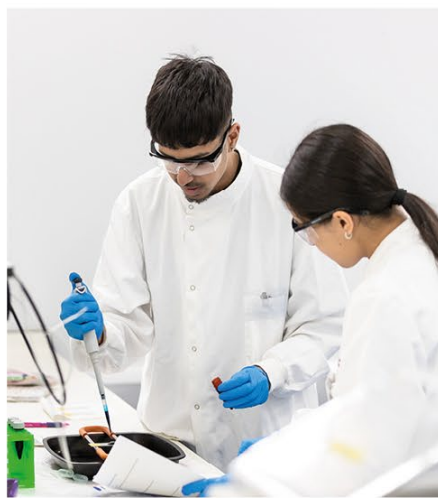


Annual Review and Financial Statements

Year ended 31 July 2023



Contents

Year ended 31 July 2023

CONTENTS	PAGES
Review of the reporting year by the Vice Chancellor and the President of the University Council	3 - 7
Financial Highlights	8
Members of the University Council and their Interests	9
Report of the University Council	10 - 21
Corporate Governance Statement	22 – 26
Statement of University Council Responsibilities in Respect of the Annual Report and the Financial Statements	27
Independent Auditor's Report to the University Council of the University of Chester	28 - 32
Consolidated and University Statement of Comprehensive Income and Expenditure	33 - 34
Consolidated and University Statements of Changes in Reserves	35 - 36
Consolidated and University Balance Sheets	37
Consolidated Cash Flow Statement	38
Statement of Accounting Policies	39 – 43
Notes to the Financial Statements	44 - 65

Introduction from our Vice-Chancellor



This year, we have given a lot of thought to what makes us unique; how our origins as a faith institution and strong sense of place within a historic city inform our modern and distinct approach to innovative teaching, learning, research and engagement.

As ever, the communities and places local to our University sites are central to all that we do, but an almost 40% increase in the number of international student enrolments this year has challenged us to consider our role in this expanding global community, and the support we provide to those who've joined us from around the world.

Another key consideration this year – the challenging operating environment facing UK universities currently – has only served to focus our attention even more on what really matters: our students. This year's *Review* showcases some of the recognition we have received for our student offer, and for the opportunities our students have created and seized to engage meaningfully with the world around them, via our Citizen Student Strategy.

Sustainability, and the actions we take as an organisation and as individuals, to address the nature and climate emergencies, continue to be priorities. Our staff, students and communities have worked incredibly hard to embed these considerations into every aspect of our activity, including our daily operations and forward-looking research activities.

Research and Knowledge Exchange

In addition to reorganising our academic faculty structure to support our teaching and strategic plans, we've also launched our Research and Knowledge Exchange Institutes (RKEIs) and secured external funding and recognition for a number of our research and knowledge exchange specialisms.

With and for our communities

The RKEIs encourage staff and students to share their expertise with our communities and stakeholders, and lead the way in addressing critical policy issues relating to: Health and Wellbeing; Sustainability and Environment; and, Culture and Society. Activities include public events, support for early career researchers, and engagement with policy makers.

As a University, we know how important our local communities and institutions are. This year, University experts provided active leadership and advice as part of the Cheshire and Warrington Sustainable and Inclusive Growth Commission (formed by local leaders to support Cheshire and Warrington's ambition of becoming the most sustainable and inclusive subregion in the UK). In Chester, experts from multiple academic disciplines within the University worked with the Cathedral and local stakeholders on the High Street Heritage Action Zone (part of a national, funded project overseen by Heritage England) to breathe new life into our high street.

Review of the reporting year by the Vice-Chancellor and the President of the University Council Year ended 31 July 2023

Many of our local stakeholders are also part of the thriving community of professionals and senior executives who are undertaking work-based research projects with us, as part of our professional doctorate programme.

(Inter)nationally significant research

Research activity undertaken by our staff this year has included: award-winning work to improve the engagement of ex-service personnel with primary healthcare services; the use of sensor electronics to improve the treatment of sleep disorder breathing; developing understanding of how small businesses are preparing themselves for the transition to Net Zero; exploring potential energy supplies via the electronic structure modelling of perovskite solar cells; and, a range of impactful research and knowledge exchange relating to social and environmental justice within our communities. Linked to this, and as part of its work with the UK's Industrial Decarbonisation Research and Innovation Centre (IDRIC), the University has published a nationally significant industrial decarbonisation workforce report, which will influence future sustainability skills policy.

Notable external grants to continue excellent research and knowledge exchange include: the impact of hearing loss on military veterans (funded by the Royal British Legion); the use of cutting-edge simulation technology to improve the skills of our health and social care workers (with funding from Health Education England); and, a prestigious Leverhulme grant for the BATMAN project, which will advance our understanding of bats' responses to human-induced environmental changes.

Sport and Exercise student, Ella Johnson, provided expertise to the Rugby League World Cup men's and women's referees, while conducting research into the mental and physical demands of the job, and PhD student, Rosie Anderson, is working with Manchester City's women's team to understand the future of female athlete performance.

Towards Net Zero

As an institution, we remain committed to achieving Net Zero for scope one and two emissions by 2030 (emissions from our electricity, gas and fuel consumption) and have implemented changes across our estate in support of this, including an external validation of our monitoring activities to ensure we can report accurately on progress. We have now certified 47 members of staff and 78 students on our Carbon Literacy training, empowering them to cascade their skills and ideas throughout our wider communities.

We started the academic year with a Sustainable Travel Relaunch event, to promote different ways that staff, students and visitors can travel to and between our sites. Our students set the agenda at our Sustainability Fair in November, with challenges including how to mend and reuse clothing, and Chester Youth Climate Action Network's 'Net Zero Home' initiative, which promotes changes students can make in their own homes.

We recruited one of our graduates to develop the University's Transport Strategy, co-mentored by Cheshire West and Chester Council's (CWaC) Director of Transport and Highways, which resulted in the graduate being appointed to a role in the Council's Transport Directorate, leading on bus partnerships for the Borough – just one of the positive activities that have emerged from our Partnership Agreement with CWaC.

Collaboration for change

This year, in addition to our world-leading education offering with Chester Zoo, we worked in partnership with arts centre, Storyhouse, to host a day of performances and discussions to inspire our local community to reduce their carbon footprint and protect the environment. The event delivered 35 sessions to more than 500 visitors, and we have been named a finalist in this year's Green Gown Awards as a result.

We worked with Warrington Council of Faiths and the environmental charity, Faiths4Change, on a free public event at our University Centre Warrington, exploring what faith-informed climate action might look like, and finding out more about the new Warrington Climate Emergency Strategy. In Chester, we worked

Review of the reporting year by the Vice-Chancellor and the President of the University Council Year ended 31 July 2023

with youth-led group, Chester National Park City, which is supported by Cheshire Wildlife Trust, to transform a plot of our land into a haven for wildlife, in support of their mission for Chester to achieve National Park City status. The group are working to connect urban communities to wildlife and their ambition is for Chester to join London and Adelaide as the only cities in the world with National Park City status.

Building Social Capital

For us, Building Social Capital “means finding new and creative ways to ‘open doors’ for our students. We want to ensure that our students and graduates have the connections they need to create and seize opportunities for their personal, academic and career development”. (Professor Eunice Simmons, Vice-Chancellor)

Ensuring that our students’ learning experiences relate closely to the world of work has really paid off this year. International Tourism Management student, Annabelle Whitaker, won a national award following her Work-Based Learning placement with Chester Zoo, and our Photography and Fine Art students made use of their connection with Cheshire West and Chester Council to utilise temporarily unoccupied high street units as gallery spaces for their work.

Taking an international approach to business start-up support, 7 of our entrepreneurial students won places on a once-in-a-lifetime adventure in Thailand via the Santander Universities UK initiative. The 10-day trip included a visit to Bangkok University to share their ideas with the Dean of the School of Entrepreneurship, and a tour of Bangkok’s The Hive, a co-working space for entrepreneurs.

This year Masters of Art in Design graduate, Emma Rose Atherton, was one of 8 designers chosen to create a carbon-neutral womenswear collection, which was showcased to King Charles III when it was launched by The Prince’s Foundation and world-leading fashion retailer, YOOX NET-A-PORTER.

Having won the 2017 Santander Enterprise Challenge in his first year, Business Management with Marketing graduate, Hamza Hussain, has this year gone on to launch his own business, Mona’s Curry Base, offering a gluten-free and vegan authentic Indian curry sauce base, that can be used to make any curry. His advice to our students? “Never be afraid to go out of your comfort zone”.

Holistic Student Experience

The additional support and extracurricular activities we offer are often what makes the difference to the university experience, and our staff, stakeholders and communities all contribute to ensuring that our citizen students have access to opportunities beyond teaching and research.

As always, our Volunteering and Mentoring team worked hard this year to create opportunities for our students to support local communities. Activities undertaken during Give Back Month included food and clothing donations to West Cheshire Foodbank and Chester Aid to the Homeless (CATH), and our ‘Welly Wednesday’ student volunteers helping conservation volunteering group, TCV (The Conservation Volunteers), with hedge-laying at the Countess of Chester Country Park.

Citizen students leading the way

This year, students from our innovative creative health placement (developed in direct response to the NHS Long Term Plan 2019) formed a choir to explore the mental health benefits of singing. Activity included music therapy sessions with performance company Making Maestros and a performance at local arts centre, Storyhouse.

Chester Law School students and Student Project Managers, Bradley Bennett and Annabel Priest, were recognised this year for their work on the Immigration Project - life-changing work assisting refugee clients, over 80% of whom have been forced from their homes by the war in Syria. They won Best Contribution by a Team of Students in the 2023 LawWorks and Attorney General’s Student Pro Bono Awards, presented at the House of Commons.

Review of the reporting year by the Vice-Chancellor and the President of the University Council Year ended 31 July 2023

The University of Chester Law School operates several student-run community outreach projects like the Immigration Project, all part of the Chester Community Law Project (CCLP). Each is led by student project managers and operated by student volunteers from the undergraduate Law degree.

Lifelong Learning

Our approach to lifelong learning is something we reconsider every year, in recognition of evolving challenges and opportunities: it is so important that we don't lose sight of the fact that a wide variety of learning and skills development options are such an empowering tool to enable individuals to grow and change their circumstances.

Many of our students proved that it is possible to find a learning pathway that fits around life's many complexities. Stacey Davidson, 41, worked as a Modern Slavery Case Worker while completing her MA in Social Work at our University Centre Warrington, alongside raising a young family and caring for her terminally ill father.

Crucially, we aren't just here for university-ready students: Jess Denson, 25, graduated with a first-class degree in Early Years Practice after struggling with dyslexia, but her journey with us started at Foundation level alongside work.

Evolving with the workplace

Our staff work closely with employers to ensure that working professionals can access the skills they need throughout their careers, and that those skills reflect the reality of the workplace.

This year, our School of Education created an optional learning pathway in Inclusion, Diversity and Special Educational Needs and Disabilities (SEND) as part of the BA (Hons) Education. The practical course includes work placements and focuses on developing students' understanding of how the sociology and psychology of education and relate to real life practice.

Chester Business School's Work Based Integrative Studies (WBIS) programme supports employed students; successes this year included Dental Hygienist, Danielle Shaw, who gained a Postgraduate Diploma in Education of Dental Professionals via distance learning, in support of her career ambition of teaching other professionals.

