

UNIVERSITY OF CHESTER

**Annual Report and Financial
Statements for the year ended
31 July 2016**

ANNUAL REPORT AND FINANCIAL STATEMENTS
For the year ended 31 July 2016**CONTENTS**

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FINANCIAL HIGHLIGHTS

Result

During the year to 31 July 2016 (year to 31 July 2015 figures in brackets) the University:

- Generated income of £119.4 million (£119.2 million)
- Generated a surplus of £0.3 million (£7.5 million)
- Generated a net cash inflow from operating activities of £9.2 million (£13.1 million)
- Increased expenditure by £7.4 million (6.7%)

Financial Strength

At 31 July 2016 the University had:

- Cash and short term deposits of £12.4 million (£17.4 million)
- Total net assets of £51.6 million (£57.2 million)
- A defined benefit pension liability of £26.0 million (£18.1 million)

Financial Investments

During the year to 31 July 2016 the University invested £15.9 million (£19.5 million) in tangible fixed assets.

Staff and students

During the academic year the University:

- Employed an average of 1,588 members of staff (1,459)
- Taught, directly or through collaborative provision and distance learning, higher education students as follows:

		Full-Time	Other	2015/6 Total	2014/5 Total	Increase/ Decrease(-)
Home/EU	Undergraduate	7,682	1,141	8,823	8,806	0%
	Postgraduate	627	3,368	3,995	3,514	14%
	Nursing and Midwifery	1,436	956	2,392	2,391	0%
International	Undergraduate	1,215	242	1,457	1,022	43%
	Postgraduate	466	301	767	880	-13%
	Nursing and Midwifery	83	89	172	164	5%
2015/6 Total		11,509	6,097	17,606	16,777	5%
2014/5 Total		11,116	5,661	16,777		
Increase/ Decrease(-)		4%	8%	5%		

The 2015/16 figures are for students studying between August 2015 and July 2016. The 2014/15 figures are for students studying between August 2014 and July 2015.

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
 Professor A Sutton
 Mrs C Allen
 Dr C Daniels
 Mr JS Evans
 Professor JR Fisher
 The Very Reverend Professor G McPhate
 Mrs M Needham
 Mrs S Rudd
 Mrs M Steward
 Mrs S Verity

Non Foundation Members of the University Council

Mr F Ball	
Judge E Edwards	(deceased 29/01/16)
Ms K Fisher	(resigned 22/06/16)
Professor N Ford	(resigned 31/08/15)
Dr M Degg	(appointed 01/09/2015)
Professor D Garratt	
Mr J Harper	(resigned 31/07/16)
Mr N Jenkins	
Mrs C Maddaford	
Professor T McEnery	(resigned 21/06/16)
Mr D Munt	
Dr L Smith	
Councillor A Walmsley	(resigned 20/11/15)
Mr A Lee (Secretary)	

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

ADVISERS

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

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

REPORT OF THE UNIVERSITY COUNCIL For the year ended 31 JULY 2016

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 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 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 2016.

Principal activities of the University

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

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

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

The Charity has three trading wholly owned subsidiaries:

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

REPORT OF THE UNIVERSITY COUNCIL (continued)

For the year ended 31 JULY 2016

Strategic Report

In the words of Robert F Kennedy *"All of us might wish at times that we lived in a more tranquil world, but we don't. And if our times are difficult and perplexing, so are they challenging and filled with opportunity."*

This characterises the 2015-16 academic session for the University of Chester. Through its 176 years of existence, the institution has seen many changes in the national and international arena, none more so than in the current environment for British higher education. In addition to the notable uncertainties occasioned by the United Kingdom's decision to leave the European Union, particularly in respect of the nation's future economic prosperity and standing in the wider global community the English higher education sector is in the process of considerable change as the Government seeks to build upon existing assessments of research capability and outputs by introducing mechanisms for measuring the excellence of institutional teaching. Alongside these developments, the ways in which the quality and financial performance of institutions is assessed and reported upon to Government, hitherto undertaken by the Quality Assurance Agency for Higher Education, is in the process of substantial modification with Governing Bodies being required to provide clear and accountable assurances regarding the many and various institutional activities over which they preside. This is indeed a period of considerable change and challenge. Quoting another famous American, Benjamin Franklin, *'Out of adversity comes opportunity'* and, whilst necessarily paying due regard to the numerous developments taking place in the external environment, the University of Chester faces the uncertainties of the future with realism and confidence.

Why should this be so? Turnover in 2015-16 was again around £120 million for the second year running and alongside this growth in income the University again reported an operating surplus. Although undergraduate student recruitment was marginally lower than planned, other areas of the business performed well with enhancement in the University's postgraduate student population (both taught and research) and further development of the institution's various commercial activities. International recruitment and partnership activities also showed clear forward progress.

