£4.8m	£3.1m
Staff costs as % of income	57.5%	60.4%
Cash inflow from operating activities	£11.7m	£5.3m
Current assets ratio	1.25	1.17
Net liquidity (days)	74	66
(Number of days expenditure held as cash/investments, based on total expenditure less depreciation)		

*Adjustment for the excess of FRS17 pension costs over cash contributions.

Financial Performance in 2012/13 compared to previous years

	12 months to 31 July 2013 £'000	12 months to 31 July 2012 £'000
Income	87,808	79,802
Expenditure	(83,010)	(76,680)
Surplus	4,798	3,122

- University income has increased by £8.0m (10.0%)
 - Grant income decreased by £7.8m (25.1%), this was due to a fall in HEFCE grant of £6.3m, and NCTL grant of £1.5m.
 - Tuition fees increased by £14.2m (37.2%), this was due to increased Full Time Undergraduate fees as well as partnerships and increased international student numbers.
- Expenditure increased by £6.3m (8.3%)
 - Staffing costs increased by £2.2m (4.6%), this increase was as a result of a small increase in staff numbers (1.6%) pay awards (1.0%) and payment of salary increments for staff not at the top of their salary band.
 - Depreciation increased by £0.2m (5.0%).
 - Other operating expenses increased by £3.5m (14.8%), the biggest factor was routine maintenance which increased by £2.5m.

REPORT OF THE UNIVERSITY COUNCIL (continued)

For the 12 months ended 31 July 2013

Risks and uncertainties

There are specific financial pressures for the University in 2013/14 due to the current economic climate and reduced public funding. These include continued reduction in grant funding and the need for the University to maximise income streams by ensuring it meets recruitment targets including overseas students for which there may be some uncertainties around UKBA policies. In addition the University will acquire the Thornton Science Park, which brings great opportunity to maximise these income streams but brings with it a substantial cost base. More generally there is an upward pressure on running costs and there is a risk that the recent low level of pay awards may see an increased settlement in the short term, together with an increasing deficit on the Cheshire Pension Scheme. Therefore the University is taking measures to minimise costs and maximise efficiencies and expects the surplus in 2013/14 to stabilise in the region of 4% of total income, however beyond that, given the current economic climate and political uncertainty, there is an increased risk that the level of surplus will be reduced.

Applications and resulting recruitment for 2013/14 were healthy, which will help mitigate some of these risks. 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 surpluses in the region of 5% over the longer term. The University has seen its cash balances stabilise and increase slightly with the level of surplus from 2013/14.

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 has a Fee Waiver scheme in place for students who are in receipt of a full Higher Education Maintenance Grant. In addition tuition fee loans allow students to defer the repayment of fees until they finish their studies and earn over £21,000. 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 Commissions' general guidance on public benefit. The balance of the benefits against any detriment or harm are considered during the decision making processes of the University and during the activities performed. Property purchases and developments always comply with building regulation guidelines and restrictive covenants and there is regard for the wider environmental impacts. The aim of the charity is the provision of higher education, and the infrastructure required for this should be balanced against the environmental impact this can have.

Aims, objectives and activities for the public benefit

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

The objectives of the Charity are:

- To ensure that the University's Christian foundation, underpinning ethos and supportive people-centred culture continue to play an appropriately prominent and facilitative role in the development and strengthening of the institution.
- To be a successful teaching led and research informed University.
- To deliver high quality, actively supported and highly regarded teaching within a curriculum.

**REPORT OF THE UNIVERSITY COUNCIL (continued)
For the 12 months ended 31 July 2013**

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

- 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 to some 11,000 full-time equivalent students, 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 act as a regional University 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.
- The University is committed to applying our intellectual and academic resources to social, economic and community development in the region, the nation and, where appropriate, internationally.
- To create an intellectual community and workplace that respects, welcomes and promotes diversity and equality through learning and teaching; research and scholarship; outreach and other University activities and practices.
- To provide a modern learning and working environment that meets the diverse needs of our staff, students and other users in a flexible, cost effective and efficient manner.

To sustain and develop a financially secure University within which management systems and structures actively empower staff and students to respond creatively, collaboratively and effectively to the many opportunities and challenges facing the institution.

REPORT OF THE UNIVERSITY COUNCIL (continued)

For the 12 months ended 31 July 2013

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 objective. The interest earned within the year amounted to £81,733 (2012: £97,794).

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. Given the current economic uncertainty the University has developed a Treasury Management Policy to ensure a portfolio of financial institutions where deposits are held which are sufficiently diverse to mitigate the associated risk inherent in the banking system.

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 2013 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 2013:

Unrestricted: £42,548,330 (2012: £36,618,513)

Endowments: £350,085 (2012: £349,319)

At 31 July 2013 consolidated reserves are therefore 284% 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 period was 1,244 (2012: 1,224). An active policy of information dissemination encourages employee involvement and participation in the University development process. Employee representatives are regularly consulted on a variety of issues affecting their own and the University's interests.

Auditor

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

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

Deloitte LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditor.

Going concern

The University ended the year with cash and short term investments of £16.2m. The budget for 2013-14 continues to generate a surplus, and forward cash forecasts demonstrate adequate available financial resources. All of the University's external funding is long-term in nature with 20% repayable between one and five years and 78% repayable beyond 5 years.

We have sensitised our forecasts to assess the impact of potential falls in student numbers and potential cost increases etc 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.

REPORT OF THE UNIVERSITY COUNCIL (continued)
For the 12 months ended 31 July 2013

On this basis, the University Council is assured 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 note 1 to the financial statements.

