



University of Chester

Annual Report and Financial Statements

Year ended 31 July 2021

Registered Charity No. 525938

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Year ended 31 July 2021

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Financial Highlights

Year ended 31 July 2021

Result

During the year to 31 July 2021 (year to 31 July 2020 figures in brackets) the consolidated University and subsidiary companies:

- Generated income of £122.8 million (£119.7 million)
- Generated a deficit before other gains and losses of £5.6 million (£4.6 million deficit)
- Generated a net cash inflow from operating activities of £7.2 million (£3.2 million)
- Increased expenditure by £4.0 million (£0.3 million)

Financial Strength

At 31 July 2021 the University had:

- Cash and cash equivalents of £30.6 million (£18.5 million)
- Investments of £8.0 million (£20.1 million)
- Total net assets of £27.8 million (£44.5 million)
- A defined benefit pension liability of £70.6 million (£54.4 million)

Financial Investments

During the year to 31 July 2021 the University invested £4.6 million (£2.6 million) in tangible fixed assets.

Staff and students

During the academic year the University:

- Employed an average of 1,565 members of staff (1,595)
- Taught, directly or through collaborative provision and distance learning, higher education students as follows:

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

		Full-Time	Other	2020/1 Total	2019/0 Total	Increase/ Decrease(-)
Home/EU	Undergraduate	6945	559	7504	7739	-3%
	Postgraduate	1196	3500	4696	4577	3%
	Nursing and Midwifery	1710	214	1924	1913	0%
International	Undergraduate	1183	141	1324	1335	0%
	Postgraduate	1391	336	1727	924	90%
	Nursing and Midwifery	120	35	155	140	11%
2020/21 Total		12545	4785	17330	16628	4%
2019/20 Total		11587	5041	16628		
Increase/ Decrease(-)		8%	-5%	4%		

The 2020/21 figures are for students studying between August 2020 and July 2021. The 2019/20 figures are for students studying between August 2019 and July 2020.

Members of the University Council and their interests

Year ended 31 July 2021

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

Members of the University Council		(1)	(2)	(3)
Foundation Members:				
Canon Dr Jeff Turnbull (<i>President</i>)		•		
The Right Reverend the Lord Bishop of Chester, Mark Tanner	Appointed 01-09-2020			
The Very Reverend Dr Tim Stratford				
Professor Eunice Simmons (<i>Vice-Chancellor</i>)		•		•
Professor Anna Sutton	Left 30-09-2020			
Mr Francis Ball		•		
Dr David Briggs		•		
Mr Ian Davies	Left 31-08-2020	•		
Professor Charles Forsdick			•	
Mrs Jeannie France-Hayhurst		•		•
Mr Nick Jenkins		•		
Mrs Angela Seeney			•	
Mrs Sandra Verity		•		•
Non-Foundation Members:				
Ms Eleanor Lewis (<i>Student Union President</i>)	Left 30-06-2021	•		
Mrs Cathy Bond			•	
Professor Steven Broomhead	Appointed 01-09-2020		•	
Mr Marcus Clinton				
Sir Neil Cossons		•		
Councillor Mrs Razia Daniels	Appointed 01-09-2020			
Dr Meredydd David (<i>Deputy President</i>)		•		
Ms Karen Howell				•
Mr Jack Rankin (<i>Student Union President</i>)	Appointed 01-07-2021	•		
Dr Liane Smith	Left 31-12-2020		•	
Associate Professor Martin Degg				•
Associate Professor Garfield Southall	Left 31-08-2020			
Mr Gordon Reay				•
Mr Adrian Lee (<i>Secretary to the Council</i>)				•

Report of the University Council
Year ended 31 July 2021

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

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

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

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

University Senior Staff

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

Professor Eunice Simmons	Vice-Chancellor
Professor Helen O'Sullivan	Provost and Deputy Vice-Chancellor
Professor Neville Ford	Pro Vice-Chancellor (0.5) Enhancement
Dr Helen Galbraith	Pro Vice-Chancellor – Student Experience
Mr Richard Waddington	Pro Vice-Chancellor Resources Chief Financial Officer/Bursar
Mr Jerry Headley	Executive Director of Estates Strategy
Mr Jonathan Moores	Registrar and University Secretary
Mrs Rashmi Patel	Interim Director of Human Resources
Mr Steve Jeffree	Interim Director of Digital Transformation

Report of the University Council (continued)**Year ended 31 July 2021**

University Advisors

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

Bankers:

NatWest Bank plc
2-8 Church Street
1st Floor
Liverpool
L1 3BG

Auditors:**External**

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

Internal

RSM
9th Floor
3 Hardman Street
Manchester
M3 3HF

Solicitors:

Knights LLP
58 Nicholas Street
Chester
CH1 2NP

Insurance Brokers:

U M Association Ltd
5 St Helen's Place
London
EC3A 6AB

Report of the University Council (continued)**Year ended 31 July 2021**

The Members of the University Council present their Annual Report for the year ended 31 July 2021 under the Charities Act 2011 together with the audited financial statements for the year.

Structure, Governance and Management

Type of organisation: Registered Charity

Nature of Governing Document: Trust Deed

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

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

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

Organisation: The Composition of the Council is set out on page 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 E.A. Simmons) is appointed by the Council to manage the day to day operations of the Charity, and is supported by a Strategic Executive Team.

Scope and period of financial statements

The financial statements have been presented for the year ended 31 July 2021.

Principal activities of the University

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

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

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

The Charity has three trading wholly owned subsidiaries:

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

Report of the University Council (continued)**Year ended 31 July 2021**

Strategic Report

The 2020-21 academic year continued to be one of unprecedented challenges, not just for the University of Chester but for the Higher Education sector and the economy as a whole. The impact of COVID-19 affected a second academic cycle and what were perceived as temporary changes to the business model in 2019-20 became more normalised in 2020-21. The University worked hard at delivering, evaluating and improving its provision across its wide range of students and programmes. The planning process in 2020-21 focused on future developments and seeking out business benefits from innovative and evolving ways of working. In this period the University recorded an operating deficit of £5.6m on turnover of £123m

The Higher Education market continued to be exposed to great uncertainty mainly due to COVID-19 and the recent exiting of the UK from the European Union. 'A' level and other level 3 examinations were cancelled and ultimately replaced with *Centre Assessment Grades* (CAGs) which had been produced by teachers and were only considered during the confirmation and clearing period. This chaotic situation led to abnormal recruitment patterns for some universities, but the University of Chester's position remained stable with reasonable recruitment levels.

Tuition fee income grew by £4.4m. This was largely due to a significant increase in international postgraduate students joining the University in February and an additional cohort in May. There was an increase in students on apprenticeships and professional programmes, in particular in Health and Social Care, with late notice in August from the Government of additional places. These welcome developments are tempered by the costs challenges identified in Future Prospects and Financial Review below.

The University has begun a strategic project to relocate its provision from Padgate into the heart of Warrington town centre, as University Centre Warrington. Initially, the Time Square location will open in December 2021, with the Remond House teaching building due to open in February 2022. Through these developments the University intends to support the UK's post-pandemic economic recovery by providing opportunities for adults to develop further the skills needed for well-paid employment throughout their lives.

The University made significant progress in the development of Chester Medical School. At the end of July 2021, the General Medical Council confirmed it was content with the University's stage 4 submission and we look forward to the successful completion of the remaining stages during the 2021-22 academic year.

The Thornton site now concentrates on developing clean growth and sustainable businesses, with complementary research and development, and contributes to the Ellesmere Port Industrial Area Strategy. Students previously at Thornton are now taught at the Exton Park site in refurbished laboratories which provide a modern, fresh and up-to-date science teaching facility. In addition to this, planning permission has been granted for a new Design and Manufacturing suite which is due to be completed during 2021-22.

During the academic year 2020-21 the University appointed a number of new colleagues to strengthen the Strategic Executive Team and this included the appointment of a new Provost and Deputy Vice-Chancellor – Professor Helen O'Sullivan and a new Pro Vice-Chancellor (Student Experience) – Dr Helen Galbraith.

