



# University of Chester

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## **Annual Report and Financial Statements** **Year ended 31 July 2019**

Registered Charity No. 525938

**Contents****Year ended 31 July 2019**

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**Financial Highlights**

Year ended 31 July 2019

**Result**

During the year to 31 July 2019 (year to 31 July 2018 figures in brackets) the University:

- Generated income of £127.3 million (£128.4 million)
- Generated a surplus before other gains and losses of £3.2million (£10.1million)
- Generated a net cash inflow from operating activities of £12.5million (£17.5 million)
- Increased expenditure by £5.8 million (£5.0 million)

**Financial Strength**

At 31 July 2019 the University had:

- Cash and cash equivalents of £20.7 million (£34.7 million)
- Investments of £20.0 million (nil)
- Total net assets of £65.3 million (£71.7 million)
- A defined benefit pension liability of £29.6 million (£17.6 million)

**Financial Investments**

During the year to 31 July 2019 the University invested £3.9 million (£4.6 million) in tangible fixed assets.

**Staff and students**

During the academic year the University:

- Employed an average of 1,599 members of staff (1,526)
- Taught, directly or through collaborative provision and distance learning, higher education students as follows:

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

		Full-Time	Other	2018/9 Total	2017/8 Total	Increase/ Decrease(-)
<b>Home/EU</b>	Undergraduate	7662	736	<b>8398</b>	<b>8980</b>	-6%
	Postgraduate	1032	3631	<b>4663</b>	<b>4779</b>	-2%
	Nursing and Midwifery	1574	482	<b>2056</b>	<b>2291</b>	-10%
<b>International</b>	Undergraduate	1195	191	<b>1386</b>	<b>1305</b>	6%
	Postgraduate	555	255	<b>810</b>	<b>804</b>	1%
	Nursing and Midwifery	95	34	<b>129</b>	<b>168</b>	-23%
<b>2018/9 Total</b>		12113	5329	<b>17442</b>	<b>18327</b>	-5%
<b>2017/8 Total</b>		12685	5642	<b>18327</b>		
<b>Increase/ Decrease(-)</b>		-5%	-6%	-5%		

The 2018/19 figures are for students studying between August 2018 and July 2019. The 2017/18 figures are for students studying between August 2017 and July 2018.

**Members of the University Council and their interests****Year ended 31 July 2019****Members of the University Council**

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:

		(1)	(2)	(3)	(4)
The Right Reverend the Lord Bishop of Chester, Dr Peter Forster ( <i>Chair to 26<sup>th</sup> March 2019</i> )					
The Very Reverend Dr Tim Stratford	Appointed 10/10/2018			•	
Professor Timothy Wheeler ( <i>Vice-Chancellor</i> )		•	•	•	•
Professor Anna Sutton				•	
Mrs Christine Allen					•
Mr David Briggs	Appointed 01/09/2018	•			
Dr Colin Daniels	Retired 31/08/2018				
Mr Ian Davies		•			
Professor Charles Forsdick			•		
Mr Nick Jenkins		•		•	
Mrs Cathy Maddaford			•		
Mrs Sandra Verity		•		•	
Canon Dr Jeff Turnbull ( <i>Chair from 26<sup>th</sup> March 2019</i> )		•			
Mrs Sandra Rudd			•		
Mr Ben France ( <i>Student Union President</i> )				•	
Mr Francis Ball			•		
Mr Marcus Clinton					
Dr Meredydd David					
Mrs Jeannie France-Hayhurst		•			•
Ms Karen Howell					•
Dr Andrew Miller					
Dr David Munt	Retired 31/08/2018				
Dr Liane Smith			•		
Associate Professor Martin Degg				•	
Associate Professor Garfield Southall					
Mr Gordon Reay					•
Mr Adrian Lee ( <i>Secretary to the Council</i> )		•			•

**Report of the University Council****Year ended 31 July 2019**

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

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

The University is also guided and governed by five further committees, namely, Promotions Committee, Nominations & Governance Committee, Chaplaincy Committee, Senior Salaries Committee and the University Mission Committee.

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

**University Senior Staff**

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

Professor Tim Wheeler	Vice-Chancellor
Professor Anna Sutton	Deputy Vice-Chancellor and Provost of Shrewsbury
Mr Adrian Lee	Senior Pro Vice-Chancellor, University Secretary & Director of Legal Services
Dr Chris Haslam	Senior Pro Vice-Chancellor Academic, Recruitment, Quality & Student Experience
Mr Richard Waddington	Pro Vice-Chancellor Resources Chief Financial Officer/Bursar
Professor Nick Avis	Pro Vice-Chancellor Research
Mr Brian Fitzpatrick	Pro Vice-Chancellor Professional Services & Operations & CIO
Professor Neville Ford	Pro Vice-Chancellor (0.4) Enhancement
Professor Annette McIntosh-Scott	Pro Vice-Chancellor and Provost of Warrington
Mr Paul Vernon	Executive Director of Commercial Operations and CEO Thornton Research Properties

**University Advisors**

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

**Bankers:**

NatWest Bank plc  
2-8 Church Street  
1<sup>st</sup> Floor  
Liverpool  
L1 3BG

**Auditors:**

**External**

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

**Internal**

RSM  
9<sup>th</sup> 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

The Members of the University Council present their Annual Report for the year ended 31 July 2019 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 property, acting as bare trustee of land.

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

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

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

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

### Scope and period of financial statements

The financial statements have been presented for the year ended 31 July 2019.

### 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 - facilitate and support the North West HEIs' future collective activity, engagement and representation in relation to European Structural Funds

## **Strategic Report**

The 2018-19 academic year has again been a challenging but successful year for the University. The Group achieved a turnover in excess of £127M with an operating surplus of £3.2M.

The political and economic uncertainties caused by the United Kingdom's decision to leave the European Union have continued, several changes in the Government Ministers responsible for Higher Education and the development of the new Office for Student's regulatory frameworks have posed new challenges for institutions. Competition for new students has been intense, particularly due to the increased use of Unconditional Offers by some institutions, a demographic downturn in the number of 18 year olds and also the expansion of new student intake populations in some traditionally higher tariff institutions.

The Government, via the Office for Students, has continued to develop its plans for the Teaching Excellence and Student Outcomes Framework (TEF). In 2018-19 there have been a number of pilots of the TEF at subject level and the latest guidance indicates that the Government's Subject Level TEF grading system will be implemented in 2020-21. The University has spent a lot of time during 2018-19 carefully reviewing its academic provision and preparing submissions for this grading exercise. Whilst we live in a period of considerable change and challenge for the institution, the University of Chester faces these uncertainties with confidence and optimism. Our Silver award in the Teaching Excellence Framework (TEF), reflects the sustained high quality teaching and learning opportunities being provided to students at the University. We are hopeful that performance in subject-level TEF assessments will be equally strong when the outcomes become known during the course of 2020-21.