Conclusion

The University has had a successful year. Despite reductions in public funding and upward pressure on costs, the University has increased its Surplus, 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. This means that it is well placed to manage challenges in the coming years.

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

Deputy President of the Council: J. Turnbull
Canon J Turnbull

4th December 2013

GOVERNANCE STATEMENT

For the 12 months ended 31 July 2013

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 accounts 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 2013.

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 Health and Safety Committee, the Nominations 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.

Health, Safety and Environment Committee

The Health, Safety and Environment Committee 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 safety advisor and promotes co-operation across the University to secure sound health and safety. The Committee reports to the Policy Committee and presents its annual report to the University Council.

Nominations Committee

Any new appointments to the University Council are made in accordance with the Instrument of Government. The University Council has a Nominations 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.

**GOVERNANCE STATEMENT (continued)
For the 12 months ended 31 July 2013**

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.

Senior Salaries Committee

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

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 have been two professional members who are not Members of the University Council. The Independent Auditor responsible for Internal Audit attends each meeting of the Audit and Risk Management Committee. The Audit and Risk Management Committee meet annually with the Internal and External Auditors without Officers of the University being present.

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.

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 2013 and up to the date of approval of the annual report and accounts, 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.

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 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 period ended 31 July 2013 by considering documentation from the Vice-Chancellor and the Audit and Risk Management Committee, and took account of events since 31 July 2013.

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

Parkgate Road,
CHESTER,
CH1 4BJ

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 2007 and applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice), 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 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 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 Training Development Agency 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

We have audited the financial statements of the University of Chester for the year ended 31 July 2013 which comprise the Group Income and Expenditure Account, the Group and University Balance Sheets, the Group Cash Flow Statement, Reconciliation of Net Cash Flow to Movement in Net Debt, the Group Statement of Total Recognised Gains and Losses and the related notes 1 - 26. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice: Accounting for Further and Higher Education.

This report is made solely to the governing body in accordance with the charter and statutes of the University. 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.

Respective responsibilities of the governing body and auditor

As explained more fully in the Statement of Responsibilities of the Members of the University Council, the governing body is responsible for the preparation of the financial statements that give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the University and the group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the governing body; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the University and the group's affairs as at 31 July 2013 and of the group's surplus for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice: Accounting for Further and Higher Education.

Opinion on other matters prescribed by the Higher Education Funding Council for England Audit Code of Practice

In our opinion:

- in all material respects, income from the funding council, and the National College for Teaching and Learning, grants and income for specific purposes and from other restricted funds administered by the University during the year ended 31 July 2013 have been applied for the purposes for which they were received; and
- in all material respects, income during the year ended 31 July 2013 has been applied in accordance with the University's statutes and, where appropriate, with the financial memorandum, with the funding council and the funding agreement with the National College for Teaching and Learning.

**INDEPENDENT AUDITOR'S REPORT TO THE UNIVERSITY COUNCIL OF THE
UNIVERSITY OF CHESTER (continued)**

Matter on which we are required to report by exception

We have nothing to report in respect of the following matter where the Higher Education Funding Council for England Audit Code of Practice requires us to report to you if, in our opinion:

- the Statement of Internal Control (included as part of the Corporate Governance Statement) is inconsistent with our knowledge of the University.

Deloitte LLP

Deloitte LLP

Chartered Accountants and Statutory Auditor
Manchester, United Kingdom

Date *4 December 2013*

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT
For the 12 months ended 31 July 2013

	Note	12 months ended 31 July 2013 £	12 months ended 31 July 2012 £
INCOME			
Funding council grants	2	23,167,169	30,918,741
Tuition fees and support grants	3	52,481,484	38,256,869
Research grants	4	470,486	378,475
Other operating income	5	11,607,983	10,124,269
Interest receivable	6	81,733	123,794
TOTAL INCOME		<u>87,808,855</u>	<u>79,802,148</u>
EXPENDITURE			
Staff costs	7	50,454,523	48,226,664
Other operating expenses	8	27,293,538	23,768,567
Depreciation	10	3,384,675	3,224,715
Interest payable	9	1,877,761	1,459,554
TOTAL EXPENDITURE		<u>83,010,497</u>	<u>76,679,500</u>
RETAINED SURPLUS ON CONTINUING OPERATIONS FOR THE YEAR		<u>4,798,358</u>	<u>3,122,648</u>
Surplus for the year transferred (from)/to accumulated income in endowment funds		(541)	696
SURPLUS FOR THE YEAR RETAINED WITHIN GENERAL RESERVES	19	<u>4,797,817</u>	<u>3,123,344</u>

A statement of movement on revenue reserves is given in note 19 to the accounts.

There is no difference between the surplus on ordinary activities before taxation and the retained surplus for the period stated above, and their historical cost equivalents. All income and expenditure relates to continuing operations.