Report of the University Council (continued)**Year ended 31 July 2021**

Strategic Report (continued)

In order to align with the emerging risk-based approach to regulation of quality and standards by the Office for Students (OfS), the University continued the roll-out of a streamlined process to maintain standards and secure continuous enhancement of the academic experience of our students. This work will also support the University's approach to the forthcoming revised Teaching Excellence and Student Outcomes Framework (TEF) which the OfS will consult on shortly. At the end of the academic year, the University reviewed its internal committee structure to ensure that academically led decision making is efficient and accords with the priorities of our Citizen Student Strategy. The revised structure, implemented from the beginning of 2021-22, is intended to ensure that the whole academic community is properly represented and has a voice in our deliberative committees.

The University continued to focus on its Access and Participation work, examining closely the experiences of its under-represented groups. New initiatives were put in place to assist with this work and these include; Student Race Advocates, Learning Facilitators, Grit training for staff and students (helping them change beliefs about themselves), Race Equality Challenge Group and a research project with Transforming Access and Student Outcomes in Higher Education (TASO,) looking at the impact of changes in delivery methods on underrepresented groups.

The University values feedback from its students and employer organisations, allowing it to make informed changes and improvements to its provision in teaching, research and employability skills. In 2020-21, the University concentrated on communicating and listening to its students whose experiences were necessarily very different from the experiences of other students in previous years. To this end it set up the Student Consultancy Board, which allows the student voice to influence and develop support mechanisms across the institution. There has been work to enhance the student experience through active partnership, particularly with the Students' Union and in dialogue with all our students.

The focus on employment and life skills remains and we have continued to link the professional and personal skill development of our students to their academic studies. Employability enhancing experiences were delivered outside of the curriculum, and these are inclusive for all students regardless of their background. In particular, an increase in employer-based placements and projects through the Workplace Experiences programme enabled more students to gain relevant employability skills, with anonymised recruitment increasing by 100% the numbers of under-represented students accessing these experiences. In the 2018-19 Graduate Outcomes Survey, 90% of graduates, employed or in further study, agreed or strongly agreed that what they are doing is meaningful. This compares with the sector average of 87%.

The transition to Higher Education and the retention of students enrolled at the University continues to be a focus for the institution. During the year a new Directorate of Access, Skills and Apprenticeships (DASA) was created bringing together departments that work with all learners, especially those from underrepresented groups, building aspirations, skills, and confidence as they transition into higher education. Work has begun to further improve our Personal Academic Tutor system, key to supporting students, by piloting training with Grit and undertaking an internal review. Wellbeing and mental health continue to be high on the University's agenda and new developments introduced during 2019-20 due to COVID are progressing and evolving. Support for students is primarily provided online or by phone, but we have provided on the day, face to face emergency appointments as soon as national guidance allowed it. Academic year 2020-21 saw a continued increase in complex needs, with 70% of all wellbeing cases being mental health related. Through the 24/7 support of Together all, continued roll out of Mental Health First Aid for staff and the introduction of a male mental health group and emotion regulation group, we have determined an effective balance between reactive and proactive approaches to ensure students are supported. In addition, the University has trialled new approaches to online delivery of academic programmes via AULA, a learning engagement platform, and the move to online delivery across most University support departments is providing greater access for more students.

Report of the University Council (continued)**Year ended 31 July 2021**

Future Prospects

Cash generation has reduced over the last two financial years; however cash balances have not reduced materially and therefore will enable the University to adapt to challenging external factors. Student numbers after several years of reduction, have increased in the Autumn intakes of both 2020 and 2021, with the most recent increases as a result of recruiting students internationally. It is expected that this growth in students will continue in the coming years. The key challenge is dealing with the increasing cost base due to increased payroll and energy costs, as well as expected rises in other costs due to pressure on the UK supply chain.

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

Report of the University Council (continued)
Year ended 31 July 2021

Financial Review

	Year ended 31 July 2021	Year ended 31 July 2020
Financial Performance Indicator		
Deficit before other gains and losses for the year	(£5.6m)	(£4.6m)
Margin %	(4.6%)	(3.8%)
Deficit for the year	(£5.7m)	(£5.0m)
Margin %	(4.6%)	(4.2%)
Staff costs as % of income	67.0%	67.6%
Cash inflow from operating activities	£7.2m	£3.2m
Current assets ratio	1.7	2.0
Net liquidity (days) (Number of days expenditure held as cash/investments, based on total expenditure less depreciation)	114	113

Financial Performance in 2020/21 compared to previous year:

	Year ended 31 July 2021	Year ended 31 July 2020
	£'000	£'000
Income	122,719	119,754
Expenditure	(128,353)	(124,364)
Loss on changes in fair value on investment properties	(59)	(422)
Deficit	(5,693)	(5,032)

- Group income has increased by £3.0m (2.5%).
 - Tuition fees increased by £4.4m (4.7%) this was due to an increase in both Full Time Home and Full Time Overseas students.
- Other income decreased by £2.3m (16.4%)
 - Residence, catering and conference income decreased by £2.6m (46%). This was due to having no student residence income and reduced catering income since December and no conference activity during Easter and summer due to Covid-19 restrictions.

Report of the University Council (continued)

Year ended 31 July 2021

➤ Expenditure increased by £4.0m (3.2%)

- Staffing costs increased by £1.2m (1.5%), this was primarily as a result of an increase in pension charges (increase pension provision).
- Other operating expenses increased by £2.7m (7.4%). This was due to premises expenditure increasing following reduced activity in 2019-20 due to the pandemic, increased in academic costs as well as a reduction in residence catering and conferences costs due to lower activity

The University invested £4.6m in fixed assets. The largest items of capital expenditure included:

- Purchase and refurbishment of teaching facilities in Warrington town centre
- IT infrastructure

Trade Union Facilities Time data for the period 1 April 2020 – 31 March 2021

TABLE 1	Total Number of Union Officials		18
	Full time equivalent employee number		15.83
TABLE 2	Percentage of time Spent on facility time		
		0%	4
		1-50%	14
		51-99%	0
		100%	0
TABLE 3	Percentage of pay bill spent on facility time		
	Total cost of facility time		44,576
	Total Pay Bill		77,109,503
	% of the total pay bill spent on facility time		0.06
TABLE 4	Paid trade union activities		
	% of total paid facility time hours		0

Risks and uncertainties

Although the situation regarding the Covid-19 pandemic has stabilised, this remains a key risk for the University as well as economic and political uncertainty. The outcome of the government's review of tuition fees is still awaited and this could impact on the University's ability to deliver improvements to the student experience as well as infrastructure and facilities. The UK's exit from the European Union presents uncertainty across several areas of activity particularly grant funding from Europe as well as impact on the University cost base through inflation and increased utility costs.

Having seen significant growth in overseas recruitment in 2020-21, this increase is continued for the 2021-22 year. Recruitment to undergraduate courses in 2021 remains stable compared to 2020.

There continues to be upward pressure on the University cost base, particularly around pensions and payroll, with no increase in the undergraduate fee of £9,250 to offset. The increase in national insurance contributions will add 1.25% to staffing costs from April 2022, with uncertainty around the Local Government Pension Scheme triennial valuation in March 2022.

Report of the University Council (continued)**Year ended 31 July 2021**

Risks and uncertainties (continued)

As the University is in a deficit position, compliance with banking covenants is at risk and although agreement has been reached with lenders for the 2021 and 2022 year ends, this will remain a key risk until the University moves into a stable surplus position.

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 £26,568 a year. It is felt that these measures contribute to widening participation and ensure that the opportunity to participate is not restricted by the ability to pay fees.

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

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

Aims, objectives and activities for the public benefit

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

The objectives of the Charity are:

- To ensure that the University's Christian foundation, underpinning ethos and supportive people-centred culture continue to play an appropriately prominent and facilitative role in the development and strengthening of the institution.
- To be a successful teaching led and research informed University.
- To deliver high quality, actively supported and highly regarded teaching within a curriculum.
- To employ a framework which is responsive to emerging developments and improvements in programme design and delivery including work-based learning and technology enhanced learning.
- To ensure that teaching activities are informed by relevant and up-to-date research and advanced scholarship.

