

UNIVERSITY OF CHESTER

**Annual Report and Financial
Statements for the year ended
31 July 2018**

ANNUAL REPORT AND FINANCIAL STATEMENTS
For the year ended 31 July 2018

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FINANCIAL HIGHLIGHTS
For the year ended 31 July 2018

Result

During the year to 31 July 2018 (year to 31 July 2017 figures in brackets) the Group:

- Generated income of £128.4 million (£121.3 million)
- Generated a surplus of £10.8million (£4.0 million)
- Generated a net cash inflow from operating activities of £17.5 million (£21.3 million)
- Increased expenditure by £5.0 million (£5.5 million decrease)

Financial Strength

At 31 July 2018 the Group had:

- Cash and cash equivalents of £34.7 million (£24.5 million)
- Total net assets of £80.2 million (£60.0 million)
- A defined benefit pension liability of £17.6 million (£23.4 million)

Financial Investments

During the year to 31 July 2018 the Group invested £4.6 million (£7.2 million) in tangible fixed assets.

Staff and students

During the academic year the Group:

- Employed an average of 1,526 members of staff (1,504)
- Taught, directly or through collaborative provision and distance learning, higher education students as follows:

		Full-Time	Other	2017/8 Total	2016/7 Total	Increase/ Decrease(-)
Home/EU	Undergraduate	8219	761	8980	9035	-1%
	Postgraduate	1064	3715	4779	4383	9%
	Nursing and Midwifery	1641	650	2291	2491	-8%
International	Undergraduate	1123	182	1305	1638	-20%
	Postgraduate	544	260	804	802	0%
	Nursing and Midwifery	94	74	168	176	-5%
2017/8 Total		12685	5642	18327	18525	-1%
2016/7 Total		12363	6162	18525		
Increase/ Decrease(-)		3%	-8%	-1%		

The 2017/18 figures are for students studying between August 2017 and July 2018. The 2016/17 figures are for students studying between August 2016 and July 2017.

MEMBERS OF THE UNIVERSITY COUNCIL AND THEIR INTERESTS
For the year ended 31 July 2018

The Members of the University Council who held office during the year and up to the date of these financial statements were as follows:

Foundation Members of the University Council

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

Canon Dr J Turnbull, Deputy President

Professor TJ Wheeler, Vice-Chancellor

Professor A Sutton

Mrs C Allen

Dr C Daniels

Mr I Davies (Joined 01-09-2017)

Mr JS Evans (Retired 31-08-2017)

Professor JR Fisher (Retired 31-08-2017)

Professor C Forsdick (Joined 01-09-2017)

Mrs C Maddaford

The Very Reverend Professor G McPhate (Retired 30/09/2017)

Mrs S Rudd

Mrs M Steward (Retired 31-08-2017)

Mrs S Verity

Non Foundation Members of the University Council

Mr F Ball

Professor L Bellamy (Joined 06-10-2017, Left 31-01-2018)

Mr M David

Dr M Degg

Mr B France (Student Union President) (Joined 01-07-2018)

Ms J France-Hayhurst

Dr I Graham (Joined 01-09-2017, Left 09-04-2018)

Ms K Howell

Mr N Jenkins

Dr A Mackenzie

Ms C Mitchell (Student Union President) (Left 30-06-2018)

Mr D Munt

Dr L Smith

Mr G Southall (Joined 01-05-2018)

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: KPMG LLP
	Internal: RSM
Solicitors:	Knights LLP
Insurance Brokers:	U.M. Association Limited

REPORT OF THE UNIVERSITY COUNCIL For the year ended 31 JULY 2018

Structure, Governance and Management

Type of organisation: Registered Charity

Nature of Governing Document: Trust Deed

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

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

Governors Induction and Training: The University Council have available a range of training opportunities delivered through a variety of formats. The main source of external training is through attendance on various courses organised by 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 2018.

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 2018

Strategic Report

The 2017-18 academic year has been a challenging but also an encouraging year for the University. The University has achieved a turnover in excess of £128 million with a surplus of £10.8m.

Ongoing political and economic uncertainties caused by the United Kingdom's decision to leave the European Union and structural changes in the oversight and regulation of the sector mean that English higher education institutions face a period of increased competition and additional change and uncertainty. The Government has continued to develop and refine its Teaching Excellence and Student Outcomes Framework (TEF) and the 2019 calendar year will see the introduction of subject-level TEF grading assessments alongside institutional level gradings. A new regulatory body, the Office for Students, was launched earlier in April 2018 and, although it is still in the process of coming to terms with its remit, a number of changes in the way the operations and performance of individual institutions are assessed and reported upon seem likely. Whilst we live in a period of considerable change and challenge for the institution, 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. We are hopeful that performance in subject-level TEF assessments will be equally strong when the outcomes become known during the course of 2020.

Undergraduate student enrolments were sustained at similar levels to the previous operating year with several areas of the University continuing to perform strongly. Changes to the funding of student Nurses whereby individuals are now required to pay for their tuition, came into effect in September 2017. This was a challenging period but the University fared very well compared to the rest of the sector and achieved its budgeted numbers. 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.

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 fourth consecutive year that the University has scored over 95% on this measure. Further attention is being given to the ways in which the employment and life skills of our students can be linked more closely to the development of their academic skills. Similarly, the latest National Student Survey results for 2018 have again been strong. The University's overall satisfaction rate was 85.8%, which is 2.4% above the sector-wide average. 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.

Activities at the University's Thornton and Shrewsbury sites continue to show progressive development with growth in the range of academic programmes on offer. Commercial activities at the Thornton site have also begun to grow and strengthen. Further work is ongoing to help ensure that the contributions made by Thornton, Warrington and Shrewsbury are at levels commensurate with our current forward business planning assumptions.

