

# **The University of Chichester**

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

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# The University of Chichester

## About the University of Chichester

This modern dual campus University can trace its origins back to 1839. The Bishop Otter College was established as a teacher training college in 1839, admitting its first students in 1840. It moved to the current site in Chichester in 1850, and these original buildings are now the historic core of the Chichester campus.

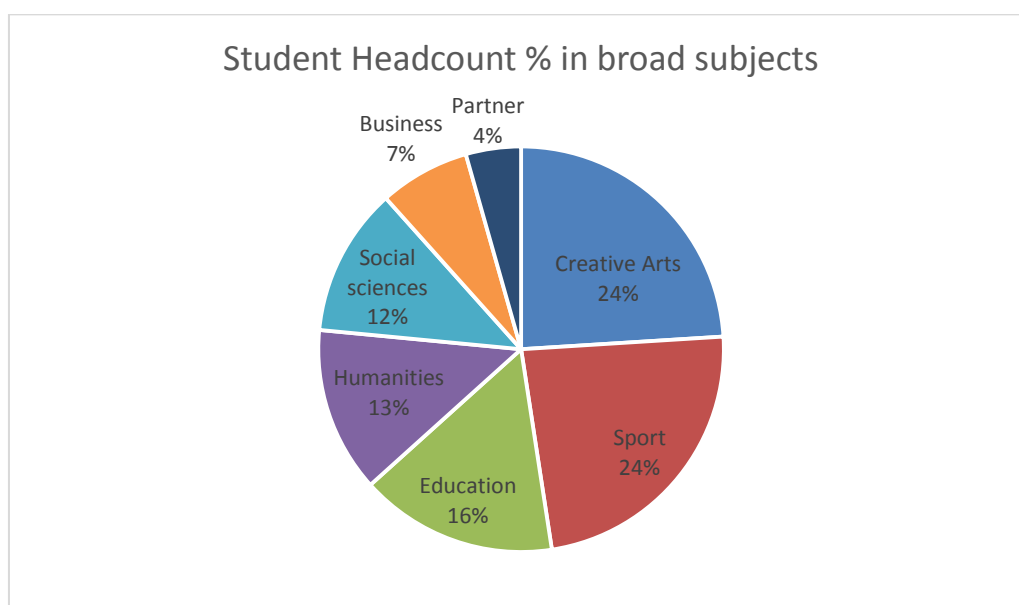
The Bognor Regis College of Education was set up in 1946 as an emergency training college to meet the shortage of teachers after World War 2. It was located in a crescent of three Regency buildings that still form the heart of the campus today.

In 1977, the two colleges merged to form the West Sussex Institute of Higher Education. The Institute changed its name to Chichester Institute of Higher Education in 1995 in recognition of the primary campus location.

There was another name change in 1999 to University College Chichester with the granting of taught degree awarding powers. 'University' status was gained in 2005, since when the organisation has been known as the University of Chichester. The final hurdle to achieving full university status was achieved in September 2014 when the Privy Council granted Research Degree Awarding Powers.

### *Subjects offered*

The University's academic focus is summarised within broad curriculum areas in the following pie chart:



During 2015/16 there have been two construction projects on the Chichester Campus. The new £3.5m Music block extension was opened to students in September 2016. The new University entrance and £8m Academic Building will transform the University arrival when it opens in January 2017.

The University's next significant project is the £35m Technology Park and Student Residential Accommodation to be built on its Bognor Regis campus. The Technology Park will broaden the curriculum offer into Engineering, Mathematics and Creative Digital Design. This will in turn strengthen the Business School offer and build exciting new inter-disciplinary opportunities.

### *Student numbers*

Total student numbers expressed as full time equivalents has remained just below 5,000 for a number of years. Within this figure there has been a significant shift from part time to full time students and the student mix has also moved away from teacher training to a broader portfolio. The University has an evolving portfolio and is of a scale that senior management can actively support academic strategies