Report of the University Council (continued)**Year ended 31 July 2021**

Aims, objectives and activities for the public benefit (continued)

- To promote an environment within which staff are able to translate the research undertaken by themselves or others into effective technology and knowledge transfer and exchange services to business and industry.
- To creatively develop new and successful niche markets.
- To seek modest growth and consolidation in student numbers, with an emphasis upon: maintaining a broadly-based curriculum grounded in the University's current portfolio of disciplines; further development of taught postgraduate and research degree provision; further development of part-time student numbers and foundation degree programmes; and exploring appropriate international development opportunities.
- To be committed to employer and community engagement which is successful in attracting into study individuals with a range of backgrounds and experiences.
- To manage the University's operations and finances efficiently and prudently with an increasingly varied range of income sources.
- To ensure that the University's forward vision and strategy are actively shared and promoted amongst staff, students and interested external stakeholders.

Strategies employed to achieve the objectives

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

Investment powers and policy

The Charity invests funds on short-term deposit to ensure a safe and reasonable level of interest is earned and assists the Charity in achieving its objectives. The interest earned within the year amounted to £82k (2020: £255k).

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.

Report of the University Council (continued)**Year ended 31 July 2021**

Reserves policy (not including pension liability)

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

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

Reserves are mainly needed to fund growth and asset acquisition and refurbish the existing property stock. In addition, short-term reserves will also be needed to fund the development of new courses as well as other initiatives. The Trustees therefore consider the ideal level of reserves at 31 July 2021 to be at least 150% of short-term creditors before taking into consideration the pension liability. This level of reserves would allow all external short-term creditors at this date to be paid in full, and leave sufficient funds to invest.

The actual Consolidated Reserves for year ended 31 July 2021:

Unrestricted: £27,335k (2020: £44,138k)

Endowments: £423k (2020: £405k)

Pension liability £71,145k (2020: £54,396k)

At 31 July 2021 consolidated reserves are therefore 348% 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 1,565 (2020: 1,595). An active policy of information dissemination encourages employee involvement and participation in the University development process. Employee representatives are regularly consulted on a variety of issues affecting their own and the University's interests.

Auditor

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

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

Going concern

The University recorded a deficit of £5.6m before other gains and losses, but a positive operating cashflow helped ensure the University ended the year with cash and cash equivalents of £30.6m, and investments of £8.0. The budget for 2021-22 is for a consecutive deficit, forward cash forecasts demonstrate adequate availability of financial resources.

These deficits mean that the University was not compliant with some existing loan covenants for 2021 and 2022, however agreement has been reached with lenders to amend these covenants to ensure that the University remains compliant.

Report of the University Council (continued)**Year ended 31 July 2021**

Going concern(continued)

The impact of Covid-19 had an impact on several income streams during the 20-21 year particularly income from student residences and conferences. Income from student residences has not grown to pre-pandemic levels in Autumn 2021 and growth in conference activity is uncertain. Recruitment of home undergraduates in 2021 is similar to the level recruited in 2020. However, the University saw significant growth in overseas students in 2020-21 and this growth has continued into Autumn 2021 recruitment.

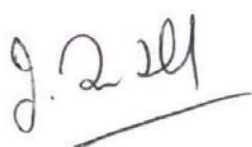
There continues to be pressure on the cost base of the University particularly due to supply chain issues impacting on IT and estates expenditure, as well as utility costs. The increase in national insurance rates will increase staffing costs as well as increases in pension provisions.

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



President of the Council:
Canon Dr J. Turnbull



Deputy President of the Council:
Dr M. David

15th February 2022

Corporate Governance Statement**Year ended 31 July 2021**

Corporate Governance Statement

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

In the opinion of the Members of the University Council, the University has applied the principles of the Higher Education Code of Governance (2014 and 2020) in so far as they apply to the Higher Education Sector, and it has applied these throughout the year ended 31 July 2021 and up to the date of these accounts.

The Council

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

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

Planning and Resources Committee

The Planning and Resources Committee meet six 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.

Nominations and Governance Review Committee

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

Human Resources Committee

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

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

Corporate Governance Statement (continued)**Year ended 31 July 2021**

Senior Salaries Remuneration Committee

Considers and makes recommendations to the University Council on the remuneration and conditions of service of:

- the Vice-Chancellor;
- the Deputy Vice-Chancellor; and (following the recommendation of the Vice-Chancellor):

(i) the holders of senior posts:

- PVC Resources and Bursar/Chief Financial Officer
- Registrar and University Secretary

and

(ii) the holders of such other senior posts as the Council Members may from time to time determine and the following posts:

- Pro Vice-Chancellor (Student Experience)
- Pro Vice-Chancellor (Research and Innovation)
- Executive Director of Estates Strategy
- Executive Director of Human Resource

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

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

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

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

Justification for total remuneration package for the Vice Chancellor

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

Corporate Governance Statement (continued)**Year ended 31 July 2021**

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

The data supporting decisions on the Vice-Chancellor's and other senior staff pay is drawn from the following:

- data maintained by the Higher Education Statistics Agency and the Office for Students;
- the UCEA Annual Senior Staff Remuneration Survey;
- the Committee of University Chairs' Vice-Chancellor Salary Survey (when available).

Mission Committee

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

Audit and Risk Management Committee

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

Statement of Internal Control

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

During the course of the year, internal audit work was undertaken by RSM. RSM's annual report for the year 20/21 concluded a positive overall opinion and confirmed that the university had "an adequate and effective assurance framework".

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 has been in place for the year ended 31 July 2021 and up to the date of approval of the annual report and financial statements, that it is regularly reviewed by the Council and that it accords with Higher Education Code of Governance.

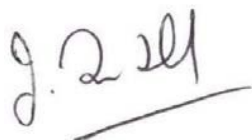
Corporate Governance Statement (continued)**Year ended 31 July 2021**

Statement of Internal Control (continued)

The Strategic Executive Team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms which are embedded within the operational units and reinforced by risk awareness training. The Strategic Executive Team and the 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 2021 by considering documentation from the Vice-Chancellor and the Audit and Risk Management Committee, and took account of events since 31 July 2021.

Regularity and propriety in the use of public funding

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



President of the Council
Canon Dr J. Turnbull

Parkgate Road,
CHESTER,
CH1 4BJ

15th February 2022



Deputy President of the Council
Dr M. David

Statement of University Council Responsibilities in Respect of the Annual Report and the Financial Statements**Year ended 31 July 2021**

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

The University Council is responsible for preparing the Annual Report and the financial statements in accordance with the requirements of the Office for Students' Terms and Conditions of Funding for Higher Education Institutions and Research England's Terms and Conditions of Research England Grant and applicable law and regulations.

They are required to prepare the group and parent University financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*. The terms and conditions of funding further require the financial statements to be prepared in accordance with the 2019 Statement of Recommended Practice – Accounting for Further and Higher Education, in accordance with the requirements of the Accounts Direction issued by the Office for Students.

The University Council are required to prepare financial statements which give a true and fair view of the state of affairs of the group and parent University and of their income and expenditure, gains and losses and changes in reserves for that period. In preparing each of the group and parent University financial statements, the directors are required to:

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

The University Council is responsible for keeping adequate accounting records that are sufficient to show and explain the parent University's transactions and disclose with reasonable accuracy at any time the financial position of the parent University. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The University Council are also responsible for ensuring that:

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

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

Independent Auditor's Report to the University Council
Report on the Audit of the Financial Statements
Year ended 31 July 2021

Opinion

We have audited the financial statements of the University of Chester ("the University") for the year ended 31 July 2021 which comprise the Consolidated and University Statement of Comprehensive Income and Expenditure, Consolidated and University Statements of Changes in Reserves, Consolidated and University Balance Sheets Consolidated Cash Flow Statement and related notes, including the accounting policies.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the University's affairs as at 31 July 2021, and of the Group's and the University's income and expenditure, gains and losses and changes in reserves, and of the Group's cash flows, for the year then ended; and
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.
- have been properly prepared in accordance with the requirements of the Charities Act 2011.

Basis for opinion

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

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

Going concern

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

In our evaluation of the University Council's conclusions, we considered the inherent risks to the group's business model and analysed how those risks might affect the Group and University's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the University Council's use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the University Council's assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group or the University's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the University will continue in operation.

Independent Auditor's Report to the University Council (continued)
Report on the Audit of the Financial Statements
Year ended 31 July 2021

Fraud and breaches of laws and regulations – ability to detect

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

- Enquiring of the University Council, the Audit and Risk Management Committee, internal audit, University Secretary and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board, Audit and Risk Management committee and planning and resource committee minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

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

As required by auditing standards and taking into account possible pressures to meet loan covenants we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that revenue generated from other income streams is recorded in the wrong period.

