

UNIVERSITY OF CHESTER

**Annual Report and Financial
Statements for the year ended
31 July 2014**

**ANNUAL REPORT AND FINANCIAL STATEMENTS
For the year ended 31 July 2014****CONTENTS**

	Page
Financial highlights	3
Members of the University Council and their interests	4
Report of the University Council	5
Governance statement	13
Statement of responsibilities of the Members of the University Council	15
Independent Auditor's Report to the University Council of the University of Chester	16
Consolidated income and expenditure account	18
Consolidated and University balance sheet	19
Statement of consolidated total recognised gains and losses	20
Consolidated cash flow statement	21
Reconciliation of net cash flow to movement in net debt	22
Notes to the financial statements	23

FINANCIAL HIGHLIGHTS**Results**

During the year to 31 July 2014 (year to 31 July 2013 figures in brackets) the University:

Generated income of £104 million (£88 million)

Generated a surplus of £9.2 million (£4.8 million)

Generated a net cash inflow from operating activities of £17.8 million (£11.7 million)

Increased expenditure by £12.3m (15%)

Financial Strength

At 31 July 2014 the University had:

Cash and short term deposits of £23.4 million (£16.2 million)

Total net assets of £57.7 million (£42.5 million)

A defined benefit pension liability of £12.1m (£12.9m).

Financial Investments

During the year to 31 July 2014 the University invested £18.9 million (£13.8 million) in tangible fixed assets.

Staff and students

During the academic year the University:

Employed an average of 1,316 members of staff (2013: 1,244)

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

	Full-time	Other	2013/14 Total	2012/13 Total	Increase/ (decrease)
Home/EU					
Undergraduate	7,229	1,396	8,625	8,585	0%
Postgraduate	617	2,849	3,466	3,361	3%
Nursing and Midwifery	1,430	1,078	2,508	2,674	(6%)
International					
Undergraduate	655	156	811	631	29%
Postgraduate	722	245	967	606	60%
Nursing and Midwifery	47	17	64	51	25%
2013/14 Total students	10,700	5,741	16,441	15,908	3%
2012/13 Totals	9,687	6,221	15,908		
Increase/(Decrease)	10%	(8%)	3%		

The 2013/14 figures are for students studying between August 2013 and July 2014. The 2012/13 figures are for students studying between August 2012 and July 2013.

MEMBERS OF THE UNIVERSITY COUNCIL AND THEIR INTERESTS

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

Foundation Members of the University Council

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

Canon J Turnbull, Deputy President

Professor TJ Wheeler, Vice-Chancellor

Reverend Dr LE Cooke (Resigned 10-9-13)

Ms A Sutton (Appointed 11-9-13)

Mrs C Allen

Mr C Daniels

Mr JS Evans

Professor JR Fisher

Professor M Hoey (Resigned 23-3-14)

The Very Reverend Professor G McPhate

Mrs M Needham

Mrs M Steward

Mrs S Verity

Non Foundation Members of the University Council

Miss K Badman (Resigned 31-7-14)

Mr F Ball

Judge E Edwards

Ms K Fisher

Professor N Ford

Ms J Jones (Resigned 08-10-13)

Dr K McLay (Resigned 31-8-14)

Mrs C Maddaford

Mr D Munt

Mrs S Rudd

Dr L Smith

Councillor A Walmsley

Mr A Lee (Secretary)

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

ADVISERS

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

Bankers:	NatWest Bank plc
Auditors:	External: Deloitte LLP
	Internal: Baker Tilly LLP
Solicitors:	Knights LLP
Insurance Brokers:	U.M. Association Limited

REPORT OF THE UNIVERSITY COUNCIL For the year ended 31 July 2014

Structure, Governance and Management

Type of organisation: Registered Charity

Nature of Governing Document: Trust Deed

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

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

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

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

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

Scope and period of financial statements

The financial statements have been presented for the year ended 31 July 2014.

Principal activities of the University

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

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

The University owns a substantial amount of property including a large number of residential properties which are maintained for the sole use of its students and made available through the activities of the trading subsidiary Chester Housing Limited (see below), for which it receives rental income less the deduction of a management fee.

The Charity has five wholly owned subsidiaries:

- Chester Conferences Limited – provision of conference and short-course facilities
- Chester Housing Limited – provision and administration of student accommodation
- Thornton Research Properties Limited – rental of office and industrial space at Thornton Science park
- North West Universities European Unit Limited - facilitate and support the North West HEIs' future collective activity, engagement and representation in relation to European Structural Funds.
- Chester College Enterprises Ltd ceased trading from 1st August 2013 and the activity transferred to the University.

REPORT OF THE UNIVERSITY COUNCIL (continued)

For the year ended 31 July 2014

Strategy and operational review

The Members of the University Council present their annual report on the affairs of the University together with the audited financial statements and Auditor's report for the year ended 31 July 2014.

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

Business review 2013/14

The 2013/14 academic year has been a highly impressive and encouraging year for the University. Building upon the success of previous years, the University has for the first time achieved a turnover in excess of £100 million and recorded a substantial operational surplus. The University is justifiably proud of its sustained strong financial performance. Whilst challenging operating environments can bring about uncertainty, they can also present exciting development opportunities for entrepreneurial universities such as Chester and the institution has continued to build on its considerable strengths to ensure that it is well placed to respond innovatively and successfully to the challenges that undoubtedly lie ahead. Though not complacent, the University faces the future with confidence and enthusiasm.

Demand for the University's undergraduate and postgraduate provision has shown continued growth with the number of applications per place for undergraduate courses exceeding 8:1. In 2013-14, student intakes to undergraduate and postgraduate programmes exceeded targets. Growth in students following taught programmes has been accompanied by continued expansion in the University's research portfolio, with growth in both the number of research students and the overall volume of research activity. The number of staff submitted to the Government's 2014 Research Excellence Framework review more than doubled (compared to the 2008 Research Assessment Exercise) with a corresponding increase of almost 90% in the number of outputs submitted for review. Continued investment aimed at developing the University's international presence has been rewarded with marked growth in the number of international students coming to the UK to study at the University and a prudent expansion of the University's offshore interests in carefully targeted market areas in Asia, China and Europe. Student exchange and research collaboration networks have also seen expansion as the University's international reputation and presence has developed.

The continued growth in the national and international popularity of the University and attendant growth in student numbers is due to a number of factors, not least the high level of commitment and enthusiasm of our staff and students. We recognise that an important key to our current and future success lies in providing an extremely high quality teaching experience and ensuring a friendly, inclusive approach to living and learning. The institution's wide range of courses remains up-to-date and flexible, enabling our students to design their studies around their development needs and interests. Importantly, the University continues to listen carefully to what its students and employer organisations say about us, and to make improvements to our provision that take advantage of the latest research, pedagogy and developments in the world of work. A visible manifestation of our success in this regard was data released in the Summer of 2014 which showed that the University had the highest Employment Performance Indicator for full time students graduating with first degrees in the North West. In excess of 95% of our students went into work or further study within six months of leaving the University, which is the best performance we have achieved since the 2008 global economic crisis.