In conclusion: President of University Council



Having spent my whole career, of over 45 years, in further and higher education, including 15 years leading one of our local further education colleges, I have been part of many changes to our education sector. As part of the University's governance, I see up close the challenges we have to face, but I know

Review of the reporting year by the Vice-Chancellor and the President of the University Council Year ended 31 July 2023

that the best thing about our sector is that we are always looking forward – asking what can we do better; how are the needs of our students evolving and are we keeping pace; and, are we leading the way in addressing local, national and global challenges.

We are making fantastic progress towards our vision for Chester Medical School, which will help to address the workforce crisis facing our NHS. Our partnerships with local leaders continue to strengthen, making our efforts to tackle the nature and climate emergencies increasingly effective. I am very much looking forward to the Chester Festival of Ideas in July 2024 – a series of free public city-wide events with some high-profile speakers.

- Meredydd David OBE, DL, DSc, MPhil, FRAgS

Highlights of the Year

August 2022

Catering Services won a national sustainability award.

September 2022

National Knowledge Exchange Framework highlighted the impact of our work with local businesses and our commitment to public and community engagement.

Chester Business School shortlisted for Business School of the Year by Times Higher Education Awards.

November 2022

Publication of our nationally significant report on workforce solutions to accelerate industrial decarbonisation in the UK.

Social Work programmes based at our University Centre Warrington won University of the Year in the annual Social Worker of the Year Awards.

December 2022

Launch of first-of-its-kind education course focused entirely on wildlife conservation and sustainability education, in partnership with Chester Zoo.

March 2023

Launch of our Health and Wellbeing Research and Knowledge Exchange Institute, which will address critical policy issues.

April 2023

Joint highest number of nominations of any institution in this year's Whatuni Student Choice Awards (WUSCAs) and announced as among the best five for: University of the Year; Lecturers and Teaching Quality; University Halls; Postgraduate experience and Cost of Living Support.

Launch of our Levelling Up Impact Report in partnership with the Purpose Coalition, led by the Rt Hon Justine Greening.

May 2023

Double win at the Student Nursing Times Awards: Best Student Experience and Student Placement of the Year (Community).

June 2023

Top ten position in the Uni Compare University Rankings 2023 for the quality of our courses.

Financial Highlights

Year ended 31 July 2023

Result

During the year to 31 July 2023 (year to 31 July 2022 figures in brackets) the consolidated University and subsidiary companies:

- Generated income of £138.3 million (£135.8 million)
- Generated a deficit before other gains and losses of £8.2 million (£6.5 million deficit)
- Generated a net cash inflow from operating activities of £7.6 million (£9.1 million)
- Increased expenditure by £4.2 million (£13.9 million)

Financial Strength

At 31 July 2023 the University had:

- Cash and cash equivalents of £27.4 million (£27.0 million)
- Investments of £10.0 million (£10.0 million)
- Total net assets of £81.5 million (£89.9 million)
- A defined benefit pension liability of £ zero (£7.3 million)

Financial Investments

During the year to 31 July 2023 the University invested £5.1 million (£9.0 million) in tangible fixed assets.

Staff and students

During the academic year the University:

- Employed an average of 1,573 members of staff (1,537)
- Taught, directly or through collaborative provision and distance learning, higher education students as follows:

Student Headcounts - based on HESA Student Return Standard Registration Population

		Full-Time	Other	2022/23 Total	2021/22 Total	Increase/ (Decrease)
Home/EU	Undergraduate	5,992	588	6,580	6,868	(4%)
	Postgraduate	596	2,309	2,905	3,168	(8%)
	Nursing and Midwifery	1,600	135	1,735	1,729	0%
International	Undergraduate	469	23	492	499	(1%)
	Postgraduate	2,211	37	2,248	2,050	10%
	Nursing and Midwifery	8	1	9	11	(18%)
2022/23 Total		10,876	3,093	13,969	14,325	(2%)
2021/22 Total		10,952	3,373	14,235		
Increase/ (Decrease)		(1%)	(8%)	(2%)		

The 2022/23 figures are for students studying between August 2022 and July 2023. The 2021/22 figures are for students studying between August 2021 and July 2022.

Members of the University Council and their interests

Year ended 31 July 2023

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

Members of the University Council 2022/2023		(1)	(2)
Foundation Members:			
Dr Meredydd David (<i>President</i>)		•	
The Right Reverend the Lord Bishop of Chester, Mark Tanner			
The Very Reverend Dr Tim Stratford			
Professor Eunice Simmons (<i>Vice-Chancellor</i>)		•	
Dr David Briggs		•	
Professor Steven Broomhead			•
Professor Charles Forsdick			
Mrs Jeannie France-Hayhurst			
Mr Nick Jenkins	Retired 31-07-2023	•	
Professor Helen O'Sullivan		•	
Dr Angela Seeney			•
Mr Peter Wallach	Appointed 01-08-2022		•
Non-Foundation Members:			
Ms Lauren Friel (<i>Previous Students' Union President</i>)	Left 30-06-2023	•	
Ms Ellie Smith (<i>Current Students' Union President</i>)	Appointed 01-07-2023	•	
Professor John Alcolado	Left 13-02-2023		
Mrs Cathy Bond (<i>Deputy President</i>)		•	
Mr Marcus Clinton			
Councillor Mrs Razia Daniels			
Ms Karen Howell			
Mrs Sara Popplewell	Appointed 01-08-2022	•	
Mr Stephen Dobson	Appointed 01-08-2022	•	
Professor Angela Simpson	Appointed 13-03-2023		
Mrs Kate Nwosu-Aaron Efe			
Mr Jonathan Moores (<i>Secretary to the Council</i>)	Left 31-07-2023		

Report of the University Council

Year ended 31 July 2023

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

- (1) Planning & Resources Committee
- (2) Audit & Risk Management Committee

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

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

University Senior Staff

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

Professor Eunice Simmons	Vice-Chancellor
Professor Helen O'Sullivan	Provost and Deputy Vice-Chancellor
Professor Paul Bissell	Pro Vice-Chancellor Research and Innovation
Dr Helen Galbraith	Pro Vice-Chancellor – Student Experience
Mr Richard Waddington	Pro Vice-Chancellor Resources Chief Financial Officer/Bursar
Mr Jonathan Moores	Registrar and University Secretary – <i>Left 31-07-2023</i>
Mrs Rashmi Patel	Director of Human Resources
Mr Steve Jeffree	Interim Director of Digital Transformation
Professor Kurt Allman	Executive Dean/PVC (Faculty of Science, Business & Enterprise) - <i>Appointed 01-01-2023</i>
Professor David McGravie	Executive Dean/PVC (Faculty of Arts, Humanities & Social Sciences) - <i>Appointed 01-01-2023</i>
Professor Angela Simpson	Executive Dean/PVC (Faculty of Health, Medicine & Society) - <i>Appointed 01-01-2023</i>

Report of the University Council (continued)

Year ended 31 July 2023

University Advisors

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

University Advisor	Address
Bankers	NatWest Bank plc 2-8 Church Street 1 st Floor Liverpool L1 3BG
Auditors - External	KPMG LLP 1 St Peter's Square Manchester M2 3AE
Auditors - Internal	RSM 9 th Floor 3 Hardman Street Manchester M3 3HF
Solicitors	Knights LLP 58 Nicholas Street Chester CH1 2NP
Insurance Brokers	U M Association Ltd 5 St Helen's Place London EC3A 6AB

Report of the University Council (continued)**Year ended 31 July 2023**

The Members of the University Council present their Annual Report for the year ended 31 July 2023 under the Charities Act 2011 together with the audited financial statements for the year.

Structure, Governance and Management

Type of organisation: Registered Charity

Nature of Governing Document: Trust Deed

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

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

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

Organisation: The Composition of the Council is set out on page 9. It is the Council's responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct.

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

Scope and period of financial statements

The financial statements have been presented for the year ended 31 July 2023.

Principal activities of the University

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

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

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

The Charity has three trading wholly owned subsidiaries:

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

Strategic Report

The communities and places local to our University sites are central to all that we do and an almost 40% increase in the number of international student enrolments in the 2022/23 academic year has challenged us to consider our role in this expanding global community. It is vital that we position ourselves for the future, to deliver excellent student experiences and outcomes to those joining us from local areas and from around the world.

With the focus brought to the university sector by the tight economic operating environment, we have scrutinised how we position ourselves for this future, the foundations of which we have laid during this year. We have drawn closer to local business and public sector partners to support work experience and employment, in particular responding to the publication in June 2023 of the NHS Long Term Workforce Plan. Surveys tell us that over 85% of our students want to stay in the local area after graduation, local employers need a skilled workforce and that there is a demand for our successful Lifelong Learning provision. This has culminated in the rationalisation of the Academic Faculties from seven to three, now comprising: Health, Medicine & Society; Science, Business & Enterprise; and Arts, Humanities & Social Sciences. The newly formed Research and Knowledge Exchange Institutes (RKEIs) which underpin our successful delivery of Research Excellence Framework (REF) and Knowledge Exchange Framework (KEF) metrics have already secured external funding and recognition for a number of our REF and KEF specialisms. In the upcoming year this simplified academic structure will enable the professional services to roll out improved and more efficient processes from central services into the academic hubs. Independent recognition of our endeavours has included being shortlisted for the 2022 Times Higher Education Business School of the Year award and scoring an impressive double win at this year's Student Nursing Times Awards, receiving the Best Student Experience and Student Placement of the Year (Community) awards.

In this period the University recorded a deficit before other gains and losses of £8.21m on a turnover of £138.34m. £2.73m of this deficit is attributed to the impairment of the value of Thornton Science Park upon valuation.

Undergraduate UCAS applications for 2022 entry at Chester saw an increase on 2021, ending at +3.4%. This increase was brought down to +0.9% when PGCE applications were factored in, but this was in line with entire sector which saw a decreasing demand for Teacher Education courses. There was also the beginnings of a continuing trend for a decrease in demand for Nursing and Midwifery courses across the sector after two years of significantly inflated demand during the Covid pandemic. This was reflected in the 2022 intakes, with increased intakes for Chester in all categories of courses but small decreases to intakes in Initial Teacher Education (UG and PGCE) as well as in Nursing and Midwifery courses. Despite these small overall decreases, some Nursing pathways met their allocated targets. The University saw an uplift in applications to many Undergraduate programmes across the Faculties including increases across the single and combined honours provision in Humanities, the single honours provision in Arts and Media, combined honours provision in Business and Management, in non-QTS provision Education and Children's Services, and in single and combined honours provision in Medicine and Life Sciences, Science and Engineering, and Social Sciences. There was also a 10% increase in applications for undergraduate course offered with a Foundation Year. The final out-turn saw a small overall increase in these combined student intakes. This was in a sectoral position that saw a -2.2% intake to universities across the country as higher tariff institutions restricted their intakes and lower and middle tariff institutions saw small levels of growth. A successful Clearing campaign saw 393 students accept Clearing offers from a wide geographic base, up by more than 100 on 2021.