# The University of Chichester

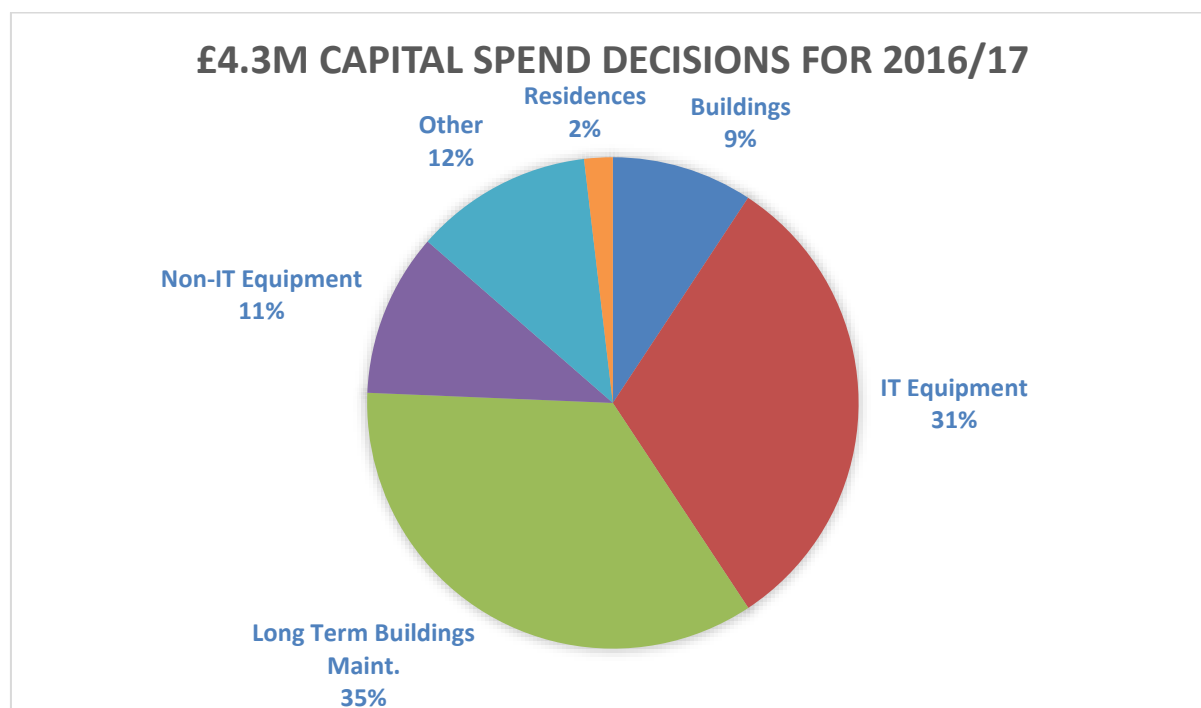
## About the University of Chichester (continued)

Chichester has differentiated itself in an increasingly competitive environment with a focus on teaching quality (ranked 27<sup>th</sup> in the Times Good University Guide 2017) and on student satisfaction. Many of our students come from low income households and non-traditional backgrounds and our high retention levels and strong NSS results demonstrate our success in this area. The Times Good University Guide 2017 recognised the University's outstanding achievements in student retention by naming University of Chichester as University of the Year for Student Retention. Alastair McCall, Good University Guide Editor, said:

“Chichester provides an environment where students thrive and prosper, where their skills are encouraged and honed, and where, equally importantly, they have a good time in fine surroundings, enjoying the full support of the University's excellent staff.”

The Technology Park business plan will increase student numbers by around 1,500 with annual intakes rising by around 500 students once the new courses are fully established. This growth is possible now that HEFCE have removed student number controls. Whilst accepting the risk of increased competition within higher education, there is demand for new STEM provision (Science, Technology, Engineering and Mathematics) in the region and the University is working closely with schools and Further Education Colleges to fill an identifiable gap.

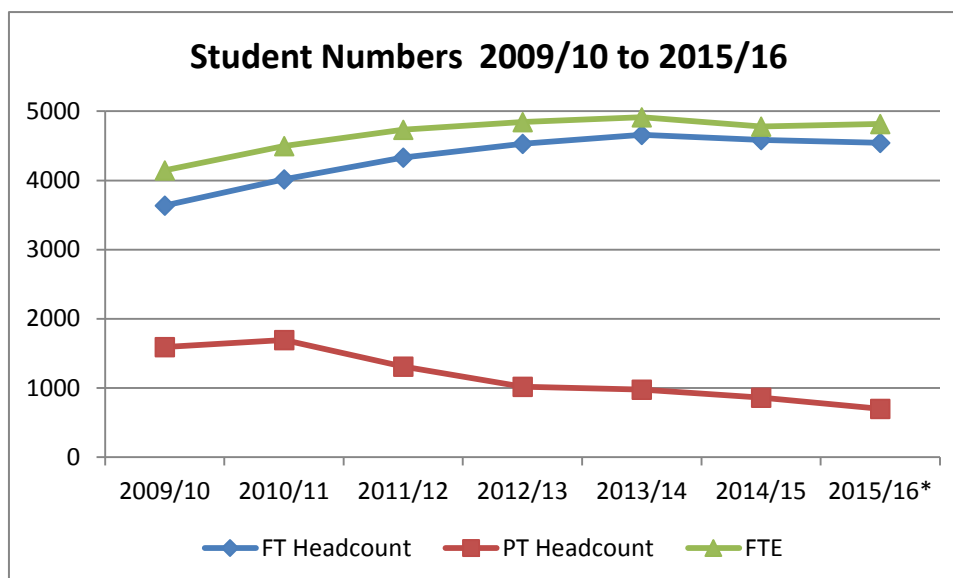
The University is working towards a clear strategy as set out in its Twenty-Twenty Vision and the annual business planning process ensures all subject areas have clear goals and support to help them achieve and meet the vision. This process drives the strategy for equipment spend and decisions to invest in the existing buildings, IT and resources. The pie chart below shows how the decisions made break down by area of investment. All capital decisions were linked to forward cash flow projections and the requirement to keep within the target surplus.