The University has continued to devote a considerable amount of resource to address a series of complex issues associated with the transition into higher education for new students and the ways in which the retention of such students can be enhanced. The recently established Centre for Foundation Studies is playing a key role in this work.

REPORT OF THE UNIVERSITY COUNCIL (continued)
For the year ended 31 JULY 2018

The Governing 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 2018-19 academic session with appropriate optimism about its future plans.

Financial review

	Year ended 31 July 2018	Year ended 31 July 2017
Financial Performance indicator		
Surplus for the year	£10.8m	£4.0m
Margin %	8.4%	3.3%
Staff costs as % of income	54.3%	56.3%
Cash inflow from operating activities	£17.5m	£21.3m
Current assets ratio	1.7	1.2
Net liquidity (days)	113	84
(Number of days expenditure held as cash/investments, based on total expenditure less depreciation)		

Financial Performance in 2017/18 compared to previous year:

	Year ended 31 July 2018	Year ended 31 July 2017 restated
	£'000	£'000
Income	128,436	121,266
Expenditure	(118,312)	(113,264)
Gain/(Loss) on changes in fair value on investment properties	718	(3,995)
Surplus	10,842	4,007

- Group income has increased by £7.2m (5.9%).
 - Tuition fees increased by £4.2m (4.5%), this was due to increased Full Time Home fees.
- Research grant and contracts income increased by £1.6m(182%) as the University increased the number of successful grant applications
- Expenditure increased by £5.0m (4.5%)
 - Staffing costs increased by £1.6m (2.3%), this was as a result of an increase in staff numbers (1.5%), offset pay awards (1.7%).
 - Depreciation decreased by £0.4m (5.2%).
 - Other operating expenses increased by £3.9m (10.9%). 4% of this was attributable to the increase in research grants.

REPORT OF THE UNIVERSITY COUNCIL (continued)
For the year ended 31 JULY 2018

- The University invested £4.6m in fixed assets. The largest items of capital expenditure included:
- Marris House
 - Seaborne Library extension
 - Martin Building refenestration

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 2018-19.

Applications and resulting undergraduate recruitment for 2018-19 were reduced with intake at level 4 and below around 13% lower than the previous year. However, recruitment to Nursing and Midwifery courses is stable and slight increases in recruitment from international students and postgraduate courses will help mitigate the reduction in undergraduate recruitment.

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 2018**

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 2018**

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 £98k (2017: £37k).

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 2018 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 2018:

Unrestricted: £79,790k (2017: £59,668k)
Endowments: £395k (2017: £366k)

At 31 July 2018 consolidated reserves are therefore 319% 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 1526 (2017: 1,504). 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 2018

Auditor

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

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

Going concern

The University ended the year with cash and cash equivalents of £34.7m. The budget for 2018-19 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 2018 of 2 - 2.76%% as well as increases in LGPS pension contributions from April 2017 which will rise each year for the next 2 years. In addition, the results of the 2016 Teachers Pension Scheme valuation has suggested that the employer contribution rate will need to rise by 7.2% from September 2019 with no certainty of additional funding to cover this. 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.

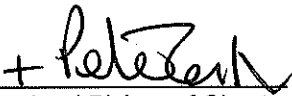
We have sensitised our forecasts to assess the impact of potential falls in student numbers and potential cost increases and are satisfied that the University has sufficient headroom in its cash flow projections to withstand the impact of reasonably possible downside scenarios during the 12 months following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



23rd November 2018

CORPORATE GOVERNANCE STATEMENT

For the year ended 31 JULY 2018

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

In the opinion of the Members of the University Council, the University has applied the principles of the Higher Education Code of Governance (2014) in so far as they apply to the Higher Education Sector, and it has applied these throughout the year ended 31 July 2018 and up to the date of these accounts.

The Council

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

The University Council meets four times a year and has several committees, including the 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 2018

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 Committee will normally meet annually and will consider and determine the remuneration and conditions of service of the Vice-Chancellor, the Deputy Vice-Chancellor and (following the recommendation of the Vice-Chancellor) the holders of senior posts (defined as the holders of such senior posts as the Council Members may determine) and the following posts:

- Pro Vice-Chancellor & Provost of Warrington & Community Liaison
- Pro Vice-Chancellor (Research & Knowledge Transfer and Provost of Thornton)
- Pro Vice-Chancellor (Professional Services & Operations and Chief Information Officer)
- Pro Vice-Chancellor (Enhancement)

The Committee will also determine grievances against the Vice-Chancellor and similar matters which relate to remuneration and conditions of service.

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

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

Justification for total remuneration package for the Vice Chancellor

The remuneration of the Vice-Chancellor is reviewed annually by the Senior Salaries Committee with reference to the terms set out in the "Salary Review Framework for the Vice-Chancellor" which was adopted in August 2013 and updated in July 2018 to align with the principles of the Committee of University chairs (CUC) voluntary Higher Education Remuneration Code for Senior Staff published in June 2018.

CORPORATE GOVERNANCE STATEMENT (continued)
For the year ended 31 JULY 2018

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

The Vice-Chancellor's performance review is conducted annually by the President of the University Council, following consultation with the other external members of the Council. In assessing the Vice-Chancellor's performance and the justification for his remuneration, the Committee recognises that the overall financial position has improved, and progress has been made with the consolidation of recent significant strategic initiatives, as the University faces a challenging immediate future. The University seeks to position itself for development in the medium term and beyond through these initiatives, and the University Council must ensure sustainability both of the strategic developments and core business.