We did not identify any additional fraud risks.

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

We also performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by senior finance management and journals posted to cash and turnover that were outside the normal course of business.
- Assessing significant accounting estimates for bias
- Assessing revenue transactions to ensure included within the correct period and are accurate

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

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

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

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

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

Independent Auditor's Report to the University Council (continued)
Report on the Audit of the Financial Statements
Year ended 31 July 2021

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

Whilst the University is subject to many other laws and regulations, we did not identify any others where the consequences of non-compliance alone could have a material effect on amounts or disclosures in the financial statements.

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

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

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

Other information

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

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the other information; and
- in our opinion the information given in the Strategic Review and the Report of the University Council and Corporate Governance Statement, is consistent with the financial statements.

Matters on which we are required to report by exception

- Under the Charities Act 2011 we are required to report to you if, in our opinion:
- the charity has not kept sufficient accounting records; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Independent Auditor's Report to the University Council (continued)
Report on the Audit of the Financial Statements
Year ended 31 July 2021

University Council responsibilities

As explained more fully in their statement set out on page 21, the University Council is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the Group or the parent University or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

In our opinion, in all material respects:

- funds from whatever source administered by the Group or the University for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- income has been applied in accordance with the University's articles of government
- funds provided by the Office for Students, UK Research and Innovation (including Research England), the Education and Skills Funding Agency and the Department for Education have been applied in accordance with the relevant terms and conditions; and
- the financial statements meet the requirements of the Accounts Direction dated 25 October 2019 issued by the Office for Students.

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Independent Auditor's Report to the University Council (continued)
Report on the Audit of the Financial Statements
Year ended 31 July 2021

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

This report is made solely to the University Council, who are the trustees of the university for the purposes of charity law, in accordance with section 144 of the Charities Act 2011 (or its predecessors) and regulations made under section 154 of that Act and of the Articles, Charters, Statutes or Ordinances of the institution paragraph 13(2) of the University's Articles of Government and section 124B of the Education Reform Act 1988. Our audit work has been undertaken so that we might state to the University Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the University and the University Council for our audit work, for this report, or for the opinions we have formed.



Timothy Cutler

for and on behalf of KPMG LLP, Senior Statutory Auditor

Chartered Accountants
1 St Peters Square
Manchester
M2 3AE

Date: 22nd February 2022

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

Consolidated and University Statement of Comprehensive Income and Expenditure
Year ended 31 July 2021

		Year ended 31 July 2021		Year ended 31 July 2020	
	Notes	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Income					
Tuition fees and education contracts	1	98,173	98,173	93,797	93,797
Funding body grants	2	10,584	10,584	9,819	9,819
Research grants and contracts	4	1,870	1,870	1,699	1,699
Other income	5	11,763	11,862	14,072	14,797
Investment income	6	311	311	358	357
Total income before endowments and donations		122,701	122,800	119,745	120,469
Donations and endowments	7	18	18	9	9
Total Income		122,719	122,818	119,754	120,478
Expenditure					
Staff costs	8	82,230	82,222	81,028	81,028
Other operating expenses	11	38,819	38,747	36,136	36,432
Depreciation	12	5,039	5,039	4,946	4,946
Interest and other finance costs	10	2,265	2,265	2,254	2,254
Total Expenditure		128,353	128,273	124,364	124,660
Deficit before other gains or losses		(5,634)	(5,455)	(4,610)	(4,182)

**Consolidated and University Statement of Comprehensive Income and Expenditure
(continued)**

Year ended 31 July 2021

		Year ended 31 July 2021		Year ended 31 July 2020	
	Notes	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Loss on changes in fair value of investment properties*	12	(59)	(59)	(422)	(422)
Deficit for the year		(5,693)	(5,514)	(5,032)	(4,604)
Actuarial loss in respect of pension schemes	24	(11,092)	(11,092)	(20,513)	(20,513)
Total comprehensive income for the year		(16,785)	(16,606)	(25,545)	(25,117)
Represented by					
Endowment comprehensive income for the year		18	18	5	5
Unrestricted comprehensive income for the year		(16,803)	(16,624)	(25,550)	(25,122)
Attributable to the University		(16,785)	(16,606)	(25,545)	(25,117)
Deficit for the year attributable to:					
University		(5,693)	(5,514)	(5,032)	(4,604)

All items of income and expenditure relate to continuing activities

Consolidated and University Statement of changes in Reserves
Year ended 31 July 2021

Consolidated	Income and Expenditure Account		Total
	Endowment	Unrestricted	
	£'000	£'000	£'000
Balance at 1 August 2019	400	69,688	70,088
Surplus from the statement of comprehensive income and expenditure	9	(5,041)	(5,032)
Other comprehensive income	-	(20,513)	(20,513)
Release of restricted funds spent in year	(4)	4	-
Total comprehensive income for the year	5	(25,550)	(25,545)
Balance at 1 August 2020	405	44,138	44,543
Surplus from the statement of comprehensive income and expenditure	18	(5,711)	(5,693)
Other comprehensive income	-	(11,092)	(11,092)
Release of restricted funds spent in year	-	-	-
Total comprehensive income for the year	18	(16,803)	(16,785)
Balance at 31 July 2021	423	27,335	27,758

Consolidated and University Statement of changes in Reserves (continued)
Year ended 31 July 2021

University	Income and Expenditure Account		Total
	Endowment	Unrestricted	
	£'000	£'000	£'000
Balance at 1 August 2019	400	68,520	68,920
Surplus from the statement of comprehensive income and expenditure	9	(4,613)	(4,604)
Other comprehensive income		(20,513)	(20,513)
Release of restricted funds spent in year	(4)	4	-
Total comprehensive income for the year	5	(25,122)	(25,117)
Balance at 1 August 2020	405	43,398	43,803
Surplus from the statement of comprehensive income and expenditure	18	(5,532)	(5,514)
Other comprehensive income	-	(11,092)	(11,092)
Release of restricted funds spent in year	-	-	-
Total comprehensive income for the year	18	(16,624)	(16,606)
Balance at 31 July 2021	423	26,774	27,197

Consolidated and University Balance Sheets
Year ended 31 July 2021

	Notes	As at 31 July 2021		As at 31 July 2020	
		Consolidated	University	Consolidated	University
		£'000	£'000	£'000	£'000
Fixed assets	12	118,313	118,313	118,792	118,792
Investment properties	12	9,004	9,004	9,063	9,063
Current assets					
Stock	13	107	107	79	79
Trade and other receivables	14	9,403	9,234	7,547	7,584
Investments	15	8,000	8,000	20,101	20,101
Cash and cash equivalents	21	30,598	29,864	18,457	17,196
		48,108	47,205	46,184	44,960
Less: Creditors: amounts falling due within one year	16	(28,333)	(27,991)	(23,669)	(23,185)
Net current assets		19,775	19,214	22,515	21,775
Total assets less current liabilities		147,092	146,531	150,370	149,630
Creditors: amounts falling due after more than one year	17	(48,189)	(48,189)	(51,000)	(51,000)
Provisions					
Provisions for liabilities	18	(71,145)	(71,145)	(54,827)	(54,827)
Net assets		27,758	27,197	44,543	43,803
Restricted Reserves					
Income and expenditure reserve - endowment reserve	19	423	423	405	405
Unrestricted Reserves					
Income and expenditure reserve - unrestricted		27,335	26,774	44,138	43,398
Total Reserves		27,758	27,197	44,543	43,803

The financial statements were approved by the University Council on 15th February 2022 and were signed on its behalf on that date by:

Evice A. Simmons

Professor E.A. Simmons, Vice-Chancellor

J. Turnbull

Canon Dr J. Turnbull, President of the Council

Consolidated Cash Flow Statement
Year ended 31 July 2021

	Notes	Year ended 31 July 2021 £'000	Year ended 31 July 2020 £'000
Cash flow from operating activities			
Deficit for the year		(5,693)	(5,032)
Adjustment for non-cash items			
Depreciation	12	5,039	4,946
Loss on investments	12	59	422
Increase in stock	13	(28)	(37)
(Increase)/Decrease in debtors	14	(1,856)	206
Increase/(Decrease) in creditors	16	4,177	(1,127)
Increase in pension provision	24	5,226	4,214
Decrease in other provisions	18	-	(259)
Adjustment for investing or financing activities			
Investment income	6	(84)	(257)
Interest payable	10	1,479	1,560
Endowment income	19	(18)	(9)
Capital grant income	2	(1,065)	(1,421)
Net cash inflow from operating activities		7,236	3,206
Cash flows from investing activities			
Proceeds from sales of fixed assets		-	12
Capital grants receipts		869	603
New deposits	15	12,101	(73)
Investment income	6	84	257
Payments made to acquire fixed assets	12	(4,560)	(2,592)
		8,494	(1,793)
Cash flows from financing activities			
Interest paid	10	(1,479)	(1,560)
Endowment cash received	19	18	9
Repayments of amounts borrowed	17	(2,128)	(2,147)
		(3,589)	(3,698)
Increase/(Decrease) in cash and cash equivalents in the year		12,141	(2,285)
Cash and cash equivalents at beginning of the year	21	18,457	20,742
Cash and cash equivalents at end of the year	21	30,598	18,457

Statement of Accounting Policies**Year ended 31 July 2021**

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

Basis of preparation

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

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

Going concern

The Group and parent University's activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic Report which forms part of the Report of the University Council. The Report of the University Council also describes the financial position of the Institution, its cash flows, liquidity position and borrowing facilities.

The financial statements have been prepared on a going concern basis which the Council consider to be appropriate for the following reasons.

The University recorded a deficit of £5.6m before other gains and losses, but a positive operating cashflow helped ensure the University ended the year with cash and cash equivalents of £30.1m, and investments of £8.0. The budget for 2021-22 is for a consecutive deficit, forward cash forecasts demonstrate adequate availability of financial resources. These deficits mean that the University was not compliant with some existing loan covenants for 2021 and 2022, however agreement has been reached with lenders to amend these covenants to ensure that the University remains compliant.

The Council have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements. 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. After reviewing these forecasts the Council is of the opinion that, taking account of severe but plausible downsides, including the anticipated impact of COVID-19 the Group and parent University will have sufficient funds to meet their liabilities as they fall due over the period of 12 months from the date of approval of the financial statements (the going concern assessment period). The Report of the University Council provides more information on going concern on page 14.

Consequently, the Council is confident that the Group and parent University will have sufficient funds to continue to meet their liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis

Basis of consolidation

The consolidated financial statements include the University and all of its subsidiaries for the financial year to 31 July 2021. 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.

Statement of Accounting Policies (continued)**Year ended 31 July 2021**

Cash flow statement

As permitted by Section 7, paragraphs 1.11 and 1.12 of FRS 102 'Statements of Cash Flows', the University's cash flow statement has not been included in these financial statements.

Recognition of income

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

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

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

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

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

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

Fixed assets and depreciation

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

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

Land is capitalised at cost and is not depreciated.

Investment Properties

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

Intangible assets – research and development

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

Statement of Accounting Policies (continued)**Year ended 31 July 2021**

Maintenance

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

Stocks

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

Provisions

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

Pension schemes

The two principal pension schemes for the University's staff are the Cheshire Pension Fund and the Teachers' Pension Scheme. Pension costs are assessed on the latest actuarial valuations of the schemes and are accounted for on the basis of FRS 102 Section 28. The Cheshire Pension Fund has a full valuation every three years (last valued at March 2019) carried out by professionally qualified independent actuaries and the Teachers' Pension Scheme is assessed every five years (last valued at March 2016).

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

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 2021**

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.

Statement of Accounting Policies (continued)**Year ended 31 July 2021**

Financial instruments (continued)

If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

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

Derivatives

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

Significant estimates and judgements

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

a. Pension liabilities

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

Asset values are reported using estimated asset allocations prepared by the scheme Actuary. This asset value is calculated at each triennial valuation. Thereafter it is rolled forward for accounting valuation purposes using investment returns, contributions received, and benefits paid out. During each annual reporting period between triennial valuations asset returns are estimated using 11 months of market experience and one month of extrapolation being assumed. However, for the year ended 31 July 2021 the pension valuation was calculated using asset returns as at that date. The difference in asset values using the actual asset return data compared to estimated was £159k

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

b. Investment properties

These properties are located at Thornton Science Park. In June 2018, the Planning Committee of Cheshire West and Cheshire Council (CWaC) elected to reject a retrospective planning permission seeking a change of use to Class D1 (non-residential institutions) for certain elements of the site. An appeal against this decision was not successful and as such, the University will cease teaching on the site from March 2021. The University will continue to operate the site for research, and maintain investment properties. Staff will also continue to have offices on the site.

Despite this, the decision does create some future uncertainty around future marketability of the properties which may impact fair value which cannot be quantified. Therefore the fair value of investment property is determined by management upon receipt of a report by a registered valuer on the properties in question on the basis of continual use.

Notes to the Financial Statements
Year ended 31 July 2021

	Year Ended 31 July 2021		Year Ended 31 July 2020	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
1 Tuition Fees and Education Contracts				
Full-time home and EU students	77,306	77,306	75,515	75,515
Full-time international students	12,519	12,519	8,960	8,960
Part-time students	3,916	3,916	3,141	3,141
Education Contracts	2,027	2,027	3,668	3,668
Other Fees and Support Grants	2,405	2,405	2,513	2,513
	98,173	98,173	93,797	93,797
2 Funding Body Grants				
Recurrent Grant				
Office for Students	5,811	5,811	6,774	6,774
UKRI	1,587	1,587		
DFE	354	354	248	248
Capital grant	1,065	1,065	1,421	1,421
Specific Grants				
OfS DHSC Covid Testing	187	187	-	-
Higher Education Academic Subject Centres	-	-	106	106
Higher Education Innovation Fund	1,219	1,219	948	948
Uni Connect (formerly NCOP Higher Horizons Project)	338	338	322	322
Uni Connect Shaping Futures	23	23	-	-
	10,584	10,584	9,819	9,819
3 Details of Grant and Fee Income				
Grant income from Office for Students	5,998	5,998	5,400	5,400
Grant income from other bodies	4,586	4,586	4,419	4,419
Fee income for taught awards	93,691	93,691	88,818	88,818
Fee income for research awards	911	911	1,176	1,176
Fee income for non-qualifying courses	3,571	3,571	3,803	3,803
Total grant and fee income	108,757	108,757	103,616	103,616

Notes to the Financial Statements (continued)
Year ended 31 July 2021

	Notes	Year Ended 31 July 2021		Year Ended 31 July 2020	
		Consolidated	University	Consolidated	University
		£'000	£'000	£'000	£'000
4 Research Grants and Contracts					
Research councils		310	310	156	156
Research charities		450	450	534	534
Government (UK and overseas)		326	326	303	303
Industry and commerce		35	35	241	241
Other		749	749	465	465
		1,870	1,870	1,699	1,699
5 Other income					
Residences, catering and conferences		3,083	3,141	5,724	5,329
Other income		8,680	8,721	8,348	9,468
		11,763	11,862	14,072	14,797
Other income relates to European grants, rental income and other income (e.g. nurseries, fitness centres).					
6 Investment income					
Investment income on endowments	19	2	2	2	2
Other investment income		82	82	255	254
Movement in fair value of derivatives	17	227	227	101	101
		311	311	358	357
7 Donations and endowments					
New endowments	19	18	18	9	9
8 Staff costs					
Salaries		59,834	59,826	59,914	59,914
Social security costs		6,035	6,035	6,085	6,085
Other pension costs		16,361	16,361	15,029	15,029
Total		82,230	82,222	81,028	81,028

Notes to the Financial Statements (continued)
Year ended 31 July 2021

8 Staff Costs (continued)

Emoluments of the Head of Institution

The emoluments below relate to Professor T.J. Wheeler, who was Vice Chancellor for the period to 31 December 2019, and to Professor E.A. Simmons who was Vice Chancellor from 1 January 2020.