The following table shows the student number growth for the University as a whole for recent years and demonstrates the growth in full time numbers as the market for part time numbers has fallen. The opening of the new Academic Building and Music Block extension during 2016/17 has created more capacity for growth on the Chichester Campus. The Technology Park now in construction on the Bognor Regis Campus will create a significant step change with an increase of 1,500 student FTE growth planned by 2021/22.

# The University of Chichester

## About the University of Chichester (continued)



### Research

The University is committed to academic research and continues to invest significantly in the professional development of the academic community and in projects to promote research activity. The University proudly promotes the strapline to students that all our researchers teach and all our teachers research.

The outcome of the Research Excellence Framework (REF) exercise announced in December 2014 rated 90% of our research as internationally renowned with 15% classified as 'world-leading'. This improved research performance in turn led to a significant increase in HEFCE research funding for future years.

### Strategic Priorities

The University's current Strategy, entitled 'Twenty-Twenty Vision', was approved by the Board of Governors in April 2013.

In summary, the University's Mission is to be:

*A university community that inspires and enables individuals to exceed their expectations*

Our Twenty-Twenty Vision is that:

*By 2020 the University of Chichester will be internationally recognised as a beacon of good practice for high quality, student-centred higher education within a supportive community of learning.*

The University's Strategic Goals are:

1. Every student will have an outstanding learning experience;
2. We will be inspirational agents for social, cultural and economic regeneration;
3. All staff engaged in learning and teaching will have a research profile that is of national or international repute;
4. Our academic portfolio will be developed to ensure that it remains relevant for those seeking to access higher education;
5. Enhancing the student experience will be the cornerstone upon which we develop our campus environment;
6. Embrace the opportunities presented by the new education landscape in a way that is coherent with our strategic direction;

# The University of Chichester

## About the University of Chichester (continued)

7. Generate levels of surplus, sufficient to secure sustainability and create funds to support the delivery of our vision; and
8. Achieve a shared sense of mission and belonging across our community so that our vision is owned by the whole institution and understood by our partners.

### Management Structure and Governance

The Governing body of the University is the Board of Governors, which comprises between nineteen and twenty-five members (currently twenty-three). Under the University's Articles of Association, the Board must consist of:

- The Vice-Chancellor;
- Independent Governors, the number of which must not be less than half the total number of governors;
- Three nominated Governors (one student, normally the President of the Students' Union and two from the teaching staff)

The remainder are co-opted Governors.

At least half the Independent Governors are appointees of the Church of England (5 members), one of whom is the Bishop of Chichester or his nominee. The Governing body has a broad range of appointees including those with experience as senior executives from legal, financial and commercial backgrounds as well as individuals in leadership roles in Further and Higher Education.

The University Executive is known as Chief Executive's Team (ChET) and is comprised of:

- Professor Clive Behagg, Vice Chancellor

Professor Clive Behagg was appointed Vice-Chancellor on 1st January, 2011 and is responsible for the leadership of the University in accordance with the overall strategic direction determined by the Board of Governors. As Vice-Chancellor of the University, Clive Behagg is a Governor and a member of the Governors' Strategy & Resources and Nominations & Effectiveness Committees. As Chair of the Academic Board, the Chief Executive's Team, the Strategy, Risk and Projects Group and the Student Forum, Clive's role is central to the success of the institution which has a national reputation for student satisfaction.

- Dr Sarah Gilroy, Deputy Vice-Chancellor

Dr Sarah Gilroy is the Deputy Vice-Chancellor at the University of Chichester. Previously she was Pro Vice-Chancellor with a broad range of responsibilities, including learning and teaching, student administration and student support. Sarah has national experience in quality assurance, modular degree frameworks and programme design. She began her professional career training to teach physical education prior to moving into University lecturing in sport and physical education, whilst also maintaining a high level of involvement in sport as a coach and participant. She has coached at regional / provincial levels in England and Canada and at international level with England hockey.

- Professor Seamus Higson, Deputy Vice-Chancellor (Sustainability and Enterprise)

Professor Seamus Higson joined the University as Deputy Vice Chancellor (Sustainability and Enterprise) in September 2015. Central to his role is lead for the development and launch of a Science, Technology, Engineering and Mathematics (STEM) portfolio of education and research for the University. Seamus Higson joined Chichester from Cranfield having served terms as Dean of the Faculty of Medicine and Biosciences and head of the Cranfield Biotechnology Centre at Cranfield University. Professor Higson brings to this project more than 20 years' experience of bringing fundamental research through to practical implementation and full commercialisation – based on technologies ranging from biomedical biosensors through to smart wound dressings and sensors for use within the water industry and environmental monitoring.