Undergraduate student enrolments were lower than in the previous operating year. However, the development of Apprenticeships gave the University some new student numbers. Enrolments of international students at the University grew and the postgraduate student population remained similar to previous years. The Faculty of Health and Social Care have maintained high levels of recruitment and they opened a new teaching Facility, Marris House in Birkenhead, at the start of the academic year. The University remains attractive to applicants and the focus for the University needs to be in its work on converting these applicants into enrolled students. Staff and students demonstrate high levels of commitment and enthusiasm, and we recognise that an important key to our current and future success lies in being able to continue to provide an extremely high quality teaching experience and ensuring a friendly, inclusive approach to living and learning. The institution's wide range of courses remains up-to-date and flexible, with consideration of new opportunities in programmes allied to Medicine.

The University continues to listen carefully to what its students and employer organisations say about the University and to make improvements to our provision that take advantage of the latest research, pedagogy and developments in the world of work. During 2018-19, specific attention has been given to the ways in which the employment and life skills of our students can be linked more closely to the development of their academic skills. The latest National Student Survey results for 2019 have remained very positive and continue to be a strength for the University. The University's overall satisfaction rate was 85.6%, which is 1.92% above the sector-wide average. The University is acutely conscious of the importance of the 'student voice' and continues to work particularly closely with the Students' Union to extend and enhance the services we provide to our students. In 2018-19, the student representative system was reconfigured to ensure that all programmes, departments and faculties are fully represented. Work to enhance the student experience will continue through active partnership and dialogue with all our students.

Rising levels of poor student mental health has been affecting all higher education institutions in the United Kingdom. The University has worked on a number of developments to improve support for students, these include: the development of the Student Relationship Management system which provides the technology for a joined up approach to student support; the introduction of a Well Being App; more guidance on when to refer students for help, and mental health training for academic and support staff. The University is confident that this proactive approach will help support students to continue their studies.



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

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

The Governing Council and Senior Management of the institution would like to take this opportunity to thank all the staff, students and friends of the University for their outstanding hard work and continued commitment to our success. Our people make our University. Our achievements continue to be recognised by our Gold Investor in People status. During the 2019-20 academic session the current Vice-Chancellor will be retiring after more than 20 years in post. A new Vice-Chancellor has been appointed and will start at the University in January 2020. In acknowledging the tremendous achievements of our current Vice-Chancellor, the institution looks forward to this new era of leadership and remains confident that it will continue to be a successful and highly regarded University in the future

### Financial review

	Year ended 31 July 2019	Year ended 31 July 2018
<b>Financial Performance indicator</b>		
Surplus before other gains and losses for the year	£3.2m	£10.1m
Margin %	2.5%	7.9%
(Deficit)/Surplus for the year	(£1.7m)	£10.8m
Margin %	(1.3%)	8.4%
Staff costs as % of income	58.8%	54.3%
Cash inflow from operating activities	£12.5m	£17.5m
Current assets ratio	1.9	1.7
Net liquidity (days) (Number of days expenditure held as cash/investments, based on total expenditure less depreciation)	126	113

**Financial Performance in 2018/19 compared to previous year:**

	Year ended 31 July 2019	Year ended 31 July 2018
	£'000	£'000
Income	127,251	128,436
Expenditure	(124,080)	(118,312)
Gain/(Loss) on changes in fair value on investment properties	(4,873)	718
	<hr/>	<hr/>
(Deficit)/Surplus	(1,702)	10,842
	<hr/> <hr/>	<hr/> <hr/>

- Group income has decreased by £1.2m (0.9%).
  - Tuition fees decreased by £2.9m (2.9%), this was due to a decrease in Full Time Home students.
- Other income increased by £2.3m (13.4%) due to increased income from EU funded projects.
- Expenditure increased by £5.8m (4.9%)
  - Staffing costs increased by £5.0m (7.2%), this was as a result of an increase in staff numbers (4.8%), and pay awards (2%).
  - Depreciation decreased by £0.7m (11.7%).
  - Other operating expenses increased by £1.8m (4.4%). This was due to the additional costs of running the increase in EU funded projects and inflationary cost increases.

The University invested £3.9m in fixed assets. The largest items of capital expenditure included:

- Installation of laboratories
- Improvements to student residences
- IT infrastructure

**Risks and uncertainties**

Applications and resulting undergraduate recruitment in 2019-20 were reduced with intake at level 4 and below around 13% lower than the previous year. However recruitment to nursing and midwifery courses, postgraduate, apprenticeships and international students were, or are expected to be, higher than in 2018-19 which will help mitigate the reduction in undergraduate students.

There is upward pressure on the University cost base, particularly around pensions and payroll, with no increase in the undergraduate fee of £9,250 to offset. The largest cost increase is pension contributions for staff in the Teachers' Pension Scheme, where employer contributions increases will lead to increased costs of circa £2 million.

Thornton Science Park remains an area of risk due to the rejection of a retrospective planning permission seeking a change of use to Class D1 (non-residential institutions) for certain elements of the site, in June 2018. The decision has been appealed and there will be an appeal hearing in November 2019.

University Centre Shrewsbury (opened June 2015) is still in the first phase of its development and requires support from the rest of the institution.

There still remains a lot of risks and uncertainties resulting from the UK's planned exit from the European Union. This creates uncertainties across several areas of activity, particularly grant funding for research and commercial projects and future funding for undergraduate students from Europe.

### **Public benefits and inclusivity**

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

The University of Chester has a strong network of student support including a Students' Union, has a commitment to providing education in an open inclusive environment and a bursary scheme for those students from low income households. In addition tuition fee loans allow students to defer the repayment of fees until they finish their studies and earn over £25,000 a year. It is felt that these measures contribute to widening participation and ensure that the opportunity to participate is not restricted by the ability to pay fees.

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

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

### **Aims, objectives and activities for the public benefit**

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

The objectives of the Charity are:

- To ensure that the University's Christian foundation, underpinning ethos and supportive people-centred culture continue to play an appropriately prominent and facilitative role in the development and strengthening of the institution.
- To be a successful teaching led and research informed University.
- To deliver high quality, actively supported and highly regarded teaching within a curriculum.
- To employ a framework which is responsive to emerging developments and improvements in programme design and delivery including work-based learning and technology enhanced learning.
- To ensure that teaching activities are informed by relevant and up-to-date research and advanced scholarship.
- To promote an environment within which staff are able to translate the research undertaken by themselves or others into effective technology and knowledge transfer and exchange services to business and industry.
- To creatively develop new and successful niche markets.
- To seek modest growth and consolidation in student numbers, with an emphasis upon: maintaining a broadly based curriculum grounded in the University's current portfolio of disciplines; further development of taught postgraduate and research degree provision; further development of part-time student numbers and foundation degree programmes; and exploring appropriate international development opportunities.
- To develop the Thornton Science Park and the associated new Faculty of Science and Engineering.
- To be committed to employer and community engagement which is successful in attracting into study individuals with a range of backgrounds and experiences.