Although there were no significant increases in compared to 2014-15, applications for the wide range of programmes offered by the University continued to remain strong. Analysing the slightly disappointing fall in the ratio between applications and undergraduate enrolments there were indications that, with the lifting of the cap on undergraduate recruitment, other institutions had adopted increasingly competitive recruitment strategies. Without compromising standards, during the course of the 2015-16 academic session concerted efforts were made to re-present the University to a variety of external audiences. In addition to traditional awareness raising activities such as targeted advertising in key locations, a revised web presence was developed and the wide variety of activities taking place across the institution was more intensively promoted. Attendances at the University's public lecture series in Chester, Warrington and Shrewsbury showed encouraging improvements, attendances at the institution's Open and Applicant Days was strong and public interest in events such as the Arts and Media Showcase Event reached impressive levels. In an attempt to capture the wide range of activities the University is engaged in and contributes to the region and beyond, an Economic Impact Analysis was undertaken by an internationally renowned impact analysis research organisation. The results of the impact study were striking in a number of dimensions, not least in the fact that the University was shown to contribute in excess of £386 million per annum to the regional and national economy. The University plays a vital and pivotal role not only in the education and culture of Cheshire, Warrington, the Wirral and Shropshire but also to the continuing economic prosperity of these areas.

The growing national and international recognition of the University is attributable to a number of factors, not least the outstanding commitment and enthusiasm displayed by our staff and students. We are very much alive to the fact that our current and future success rests in continuing to provide an extremely high quality teaching experience and ensuring a friendly, inclusive approach to living and learning. The institution's wide range of courses remains up-to-date and flexible, enabling our students to design their studies around their development needs and interests. Importantly, the University continues to listen carefully to what students and employer organisations say about their respective needs, and to ensure that our provision takes advantage of the latest research, pedagogy and developments in the world of work.

REPORT OF THE UNIVERSITY COUNCIL (continued)
For the year ended 31 JULY 2016

In a competitive and challenging environment, our employment performance indicators continue to show that over 94% of our students secure employment or are in further study within six months of graduating. Once again, the 2016 National Student Survey results indicated that overall satisfaction levels at the University, recorded at 87%, remained above the national average. 91% of our students indicated that they would recommend the institution to a friend.

In providing 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 again continued to invest very substantially in existing and new estate projects. These developments have included: continuing investment in the Thornton site; the further development of a higher education presence in Shrewsbury; the opening of a new Business and Management facility in central Chester; a very substantial and significant expansion in the University's main learning resource centre on the Exton Park Campus; the establishment of a Foundation School; active involvement with the Government's Higher Apprenticeship strategy; and, alongside the creation of substantial new laboratory facilities, the continued development of undergraduate Medical provision.

The journey taken by the University during the course of 2015-16 has not been without its challenges. Further work has been undertaken to help ensure that the contributions made by Thornton, Warrington and Shrewsbury are at levels commensurate with our forward business planning assumptions. This work will continue. Mirroring developments elsewhere in the sector, further work has also been undertaken on seeking to secure a better understanding of the issues associated with the transition into higher education for new students and the ways in which the retention of such students can be enhanced. Similarly, attention has been given to the ways in which employment and life skills can at all levels of study be linked more closely to the academic journey being taken by our students. In this regard, and reflecting our founding Mission, the University is acutely conscious of the importance of the 'student voice' and continues to work particularly closely with the Students' Union to extend and enhance the services we provide to our students. This work will continue with a particular emphasis on student attendance reporting, which will enable the University to make more timely and targeted interventions to help those students who may be experiencing difficulties. As part of the process of responding to the challenging external environment and improving the efficiency of its operations, the University regretted having to restructure staffing in several areas, resulting in the loss of a number of posts. These measures will better place the University for the further challenges which undoubtedly still lie ahead.

The University 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. The University embarks upon the 2016-17 academic session with appropriate optimism about its future plans.

REPORT OF THE UNIVERSITY COUNCIL (continued)
For the year ended 31 JULY 2016

Financial review

	Year ended 31 July 2016	Year ended 31 July 2015
Financial Performance indicator		
Surplus for the year	£0.26m	£7.53m
Margin %	0.2%	6.3%
Staff costs as % of income	56.7%	51.0%
Cash inflow from operating activities	£9.2m	£13.1m
Current assets ratio	0.73	1.08
Net liquidity (days)	40	60
(Number of days expenditure held as cash/investments, based on total expenditure less depreciation)		

Financial Performance in 2015/16 compared to previous year:

	Year ended 31 July 2016 £'000	Year ended 31 July 2015 £'000
Income	119,414	119,247
Expenditure	(119,159)	(111,715)
Surplus	255	7,532

- University income has increased by £0.17m (0.1%).
 - Grant income decreased by £2.5m (20.0%), this was due to a fall in HEFCE grant of £2.9m, and NCTL grant of £0.2m.
 - Tuition fees increased by £3.6m (4.2%), this was due to increased Full Time Undergraduate fees.
- Expenditure increased by £7.4m (6.7%)
 - Staffing costs increased by £6.8m (11.2%), this increase was as a result of an increase in staff numbers (8.8%) pay awards (1.0%) and payment of salary increments for staff not at the top of their salary band.
 - Depreciation increased by £1.6m (30.2%).
 - Other operating expenses decreased by £1.2m (2.8%).
- The University invested £15.9m in fixed assets. The largest investments included:
 - A large extension to the Seaborne library on the Parkgate Road campus; and
 - Establishing the new Queens Park Campus as the home of the Faculty of Business & Management.

REPORT OF THE UNIVERSITY COUNCIL (continued)
For the year ended 31 JULY 2016

Risks and uncertainties

Like all Universities, there are risks around the recent referendum result which means that the UK will leave the European Union. This creates uncertainties across several areas of activity, particularly grant funding for research and commercial projects and future funding for undergraduate students from Europe. In addition the University has two projects – Thornton Science Park (opened 2014) and University Centre Shrewsbury (opened 2015) which are both in early development phases. More generally there is an upward pressure on running costs particularly payroll costs driven by changes to national insurance contributions and employer pension costs. Therefore the University is taking measures to minimise costs and maximise efficiencies however the surplus is expected to be between 0.5-1.0% in 2016-17.