# **The University of Chichester**

## **About the University of Chichester (continued)**

- Dr Mark Mason, Pro Vice-Chancellor (Student Experience)

Dr Mark Mason is our Pro-Vice Chancellor (Student Experience) and has extensive management experience in higher education including quality assurance and standards, collaborative provision and development of the academic portfolio. His role covers all aspects of the student experience across the University including, learning and teaching, student support and wellbeing, the National Student Survey, as well as careers and employability.

Chief Executive's Team are supported by key senior managers who lead functional departments across the University.

# The University of Chichester

## Directors, Governors and Advisers

The following governors have served during the 2015/16 financial year and the 2016/17 year until the date of formal approval of the financial statements by the Board of Governors. Start and leave dates are captured in the middle column with the significant governor roles shown on the right. More details of individual governors including a photo and short biography can be found on the University website: <http://www.chi.ac.uk/about-us/who-we-are/board-governors>

Professor J M Lynch, OBE		Chair of Governors, Nominations and Effectiveness Committee and Remuneration Committee
Professor C Behagg		Chair of Academic Board
Mr S A Bowman	To February 2016	Staff elected governor
Mrs H Bray		
Canon Dr A W Cane		
Mrs J Cook		Vice-Chair of Governors and Chair of Strategy and Resources Committee
Mr C J Dicks		
Mr I Garrard	From September 2016	
Mrs J E Gray		
Mr T Hancock		Chair of Audit Committee from December 2015
Mr P M Hollins	To November 2015	Chair of Audit Committee
Ms J Hope	To July 2016	President of the Students' Union
Mr R Martin		
Mrs N V Nageon de Lestang		Chair of Honorary Awards Committee
Dr A Naylor		
Dr F L Price		Staff elected governor
Mr L Sheavyn	From July 2016	President of the Students' Union
Mr R G Smith		
The Rt Revd M C R Sowerby		
Mr J N Stapleton		
Mrs L E Surgeon		
Dr A B Twitchen		Staff elected governor
Mrs K Vagg		
Mr K Williams	From February 2016	Staff elected governor

# The University of Chichester

## Directors, Governors and Advisers (continued)

<b>Vice-Chancellor</b>	Professor Clive Behagg
<b>Deputy Vice-Chancellor</b>	Dr Sarah Gilroy
<b>Deputy Vice-Chancellor (Sustainability and Enterprise)</b>	Professor Seamus Higson
<b>Pro Vice-Chancellor (Student Experience)</b>	Dr Mark Mason
<b>Director of Finance &amp; Performance</b>	Mr Kevin Jones
<b>Clerk to the Governors and Secretary</b>	Mrs Ann Holder
<b>University Solicitor</b>	Mr Peter Aldred
<b>Principal Address</b>	University of Chichester Bishop Otter Campus College Lane Chichester West Sussex PO19 6PE
<b>Second Campus Address</b>	Bognor Regis Campus, University of Chichester Upper Bognor Road Bognor Regis West Sussex PO21 1HR
<b>Clearing Bank</b>	National Westminster Bank plc 60 High Street Bognor Regis West Sussex PO21 1SL
<b>External Auditor</b>	BDO LLP 2 City Place Beehive Ring Road Gatwick West Sussex RH6 0PA
<b>Internal Auditor</b>	KPMG LLP 66 Queen Square Bristol BS1 4BE



# The University of Chichester

## Strategic report for the year ended 31 July 2016

### Operating and Financial Review

The Financial Statements and supporting notes for this financial period comply with the Higher Education Statement of Recommended Practice (HE SORP) which applies the principles of Financial Reporting Standard 102 to the Higher Education sector alongside the relevant Companies Act, Charities Act and the requirements of the Higher Education Funding Council for England (HEFCE) Accounts Direction. This is the first year of reporting under the new financial rules and as such cannot be compared to the annual reports of previous years. The statements includes restated prior year accounts under the new accounting rules.

For the year ended 31 July 2016, the University is reporting a surplus of £1.2m (2015: £0.3m) on continuing operations after depreciation of assets at valuation and disposal of assets and before tax.

### Consolidated Statement of Comprehensive Income and Expenditure

The University's consolidated results for the years ended 31 July 2016 and 31 July 2015 are summarised in the following table:

	31 July 2016	31 July 2015
	£m	£m
Total income	52.847	50.802
Total expenditure	<u>51.609</u>	<u>50.476</u>
<b>Surplus for the year</b>	<b>1.238</b>	<b>0.326</b>

The surplus for the year of £1.238m was an increase of £0.912m compared to 2014/15. This was in-line with the forecasts submitted to HEFCE and the University's long term financial strategy.

The University's total income increased by 4% to £52.8m compared with £50.8m in 2014/15.