Strategic Report (continued)

Work continues to make the Estate more environmentally and financially sustainable. A sector-leading project has delivered a detailed analysis of energy usage across all locations, enabling the university to confidently report and forecast its carbon emissions. Analysis of in-year energy bills has shown progress in reducing usage and that focus continues. An on-going project to scrutinise the timetable and actual room usage is ensuring that spaces are well utilised. Activity outside core hours is, where possible, converging into fewer spaces to reduce heating and lighting costs, with the pleasing additional benefit of providing an improved community feel. Spaces not well utilised have been re-commissioned - additional teaching spaces required by increased cohort sizes have been created by merging single occupancy staff offices that were underutilised. Disposal of a small number of buildings surplus to requirements has contributed to the improvement in energy efficiency and avoided expenditure to bring aging housing stock up to the Energy Performance Certification standard required for residential accommodation. A successful funding application to the Office for Students enabled substantial improvements to be made to Seaborne Library, which were in place for the tours for potential applicants at the Autumn 2023 Open Days.

The Centre for Academic Innovation and Development (CAID) has continued to support staff to develop and share their teaching expertise and a record number of staff achieved professional recognition for their teaching from Advance HE. The newly created “TL-Innovate” platform provides practice sharing events and a growing range of resources on a Teams SharePoint site to support teaching practice and scholarly enquiry. It is also the home of four special interest groups that encourage evidence-informed action to address key priorities such as student mental wellbeing and the academic success of international students. Working with LIS, the CAID team supported the summer upgrade of the virtual learning environment (VLE) leading activities to embed effective learning design principles across all courses, which has resulted in a range of actions at the local and university-wide scale to improve assessment for student success, and for student and staff wellbeing.

The Directorate of Access, Skills, and Apprenticeships (DASA) continues its work to optimise student success at key intervals of the student lifecycle; access into higher education, success during their time at university and progression beyond graduation. We successfully submitted a new Access & Participation Plan 2024-28 to the Office for Students (OfS) as part of the OfS’ Wave 1 pilot. Our key metric of Graduate Outcomes continues to improve with 68.5% of graduates in highly skilled employment. The Outreach team’s flagship event ‘Taste of University’ - a 4-day residential event for year 12 attendees from various colleges - had its highest number of attendees. The event provides practical insights about university life, and builds the confidence of the attendees, which in turn may lead to them becoming University of Chester students in the future.

Aware of the financial pressures facing students, Student Services’ Your Money team were involved in a cross-university working group focused on supporting students through the Cost-of-Living crisis which was recognised through a nomination for a What Uni Student Choice Award. The university’s Student Money Adviser offers support to students on topics such as budgeting skills and applying for student finance and runs on campus events to promote positive money management and has developed a referral service with debt charity StepChange to support students experiencing significant difficulties in managing debt. There has also been great success with our Social Prescriber pathway for students, which connects students to activities and services in their community to meet the practical, social and emotional needs that affect their health and wellbeing. In addition, training of Wellbeing and Mental Health staff to become accredited to deliver Student Minds Look After Your Mate sessions is empowering students to support friends experiencing mental health difficulties, whilst looking after their own wellbeing.

Student Services established a Northwest Sexual Violence Universities Networking group, inviting peers responsible for sexual violence related work from other local universities to come together and support best practice developments. The Unacceptable Behaviours Group received recognition for improving student safety through the High Sheriff of Chester Award, which also praised the University’s collaboration with the Police Crime Commissioner on the Safer Streets project.

Report of the University Council (continued)
Year ended 31 July 2023

Future Prospects

Since the 2022 intake, the sector has been hit by further falling application numbers for most categories of courses, as the cost-of-living crisis and the after-effects of Covid kick in. The most significant decreases in demand are for Teaching and Subjects Allied to Medicine (Nursing and Midwifery), compounded by proportional decreases in applications from 18-year-olds, as well as significant decreases in applications from mature students. Chester is responding well to these sectoral issues by rationalising the portfolio of courses to create an efficient and 'in-demand' suite of programmes as well as taking opportunities to increase recruitment through new provision such as Graduate Entry Medicine in 2024 and through enhanced marketing and recruitment activity. It is imperative that the University supports these professions and works with employers and the government to make them more attractive to prospective employees.

The key challenge remains dealing with inflationary pressure on non-pay costs and increased pension costs whilst there has been no increase in the £9,250 Undergraduate fee to offset.

The University Council, the Vice-Chancellor and the rest of the Strategic Executive Team would like to take this opportunity to thank all the staff, students and friends of the University for their on-going commitment to our students and our success during the past year.

Report of the University Council (continued)
Year ended 31 July 2023

Financial Review

	Year ended 31 July 2023	Year ended 31 July 2022
Financial Performance Indicator		
Deficit before other gains and losses for the year	(£8.2m)	(£6.5m)
Margin %	(5.9%)	(4.8%)
Deficit for the year	(17.6m)	(£8.4m)
Margin %	(12.7%)	(6.2%)
Staff costs as % of income	61.2%	61.2%
Cash inflow from operating activities	£7.6m	£9.1m
Current assets ratio	1.3	1.6
Net liquidity (days) (Number of days expenditure held as cash/investments, based on total expenditure less depreciation)	97	101

Financial Performance in 2022/23 compared to previous year:

	Year ended 31 July 2023	Year ended 31 July 2022
	£'000	£'000
Income	138,343	135,775
Expenditure	(146,553)	(142,253)
Gain of disposal of fixed assets	409	-
Loss on changes in fair value on investment properties	(9,790)	(1,879)
Deficit	(17,591)	(8,357)

- Group income has increased by £2.6m (1.9%).
 - Tuition fees increased by £5.2m (5.1%) this was due to an increase in both Full Time Home and Full Time Overseas students.
- Other income reduced by £3.4m (19.1%).
 - This is primarily due to a reduction in other income, as a one off receipt of £3.0m was received in the previous financial year.

Report of the University Council (continued)

Year ended 31 July 2023

Financial Review (continued)

➤ Expenditure increased by £4.3m (3.0%).

- Staffing costs increased by £1.5m (1.8%). There was a reduction in the pension charge compared to the previous year which offset against increased staff costs due to the pay award.
- Other operating expenses increased by £5.6m (11.6%). This was due to increased premises and facilities expenditure and increased international recruitment costs
- The University invested £5.1m in fixed assets, the largest items of capital expenditure included:
 - Building a new design studio for engineering provision
 - Installation of new laboratories for medical and other health related provision

Trade Union Facilities Time data for the period 1 April 2022 – 31 March 2023

TABLE 1	Total Number of Union Officials		14
	Full time equivalent employee number		13.03
TABLE 2	Percentage of time Spent on facility time		
		0%	0
		1-50%	14
		51-99%	0
		100%	0
TABLE 3	Percentage of pay bill spent on facility time		
	Total cost of facility time		71701.33
	Total Pay Bill		77,033,359.48
	% of the total pay bill spent on facility time		0.09
TABLE 4	Paid trade union activities		
	% of total paid facility time hours		0

Risks and uncertainties

The key risk is upward pressure on the University cost base due to inflation, resulting in increased pay awards as well as increased pension costs. The pay awards were 3% in August 2022, an interim award of 2% in February 2023 and a further increase of between 5-8% in August 2023 has led to significant increase in payroll costs. In addition, it was confirmed in October 2023 that from April 2024 employers' contributions under the Teachers' Pension Scheme will increase by 5% to 28%.

The wider economic situation and pressure on public finances also give rise to a broader set of uncertainties including grant funding and interest rates. The standard home undergraduate tuition fee has been fixed at £9,250 until 2025, which will not offset rises in costs.

Having seen significant growth in overseas recruitment in 2022/23, this increase is continued for the 2023/24 year. There was a reduction in recruitment in home students to undergraduate courses in 2023 compared to 2022 but this is expected to increase in 2024.

As the University is in a deficit position, compliance with banking covenants is at risk and although agreement has been reached with lenders for the 2023 and 2024 financial period, this will remain a key risk until the University moves into a stable surplus position.

Public benefits and inclusivity

Delivering public benefit is at the heart of what we do as a University and as a provider of higher education. Since 1839 our institutional mission has committed us to provide our students with the education, skills and support to enable them to develop as confident world citizens, and to serve and improve the global communities within which they live and work. As an institution founded by the Church of England, we have always been guided by Christian values and are justifiably proud of the open, inclusive and supportive environment that characterises our institution. We warmly welcome staff, students and visitors of all faiths and none. Our institutional strategy since 2020 has focussed on enhancing this mission-led culture of social mobility and inclusivity – not just for our students as our primary beneficiaries, but also for our staff and communities.

As a local ‘anchor’ institution, we recognise that we have a responsibility to engage proactively and meaningfully in placemaking. Our University doesn’t only serve the communities surrounding Chester; our University Centres in Shropshire, Birkenhead, Warrington and Reaseheath serve wider communities in both rural and urban areas. Our continuing work with regional place makers has highlighted shared commitments to achieving sustainable and inclusive growth that addresses the inequalities facing marginalised and underrepresented communities, without negatively impacting our natural environment. Our Strategic Executive Team provides intentional leadership in support of these priorities, through board membership and key partnership with our local authorities, NHS partners, charities, creative organisations and business representatives.

Further information regarding the University’s social impact on our communities, staff and students is set out in our recent [Levelling Up Impact Report](#)

The University’s [Citizen Student Strategy](#) furthers our commitment to delivering public benefit through three overarching themes:

- Enhancing social capital – opening doors for students whilst studying and beyond;
- A holistic student experience – creating a culture of opportunity and self-development;
- Focussing on lifelong learning – developing an inclusive offer for students of all ages and backgrounds.

The University’s [Access & Participation Plan](#) sets out in more detail our commitment to work with our students to build a strong sense of agency and belonging; to identify and remove barriers so that students from all backgrounds are supported to succeed; and to provide our students with the skills, experience and connections to contribute to a dynamic University community. We deliver against this commitment through a programme of financial support for students from specific underrepresented groups; through partnership working with schools and colleges to raise student aspirations and enable students to progress to higher education; and through an extensive offer of academic and pastoral support to allow students to reach their full potential whilst studying at University and beyond.

The University’s [Research & Knowledge Exchange Strategy](#) furthers our aim to play a fundamental role in regional placemaking and to contribute to advances in knowledge that benefit wider society and help to tackle the ‘grand challenges’ of the 21st century. Our strategy is intended to align with the priorities of our local authorities, Local Enterprise Partnerships (LEPS), NHS partners, business and the third sector. The University has established a number of Research and Knowledge Exchange Institutes (RKEIs) as part of our wider strategy, across core themes strongly aligned to public benefit including health and wellbeing; culture and society; sustainability and environment, and regional economy.

In setting our strategic objectives and planning our activities the University Executive and University Council have 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. With regard to our estate strategy, property purchases and developments always comply with building regulation guidelines and restrictive covenants and there is regard for the wider environmental impacts. Our charitable aim 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)**Year ended 31 July 2023**

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 £685k (2022: £80k).

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 liability)

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 2024 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.

Reserves policy (not including pension liability)

The actual Consolidated Reserves for year ended 31 July 2023:

Unrestricted: £81,087k (2022: £90,074k)

Endowments: £435k (2022: £431k)

Pension liability £ zero (2022: £7,256k)

At 31 July 2023 consolidated reserves are therefore 202% of short-term creditors and deemed to be sufficient.

Employee consultation

The average number of lecturing and support staff employed by the University during the year was 1,573 (2022: 1,537). An active policy of information dissemination encourages employee involvement and participation in the University development process. Employee representatives are regularly consulted on a variety of issues affecting their own and the University's interests.