Applications and resulting recruitment for 2016/17 were healthy, with intake at level 4 and below around 5% higher than for 2015/16 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.

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 £21,000 a year. It is felt that these measures contribute to widening participation and ensure that the opportunity to participate is not restricted by the ability to pay fees.

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

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

REPORT OF THE UNIVERSITY COUNCIL (continued)
For the year ended 31 JULY 2016

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 2016

Strategies employed to achieve the objectives (continued)

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

Investment powers and policy

The Charity invests funds on short-term deposit to ensure a safe and reasonable level of interest is earned and assists the Charity in achieving its objectives. The interest earned within the year amounted to £40k (2015: £107k).

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 2016 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 2016:

Unrestricted: £77,189k (2015: £74,943k)
Endowments: £355k (2015: £360k)

At 31 July 2016 consolidated reserves are therefore 312% 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 1,588 (2015: 1,459). 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 2016

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 £12.4m. The budget for 2016-17 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. The reduced surpluses that the University is forecasting over the next three years reduce the headroom that exists in remaining compliant with the financial covenants on long term borrowing. However the budget for 2016-17 and beyond indicate that the University will meet these covenants.

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

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

Conclusion

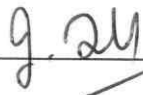
The University has had a successful year. Despite reductions in public funding and upward pressure on costs, the University is well placed to manage challenges in the coming years, due to careful cost management and the strong demand for the University's courses across all its faculties which should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

President of the Council: _____



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

Deputy President of the Council: _____



Canon J Turnbull

22nd November 2016

CORPORATE GOVERNANCE STATEMENT

For the year ended 31 JULY 2016

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.

Following the publication of the new CUC Higher Education Code of Governance in December 2014 the University Council established a working group to assess current compliance and identify areas of change. Work in this area continues via the newly designated Nominations and Governance Review Committee and subsequent annual reports will reflect the University's implementation of the new Code.

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 2016.

The Council

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

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

Policy Committee

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

General Purposes Committee

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

Nominations and Governance Review Committee

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

CORPORATE GOVERNANCE STATEMENT (continued)

For the year ended 31 JULY 2016

Human Resources Committee

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

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

Senior Salaries Remuneration Committee

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

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 is a professional member who is not a Member 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 2016 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.

CORPORATE GOVERNANCE STATEMENT (continued)
For the year ended 31 JULY 2016

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 2016 by considering documentation from the Vice-Chancellor and the Audit and Risk Management Committee, and took account of events since 31 July 2016.

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

22nd November 2016

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 2015 and applicable United Kingdom law, 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 and 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 National College for Teaching and Learning 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 2016 which comprise the Consolidated and University Statement of Comprehensive Income and Expenditure, the Consolidated and University Statements of Changes in Reserves, the Consolidated and University Balance Sheets, the Consolidated Cash Flow Statement, the Statement of Accounting Policies and the related notes 1 – 23. 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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" 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 2016 and of the Group and University'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.

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

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 2016 have been applied for the purposes for which they were received;
- income during the year ended 31 July 2016 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; and
- the requirements of HEFCE's accounts direction have been met.

Deloitte UK

Deloitte LLP
Chartered Accountants and Statutory Auditor
Manchester, United Kingdom
Date: 22nd November 2016

CONSOLIDATED AND UNIVERSITY STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE
YEAR ENDED 31 JULY 2016

	Notes	Year ended 31 July 2016		Year ended 31 July 2015	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
Income					
Tuition fees and education contracts	1	89,394	89,394	85,774	85,774
Funding body grants	2	9,828	9,828	12,285	12,285
Research grants and contracts	3	1,564	1,564	1,440	1,440
Other income	4	18,577	17,534	19,635	17,686
Investment income	5	40	39	107	107
Total income before endowments and donations		119,403	118,359	119,241	117,292
Donations and endowments	6	11	11	6	6
Total income		119,414	118,370	119,247	117,298
Expenditure					
Staff costs	7	67,653	67,295	60,830	60,427
Other operating expenses	9	41,648	41,115	42,860	41,767
Depreciation	11	6,954	6,954	5,343	5,343
Interest and other finance costs	8	2,904	2,904	2,682	2,682
Total expenditure		119,159	118,268	111,715	110,219
Surplus for the year		255	102	7,532	7,079

CONSOLIDATED AND UNIVERSITY STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE (continued)
YEAR ENDED 31 JULY 2016

	Notes	Year ended 31 July 2016		Year ended 31 July 2015	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
Surplus for the year		255	102	7,532	7,079
Actuarial loss in respect of pension schemes	22	(5,913)	(5,913)	(4,930)	(4,930)
Total comprehensive (expense)/ income for the year		(5,658)	(5,811)	2,602	2,149
Represented by:					
Endowment comprehensive income for the year		(5)	(5)	6	6
Unrestricted comprehensive income for the year		(5,653)	(5,806)	2,596	2,143
Attributable to the University		(5,658)	(5,811)	2,602	2,149
Surplus for the year attributable to:					
University		255	102	7,532	7,079

All items of income and expenditure relate to continuing activities.