- To manage the University's operations and finances efficiently and prudently with an increasingly varied range of income sources.
- To ensure that the University's forward vision and strategy are actively shared and promoted amongst staff, students and interested external stakeholders.

#### **Strategies employed to achieve the objectives**

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

#### **Investment powers and policy**

The Charity invests funds on short-term deposit to ensure a safe and reasonable level of interest is earned and assists the Charity in achieving its objectives. The interest earned within the year amounted to £251k (2018: £98k).

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

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

#### **Reserves policy (not including pension reserve)**

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

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

Reserves are mainly needed to fund growth and asset acquisition and refurbish the existing property stock. In addition, short-term reserves will also be needed to fund the development of new courses as well as other initiatives. The Trustees therefore consider the ideal level of reserves at 31 July 2019 to be at least 150% of short-term creditors before taking into consideration the pension liability. This level of reserves would allow all external short-term creditors at this date to be paid in full, and leave sufficient funds to invest.

The actual Consolidated Reserves for year ended 31 July 2019:

Unrestricted: £69,688k (2018: £79,790k)

Endowments: £400k (2018: £395k)

At 31 July 2019 consolidated reserves are therefore 279% 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 1599 (2018: 1,526). An active policy of information dissemination encourages employee involvement and participation in the University development process. Employee representatives are regularly consulted on a variety of issues affecting their own and the University's interests.

### **Auditor**

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

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

### **Going concern**


The University ended the year with cash and cash equivalents of £20.7m, and investments of £20.0m. The budget for 2019-20 is for a small deficit, however this budget is compliant with loan covenants and forward cash forecasts demonstrate adequate availability of financial resources. However there is a lot of pressure on the cost base of the University. Staff costs continue to rise as a result of the pay award in August 2019 of 1.82-3.65% of 2 - 2.76%% as well as increases in LGPS pension contributions. In addition, the results of the 2016 Teachers Pension Scheme valuation has suggested that the employer contribution rate rose by 7.2% from September 2019 with no additional funding to cover this. Other operating expenses are expected to rise as a result of inflation and the weakness of Sterling.


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

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

**Conclusion**

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

President of the Council:  \_\_\_\_\_  
Canon Dr Jeff Turnbull

Deputy President of the Council:  \_\_\_\_\_  
Dr Meredydd David

22 November 2019

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

In the opinion of the Members of the University Council, the University has applied the principles of the Higher Education Code of Governance (2014) in so far as they apply to the Higher Education Sector, and it has applied these throughout the year ended 31 July 2019 and up to the date of these accounts.

### **The Council**

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

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

### **Planning and Resources Committee**

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

### **General Purposes Committee**

The General Purposes Committee meets at least three times a year and considers in detail the business plan and financial statements of the Students' Union and the development and maintenance of the University's premises and the general requirements for the University's academic and recreational provision. It provides advice and makes recommendations as appropriate to the Planning and 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. The University Council is responsible for ensuring that appropriate training is provided. Members of the Council are appointed for an initial term of office not exceeding three years.

### **Human Resources Committee**

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

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

### **Senior Salaries Remuneration Committee**

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

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

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

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

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

### **Justification for total remuneration package for the Vice Chancellor**

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

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



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

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

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

### **Mission Committee**

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

### **Audit and Risk Management Committee**

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


### **Statement of Internal Control**

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


The Council has reviewed the key risks to which the University is exposed, together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Council is of the view that there is an ongoing process for identifying, evaluating and managing the University's significant risks, that it has been in place for the year ended 31 July 2019 and up to the date of approval of the annual report and financial statements, that it is regularly reviewed by the Council and that it accords with Higher Education Code of Governance

**Statement of Internal Control (continued)**

The Senior Management Team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms which are embedded within the operational units and reinforced by risk awareness training. The Senior Management Team and the Audit and Risk Management Committee also receive regular reports from the internal auditor and from the Health, Safety and Environment Committee which include recommendations for improvement. The Audit and Risk Management Committee's role in this area is confined to a high level review of the arrangements for internal financial control. The Council's agenda includes a regular item for consideration of risk and control and receives reports thereon from the Vice-Chancellor and the Audit and Risk Management Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its Michaelmas meeting, the Council carried out the annual assessment for the year ended 31 July 2019 by considering documentation from the Vice-Chancellor and the Audit and Risk Management Committee, and took account of events since 31 July 2019.

President of the Council.....  
Canon Dr Jeff Turnbull

Parkgate Road,  
CHESTER,  
CH1 4BJ

Deputy President of the Council.....  
Dr Meredydd David

22 November 2019

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

**Year ended 31 July 2019**

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

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

In preparing each of the group and parent University financial statements, the University Council are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the group and parent University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent University or to cease operations, or have no realistic alternative but to do so.

The University Council is responsible for keeping proper accounts and proper records in relation to the accounts. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The University Council are also responsible for ensuring that:

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

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

**Independent Auditor's Report to the University Council  
Report on the Audit of the Financial Statements  
Year ended 31 July 2019**

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**Opinion**

We have audited the financial statements of the University of Chester ("the University") for the year ended 31 July 2019 which comprise the Consolidated and University Statement of Comprehensive Income and Expenditure, Consolidated and University Statements of Changes in Reserves, Consolidated and University Balance Sheets, Consolidated Cash Flow Statement and related notes, including the Statement of Accounting Policies.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the University's affairs as at 31 July 2019, and of the Group's and the University's income and expenditure, gains and losses and changes in reserves, and of the Group's cash flows, for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, and with the 2015 *Statement of Recommended Practice – Accounting for Further and Higher Education*;
- meet the requirements of the Accounts Direction dated 19 June 2018 issued by the Office for Students; and
- have been properly prepared in accordance with the requirements of the Charities Act 2011.

**Basis for opinion**

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

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

**The impact of uncertainties due to the UK exiting the European Union on our audit**

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as the valuation of investment properties and pension liabilities, and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the University and Group's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the University and Group's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

**Going concern**

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

**Independent Auditor's Report to the University Council  
Report on the Audit of the Financial Statements (continued)  
Year ended 31 July 2019**

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

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

**Other information**

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

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

**Matters on which we are required to report by exception**

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

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

We have nothing to report in these respects.

**University Council responsibilities**

As explained more fully in their statement set out on page 19, the 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.