Tuition fee income increased by £2.7m (7.5%) as the last of the old funding regime students completed in 2014/15 and also for the increase of tuition fees by £500 to £9,000 for all new undergraduate students in the September 2015 intake. Funding body grants fell by £0.7m (16%) mainly due to tighter controls on teacher training student numbers as government policy aims to focus teacher training into schools.

Income from residences, catering and conferences increased by £0.48m to £7.1m due to an increase in the number of bed spaces within the student residential accommodation and an increased level of repeat trade for summer activities on campus.

Other income, which includes academic consultancy, continuing professional development and other sources such as car parking, field trips and performances reduced from to £3.7m to £3.1m. This reduction included prior year salary cost recharges of £0.5m to the University of Chichester (Multi) Academy Trust being classified as income in 2014/15 as well as a reduction in the total in-year salary recharges to the Trust.

Total expenditure increased by 2.3% from £50.5m to £51.6m.

Staff costs of £29.5m including non-cash pension adjustments for FRS102 account for 57.1% of total costs (2014/15: £28.3m 56.0%). Staff costs increased by £1.2m (4.2%), this included a national pay award of 1%, the creation of new posts linked to the Technology Park project including a new Head of Engineering and Head of Digital Media and an increased cost for agreements made following a call for voluntary severance agreements made in June 2016. On 1<sup>st</sup> May 2016, the University cleaning service was transferred on a TUPE agreement into the University which increased the overall salary costs by 3 months of salaries offset by a decrease in non-salary expenditure on contract cleaning. Established staff numbers increased by 10 FTE in teaching and research. Administration, support and central services increased by 5 FTE. Since July 2016 staff numbers are showing reductions as the voluntary severance agreements signed before 31<sup>st</sup> July are converted into leavers.

# The University of Chichester

## Strategic report for the year ended 31 July 2016 (continued)

The table below shows the non-cash pension adjustments under the HE SORP which are shown within staff costs as expenditure. The increase of £212k is outside the control of the University and has a direct impact of reducing the overall surplus.

£000	2015/16	2014/15 (restated)
Staff Costs - accrued holiday pay	48	27
LGPS Pension Costs	828	598
USS Pension Costs	60	99
<b>Total non-cash adjustments</b>	<b>936</b>	<b>724</b>

Other operating expenditure reduced from £18.2m to £17.9m (1.7%) including savings against contracted out cleaning from May to July 2016.

Interest and other finance costs increased from £788k to £862k up 9.4% and is made up of loan interest actual payments and pension scheme interest costs which is a non-cash adjustment under the FRS102. Loan interest increased in year reflecting the draw down against the AIB loan for construction of the Music building extension and the new Academic Building. Interest costs were below projected levels as careful cashflow monitoring has allowed draw down dates to occur later in the year. Existing loans continue to benefit from the record low levels on base rate interest. The pension interest costs include calculations against the Local Government Pension Scheme, historical enhanced pensions and Universities Superannuation Scheme. Across these three schemes the interest costs as calculated under the new financial rules showed an increase in year from £298k to £349k.

The company made no political or charitable donations in the year.

Under the new HE SORP the Consolidated Statement of Comprehensive Income and Expenditure includes an additional line to reflect the actuarial loss in respect of pension schemes which is shown below the surplus to arrive at the Total Comprehensive Income for the Year. The actuarial loss in respect of pension schemes consists mainly of the actuarial loss on the Local Government Pension Scheme and for 2015/16 this is a non-cash figure of £1.9m (£1.2m in 2014/15 restated accounts).

### Consolidated Balance Sheet

The Balance Sheet has a number of significant changes under the HE SORP and is not comparable with previous published years other than the restated 2014/15 balance sheet shown in this report. The University has revalued its land, but not its building in the transition to the new accounting rules. The balance sheet also reflects an increased liability for pension schemes described in more detail below.

Fixed assets have increased by £10.2m net of depreciation, this includes £10.9m towards assets in construction reflecting the works on the Music Building extension (opened September 2017), the Academic Building (due to open January 2017) and the start up costs of the Technology Park project for the Bognor Regis Campus. A further £2.7m was invested in capital assets during the year. This included significant investment in the IT equipment, infrastructure and resilience, as well as energy efficiency projects and improved roads and pathways.

During the year, the University drew down two tranches from the £12m loan facility totalling £3.5m to finance the University's capital programme. The remaining balance of £5.2m was drawn down in two further tranches in August 2016 and September 2016.

The FRS102 treatment of pension scheme adjustments has been discussed in the section above. The total impact of these non-cash adjustments also impacts on the Consolidated Balance Sheet. For the position as at 31 July 2016 the liability under Pension Provisions is £12.749m and this increased provision reduces the total net assets by over £3m compared to the previous year. This adjustment could be in the opposite direction in future years, with the latest calculations influenced by the referendum decision of the United Kingdom to leave the European Union.