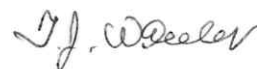
CONSOLIDATED AND UNIVERSITY BALANCE SHEETS
As at 31 July 2013

	Note	Consolidated		University	
		As at 31 July 2013 £	As at 31 July 2012 £	As at 31 July 2013 £	As at 31 July 2012 £
FIXED ASSETS					
Tangible assets	10	87,899,694	77,473,949	83,536,122	72,997,369
ENDOWMENT ASSETS					
	18	350,085	349,319	350,085	349,319
CURRENT ASSETS					
Stocks	11	43,215	40,797	43,215	40,797
Debtors	12	2,683,082	2,299,299	7,755,438	9,925,394
Investments	13	14,895,416	11,656,015	14,650,368	10,974,323
Cash at bank and in hand		1,297,103	1,614,126	143,628	256,401
Total Current Assets		<u>18,918,816</u>	<u>15,610,237</u>	<u>22,592,649</u>	<u>21,196,915</u>
CREDITORS: amounts falling due within one year					
	14	(15,104,272)	(13,326,622)	(14,835,758)	(12,968,675)
NET CURRENT ASSETS		<u>3,814,544</u>	<u>2,283,615</u>	<u>7,756,891</u>	<u>8,228,240</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>92,064,323</u>	<u>80,106,883</u>	<u>91,643,098</u>	<u>81,574,928</u>
CREDITORS: amounts falling due after more than one year					
Provision for liabilities	15	(35,919,744)	(29,518,542)	(35,919,744)	(29,518,542)
	16	(704,109)	(687,760)	(704,109)	(687,760)
NET ASSETS EXCLUDING PENSION LIABILITY		<u>55,440,470</u>	<u>49,900,581</u>	<u>55,019,245</u>	<u>51,368,626</u>
Net pension liability	24	(12,906,000)	(15,659,000)	(12,906,000)	(15,659,000)
NET ASSETS INCLUDING PENSION LIABILITY		<u>42,534,470</u>	<u>34,241,581</u>	<u>42,113,245</u>	<u>35,709,626</u>
DEFERRED CAPITAL GRANTS					
	17	12,542,055	12,932,749	12,542,055	12,932,749
ENDOWMENTS					
Expendable	18	220,085	219,319	220,085	219,319
Permanent	18	130,000	130,000	130,000	130,000
RESERVES					
Income and expenditure account excluding pension liability		42,548,330	36,618,513	42,127,105	38,086,558
Pension reserve	24	(12,906,000)	(15,659,000)	(12,906,000)	(15,659,000)
Income and expenditure account including pension liability	19	29,642,330	20,959,513	29,221,105	22,427,558
TOTAL FUNDS		<u>42,534,470</u>	<u>34,241,581</u>	<u>42,113,245</u>	<u>35,709,626</u>

These financial statements were approved by the Council on 4th December 2013 and were signed on its behalf by:

+ 

The Right Reverend the Lord Bishop of Chester
 President of the Council



Professor T J Wheeler
 Vice-Chancellor

STATEMENT OF CONSOLIDATED TOTAL RECOGNISED GAINS AND LOSSES
For the 12 months ended 31 July 2013

	Note	12 months ended 31 July 2013 £	12 months ended 31 July 2012 £
Retained surplus for the financial year		4,798,358	3,122,648
New endowments	18	225	25,100
Actuarial gain/(loss) in respect of Pension Scheme	24	3,885,000	(8,577,000)
		<hr/>	<hr/>
TOTAL RECOGNISED GAINS/ (LOSSES) RELATING TO THE PERIOD		8,683,583	(5,429,252)
		<hr/> <hr/>	<hr/> <hr/>
RECONCILIATION			
Opening reserves and endowments		21,308,832	26,738,084
Total recognised gains/(losses) for the period		8,683,583	(5,429,252)
		<hr/>	<hr/>
Closing reserves and endowments		29,992,415	21,308,832
		<hr/> <hr/>	<hr/> <hr/>

CONSOLIDATED CASH FLOW STATEMENT
For the 12 months ended 31 July 2013

	Note	12 months ended 31 July 2013 £	12 months ended 31 July 2012 £
NET CASH INFLOW FROM OPERATING ACTIVITIES	20	11,729,552	5,256,084
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		81,733	97,794
Interest paid		(1,877,761)	(1,459,554)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(1,796,028)	(1,361,760)
CAPITAL EXPENDITURE			
Purchase of tangible fixed assets		(13,810,420)	(5,321,683)
Deferred capital grant received		259,536	1,042,837
Endowments		225	25,100
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		(13,550,659)	(4,253,746)
NET CASH OUTFLOW BEFORE USE OF LIQUID RESOURCES AND FINANCING		(3,617,135)	(359,422)
MANAGEMENT OF LIQUID RESOURCES	21	(3,239,401)	1,857,157
FINANCING			
New Unsecured Loan		8,011,683	-
Repayments of amounts borrowed		(1,156,462)	(1,138,155)
NET CASH INFLOW/(OUTFLOW) FROM FINANCING		6,855,221	(1,138,155)
(DECREASE)/INCREASE IN CASH		(1,315)	359,580

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT
For the 12 months ended 31 July 2013

	12 months ended 31 July 2013 £	12 months ended 31 July 2012 £
(Decrease)/Increase in cash in the year	(1,315)	359,580
Cash outflow/(inflow) from liquid resources	3,239,401	(1,857,157)
Cash inflow from new unsecured loan	(8,011,683)	-
Cash outflow from loan repayments	1,156,462	1,138,155
	<hr/>	<hr/>
Movement in net debt	(3,617,135)	(359,422)
Net debt at 1 August	21 (17,429,107)	(17,069,685)
	<hr/>	<hr/>
Net debt at 31 July	21 (21,046,242)	(17,429,107)
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the 12 months ended 31 July 2013

1. ACCOUNTING POLICIES

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 historical cost convention, except for the valuation of endowment assets, in accordance with both the Statement of Recommended Practice: Accounting for Further and Higher Education Institutions (SORP) (2007) and applicable United Kingdom Accounting Standards.