The latest National Student Survey results for 2014 are outstanding. The University's overall satisfaction rate remained at 88%, the highest score that the University has ever achieved and still 2% higher than the national average. 91% of students who attended the University indicated that they would recommend the institution as a good place to study. During the course of the year, the University's rapidly developing reputation was also reflected in a strong set of performances in the league tables produced by the national press. Of particular note was the presentation of the prestigious National Student Nurse of the Year Award to Julie Sheen.

REPORT OF THE UNIVERSITY COUNCIL (continued)
For the year ended 31 July 2014

Business review 2013/14 (continued)

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

With the active support of the Town and County Councils, the University is additionally exploring the opportunities for establishing a higher education presence in Shrewsbury aimed at meeting the growing demand for higher level education across Shropshire and the Welsh Marches. The first programmes will commence delivery in the Autumn of 2014 with a further suite of market-oriented undergraduate and postgraduate programmes commencing delivery in September 2015.

In the light of student feedback and detailed analysis of current and likely future demand, the University has continued to invest substantially in extending its student accommodation provision. In the Autumn of 2013 over four hundred study bedrooms were added to the estate. The University will continue to explore ways in which its student accommodation stock can be further enhanced and extended so as to ensure that our students have the highest quality environment within which to live, study and socialise. The positive student response to these investments in the University's estate and learning infrastructure has been reflected in notably improved ratings in the National Student Survey.

The University is acutely conscious of the importance of the 'student voice' and in the past year has worked particularly closely with the Students' Union to extend and enhance the services we provide to our students. This work will continue with a particular emphasis on the University's personal academic tutor system and the ways in which student programme representatives can act as conduits for positive change. In the last academic year the staff and students contributed almost 30,000 volunteering hours to the communities of Chester, Warrington and the wider Cheshire region.

Future outlook

These are exciting times to study and work at the University of Chester. The University Council and Senior Management would like to take this opportunity to thank all the staff, students and friends of the University for their outstanding hard work and continued commitment to our success. Our achievements were amply recognised with the award of Investor in People Gold status during the course of the year. The University embarks upon the 2014/15 academic session with considerable confidence and ambition.

REPORT OF THE UNIVERSITY COUNCIL (continued)
For the year ended 31 July 2014

Financial review

	Year ended 31 July 2014	Year ended 31 July 2013
Financial Performance indicator		
Retained surplus pre FRS 17 adjustment*	£10.40m	£5.90m
Margin %	9.93%	6.75%
FRS 17 adjustment	(£1.20m)	(£1.10m)
Retained surplus after FRS 17 adjustment*	£9.20m	£4.80m
Staff costs as % of income	52.12%	57.50%
Cash inflow from operating activities	£34.7m	£11.70m
Current assets ratio	1.41	1.25
Net liquidity (days)	94	74
(Number of days expenditure held as cash/investments, based on total expenditure less depreciation)		

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

Financial Performance in 2013/14 compared to previous years

	Year ended 31 July 2014 £'000	Year ended 31 July 2013 £'000
Income	104,464	87,808
Expenditure	(95,279)	(83,010)
Surplus	9,185	4,798

➤ University income has increased by £16.3m (19.0%)

- Grant income decreased by £7.8m (33.8%), this was due to a fall in HEFCE grant of £6.4m, and NCTL grant of £1.5m.
- Tuition fees increased by £20.1m (38.2%), this was due to increased Full Time Undergraduate fees as well as partnerships and increased international student numbers.

➤ Expenditure increased by £12.3m (14.8%)

- Staffing costs increased by £4.0m (7.9%), this increase was as a result of an increase in staff numbers (5.8%) pay awards (1.0%) and payment of salary increments for staff not at the top of their salary band.
- Depreciation increased by £1.0m (28.7%).
- Other operating expenses increased by £7.0m (25.6%), the biggest increases were:
 - Payment to Partner institutions for delivery increased by £1.5m
 - Routine maintenance expenditure increased by £1.3m
 - Premises running costs increased by £1.3m

REPORT OF THE UNIVERSITY COUNCIL (continued)
For the year ended 31 July 2014**Risks and uncertainties**

There are specific financial pressures for the University in 2014/15 due to the current economic climate and reduced public funding. These include continued reduction in grant funding and the need for the University to maximise income streams by ensuring it meets recruitment targets including overseas students for which there may be some uncertainties around UK Visa and Immigration policies. In addition the University has acquired the Thornton Science Park, which brings great opportunity to maximise these income streams but brings with it a substantial cost base. More generally there is an upward pressure on running costs and pay awards whilst the UK/EU full time undergraduate fee level per student remains capped at £9,000 pa for the third successive year. Therefore the University is taking measures to minimise costs and maximise efficiencies and expects the surplus in 2014/15 to stabilise in the region of 6% of total income, however beyond that, given the current economic climate and political uncertainty, there is an increased risk that the level of surplus will be reduced.

Applications and resulting recruitment for 2014/15 were healthy, which will help mitigate some of these risks. The University has been modelling and preparing for constraints in public funding and in addition is looking to increase other income streams in order to ensure that it generates sufficient surpluses for reinvestment in the increasing asset base. The University has seen its cash balances stabilise and increase with the level of surplus from 2013/14.

Public benefits and inclusivity

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

The University of Chester has a strong network of student support including a Students' Union, has a commitment to providing education in an open inclusive environment and has a Fee Waiver and bursary scheme in place for students who are in receipt of a full Higher Education Maintenance Grant. In addition tuition fee loans allow students to defer the repayment of fees until they finish their studies and earn over £21,000. It is felt that these measures contribute to widening participation and ensure that the opportunity to participate is not restricted by the ability to pay fees.

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

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

REPORT OF THE UNIVERSITY COUNCIL (continued)
For the year ended 31 July 2014

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 to some 11,000 full-time equivalent students, with an emphasis upon: maintaining a broadly based curriculum grounded in the University's current portfolio of disciplines; further development of taught postgraduate and research degree provision; further development of part-time student numbers and foundation degree programmes; and exploring appropriate international development opportunities.
- To develop the Thornton Science Park and the associated new Faculty of Science and Engineering.
- To act as a regional University committed to employer and community engagement which is successful in attracting into study individuals with a range of backgrounds and experiences.
- To manage the University's operations and finances efficiently and prudently with an increasingly varied range of income sources.
- To ensure that the University's forward vision and strategy are actively shared and promoted amongst staff, students and interested external stakeholders.

Strategies employed to achieve the objectives

- To provide our students with the best possible integrated learning experiences that enhance their intellectual, professional and personal growth, both inside and outside of the University.
- To provide programmes of study, delivery methods and academic support arrangements that are of high quality and responsive to learner needs and employer expectations.
- To foster excellence in research, scholarship and knowledge transfer/enterprise.
- To apply our intellectual and academic resources to social, economic and community development in the region, the nation and, where appropriate, internationally.