**Independent Auditor's Report to the University Council  
Report on the Audit of the Financial Statements (continued)  
Year ended 31 July 2019**

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**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](http://www.frc.org.uk/auditorsresponsibilities).

**REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

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

In our opinion, in all material respects:

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

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

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



26 NOVEMBER 2019

**Timothy Cutler**

**for and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*

1 St Peter's Square

Manchester

M2 3AE

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

**Consolidated and University Statement of Comprehensive Income and Expenditure**  
**Year ended 31 July 2019**

	Notes	Year ended 31 July 2019		Year ended 31 July 2018	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>Income</b>					
Tuition fees and education contracts	1	<b>94,964</b>	<b>94,964</b>	97,834	97,834
Funding body grants	2	<b>10,439</b>	<b>10,439</b>	10,813	10,813
Research grants and contracts	3	<b>2,458</b>	<b>2,458</b>	2,526	2,526
Other income	4	<b>19,073</b>	<b>18,975</b>	16,821	17,054
Investment income	5	<b>313</b>	<b>313</b>	414	414
<b>Total income before endowments and donations</b>		<b>127,247</b>	<b>127,149</b>	128,408	128,641
Donations and endowments	6	<b>4</b>	<b>4</b>	28	28
<b>Total Income</b>		<b>127,251</b>	<b>127,153</b>	128,436	128,669
<b>Expenditure</b>					
Staff costs	7	<b>74,822</b>	<b>74,818</b>	69,799	69,799
Other operating expenses	9	<b>41,425</b>	<b>41,597</b>	39,666	39,644
Depreciation	10	<b>5,623</b>	<b>5,623</b>	6,371	6,371
Interest and other finance costs	8	<b>2,210</b>	<b>2,210</b>	2,476	2,476
		<b>124,080</b>	<b>124,248</b>	118,312	118,290
Surplus before other gains or losses		<b>3,171</b>	<b>2,905</b>	10,124	10,379

**Consolidated and University Statement of Comprehensive Income and Expenditure  
(continued)****Year ended 31 July 2019**

	Notes	Year ended 31 July 2019		Year ended 31 July 2018	
		Consolidated	University	Consolidated	University
		£'000	£'000	£'000	£'000
(Loss)/gain on changes in fair value of investment properties*	10	<b>(4,873)</b>	<b>(4,873)</b>	718	718
<b>(Deficit)/Surplus for the year</b>		<b>(1,702)</b>	<b>(1,968)</b>	10,842	11,097
Actuarial (loss)/gain in respect of pension schemes	21	<b>(8,395)</b>	<b>(8,395)</b>	9,309	9,309
<b>Total comprehensive income for the year</b>		<b>(10,097)</b>	<b>(10,363)</b>	20,151	20,406
Represented by					
Endowment comprehensive income for the year		5	5	29	29
Unrestricted comprehensive income for the year		(10,102)	(10,368)	20,122	20,377
Attributable to the University		<b>(10,097)</b>	<b>(10,363)</b>	20,151	20,406
<b>Surplus for the year attributable to:</b>					
University		(1,702)	(1,968)	10,842	11,097

All items of income and expenditure relate to continuing activities



**Consolidated and University Statement of changes in Reserves**

Year ended 31 July 2019

Consolidated	Income and Expenditure Account		Total
	Endowment	Unrestricted	
	£'000	£'000	
<b>Balance at 1 August 2017</b>	<b>366</b>	<b>59,668</b>	<b>60,034</b>
Surplus from the statement of comprehensive income	28	10,814	10,842
Other comprehensive income	-	9,309	9,309
Release of restricted funds spent in year	1	(1)	-
<b>Total comprehensive income for the year</b>	<b>29</b>	<b>20,122</b>	<b>20,151</b>
<b>Balance at 1 August 2018</b>	<b>395</b>	<b>79,790</b>	<b>80,185</b>
Surplus from the statement of comprehensive income and expenditure	4	(1,706)	(1,702)
Other comprehensive income		(8,395)	(8,395)
Release of restricted funds spent in year	1	(1)	-
<b>Total comprehensive income for the year</b>	<b>5</b>	<b>(10,102)</b>	<b>(10,097)</b>
<b>Balance at 31 July 2019</b>	<b>400</b>	<b>69,688</b>	<b>70,088</b>

**Consolidated and University Statement of changes in Reserves (continued)**

Year ended 31 July 2019

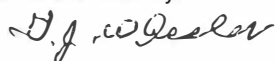
University	Income and Expenditure Account		Total
	Endowment	Unrestricted	
	£'000	£'000	
<b>Balance at 1 August 2017</b>	<b>366</b>	<b>58,511</b>	<b>58,877</b>
Surplus from the statement of comprehensive income and expenditure	28	11,069	11,097
Other comprehensive income	-	9,309	9,309
Release of restricted funds spent in year	1	(1)	-
<b>Total comprehensive income for the year</b>	<b>29</b>	<b>20,377</b>	<b>20,406</b>
<b>Balance at 1 August 2018</b>	<b>395</b>	<b>78,888</b>	<b>79,283</b>
Surplus from the statement of comprehensive income and expenditure	4	(1,972)	(1,968)
Other comprehensive income	-	(8,395)	(8,395)
Release of restricted funds spent in year	1	(1)	-
<b>Total comprehensive income for the year</b>	<b>5</b>	<b>(10,368)</b>	<b>(10,363)</b>
<b>Balance at 31 July 2019</b>	<b>400</b>	<b>68,520</b>	<b>68,920</b>

## Consolidated and University Balance Sheets

Year ended 31 July 2019

	Notes	As at 31 July 2019		As at 31 July 2018	
		Consolidated	University	Consolidated	University
		£'000	£'000	£'000	£'000
Fixed assets	10	121,158	121,157	123,060	123,058
Non-current Investments	10	9,485	9,485	14,225	14,225
<b>Current assets</b>					
Stock	11	42	42	47	47
Trade and other receivables	12	7,753	7,159	7,774	6,727
Investments	13	20,028	20,028	-	-
Cash and cash equivalents	18	20,742	19,554	34,687	33,548
		48,565	46,783	42,508	40,322
Less: Creditors: amounts falling due within one year	14	(24,982)	(24,366)	(24,996)	(23,710)
<b>Net current assets</b>		23,583	22,417	17,512	16,612
<b>Total assets less current liabilities</b>		154,226	153,058	154,797	153,895
Creditors: amounts falling due after more than one year	15	(53,779)	(53,779)	(56,428)	(56,428)
<b>Provisions</b>					
Provisions for liabilities	16	(30,359)	(30,359)	(18,184)	(18,184)
<b>Net assets</b>		70,088	68,920	80,185	79,283
<b>Restricted Reserves</b>					
Income and expenditure reserve - endowment reserve	17	400	400	395	395
<b>Unrestricted Reserves</b>					
Income and expenditure reserve - unrestricted		69,688	68,520	79,790	78,888
<b>Total Reserves</b>		70,088	68,920	80,185	79,283