The financial statements have been prepared on the going concern basis of accounting in accordance with the consideration set out in the 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 period to 31 July. 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.

Recognition of income

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

Fee income is stated gross and credited to the Income & 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.

Non-recurrent grants received in respect of the acquisition or construction of fixed assets are treated as deferred capital grants. The grants are credited to deferred capital grants and an annual transfer made to the 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 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 as follows:

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the 12 months ended 31 July 2013**1. ACCOUNTING POLICIES (continued)****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 Income and Expenditure account in the period 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 17. 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 Income and Expenditure account within operating expenses and the expected return on the schemes' 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 17, this scheme is accounted for as if it is a defined contribution scheme. As a result, the amount charged to the Income and Expenditure account represents the contributions payable to the scheme in respect of the accounting period.

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 Income and Expenditure account on a straight line basis over the life of the lease.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the 12 months ended 31 July 2013**1. ACCOUNTING POLICIES (continued)****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 Income and Expenditure account, but reported through the statement of total recognised gains and losses.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 July 2013

2. FUNDING COUNCIL GRANTS

	HEFCE	NCTL	12 months to 31 July 2013	12 months to 31 July 2012
	£	£	£	£
Recurrent grant	20,125,497	2,093,959	22,219,456	29,833,335
Special initiative funding	244,608	-	244,608	308,259
Deferred capital grants released	650,230	-	650,230	718,787
Specific grants - Pension Enhancements	52,875	-	52,875	58,360
	<u>21,073,210</u>	<u>2,093,959</u>	<u>23,167,169</u>	<u>30,918,741</u>

3. TUITION FEES AND SUPPORT GRANTS

	12 months to 31 July 2013	12 months to 31 July 2012
	£	£
Full time home students	33,322,644	22,311,278
Overseas students	3,465,024	2,030,177
Part-time home students	2,540,765	2,354,605
Education contracts	11,868,859	10,904,595
Other fees and support grants	1,284,192	656,214
	<u>52,481,484</u>	<u>38,256,869</u>

Within overseas students are £3,317,778 in respect of full time fees and £147,246 part time fees. Included within other fees and support grants are £214,374 in relation to other course fees.

4. RESEARCH GRANTS AND CONTRACTS

	12 months ended 31 July 2013	12 months ended 31 July 2012
	£	£
Other contracts	<u>470,486</u>	<u>378,475</u>

5. OTHER OPERATING INCOME

	12 months ended 31 July 2013	12 months ended 31 July 2012
	£	£
Catering, Residences and Conferences operations	7,074,912	6,872,863
Other services rendered	4,533,071	3,251,406
	<u>11,607,983</u>	<u>10,124,269</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 July 2013

6. INTEREST RECEIVABLE

	12 months ended 31 July 2013 £	12 months ended 31 July 2012 £
Income from short term investments	79,725	96,018
Net return on Pension Scheme assets	-	26,000
Interest from Endowments	1,823	1,684
Other interest receivable	185	92
	<u>81,733</u>	<u>123,794</u>

7. STAFF COSTS

The average number of persons employed by the University during the period, analysed by category, was as follows:

	12 months ended 31 July 2013	12 months ended 31 July 2012
Academic Departments	499	489
Academic Services	118	116
Administration/Central Services	261	247
Premises	170	168
Catering and Residence	71	75
Nursing	123	126
Other	2	3
	<u>1,244</u>	<u>1,224</u>
	2013	2012

Remuneration of higher paid staff in bandings (excluding pension contributions)

£100,001 - £110,000	1	-
£110,001 - £120,000	1	1
£180,001 - £190,000	-	1
£210,000 - £220,000	1	-

	12 months ended 31 July 2013 £	12 months ended 31 July 2012 £
Salary costs for the above persons		
Wages and salaries	41,155,660	39,823,425
Social Security costs	3,079,799	2,974,707
Other pension costs (Note 24)	6,219,065	5,428,532
Total	<u>50,454,523</u>	<u>48,226,664</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 July 2013

7. STAFF COSTS (continued)

	12 months ended 31 July 2013 £	12 months ended 31 July 2012 £
Academic Departments	24,022,849	23,156,687
Academic Services	3,409,363	3,289,084
Administration/Central Services	10,647,562	10,027,636
Premises	3,301,211	3,241,147
Catering and Residence	2,060,754	2,087,153
Nursing	5,683,738	5,491,416
Research grants and contracts	102,591	119,222
Other (inc FRS 17 Adjustments)	1,226,455	814,319
Total	<u>50,454,523</u>	<u>48,226,664</u>
Emoluments of the Vice-Chancellor	<u>215,000</u>	<u>190,000</u>

The emoluments of the Vice-Chancellor (who is also the highest paid senior post-holder) are shown net of pension costs. The University's pension contributions to the Teachers' Pension Agency on behalf of the Vice-Chancellor are paid at the same rates as for other academic staff and amounted to £30,315 (2012: £29,610). Total emoluments are therefore £245,315 (2012: £219,610).

Reimbursements to members of University Council for expenditure incurred in attending Council and meetings of its committees amounted to £3,828 (2012: £1,941). Council members did not receive any remuneration from the University.