REPORT OF THE UNIVERSITY COUNCIL (continued)
For the year ended 31 July 2014

Strategies employed to achieve the objectives (continued)

- To create an intellectual community and workplace that respects, welcomes and promotes diversity and equality through learning and teaching; research and scholarship; outreach and other University activities and practices.
- To provide a modern learning and working environment that meets the diverse needs of our staff, students and other users in a flexible, cost effective and efficient manner.
- To sustain and develop a financially secure University within which management systems and structures actively empower staff and students to respond creatively, collaboratively and effectively to the many opportunities and challenges facing the institution.

Investment powers and policy

The Charity invests funds on short-term deposit to ensure a safe and reasonable level of interest is earned and assists the Charity in achieving its objective. The interest earned within the year amounted to £115,547 (2013: £81,733).

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 2014 to be at least 150% of short-term creditors before taking into consideration the pension liability. This level of reserves would allow all external short-term creditors at this date to be paid in full, and leave sufficient funds to invest.

The actual Consolidated Reserves (excluding pension reserve) for year ended 31 July 2014:

Unrestricted: £52,926,843 (2013: £42,548,330)
 Endowments: £353,629 (2013: £350,085)

At 31 July 2014 consolidated reserves are therefore 265% of short-term creditors and deemed to be sufficient.

Employee consultation

The average number of lecturing and support staff employed by the University during the year was 1,316 (2013: 1,244). An active policy of information dissemination encourages employee involvement and participation in the University development process. Employee representatives are regularly consulted on a variety of issues affecting their own and the University's interests.

REPORT OF THE UNIVERSITY COUNCIL (continued)
For the year ended 31 July 2014

Auditor

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

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

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

Going concern

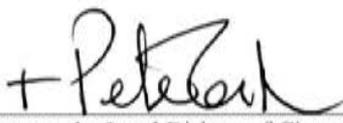
The University ended the year with cash and short term investments of £23.4m. The budget for 2014-15 continues to generate a surplus, and forward cash forecasts demonstrate adequate availability of financial resources. All of the University's external funding is long-term in nature with 20% repayable between one and five years and 80% repayable beyond 5 years.

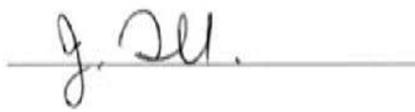
We have sensitised our forecasts to assess the impact of potential falls in student numbers and potential cost increases and are satisfied that the University has sufficient headroom in its cash flow projections to withstand the impact of reasonably possible downside scenarios during the 12 months following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

On this basis, the University Council is satisfied that, despite the current economic and political uncertainty, the University has adequate resources to continue in operational existence for the foreseeable future and for at least 12 months from the date of signature of these financial statements. Further details regarding the basis of preparation are given in note 1 to the financial statements.

Conclusion

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

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

Deputy President of the Council: 
 Canon J Turnbull

26th November 2014

GOVERNANCE STATEMENT

For the year ended 31 July 2014

The University is committed to exhibiting best practice in all aspects of governance. This summary describes the manner in which the University has applied the principles set out in Section 1 of the Combined Code on Corporate Governance issued by the London Stock Exchange. The University also complies with the guide for members of Governing Bodies of universities and colleges in England and Wales which was issued by the Committee of University Chairmen in November 2004 and revised in March 2009. The purpose of this summary is to help the reader of the financial statements understand how the principles have been applied.

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

The Council

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

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

Policy Committee

The Policy Committee (Employment and Finance) meets at least three times a year and considers in detail the Strategic Plan and the Financial Forecasts. It also considers the Mid Year Financial Forecast and Budgets. It considers the overall objectives of the University and is provided with the minutes from the Council Committees and receives a report at each meeting from the Vice Chancellor. It makes recommendations, as appropriate, to the Council.

General Purposes Committee

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

Nominations Committee

Any new appointments to the University Council are made in accordance with the Instrument of Government. The University Council has a Nominations Committee which considers the skills mix and general requirements for membership of the University Council. The University Council is responsible for ensuring that appropriate training is provided. Members of the Council are appointed for an initial term of office not exceeding three years.

Human Resources Committee

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

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

GOVERNANCE STATEMENT (continued)
For the year ended 31 July 2014

Senior Salaries Committee

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

Audit and Risk Management Committee

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

Mission Committee

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

Internal Control

The University Council is responsible for the University's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. The Council has reviewed the key risks to which the University is exposed, together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Council is of the view that there is an ongoing process for identifying, evaluating and managing the University's significant risks, that it has been in place for the year ended 31 July 2014 and up to the date of approval of the annual report and financial statements, that it is regularly reviewed by the Council and that it accords with the internal control guidance for directors on the Combined Code as deemed appropriate for higher education.

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 2014 by considering documentation from the Vice-Chancellor and the Audit and Risk Management Committee, and took account of events since 31 July 2014.

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



Parkgate Road,
 CHESTER,
 CH1 4BJ

Deputy President of the Council.....
 Canon J Turnbull
 26th November 2014



STATEMENT OF RESPONSIBILITIES OF THE MEMBERS OF THE UNIVERSITY COUNCIL

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

The Council is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the University of Chester and enable it to ensure that the financial statements are prepared in accordance with the Instrument and Articles of Government, the Accounts Direction issued by the Higher Education Funding Council for England (HEFCE); the Financial Memorandum agreed with HEFCE, the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2007 and applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice), as well as reflecting current best practice in public sector corporate governance. In addition, within the terms and conditions of a Financial Memorandum agreed between the Higher Education Funding Council for England the Council of the University, the Council, through its designated office holder, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Council and of the surplus or deficit and cash flows for that period.

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

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

The University Council has taken reasonable steps to:

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

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

We have audited the financial statements of the University of Chester for the year ended 31 July 2014 which comprise the Consolidated Income and Expenditure Account, the Consolidated and University Balance Sheets, the Consolidated Cash Flow Statement, Reconciliation of Net Cash Flow to Movement in Net Debt, the Consolidated Statement of Total Recognised Gains and Losses and the related notes 1 - 26. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice: Accounting for Further and Higher Education.

This report is made solely to the governing body in accordance with the charter and statutes of the University. Our audit work has been undertaken so that we might state to the governing body those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the board of governors as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the governing body and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the University and the group's affairs as at 31 July 2014 and of the group's surplus for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice: Accounting for Further and Higher Education.

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

In our opinion:

- in all material respects, income from the funding council, and the National College for Teaching and Learning, grants and income for specific purposes and from other restricted funds administered by the University during the year ended 31 July 2014 have been applied for the purposes for which they were received; and
- in all material respects, income during the year ended 31 July 2014 has been applied in accordance with the University's statutes and, where appropriate, with the financial memorandum, with the funding council and the funding agreement with the National College for Teaching and Learning.