The financial statements were approved by the University Council on 22 November 2019 and were signed on its behalf on that date by:



Professor T. J. Wheeler, Vice-Chancellor

  
Canon Dr J. Turnbull, President of the Council

UNIVERSITY OF CHESTER  
**Consolidated Cash Flow Statement**  
**Year ended 31 July 2019**

	Notes	Year ended 31 July 2019	Year ended 31 July 2018
		£'000	£'000
<b>Cash flow from operating activities</b>			
(Deficit)/Surplus for the year		(1,702)	10,842
<b>Adjustment for non-cash items</b>			
Depreciation	10	5,623	6,371
Loss/(Gain) on investments	10	4,873	(718)
Decrease in stock	11	5	1
Decrease/(increase) in debtors	12	21	(1,003)
(Decrease) in creditors	14	(220)	(1,199)
Increase in pension provision	21	3,521	3,339
Increase in other provisions	16	259	-
<b>Adjustment for investing or financing activities</b>			
Investment income	5	(253)	(98)
Interest payable	8	1,675	1,806
Endowment income	17	(4)	(28)
Capital grant income	2	(1,336)	(1,765)
<b>Net cash inflow from operating activities</b>		<b>12,462</b>	<b>17,548</b>
<b>Cash flows from investing activities</b>			
Capital grants receipts		1,066	1,101
New deposits	13	(20,028)	-
Investment income	5	253	98
Payments made to acquire fixed assets	10	(3,854)	(4,652)
		<b>(22,563)</b>	<b>(3,453)</b>
<b>Cash flows from financing activities</b>			
Interest paid	8	(1,675)	(1,806)
Endowment cash received	17	4	28
Repayments of amounts borrowed	15	(2,173)	(2,144)
		<b>(3,844)</b>	<b>(3,922)</b>
<b>(Decrease)/increase in cash and cash equivalents in the year</b>		<b>(13,945)</b>	<b>10,173</b>
Cash and cash equivalents at beginning of the year	18	34,687	24,514
Cash and cash equivalents at end of the year	18	20,742	34,687

**Statement of Accounting Policies**

**Year ended 31 July 2019**

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

**Basis of preparation**

The financial statements have been prepared under the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education Institutions 2015 and in accordance with Financial Reporting Standards (FRS 102). These financial statements are prepared in accordance with the historical cost convention.

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

**Basis of consolidation**

The consolidated financial statements include the University and all of its subsidiaries for the financial year to 31 July 2019. 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.

**Statement of Accounting Policies (continued)**

**Year ended 31 July 2019**

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**Fixed assets and depreciation**

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

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

Land is capitalised at cost and is not depreciated.

**Investment Properties**

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

**Intangible assets – research and development**

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

**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).

**Statement of Accounting Policies (continued)**

**Year ended 31 July 2019**

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

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

**Employment benefits**

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

**Leases**

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

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

**Cash flows and liquid resources**

Cash flows comprise increases or decreases in cash. Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty. No investments, however liquid, are included in cash.

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

### **Taxation**

The University is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes. Subsidiary companies are liable to corporation tax.

The University is partially exempt in respect of Value Added Tax, so that it can only recover a minor element of VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

### **Endowment assets**

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

### **Financial instruments**

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

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

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

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

### **Derivatives**

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



**Significant estimates and judgements**

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

a. Pension liabilities

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

b. Non-current investments – investment properties

These properties are located at Thornton Science Park. In June 2018, the Planning Committee of Cheshire West and Cheshire Council (CWaC) elected to reject a retrospective planning permission seeking a change of use to Class D1 (non-residential institutions) for certain elements of the site. The decision has been appealed and there will be an appeal hearing in November 2019.

However the decision relates to the use of the site for teaching and not for elements of the site used as investment properties. Despite this, the decision and subsequent appeals process does create some future uncertainty around future marketability of the properties which may impact fair value which cannot be quantified. Therefore the fair value of investment property is determined by management upon receipt of a report by a registered valuer on the properties in question on the basis of continual use.

	Year Ended 31 July 2019		Year Ended 31 July 2018	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
<b>1 Tuition Fees and Education Contracts</b>				
Full-time home and EU students	76,025	76,025	75,788	75,788
Full-time international students	7,292	7,292	5,559	5,559
Part-time students	2,906	2,906	3,362	3,362
Education Contracts	6,648	6,648	11,218	11,218
Other Fees and Support Grants	2,093	2,093	1,907	1,907
	<b>94,964</b>	<b>94,964</b>	97,834	97,834
<b>2 Funding Body Grants</b>				
<b>Recurrent Grant</b>				
Higher Education Funding Council	-	-	5,196	5,196
Office for Students	7,321	7,321	1,978	1,978
Education Skills Funding Agency	30	30	45	45
National College for Teaching and Leadership	217	217	157	157
Capital grant	1,336	1,336	1,765	1,765
<b>Specific Grants</b>				
Higher Education Academic Subject Centres	74	74	50	50
Higher Education Innovation Fund	871	871	1,219	1,219
NCOP Higher Horizons Project	590	590	403	403
	<b>10,439</b>	<b>10,439</b>	10,813	10,813
<b>3 Research Grants and Contracts</b>				
Research councils	192	192	128	128
Research charities	176	176	108	108
Government (UK and overseas)	363	363	341	341
Industry and commerce	1,143	1,143	1,843	1,843
Other	584	584	106	106
	<b>2,458</b>	<b>2,458</b>	2,526	2,526

## Notes to the Financial Statements

Year ended 31 July 2019

	Notes	Year Ended 31 July 2019		Year Ended 31 July 2018	
		Consolidated	University	Consolidated	University
		£'000	£'000	£'000	£'000
<b>4 Other income</b>					
Residences, catering and conferences		<b>9,407</b>	<b>8,398</b>	9,832	8,903
Other income		<b>9,666</b>	<b>10,577</b>	6,989	8,151
		<b>19,073</b>	<b>18,975</b>	16,821	17,054
Other income relates to European grants, rental income and other income (e.g. nurseries, fitness centres).					
<b>5 Investment income</b>					
Investment income on endowments	17	<b>2</b>	<b>2</b>	2	2
Other investment income		<b>251</b>	<b>251</b>	96	96
Movement in fair value of derivatives	15	<b>60</b>	<b>60</b>	316	316
		<b>313</b>	<b>313</b>	414	414
<b>6 Donations and endowments</b>					
New endowments	17	<b>4</b>	<b>4</b>	28	28
<b>7 Staff costs</b>					
Salaries		<b>56,956</b>	<b>56,952</b>	52,897	52,897
Social security costs		<b>5,930</b>	<b>5,930</b>	5,580	5,580
Other pension costs		<b>11,936</b>	<b>11,936</b>	11,322	11,322
Total		<b>74,822</b>	<b>74,818</b>	69,799	69,799
				<b>2019</b>	2018
				<b>£'000</b>	£'000
Emoluments of the Vice-Chancellor:					
Salary				<b>282</b>	276
Benefits				<b>2</b>	2
Other Remuneration – Expenses				<b>3</b>	1
				<b>287</b>	279