Auditor

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

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

Report of the University Council (continued)**Year ended 31 July 2023**

Going concern

The financial statements are prepared on a going concern basis notwithstanding that the University Group has reported a deficit before other gains and losses of £8.2m for the year to 31 July 2023 (2022: £6.5m deficit). The Group reported operating cash inflow of £7.6m for the year ended 31 July 2023 (2022: £9.1m inflow) and in assessing the going concern of the Group, detailed cash flow forecasts were prepared covering a period of over 12 months from the date of approval of the accounts. These cash flows were prepared on the basis of severe but plausible downsides impacting the Group and University's operations over that period. These indicate that the Group and University remains a going concern, and covenants with lenders for the year ending July 2024 have been renewed in line with the Group's financial plans. However, the renewed covenants are dependent on the contract for sale of the University's site at Padgate exchanging with the house building site purchaser. This will enable restrictive loan covenants to be waived, trigger the ability to securitise property for Lloyds Bank and access a new £6.5m revolving credit facility with Santander.

The Padgate site is being sold to a major housebuilder and a contract for sale has been agreed, and exchange of contracts is due to take place imminently. Once this has taken place, a joint bid for planning permission will be made and the sale will be completed once planning permission has been granted. The University is confident that the sale will proceed as a great deal of time and expense has already been invested in the sale by both parties.

The sale of the Padgate site will enable the University to repay loans with Lloyds and Barclays, leaving Santander as the University's only lender. If this does not take place before July 2025, negotiations with lenders will be required in order to agree amended covenants. The University Council is confident that these negotiations would be successful if they are required.

To mitigate the situation described above and any further delays in the process, the University is continuing to take a series of cost control measures to ensure cash balances remain sufficient. These include a robust strategic planning process and ongoing rationalisation of estate, as well as rigorous risk mitigation strategies. The University is also supporting its cash position by the sale of several smaller properties. Some of these have already been realised and others are awaiting planning permission for the sales to complete. These will enable the repayment of key loans from cash reserves if the Padgate sale does not continue and thus amended covenants are not available.

Due to this timing issue the University Council believe it remains appropriate to prepare the financial statements on a going concern basis. However, these circumstances indicate the existence of a material uncertainty related to events or conditions that may cast significant doubt on the Group and University's ability to continue as a going concern and, therefore, that the Group and University may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Report of the University Council (continued)
Year ended 31 July 2023

Conclusion

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



President of the Council:
Dr Meredydd David



Deputy President of the Council:
Mrs Cathy Bond

23rd May 2024

Corporate Governance Statement

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

In the opinion of the Members of the University Council, the University has applied the principles of the Higher Education Code of Governance (2014 and 2020) in so far as they apply to the Higher Education Sector, and it has applied these throughout the year ended 31 July 2023 and up to the date of these accounts.

The University Council

The composition of the University Council is set out on page 9. It is the University 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 Academic Governance and Student Outcomes Committee, Audit and Risk Management Committee, Mission Committee, Nominations and Governance Review Committee, Planning and Resources Committee, and the Senior Salaries (Remuneration) Committee.

The University governance structure facilitates a transparent and effective system of governance, and information on structure and responsibilities of University Council, together with minutes of meetings can be found at <https://www1.chester.ac.uk/about-university/university-council>.

Planning and Resources Committee

The Planning and Resources Committee meet six times a year and advises the Council on the University's corporate strategy. The Committee scrutinises proposed major developments, policy initiatives and all strategic academic and non-academic plans, including financial, physical and human resources, risk and value for money. The Committee also considers in detail the annual budget and financial forecasts and monitors performance, together with reviewing the implementation of policies relating to equality, diversity and inclusion. It makes recommendations, as appropriate, to the Council.

A University Health, Safety and Environment Committee reports to the Planning & 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 health and safety manager and sustainability manager, and promotes co-operation across the University to secure sound health, safety and sustainability. The Health, Safety and Environment Committee's annual report is presented to the Planning & Resources 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, having due regard to equality and diversity considerations. The Committee also oversees a full and robust review of the effectiveness of governance at least every four years and monitors the implementation of actions arising from such governance reviews. 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 and are eligible for re-appointment for two further terms of three years.

Corporate Governance Statement (continued)**Year ended 31 July 2023**

Senior Salaries Remuneration Committee

The Senior Salaries Committee considers and makes recommendations to the University Council on the remuneration and conditions of service of:

- the Vice-Chancellor
- the Deputy Vice-Chancellor; and (following the recommendation of the Vice-Chancellor):
- Senior Pro Vice-Chancellor and Chief Operating Officer
- Chief Financial Officer
- University Secretary and Director of Legal Services
- Pro Vice-Chancellor (Research and Innovation)
- Executive Director of Human Resources
- Pro Vice Chancellor/ Executive Dean Faculty of Arts Humanities and Social Sciences
- Pro Vice Chancellor /Executive Dean Faculty Health, Medicine and Society
- Pro Vice-Chancellor/Faculty of Science, Business and Enterprise

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

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

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

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

Basis for the remuneration package of the Vice-Chancellor

In considering the remuneration of the Vice-Chancellor, the committee reviews progress against agreed key performance indicators and agreed that progress had been achieved or was on course with agreed timelines. In addition, sector benchmarking of salaries ensures that the salary is set at the appropriate level with the increase in remuneration for the year ending 31 July 2023 increasing by the level of pay award agreed by the University and Colleges Employer Association national pay negotiations.

Corporate Governance Statement (continued)**Year ended 31 July 2023**

Mission Committee

The Mission Committee meets at least three times a year and its role are to consider and advise the Council on arrangements at the University relating to the following:

- a) Support and promotion of the Christian ethos of the University through interpreting the nature and character of the University as defined by the University Council and monitoring its impact on University life
- b) Equality, diversity and inclusion
- c) Wellbeing of staff and students
- d) Ethics and ethical standards
- e) Sustainability
- f) Other elements of corporate social responsibility

and to make recommendations as necessary to the University Council.

Academic Governance and Student Outcomes Committee

The Academic Governance and Student Outcomes Committee considers and monitors the fitness for purpose of the curriculum, the academic portfolio and University policies and practices for their delivery, including the following:

- a) Learning and teaching
- b) Defining and maintaining academic standards
- c) Programme development and review
- d) Student support
- e) Student experience
- f) Quality management and enhancement
- g) Internationalisation
- h) Apprenticeships
- i) Placements

The Committee also monitors the University's research, innovation and knowledge exchange strategies and performance, including reviewing outcomes of the Research Excellence Framework, Knowledge Excellence Framework or similar national or international assessment and ranking exercises and other key performance indicators relating to research, innovation and knowledge exchange.

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 external 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.

Corporate Governance Statement (continued)**Year ended 31 July 2023**

The Committee prepares an Annual Report for each financial year, addressed to the University Council and the Vice-Chancellor. The Annual Report includes the Committee's opinion on the extent to which the University Council may rely on the internal control system and the arrangements for the following:

- a) risk management, control and governance (the risk management element includes the accuracy of the statements of internal control included with the annual statement of accounts);
- b) sustainability, economy, efficiency and effectiveness (value for money);
- c) management and quality assurance of data submitted to HESA, the SLC, to Office for Students and other funding and regulatory bodies.

The Annual Report also refers to the work of the Audit & Risk Management Committee undertaken during the year, the work of the Internal Auditors, the work of the External Auditors, and any other audit work undertaken. The Annual Report will also express the Committee's overall opinion on the effectiveness of the University in relation to those areas highlighted in the bullet points above. The Committee continues to adopt the CUC HE Audit Code of Practice 2020

Statement of Internal Control

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

During the course of the year, internal audit work was undertaken by RSM. RSM's annual report for the year 22/23 concluded a positive overall opinion and confirmed that the university had "an adequate and effective framework for risk management, governance, internal control and economy, efficiency and effectiveness. However, our work has identified further enhancements to the framework for risk management, governance, internal control and economy, efficiency and effectiveness to ensure that it remains adequate and effective".

The University 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 University Council is of the view that there is an ongoing process for identifying, evaluating and managing the University's significant risks, that has been in place for the year ended 31 July 2023 and up to the date of approval of the annual report and financial statements, that it is regularly reviewed by the University Council and that it accords with Higher Education Code of Governance.

The Strategic Executive 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 Strategic Executive Team and the Planning and Resources 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 2023 by considering documentation from the Vice-Chancellor and the Audit and Risk Management Committee and took account of events since 31 July 2023.

Corporate Governance Statement (continued)**Year ended 31 July 2023**

Regularity and propriety in the use of public funding

It is the view of University Council that the internal control environment described above, together with all the corporate governance arrangements ensure regularity and propriety in the use of public funding.



President of the Council

Dr Meredydd David

Parkgate Road,
CHESTER,
CH1 4BJ

23rd May 2024



Deputy President of the Council

Mrs Cathy Bond

Statement of University Council Responsibilities in Respect of the Annual Report and the Financial Statements Year ended 31 July 2023

The University 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 law and regulations.

It is required to prepare the 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 requirements of the Accounts Direction dated 25 October 2019 issued by the Office for Students ('the Accounts Direction') and the 2019 Statement of Recommended Practice – Accounting for Further and Higher Education.

The University Council is required to prepare financial statements which give a true and fair view of the state of affairs of the group and of the parent University and of their income and expenditure, gains and losses and changes in reserves, and of the Group's cash flows for that period. In preparing each of the group and parent University financial statements, the University Council is required to: select suitable accounting policies and then apply them consistently;

- 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 2019 Statement of Recommended Practice– Accounting for Further and Higher Education 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 it either intends to liquidate the group or the parent University or to cease operations, or have no realistic alternative but to do so.

The University Council is responsible for keeping adequate accounting records that are sufficient to show and explain the parent University's transactions and disclose with reasonable accuracy at any time the financial position of the parent University. It is responsible for 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, and has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The University 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;
- income has been applied in accordance with the University's Articles of Government funds provided by the Office for Students, UK Research and Innovation (including Research England) and the Education and Skills Funding Agency and the Department for Education have been applied in accordance with the terms and conditions attached to them;
- ensuring that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources; and
- securing the economical, efficient and effective management of the University's resources and expenditure.

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

**Independent Auditor's Report to the University Council of the University of Chester
(continued)****Year ended 31 July 2023**

Opinion

We have audited the financial statements of the University of Chester ("the University") for the year ended 31 July 2023 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 accounting policies.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the University's affairs as at 31st July 2023, and of the Group's and of 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
- have been 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.

Material uncertainty related to going concern

We draw attention to Going Concern disclosures on Page 39 to the financial statements which indicates that the Group's and University's ability to continue as a going concern is dependent on the successful completion of a refinancing by July 2024 that is dependent on the sale of a property. These events and conditions, along with the other matters explained in the Going Concern disclosures, constitute a material uncertainty that may cast significant doubt on the Group's and University's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Going concern basis of preparation

The members have prepared the financial statements on the going concern basis. As stated above, they have concluded that a material uncertainty related to going concern exists.