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

Matter on which we are required to report by exception

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

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

Deloitte LLP

Deloitte LLP
Chartered Accountants and Statutory Auditor
Manchester, United Kingdom
Date *27 November 2014*

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT
For the year ended 31 July 2014

	Note	Year ended 31 July 2014 £	Year ended 31 July 2013 £
INCOME			
Funding council grants	2	15,349,137	23,167,169
Tuition fees and support grants	3	72,535,589	52,481,484
Research grants	4	801,345	470,486
Other operating income	5	15,662,745	11,607,983
Interest receivable	6	115,547	81,733
TOTAL INCOME		<u>104,464,363</u>	<u>87,808,855</u>
EXPENDITURE			
Staff costs	7	(54,452,625)	(50,454,523)
Other operating expenses	8	(34,294,183)	(27,293,538)
Depreciation	10	(4,355,739)	(3,384,675)
Interest payable	9	(2,176,919)	(1,877,761)
TOTAL EXPENDITURE		<u>(95,279,466)</u>	<u>(83,010,497)</u>
RETAINED SURPLUS ON CONTINUING OPERATIONS FOR THE YEAR		<u>9,184,897</u>	<u>4,798,358</u>
Surplus for the year transferred from accumulated income in endowment funds		(384)	(541)
SURPLUS FOR THE YEAR RETAINED WITHIN GENERAL RESERVES	19	<u>9,184,513</u>	<u>4,797,817</u>

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

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

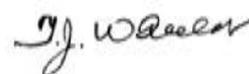
CONSOLIDATED AND UNIVERSITY BALANCE SHEETS
As at 31 July 2014

	Note	Consolidated		University	
		As at 31 July 2014 £	As at 31 July 2013 £	As at 31 July 2014 £	As at 31 July 2013 £
FIXED ASSETS					
Tangible assets	10	119,220,000	87,899,694	119,216,933	83,536,122
ENDOWMENT ASSETS	18	353,629	350,085	353,629	350,085
CURRENT ASSETS					
Stocks	11	44,058	43,215	44,058	43,215
Debtors	12	5,418,730	2,683,082	5,925,888	7,755,438
Investments	13	21,193,061	14,895,416	21,193,061	14,650,368
Cash at bank and in hand		2,224,687	1,297,103	1,159,461	143,628
Total Current Assets		<u>28,880,536</u>	<u>18,918,816</u>	<u>28,322,468</u>	<u>22,592,649</u>
CREDITORS: amounts falling due within one year	14	<u>(20,122,966)</u>	<u>(15,104,272)</u>	<u>(19,650,429)</u>	<u>(14,835,758)</u>
NET CURRENT ASSETS		8,757,570	3,814,544	8,672,039	7,756,891
TOTAL ASSETS LESS CURRENT LIABILITIES		128,331,199	92,064,323	127,888,972	91,643,098
CREDITORS: amounts falling due after more than one year	15	<u>(41,110,821)</u>	<u>(35,919,744)</u>	<u>(41,110,821)</u>	<u>(35,919,744)</u>
Provision for liabilities	16	<u>(789,950)</u>	<u>(704,109)</u>	<u>(789,950)</u>	<u>(704,109)</u>
NET ASSETS EXCLUDING PENSION LIABILITY		86,430,428	55,440,470	86,341,830	55,019,245
Net pension liability	24	<u>(12,065,000)</u>	<u>(12,906,000)</u>	<u>(12,065,000)</u>	<u>(12,906,000)</u>
NET ASSETS INCLUDING PENSION LIABILITY		<u>74,365,428</u>	<u>42,534,470</u>	<u>74,276,830</u>	<u>42,113,245</u>
DEFERRED CAPITAL GRANTS	17	33,149,956	12,542,055	33,149,956	12,542,055
ENDOWMENTS					
Expendable	18	223,629	220,085	223,629	220,085
Permanent	18	130,000	130,000	130,000	130,000
RESERVES					
Income and expenditure account excluding pension liability		52,926,843	42,548,330	52,838,245	42,127,105
Pension reserve	25	<u>(12,065,000)</u>	<u>(12,906,000)</u>	<u>(12,065,000)</u>	<u>(12,906,000)</u>
Income and expenditure account including pension liability	19	<u>40,861,843</u>	<u>29,642,330</u>	<u>40,773,245</u>	<u>29,221,105</u>
TOTAL FUNDS		<u>74,365,428</u>	<u>42,534,470</u>	<u>74,276,830</u>	<u>42,113,245</u>

These financial statements were approved by the Council and authorised for issue on 26th November 2014 and were signed on its behalf by:



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



Professor T J Wheeler
Vice-Chancellor

STATEMENT OF CONSOLIDATED TOTAL RECOGNISED GAINS AND LOSSES
For the year ended 31 July 2014

	Year ended 31 July 2014 £	Year ended 31 July 2013 £
Retained surplus for the financial year	9,184,897	4,798,358
New endowments	18 3,160	225
Actuarial gain in respect of Pension Scheme	24 2,035,000	3,885,000
	<u>11,223,057</u>	<u>8,683,583</u>
TOTAL RECOGNISED GAINS RELATING TO THE YEAR	11,223,057	8,683,583
RECONCILIATION		
Opening reserves and endowments	29,992,415	21,308,832
Total recognised gains for the year	11,223,057	8,683,583
	<u>41,215,472</u>	<u>29,992,415</u>
Closing reserves and endowments		

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 July 2014

		Year ended 31 July 2014 £	Year ended 31 July 2013 £
	Note	£	£
NET CASH INFLOW FROM OPERATING ACTIVITIES	20	17,768,649	11,729,552
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		115,547	81,733
Interest paid		<u>(2,145,919)</u>	<u>(1,877,761)</u>
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(2,030,372)	(1,796,028)
CAPITAL EXPENDITURE			
Purchase of tangible fixed assets		(35,876,045)	(13,810,420)
Disposal of tangible fixed assets		200,000	-
Deferred capital grant received		21,493,757	259,536
Endowments		<u>3,160</u>	<u>225</u>
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		(14,179,128)	(13,550,659)
NET CASH INFLOW/(OUTFLOW) BEFORE USE OF LIQUID RESOURCES AND FINANCING	21	1,559,149	(3,617,135)
MANAGEMENT OF LIQUID RESOURCES	21	(6,297,645)	(3,239,401)
FINANCING			
New Unsecured Loan		7,388,317	8,011,683
Repayments of amounts borrowed		<u>(1,795,482)</u>	<u>(1,156,462)</u>
NET CASH INFLOW FROM FINANCING	21	5,592,835	6,855,221
INCREASE/ (DECREASE) IN CASH		<u>854,339</u>	<u>(1,315)</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT
For the year ended 31 July 2014

	Year ended 31 July 2014	Year ended 31 July 2013
Note	£	£
Increase/(Decrease) in cash in the year	854,339	(1,315)
Cash outflow to liquid resources	6,297,645	3,239,401
Cash inflow from new unsecured loan	(7,388,317)	(8,011,683)
Cash outflow from loan repayments	1,795,482	1,156,462
	<hr/>	<hr/>
Movement in net debt	1,559,149	(3,617,135)
Net debt at 1 August	21 (21,046,242)	(17,429,107)
	<hr/>	<hr/>
Net debt at 31 July	21 (19,487,093)	(21,046,242)
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2014

1. ACCOUNTING POLICIES

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

Basis of preparation

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

The financial statements have been prepared on the going concern basis of accounting in accordance with the consideration set out in the 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 2014. Intra group sales and profits are eliminated on consolidation.