# The University of Chichester

## Strategic report for the year ended 31 July 2016 (continued)

### Cash Flow and Treasury Management

The level of cash and short term investments held as at 31 July 2016 was £4.4m down from £7.87m the previous year. This movement was in line with forecast as cash balances have been used to fund capital spending in order to delay loan draw-down and reduce interest payments. Cash balances fluctuate throughout the year and are significantly influenced by the Student Loan Company payment schedule which is typically a 25% payment in October, 25% in February and 50% in May. The balance as at 31<sup>st</sup> July reflects the reducing balance from the annual cash high point in May. The day to day funds are held within an interest bearing account with our bankers into which all surplus cash is swept overnight with the balance held in investment accounts. Interest rates on overnight funds have been very low throughout the year.

### Capital Projects

Throughout 2015/16 the University has progressed its major infrastructure project on the Bishop Otter Campus in Chichester to build new academic teaching capacity dedicated and music learning space. The buildings have progressed successfully to schedule and plan with the Music Building extension opening, operational and enjoyed by students from September 2016. The larger project to create a new academic building at the entrance to the campus achieved practical completion in October 2016 and will be opened and fully timetabled for students from January 2017. The total cost of £11.58m was in line with the original budget and greatly enhances the academic facilities provided to students.

During 2015/16 the Technology Park Project for the Bognor Regis Campus has progressed. The project includes a large new academic building to house new programmes for engineering, creative digital and mathematics. This is complemented by student residential accommodation to house the planned student number growth. As the project progressed to planning the academic building was scaled to accommodate the broad needs of the increased student and staff needs aligned to the specialist teaching needs. The final design received planning approval in July 2016 with a total project cost of just under £35m. The project has received £8m from Coast to Capital Local Enterprise Partnership funding and £2.7m from HEFCE Catalyst Funds. An additional loan of £20.5m has been agreed with HSBC. The project has received significant support and contributions from the regional community including many of the small and medium sized companies based in and around Bognor Regis.

There are a number of other smaller projects in development including refurbishment of teaching space on the Bognor Regis Campus, Mordington Hall and a planning application has been submitted for a small student residential development on the Chichester campus.

### Employees

The University values its staff and strives to create a supportive and friendly community. The dedication, commitment and skills of all staff working at the University are fundamental to the University's success and critical to delivering an excellent experience for our students. The University's People Strategy: 'Working for our Future', supports a culture within which staff can continue to develop, flourish and contribute to our community and build on current strengths to support priorities. The University is committed to achieving the most appropriate culture and environment in which staff, students and visitors understand and embrace the principles of inclusivity and where employees are engaged and feel positive about their role in the University.

To support the inclusivity agenda, the University has in place an Equality Plan and produces an annual report that addresses statutory responsibilities under the Equality Act 2010 and Public Sector duties. Accredited with the disability symbol and Mindful Employer, the University is also a member of the Stonewall Diversity Champions Programme.

The University is committed to a policy of recruitment and promotion on the basis of ability and aptitude without discrimination of any kind. Management actively pursues both the employment of disabled persons whenever a suitable vacancy arises and the continued employment and retraining of employees who become disabled whilst employed by the University.

# The University of Chichester

## Strategic report for the year ended 31 July 2016 (continued)

Crucial to the University's success is a healthy employee relations climate. Employee wellbeing (including work-life balance and manageable levels of pressure) supports effective employee engagement, promoting a healthier, more fulfilled and sustainable working environment. The employee relations framework encourages staff to respond positively to changes that enhance organisational effectiveness and provide quality services. In line with this approach, the University recognises appropriate trade unions and has established a Joint Consultative Group, involving academic and professional services staff unions, that meets on a regular basis and takes into account changes in legislation, national and local agreements and the general employment market. This Group provides an effective means of communication and enables discussion to take place about issues of concern to both management and unions.

The University's Reward Strategy supports the University's key strategies and our Twenty-Twenty Vision, Learning and Teaching, Research, Enterprise and People strategies. The Reward Strategy covers a 'total reward' approach i.e. everything of value resulting from the employment relationship with the University including all monetary and non-monetary considerations, for example, pay and reward, recognition and performance, development and career opportunities, family friendly and flexible working arrangements. The University remains committed to participating in the JNCHES (Joint National Committee for Higher Education Staff) Framework Agreement pay negotiations. The remuneration systems and conditions of service support the JNCHES national framework agreement in relation to pay and conditions. The University's Reward Strategy and negotiated framework agreement is currently being reviewed by a sub-group of the Joint Consultative Group with outcome actions to be implemented during 2016/17.

To promote involvement in the governance of the University, staff representatives are elected by their colleagues to serve as members of the Board of Governors and the Academic Board and its committees. All staff have access to the minutes of the Board of Governors, except where these are considered to be of a confidential nature.