Our conclusion based on our financial statements audit work: we consider that the members' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

**Independent Auditor's Report to the University Council of the University of Chester
(continued)****Year ended 31 July 2023**

Fraud and breaches of laws and regulations – ability to detect*Identifying and responding to risks of material misstatement due to fraud*

To identify risks of material misstatement due to fraud (“fraud risks”) we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of Chief Financial Officer, the Audit and Risk Management Committee, Internal Audit, the Director of Legal Services and inspection of policy documentation as to the Groups High level policies and procedures to prevent and detect fraud, including the internal audit function and the Groups Channel for ‘Whistleblowing’, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading University Council, Audit and Risk Management Committee and Planning and Resources Committee minutes
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet loan covenants, we perform procedures to address the risk of management override of controls, in particular the risk that Group management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because there is limited opportunity to fraudulently manipulate revenue due to the simple nature of the income streams.

We did not identify any additional fraud risks.

In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness of some of the Group wide fraud risk management controls.

We also performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by non-finance staff or the Chief Financial Officer and journals posted to cash that were outside the normal course of business.
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the University Council and other management (as required by auditing standards), and from inspection of the Group’s regulatory and legal correspondence and discussed with the University Council and other management the policies and procedures regarding compliance with laws and regulations.

As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity’s procedures for complying with regulatory requirements.

**Independent Auditor's Report to the University Council of the University of Chester
(continued)****Year ended 31 July 2023**

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related higher education and charities legislation and regulation), taxation legislation, pension legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: Higher Education regulatory requirements of the Office for Students, Charities regulations, health and safety, data protection laws and employment law, recognising the nature of the Group's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the University Council and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Other information

The University Council is responsible for the other information, which comprises the information included in the Annual Report other than the financial statements and our auditors report thereon. 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 not identified material misstatements in the other information; or
 - in our opinion, the information given in the Annual Report is inconsistent in any material respect with the financial statements.
-

**Independent Auditor's Report to the University Council of the University of Chester
(continued)****Year ended 31 July 2023**

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 charity 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's responsibilities

As explained more fully in its statement set out on page 27, the University Council is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the Group or the parent University or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

In our opinion, in all material respects:

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

**Independent Auditor's Report to the University Council of the University of Chester
(continued)****Year ended 31 July 2023**

Matters on which we are required to report by exception

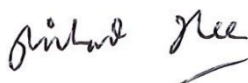
We are required by the Accounts Direction to report to you where the University has an access and participation plan that has been approved by the Office for Students' director of fair access and participation and the results of our audit work indicate that the Group's and the University's expenditure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

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

We have nothing to report in these respects.

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

This report is made solely to the University Council, the members of which 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 13(2) 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.



Richard Lee
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

KPMG LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006
1 St Peters Square
Manchester
M2 3AE

4th June 2024

Consolidated and University Statement of Comprehensive Income and Expenditure
Year ended 31 July 2023

	Notes	Year ended 31 July 2023		Year ended 31 July 2022	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
Income					
Tuition fees and education contracts	1	107,749	107,749	102,508	102,508
Funding body grants	2	12,548	12,548	11,580	11,580
Research grants and contracts	4	1,916	1,916	2,778	2,778
Other income	5	15,244	14,972	18,540	18,411
Investment income	6	884	882	363	363
Total income before endowments and donations		138,341	138,067	135,769	135,640
Donations and endowments	7	2	2	6	6
Total Income		138,343	138,069	135,775	135,646
Expenditure					
Staff costs	8	84,651	84,654	83,126	83,127
Other operating expenses	11	53,320	52,925	47,762	47,706
Depreciation	12	5,675	5,675	5,975	5,975
Depreciation due to impairment	12	693	693	2,763	2,763
Interest and other finance costs	10	2,214	2,214	2,627	2,627
Total Expenditure		146,553	146,161	142,253	142,198
Deficit before other gains or losses		(8,210)	(8,092)	(6,478)	(6,552)

Consolidated and University Statement of Comprehensive Income and Expenditure (continued)
Year ended 31 July 2023

	Notes	Year ended 31 July 2023		Year ended 31 July 2022	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
Gains on disposal of fixed assets	12	409	409	-	-
Loss on changes in fair value of investment properties	12	(9,790)	(9,790)	(1,879)	(1,879)
Deficit for the year		(17,591)	(17,473)	(8,357)	(8,431)
Actuarial gain/(loss) in respect of pension schemes	24	8,608	8,608	71,104	71,104
Total comprehensive income for the year		(8,983)	(8,865)	62,747	62,673
Represented by					
Endowment comprehensive income for the year		4	4	8	8
Unrestricted comprehensive income for the year		(8,987)	(8,869)	62,739	62,665
Attributable to the University		(8,983)	(8,865)	62,747	62,673
Deficit for the year attributable to:					
University		(17,591)	(17,473)	(8,357)	(8,431)

All items of income and expenditure relate to continuing activities

Consolidated and University Statement of changes in Reserves
Year ended 31 July 2023

Consolidated	Income and Expenditure Account		Total
	Endowment	Unrestricted	
	£'000	£'000	
Balance at 1 August 2021	423	27,335	27,758
Surplus from the statement of comprehensive income and expenditure	6	(8,363)	(8,357)
Other comprehensive income	-	71,104	71,104
Release of restricted funds spent in year	2	(2)	-
Total comprehensive income for the year	8	62,739	62,747
Balance at 1 August 2022	431	90,074	90,505
Surplus from the statement of comprehensive income and expenditure	2	(17,593)	(187,591)
Other comprehensive income	-	8,608	8,608
Release of restricted funds spent in year	2	(2)	-
Total comprehensive income for the year	4	(8,987)	(8,983)
Balance at 31 July 2023	435	81,087	81,522

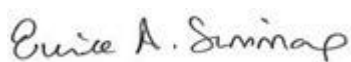
Consolidated and University Statement of changes in Reserves (continued)
Year ended 31 July 2023

University	Income and Expenditure Account		Total
	Endowment	Unrestricted	
	£'000	£'000	
Balance at 1 August 2021	423	26,774	27,197
Surplus from the statement of comprehensive income and expenditure	6	(8,437)	(8,431)
Other comprehensive income	-	71,104	71,104
Release of restricted funds spent in year	2	(2)	-
Total comprehensive income for the year	8	62,665	62,673
Balance at 1 August 2022	431	89,439	89,870
Surplus from the statement of comprehensive income and expenditure	2	(17,475)	(17,473)
Other comprehensive income	-	8,608	8,608
Release of restricted funds spent in year	2	(2)	-
Total comprehensive income for the year	4	(8,869)	(8,865)
Balance at 31 July 2023	435	80,570	81,005

Consolidated and University Balance Sheets
Year ended 31 July 2023

	Notes	As at 31 July 2023		As at 31 July 2022	
		Consolidated	University	Consolidated	University
		£'000	£'000	£'000	£'000
Fixed assets	12	114,166	114,166	115,902	115,902
Investment properties	12	-	-	9,790	9,790
Current assets					
Stock	13	68	68	121	121
Trade and other receivables	14	12,599	12,550	11,391	10,918
Investments	15	10,000	10,000	10,000	10,000
Cash and cash equivalents	21	27,387	26,311	26,950	26,245
		50,054	48,929	48,462	47,284
Less: Creditors: amounts falling due within one year	16	(40,109)	(39,501)	(30,322)	(29,779)
Net current assets		9,945	9,428	18,140	17,505
Total assets less current liabilities		124,111	123,594	143,832	143,197
Creditors: amounts falling due after more than one year	17	(42,249)	(42,249)	(46,071)	(46,071)
Provisions					
Provisions for liabilities	18	(340)	(340)	(7,256)	(7,256)
Net assets		81,522	81,005	90,505	89,870
Restricted Reserves					
Income and expenditure reserve - endowment reserve	19	435	435	431	431
Unrestricted Reserves					
Income and expenditure reserve – unrestricted		81,087	80,570	90,074	89,439
Total Reserves		81,522	81,005	90,505	89,870

The financial statements were approved by the University Council on 23rd May 2024 and were signed on its behalf on that date by:



Professor E.A. Simmons, Vice-Chancellor



Dr M. David, President of the Council

Consolidated Cash Flow Statement
Year ended 31 July 2023

	Notes	Year ended 31 July 2023	Year ended 31 July 2022
		£'000	£'000
Cash flow from operating activities			
Deficit for the year		(17,591)	(8,357)
Adjustment for non-cash items			
Depreciation	12	6,368	8,738
Loss on investments	12	9,790	1,879
Decrease/(increase) in stock	13	53	(14)
Decrease in debtors	14	(1,208)	(1,988)
Increase in creditors	16	8,984	1,530
Increase in pension provision	24	1,692	7,215
Adjustment for investing or financing activities			
Investment income	6	(688)	(82)
Interest payable	10	1,928	1,448
Endowment income	19	(2)	(6)
Gain on sale of fixed assets	12	(409)	-
Capital grant income	2	(1,347)	(1,219)
Net cash inflow from operating activities		<u>7,570</u>	<u>9,144</u>
Cash flows from investing activities			
Proceeds from sale of fixed assets	12	888	-
Capital grants receipts		2,065	1,723
New deposits	15	-	(2,000)
Investment income	6	688	82
Payments made to acquire fixed assets	12	(5,111)	(8,992)
		<u>(1,470)</u>	<u>(9,187)</u>
Cash flows from financing activities			
Interest paid	10	(1,928)	(1,448)
Endowment cash received	19	2	6
Repayments of amounts borrowed	17	(3,737)	(2,163)
		<u>5,663</u>	<u>(3,605)</u>
Increase/(Decrease) in cash and cash equivalents in the year		<u>437</u>	<u>(3,648)</u>
Cash and cash equivalents at beginning of the year	21	26,950	30,598
Cash and cash equivalents at end of the year	21	27,387	26,950

Statement of Accounting Policies (continued)**Year ended 31 July 2023**

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

Basis of preparation

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

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

Going concern

The financial statements are prepared on a going concern basis notwithstanding that the University Group has reported a deficit before other gains and losses of £8.2m for the year to 31 July 2023 (2022: £6.5m deficit). The Group reported operating cash inflow of £7.6m for the year ended 31 July 2023 (2022: £9.1m inflow) and in assessing the going concern of the Group, detailed cash flow forecasts were prepared covering a period of over 12 months from the date of approval of the accounts. These cash flows were prepared on the basis of severe but plausible downsides impacting the Group and University's operations over that period. These indicate that the Group and University remains a going concern, and covenants with lenders for the year ending July 2024 have been renewed in line with the Group's financial plans. However, the renewed covenants are dependent on the contract for sale of the University's site at Padgate exchanging with the house building site purchaser. This will enable restrictive loan covenants to be waived, trigger the ability to securitise property for Lloyds Bank and access a new £6.5m revolving credit facility with Santander.

The Padgate site is being sold to a major housebuilder and a contract for sale has been agreed, and exchange of contracts is due to take place imminently. Once this has taken place, a joint bid for planning permission will be made and the sale will be completed once planning permission has been granted. The University is confident that the sale will proceed as a great deal of time and expense has already been invested in the sale by both parties.

The sale of the Padgate site will enable the University to repay loans with Lloyds and Barclays, leaving Santander as the University's only lender. If this does not take place before July 2025, negotiations with lenders will be required in order to agree amended covenants. The University Council is confident that these negotiations would be successful if they are required.