	2021	2020
	£'000	£'000
Professor T.J. Wheeler 1 August 2019 to 31 December 2019:		
Salary	-	118
Benefits	-	1
Other Remuneration – Expenses	-	1
	-	120

In addition to the emoluments above, Professor Wheeler received salary as Professor Emeritus for the period from 1 January 2020 to 31 July 2020 of £164,500, and benefits of £1,208. The arrangements were the subject of advice from the Senior Salaries Committee at a meeting on 11th July 2019 and approved by the University Council on 19th November 2019.

	2021	2020
	£'000	£'000
Professor E.A. Simmons 1 January 2020 to 31 July 2020:		
Salary	250	146
Benefits	-	0
Other Remuneration – Pension & Expenses	59	35
	309	181

Head of Institution Median Pay Ratios:

	2021	2020
Professor T.J. Wheeler 1 August 2019 to 31 December 2019:		
Basic Salary Ratio	-	8.3
Total Remuneration Ratio	-	8.3
	2021	2020
Professor E.A. Simmons 1 January 2020 to 31 July 2021:		
Basic Salary Ratio	7.2	7.3
Median Total Remuneration all staff	8.0	7.3

The justification for the Head of Institution pay can be found on page 18.

Notes to the Financial Statements (continued)
Year ended 31 July 2021

8 Staff Costs (continued)

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

	2021	2020
£100,000 to £104,999	1	1
£105,000 to £109,999	1	2
£110,000 to £114,999	-	-
£115,000 to £119,999	-	-
£120,000 to £124,999	-	-
£125,000 to £129,999	1	1
£130,000 to £134,999	1	-
£135,000 to £139,999	-	-
£140,000 to £144,999	-	2
£145,000 to £149,999	-	-
£150,000 to £154,999	1	1
£155,000 to £159,999	1	1
£160,000 to £164,999	1	-
	7	8

Total Compensation paid to key management personnel **1,256** 1,553

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

	2021	2020
Average staff numbers by major category:		
Academic Departments	589	589
Academic Services	130	139
Administration/Central Services	426	441
Premises	191	199
Catering and Residence	74	79
Nursing	155	148
	1,565	1,595

Compensation for loss of office

38 payments were made in respect of compensation for loss of office during the year totalling £499k

Council Members

Reimbursements to members of University Council for expenditure incurred in attending Council and meetings of its committees amounted to £80 (2020: £299). Council members did not receive any remuneration from the University.

Notes to the Financial Statements (continued)

Year ended 31 July 2021

	Notes	Year Ended 31 July 2021		Year Ended 31 July 2020	
		Consolidated	University	Consolidated	University
		£'000	£'000	£'000	£'000
9 Access & Participation					
Access Investment		719	719	710	710
Financial Support	1	1,890	1,890	1,978	1,978
Disability Support		957	957	786	786
Research and evaluation (i)		258	258	245	245
		3,824	3,824	3,719	3,719

(i) £1,543k of these costs are already included in the overall staff costs figures included in the financial statements, see note 8

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

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

10 Interest and other finance costs

Loan interest		1,479	1,479	1,560	1,560
Net charge on pension scheme	24	786	786	694	694
		2,265	2,265	2,254	2,254

11 Analysis of other operating expenses by activity

Academic and related expenditure		13,804	13,804	11,980	11,987
Administration and central services		7,226	7,226	8,582	8,592
Premises (including service concession cost)		15,726	15,726	12,526	12,526
Residences, catering and conferences		592	590	2,264	2,230
Research grants and contracts		841	841	250	250
Other expenses		630	560	534	847
		38,819	38,747	36,136	36,432

Other operating expenses include:

External auditor's remuneration in respect of audit services		84	65	81	63
External auditor's remuneration in respect of non-audit services		38	31	21	13
Operating lease rentals:					
vehicles		215	215	132	132

Notes to the Financial Statements (continued)

Year ended 31 July 2021

12 Fixed Assets

	Freehold Land and Buildings	Plant and Machinery	Computer Equipment	Total
	£'000	£'000	£'000	£'000
Consolidated				
Cost				
At 1 August 2020	145,668	26,473	9,278	181,419
Additions	2,738	1132	690	4,560
Disposals	-	(627)	-	(627)
At 31 July 2021	148,406	26,978	9,968	185,352
Depreciation				
At 1 August 2020	30,065	24,308	8,254	62,627
Charge for the year	2,829	1351	859	5,039
Disposal	-	(627)	-	(627)
At 31 July 2021	32,894	25,032	9,113	67,039
Net book value				
At 31 July 2021	115,512	1,946	855	118,313
As 31 July 2020	115,603	2,165	1,024	118,792
University				
Cost and Valuation				
At 1 August 2020	145,668	26,473	9,278	181,419
Additions	2,738	1132	690	4,560
Disposals	-	(627)	-	(627)
At 31 July 2021	148,406	26,978	9,968	185,352
Depreciation				
At 1 August 2020	30,065	24,308	8,254	62,627
Charge for the year	2,829	1351	859	5,039
Disposal	-	(627)	-	(627)
At 31 July 2021	32,894	25,032	9,113	67,039
Net book value				
At 31 July 2021	115,512	1,946	855	118,313
At 31 July 2020	115,603	2,165	1,024	118,792

At 31 July 2021, freehold land and buildings included £7.8m (2020 - £7.8m) in respect of freehold land and is not depreciated.

Notes to the Financial Statements (continued)
Year ended 31 July 2021

12 Fixed Assets (continued)

Investment properties

Consolidated and University	Investment Properties £'000
At 1 August 2019	9,485
Additions	
Loss on change in fair value	(422)
At 31 July 2020	9,063
Additions	-
Loss on change in fair value	(59)
At 31 July 2021	9,004

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

The non-current investments have been valued at market value

13 Stock	Year ended 31 July 2021		Year ended 31 July 2020	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
General consumables	107	107	79	79

14 Trade and other receivables

Amounts falling due within one year:

Trade receivables	5,254	4,988	4,185	3,556
Other receivables	35	34	38	38
Prepayments and accrued income	4,114	3,800	3,324	3,289
Amounts due from subsidiary companies	-	412	-	701
	9,403	9,234	7,547	7,584

Notes to the Financial Statements (continued)

Year ended 31 July 2021

15 Current Investments

	Year ended 31 July 2021		Year ended 31 July 2020	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Short term deposits	<u>8,000</u>	<u>8,000</u>	<u>20,101</u>	<u>20,101</u>

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

At 31 July 2021 the weighted average interest rate of these deposits was 0.5% per annum. The deposits are in accounts that require notice. The weighted average period of notice was 125 days. The fair value of these deposits was not materially different from the book value.

16 Creditors: amounts falling due within one year

	Year ended 31 July 2021		Year ended 31 July 2020	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Secured loans*	836	836	819	819
Unsecured loans	1,326	1,326	1,309	1,309
Trade payables	5,132	5,005	4,356	4,347
Social security and other taxation payable	1,650	1,480	1,588	1,398
Accruals and deferred income	19,389	19,299	15,597	15,257
Amounts due to subsidiary companies	-	45	-	55
	<u>28,333</u>	<u>27,991</u>	<u>23,669</u>	<u>23,185</u>

* The bank loans are secured on freehold properties owned by the University with a carrying value of £7.2m (2020: £7.3m), over which the lender holds a legal charge.