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 July 2013

8. OTHER OPERATING EXPENSES

	12 months ended 31 July 2013 £	12 months ended 31 July 2012 £
Academic departments	7,332,677	7,162,551
University of Chester Bursaries	1,279,016	1,860,819
Academic services	2,513,849	2,583,466
Administration/Central Services	4,171,990	3,049,965
Premises – running costs	3,146,029	2,654,996
Premises – routine maintenance	4,550,034	2,016,028
Pension enhancements – pre 1989	34,682	37,550
Provision for pension enhancements – post 1989	67,466	83,681
Catering, Residences and Conferences Operations	2,794,198	2,327,845
Research grants and contracts	109,790	156,890
Equipment operating lease rentals	134,860	100,845
Auditor’s remuneration - audit work	46,688	40,800
- non audit services	12,763	21,351
Internal Auditor	28,998	29,930
Other services rendered	830,391	922,464
Other operating expenses	240,107	719,386
	27,293,538	23,768,567

The analysis of auditor’s remuneration is as follows:

	2013 £	2012 £
Fees payable to the University’s auditor for the audit of the University’s annual accounts and its subsidiaries	46,688	40,800
Total audit fees	46,688	40,800
Tax services	6,681	6,681
Other Services	6,082	14,670
Total non-audit fees	12,763	21,351

The disclosures above are for the Group. The University is not required, in its individual financial statements, to disclose separately information about fees for non-audit services provided to the University because the consolidated financial statements are required to disclose such fees on a consolidated basis.

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 July 2013

9. INTEREST PAYABLE

	12 months ended 31 July 2013 £	12 months ended 31 July 2012 £
Bank loans and overdrafts	1,522,761	1,459,554
FRS 17 net interest charge	355,000	-
	<u>1,877,761</u>	<u>1,459,554</u>

10. TANGIBLE FIXED ASSETS

Consolidated	Freehold land and buildings £	Plant and machinery £	Computer equipment £	Total £
Cost				
At beginning of period	86,315,727	8,869,623	3,618,455	98,803,805
Additions	12,368,163	910,371	531,886	13,810,420
At end of period	<u>98,683,890</u>	<u>9,779,994</u>	<u>4,150,341</u>	<u>112,614,225</u>
Depreciation				
At beginning of period	11,053,160	7,427,194	2,849,502	21,329,856
Charge for period	1,644,310	1,084,199	656,166	3,384,675
At end of period	<u>12,697,470</u>	<u>8,511,393</u>	<u>3,505,668</u>	<u>24,714,531</u>
Net book value				
At 31 July 2013	<u>85,986,420</u>	<u>1,268,601</u>	<u>644,673</u>	<u>87,899,694</u>
At 31 July 2012	<u>75,262,567</u>	<u>1,442,429</u>	<u>768,953</u>	<u>77,473,949</u>
Financed by capital grant	12,153,047	330,477	58,534	12,542,058
Other	73,833,373	938,124	586,139	75,357,636
Net Book Value				
At 31 July 2013	<u>85,986,420</u>	<u>1,268,601</u>	<u>644,673</u>	<u>87,899,694</u>

Included within Freehold land and buildings is £7,847,694 worth of land which is not depreciated.

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 July 2013

10 TANGIBLE FIXED ASSETS (continued)

University	Freehold land and buildings £	Plant and machinery £	Computer equipment £	Total £
Cost				
At beginning of period	81,022,511	8,217,814	3,618,455	92,858,780
Additions	12,368,163	910,371	531,886	13,810,420
At end of period	93,390,674	9,128,185	4,150,341	106,669,200
Depreciation				
At beginning of period	10,229,331	6,782,578	2,849,502	19,861,411
Charge for period	1,538,246	1,077,255	656,166	3,271,667
At end of period	11,767,577	7,859,833	3,505,668	23,133,078
Net book value				
At 31 July 2013	81,623,097	1,268,352	644,673	83,536,122
At 31 July 2012	70,793,180	1,435,236	768,953	72,997,369
Financed by Capital Grant	12,153,047	330,477	58,534	12,542,058
Other	69,470,050	937,875	586,139	70,994,064
Net Book Value				
At 31 July 2013	81,623,097	1,268,352	644,673	83,536,122

The depreciation charge for the year has been funded by:

	Consolidated		University	
	12 months ended 31 July 2013 £	12 months ended 31 July 2012 £	12 months ended 31 July 2013 £	12 months ended 31 July 2012 £
Deferred capital grant released	650,230	718,787	650,230	718,787
Other income	2,734,445	2,505,928	2,621,437	2,364,578
	3,384,675	3,224,715	3,271,667	3,083,365

There were no disposals in the year.

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 July 2013

10 TANGIBLE FIXED ASSETS (continued)

Investments in subsidiary undertakings

	Group Holding %	2013 £	2012 £	Description
Chester College Enterprises Ltd	100	6	6	Management of head tenancy scheme and Nursery
Chester Housing Ltd	100	5	5	Provision and administration of student accommodation
Chester Conferences Ltd	100	5	5	Provision of Conference and short course facilities
North West Universities European Unit Ltd	100	1	1	Facilitation and engagement with European Structural Fund
	<u>100</u>	<u>17</u>	<u>17</u>	

The subsidiary companies were incorporated in the United Kingdom, and they are included in the consolidated financial statements. Due to the negligible amount of investment, this is shown as zero in the University balance sheet.