**CONSOLIDATED AND UNIVERSITY STATEMENTS OF CHANGES IN RESERVES
YEAR ENDED 31 JULY 2016**

Consolidated	Income and Expenditure Account		Total
	<i>Endowment</i>	<i>Unrestricted</i>	
	£'000	£'000	
Balance at 1 August 2014	354	54,272	54,626
Surplus from the statement of comprehensive income and expenditure	6	7,526	7,532
Other comprehensive expense	-	(4,930)	(4,930)
Total comprehensive income for the year	6	2,596	2,602
Balance at 1 August 2015	360	56,868	57,228
Surplus from the statement of comprehensive income and expenditure	11	244	255
Other comprehensive expense	-	(5,913)	(5,913)
Release of restricted funds spent in year	(16)	16	-
Total comprehensive expense for the year	(5)	(5,653)	(5,658)
Balance at 31 July 2016	355	51,215	51,570

See Note 23 for the impact of the transition to FRS 102.

CONSOLIDATED AND UNIVERSITY STATEMENTS OF CHANGES IN RESERVES
(continued)
YEAR ENDED 31 JULY 2016

University	Income and Expenditure Account		Total
	<i>Endowment</i>	<i>Unrestricted</i>	
	£'000	£'000	£'000
Balance at 1 August 2014	354	53,890	54,244
Surplus from the statement of comprehensive income and expenditure	6	7,073	7,079
Other comprehensive expense	-	(4,930)	(4,930)
Total comprehensive income for the year	6	2,143	2,149
Balance at 1 August 2015	360	56,033	56,393
Surplus from the statement of comprehensive income and expenditure	11	91	102
Other comprehensive expense	-	(5,913)	(5,913)
Release of restricted funds spent in year	(16)	16	-
Total comprehensive expense for the year	(5)	(5,806)	(5,811)
Balance at 31 July 2016	355	50,227	50,582

See Note 23 for the impact of the transition to FRS 102.

**CONSOLIDATED AND UNIVERSITY BALANCE SHEETS
YEAR ENDED 31 JULY 2016**

	Notes	As at 31 July 2016		As at 31 July 2015	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
Fixed assets	10	142,343	142,341	133,360	133,358
Current assets					
Stock	11	51	51	48	48
Trade and other receivables	12	5,496	5,508	5,775	5,619
Investments	13	9,045	9,045	15,036	15,036
Cash and cash equivalents	18	3,391	1,854	2,409	1,277
		<u>17,983</u>	<u>16,458</u>	<u>23,268</u>	<u>21,980</u>
Less: Creditors: amounts falling due within one year	14	<u>(24,726)</u>	<u>(24,187)</u>	<u>(21,518)</u>	<u>(21,063)</u>
Net current (liabilities)/assets		(6,743)	(7,729)	1,750	917
Total assets less current liabilities		135,600	134,612	135,110	134,275
Creditors: amounts falling due after more than one year	15	<u>(57,256)</u>	<u>(57,256)</u>	<u>(59,042)</u>	<u>(59,042)</u>
Provisions					
Provisions for liabilities	16	<u>(26,774)</u>	<u>(26,774)</u>	<u>(18,840)</u>	<u>(18,840)</u>
Total net assets		<u>51,570</u>	<u>50,582</u>	<u>57,228</u>	<u>56,393</u>
Restricted Reserves					
Income and expenditure reserve - endowment reserve	17	355	355	360	360
Unrestricted Reserves					
Income and expenditure reserve - unrestricted		<u>51,215</u>	<u>50,227</u>	<u>56,868</u>	<u>56,033</u>
Total Reserves		<u>51,570</u>	<u>50,582</u>	<u>57,228</u>	<u>56,393</u>

The financial statements were approved by the University Council on 22nd November 2016 and were signed on its behalf on that date by:



Professor T J Wheeler, Vice-Chancellor

+ 

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

**CONSOLIDATED CASH FLOW STATEMENT
YEAR ENDED 31 JULY 2016**

	Notes	Year ended 31 July 2016 £'000	Year ended 31 July 2015 £'000
Cash flow from operating activities			
Surplus for the year		255	7,532
Adjustment for non-cash items			
Depreciation	10	6,954	5,343
Increase in stock	11	(3)	(4)
Decrease/(increase) in debtors	12	279	(356)
Decrease in creditors	14	(1,129)	(1,807)
Increase in pension provision	16	2,021	1,055
Adjustment for investing or financing activities			
Investment income	5	(40)	(107)
Interest payable	8	2,211	2,176
Endowment income		(11)	(6)
Capital grant income		(1,379)	(725)
Net cash inflow from operating activities		9,158	13,101
Cash flows from investing activities			
Capital grants receipts		2,038	4,061
Withdrawal of deposits		5,991	6,511
Investment income		40	107
Payments made to acquire fixed assets		(15,937)	(19,483)
		(7,868)	(8,804)
Cash flows from financing activities			
Interest paid		(2,015)	(2,106)
Endowment cash received		11	6
New unsecured loans		443	-
Repayments of amounts borrowed		(2,094)	(2,018)
		(3,655)	(4,118)
(Decrease)/increase in cash and cash equivalents in the year		(2,365)	179
Cash and cash equivalents at beginning of the year	18	2,273	2,094
Cash and cash equivalents at end of the year	18	(92)	2,273

STATEMENT OF ACCOUNTING POLICIES YEAR ENDED 31 JULY 2016

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 2016. 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 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 Statement of Comprehensive Income and Expenditure account over the useful economic life of the asset at the same rate as the depreciation charge on the asset for which the grant was awarded.