The consolidated financial statements do not include those of the Students' Union because the University does not control these activities.

Recognition of income

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

Fee income is stated gross and credited to the Income & Expenditure account over the period in which the students are studying. Where the amount of the tuition fee is reduced, income receivable is shown net of the discount. Bursaries and scholarships are accounted for gross as expenditure and included within operating income.

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

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

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

Fixed assets and depreciation

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 July 2014**1. ACCOUNTING POLICIES (continued)****Maintenance**

The University has a five year planned maintenance programme which is reviewed on an annual basis. Actual expenditure on routine and planned maintenance is charged to the Income and Expenditure account in the 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 17. The Cheshire Pension Fund has a full valuation every three years carried out by professionally qualified independent actuaries and the Teachers' Pension Scheme is assessed every five years.

The Cheshire Pension Fund is a funded, defined benefit scheme with the assets of the scheme held separately from those of the Group in separate trustee administered funds. Assets are included in the valuation at market value, and scheme liabilities are measured on an actuarial basis using the projected unit method; these liabilities are discounted at the current rate of return on AA rated corporate bonds. The post-retirement benefit surplus or deficit is included on the University's balance sheet. Surpluses are included only to the extent that they are recoverable through reduced contributions in the future or through refunds from the schemes. The current service cost and any past service costs are included in the Income and Expenditure account within operating expenses and the expected return on the 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 17, this scheme is accounted for as if it is a defined contribution scheme. As a result, the amount charged to the Income and Expenditure account represents the contributions payable to the scheme in respect of the accounting year.

Leases

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 July 2014**1. ACCOUNTING POLICIES (continued)****Cash flows and liquid resources**

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

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

Taxation

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

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

Endowment assets

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 July 2014

2. FUNDING COUNCIL GRANTS

	HEFCE	NCTL	Year ended 31 July 2014	Year ended 31 July 2013
	£	£	£	£
Recurrent grant	13,515,729	636,020	14,151,749	22,219,456
Special initiative funding	598,655	-	598,655	244,608
Deferred capital grants released	546,316	-	546,316	650,230
Specific grants - Pension Enhancements	52,417	-	52,417	52,875
	<u>14,713,117</u>	<u>636,020</u>	<u>15,349,137</u>	<u>23,167,169</u>

3. TUITION FEES AND SUPPORT GRANTS

	Year ended 31 July 2014	Year ended 31 July 2013
	£	£
Full time home students	48,295,156	33,322,644
Overseas students	6,280,731	3,465,024
Part-time home students	2,772,681	2,540,765
Education contracts	13,418,176	11,868,859
Other fees and support grants	1,768,845	1,284,192
	<u>72,535,589</u>	<u>52,481,484</u>

Within overseas students are £5,865,508 in respect of full time fees and £415,223 part time fees. Included within other fees and support grants are £220,719 in relation to other course fees.

4. RESEARCH GRANTS AND CONTRACTS

	Year ended 31 July 2014	Year ended 31 July 2013
	£	£
Other contracts	801,345	470,486
	<u>801,345</u>	<u>470,486</u>

5. OTHER OPERATING INCOME

	Year ended 31 July 2014	Year ended 31 July 2013
	£	£
Catering, Residences and Conferences operations	9,370,266	7,074,912
Other services rendered	6,292,479	4,533,071
	<u>15,662,745</u>	<u>11,607,983</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 July 2014

6. INTEREST RECEIVABLE

	Year ended 31 July 2014 £	Year ended 31 July 2013 £
Income from short term investments	112,990	79,725
Interest from Endowments	1,742	1,823
Other interest receivable	815	185
	<u>115,547</u>	<u>81,733</u>

7. STAFF COSTS

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

	Year ended 31 July 2014	Year ended 31 July 2013
Academic Departments	515	499
Academic Services	123	118
Administration/Central Services	295	261
Premises	180	170
Catering and Residence	70	71
Nursing	131	123
Other	2	2
	<u>1,316</u>	<u>1,244</u>

	2014	2013
Remuneration of higher paid staff in bandings (excluding pension contributions)		
£100,001 - £110,000	2	1
£110,001 - £120,000	2	1
£210,000 - £220,000	-	1
£220,000 - £230,000	1	-
	<u>5</u>	<u>3</u>

	Year ended 31 July 2014 £	Year ended 31 July 2013 £
Salary costs for the above persons		
Wages and salaries	44,089,934	41,155,660
Social Security costs	3,298,084	3,079,799
Other pension costs (Note 25)	7,064,607	6,219,065
	<u>54,452,625</u>	<u>50,454,523</u>
Total		

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 July 2014

7. STAFF COSTS (continued)

	Year ended 31 July 2014 £	Year ended 31 July 2013 £
Academic Departments	25,642,667	24,022,849
Academic Services	3,583,720	3,409,363
Administration/Central Services	11,217,597	10,647,562
Premises	3,355,920	3,301,211
Catering and Residence	2,126,861	2,060,754
Nursing	5,940,814	5,683,738
Research grants and contracts	185,268	102,591
Other (inc FRS 17 Adjustments)	2,399,778	1,226,455
Total	54,452,625	50,454,523
Emoluments of the Vice-Chancellor	225,000	215,000

The emoluments of the Vice-Chancellor (who is also the highest paid senior post-holder) are shown net of pension costs. The University's pension contributions to the Teachers' Pension Agency on behalf of the Vice-Chancellor are paid at the same rates as for other academic staff and amounted to £31,725 (2013: £30,315). Total emoluments are therefore £256,725 (2013: £245,315).

Reimbursements to members of University Council for expenditure incurred in attending Council and meetings of its committees amounted to £1,946 (2013: £3,828). Council members did not receive any remuneration from the University.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 July 2014

8. OTHER OPERATING EXPENSES

	Year ended 31 July 2014 £	Year ended 31 July 2013 £
Academic departments	9,104,096	7,332,677
University of Chester Bursaries	1,975,706	1,279,016
Academic services	3,252,679	2,513,849
Administration/Central Services	4,457,690	4,171,990
Premises – running costs	4,398,651	3,146,029
Premises – routine maintenance	5,864,747	4,550,034
Pension enhancements – pre 1989	30,733	34,682
Provision for pension enhancements – post 1989	138,348	67,466
Catering, Residences and Conferences Operations	3,109,169	2,794,198
Research grants and contracts	158,021	109,790
Equipment operating lease rentals	132,213	134,860
Auditor’s remuneration - audit work	46,920	46,688
- non audit services	28,041	12,763
Internal Auditor	29,759	28,998
Other services rendered	1,143,225	830,391
Other operating expenses	424,185	240,107
	<u>34,294,183</u>	<u>27,293,538</u>

The analysis of auditor’s remuneration is as follows:

	2014 £	2013 £
Fees payable to the University’s auditor for the audit of the University’s annual financial statements and its subsidiaries	<u>46,920</u>	<u>46,688</u>
Total audit fees	<u>46,920</u>	<u>46,688</u>
Tax services	16,479	6,681
Other Services	11,562	6,082
Total non-audit fees	<u>28,041</u>	<u>12,763</u>