11. STOCKS

	Consolidated		University	
	12 months ended 31 July 2013 £	12 months ended 31 July 2012 £	12 months ended 31 July 2013 £	12 months ended 31 July 2012 £
Fuel, food and provisions	43,215	40,797	43,215	40,797

12. DEBTORS FALLING DUE WITHIN ONE YEAR

	Consolidated		University	
	12 months ended 31 July 2013 £	12 months ended 31 July 2012 £	12 months ended 31 July 2013 £	12 months ended 31 July 2012 £
Tuition fee debtors	565,128	616,183	565,128	616,183
Trade debtors	105,239	170,440	60,346	46,916
Other debtors	932,957	519,263	932,973	519,279
Owed by subsidiary	-	-	5,293,432	7,908,746
Prepayments and accrued income	1,079,758	993,413	903,559	834,270
	<u>2,683,082</u>	<u>2,299,299</u>	<u>7,755,438</u>	<u>9,925,394</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 July 2013

13. INVESTMENTS

	Consolidated		University	
	12 months ended 31 July 2013 £	12 months ended 31 July 2012 £	12 months ended 31 July 2013 £	12 months ended 31 July 2012 £
Cost				
Money market investment	14,895,416	11,656,015	14,650,368	10,974,323

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Consolidated		University	
	12 months ended 31 July 2013 £	12 months ended 31 July 2012 £	12 months ended 31 July 2013 £	12 months ended 31 July 2012 £
Tuition fees received in advance	1,482,048	1,142,905	1,482,048	1,142,905
Trade creditors	5,763,410	4,565,356	5,736,524	4,508,581
Bank overdraft	53,620	368,562	53,620	368,562
Bank loan	1,615,482	1,161,463	1,615,482	1,161,463
Taxation and social security	971,051	980,390	964,437	957,243
Owed to subsidiary	-	-	50,354	-
Other creditors	813,637	1,036,615	790,893	849,374
Accruals and deferred income	4,405,024	4,071,331	4,142,400	3,980,547
As at end of period	15,104,272	13,326,622	14,835,758	12,968,675

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 July 2013

15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Consolidated		University	
	12 months ended 31 July 2013 £	12 months ended 31 July 2012 £	12 months ended 31 July 2013 £	12 months ended 31 July 2012 £
Creditors that fall due between one and five years				
Bank Loans	7,371,801	5,057,468	7,371,801	5,057,468
Creditors that fall due after more than five years				
Bank Loans	28,547,943	24,461,074	28,547,943	24,461,074
	<u>35,919,744</u>	<u>29,518,542</u>	<u>35,919,744</u>	<u>29,518,542</u>

Analysis of borrowings at 31st July 2013

The University's bank loans are as follows:

Loan Value at 31 st July 2013	Fixed/Variable	Interest Rate	Term	secured/unsecured
£455,000	Variable	2.26%	2016	unsecured
£5,120,560	Fixed	5.94%	2026	secured
£2,480,000	Fixed	5.31%	2028	unsecured
£2,207,128	Variable	0.83%	2031	secured
£5,790,570	Fixed	5.55%	2031	secured
£9,215,286	Fixed	5.56%	2034	unsecured
£4,255,000	Variable	5.62%	2038	unsecured
£8,011,682	Fixed	5.62%	2038	unsecured
£37,535,226				

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 July 2013

16. PROVISION FOR LIABILITIES

	Consolidated		University	
	12 months ended 31 July 2013 £	12 months ended 31 July 2012 £	12 months ended 31 July 2013 £	12 months ended 31 July 2012 £
Pension enhancement				
At beginning of period	687,760	653,150	687,760	653,150
Additional provision in period (note 8)	67,466	83,681	67,466	83,681
	<u>755,226</u>	<u>736,831</u>	<u>755,226</u>	<u>736,831</u>
Utilised in the year	(51,117)	(49,071)	(51,117)	(49,071)
At end of period	<u>704,109</u>	<u>687,760</u>	<u>704,109</u>	<u>687,760</u>

It is expected that this provision will be utilised over the next 10-20 years.

The assumptions for calculating the Provision for Enhanced Pension Costs under Financial Reporting Standard (FRS) 17, Retirement Benefits, are as follows:

	2013 %	2012 %
Discount Rate	1.07	1.54
Inflation	3.22	2.32

17. DEFERRED CAPITAL GRANTS – FUNDING COUNCIL

	Consolidated		University	
	12 months ended 31 July 2013 £	12 months ended 31 July 2012 £	12 months ended 31 July 2013 £	12 months ended 31 July 2012 £
Buildings				
At beginning of period	12,330,538	11,647,871	12,330,538	11,647,871
Received in period	98,160	939,152	98,160	939,152
Released to Income and Expenditure	(275,652)	(256,485)	(275,652)	(256,485)
At end of period	<u>12,153,046</u>	<u>12,330,538</u>	<u>12,153,046</u>	<u>12,330,538</u>
Equipment				
At beginning of period	602,211	960,828	602,211	960,828
Received in period	161,376	103,685	161,376	103,685
Released to Income and Expenditure	(374,578)	(462,302)	(374,578)	(462,302)
At end of period	<u>389,009</u>	<u>602,211</u>	<u>389,009</u>	<u>602,211</u>
Total Deferred Capital Grants	<u>12,542,055</u>	<u>12,932,749</u>	<u>12,542,055</u>	<u>12,932,749</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 July 2013

18. SPECIFIC ENDOWMENTS

	Consolidated and University		Total £
	Restricted Expendable £	Restricted Permanent £	
Investment Assets:			
Capital value	191,103	130,000	321,103
Accumulated income	28,216	-	28,216
As at beginning of period	219,319	130,000	349,319
Additions	225	-	225
Interest received	1,823	-	1,823
Expenditure for period	(1,282)	-	(1,282)
As at 31 July end of period	220,085	130,000	350,085
Financed by:			
Capital value	191,328	130,000	321,328
Accumulated income	28,757	-	28,757
	220,085	130,000	350,085

All endowments were received as cash and are deposited with other short term cash investments.