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

The Committee acknowledges the Vice-Chancellor's continued ability and worth to the University, the particular features of his value at this key stage of its development, the perceived need to recognise and reward appropriately his contribution to this development, in terms of professional acumen, individual personal qualities and as a senior manager, and the complexity of the strategic initiatives which require careful management and oversight on a continuing basis.

Mission Committee

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

Audit and Risk Management Committee

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

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 2018 and up to the date of approval of the annual report and financial statements, that it is regularly reviewed by the Council and that it accords with Higher Education Code of Governance

CORPORATE GOVERNANCE STATEMENT (continued)
For the year ended 31 JULY 2018

Statement of Internal Control (continued)

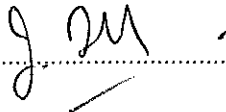
The senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms which are embedded within the operational units and reinforced by risk awareness training. The Senior Management Team 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 2018 by considering documentation from the Vice-Chancellor and the Audit and Risk Management Committee, and took account of events since 31 July 2018.



President of the Council.....

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

Parkgate Road,
CHESTER,
CH1 4BJ



Deputy President of the Council.....

Canon J Turnbull

23rd November 2018

STATEMENT OF UNIVERSITY COUNCIL RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS
For the year ended 31 JULY 2018

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

They are required to prepare group and parent University financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*. The terms and conditions of funding further require the financial statements to be prepared in accordance with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education, in accordance with the requirements of the Accounts Direction issued by the Office for Students. The Council is required to prepare financial statements which give a true and fair view of the state of affairs of the group and parent University and of their income and expenditure, gains and losses and changes in reserves for that period.

In preparing each of the group and parent University financial statements, the 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 UK accounting standards and the recommendations of the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the group and parent University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent University or to cease operations, or have no realistic alternative but to do so.

The Council is required to act in accordance with the University's Instruments and Articles of Government. The Council is responsible for keeping proper accounts and proper records in relation to the accounts, sufficient to disclose at any time, with reasonable accuracy, the financial position of the charity at that time, and to enable the Council to ensure that, where any statements of accounts are prepared by them under section 132(1) of the Charities Act 2011, those statements of accounts comply with the requirements of regulations under that provision. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the university and to prevent and detect fraud and other irregularities.

The Council is also responsible for ensuring that:

- funds from whatever source administered by the Group or the University for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- funds provided by the Office for Students and Research England have been applied in accordance with the terms and conditions attached to them;
- 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
- ensuring that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources; and
- securing the economical, efficient and effective management of the university's resources and expenditure.

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

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

For the year ended 31 JULY 2018

Opinion

We have audited the financial statements of the University of Chester ("the University") for the year ended 31 July 2018 which comprise the Consolidated and University Statement of Comprehensive Income and Expenditure, Consolidated and University Statements of Changes in Reserves, Consolidated and University Balance Sheets, Consolidated Cash Flow Statement and related notes, including the statement of accounting policies.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the University's affairs as at 31 July 2018, and of the Group's and the University's income and expenditure, gains and losses and changes in reserves, and of the Group's cash flows, for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, and with the 2015 *Statement of Recommended Practice – Accounting for Further and Higher Education*;
- meet the requirements of the Accounts Direction dated 19 June 2018 issued by the Office for Students; and
- have been properly prepared in accordance with the requirements of the Charities Act 2011.

Basis for opinion

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

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

Going concern

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

Other information

The University Council is responsible for the other information presented in the Annual Report and Financial Statements together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. We are required to report to you if:

- based solely on that work, we have identified material misstatements in the other information; or
- in our opinion, the information given in the Report of the University Council is inconsistent in any material respect with the financial statements.

We have nothing to report in these respects.

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

University council responsibilities

As explained more fully in their statement set out on page 16, the University Council is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the group or the parent University or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

We are required to report on the following matters under the Office for Students and Research England Audit Codes of Practice issued under the Further and Higher Education Act 1992.

In our opinion, in all material respects:

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

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

This report is made solely to the University Council, who are the trustees of the university for the purposes of charity law, in accordance with section 144 of the Charities Act 2011 (or its predecessors) and regulations made under section 154 of that Act, and paragraph 12(3) of the University's Articles of Government and section 124B of the Education Reform Act 1988. Our audit work has been undertaken so that we might state to the University Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the University and the University Council for our audit work, for this report, or for the opinions we have formed.



Timothy Cutler
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
1 St Peter's Square
Manchester
M2 3AE

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

28 NOVEMBER 2018

CONSOLIDATED AND UNIVERSITY STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE

For the year ended 31 JULY 2018

	Notes	Year ended 31 July 2018		Year ended 31 July 2017 Restated	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
Income					
Tuition fees and education contracts	1	97,834	97,834	93,664	93,664
Funding body grants	2	10,813	10,813	10,338	10,338
Research grants and contracts	3	2,526	2,526	894	894
Other income	4	16,821	17,054	15,938	15,257
Investment income	5	414	414	421	421
Total income before endowments and donations		128,408	128,641	121,255	120,574
Donations and endowments	6	28	28	11	11
Total income		128,436	128,669	121,266	120,585
Expenditure					
Staff costs	7	69,799	69,799	68,221	67,998
Other operating expenses	9	39,666	39,644	35,743	35,454
Depreciation	10	6,371	6,371	6,723	6,723
Interest and other finance costs	8	2,476	2,476	2,577	2,577
Total expenditure		118,312	118,290	113,264	112,752
Surplus before other gains or losses		10,124	10,379	8,002	7,833

CONSOLIDATED AND UNIVERSITY STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE (continued)
For the year ended 31 JULY 2018

	Notes	Year ended 31 July 2018		Year ended 31 July 2017	
		Consolidated	University	restated	
		£'000	£'000	Consolidated	University
				£'000	£'000
Gain/(loss) on changes in fair value of investment properties	10	718	718	(3,995)	(3,995)
Surplus for the year		10,842	11,097	4,007	3,838
Actuarial gain in respect of pension schemes	20	9,309	9,309	4,983	4,983
Total comprehensive income for the year		20,151	20,406	8,990	8,821
Represented by:					
Endowment comprehensive income for the year		29	29	11	11
Unrestricted comprehensive income for the year		20,122	20,377	8,979	8,810
Attributable to the University		20,151	20,406	8,990	8,821
Surplus for the year attributable to:					
University		10,842	11,097	4,007	3,838

All items of income and expenditure relate to continuing activities.