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 July 2014

9. INTEREST PAYABLE

	Year ended 31 July 2014 £	Year ended 31 July 2013 £
Bank loans and overdrafts	2,145,919	1,522,761
FRS 17 net interest charge	31,000	355,000
	<u>2,176,919</u>	<u>1,877,761</u>

10. TANGIBLE FIXED ASSETS

Consolidated	Freehold land and buildings £	Plant and machinery £	Computer equipment £	Total £
Cost				
At 1 August 2013	98,683,890	9,779,994	4,150,341	112,614,225
Additions	33,311,714	1,801,131	763,200	35,876,045
Disposals	(265,000)	-	-	(265,000)
At 31 July 2014	<u>131,730,604</u>	<u>11,581,125</u>	<u>4,913,541</u>	<u>148,225,270</u>
Depreciation				
At 1 August 2013	12,697,470	8,511,393	3,505,668	24,714,531
Charge for year	2,446,030	1,187,926	721,783	4,355,739
Disposals	(65,000)	-	-	(65,000)
At 31 July 2014	<u>15,078,500</u>	<u>9,699,319</u>	<u>4,227,451</u>	<u>29,005,270</u>
Net book value				
At 31 July 2014	<u>116,652,104</u>	<u>1,881,806</u>	<u>686,090</u>	<u>119,220,000</u>
At 31 July 2013	<u>85,986,420</u>	<u>1,268,601</u>	<u>644,673</u>	<u>87,899,694</u>
Financed by capital grant	32,407,802	226,347	515,807	33,149,956
Other	84,244,302	1,655,459	170,283	86,070,044
Net Book Value				
At 31 July 2014	<u>116,652,104</u>	<u>1,881,806</u>	<u>686,090</u>	<u>119,220,000</u>

Included within Freehold land and buildings is £7,847,694 (2013: £7,847,694) worth of land which is not depreciated.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 July 2014

10 TANGIBLE FIXED ASSETS (continued)

University	Freehold land and buildings £	Plant and machinery £	Computer equipment £	Total £
Cost				
At 1 August 2014	93,390,674	9,128,185	4,150,341	106,669,200
Additions	37,644,976	1,801,381	763,200	40,209,557
Disposals	(265,000)	-	-	(265,000)
At 31 July 2014	130,770,650	10,929,566	4,913,541	146,613,757
Depreciation				
At 1 August 2014	11,767,577	7,859,833	3,505,668	23,133,078
Charge for period	2,419,037	1,187,926	721,783	4,328,746
Disposals	(65,000)	-	-	(65,000)
At 31 July 2014	14,121,614	9,047,759	4,227,451	27,396,824
Net book value				
At 31 July 2014	116,649,036	1,881,807	686,090	119,216,933
At 31 July 2013	81,623,097	1,268,352	644,673	83,536,122
Financed by Capital Grant	32,407,802	226,347	515,807	33,149,956
Other	84,241,234	1,655,460	170,283	86,066,977
Net Book Value				
At 31 July 2014	116,649,036	1,881,807	686,090	119,216,933

The depreciation charge for the year has been funded by:

	Consolidated		University	
	Year ended 31 July 2014 £	Year ended 31 July 2013 £	Year ended 31 July 2014 £	Year ended 31 July 2013 £
Deferred capital grant released	885,856	650,230	885,856	650,230
Other income	3,469,883	2,734,445	3,442,890	2,621,437
	4,355,739	3,384,675	4,328,746	3,271,667

The only disposal during the year was the sale of 8 Hunters Walk for £200,000. This was the net book value so there was nil gain or loss on this disposal.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 July 2014

10 TANGIBLE FIXED ASSETS (continued)

Investments in subsidiary undertakings

	Group Holding %	2014 £	2013 £	Description
Chester Housing Ltd	100	5	5	Provision and administration of student accommodation
Chester Conferences Ltd	100	5	5	Provision of Conference and short course facilities
North West Universities European Unit Ltd	100	1	1	Facilitation and engagement with European Structural Fund
Thornton Research Properties	100	2	-	Commercial Leases at Thornton Science Park
	<u>100</u>	<u>13</u>	<u>11</u>	

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

11. STOCKS

	Consolidated		University	
	Year ended 31 July 2014 £	Year ended 31 July 2013 £	Year ended 31 July 2014 £	Year ended 31 July 2013 £
Fuel, food and provisions	44,058	43,215	44,058	43,215

12. DEBTORS FALLING DUE WITHIN ONE YEAR

	Consolidated		University	
	Year ended 31 July 2014 £	Year ended 31 July 2013 £	Year ended 31 July 2014 £	Year ended 31 July 2013 £
Tuition fee debtors	726,633	565,128	726,633	565,128
Trade debtors	578,548	105,239	37,322	60,346
Other debtors	1,083,390	932,957	1,083,390	932,973
Owed by subsidiary	-	-	1,468,189	5,293,432
Prepayments and accrued income	3,030,159	1,079,758	2,610,354	903,559
	<u>5,418,730</u>	<u>2,683,082</u>	<u>5,925,888</u>	<u>7,755,438</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 July 2014

13. INVESTMENTS

	Consolidated		University	
	Year ended 31 July 2014 £	Year ended 31 July 2013 £	Year ended 31 July 2014 £	Year ended 31 July 2013 £
Cost				
Money market investment	21,193,061	14,895,416	21,193,061	14,650,368

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Consolidated		University	
	Year ended 31 July 2014 £	Year ended 31 July 2013 £	Year ended 31 July 2014 £	Year ended 31 July 2013 £
Tuition fees received in advance	1,684,700	1,482,048	1,684,700	1,482,048
Trade creditors	7,033,561	5,763,410	6,986,954	5,736,524
Bank overdraft	130,409	53,620	130,409	53,620
Bank loan	2,017,240	1,615,482	2,017,240	1,615,482
Taxation and social security	1,057,344	971,051	1,041,580	964,437
Owed to subsidiary	-	-	57,431	50,354
Other creditors	996,084	813,637	850,286	790,893
Accruals and deferred income	7,203,628	4,405,024	6,881,829	4,142,400
As at end of year	20,122,966	15,104,272	19,650,428	14,835,758

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 July 2014

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

	Consolidated		University	
	Year ended 31 July 2014 £	Year ended 31 July 2013 £	Year ended 31 July 2014 £	Year ended 31 July 2013 £
Creditors that fall due between one and five years				
Bank loans	8,375,122	7,371,801	8,375,122	7,371,801
Creditors that fall due after more than five years				
Bank loans	32,735,699	28,547,943	32,735,699	28,547,943
	<u>41,110,821</u>	<u>35,919,744</u>	<u>41,110,821</u>	<u>35,919,744</u>

Analysis of borrowings at 31 July 2014

The University's bank loans are as follows:

Loan Value at 31 July 2014	Fixed/Variable	Interest Rate	Term	secured/unsecured
£385,000	Variable	2.28%	2016	unsecured
£4,726,672	Fixed	5.94%	2026	secured
£2,320,000	Fixed	5.31%	2028	unsecured
£2,074,468	Variable	0.88%	2031	secured
£5,588,305	Fixed	5.55%	2031	secured
£8,985,333	Fixed	5.56%	2034	unsecured
£4,122,033	Variable	5.62%	2038	unsecured
£9,106,250	Fixed	5.62%	2038	unsecured
£5,820,000	Fixed	3.11%	2038	unsecured
£43,128,061				

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 July 2014

16. PROVISION FOR LIABILITIES

	Consolidated		University	
	Year ended 31 July 2014 £	Year ended 31 July 2013 £	Year ended 31 July 2014 £	Year ended 31 July 2013 £
Pension enhancement				
At beginning of year	704,109	687,760	704,109	687,760
Additional provision in year (note 8)	138,348	67,466	138,348	67,466
	<u>842,457</u>	<u>755,226</u>	<u>842,457</u>	<u>755,226</u>
Utilised in the year	(52,507)	(51,117)	(52,507)	(51,117)
At end of year	<u>789,950</u>	<u>704,109</u>	<u>789,950</u>	<u>704,109</u>

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

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

	2014 %	2013 %
Discount Rate	0.74	1.07
Inflation	<u>3.32</u>	<u>3.22</u>

17. DEFERRED CAPITAL GRANTS – FUNDING COUNCIL

	Consolidated		University	
	Year ended 31 July 2014 £	Year ended 31 July 2013 £	Year ended 31 July 2014 £	Year ended 31 July 2013 £
Buildings				
At beginning of year	12,153,046	12,330,538	12,153,046	12,330,538
Received in year	20,871,952	98,160	20,871,952	98,160
Released to Income and Expenditure	(617,196)	(275,652)	(617,196)	(275,652)
At end of year	<u>32,407,802</u>	<u>12,153,046</u>	<u>32,407,802</u>	<u>12,153,046</u>
Equipment				
At beginning of year	389,009	602,211	389,009	602,211
Received in year	621,805	161,376	621,805	161,376
Released to Income and Expenditure	(268,660)	(374,578)	(268,660)	(374,578)
At end of year	<u>742,154</u>	<u>389,009</u>	<u>742,154</u>	<u>389,009</u>
Total Deferred Capital Grants	<u>33,149,956</u>	<u>12,542,055</u>	<u>33,149,956</u>	<u>12,542,055</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 July 2014

18. SPECIFIC ENDOWMENTS

	Consolidated and University		
	Restricted Expendable £	Restricted Permanent £	Total £
Investment Assets:			
Capital value	191,328	130,000	321,328
Accumulated income	28,757	-	28,757
As at beginning of year	220,085	130,000	350,085
Additions	3,160	-	3,160
Interest received	1,743	-	1,743
Expenditure for year	(1,359)	-	(1,359)
As at 31 July end of year	223,629	130,000	353,629
Financed by:			
Capital value	194,488	130,000	324,488
Accumulated income	29,141	-	29,141
	223,629	130,000	353,629

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

19. INCOME AND EXPENDITURE ACCOUNT

	Year ended 31 July 2014 £	Year ended 31 July 2013 £
At beginning of year	29,642,330	20,959,513
Retained surplus for the year	9,184,513	4,797,817
Actuarial gains in respect of pension scheme	2,035,000	3,885,000
At end of year	40,861,843	29,642,330

The surplus above is the consolidated surplus. The University surplus for the year is £9,253,881

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 July 2014

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

	Year ended 31 July 2014 £	Year ended 31 July 2013 £
Surplus from operating activities	9,184,897	4,798,358
Depreciation	4,355,739	3,384,675
Release of capital grant	(885,856)	(650,230)
Investment income	(115,547)	(81,733)
Interest paid	2,145,919	1,877,761
Pension costs less contributions payable	1,194,000	1,132,000
Increase in stocks	(843)	(2,418)
Increase in debtors	(2,735,648)	(383,783)
Increase in creditors	4,540,147	1,638,573
Increase in provisions	85,841	16,349
	<u>17,768,649</u>	<u>11,729,552</u>

21. ANALYSIS OF CHANGES IN NET DEBT

	2013 £	Change £	2014 £
Cash at bank and in hand	1,297,103	927,584	2,224,687
Bank overdraft	(53,620)	(76,789)	(130,409)
Current asset investment	14,895,416	6,297,645	21,193,061
Endowment asset investment	350,085	3,544	353,629
Unsecured Loan	(37,535,226)	(5,592,835)	(43,128,061)
	<u>(21,046,242)</u>	<u>1,559,149</u>	<u>(19,487,093)</u>

22. COMMITMENTS

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

	2014 £	2013 £
Land & buildings		
Operating leases which expire:		
Within one year	-	-
In the second to fifth years inclusive	-	70,500
Other leases		
Operating leases which expire:		
Within one year	3,999	8,827
In the second to fifth years inclusive	96,197	103,052
	<u>100,196</u>	<u>182,379</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 July 2014

22. COMMITMENTS (continued)

Capital commitments are as follows:	2014	2013
	£	£
Contracted for but not provided for:		
Accommodation and multi-purpose buildings	-	13,578,118
Other	2,259,159	-
	<u>2,259,159</u>	<u>13,578,118</u>

23. HARDSHIP FUNDS AND TRAINING BURSARY PAYMENTS

	Year ended 31 July 2014 £	Year ended 31 July 2013 £
Hardship funds		
Opening balance	5,542	2,678
Funding Council grants	245,219	232,697
Interest earned	37	31
	<u>250,798</u>	<u>235,406</u>
Total funds available for disbursement	250,798	235,406
Disbursed to students	(236,979)	(223,434)
Administration fee	(7,358)	(6,520)
	<u>6,461</u>	<u>5,542</u>
At end of year	<u>6,461</u>	<u>5,542</u>

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

	Year ended 31 July 2014 £	Year ended 31 July 2013 £
Training Bursaries		
Grant received from NCTL	1,851,600	1,486,610
Payments to trainees	(1,782,775)	(1,516,332)
	<u>68,825</u>	<u>(29,722)</u>
Overpayment/(Underpayment) of grant by NCTL	<u>68,825</u>	<u>(29,722)</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 July 2014

24. PENSION SCHEME

Contributions to the schemes are charged to the Income and Expenditure account so as to spread the cost of the pensions over the employees' working lives with the University of Chester. The pension charge for the year was £7,064,607 (2013: £6,219,065) which includes £52,507 (2013: £51,117) in respect of enhanced pension entitlements of staff taking early retirement under the reorganisation programme. The calculation of the cost of early retirement provisions charged to the Income and Expenditure account in the year of retirement is based on the total capital cost of providing enhanced pensions with allowance for future investment returns at 4% in excess of price inflation.

An amount of £789,950 (2013: £704,109) is included in provisions for liabilities and charges representing the extent to which the capital cost charged exceeds actual payments made. The provision will be released against the cost to the University of enhanced pension entitlements over the estimated life expectancy of each relevant employee. Were the institution to close and there was no successor establishment, the Secretary of State would become the compensating authority.