19. INCOME AND EXPENDITURE ACCOUNT

	12 months ended 31 July 2013 £	12 months ended 31 July 2012 £
At beginning of period	20,959,513	26,413,169
Retained surplus for the period	4,797,817	3,123,344
Actuarial gains/(loss) in respect of pension scheme	3,885,000	(8,577,000)
At end of period	29,642,330	20,959,513

The surplus above is the consolidated surplus. The University surplus for the period is £2,909,088.

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 July 2013

20. RECONCILIATION OF OPERATING SURPLUS TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	12 months ended 31 July 2013 £	12 months ended 31 July 2012 £
Surplus from operating activities	4,798,358	3,122,648
Depreciation	3,384,675	3,224,715
Release of capital grant	(650,230)	(718,787)
Investment income	(81,733)	(97,794)
Interest paid	1,877,761	1,459,554
Pension costs less contributions payable	1,132,000	306,000
Increase in stocks	(2,418)	(1,669)
Increase in debtors	(383,783)	(183,510)
Increase/(decrease) in creditors	1,638,573	(1,889,683)
Increase in provisions	16,349	34,610
Net cash inflow from operating activities	<u>11,729,552</u>	<u>5,256,084</u>

21. ANALYSIS OF CHANGES IN NET DEBT

	2012 £	Change £	2013 £
Cash at bank and in hand	1,614,126	(317,023)	1,297,103
Bank overdraft	(368,562)	314,942	(53,620)
Current asset investment	11,656,015	3,239,401	14,895,416
Endowment asset investment	349,319	766	350,085
Unsecured Loan	(30,680,005)	(6,855,221)	(37,535,226)
	<u>(17,429,107)</u>	<u>(3,617,135)</u>	<u>(21,046,242)</u>

22. COMMITMENTS

Annual commitments under non-cancellable operating leases at 31 July are as follows:

	2013 £	2012 £
Land & Buildings		
Operating Leases which expire:		
Within one year	-	-
In the second to fifth years inclusive	70,500	50,500
Other leases		
Operating Leases which expire:		
Within one year	8,827	2,093
In the second to fifth years inclusive	103,052	111,662
	<u>182,379</u>	<u>164,255</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 July 2013

Capital commitments are as follows:

	2013 £	2012 £
Contracted for but not provided for:		
Accommodation and multi purpose buildings	13,578,118	-
Other	-	237,561
	<u>13,578,118</u>	<u>237,561</u>

23. HARDSHIP FUNDS AND TRAINING BURSARY PAYMENTS

	12 months ended 31 July 2013 £	12 months ended 31 July 2012 £
Hardship funds		
Opening balance	2,678	8,005
Funding Council grants	232,697	228,643
Interest earned	31	31
Bank charge	-	(35)
	<u>235,406</u>	<u>236,644</u>
Total funds available for disbursement	235,406	236,644
Disbursed to students	(223,434)	(227,000)
Administration fee	(6,520)	(6,966)
	<u>5,542</u>	<u>2,678</u>
At end of period	<u>5,542</u>	<u>2,678</u>

Funding Council grants are available solely for students; the University acts only as paying agent. The grants and related disbursements are therefore excluded from the Income and Expenditure Account.

	12 months ended 31 July 2013 £	12 months ended 31 July 2012 £
Training Bursaries		
Grant received from TA	1,486,610	792,371
Payments to trainees	(1,516,332)	(743,531)
	<u>(29,722)</u>	<u>48,840</u>
(Underpayment)/Overpayment of grant by NCTL	<u>(29,722)</u>	<u>48,840</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 July 2013

24. PENSION SCHEME

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 period was £6,219,065 (2012: £5,428,532) which includes £51,117 (2012: £49,071) 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 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 £704,109 (2012: £687,760) 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 was no successor establishment, 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 12 months ended 31 July 2013 was £4,501,353 (2012: £4,074,368) of which the employers' contributions totalled £2,798,978 (2012: £2,710,590) and the employees' contributions totalled £1,702,375 (2012: £1,363,778). 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 2007
Actuarial method	Prospective Benefits
Investment returns per annum	3.5%
Salary scale increases per annum	1.5%
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. For the period 1 August 2005 to 31 December 2006 the employer contribution rate was 13.5%. The rate increased to 14.1% from 1 January 2007. The employee contribution rate increased from 6% to 6.4% on the same date.

Financial Reporting Standard 17 – Retirement Benefits

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 17.

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 2013 was £3,276,573 (2012: £3,141,488) of which the employers' contributions totalled £2,284,287 (2012: £2,187,321) and employees' contributions totalled £992,286 (2012: £954,167). The agreed contribution rates for future years are 14.9% for employers and in bandings between 5%-7.5% for employees depending on the level of their salary.

Valuation date	31 March 2010
Valuation methods	Projected Unit Method
Value of notional needs	£3,177 million
Funding level of accrued benefits	81.1%
Investment return per annum	6.1%
Salary scale increases per annum	5.3%

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 July 2013
24. PENSION SCHEME (continued)
FRS 17

The following information is based upon a full actuarial valuation of the fund as at 31 March 2008 updated to July 2013 by a qualified independent actuary.