To mitigate the situation described above and any further delays in the process, the University is continuing to take a series of cost control measures to ensure cash balances remain sufficient. These include a robust strategic planning process and ongoing rationalisation of estate, as well as rigorous risk mitigation strategies. The University is also supporting its cash position by the sale of several smaller properties. Some of these have already been realised and others are awaiting planning permission for the sales to complete. These will enable the repayment of key loans from cash reserves if the Padgate sale does not continue and thus amended covenants are not available.

Due to this timing issue the University Council believe it remains appropriate to prepare the financial statements on a going concern basis. However, these circumstances indicate the existence of a material uncertainty related to events or conditions that may cast significant doubt on the Group and

Statement of Accounting Policies (continued)**Year ended 31 July 2023**

University's ability to continue as a going concern and, therefore, that the Group and University may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Basis of consolidation

The consolidated financial statements include the University and all of its subsidiaries for the financial year to 31 July 2023. 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 (continued)**Year ended 31 July 2023**

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 (last valued at March 2019) carried out by professionally qualified independent actuaries and the Teachers' Pension Scheme is assessed every five years (last valued at March 2016).

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

Statement of Accounting Policies (continued)**Year ended 31 July 2023**

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

Employment benefits

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

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 (continued)**Year ended 31 July 2023**

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 depends on a number of factors including life expectancy, salary increases, asset valuations, liability periods and discount rates on corporate bonds. A qualified actuary estimates these values so management can determine net pension obligations in the balance sheet.

Asset values are reported using estimated asset allocations prepared by the scheme Actuary. This asset value is calculated at each triennial valuation. Thereafter it is rolled forward for accounting valuation purposes using investment returns, contributions received, and benefits paid out. During each annual reporting period between triennial valuations asset returns are estimated using 11 months of market experience and one month of extrapolation being assumed. However, for the year ended 31 July 2023 the pension valuation was calculated using asset returns as at that date. The difference in asset values using the actual asset return data compared to estimated was £9,984k. This was significantly higher than previous years due to changes in the inflation rate used in the actual valuation due to temporary higher levels of UK inflation. The inflation rate 9.9% was included for 2022/23 returning to 2.7% thereafter.

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

b. Investment properties

The investment properties are held at Thornton Science Park, which the University operates for research, and 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.

Notes to the Financial Statements
Year ended 31 July 2023

	Year Ended 31 July 2023		Year Ended 31 July 2022	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
1 Tuition Fees and Education Contracts				
Full-time home and EU students	69,749	69,749	72,506	72,506
Full-time international students	31,016	31,016	22,180	22,180
Part-time students	3,852	3,852	4,330	4,330
Education Contracts	937	937	968	968
Other Fees and Support Grants	2,195	2,195	2,524	2,524
	107,749	107,749	102,508	102,508
2 Funding Body Grants				
Recurrent Grant				
Office for Students	5,360	5,360	5,282	5,282
UKRI	3,535	3,535	1,961	1,961
DfE	177	177	114	114
Capital grant	1,347	1,347	1,219	1,219
Specific Grants				
OfS	453	453	1,243	1,243
Higher Education Innovation Fund	1,459	1,459	1,296	1,296
Uni Connect	217	217	368	368
DfE	-	-	97	97
	12,548	12,548	11,580	11,580
3 Details of Grant and Fee Income				
Grant income from Office for Students	5,813	5,813	6,525	6,525
Grant income from other bodies	6,735	6,735	5,055	5,055
Fee income for taught awards	104,164	104,164	98,184	98,184
Fee income for research awards	1,390	1,390	1,633	1,633
Fee income for non-qualifying courses	2,195	2,195	2,691	2,691
Total grant and fee income	120,297	120,297	114,088	114,088

Notes to the Financial Statements (continued)

Year ended 31 July 2023

	Notes	Year Ended 31 July 2023		Year Ended 31 July 2022	
		Consolidated	University	Consolidated	University
		£'000	£'000	£'000	£'000
4 Research Grants and Contracts					
Research Councils		308	308	803	803
Research Charities		275	275	565	565
Government (UK and overseas)		455	455	447	447
Industry and Commerce		16	16	45	45
Other		862	862	918	918
		1,916	1,916	2,778	2,778
5 Other income					
Residences, Catering and Conferences		5,937	5,680	4,849	4,761
Other income		9,307	9,292	13,691	13,650
		15,244	14,972	18,540	18,411
Other income relates to European grants, rental income and other income (e.g. nursery, fitness centre).					
6 Investment income					
Investment income on endowments	19	3	3	2	2
Other investment income		685	683	80	80
Movement in fair value of derivatives	35	196	196	281	281
		884	882	363	363
7 Donations and endowments					
New endowments	25	2	2	6	6
8 Staff costs					
Salaries		63,688	63,691	58,983	58,984
Social security costs		6,722	6,722	6,257	6,257
Other pension costs		14,241	14,241	17,886	17,886
Total		84,651	84,654	83,126	83,127

Notes to the Financial Statements (continued)
Year ended 31 July 2023

8 Staff Costs (continued)

Emoluments of the Head of Institution

	2023	2022
	£'000	£'000
Professor E.A. Simmons 1 August 2022 to 31 July 2023:		
Salary	257	250
Benefits	7	-
Other Remuneration – Pension & Expenses	63	61
	327	311

	2023	2022
Professor E.A. Simmons 1 August 2022 to 31 July 2023:		
Basic Salary Ratio	7.5	8.0
Median Total Remuneration all staff	7.9	8.4

The justification for the Head of Institution pay can be found on page 23.

Notes to the Financial Statements (continued)

Year ended 31 July 2023

8 Staff Costs (continued)

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

	2023	2022
£100,000 to £104,999	-	1
£105,000 to £109,999	1	-
£110,000 to £114,999	1	-
£115,000 to £119,999	1	-
£120,000 to £124,999	-	-
£125,000 to £129,999	-	1
£130,000 to £134,999	1	3
£135,000 to £139,999	4	-
£140,000 to £144,999	-	-
£145,000 to £149,999	-	-
£150,000 to £154,999	1	2
£155,000 to £159,999	1	1
£160,000 to £164,999	-	1
Over £165,000	1	1
	<u>11</u>	<u>10</u>
 Total Compensation paid to key management personnel	 <u>2,040</u>	 <u>1,634</u>

Key Management personnel consist of 11 individuals that made up the Strategic Executive Team. Compensation consists of salary, bonus, employer's national insurance and employer's pension contribution.

	2023	2022
Average staff numbers by major category:		
Academic Departments	600	581
Academic Services	112	118
Administration/Central Services	459	424
Premises	163	180
Catering and Residence	58	65
Nursing	181	170
	<u>1,573</u>	<u>1,537</u>

Compensation for loss of office

68 payments were made in respect of compensation for loss of office during the year totalling £961k

Council Members

Reimbursements to members of University Council for expenditure incurred in attending Council and meetings of its committees amounted to £2,040 (2022: £943). Council members did not receive any remuneration from the University.

Notes to the Financial Statements (continued)

Year ended 31 July 2023

	Notes	Year Ended 31 July 2023		Year Ended 31 July 2022	
		Consolidated	University	Consolidated	University
		£'000	£'000	£'000	£'000
9 Access & Participation					
Access Investment		638	638	671	671
Financial Support	1	1,745	1,745	1,900	1,900
Disability Support		787	787	860	860
Research and evaluation (i)		584	584	489	489
		3,754	3,754	3,921	3,921

(i) £1,743k of these costs are already included in the overall staff costs figures included in the financial statements, see note 8

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

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

10 Interest and other finance costs

Loan interest		1,928	1,928	1,448	1,448
Net charge on pension scheme	34	286	286	1,179	1,179
		2,214	2,214	2,627	2,627

11 Analysis of other operating expenses by activity

Academic and related expenditure		15,255	15,297	12,737	12,748
Administration and central services		14,804	14,804	12,725	12,758
Premises (including service concession cost)		19,764	19,568	18,914	18,914
Residences, catering and conferences		2,261	2,143	1,630	1,626
Research grants and contracts		638	638	866	866
Other expenses		598	475	890	794
		53,320	52,925	47,762	47,706

Other operating expenses include:

External auditor's remuneration in respect of audit services		113	88	91	71
External auditor's remuneration in respect of non-audit services		38	23	33	25
Operating lease rentals:					
vehicles		206	206	210	210

Notes to the Financial Statements (continued)

Year ended 31 July 2023

12 Fixed Assets

	Freehold Land and Buildings	Plant and Machinery	Computer Equipment	Total
Consolidated and University	£'000	£'000	£'000	£'000
Cost				
At 1 August 2022	149,035	30,698	11,402	191,135
Additions	2,630	2,047	434	5,111
Disposals	(657)	-	-	(657)
At 31 July 2023	151,008	32,745	11,836	195,589
Depreciation				
At 1 August 2022	37,958	27,058	10,217	75,233
Charge for year	2,813	2,009	853	5,675
Charge due to impairment	693	-	-	693
Disposals	(178)	-	-	(178)
At 31 July 2023	41,286	29,067	11,070	81,423
Net book value				
At 31 July 2023	107,685	3,678	766	114,166
At 31 July 2022	111,077	3,640	1,185	115,902

As a result of a valuation done during 2022/23 an impairment of Land and Buildings at Thornton Science Park has resulted in an accelerated depreciation charge of £2.7m for the year.

At 31 July 2023, freehold land and buildings included £7.8m (2022 - £7.8m) in respect of freehold land and is not depreciated.

As a result of a valuation done during 2022/23 there has been an impairment of Land and Buildings at Thornton Science Park during the year. The valuation performed has indicated that Land and Buildings was overvalued in previous years. No adjustment has been posted in the prior year on the grounds of materiality. This has resulted in an impairment of £0.693m during 2022/23.

Notes to the Financial Statements (continued)
Year ended 31 July 2023

12 Fixed Assets (Continued)

Investment properties

Consolidated and University	Investment Properties £'000
At 1 August 2021	<u>9,004</u>
Additions	27
Transfers from Land and Buildings	2,638
Loss on change in fair value	<u>(1,879)</u>
At 31 July 2022	<u>9,790</u>
Loss on change in fair value	9,790
At 31 July 2023	<u>-</u>

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

The non-current investments have been valued at market value.

As a result of a valuation done during 2022/23 there has been a reduction in the fair value of Investment Properties at Thornton Science Park. The valuation performed has indicated that the Investment Property was overvalued in previous years. No adjustment has been posted in the prior year on the grounds of materiality. This resulted in a downward adjustment (loss) to the fair value of £9.790m during 2022/23 resulting in a balance at 31 July 2023 of £nil.

	Year ended 31 July 2023		Year ended 31 July 2022	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
General consumables	<u>68</u>	<u>68</u>	121	121

14 Trade and other receivables

Amounts falling due within one year:

Trade receivables	8,125	7,529	6,996	6,043
Other receivables	18	18	17	17
Prepayments and accrued income	4,456	4,149	4,378	3,804
Amounts due from subsidiary companies	-	854	-	1,054
	<u>12,599</u>	<u>12,550</u>	11,391	10,918

Notes to the Financial Statements (continued)

Year ended 31 July 2023

15 Current Investments

	Year ended 31 July 2023		Year ended 31 July 2022	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Short term deposits	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>

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

At 31 July 2022 the weighted average interest rate of these deposits was 0.5% per annum. The deposits are in accounts that require notice. The weighted average period of notice was 125 days. The fair value of these deposits was not materially different from the book value.