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

Fixed assets and depreciation

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

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

STATEMENT OF ACCOUNTING POLICIES (continued)
YEAR ENDED 31 JULY 2016**Maintenance**

The University has a five year planned maintenance programme which is reviewed on an annual basis. Actual expenditure on routine and planned maintenance is charged to the Statement of Comprehensive Income and Expenditure in the year it is incurred.

Stocks

Stocks are stated at the lower of cost and net realisable value.

Provisions

Provisions are recognised when the University has a legal or constructive obligation as a result of a past event, it is probable that a transfer of economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Pension schemes

The two principal pension schemes for the University's staff are the Cheshire Pension Fund and the Teachers' Pension Scheme. Pension costs are assessed on the latest actuarial valuations of the schemes and are accounted for on the basis of FRS 102 Section 28. The Cheshire Pension Fund has a full valuation every three years carried out by professionally qualified independent actuaries and the Teachers' Pension Scheme is assessed every five years.

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

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

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.

STATEMENT OF ACCOUNTING POLICIES (continued)
YEAR ENDED 31 JULY 2016**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.

STATEMENT OF ACCOUNTING POLICIES (continued)
YEAR ENDED 31 JULY 2016

Derivatives

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

Transition to 2015 SORP

The University is preparing its financial statements in accordance with FRS 102 for the first time and consequently has applied the first time adoption requirements. An explanation of how the transition to the 2015 SORP has affected the reported financial position, financial performance and cash flows of the consolidated results of the University is provided in Note 23.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st July 2016

	Year Ended 31 July 2016		Year Ended 31 July 2015	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
1 Tuition Fees and Education Contracts				
Full-time home and EU students	66,864	66,864	60,864	60,864
Full-time international students	4,181	4,181	6,591	6,591
Part-time students	2,587	2,587	2,989	2,989
Education Contracts	13,839	13,839	13,692	13,692
Other Fees and Support Grants	1,923	1,923	1,638	1,638
	89,394	89,394	85,774	85,774
2 Funding Body Grants				
Recurrent grant				
Higher Education Funding Council	7,662	7,662	10,656	10,656
National College for Teaching and Leadership	78	78	467	467
Capital grant	1,379	1,379	725	725
Specific grants				
Higher Education Academic Subject Centres	163	163	-	-
Higher Education Innovation Fund	546	546	437	437
	9,828	9,828	12,285	12,285
3 Research Grants and Contracts				
Research councils	312	312	190	190
Research charities	209	209	230	230
Government (UK and overseas)	251	251	482	482
Industry and commerce	47	47	55	55
Other	745	745	483	483
	1,564	1,564	1,440	1,440

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31st July 2016

	Notes	Year Ended 31 July 2016		Year Ended 31 July 2015	
		Consolidated	University	Consolidated	University
		£'000	£'000	£'000	£'000
4 Other income					
Residences, catering and conferences		10,017	9,258	10,246	9,582
Other income		8,560	8,276	9,389	8,104
		18,577	17,534	19,635	17,686
Other income relates to European grants, commercial rents and other commercial income (e.g. nurseries, fitness centres)					
5 Investment income					
Investment income on endowments	17	1	1	-	-
Other investment income		39	38	107	107
		40	39	107	107
6 Donations and endowments					
New endowments	17	11	11	6	6

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31st July 2016

	Year Ended 31 July 2016		Year Ended 31 July 2015	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
7 Staff costs				
Staff costs:	£'000	£'000	£'000	£'000
Salaries	53,988	53,721	49,282	48,956
Social security costs	4,424	4,394	3,749	3,724
Other pension costs	9,241	9,180	7,799	7,747
Total	67,653	67,295	60,830	60,427

	2016 £'000	2015 £'000
Emoluments of the Vice-Chancellor:		
Salary	268	255
Benefits	3	3
Pension contributions to TPS	-	32
	271	290

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

	No.	No.
£100,000 to £109,999	5	3
£110,000 to £119,999	-	2
£120,000 to £129,999	1	-
£130,000 to £139,999	1	-
	7	5

Average staff numbers by major category:	No.	No.
Academic Departments	645	573
Academic Services	143	135
Administration/Central Services	361	338
Premises	208	196
Catering and Residence	80	73
Nursing	149	142
Other	2	2

Council Members

Reimbursements to members of University Council for expenditure incurred in attending Council and meetings of its Committees amounted to £1,929 (2015: £1,344). Council members did not receive any remuneration from the University.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31st July 2016

	Notes	Year Ended 31 July 2016		Year Ended 31 July 2015	
		Consolidated	University	Consolidated	University
		£'000	£'000	£'000	£'000
8 Interest and other finance costs					
Loan interest		2,015	2,015	2,106	2,106
Net charge on pension scheme	22	693	693	506	506
Movement in fair value of derivatives		196	196	70	70
		2,904	2,904	2,682	2,682
9 Analysis of other operating expenses by activity					
Academic and related expenditure		16,196	16,196	16,870	16,859
Administration and central services		4,870	4,898	5,051	5,047
Premises (including service concession cost)		12,578	12,249	13,415	12,672
Residences, catering and conferences		3,127	2,994	3,117	3,117
Research grants and contracts		1,086	1,086	676	676
Other expenses		3,791	3,692	3,731	3,396
		41,648	41,115	42,860	41,767
Other operating expenses include:					
External auditor's remuneration in respect of audit services		53	53	47	47
External auditor's remuneration in respect of non-audit services		27	27	32	32
Operating lease rentals					
Other		148	148	133	133