17 Creditors: amounts falling due after more than one year

Deferred income	21,364	21,364	21,786	21,786
Derivatives	477	477	704	704
Secured loans	6,129	6,129	6,965	6,965
Unsecured loans	20,219	20,219	21,545	21,545
	<u>48,189</u>	<u>48,189</u>	<u>51,000</u>	<u>51,000</u>

Notes to the Financial Statements (continued)

Year ended 31 July 2021

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

Analysis of secured and unsecured loans:

	Year ended 31 July 2021		Year ended 31 July 2020	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Due within one year or on demand (Note 14)	2,162	2,162	2,128	2,128
Due between one and two years	2,202	2,202	2,162	2,162
Due between two and five years	7,400	7,400	6,729	6,729
Due in five years or more	16,746	16,746	19,618	19,618
Due after more than one year	26,348	26,348	28,509	28,509
Total secured and unsecured loans	28,510	28,510	30,637	30,637
Secured loans repayable by 2031	6,965	6,965	7,784	7,784
Unsecured loans repayable by 2038	21,545	21,545	22,853	22,853
	28,510	28,510	30,637	30,637

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

Lender	Amount	Term	Interest rate	Borrower
	£'000		%	
Barclays	1,969	2026	7.31	University
Barclays	1,200	2028	6.68	University
Barclays	1,181	2031	1.51	University
Barclays	3,814	2031	7.12	University
Lloyds TSB	6,959	2034	5.55	University
Santander	9,247	2037	5.43	University
Santander	4,140	2038	1.82	University
TOTAL	28,510			

Notes to the Financial Statements (continued)
Year ended 31 July 2021
18 Provisions for Liabilities

Consolidated	Pension enhancements on termination	Pension scheme provision under FRS 102 (Note 24)	Total Provisions
	£'000	£'000	£'000
At 1 August 2020	431	54,396	54,827
Utilised in year	(41)	-	(41)
Additions in year	-	16,359	16,359
At 31 July 2021	390	70,755	71,145

University	Pension enhancement on termination	Pension scheme provision under FRS 102 (Note 24)	Total Provisions
	£'000	£'000	£'000
At 1 August 2020	431	54,396	54,827
Utilised in year	(41)	-	(41)
Additions in year	-	16,359	16,359
At 31 July 2021	390	70,755	71,145

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 benefits 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	
	2021	2020
Discount rate	2.0%	2.0%
Inflation	2.0%	2.2%

Notes to the Financial Statements (continued)
Year ended 31 July 2021

19 Endowment Reserves

Restricted net assets relating to endowments are as follows:

	Restricted permanent endowments	Expendable endowments	2021	2020
			Total	Total
	£'000	£'000	£'000	£'000
Balances at 1 August 2020				
Capital	130	252	382	373
Accumulated income	-	23	23	27
	<u>130</u>	<u>275</u>	<u>405</u>	<u>400</u>
New Endowments		18	18	9
Investment Income		2	2	2
Expenditure (Decrease) / increase in market value of investments		(2)	(2)	(6)
		-		-
Total endowment Comprehensive income for the year		<u>18</u>	<u>18</u>	<u>5</u>
At 31 July 2021	<u>130</u>	<u>293</u>	<u>423</u>	<u>405</u>
Represented by:				
Capital	130	270	400	382
Accumulated income	-	23	23	23
	<u>130</u>	<u>293</u>	<u>423</u>	<u>405</u>
Analysis by type of purpose:				
Prize funds	-	239	239	239
General	130	54	184	166
	<u>130</u>	<u>293</u>	<u>423</u>	<u>405</u>
Analysis by asset				
Cash & cash equivalents			423	405

Notes to the Financial Statements (continued)
Year ended 31 July 2021

The endowments received during the year relate to expendable donations received from Alumni (£3k) and Chester TWIN (£15k)

20 Financial Instruments Year ended 31 July 2021 Year ended 31 July 2020

Financial Liabilities

Derivatives	<u>477</u>	<u>477</u>	<u>704</u>	<u>704</u>
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The University uses derivatives to hedge interest rate exposure on some of its secured loans.

The Financial liabilities are at fair value through Statement of Comprehensive Income at the balance sheet date.

21 Cash and Cash Equivalents

Notes	At 1st August 2020 £'000	Cash Flows £'000	At 31st July 2021 £'000
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Consolidated

Cash and cash equivalents	<u>18,457</u>	<u>12,141</u>	<u>30,598</u>
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22 Lease Obligations

Total rentals payable under operating leases:

	31 July 2021		31 July 2020
	Other leases	Total	Total
	£'000	£'000	£'000

Payable during the year

Future minimum lease payments due:

Not later than 1 year	145	145	79
Later than 1 year and not later than 5 years	<u>242</u>	<u>242</u>	<u>190</u>
Total lease payments due	<u>387</u>	<u>387</u>	<u>269</u>

Lease obligations relate to vehicle leases.

Notes to the Financial Statements (continued)**Year ended 31 July 2021**

23 Subsidiary Undertakings

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

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

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

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

24 Pension Schemes

Contributions to the schemes are charged to the Income and Expenditure account so as to spread the cost of the pensions over the employees' working lives with the University of Chester. The pension charge for the year was £16,361,571 (2020: £15,029,231) which includes £40,242 (2020: £48,477) 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 £389.660 (2020: £431,394) is included in provisions for liabilities and charges representing the extent to which the capital cost charged exceeds actual payments made. The provision will be released against the cost to the University of enhanced pension entitlements over the estimated life expectancy of each relevant employee. Were the institution to close and there be no successor established, the Secretary of State would become the compensating authority.

Notes to the Financial Statements (continued)

Year ended 31 July 2021

24 Pension Schemes (continued)

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 2021 was £9,662,834 (2020: £9,483,994) of which the employers' contributions totalled £6,819,740 (2020: £6,628,498) and the employees' contributions totalled £2,843,834 (2020: £2,855,496). The pensions cost is assessed every five years in accordance with the advice of the government actuary. The assumptions and other data that have the most significant effect on the determination of the contribution levels are as follows:

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

Following the implementation of Teachers' Pensions (Employers' Supplementary Contributions) Regulations 2000, the government actuary carried out a further review on the level of employers' contributions. The employer were paid at the rate of 23.68%. Employee contribution rates are dependent on salary levels and were in bandings between 7.4% -11.7%.

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

Cheshire Pension Fund

The University participates in the Cheshire Pension Fund, which is a funded defined benefit pension scheme where contributions payable are held in a trust separately from the University. The total contribution made for the 12 months ended 31 July 2021 was £5,994,052 (2020: £5,879,576) of which the employers' contributions totalled £4,728,154 (2020: £4,584,662) and employees contributions totalled £1,265,898 (2020: £1,294,914). The agreed contribution rates for future years are 24.7% for employers and in bandings 5.5%-12.5% for employees depending on the level of their salary.

Valuation date	31 March 2019
Valuation Method	Projected Unit Method
Value of notional needs	£115 Million
Funding level of accrued benefits	98.4%
Investment return per annum	3.20%
Salary scale increases per annum	2.90%

Notes to the Financial Statements (continued)
Year ended 31 July 2021

24 Pension Schemes (continued)

The following information is based upon a full actuarial valuation of the fund as at 31 March 2019 updated to July 2021 by a qualified independent actuary.

	31 July 2021	31 July 2020	31 July 2019
	%	%	%
Inflation	3.2	3.1	3.5
Rate of increases in salaries	3.5	2.8	2.7
Rate of increase in pensions	2.8	2.1	2.4
Discount rate for liabilities	1.6	1.4	2.2

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 2021	31 July 2020
	%	%
Retiring today		
Males	21.4	21.2
Females	24.0	23.6
Retiring in 20 years		
Males	22.4	21.9
Females	25.7	25.0

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 2021	31 July 2020
	£'000	£'000
Equities	69,733	56,257
Bonds	65,185	54,949
Property	15,159	13,083
Cash	1,516	6,542
Total market value of assets	151,593	130,831

Notes to the Financial Statements (continued)
Year ended 31 July 2021

24 Pension Schemes (continued)

The above asset values as at 31 July 2021 are at bid value as required under FRS 102 Section 28:

	2021	2020
	£'000	£'000
University's estimated asset share	151,593	130,831
Present value of scheme liabilities	(222,348)	(185,227)
Deficit in the scheme	<u>(70,755)</u>	<u>(54,396)</u>

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

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

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

	2021	2020
	£'000	£'000
Service cost	9,242	8,211
	<u>9,242</u>	<u>8,211</u>

Analysis of net return on pension scheme

	2021	2020
	£'000	£'000
Expected return on pension scheme assets	1,864	2,671
Impact on pension scheme liabilities	(2,650)	(3,365)
Net charge	<u>(786)</u>	<u>(694)</u>

Amounts recognised in Other Comprehensive Income

	2021	2020
	£'000	£'000
Actuarial loss—defined benefit obligations	(26,059)	(25,572)
Actuarial gain—fair value of employer assets	14,967	5,059
Actuarial loss	<u>(11,092)</u>	<u>(20,513)</u>

Notes to the Financial Statements (continued)

Year ended 31 July 2021

24 Pension Schemes (continued)

The cumulative amount of actuarial gains and losses recognised in the Statement of Comprehensive Income and Expenditure since the adoption of FRS 102 Section 28 is £3.9 million (2019: £12.3 million).