The flow of information to staff is maintained through the use of all staff emails and news stories on the University website. The Vice-Chancellor also holds open forum events on both campuses for all staff on a termly basis.

The University has a policy on slavery and human trafficking. We are committed to ensuring that there is no modern slavery or human trafficking in our supply chains or in any part of our business. The University's Modern Slavery Statement can be found on the University website from the following link: <http://www.chi.ac.uk/>

The University is committed to support the Government's Prevent Agenda. The University's action plan to meet the requirements of the Prevent Agenda can be found on the University website from the following link: <http://www.chi.ac.uk/>

### Students

The University places high importance on working in partnership with students to help shape decisions that impact on their education and overall experience. Student representation on Programme Boards ensures firm engagement with their curriculum. The Student Forum brings members of senior University management together with the Executive of the Students' Union and other student representatives and meets four times a year to allow free discussion of student-led issues. A sabbatical officer from the Students' Union sits ex-officio on the Board of Governors of the University as well as a student observer invited to all meetings and they are encouraged to engage in the Board's discussions. Three representatives of the Students' Union are members of the Academic Board. Students' Union representation is also typical for capital project programme meetings, accommodation strategy and other ad hoc project teams. The University also provides multiple ways for our students to submit feedback which are backed up by University procedures to follow up on any issues raised.

The University has a strong and positive working relationship with the student union. During 2015/16 the University funding to the Students' Union has been reviewed and improved. This has allowed the students to elect an additional sabbatical officer for 2016/17. The funding also reflects the contribution the Students' Union makes to the student welcome, to open days and the many ways the students act as proud ambassadors of the University.

# The University of Chichester

## Strategic report for the year ended 31 July 2016 (continued)

The University aims to provide students with a broad range of channels to communicate with the University and to be able to access support if and when they may need it. Student email communications are tailored to fit student needs. University wide announcements are used sparingly and appropriately. Students are carefully guided through processes such as enrolment and registration and all students have easy and effective student support through our [help@chi.ac.uk](mailto:help@chi.ac.uk). Moodle is the student's intranet and is used for announcements, banners, news, discussion boards as well as its core function to support the student's academic needs. The University twitter and facebook accounts are used to communicate with future, current and past students. Social media is used to focus on messaging students who are currently studying to promote new services, revised opening hours and similar targeted messages. There are also many large LCD screens positioned strategically across the campus in locations to provide information to our students.

During 2015/16 the Learning and Information Services has developed a University downloadable app. This has been developed at very little cost and brings together many of the sites and tools that students need into a simple to use tool for students to access through their phones and tablets. This app was launched to students in September 2016.

### Alumni and the Community

During 2015/16 the Alumni have supported and reconnected with the University more than ever before. A special alumni reunion event celebrated 75 years at the Bognor Regis Campus. Alumni benefits and interaction were enhanced with the relaunch of the alumni net community ([alumni.chi.ac.uk](http://alumni.chi.ac.uk)) and this has led to increased alumni social media engagement (#chiuni).

The Alumni Association joined the University at Freshers' Fair, Students' Union student versus alumni sports event and to celebrate Graduation. The University launched a series of small alumni special interest events starting with a backstage tour of the Chichester Festival Theatre.

The University launched its crowdfunding platform [lovechichester](https://www.pledgemusic.com/lovechichester) with a campaign to buy a piece of artwork for the University Collection to be held at the Otter Gallery. The Norah Braden Crowdfunding Appeal, with great support from alumni and the University's regional community surpassed the fundraising target.

The University has two long-established alumni groups and is grateful for their continued financial support. The Bognor Regis College Old Student's Association provided funding to support improvements to the Bognor Regis Campus and the Bishop Otter Guild provided sponsorship for an exhibition at the Otter Gallery and members provided funding for a crest to be displayed in the new academic building.

Individual donations were received to support students who are experiencing genuine and unavoidable hardship through both the student hardship fund and the Chaplain's Welfare Fund which supports the University's broad community. The University also received gift-in-kind artwork such as tapestries which are displayed in the University's public spaces and artwork which was donated for the purpose of auction to support the Otter Gallery.

### Value for Money and Performance Impact

The University provides a Value For Money (VfM) Report to HEFCE as part of the annual package of reports. The 2015/16 statement has been revised and updated to reflect the guidance in HEFCE circular 23/2016 Value for Money Reporting. This section includes some duplication of parts of that more detailed report.

The University has a responsibility to achieve and demonstrate achievement of value for money in all of its activities. This is enshrined in the Memorandum of Assurance and Accountability with the Higher Education Funding Council for England (HEFCE). The University also seeks to demonstrate VfM to all its stakeholders and principally to reassure students that the tuition fees and cost of accommodation they pay are used effectively and efficiently.