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31st July 2016

10 Fixed Assets

	Freehold Land and Buildings	Plant and Machinery	Computer Equipment	Total
	£'000	£'000	£'000	£'000
Consolidated				
Cost				
At 1 August 2015	145,900	16,046	5,763	167,709
Additions	9,529	5,170	1,238	15,937
At 31 July 2016	155,429	21,216	7,001	183,646
Depreciation				
At 1 August 2015	17,837	11,570	4,942	34,349
Charge for the year	2,917	3,087	950	6,954
At 31 July 2016	20,754	14,657	5,892	41,303
Net book value				
At 31 July 2016	134,675	6,559	1,109	142,343
At 31 July 2015	128,063	4,476	821	133,360
University				
Cost				
At 1 August 2015	144,940	15,394	5,763	166,097
Additions	9,529	5,170	1,238	15,937
At 31 July 2016	154,469	20,564	7,001	182,034
Depreciation				
At 1 August 2015	16,880	10,917	4,942	32,739
Charge for the year	2,916	3,088	950	6,954
At 31 July 2016	19,796	14,005	5,892	39,693
Net book value				
At 31 July 2016	134,673	6,559	1,109	142,341
At 31 July 2015	128,060	4,477	821	133,358

At 31 July 2016, freehold land and buildings included £7.8m (2015 - £7.8m) in respect of freehold land and is not depreciated.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31st July 2016

11 Stock

	Year ended 31 July 2016		Year ended 31 July 2015	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
General consumables	51	51	48	48

12 Trade and other receivables

	Year ended 31 July 2016		Year ended 31 July 2015	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Tuition fee receivables	552	552	794	794
Other trade receivables	681	63	1,009	43
Other receivables	2,366	2,366	916	916
Prepayments and accrued income	1,897	1,771	3,056	2,703
Amounts due from subsidiary companies	-	756	-	1,163
	<u>5,496</u>	<u>5,508</u>	<u>5,775</u>	<u>5,619</u>

13 Current Investments

	Year ended 31 July 2016		Year ended 31 July 2015	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Short term deposits	9,045	9,045	15,036	15,036

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 2016 the weighted average interest rate of these fixed rate deposits was 4.73% 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31st July 2016

14 Creditors: amounts falling due within one year

	Year ended 31 July 2016		Year ended 31 July 2015	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Bank overdraft	3,483	3,483	136	136
Secured loans*	758	758	747	747
Unsecured loans	1,599	1,599	1,298	1,298
Trade payables	10,074	9,992	9,311	9,216
Social security and other taxation payable	1,465	1,333	1,212	1,197
Accruals and deferred income	7,347	7,022	8,814	8,469
	<u>24,726</u>	<u>24,187</u>	<u>21,518</u>	<u>21,063</u>

* The bank loans are secured on freehold properties owned by the University with a carrying value of £7.6m (2015: £7.7m), over which the lender holds a legal charge.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31st July 2016

15 Creditors: amounts falling due after more than one year

	Year ended 31 July 2016		Year ended 31 July 2015	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Deferred income	18,590	18,590	18,609	18,609
Derivatives	1,565	1,565	1,369	1,369
Secured loans	10,149	10,149	10,908	10,908
Unsecured loans	26,952	26,952	28,156	28,156
	<u>57,256</u>	<u>57,256</u>	<u>59,042</u>	<u>59,042</u>

Analysis of secured and unsecured loans:

Due within one year or on demand (Note 15)	2,357	2,357	2,045	2,045
Due between one and two years	2,144	2,144	2,040	2,040
Due between two and five years	6,448	6,448	6,241	6,241
Due in five years or more	28,509	28,509	30,784	30,784
Due after more than one year	<u>37,101</u>	<u>37,101</u>	<u>39,065</u>	<u>39,065</u>
Total secured and unsecured loans	<u>39,458</u>	<u>39,458</u>	<u>41,110</u>	<u>41,110</u>
Secured loans repayable by 2031	10,908	10,908	11,654	11,654
Unsecured loans repayable by 2038	28,550	28,550	29,456	29,456
	<u>39,458</u>	<u>39,458</u>	<u>41,110</u>	<u>41,110</u>

Included in loans are the following:

Lender	Amount £'000	Term	Interest rate %	Borrower
Santander	245	2016	2.34%	University
Barclays	3,939	2026	5.94%	University
Barclays	2,000	2028	5.31%	University
Barclays	1,819	2031	0.84%	University
Barclays	5,150	2031	5.55%	University
Lloyds TSB	8,487	2034	5.55%	University
Santander	3,767	2038	5.62%	University
Santander	8,323	2038	5.62%	University
Santander	5,340	2038	3.11%	University
Salix	159	2019	interest free	University
Salix	229	2019	interest free	University
TOTAL	<u>39,458</u>			