	2021 £'000	2020 £'000
Deficit in scheme at beginning of year	(54,396)	(29,564)
Movement in year:		
Current service charge	(9,242)	(8,211)
Employer contributions	4,761	4,586
Net charge on assets	(786)	(694)
Actuarial loss	(11,092)	(20,513)
Net deficit	(70,755)	(54,396)
	2021 £'000	2020 £'000
Liabilities at start of year	185,227	148,810
Service cost	9,242	8,211
Interest cost	2,650	3,365
Employee contributions	1,265	1,295
Actuarial loss	26,059	25,572
Benefits paid	(2,095)	(2,026)
Liabilities at end of year	222,348	185,227
Assets at start of year	130,831	119,246
Expected return on Assets	1,864	2,671
Actuarial gain	14,967	5,059
Employer contributions	4,761	4,586
Employee contributions	1,265	1,295
Benefits paid	(2,095)	(2,026)
Assets at end of year	151,593	130,831

The Fund Actuary has proposed a change to their standard approach to setting the CPI assumption, to take account of RPI reform. The method for calculating the RPI assumption (on which the CPI assumption is based) has been updated, resulting in a reduction in DBO of c. £11m. In addition, the difference between CPI and RPI (the RPI-CPI wedge) has been updated, resulting in an increase in DBO of c. £27m. These changes are linked and are based on pre-2030 and post-2030 rates.

Notes to the Financial Statements (continued)**Year ended 31 July 2021**

25 Related Party Transactions

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

The Vice-Chancellor Professor E.A. Simmons and Mr M. Clinton were on the Governing Body of Reaseheath College. The University receives fee income from Reaseheath students, and subsequently passes 100% of this income to Reaseheath College. For the 20/21 year this was a total of £452k (19/20 £630k). The University also received £6k of other income from the College (19/20 £18k).

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

- AMOSSHE – payments were made of £1,688.00
- National Trust – payments were made of £1,800.00
- Warrington Chamber of Commerce & Ind – payments were made of £792.00 (19/20 Membership fees of £500)
- Cheshire and Warrington Local Enterprise Partnership (LEP) payments were made of £52,500.00 (19/20 £25k) and £488,164.67 income was received (19/20 £5k)
- NWBLT (North West Business Leadership Team) – payments were made of £10,000.00.

The Vice-Chancellor and Deputy Vice-Chancellor, Professor Helen O'Sullivan were on the board of ADVANCED HE (previously The Higher Education Academy) – payments were made of £10,812.64

The Vice-Chancellor and Dr D. Briggs were members of Cheshire Business Leaders Ltd. – payments were made of £300.00.

Deputy Vice-Chancellor Professor Helen O'Sullivan was the chair of the board of trustees for the Association for Learning Technology – payments were made of £456.00.

Pro Vice-Chancellor Dr Helen Galbraith was an executive member of AHUA (Association of Heads of University Administration) – payments were made of £1,450.00.

Pro Vice-Chancellor Professor Neville Ford was on the board of ECC Ltd – payments were made of £7,776.00.

Cathy Bond was a Trustee of North West Cancer Research – £77,711.30 income was received.

Charles Forsdick was employed by the University of Liverpool – payments were made of £26,707.00 and £5,283.34 income was received.

Dr D. Briggs (mentioned above) is Trustee of the following organisation:

- Warrington Youth Club – payments were made of £25,000.00 (19/20 £500)

Eleanor Lewis and Jack Rankin were employed by Chester Students' Union – payments were made of £406,035.21 and income received of £2,650.50.

Canon Dr J. Turnbull was Trustee and Clerk of:

- Duddon C of E School Trust – payments were made of £464.00.
- Chester Blue Coat C of E Educational Foundation – payments were made of £2,218.00 (19/20 £4k).

Councillor Razia Daniels was employed by Cheshire West and Chester Council – payments were made of £28,679.74 and £76,568.19 income received.

Nick Jenkins's wife was a governor at Glyndwr University – £52,156.00 income received (19/20 £27k)

Sandra Verity was a governor at the Kings School – £803.33 income received.

Notes to the Financial Statements (continued)**Year ended 31 July 2021**

25 Related Party Transactions (continued)

Steve Broomhead was employed by Warrington Borough Council – payments were made of £78,229.85 and £80,055.43 income was received.

Mr Broomhead was also a director with Warrington Wolves – £3,077.88 income received.

The Right Reverend the Lord Bishop of Chester, Mark Tanner and The Very Reverend Dr Tim Stratford were both members of Diocese of Chester – £24,092.41 income received

The following were also associated with Chester Cathedral Enterprises – £1,181.70 income received:

- The Very Reverend Dr T. Stratford,
- Dr D. Briggs (mentioned above)
- Canon Dr J. Turnbull (mentioned above)

Ms E. Degg wife of Associate Professor M. Degg, is the CEO of NW Business Leadership team (mentioned above).

Notes to the Financial Statements (continued)

Year ended 31 July 2021

26 US Department of Education Financial Responsibility Supplemental Schedule

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

The amounts presented within the schedules have been:

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

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

Note Ref:		Primary Reserve Ratio: <u>Expendable net assets:</u>	2021		2020	
			£000	£000	£000	£000
Line 15 Balance Sheet	Net assets without donor restrictions			27,335		44,138
Note 19	Net Assets with Donor restrictions			423		405
Note 25	Secured and unsecured related party receivable		108		12	
Note 25	unsecured related party receivable			(108)		12
Note 12	Property plant and Equipment post implementation		118,313		118,792	
Note 12	Property plant and Equipment pre- implementation			(113,108)		(116,897)
Note 12	Property plant and Equipment post implementation WITH debt					-
Note 12	Property plant and Equipment post implementation WITHOUT debt			(5,205)		(1,895)
Note 12	Construction in progress					-
N/A	Lease Right of use assets, net				-	
N/A	Lease Right of use assets, pre- implementation					-
N/A	Lease Right of use assets, post implementation					-
N/A	Goodwill /Intangible assets					-
Note 18	Post-employment and pension liabilities			71,145		54,827
Note 17	Long term debt for long term purposes		28,510		30,638	
Note 17	Long term debt for long term purposes	Pre-implementation		32,784		32,784
Note 17	Long term debt for long term purposes	Post implementation		(4,274)		(2,147)
Note 17	Line of credit	Construction in progress				-
N/A	Lease Right of use assets - Liabilities				-	
N/A	Lease right of use assets - liabilities	Pre-implementation				-
N/A	Lease right of use assets - liabilities	Post implementation				-

Notes to the Financial Statements (continued)

Year ended 31 July 2021

26 US Department of Education Financial Responsibility Supplemental Schedule (continued)			
N/A	Annuities with Donor restrictions	-	
N/A	Term endowments with Donor restrictions		-
N/A	Life income funds with Donor restrictions		-
Note 19	Net Assets with Donor restrictions in Perpetuity	<u>(130)</u>	<u>(130)</u>
<u>Total Expenses and Losses:</u>			
		2021	2020
Note 8, 10, 11, 19, 24 Cash Flow Line 7	Total operating expenses without Donor restrictions	116,591	113,638
Note 6,12,10	Non-operating and net investment	6,207	6,148
Note 12	net investment losses	(59)	(422)
Note 24, Cash Flow Line 7	Pension related changes	(16,318)	(24,727)
<u>Equity Ratio:</u>			
<u>Modified net assets:</u>			
Line 15 Balance Sheet	Net assets without donor restrictions	27,335	44,138
Note 19	Net Assets with Donor restrictions	423	405
N/A	Goodwill - Intangible assets		-
Note 25	Secured and unsecured related party receivable	108	12
Note 25	unsecured related party receivable	(108)	(12)
<u>Modified assets:</u>			
Balance Sheet Lines 1, 2 & 7	Total assets	175,425	174,039
N/A	Lease right of use asset pre implementation		-
N/A	pre implementation right of use leases		-
N/A	Goodwill - Intangible assets		-
Note 25	Secured and unsecured related party receivable	108	12
Note 25	unsecured related party receivable	(108)	(12)
<u>Net income Ratio:</u>			
Line 15 Balance Sheet	Change in net assets without Donor restrictions	(16,803)	(25,550)
Notes 1,2,4,5	Total Revenues and Gains	122,390	119,387