Teachers' Pension Scheme

The Teachers' Pension Scheme is an unfunded defined benefit scheme. Contributions on a pay as you go basis are credited to the exchequer under arrangements governed by the Superannuation Act 1972. The total contribution for the year ended 31 July 2014 was £5,172,276 (2013: £4,501,353) of which the employers' contributions totalled £3,054,882 (2013: £2,798,978) and the employees' contributions totalled £2,117,394 (2013: £1,702,375). The pensions cost is assessed every five years in accordance with the advice of the government actuary. The assumptions and other data that have the most significant effect on the determination of the contribution levels are as follows:

Latest actuarial valuations	31 March 2004
Actuarial method	Prospective Benefits
Investment returns per annum	3.5%
Salary scale increases per annum	1.5%
Market value of assets at date of last valuation	£163,240m
Proportion of members' accrued benefits covered by the actuarial value of the assets	98%

Following the implementation of Teachers' Pensions (Employers' Supplementary Contributions) Regulations 2000, the government actuary carried out a further review on the level of employers' contributions. The employer contributions for the year were paid at the rate of 14.1%. Employee contribution rates are dependant on salary levels and were in bandings between 6.4% - 11.2% up the end of March 2014, and between 6.4% - 12.4% subsequently.

Financial Reporting Standard 17 – Retirement Benefits

The TPS is a multi-employer scheme where the share of assets and liabilities applicable to each employer is not identified. The University accounts for its pension costs on a defined contribution basis as permitted by FRS 17.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 July 2014

24. PENSION SCHEME (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 2014 was £3,862,043 (2013: £3,276,573) of which the employers' contributions totalled £2,826,600 (2013: £2,284,287) and employees' contributions totalled £1,035,443 (2013: £992,286). The agreed contribution rates for future years are 15.2% for employers and in bandings between 5.5% - 7.5% up to March 2014, and 5.5%-12.5% from April 2014 for employees depending on the level of their salary.

Valuation date	31 March 2013
Valuation methods	Projected Unit Method
Value of notional needs	£55.0 million
Funding level of accrued benefits	93.5%
Investment return per annum	4.6%
Salary scale increases per annum	3.3%

FRS 17

The following information is based upon a full actuarial valuation of the fund as at 31 March 2013 updated to July 2014 by a qualified independent actuary.

	31 July 2014 %	31 July 2013 %	31 July 2012 %
Inflation	5.5	2.8	2.2
Rate of increases in salaries	3.5	5.1	4.5
Rate of increase in pensions	2.7	5.7	2.2
Discount rate for liabilities	4.1	4.6	4.1

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

	31 July 2014	31 July 2013
Retiring today		
Males	22.3	22.9
Females	24.4	25.7
Retiring in 20 years		
Males	24.1	24.9
Females	26.7	27.7

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 July 2014

24. PENSION SCHEME (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 and the expected rates of return were:

	Long term rate of return expected at 31 July 2014 %	31 July 2014 £000	Long term rate of return expected at 31 July 2013 %	31 July 2013 £000
Equities	6.6	36,874	6.4	39,238
Bonds	3.8	12,291	3.4	6,801
Property	4.7	4,302	4.6	3,139
Cash	3.6	7,989	3.4	3,139
Total market value of assets		61,456		52,317

The above asset values as at 31 July 2014 are at bid value as required under FRS17.

	2014 £'000	2013 £000	2012 £000
University's estimated asset share	61,456	52,317	41,934
Present value of scheme liabilities	(73,521)	(65,223)	(57,593)
Deficit in the scheme	(12,065)	(12,906)	(15,659)

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

	2014 £'000	2013 £000	2012 £000
Balance sheet presentation			
Net assets excluding FRS 17 pension liability	86,904	55,440	49,901
Net pension liability	(12,065)	(12,906)	(15,659)
Net assets including FRS 17 pension liability	74,839	42,534	34,242
Reserves note			
Income & expenditure account excluding FRS 17 pension liability	53,061	42,548	36,619
Pension reserve	(12,065)	(12,906)	(15,659)
Income & expenditure account including FRS 17 pension liability	40,996	29,642	20,960

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 July 2014

24. PENSION SCHEME (continued)

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

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

	2014	2013
	£'000	£000
Service cost	3,851	3,384
Total operating charge	<u>3,851</u>	<u>3,384</u>
Analysis of net return on pension scheme	2014	2013
	£'000	£000
Expected return on pension scheme assets	3,054	2,078
Impact on pension scheme liabilities	(3,085)	(2,433)
Net charge	<u>(31)</u>	<u>(355)</u>
Amounts recognised in the statement of total recognised gains and losses	2014	2013
	£'000	£000
Actuarial loss – defined benefit obligations	(1,397)	(1,684)
Actuarial gain – fair value of employer assets	3,432	5,569
Actuarial gain	<u>2,035</u>	<u>3,885</u>

The cumulative amount of actuarial gains and losses recognised in the statement of total recognised gains and losses since the adoption of FRS 17 is £5.6 million (2013: £3.96 million).

Movement in deficit during the year

	2014	2013
	£'000	£000
Deficit in scheme at beginning of year	(12,906)	(15,659)
Movement in year:		
Current service charge	(3,851)	(3,384)
Employer contributions	2,688	2,607
Net charge on assets	(31)	(355)
Actuarial gain	2,035	3,885
Net charge	<u>(12,065)</u>	<u>(12,906)</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 July 2014

24. PENSION SCHEME (continued)

	2014 £'000	2013 £000
Liabilities at start of year	65,223	57,593
Service cost	3,851	3,384
Interest cost	3,085	2,433
Employee contributions	1,047	994
Actuarial loss	1,397	1,684
Benefits paid	(1,082)	(865)
	<hr/>	<hr/>
Liabilities at end of year	73,521	65,223

	2014 £'000	2013 £000
Assets at start of year	52,317	41,934
Expected return on assets	3,054	2,078
Actuarial gain	3,432	5,569
Employer contributions	2,688	2,607
Employee contributions	1,047	994
Benefits paid	(1,082)	(865)
	<hr/>	<hr/>
Assets at end of year	61,456	52,317

History of experience gains or losses

	2014 £'000	2013 £'000	2012 £'000	2011 £'000	2010 £'000
Difference between expected and actual return on assets:					
Amount	3,432	5,569	(1,216)	2,649	3,280
% of scheme assets	6%	11%	(3%)	7%	11%
Experience gains and losses on scheme liabilities:					
Amount	1,397	1,684	7,361	(4,467)	-
% of scheme liabilities	2%	3%	13%	(10%)	-
Total amounts recognised in statement of recognised gains and losses:					
Amount	2,035	3,885	(8,577)	7,116	2,956
% of scheme liabilities	3%	6%	(15%)	16%	7%

25. CONTINGENT LIABILITIES

The University had no contingent liabilities at 31 July 2014.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 July 2014

26. RELATED PARTY TRANSACTIONS

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

Grant paid by the University to the Students' Union: £300,538 (2013: £275,000)

Rent paid by the Students' Union to the University: £15,000 (2013: £15,000)

Other recharges paid to the University: £2,904 (2013: £3,885)

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