	31 July 2013 %	31 July 2012 %	31 July 2011 %
Inflation	2.8	2.2	2.7
Rate of increases in salaries	5.1	4.5	5.0
Rate of increase in pensions	5.7	2.2	2.7
Discount rate for liabilities	4.6	4.1	5.3

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

	31 July 2013	31 July 2012
Retiring today		
Males	22.9	22.9
Females	25.7	25.7
Retiring in 20 years		
Males	24.9	24.9
Females	27.7	27.7

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

	Long term rate of return expected at 31 July 2013 %	31 July 2013 £000	Long term rate of return expected at 31 July 2012 %	31 July 2012 £000
Equities	6.4	39,238	5.5	30,193
Bonds	3.4	6,801	2.8	6,290
Property	4.6	3,139	3.7	2,516
Cash	3.4	3,139	2.8	2,935
Total market value of assets		<u>52,317</u>		<u>41,934</u>

The above asset values as at 31 July 2012 are at bid value as required under FRS17.

	2013 £000	2012 £000	2011 £000
University's estimated asset share	52,317	41,934	38,232
Present value of scheme liabilities	(65,223)	(57,593)	(45,008)
Deficit in the scheme	<u>(12,906)</u>	<u>(15,659)</u>	<u>(6,776)</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 July 2013

24. PENSION SCHEME (continued)

Under FRS 17, provision has been made by the University for the institution's share of the deficit in the scheme and the following entries were made:

	2013 £000	2012 £000	2011 £000
Balance sheet presentation			
Net assets excluding FRS 17 pension liability	55,440	49,901	46,123
Net pension liability	(12,906)	(15,659)	(6,776)
Net assets including FRS 17 pension liability	<u>42,534</u>	<u>34,242</u>	<u>39,347</u>
Reserves note			
	2013 £000	2012 £000	2011 £000
Income & expenditure account excluding FRS 17 pension liability	42,548	36,619	33,189
Pension reserve	(12,906)	(15,659)	(6,776)
Income & expenditure account including FRS 17 pension liability	<u>26,642</u>	<u>20,960</u>	<u>26,413</u>

Analysis of amount charged/credited to the Income and Expenditure account

The University's pension charge for the year in accordance with FRS 17 is made up of the following:

	2013 £000	2012 £000
Service cost	3,384	2,687
Curtailed and Settlements	-	24
Total operating charge	<u>3,384</u>	<u>2,711</u>
Analysis of net return on pension scheme		
	2013 £000	2012 £000
Expected return on pension scheme assets	2,078	2,484
Impact on pension scheme liabilities	(2,433)	(2,458)
Net (charge)/return	<u>(355)</u>	<u>26</u>
Amounts recognised in the statement of total recognised gains and losses		
	2013 £000	2012 £000
Actuarial loss– defined benefit obligations	(1,684)	(7,361)
Actuarial gain/(loss) – fair value of employer assets	5,569	(1,216)
Actuarial gain /(loss)	<u>3,885</u>	<u>(8,577)</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 July 2013

24. PENSION SCHEME (continued)

The cumulative amount of actuarial gains and losses recognised in the statement of total recognised gains and losses since the adoption of FRS 17 is £3.96 million (2012: £7.85 million).

Movement in deficit during the period

	2013	2012
	£000	£000
Deficit in scheme at beginning of period	(15,659)	(6,776)
Movement in period:		
Current service charge	(3,384)	(2,687)
Employer contributions	2,607	2,379
Net return /(charge) on assets	(355)	26
Loss on Curtailments	-	(24)
Actuarial gain/(loss)	3,885	(8,577)
Net charge	<u>(12,906)</u>	<u>(15,659)</u>
	2013	2012
	£000	£000
Liabilities at start of period		
Service cost	57,593	45,008
Interest cost	3,384	2,687
Employee contributions	2,433	2,458
Actuarial loss	994	954
Benefits paid	1,684	7,361
Losses on Curtailments	(865)	(899)
	-	24
Liabilities at end of period	<u>65,223</u>	<u>57,593</u>
	2013	2012
	£000	£000
Assets at start of period		
Expected return on assets	41,934	38,232
Actuarial gain/(loss)	2,078	2,484
Employer contributions	5,569	(1,216)
Employee contributions	2,607	2,379
Benefits paid	994	954
	(865)	(899)
Assets at end of period	<u>52,317</u>	<u>41,934</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 July 2013

24. PENSION SCHEME (continued)

History of experience gains or losses

	2013	2012	2011	2010	2009
	£'000	£'000	£'000	£'000	£'000
Difference between expected and actual return on assets:					
Amount	5,569	(1,216)	2,649	3,280	(4,538)
% of scheme assets	11%	(3%)	7%	11%	(19%)
Experience gains and losses on scheme liabilities:					
Amount	1,684	7,361	(4,467)	-	-
% of scheme liabilities	3%	13%	(10%)	-	-
Total amounts recognised in statement of recognised gains and losses:					
Amount	3,885	(8,577)	7,116	2,956	(9,490)
% of scheme liabilities	6%	(15%)	16%	7%	(24%)

25. CONTINGENT LIABILITIES

The University had no contingent liabilities at 31 July 2013.

26. RELATED PARTY TRANSACTIONS

The Students' Union is a separate entity from the University and the financial statements are not consolidated with those of the University. However the President of the Students' Union is also a member of University Council, and as such the transactions between the two entities are:

Grant paid by the University to the Students' Union: £275,000 (2012: £244,510)

Rent paid by the Students' Union to the University: £15,000 (2012: £15,000)

Other recharges paid to the University: £3,885 (2012: £5,175)

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