CONSOLIDATED AND UNIVERSITY STATEMENTS OF CHANGES IN RESERVES
For the year ended 31 JULY 2018

Consolidated	Income and Expenditure Account		Total
	Notes	Endowment	
		£'000	£'000
Balance at 1 August 2016 Restated	21	355	50,689
Surplus from the statement of comprehensive income and expenditure		11	3,996
Other comprehensive income		-	4,983
Total comprehensive income for the year		11	8,979
Balance at 31 July 2017 Restated		366	59,668
Surplus from the statement of comprehensive income and expenditure		28	10,814
Other comprehensive income		-	9,309
Release of restricted funds spent in year		1	(1)
Total comprehensive income for the year		29	20,122
Balance at 31 July 2018		395	80,185


CONSOLIDATED AND UNIVERSITY STATEMENTS OF CHANGES IN RESERVES
(continued)
For the year ended 31 JULY 2018

University	Income and Expenditure Account		Total	
	Notes	Endowment		Unrestricted
		£'000	£'000	£'000
Balance at 1 August 2016 restated	21	355	49,701	50,056
Surplus from the statement of comprehensive income and expenditure		11	3,827	3,838
Other comprehensive income		-	4,983	4,983
Total comprehensive income for the year		11	8,810	8,821
Balance at 31 July 2017 restated		366	58,511	58,877
Surplus from the statement of comprehensive income and expenditure		28	11,069	11,097
Other comprehensive income		-	9,309	9,309
Release of restricted funds spent in year		1	(1)	-
Total comprehensive income for the year		29	20,377	20,406
Balance at 31 July 2018		395	78,888	79,283

CONSOLIDATED AND UNIVERSITY BALANCE SHEETS
For the year ended 31 JULY 2018

	Notes	As at 31 July 2018		As at 31 July 2017	
		Consolidated £'000	University £'000	Restated Consolidated £'000	University £'000
Fixed assets	10	123,060	123,058	124,863	124,861
Non Current Investments	10	14,225	14,225	13,423	13,423
Current assets					
Stock	11	47	47	48	48
Trade and other receivables	12	7,774	6,727	6,771	6,597
Cash and cash equivalents	17	34,687	33,548	24,514	22,863
		42,508	40,322	31,333	29,508
Less: Creditors: amounts falling due within one year	13	(24,996)	(23,710)	(26,067)	(25,397)
Net current assets		17,512	16,612	5,266	4,111
Total assets less current liabilities		154,797	153,895	143,552	142,395
Creditors: amounts falling due after more than one year	14	(56,428)	(56,428)	(59,364)	(59,364)
Provisions					
Provisions for liabilities	15	(18,184)	(18,184)	(24,154)	(24,154)
Net assets		80,185	79,283	60,034	58,877
Restricted Reserves					
Income and expenditure reserve - endowment reserve	16	395	395	366	366
Unrestricted Reserves					
Income and expenditure reserve - unrestricted		79,790	78,888	59,668	58,511
Total Reserves		80,185	79,283	60,034	58,877

The financial statements were approved by the University Council on 23rd November 2018 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
For the year ended 31 JULY 2018

	Notes	Year ended 31 July 2018 £'000	Year ended 31 July 2017 Restated £'000
Cash flow from operating activities			
Surplus for the year		10,842	4,007
Adjustment for non-cash items			
Depreciation	10	6,371	6,723
(Gain)/loss on changes in fair value of investment properties	10	(718)	3,995
Decrease in stock	11	1	3
Increase in debtors	12	(1,003)	(1,275)
(Decrease)/increase in creditors	13	(1,199)	5,265
Increase in pension provision	15	3,339	2,363
Adjustment for investing or financing activities			
Investment income	5	(98)	(37)
Interest payable	8	1,806	1,906
Endowment income		(28)	(11)
Capital grant income		(1,765)	(1,641)
Net cash inflow from operating activities		17,548	21,298
Cash flows from investing activities			
Capital grants receipts		1,101	5,665
Investment income		98	37
Payments made to acquire fixed assets		(4,652)	(7,187)
		(3,453)	(1,485)
Cash flows from financing activities			
Interest paid		(1,806)	(1,906)
Endowment cash received		28	11
Repayments of amounts borrowed		(2,144)	(2,357)
		(3,922)	(4,252)
Increase in cash and cash equivalents in the year		10,173	15,561
Cash and cash equivalents at beginning of the year	17	24,514	8,953
Cash and cash equivalents at end of the year	17	34,687	24,514

STATEMENT OF ACCOUNTING POLICIES

For the year ended 31 JULY 2018

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 2018. 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 government grants, contracts and other services rendered are accounted for on an accruals basis and included to the extent of the completion of the contract or service concerned; any payments received in advance of such performance are recognised on the balance sheet as liabilities.

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

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

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

Fixed assets and depreciation

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

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

Land is capitalised at cost and is not depreciated.

STATEMENT OF ACCOUNTING POLICIES For the year ended 31 JULY 2018 (continued)

Investment Properties

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

Intangible assets – research and development

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

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.

STATEMENT OF ACCOUNTING POLICIES
For the year ended 31 JULY 2018 (continued)**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.