16 Creditors: amounts falling due within one year

	Year ended 31 July 2023		Year ended 31 July 2022	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Secured loans*	1,671	1,671	852	852
Unsecured loans	1,169	1,169	1,349	1,349
Trade payables	4,777	4,530	5,266	4,911
Social security and other taxation payable	1,996	1,645	1,869	1,687
Accruals and deferred income	30,496	30,455	20,986	20,963
Amounts due to subsidiary companies	-	31	-	17
	<u>40,109</u>	<u>39,501</u>	<u>30,322</u>	<u>29,779</u>

* The bank loans are secured on freehold properties owned by the University with a carrying value of £7.1m (2022: £7.2m), over which the lender holds a legal charge.

17 Creditors: amounts falling due after more than one year

Deferred income	22,479	22,479	21,729	21,729
Derivatives	-	-	196	196
Secured loans	2,741	2,741	5,277	5,277
Unsecured loans	17,029	17,029	18,869	18,869
	<u>42,249</u>	<u>42,249</u>	<u>46,071</u>	<u>46,071</u>

Notes to the Financial Statements (continued)

Year ended 31 July 2023

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

Analysis of secured and unsecured loans:

	Year ended 31 July 2023		Year ended 31 July 2022	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Due within one year or on demand (Note 14)	2,840	2,840	2,201	2,201
Due between one and two years	1,933	1,933	3,041	3,041
Due between two and five years	10,113	10,113	6,214	6,214
Due in five years or more	7,723	7,723	14,891	14,891
Due after more than one year	19,769	19,769	24,146	24,146
Total secured and unsecured loans	22,609	22,609	26,347	26,347
Secured loans repayable by 2026	4,412	4,412	6,129	6,129
Unsecured loans repayable by 2038	18,197	18,197	20,218	20,218
	22,609	22,609	26,347	26,347

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

Lender	Amount	Term	Interest rate	Borrower
	£'000		%	
Barclays	1,182	2026	6.30	University
Barclays	880	2028	6.80	University
Barclays	2,304	2026	7.00	University
Barclays	925	2024	6.55	University
Lloyds TSB	5,550	2026	6.13	University
Santander	8,108	2037	5.43	University
Santander	3,660	2038	6.80	University
TOTAL	22,610			

Notes to the Financial Statements (continued)

Year ended 31 July 2023

18 Provisions for Liabilities

Consolidated	Pension enhancements on termination	Pension scheme provision under FRS 102 (Note 24)	Total Provisions
	£'000	£'000	£'000
At 1 August 2022	365	6,891	7,256
Utilised in year	(25)	(6,891)	(6,916)
Additions in year			
At 31 July 2023	340	-	340

University	Pension enhancement on termination	Pension scheme provision under FRS 102 (Note 24)	Total Provisions
	£'000	£'000	£'000
At 1 August 2022	365	6,891	7,256
Utilised in year	(25)	(6,891)	(6,916)
Additions in year			0
At 31 July 2023	340	-	340

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	
	2023	2022
Discount rate	5.0%	2.0%
Inflation	2.8%	2.0%

Notes to the Financial Statements (continued)

Year ended 31 July 2023

19 Endowment Reserves

Restricted net assets relating to endowments are as follows:

	Restricted permanent endowments	Expendable endowments	2023 Total	2022 Total
	£'000	£'000	£'000	£'000
Balances at 1 August 2022				
Capital	130	276	406	400
Accumulated income	-	25	25	23
	<u>130</u>	<u>301</u>	<u>431</u>	<u>423</u>
New Endowments	-	2	2	6
Investment Income	-	3	3	2
Expenditure (Decrease) / increase in market value of investments	-	(1)	(1)	-
	-	-	-	-
Total endowment Comprehensive income for the year	<u>-</u>	<u>4</u>	<u>4</u>	<u>8</u>
At 31 July 2022	<u><u>130</u></u>	<u><u>305</u></u>	<u><u>435</u></u>	<u><u>431</u></u>
Represented by:				
Capital	130	278	408	406
Accumulated income	-	27	27	25
	<u>130</u>	<u>305</u>	<u>435</u>	<u>431</u>
Analysis by type of purpose:				
Prize funds		66	66	65
General	130	239	369	366
	<u>130</u>	<u>305</u>	<u>435</u>	<u>431</u>
Analysis by asset				
Cash & cash equivalents			435	431

The endowments received during the year relate to expendable donations received from Alumni (£2k).

Notes to the Financial Statements (continued)
Year ended 31 July 2023

20 Financial Instruments	Year ended 31 July 2023		Year ended 31 July 2022	
	£'000	£'000	£'000	£'000
Financial Liabilities				
Derivatives	-	-	196	196

The University uses derivatives to hedge interest rate exposure on some of its secured loans. The Financial liabilities are at fair value through Statement of Comprehensive Income at the balance sheet date.

21 Cash and Cash Equivalents	Notes	At 1 August 2022	Cash Flows	At 31 July 2023
		£'000	£'000	£'000
Consolidated				
Cash and cash equivalents		26,950	437	27,387

22 Lease Obligations

Total rentals payable under operating leases:

	31 July 2023		31 July 2022
	Other leases £'000	Total £'000	Total £'000
Payable during the year			
Future minimum lease payments due:			
Not later than 1 year	137	137	162
Later than 1 year and not later than 5 years	195	195	197
Total lease payments due	332	332	359

Lease obligations relate to vehicle leases.

Notes to the Financial Statements (continued)

Year ended 31 July 2023

23 Subsidiary Undertakings

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

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

The registered office for the University and its subsidiary companies is:

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

24 Pension Schemes

Contributions to the schemes are charged to the Income and Expenditure account so as to spread the cost of the pensions over the employees' working lives with the University of Chester. The pension charge for the year was £14,241,265 (2022: £17,885,926 which includes £17,985 (2022: £40,318) 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 £339,995 (2022: £364,707) 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 2023 was £10,791,356 (2022: £9,874,387) of which the employers' contributions totalled £7,617,247 (2022: £6,971,543) and the employees' contributions totalled £3,174,109 (2022: £2,902,843). The pensions cost is assessed every five years in accordance with the advice of the government actuary. The assumptions and other data that have the most significant effect on the determination of the contribution levels are as follows:

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

Notes to the Financial Statements (continued)

Year ended 31 July 2023

24 Pension Schemes (continued)

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 were paid at the rate of 23.68%. Employee contribution rates are dependent on salary levels and were in bandings between 7.4% -11.7%.

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

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 2023 was £6,139,831 (2022: £5,794,040) of which the employers' contributions totalled £4,840,568 (2022: £4,564,567) and employees contributions totalled £1,299,263 (2022: £1,229,473). The agreed contribution rates for future years are 24.7% for employers and in bandings 5.5%-12.5% for employees depending on the level of their salary.

Valuation date	31 March 2022
Valuation Method	Projected Unit Method
Value of notional needs	£6,146 Million
Funding level of accrued benefits	113%
Investment return per annum	3.70%
Salary scale increases per annum	3.40%

The following information is based upon a full actuarial valuation of the fund as at 31 March 2022 updated to July 2023 by a qualified independent actuary.

	31 July 2023	31 July 2022	31 July 2021
	%	%	%
Rate of increases in salaries	3.7	3.4	3.5
Rate of increase in pensions	3.0	3.0	2.8
Discount rate for liabilities	5.05	3.5	1.6

The fund actuary has updated the methodology for CPI assumption to make allowance for the expected inflation observed over the period from October 2022 to March 2023. This has increased the CPI rate from 2.75% to 3.00% as compared with previous year and increased the DBO by £5.6m.

The fund actuaries have not updated the mortality assumption as at 31 March 2023 to reflect the potential effects of Covid-19. This is mainly because there remains uncertainty of the Covid-19 impact on long-term mortality rates for pension scheme members.

The Life Expectancies provided assume the relevant ages were applicable at the last Fund valuation date. This is not in line with standard practice where typically life expectancies are provided for lives at a given age at the balance sheet date. The narrative disclosure around life expectancies should make it clear that the life expectancies quoted are based on lives aged 45 and 65 at the latest Fund valuation at the balance sheet date.

Notes to the Financial Statements (continued)

Year ended 31 July 2023

24 Pension Schemes (continued)

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 2023	31 July 2022
	%	%
Retiring today		
Males	21.1	21.2
Females	24.1	23.8
Retiring in 20 years		
Males	21.8	22.1
Females	25.5	25.5

Recent changes in global and UK economic pressures and tightening of monetary policy have had a significant impact on asset markets and corporate bonds yields, which are key to the FRS102 assessment of the net pension asset or liability. In particular, AA corporate bond yields, used to set the FRS102 discount rate, have increased significantly since 31 July 2023, with corresponding falls in asset values. The markets have been exceptionally volatile and therefore while both gross DBOs and assets will have fallen, it is difficult to estimate the impact of these changes on the net balance sheet position.

LGPS assets do not include any of the University's own financial instruments or any property occupied by the University. The asset values are reported using estimated asset allocations prepared by the scheme Actuary. This asset value is calculated at each triennial valuation. Thereafter it is rolled forward to accounting dates using investment returns, contributions received, and benefits paid out.

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 2023	31 July 2022
	£'000	£'000
Equities	69,013	64,147
Bonds	53,198	55,400
Property	18,691	17,495
Cash	2,876	8,747
Total market value of assets	<u>143,778</u>	<u>145,789</u>

The above asset values as at 31 July 2022 are at bid value as required under FRS 102 Section 28:

	2023	2022
	£'000	£'000
University's estimated asset share	143,778	145,789
Present value of scheme liabilities	(119,952)	(152,680)
Asset ceiling adjustment	(23,826)	-
Deficit in the scheme	<u>-</u>	<u>(6,891)</u>

Notes to the Financial Statements (continued)

Year ended 31 July 2023

24 Pension Schemes (continued)

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

The University has considered the funding position of the scheme and has applied an asset ceiling surplus of nil at 31st July 2023. The ceiling has been calculated by the pension scheme actuaries Hymans Robertsons LLP applying the IAS 19 / IFRIC 14 approach as it is considered there to be no economic value through a reduction in contributions. The asset ceiling calculation is as follows:

Assumes a minimum funding requirement exists in the LGPS for contributions relating to future service.

The prevailing view held by LGPS practitioners at the time of writing this report is that a minimum funding requirement for future service exists in the LGPS.

The asset ceiling step by step is:

A - The present value of (employer) future service costs over the future period

less

B – The present value (employer) future contributions (in relation to future service) over the future period

A – Annuity (over FWL) x 2023/24 future service cost

less

B – Annuity (over FWL) x 2023/24 projected employer cash contributions (future service element)

A – 7.2x£3,569,000 = £25,697,000

less

B – 7.2 x £4,839,000 = £34,841,000

equals

-£9,144,000

£

As B is greater than A, the asset ceiling is £0.