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31st July 2016

16 Provisions for liabilities

Consolidated	Pension enhancements on termination	Pension scheme provision under FRS 102 (Note 22)	Total
	£'000	£'000	Provisions £'000
At 1 August 2015	765	18,075	18,840
Utilised in year	(51)	-	(51)
Additions in year	86	7,899	7,985
At 31 July 2016	800	25,974	26,774

University	Pension enhancement on termination	Pension scheme provision under FRS 102 (note 22)	Total
	£'000	£'000	Provisions £'000
At 1 August 2015	765	18,075	18,840
Utilised in year	(51)	-	(51)
Additions in year	86	7,899	7,985
At 31 July 2016	800	25,974	26,774

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

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

Pension enhancement

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

	Consolidated	
	2016	2015
Discount rate	2.5%	3.7%
Inflation	2.9%	3.7%

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31st July 2016

17 Endowment Reserves

Restricted net assets relating to endowments are as follows:

	Restricted permanent endowments	Expendable endowments	2016 Total	2015 Total
	£'000	£'000	£'000	£'000
Balances at 1 August 2015				
Capital	130	200	330	325
Accumulated income	-	30	30	29
	130	230	360	354
New endowments	-	11	11	6
Investment income	-	1	1	2
Expenditure	-	(17)	(17)	(2)
	-	-	-	-
Total endowment comprehensive income for the year	-	(5)	(5)	6
At 31 July 2016	130	225	355	360
Represented by:				
Capital	130	200	330	330
Accumulated income	-	25	25	30
	130	225	355	360
Analysis by type of purpose:				
Prize funds	-	60	60	61
General	130	165	295	299
	130	225	355	360
Analysis by asset				
Cash & cash equivalents	-	-	355	360

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31st July 2016

18 Cash and Cash Equivalents

	Notes	At 1st August 2015 £'000	Cash Flows £'000	At 31st July 2016 £'000
Consolidated				
Cash and cash equivalents		2,409	982	3,391
Bank overdraft	14	(136)	(3,347)	(3,483)
		<u>2,273</u>	<u>(2,365)</u>	<u>(92)</u>

19 Lease Obligations

Total rentals payable under operating leases:

	31 July 2016		31 July 2015
	Other leases	Total	Total
	£'000	£'000	£'000
Payable during the year			
Future minimum lease payments due:			
Not later than 1 year	120	120	-
Later than 1 year and not later than 5 years	150	150	125
Total lease payments due	<u>270</u>	<u>270</u>	<u>125</u>

Lease obligations relate to vehicle leases.

20 Events after the reporting period

From 1st August 2016 the University has entered into a strategic alliance with Reaseheath College. The primary objectives are to ensure that:

- Their respective missions and strategic goals and objectives are consistent and complementary;
- There are demonstrable mutual benefits and synergies to both parties arising from the Alliance; and
The educational provision offered by each party is complementary and vocationally relevant and affords
- greater choice to students whilst complementing and avoiding duplication of the provision offered by the other.

21 Subsidiary Undertakings

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31st July 2016

22 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 £9,241,487 (2015: £7,242,981) which includes £51,247 (2015: £50,958) 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 £799,590 (2015: £764,523) 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 2016 was £7,008,898 (2015: £5,922,731) of which the employers' contributions totalled £4,342,612 (2015: £3,397,139) and the employees' contributions totalled £2,666,286 (2015: £2,525,592). 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	3.50%
Salary scale increases per annum	1.50%
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% in August 2015, 16.48% subsequently. Employee contribution rates are dependent on salary levels and were in bandings between 5.5%-12.5%.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31st July 2016

22 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 2016 was 4,684,032 (2015: £3,709,102) of which the employers' contributions totalled £3,488,343 (2015: £2,581,156) and employees contributions totalled £1,195,689 (2015: £1,127,947). The agreed contribution rates for future years are 15.2% 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 2013
Valuation Method	Projected Unit Method
Value of notional needs	£55.0 Million
Funding level of accrued benefits	93.50%
Investment return per annum	4.60%
Salary scale increases per annum	3.30%

The following information is based upon a full actuarial valuation of the fund as at 31 March 2013 updated to July 2016 by a qualified independent actuary.

	31 July 2016	31 July 2015	31 July 2014
	%	%	%
Inflation	2.9	3.7	5.5
Rate of increases in salaries	2.9	3.6	3.5
Rate of increase in pensions	1.9	2.7	2.7
Discount rate for liabilities	2.5	3.7	4.1

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

	31 July 2016	31 July 2015
	%	%
Retiring today		
Males	22.3	22.3
Females	24.4	24.4
Retiring in 20 years		
Males	24.1	24.1
Females	26.7	26.7

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31st July 2016

22 Pension Schemes (continued)

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

	31 July 2016 £'000	31 July 2015 £'000
Equities	45,263	34,971
Bonds	29,627	28,547
Property	5,761	6,423
Cash	1,646	1,427
Total market value of assets	<u>82,297</u>	<u>71,368</u>

The above asset values as at 31 July 2016 are at bid value as required under FRS 102 Section 28:

	2016 £'000	2015 £'000
University's estimated asset share	82,297	71,368
Present value of scheme liabilities	(108,271)	(89,443)
Deficit in the scheme	<u>(25,974)</u>	<u>(18,075)</u>

Under FRS 102 Section 28, provision has been made by the University for the institution's share of the deficit in the scheme and the following entries were made:

	31 July 2016 £'000	31 July 2015 £'000	31 July 2014 £'000
Balance sheet presentation			
Net assets excluding pension liability	78,313	98,543	86,904
Net pension liability	(25,974)	(18,075)	(12,065)
Net assets including pension liability	<u>52,339</u>	<u>80,468</u>	<u>74,839</u>
Reserves note			
Income and expenditure excluding pension liability	77,958	62,037	53,061
Net pension liability	(25,974)	(18,075)	(12,065)
Income and expenditure including pension liability	<u>51,984</u>	<u>43,962</u>	<u>40,996</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31st July 2016

22 Pension Schemes (continued)

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

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

	2016 £'000	2015 £'000
Service cost	4,774	3,938
	<u>4,774</u>	<u>3,938</u>

Analysis of net return on pension scheme

	2016 £'000	2015 £'000
Expected return on pension scheme assets	2,703	2,584
Impact on pension scheme liabilities	(3,396)	(3,090)
Net charge	<u>(693)</u>	<u>(506)</u>

Amounts recognised in Other Comprehensive Income

	2016 £'000	2015 £'000
Actuarial loss– defined benefit obligations	(11,349)	(9,327)
Actuarial gain– fair value of employer assets	5,436	4,397
Actuarial loss	<u>(5,913)</u>	<u>(4,930)</u>

The cumulative amount of actuarial gains and losses recognised in the Statement of Comprehensive Income and Expenditure since the adoption of FRS 102 Section 28 (previously FRS 17) is £17.3 million (2015: £11.4 million).

Movement in deficit during the year

	2016 £'000	2015 £'000
Deficit in scheme at beginning of year	(18,075)	(12,065)
Movement in year:		
Current service charge	(4,774)	(3,938)
Employer contributions	3,481	3,364
Net charge on assets	(693)	(506)
Actuarial loss	(5,913)	(4,930)
Net deficit	<u>(25,974)</u>	<u>(18,075)</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31st July 2016

22 Pension Schemes (continued)

	2016 £'000	2015 £'000
Liabilities at start of year	89,443	73,521
Service cost	4,774	3,938
Interest cost	3,396	3,090
Employee contributions	1,196	1,128
Actuarial loss	10,726	9,004
Benefits paid	(1,264)	(1,238)
Liabilities at end of year	<u><u>108,271</u></u>	<u><u>89,443</u></u>
	2016 £'000	2015 £'000
Assets at start of year	71,368	61,456
Expected return on Assets	2,703	2,584
Actuarial gain	4,813	4,074
Employer contributions	3,481	3,364
Employee contributions	1,196	1,128
Benefits paid	(1,264)	(1,238)
Assets at end of year	<u><u>82,297</u></u>	<u><u>71,368</u></u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31st July 2016

23 Transition to FRS 102 and the 2015 SORP

As explained in the accounting policies, these are the Group and University's first financial statements prepared in accordance with FRS 102 and the SORP. The accounting policies set out in the Statement of Accounting Policies have been applied in preparing the financial statements for the year ended 2016, the comparative information presented in these financial statements for the year ended 2015 and in the preparation of an opening FRS 102 Statement of Financial Position at 1 August 2014. In preparing its FRS 102, SORP based Statement of Financial Position, the University has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (2007 SORP). An explanation of how the transition to FRS 102 and the SORP has affected the University's financial position, financial performance and cash flows is set out in the following tables.

	1 August 2014		31 July 2015	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Financial position				
Total reserves under 2007 SORP	41,215	40,823	44,433	43,589
(i) Grant income	16,638	16,638	16,299	16,299
(ii) Employee leave accrual	(1,928)	(1,918)	(2,135)	(2,126)
(iii) Derivatives	(1,299)	(1,299)	(1,369)	(1,369)
Total effect of transition to FRS 102	13,411	13,421	12,795	12,804
Total reserves under 2015 SORP	54,626	54,244	57,228	56,393

	Year ended 31 July 2015	
	Consolidated £'000	University £'000
Financial performance		
Surplus for the year under 2007 SORP	9,021	8,568
(iv) Actuarial loss on Pension Scheme	(5,809)	(5,809)
Grant income	(339)	(339)
Employee leave accrual	(207)	(207)
Endowments	6	6
Derivatives	(70)	(70)
Total effect of transition to FRS 102	(6,419)	(6,419)
Total comprehensive income for the year under 2015 SORP	2,602	2,149

(i) Relates to the reclassification of the deferred capital grant received for the Thornton Science Park asset which was previously held within funds under the previous accounting framework and is now treated as a donation under the 2015 SORP and therefore is reclassified to reserves.

(ii) Relates to recognition of the value of untaken employee leave at the end of each financial year which was previously not recorded on balance sheet under the previous accounting framework however is required to be held as accrual on the balance sheet under the 2015 SORP.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31st July 2016

23 Transition to FRS102 and the 2015 SORP (continued)

- (iii) Relates to the value of the liability relating the SWAP arrangement that the University has in place to manage interest rate risk on variable loans which was previously held off balance sheet under the previous accounting framework however is required to be recorded on balance sheet under the 2015 SORP.
- (iv) Relates to the actuarial loss incurred in relation to the Pension Scheme which was recorded within the Statement of Total Recognised Gains and Losses under the previous accounting framework however is recorded within the Statement of Comprehensive Income and Expenditure under the 2015 SORP.