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.

STATEMENT OF ACCOUNTING POLICIES
For the year ended 31 JULY 2018 (continued)

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.

Derivatives

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

Significant estimates and judgements

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

a. Pension liabilities

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

b. Non-current investments – investment properties

The fair value of investment property is determined by management upon receipt of a report by a registered valuer on the properties in question on the basis of continual use. These properties are located at Thornton Science Park. In June 2018, the Planning Committee of Cheshire West and Cheshire Council (CWaC) elected to reject a retrospective planning permission seeking a change of use to Class D1 (non-residential institutions) for certain elements of the site. This decision is being appealed, however it related to the use of the site for teaching and not for elements of the site used as investment properties. Despite this, the decision and subsequent appeals process does create some future uncertainty around future marketability of the properties which may impact fair value which cannot be quantified.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 JULY 2018

	Year Ended 31 July 2018		Year Ended 31 July 2017	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
1 Tuition Fees and Education Contracts				
Full-time home and EU students	75,788	75,788	69,795	69,795
Full-time international students	5,559	5,559	5,803	5,803
Part-time students	3,362	3,362	3,356	3,356
Education Contracts	11,218	11,218	12,323	12,323
Other Fees and Support Grants	1,907	1,907	2,387	2,387
	97,834	97,834	93,664	93,664
2 Funding Body Grants				
Recurrent grant				
Higher Education Funding Council	5,196	5,196	7,404	7,404
Office for Students	1,978	1,978	-	-
Education Skills Funding Agency	45	45	64	64
National College for Teaching and Leadership	157	157	328	328
Capital grant	1,765	1,765	1,641	1,641
Specific grants				
Higher Education Academic Subject Centres	50	50	50	50
Higher Education Innovation Fund	1,219	1,219	818	818
NCOP Higher Horizons Project	403	403	33	33
	10,813	10,813	10,338	10,338
3 Research Grants and Contracts				
Research councils	128	128	56	56
Research charities	108	108	-	-
Government (UK and overseas)	341	341	646	646
Industry and commerce	1,843	1,843	130	130
Other	106	106	62	62
	2,526	2,526	894	894

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 JULY 2018

	Notes	Year Ended 31 July 2018		Year Ended 31 July 2017	
		Consolidated	University	Consolidated	University
		£'000	£'000	£'000	£'000
4 Other income					
Residences, catering and conferences		9,832	8,903	9,845	8,781
Other income		6,989	8,151	6,093	6,476
		<u>16,821</u>	<u>17,054</u>	<u>15,938</u>	<u>15,257</u>

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

5 Investment income

Investment income on endowments	16	2	2	2	2
Other investment income		96	96	35	35
Movement in fair value of derivatives	14	316	316	384	384
		<u>414</u>	<u>414</u>	<u>421</u>	<u>421</u>

6 Donations and endowments

New endowments	16	<u>28</u>	<u>28</u>	11	11
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NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 JULY 2018

	Year Ended 31 July 2018		Year Ended 31 July 2017	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
7 Staff costs				
Staff costs:				
Salaries	52,897	52,897	53,459	53,284
Social security costs	5,580	5,580	5,034	5,018
Other pension costs	11,322	11,322	9,728	9,696
Total	69,799	69,799	68,221	67,998
			2018	2017
Emoluments of the Vice-Chancellor:			£'000	£'000
Salary			276	271
Benefits in kind (taxable)			2	2
Other Remuneration – Expenses			1	3
			279	276
Head of Institution median pay ratios:			£'000	£'000
Median basic salary all staff			29	31
Basic salary ratio			9.5	8.7
Median total remuneration all staff			34	33
Total remuneration ratio			8.3	8.3
Remuneration of other higher paid staff, excluding employer's pension contributions:			No.	No.
£100,000 to £104,999			2	2
£105,000 to £109,999			1	-
£110,000 to £114,999			-	1
£120,000 to £124,999			1	1
£125,000 to £129,999			-	1
£130,000 to £134,999			1	-
£140,000 to £144,999			1	1
			6	6

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 JULY 2018

7 Staff costs (continued)

	2018	2017
	£'000	£'000
Total Compensation paid to key management personnel	<u>1,575</u>	<u>1,590</u>

Key Management personnel consist of 10 individuals that make up the Senior Management Team. Compensation consists of salary, benefits, expenses, bonus, employer's national insurance and employer's pension contribution.

Average staff numbers by major category:	No.	No.
Academic Departments	580	589
Academic Services	140	141
Administration/Central Services	379	346
Premises	195	208
Catering and Residence	86	73
Nursing	146	144
Other	-	3
	<u>1,526</u>	<u>1,504</u>

Compensation for loss of office

One payment was made in respect of compensation for loss of office during the year totalling £9,372.

Council Members

Reimbursements to members of University Council for expenditure incurred in attending Council and meetings of its Committees amounted to £925 (2017: £1,109). Council members did not receive any remuneration from the University.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 JULY 2018

	Notes	Year Ended 31 July 2018		Year Ended 31 July 2017	
		Consolidated	University	Consolidated	University
		£'000	£'000	£'000	£'000
8 Interest and other finance costs					
Loan interest		1,806	1,806	1,906	1,906
Net charge on pension scheme	20	670	670	671	671
		2,476	2,476	2,577	2,577
9 Analysis of other operating expenses by activity					
Academic and related expenditure		15,173	15,263	15,308	15,308
Administration and central services		6,981	6,997	5,136	5,136
Premises (including service concession cost)		12,411	12,407	9,978	9,977
Residences, catering and conferences		2,057	2,026	3,004	2,971
Research grants and contracts		1,991	1,991	536	536
Other expenses		1,053	960	1,781	1,526
		39,666	39,644	35,743	35,454
Other operating expenses include:					
External auditor's remuneration in respect of audit services		60	45	54	54
External auditor's remuneration in respect of non-audit services		22	19	24	24
Operating lease rentals:					
Other		126	126	157	157