## Notes to the Financial Statements

Year ended 31 July 2019

**7 Staff costs (continued)**

	<b>2019</b>	2018
	<b>£'000</b>	£'000
Head of Institution median pay ratios:		
Median basic salary all staff	<b>34</b>	29
Basic salary ratio	<b>8.3</b>	9.5
Median total remuneration all staff	<b>34</b>	34
Total remuneration ratio	<b>8.3</b>	8.3

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

£100,000 to £104,999	<b>1</b>	2
£105,000 to £109,999	<b>4</b>	1
£110,000 to £114,999	-	-
£115,000 to £119,999	-	-
£120,000 to £124,999	-	1
£125,000 to £129,999	<b>3</b>	-
£130,000 to £134,999	-	1
£135,000 to £139,999	<b>1</b>	-
£140,000 to £144,999	<b>1</b>	1
£145,000 to £149,999	-	-
Over £150,000	<b>1</b>	-
	<b>11</b>	6

Total Compensation paid to key management personnel	<b>1,667</b>	1,575
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Key Management personnel consist of 10 individuals that make up the Senior Management Team. Compensation consists of salary, bonus, employer's national insurance and employer's pension contribution.

Average staff numbers by major category:	<b>No.</b>	No.
Academic Departments	<b>607</b>	580
Academic Services	<b>140</b>	140
Administration/Central Services	<b>413</b>	379
Premises	<b>209</b>	195
Catering and Residence	<b>85</b>	86
Nursing	<b>146</b>	146
	<b>1,599</b>	1,526

**7 Staff costs (continued)****Compensation for loss of office**

25 payments was made in respect of compensation for loss of office during the year totalling £251,862.

**Council Members**

Reimbursements to members of University Council for expenditure incurred in attending Council and meetings of its Committees amounted to £756 (2018: £925). Council members did not receive any remuneration from the University.

	Notes	Year Ended 31 July 2019		Year Ended 31 July 2018	
		Consolidated	University	Consolidated	University
		£'000	£'000	£'000	£'000
<b>8 Interest and other finance costs</b>					
Loan interest		1,675	1,675	1,806	1,806
Net charge on pension scheme	21	535	535	670	670
		<b>2,210</b>	<b>2,210</b>	<b>2,476</b>	<b>2,476</b>

**9 Analysis of other operating expenses by activity**

Academic and related expenditure		14,679	14,746	15,173	15,263
Administration and central services		8,687	8,711	6,981	6,997
Premises (including service concession cost)		13,639	13,637	12,411	12,407
Residences, catering and conferences		2,347	2,428	2,057	2,026
Research grants and contracts		1,252	1,252	1,991	1,991
Other expenses		821	823	1,053	960
		<b>41,425</b>	<b>41,597</b>	<b>39,666</b>	<b>39,644</b>
Other operating expenses include:					
External auditor's remuneration in respect of audit services		78	65	60	45
External auditor's remuneration in respect of non-audit services		41	31	22	19
Operating lease rentals:					
Other		114	114	126	126

**10 Fixed Assets**

	Freehold Land and Buildings	Plant and Machinery	Computer Equipment	Total
<b>Consolidated</b>	£'000	£'000	£'000	£'000
<b>Cost</b>				
At 1 August 2018	145,470	23,890	7,392	176,752
Transfer to investment properties	(148)	-	-	(148)
Additions	1,034	2,123	697	3,854
<b>At 31 July 2019</b>	<b>146,356</b>	<b>26,013</b>	<b>8,089</b>	<b>180,458</b>
<b>Depreciation</b>				
At 1 August 2018	25,497	20,981	7,214	53,692
Transfer to investment properties	(15)	-	-	(15)
Charge for the year	2,767	2,493	363	5,623
<b>At 31 July 2019</b>	<b>28,249</b>	<b>23,474</b>	<b>7,577</b>	<b>59,300</b>
<b>Net book value</b>				
<b>At 31 July 2019</b>	<b>118,107</b>	<b>2,539</b>	<b>512</b>	<b>121,158</b>
As 31 July 2018	119,973	2,909	178	123,060
<b>University</b>				
<b>Cost</b>				
At 1 August 2018	144,510	23,238	7,392	175,140
Transfer to investment properties	(148)	-	-	(148)
Additions	1,034	2,123	697	3,854
<b>At 31 July 2019</b>	<b>145,396</b>	<b>25,361</b>	<b>8,089</b>	<b>178,846</b>
<b>Depreciation</b>				
At 1 August 2018	24,539	20,329	7,214	52,082
Transfer to investment properties	(15)	-	-	(15)
Charge for the year	2,767	2,493	363	5,623
<b>At 31 July 2019</b>	<b>27,291</b>	<b>22,822</b>	<b>7,577</b>	<b>57,690</b>
<b>Net book value</b>				
<b>At 31 July 2019</b>	<b>118,105</b>	<b>2,539</b>	<b>512</b>	<b>121,156</b>
At 31 July 2018	119,971	2,909	178	123,058

## Notes to the Financial Statements

Year ended 31 July 2019

**10 Fixed Assets (Continued)****Non-current investments**

<b>Consolidated and University</b>	Investment Properties £'000
<b>At 1 August 2017</b>	<u>13,423</u>
Additions	84
Gain on change in fair value	718
<b>At 31 July 2018</b>	<u><b>14,225</b></u>
Additions	133
Loss on change in fair value	(4,873)
<b>At 31 July 2019</b>	<u><b>9,485</b></u>

Non-current investments relate to investment properties at Thornton Science Park. An overage deed is in place on these properties until 20<sup>th</sup> 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

At 31 July 2019, freehold land and buildings included £7.8m (2018 - £7.8m) in respect of freehold land and is not depreciated

**11 Stock**

	<b>Year ended 31 July 2019</b>		Year ended 31 July 2018	
	<b>Consolidated</b>	<b>University</b>	Consolidated	University
	£'000	£'000	£'000	£'000
General consumables	<u>42</u>	<u>42</u>	<u>47</u>	<u>47</u>

**12 Trade and other receivables**

Amounts falling due within one year:

Tuition fee receivables	<b>2,412</b>	<b>2,412</b>	1,792	1,792
Other trade receivables	<b>2,576</b>	<b>1,411</b>	2,776	2,039
Other receivables	<b>32</b>	<b>32</b>	100	100
Prepayments and accrued income	<b>2,733</b>	<b>2,082</b>	3,106	1,773
Amounts due from subsidiary companies	<u>-</u>	<u>1,222</u>	<u>-</u>	<u>1,023</u>
	<u><b>7,753</b></u>	<u><b>7,159</b></u>	<u>7,774</u>	<u>6,727</u>

## Notes to the Financial Statements

Year ended 31 July 2019

**13 Current Investments**

	Year ended 31 July 2019		Year ended 31 July 2018	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Short term deposits	<u>20,028</u>	<u>20,028</u>	<u>-</u>	<u>-</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 2019 the weighted average interest rate of these fixed rate deposits was 0.4% per annum and the remaining weighted average period for which the interest rate is fixed on these deposits was 229 days. The fair value of these deposits was not materially different from the book value.

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

	Year ended 31 July 2019		Year ended 31 July 2018	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Secured loans*	802	802	784	784
Unsecured loans	1,345	1,345	1,384	1,384
Trade payables	5,172	5,130	4,912	4,761
Social security and other taxation payable	1,557	1,350	1,304	909
Accruals and deferred income	16,106	15,651	16,612	15,872
Amounts due to subsidiary companies	-	88	-	-
	<u>24,982</u>	<u>24,366</u>	<u>24,996</u>	<u>23,710</u>

\* The bank loans are secured on freehold properties owned by the University with a carrying value of £7.4m (2018: £7.5m), over which the lender holds a legal charge.

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

Deferred income	22,337	22,337	22,775	22,775
Derivatives	805	805	864	864
Secured loans	7,784	7,784	8,591	8,591
Unsecured loans	22,853	22,853	24,198	24,198
	<u>53,779</u>	<u>53,779</u>	<u>56,428</u>	<u>56,428</u>



## Notes to the Financial Statements

Year ended 31 July 2019

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

Analysis of secured and unsecured loans:

Due within one year or on demand (Note 14)	<b>2,147</b>	<b>2,147</b>	2,168	2,168
Due between one and two years	<b>2,128</b>	<b>2,128</b>	2,132	2,132
Due between two and five years	<b>6,518</b>	<b>6,518</b>	6,359	6,359
Due in five years or more	<b>21,991</b>	<b>21,991</b>	24,298	24,298
<b>Due after more than one year</b>	<b>30,637</b>	<b>30,637</b>	32,789	32,789
<b>Total secured and unsecured loans</b>	<b>32,784</b>	<b>32,784</b>	34,957	34,957
Secured loans repayable by 2031	<b>8,586</b>	<b>8,586</b>	9,375	9,375
Unsecured loans repayable by 2038	<b>24,198</b>	<b>24,198</b>	25,582	25,582
	<b>32,784</b>	<b>32,784</b>	34,957	34,957

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

<b>Lender</b>	<b>Amount</b>	<b>Term</b>	<b>Interest rate</b>	<b>Borrower</b>
	<b>£'000</b>		<b>%</b>	
Barclays	2,757	2026	5.94%	University
Barclays	1,520	2028	5.31%	University
Barclays	1,436	2031	1.09%	University
Barclays	4,393	2031	5.55%	University
Lloyds TSB	7,619	2034	5.55%	University
Santander	10,383	2037	5.43%	University
Santander	4,620	2038	2.53%	University
Salix	23	2019	interest free	University
Salix	33	2019	interest free	University
<b>TOTAL</b>	<b>32,784</b>			

**16 Provisions for liabilities**

<b>Consolidated</b>	<b>Pension enhancements on termination</b>	<b>Pension scheme provision under FRS 102 (Note 20)</b>	<b>Other Provisions</b>	<b>Total Provisions</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
At 1 August 2018	554	17,630	-	<b>18,184</b>
Utilised in year	(18)	-	-	<b>(18)</b>
Additions in year	-	11,934	259	<b>12,193</b>
<b>At 31 July 2019</b>	<b>536</b>	<b>29,564</b>	<b>259</b>	<b>30,359</b>

<b>University</b>	<b>Pension enhancement on termination</b>	<b>Pension scheme provision under FRS 102 (note 21)</b>	<b>Other Provisions</b>	<b>Total Provisions</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
At 1 August 2018	554	17,630	-	18,184
Utilised in year	(18)	-	-	(18)
Additions in year	-	11,934	259	12,193
<b>At 31 July 2019</b>	<b>536</b>	<b>29,564</b>	<b>259</b>	<b>30,359</b>

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

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

**Pension enhancement**

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

	<b>Consolidated</b>	
	2019	2018
Discount rate	2.0%	2.3%
Inflation	2.2%	1.3%

Other provisions relate to legal costs for the appeal against the decision to reject retrospective planning permission seeking a change of use to Class D1 (non-residential institutions) for certain elements of the Thornton site.

**17 Endowment Reserves**

Restricted net assets relating to endowments are as follows:

	Restricted permanent endowments	Expendable endowments	2019 Total	2018 Total
	£'000	£'000	£'000	£'000
<b>Balances at 1 August 2018</b>				
Capital	130	239	369	341
Accumulated income	-	26	26	25
	130	265	395	366
New Endowments	-	4	4	28
Investment Income	-	2	2	2
Expenditure (Decrease) / increase in market value of investments	-	(1)	(1)	(1)
	-	-	-	-
<b>Total endowment Comprehensive income for the year</b>	-	5	5	29
<b>At 31 July 2019</b>	130	270	400	395
<b>Represented by:</b>				
Capital	130	243	373	369
Accumulated income	-	27	27	26
	130	270	400	395
<b>Analysis by type of purpose:</b>				
Prize funds	-	31	31	61
General	130	239	369	334
	130	270	400	395
<b>Analysis by asset</b>				
Cash & cash equivalents			400	395

## Notes to the Financial Statements

Year ended 31 July 2019

**18 Cash and Cash Equivalents**

Notes	At 1st August 2018 £'000	Cash Flows £'000	At 31st July 2019 £'000
<b>Consolidated</b>			
Cash and cash equivalents	<u>34,687</u>	<u>(13,945)</u>	<u>20,742</u>

**19 Lease Obligations**

Total rentals payable under operating leases:

	31 July 2019		31 July 2018
	Other leases £'000	Total £'000	Total £'000
<b>Payable during the year</b>			
<b>Future minimum lease payments due:</b>			
Not later than 1 year	127	127	98
Later than 1 year and not later than 5 years	<u>280</u>	<u>280</u>	<u>68</u>
<b>Total lease payments due</b>	<u>407</u>	<u>407</u>	<u>166</u>

Lease obligations relate to vehicle leases.