The closing balance sheet 31 July 2023 is amended to:

Assets	143,778,000
Obligations	(119,952,000)
Asset Ceiling Adjustment	(23,826,000)
Net Asset/(Liability)	-

31 July 2023 accounting Results Schedule information

Assets	£143,778,000
Obligations	£119,952,000
Net assets	£23,826,000
Discount rate assumption	5.05%
Salary increase rate assumption	3.70%
2023/24 projected service cost %	18.2%
2023/24 projected pensionable payroll	£19,593,000
2023/24 projected service cost £	£3,569,000
2023/24 projected employer cash contributions	£4,839,000
- Future service element (primary rate % adjusted for any negative secondary rate %)	£4,839,000
- Past service element (secondary rate where positive)	£-

31 March 2022 funding valuation information

Future working lifetime 7.6 years

Funding time horizon 15 years

Notes to the Financial Statements (continued)

Year ended 31 July 2023

24 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:

	2023 £'000	2022 £'000
Current Service cost	6,348	10,586
Past Service Cost (including curtailments)	93	40
	<u>6,441</u>	<u>10,626</u>

Analysis of net return on pension scheme

	2023 £'000	2022 £'000
Expected return on pension scheme assets	5,165	2,453
Impact on pension scheme liabilities	(5,431)	(3,632)
Net charge	<u>(266)</u>	<u>(1,179)</u>

Amounts recognised in Other Comprehensive Income

	2023 £'000	2022 £'000
Actuarial gain / (loss) – defined benefit obligations	43,414	82,979
Actuarial (loss) / gain – fair value of employer assets	(10,586)	(11,875)
Actuarial loss	<u>32,828</u>	<u>71,104</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 £3.9 million (2019: £12.3 million).

	2023 £'000	2022 £'000
Deficit in scheme at beginning of year	(6,891)	(70,755)
Movement in year:		
Current service charge	(6,441)	(10,626)
Employer contributions	4,990	4,565
Net charge on assets	(266)	(1,179)
Actuarial gain / (loss)	32,434	71,104
Asset ceiling adjustment	(23,826)	0
Net deficit	<u>0</u>	<u>(6,891)</u>

Notes to the Financial Statements (continued)
Year ended 31 July 2023

24 Pension Schemes (continued)

	2023	2022
	£'000	£'000
Liabilities at start of year	152,680	222,348
Service cost	6,441	10,626
Interest cost	5,431	3,632
Employee contributions	1,299	1,229
Actuarial gain	(43,414)	(82,979)
Benefits paid	(2,492)	(2,176)
Liabilities at end of year	119,945	152,680
Assets at start of year	145,789	151,593
Expected return on Assets	5,165	2,453
Actuarial loss	(10,586)	(11,875)
Employer contributions	4,990	4,565
Employee contributions	1,299	1,229
Benefits paid	(2,492)	(2,176)
Assets at end of year	144,165	145,789

The CPI inflation has remained at 3.00% over the period.

The change in the CPI inflation assumption is a result of underlying changes in market implied RPI, coupled with any changes in the RPI-CPI gap from the previous year and the adjustment to CPI to reflect the high inflationary environment in year 1.

Notes to the Financial Statements (continued)**Year ended 31 July 2023**

25 Related Party Transactions

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

The Vice-Chancellor Professor E.A. Simmons and Mr M. Clinton were on the Governing Body of Reaseheath College. The University receives fee income from Reaseheath students, and subsequently passes 100% of this income to Reaseheath College. For the 22/23 year this was a total of £420k (21/22 £425k). The University also received £1.2k of other income from the College (21/22 £2k).

Professor Simmons was also a member or director of the following organisations:

- Cheshire and Warrington Local Enterprise Partnership (LEP) – income received £53,860 (21/22 £101k).
- North West Business Leadership Team (NWBLT) – payments were made of £14,500 (21/22 £12k).
- The Alliance for Sustainability Leadership in Education (EAUC) – payments were made of £344 (21/22 £3k).
- National Trust – payments were made of £37.80 (21/22 £1,960).
- Royal Society of Biology – payments were made of £4,000 (21/22 £3k).

The Vice-Chancellor and Dr D. Briggs were members of Cheshire Business Leaders Ltd. – payments were made of £667 (21/22 £417).

The Vice-Chancellor and Steven Broomhead were members of Warrington Chamber of Commerce & Industry – payments were made of £1,188 (21/22 £792).

Deputy Vice-Chancellor Professor Helen O'Sullivan was the chair of the board of trustees for the Association for Learning Technology (ALT) – payments were made of £588 (21/22 £560).

Pro Vice-Chancellor Dr Helen Galbraith was an executive member of Association of Heads of University Administration (AHUA) – payments were made of £7,240 (21/22 £1,450).

Professor Angela Simpson was a Governor and Professor John Alcolado was employed (on an adhoc basis) by Countess of Cheshire NHS Trust – payments were made of £19,149 (21/22 £74,221) and income received of £24,061 (21/22 £27,990).

Professor John Alcolado was a Non-Executive Director of Warrington and Halton NHS Trust – payments were made of £2,900.

Lauren Friel and Ellie Smith were employed by Chester Students' Union – payments were made of £438,981 (21/22 £566,572). Income received £8,861 (21/22 £25,077).

Dr D. Briggs (mentioned above) was Trustee or member of the following organisations:

- Warrington Youth Zone – payments were made of £32,480 (21/22 £25,000).
- Cheshire Agricultural Society – payments were made of £300 (21/22 £300).
- Royal British Legion – Income received £24,340.
- Chester Cathedral Enterprises – payments made £64,980 (21/22 £103,612).
- St Anselm's College – payments were made of £1,450 (21/22 £488).

Councillor Razia Daniels was employed by Cheshire West and Chester Council – payments (excluding rates) were made of £21,013 (21/22 £100,627) and income received £166,881 (21/22 £241,777).

Councillor Razia Daniels was also a Director at the Queen's School – income was received of £1,630 (21/22 £1,320).

Notes to the Financial Statements (continued)**Year ended 31 July 2023**

25 Related Party Transactions (continued)

Steven Broomhead was the Chief Executive Officer of Warrington Borough Council – payments (excluding rates) were made of £200 (21/22 £1,240) and £60,426 income was received (21/22 £443,644).

Steven Broomhead was also a director of the following organisations:

- Warrington Wolves – £2,723 income received (21/22 £21,326).
- Marketing Cheshire – £18,849 income received (21/22 £22,892).

The Right Reverend the Lord Bishop of Chester, Mark Tanner and The Very Reverend Dr Tim Stratford were both members of Diocese of Chester – income received of £16,346 (21/22 £24,420).

The Very Reverend Dr Tim Stratford was a Governor at King's School – income received of £65.

Nick Jenkins's wife was a governor at Glyndwr University – £26,258 income received (21/22 £28,988)

Karen Howell was the Chief Executive Officer of Wirral Community Health and Care NHS Foundation Trust – income received £596,657 (21/22 £213,059).

Professor Charles Forsdick was employed by the University of Liverpool – income received £3,975 (21/22 £3,975).

Professor Charles Forsdick was Chair of the Advisory Council at University of London – payments were made of £4,400 (21/22 £185).

Peter Wallach was employed by Wirral Council – income received £102,450 (21/22 £278,575)

Kate Nwosu Aaron-Efe was a governor at St Werburgh's & St Columba's Catholic Primary School – payments were made of £1,950.

Professor David McGravie was a Director at AA2A Access to Arts Schools – payments were made of £290 (21/22 £1,400).

Professor David McGravie was a Trustee for Council for Higher Education in Art and Design (CHEAD) – payments were made of £1,420 (21/22 £1,300).

Jeannie France-Hayhurst was a Trustee for Alder Hey Children's Hospital – income received £20,672 (21/22 £5k).

Stephen Dobson was a member of the Institute of Chemical Engineers (IChemE) – payments made of £3,075 (21/22 £5,525)

Notes to the Financial Statements (continued)

Year ended 31 July 2023

26 US Department of Education Financial Responsibility Supplemental Schedule

In satisfaction of its obligations to facilitate students' access to US federal financial aid, the University is required, by the US Department of Education, to present the following Supplemental Schedule in a prescribed format.

The amounts presented within the schedules have been:

- prepared under the historical cost convention, subject to the revaluation of certain fixed assets;
- prepared using United Kingdom generally accepted accounting practice, in accordance with Financial Reporting Standard 102 (FRS 102) and the Statement of Recommended Practice: Accounting for Further and Higher Education (2019 edition);
- presented in pounds sterling.

The schedules set out how each amount disclosed has been extracted from the financial statements. As set out above, the accounting policies used in determining the amounts disclosed are not intended to and do not comply with the requirements of accounting principles generally accepted in the United States of America

Note Ref:	Primary Reserve Ratio: Expendable net assets:	2023		2022	
		£'000	£'000	£'000	£'000
Line 15					
Balance Sheet	Net assets without donor restrictions		81,087		90,074
Note 19	Net Assets with Donor restrictions		435		431
Note 25	Secured and unsecured related party receivable	703		443	
Note 25	unsecured related party receivable		703		(443)
Note 12	Property plant and Equipment post implementation	114,116		115,902	
Note 12	Property plant and Equipment pre-implementation		(113,108)		(113,108)
Note 12	Property plant and Equipment post implementation WITH debt				
Note 12	Property plant and Equipment post implementation WITHOUT debt		(1,058)		(2,794)
Note 12	Construction in progress				
N/A	Lease Right of use assets, net				
N/A	Lease Right of use assets, pre-implementation				
N/A	Lease Right of use assets, post implementation				
N/A	Goodwill /Intangible assets				
Note 18	Post-employment and pension liabilities		340		7,256
Note 17	Long term debt for long term purposes	22,609		26,347	
Note 17	Long term debt for long term purposes		Pre-implementation	32,784	32,784
Note 17	Long term debt for long term purposes		Post implementation	(10,175)	(6,437)
Note 17	Line of credit		Construction in progress		-
N/A	Lease Right of use assets - Liabilities				
N/A	Lease right of use assets - liabilities		Pre-implementation		-
N/A	Lease right of use assets - liabilities		Post implementation		-

Notes to the Financial Statements (continued)

Year ended 31 July 2023

26 US Department of Education Financial Responsibility Supplemental Schedule (continued)					
N/A	Annuities with Donor restrictions			-	
N/A	Term endowments with Donor restrictions				-
N/A	Life income funds with Donor restrictions				-
Note 19	Net Assets with Donor restrictions in Perpetuity		130		(130)
<u>Total Expenses and Losses:</u>					
		2023		2022	
		£'000	£'000	£'000	£'000
Note 8, 10, 11, 19, 24 Cash Flow Line 7	Total operating expenses without Donor restrictions		138,465		126,273
Note 6,12,10	Non-operating and net investment		5,484		8,375
Note 12 Note 24, Cash Flow Line 7	net investment losses		8,286		1,879
	Pension related changes		(6,891)		(63,864)
<u>Equity Ratio:</u>					
<u>Modified net assets:</u>					
Line 15 Balance Sheet	Net assets without donor restrictions		81,087		90,074
Note 19	Net Assets with Donor restrictions		435		431
N/A	Goodwill - Intangible assets				
Note 25	Secured and unsecured related party receivable	703		443	
Note 25	unsecured related party receivable		703		443
<u>Modified assets:</u>					
Balance Sheet Lines 1, 2 & 7	Total assets		164,220		174,154
N/A	Lease right of use asset pre implementation				
N/A	pre implementation right of use leases				
N/A	Goodwill - Intangible assets				
Note 25	Secured and unsecured related party receivable	703		443	
Note 25	unsecured related party receivable		703		443
Net income Ratio:					
Line 15 Balance Sheet	Change in net assets without Donor restrictions		8,987		62,149
Notes 1,2,4,5	Total Revenues and Gains		138,750		135,406