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 JULY 2018

10 Fixed Assets

	Freehold Land and Buildings	Plant and Machinery	Computer Equipment	Total
	£'000	£'000	£'000	£'000
Consolidated				
Cost				
At 1 August 2017 restated	142,084	22,851	7,249	172,184
Additions	3,386	1,039	143	4,568
At 31 July 2018	145,470	23,890	7,392	176,752
Depreciation				
At 1 August 2017 restated	22,747	17,903	6,671	47,321
Charge for the year	2,750	3,078	543	6,371
At 31 July 2018	25,497	20,981	7,214	53,692
Net book value				
At 31 July 2018	119,973	2,909	178	123,060
At 31 July 2017 restated	119,337	4,948	578	124,863
University				
Cost				
At 1 August 2017 restated	141,124	22,199	7,249	170,572
Additions	3,386	1,039	143	4,568
At 31 July 2018	144,510	23,238	7,392	175,140
Depreciation				
At 1 August 2017 restated	21,789	17,251	6,671	45,711
Charge for the year	2,750	3,078	543	6,371
At 31 July 2018	24,539	20,329	7,214	52,082
Net book value				
At 31 July 2018	119,971	2,909	178	123,058
At 31 July 2017 restated	119,335	4,948	578	124,861

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 JULY 2018

10 Fixed Assets (continued)

As at 31 July 2017 restated

	Notes	Freehold Land and Buildings	Plant and Machinery	Computer Equipment	Total
		£'000	£'000	£'000	£'000
Consolidated					
Cost					
At 1 August 2016 restated		143,209	21,149	7,001	171,359
Additions restated		433	1,702	248	2,383
Transfer to non-current investments		(1,558)	-	-	(1,558)
At 31 July 2017 restated		142,084	22,851	7,249	172,184
Depreciation					
At 1 August 2016 restated		20,066	14,640	5,892	40,598
Charge for the year restated		2,681	3,263	779	6,723
At 31 July 2017 restated		22,747	17,903	6,671	47,321
Net book value					
At 31 July 2017 restated		119,337	4,948	578	124,863
At 31 July 2016 restated		123,143	6,509	1,109	130,761
University					
Cost					
At 1 August 2016 restated		142,249	20,497	7,001	169,747
Additions restated		433	1,702	248	2,383
Transfer to non-current investments		(1,558)	-	-	(1,558)
At 31 July 2017 restated		141,124	22,199	7,249	170,572
Depreciation					
At 1 August 2016 restated		19,108	13,988	5,892	38,988
Charge for the year restated		2,681	3,263	779	6,723
At 31 July 2017 restated		21,789	17,251	6,671	45,711
Net book value					
At 31 July 2017 restated	21	119,335	4,948	578	124,861
At 31 July 2016 restated	21	123,141	6,509	1,109	130,759

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 JULY 2018

10 Fixed Assets (continued)

Non-Current Investments

Consolidated and University	Notes	Investment Properties £'000
At 1 August 2016 restated	21	11,056
Transfer From Fixed Assets		1,558
Additions		4,804
Loss on change in fair value		(3,995)
At 31 July 2017 restated	21	13,423
Additions		84
Gain on change in fair value		718
At 31 July 2018		<u>14,225</u>

The non-current investments have been valued at fair value

At 31 July 2018, freehold land and buildings included £7.8m (2017 - £7.8m) in respect of freehold land and is not depreciated.

11 Stock

	Year ended 31 July 2018		Year ended 31 July 2017	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
General consumables	<u>47</u>	<u>47</u>	<u>48</u>	<u>48</u>

12 Trade and other receivables

	Year ended 31 July 2018		Year ended 31 July 2017	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Amounts falling due within one year:				
Tuition fee receivables	1,792	1,792	2,848	2,848
Other trade receivables	2,776	2,039	377	128
Other receivables	100	100	1,302	1,302
Prepayments and accrued income	3,106	1,773	2,244	1,406
Amounts due from subsidiary companies	-	1,023	-	913
	<u>7,774</u>	<u>6,727</u>	<u>6,771</u>	<u>6,597</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 JULY 2018

13 Creditors: amounts falling due within one year

	Year ended 31 July 2018		Year ended 31 July 2017	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Bank overdraft			-	-
Secured loans*	784	784	774	774
Unsecured loans	1,384	1,384	1,192	1,192
Trade payables	4,912	4,761	6,451	6,391
Social security and other taxation payable	1,304	909	1,503	1,356
Accruals and deferred income	16,612	15,872	16,147	15,684
	<u>24,996</u>	<u>23,710</u>	<u>26,067</u>	<u>25,397</u>

* The bank loans are secured on freehold properties owned by the University with a carrying value of £7.4m (2017: £7.5m), over which the lender holds a legal charge.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 JULY 2018

14 Creditors: amounts falling due after more than one year

	Year ended 31 July 2018		Year ended 31 July 2017	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Deferred income	22,775	22,775	23,048	23,048
Derivatives	864	864	1,181	1,181
Secured loans	8,591	8,591	9,375	9,375
Unsecured loans	24,198	24,198	25,760	25,760
	<u>56,428</u>	<u>56,428</u>	<u>59,364</u>	<u>59,364</u>

Analysis of secured and unsecured loans:

Due within one year or on demand (Note 14)	2,168	2,168	1,966	1,966
Due between one and two years	2,132	2,132	1,996	1,966
Due between two and five years	6,359	6,359	5,905	5,905
Due in five years or more	24,298	24,298	27,234	27,234
Due after more than one year	<u>32,789</u>	<u>32,789</u>	<u>35,135</u>	<u>35,135</u>
Total secured and unsecured loans	<u>34,957</u>	<u>34,957</u>	<u>37,101</u>	<u>37,101</u>
Secured loans repayable by 2031	9,375	9,375	10,149	10,149
Unsecured loans repayable by 2038	<u>25,582</u>	<u>25,582</u>	<u>26,952</u>	<u>26,952</u>
	<u>34,957</u>	<u>34,957</u>	<u>37,101</u>	<u>37,101</u>

Included in loans are the following:

Lender	Amount £'000	Term	Interest rate %	Borrower
Barclays (secured)	3,151	2026	5.94%	University
Barclays (unsecured)	1,680	2028	5.31%	University
Barclays (secured)	1,564	2031	0.84%	University
Barclays (secured)	4,660	2031	5.55%	University
Lloyds TSB (unsecured)	7,924	2034	5.55%	University
Santander (unsecured)	3,413	2038	5.62%	University
Santander (unsecured)	7,539	2038	5.62%	University
Santander (unsecured)	4,860	2038	3.11%	University
Salix (unsecured)	68	2019	interest free	University
Salix (unsecured)	98	2019	interest free	University
TOTAL	<u>34,957</u>			

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 JULY 2018

15 Provisions for liabilities

Consolidated	Pension enhancements on termination	Pension scheme provision under FRS 102 (Note 20)	Total Provisions
	£'000	£'000	£'000
At 1 August 2017	719	23,435	24,154
Utilised in year	(165)	(9,309)	(9,474)
Additions in year	-	3,504	3,504
At 31 July 2018	554	17,630	18,184

University	Pension enhancement on termination	Pension scheme provision under FRS 102 (note 21)	Total Provisions
	£'000	£'000	£'000
At 1 August 2017	719	23,435	24,154
Utilised in year	(165)	(9,309)	(9,474)
Additions in year	-	3,504	3,504
At 31 July 2018	554	17,630	18,184

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	
	2018	2017
Discount rate	2.3%	2.5%
Inflation	1.3%	2.9%

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 JULY 2018

16 Endowment Reserves

Restricted net assets relating to endowments are as follows:

	Restricted permanent endowments	Expendable endowments	2018 Total	2017 Total
	£'000	£'000	£'000	£'000
Balances at 1 August 2018				
Capital	130	211	341	330
Accumulated income	-	25	25	25
	<u>130</u>	<u>236</u>	<u>366</u>	<u>355</u>
New Endowments	-	28	28	11
Investment Income	-	2	2	2
Expenditure (Decrease) / increase in market value of investments	-	(1)	(1)	(2)
	-	-	-	
Total endowment Comprehensive income for the year	<u>-</u>	<u>29</u>	<u>29</u>	<u>11</u>
At 31 July 2017	<u>130</u>	<u>265</u>	<u>395</u>	<u>366</u>
Represented by:				
Capital	130	239	369	341
Accumulated income	-	26	26	25
	<u>130</u>	<u>265</u>	<u>395</u>	<u>366</u>
Analysis by type of purpose:				
Prize funds	-	61	61	60
General	130	204	334	306
	<u>130</u>	<u>265</u>	<u>395</u>	<u>366</u>
Analysis by asset				
Cash & cash equivalents	130	265	395	366

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 JULY 2018

17 Cash and Cash Equivalents

	Notes	At 1st August 2017 £'000	Cash Flows £'000	At 31st July 2018 £'000
Consolidated				
Cash and cash equivalents		24,514	10,173	34,687

18 Lease Obligations

Total rentals payable under operating leases:

	31 July 2018		31 July 2017
	Other leases £'000	Total £'000	Total £'000
Payable during the year			
Future minimum lease payments due:			
Not later than 1 year	98		105
Later than 1 year and not later than 5 years	68		114
Total lease payments due	<u>166</u>		<u>219</u>

Lease obligations relate to vehicle leases.

19 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 2018

20 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 £11,321,691 (2017: £9,728,000) which includes £49,363 (2017: £48,615) 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 £553,991 (2017: £719,058) 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 2018 was £7,003,417 (2017: £6,890,299) of which the employers' contributions totalled £4,356,467 (2017: £4,268,024) and the employees' contributions totalled £2,646,950 (2017: £2,622,276). 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 2012
Actuarial method	Prospective Benefits
Investment returns per annum	8.4%
Salary scale increases per annum	2.75 %
Market value of assets at date of last valuation	£176.6bn
Proportion of members' accrued benefits covered by the actuarial value of the assets	92%

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 7.4% -11.7%.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 JULY 2018

20 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 2018 was £5,281,542 (2017: £4,755,248) of which the employers' contributions totalled £4,099,377 (2017: £3,568,819) and employees contributions totalled £1,182,165 (2017: £1,186,429). The agreed contribution rates for future years are 20.6% (15.2% to 31 March 2017) for employers and in bandings 5.5%-12.5% from April 2014 for employees depending on the level of their salary.

Valuation date	31 March 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 2018 by a qualified independent actuary.