**20 Subsidiary Undertakings**

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

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

The registered office for the subsidiary companies is  
 C/O Vice Chancellor  
 University of Chester  
 Parkgate Road  
 Chester  
 CH1 4BJ

**21 Pension Schemes**

Contributions to the schemes are charged to the Income and Expenditure account so as to spread the cost of the pensions over the employees' working lives with the University of Chester. The pension charge for the year was £11,936,102 (2018: £11,321,691) which includes £49,814 (2018: £49,363) 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 £535,739 (2018: £553,991) 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 2019 was £8,056,999 (2018: £7,003,417) of which the employers' contributions totalled £4,995,215 (2018: £4,356,467) and the employees' contributions totalled £3,061,784 (2018: £2,646,950). The pensions cost is assessed every five years in accordance with the advice of the government actuary. The assumptions and other data that have the most significant effect on the determination of the contribution levels are as follows:

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

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

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

**21 Pension Schemes (continued)****Cheshire Pension Fund**

The University participates in the Cheshire Pension Fund, which is a funded defined benefit pension scheme where contributions payable are held in a trust separately from the University. The total contribution made for the 12 months ended 31 July 2019 was £5,896,469 (2018: £5,281,542) of which the employers' contributions totalled £4,564,916 (2018: £4,099,377) and employees contributions totalled £1,331,553 (2018: £1,182,165). The agreed contribution rates for future years are 20.6% (15.2% to 31 March 2017) for employers and in bandings 5.5%-12.5% from April 2014 for employees depending on the level of their salary.

Valuation date	31 March 2016
Valuation Method	Projected Unit Method
Value of notional needs	£76.5 Million
Funding level of accrued benefits	98.4%
Investment return per annum	3.80%
Salary scale increases per annum	2.40%

The following information is based upon a full actuarial valuation of the fund as at 31 March 2016 updated to July 2019 by a qualified independent actuary.

	<b>31 July 2019</b>	<b>31 July 2018</b>	<b>31 July 2017</b>
	%	%	%
Inflation	<b>3.5</b>	3.4	3.5
Rate of increases in salaries	<b>2.7</b>	2.7	2.7
Rate of increase in pensions	<b>2.4</b>	2.4	2.4
Discount rate for liabilities	2.2	2.8	2.7

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

	<b>31 July 2019</b>	<b>31 July 2018</b>
	%	%
<b>Retiring today</b>		
Males	<b>21.2</b>	22.3
Females	<b>23.5</b>	24.5
<b>Retiring in 20 years</b>		
Males	<b>22.1</b>	23.9
Females	<b>25.0</b>	26.5

## Notes to the Financial Statements

Year ended 31 July 2019

**21 Pension Schemes (continued)**

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

	<b>31 July 2019</b>	31 July 2018
	<b>£'000</b>	£'000
Equities	<b>53,661</b>	49,106
Bonds	<b>53,661</b>	45,903
Property	<b>9,540</b>	8,540
Cash	<b>2,384</b>	3,203
Total market value of assets	<b><u>119,246</u></b>	<u>106,752</u>

The above asset values as at 31 July 2019 are at bid value as required under FRS 102 Section 28:

	<b>2019</b>	2018
	<b>£'000</b>	£'000
University's estimated asset share	<b>119,246</b>	106,752
Present value of scheme liabilities	<b>(148,810)</b>	(124,382)
Deficit in the scheme	<b><u>(29,564)</u></b>	<u>(17,630)</u>

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

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

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

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Service cost	<b>7,241</b>	6,739
	<b><u>7,241</u></b>	<u>6,739</u>

**21 Pension Schemes (continued)****Analysis of net return on pension scheme**

	2019 £'000	2018 £'000
Expected return on pension scheme assets	3,042	2,595
Impact on pension scheme liabilities	(3,577)	(3,265)
<b>Net charge</b>	<b>(535)</b>	<b>(670)</b>

**Amounts recognised in Other Comprehensive Income**

	2019 £'000	2018 £'000
Actuarial gain/(loss)– defined benefit obligations	(13,865)	3,189
Actuarial gain– fair value of employer assets	5,470	6,120
Actuarial (loss)/gain	<b>(8,395)</b>	<b>9,309</b>

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 (2018: £12.3 million).

	2019 £'000	2018 £'000
Deficit in scheme at beginning of year	(17,630)	(23,435)
<b>Movement in year:</b>		
Current service charge	(7,241)	(6,739)
Employer contributions	4,237	3,905
Net charge on assets	(535)	(670)
Actuarial (loss)/ gain	(8,395)	9,309
<b>Net deficit</b>	<b>(29,564)</b>	<b>(17,630)</b>

	2019 £'000	2018 £'000
<b>Liabilities at start of year</b>	<b>124,382</b>	<b>117,780</b>
Service cost	7,241	6,739
Interest cost	3,577	3,265
Employee contributions	1,233	1,183
Actuarial loss/(gain)	13,865	(3,189)
Benefits paid	(1,488)	(1,396)
<b>Liabilities at end of year</b>	<b>148,810</b>	<b>124,382</b>



**21 Pension Schemes (continued)**

	2019 £'000	2018 £'000
<b>Assets at start of year</b>	<b>106,752</b>	94,345
Expected return on Assets	3,042	2,595
Actuarial gain	5,470	6,120
Employer contributions	4,237	3,905
Employee contributions	1,233	1,183
Benefits paid	(1,488)	(1,396)
<b>Assets at end of year</b>	<b><u>119,246</u></b>	<b><u>106,752</u></b>

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

**22 Related party transactions**

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

The Vice Chancellor, Professor T J Wheeler, Marcus Clinton and Chris Haslam are 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 18/19 year this was a total of £2,209k (17/18: £3,847k). The University also received £11k of other income from the College.

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

- Cheshire and Warrington Local Enterprise Partnership (LEP) payments were made of £600 (17/18 £140) and £6,579k income received (17/18 nil)
- Coleg Cambria - The University received the sum of £16,485 (17/18 £4,500)
- Cheshire Business Leaders – Income was received of £1,000 and payments made of £500 (17/18 £2,000 and £600)
- North West Business Leadership Team – Membership fees of £12,000 were paid (17/18 £10,000)
- Universities UK – Membership fees of £23,400 were paid (17/18 £23,986)
- Warrington Chamber of Commerce – Membership fees of £792 were paid (17/18 £792)

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

- The Hammond School - During the year the University received the sum of £119k (17/18 £20k) from the Hammond School.
- Empower Academic Trust – The University received £4,060 (17/18 nil)
- University of Chester Academes Trust - The University received £50,865 (17/18 payments of £7,521)