	31 July 2018	31 July 2017	31 July 2016
	%	%	%
Inflation	3.4%	3.5	2.9
Rate of increases in salaries	2.7	2.7	2.9
Rate of increase in pensions	2.4	2.4	1.9
Discount rate for liabilities	2.8	2.7	2.5

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 2018	31 July 2017
	%	%
Retiring today		
Males	22.3	22.3
Females	24.5	24.5
Retiring in 20 years		
Males	23.9	23.9
Females	26.5	26.5

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 JULY 2018

20 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 2018 £'000	31 July 2017 £'000
Equities	49,106	37,738
Bonds	45,903	38,681
Property	8,540	5,661
Cash	3,203	12,265
Total market value of assets	<u>106,752</u>	<u>94,345</u>

The above asset values as at 31 July 2018 are at bid value as required under FRS 102 Section 28:

	2018 £'000	2017 £'000
University's estimated asset share	106,752	94,345
Present value of scheme liabilities	(124,382)	(117,780)
Deficit in the scheme	<u>(17,630)</u>	<u>(23,435)</u>

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 JULY 2018

20 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:

	2018 £'000	2017 £'000
Service cost	6,739	5,334
	<u>6,739</u>	<u>5,334</u>

Analysis of net return on pension scheme

	2018 £'000	2017 £'000
Expected return on pension scheme assets	2,595	2,097
Impact on pension scheme liabilities	(3,265)	(2,768)
Net charge	<u>(670)</u>	<u>(671)</u>

Amounts recognised in Other Comprehensive Income

	2018 £'000	2017 £'000
Actuarial gain/(loss)– defined benefit obligations	3,189	(4,509)
Actuarial gain– fair value of employer assets	6,120	9,492
Actuarial gain	<u>9,309</u>	<u>4,983</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 is £12.3 million (2017: £17.3 million).

Movement in deficit during the year

	2018 £'000	2017 £'000
Deficit in scheme at beginning of year	(23,435)	(25,974)
Movement in year:		
Current service charge	(6,739)	(5,344)
Employer contributions	3,905	3,571
Net charge on assets	(670)	(671)
Actuarial gain	9,309	4,983
Net deficit	<u>(17,630)</u>	<u>(23,435)</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 JULY 2018

20 Pension Schemes (continued)

	2018 £'000	2017 £'000
Liabilities at start of year	117,780	108,271
Service cost	6,739	5,344
Interest cost	3,265	2,768
Employee contributions	1,183	1,183
Actuarial (gain)/loss	(3,189)	1,658
Benefits paid	(1,396)	(1,444)
Liabilities at end of year	<u>124,382</u>	<u>117,780</u>
	2018 £'000	2017 £'000
Assets at start of year	94,345	82,297
Expected return on Assets	2,595	2,097
Actuarial gain	6,120	6,641
Employer contributions	3,905	3,571
Employee contributions	1,183	1,183
Benefits paid	(1,396)	(1,444)
Assets at end of year	<u>106,752</u>	<u>94,345</u>

On 26 October, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits, "GMP". The Government will need to consider this outcome in conjunction with the Government's recent consultation on GMP indexation in public sector schemes before concluding on any changes required to LGPS schemes.

21 Prior year adjustment note

Investment property

As part of completing the 2017-18 financial statements, several buildings in the Thornton Science Park were identified as being investment property. They had previously been reported as tangible fixed assets and depreciated at a historical cost basis in prior year financial statements. They have now been treated as non-current investments and held at fair value. The adjustments for fair value for prior periods are reflected in the reserves reconciliation below.

Consolidated	Income and Expenditure Account		Total
	<i>Endowment</i>	<i>Unrestricted</i>	
	£'000	£'000	£'000
Balance at 1 August 2016 as previously reported	355	51,215	51,570
Prior year adjustment	-	(526)	(526)
Restated Balance at 1 August 2016	<u>355</u>	<u>50,689</u>	<u>51,044</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31st JULY 2018

21 Prior year adjustment note (continued)

Balance at 31 July 2017 as previously reported	366	63,801	64,167
Prior year adjustment	-	(4,133)	(4,133)
Restated Balance at 31 July 2017	366	59,668	60,034

University	Income and Expenditure Account		Total
	<i>Endowment</i>	<i>Unrestricted</i>	
	£'000	£'000	£'000
Balance at 1 August 2016 as previously reported	355	50,227	50,582
Prior year adjustment	-	(526)	(526)
Restated Balance at 1 August 2016	355	49,701	50,056

Balance at 31 July 2017 as previously reported	366	62,644	63,010
Prior year adjustment	-	(4,133)	(4,133)
Restated Balance at 31 July 2017	366	58,511	58,877

Impact on Statement of Comprehensive Income

	Consolidated Depreciation	University Depreciation
	£000	£000
Charge for the year ended 31 July 2017, as previously reported	7,111	7,111
Prior year adjustment	(388)	(388)
Restated charge for the year after prior period adjustment	6,723	6,723

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31st JULY 2018

21 Prior year adjustment note (continued)

Impact on Balance Sheets

As at 1st August 2016

	Consolidated Fixed Assets	University Fixed Assets	Consolidated Non-Current Investments	University Non-Current Investments
	£000	£000	£000	£000
Balance as previously reported	142,343	142,341	-	-
Prior year adjustment	11,582	11,582	11,056	11,056
Restated balance after prior period adjustment	<u>130,761</u>	<u>130,759</u>	<u>11,056</u>	<u>11,056</u>

As at 31 July 2017

Balance as previously reported	142,419	142,417	-	-
Prior year adjustment	17,556	17,556	13,423	13,423
Restated balance after prior period adjustment	<u>124,863</u>	<u>124,861</u>	<u>13,423</u>	<u>13,423</u>

22 Related party transactions

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

The Vice Chancellor, Professor T J Wheeler is a Board member of the Cheshire and Warrington Local Enterprise Partnership (LEP). During the year the University made payments of £240 to the LEP.

Professor Wheeler is also a Board member of Coleg Cambria from whom the University received the sum of £4,500 during the year.

Deputy Vice Chancellor, Professor A Sutton is Director of The Hammond School. During the year the University received the sum of £19,891 from the Hammond School.