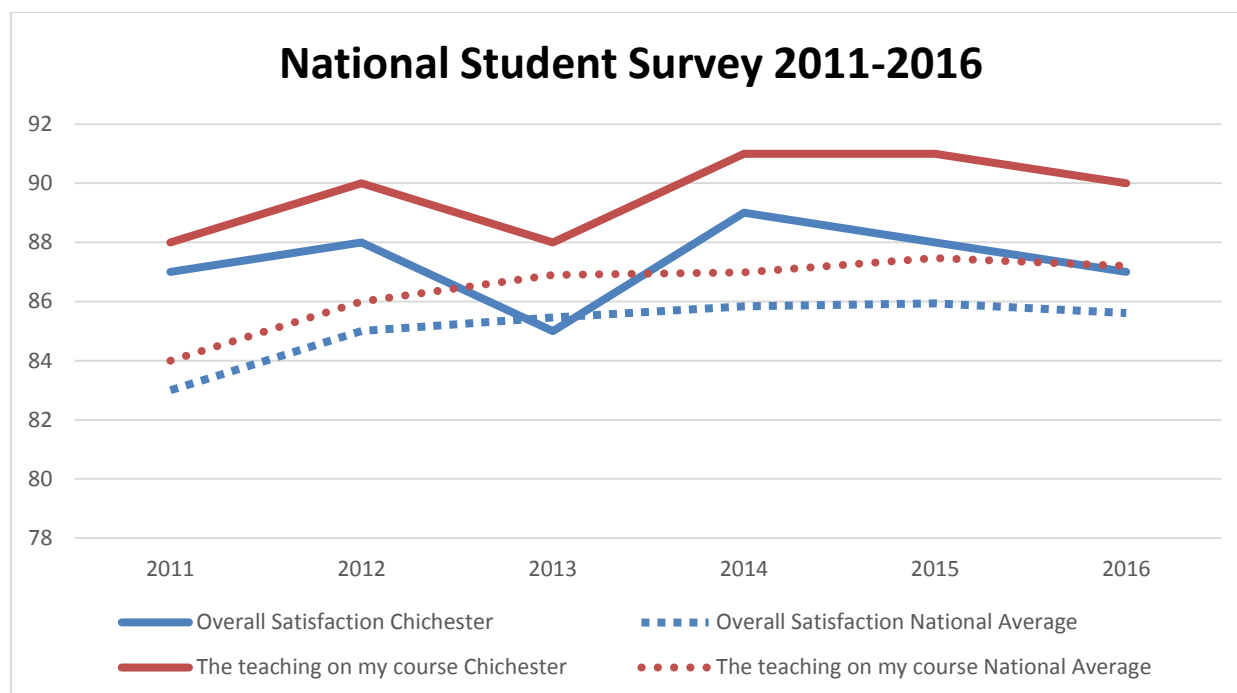
# The University of Chichester

## Strategic report for the year ended 31 July 2016 (continued)

### Students

National Student Survey (NSS) captures the opinions of final year students and a combination of their scores and comments can guide decisions on how the University can improve the student experience. It has become generally accepted as a measure of the quality of the student experience and a revised version of the NSS will form part of the metrics for the Teaching Excellence Framework.

The graph below shows the University score for overall satisfaction as well as the summary score for the teaching on my course set of questions. The University is proud of its consistently high scores for 'teaching on my course' and 'overall satisfaction' as these scores demonstrate the success of the University's approach to teaching strategy and delivery. The University has demonstrated a consistent high level of overall satisfaction across the years outperforming the national average and the benchmark group. The high scoring for teaching demonstrates that the University's teaching strategy is effective and appreciated by the students.



The University conducts a detailed analysis of the NSS scores and the comments made by students completing the survey at institutional, departmental and programme level. This analysis forms the basis of an action plan to address students' concerns and is used to inform future academic delivery and capital developments. These are then reported back to the students so that those currently in years 1 and 2 understand their views are taken seriously and acted upon.

### Staff

The University recognises that the staff are the most important resource in an academic institution and are key to the quality of the students' experience and to the reputation of the University amongst its peers. The University is committed to fair pay and believes that this fair approach to its staff represents value for money through a loyal and engaged workforce which shares the University's vision and values.

Voluntary staff turnover, defined as staff who have resigned their post to go to another role elsewhere, to retire or for other personal reasons, is considered an indicator of the level of morale of staff. The University HR professionals constantly monitor staff leavers as part of an overall perception of the staffing health of the institution. The University uses its annual Personal Review and Development Process (PRDP) to monitor its staff and capture their view of how well the University is working for them. Staff leavers are offered exit interviews to pro-actively identify any staffing issues which may have impacted on their staff morale and could affect others.

# The University of Chichester

## Strategic report for the year ended 31 July 2016 (continued)

During 2015/16 the University undertook a full staff survey; the last survey was in 2012. The survey provided a broad and positive picture of the University work place and included the following results:

96.7%	agreed that:	The University is a good place to work
93.3%	said that they	Understand what the core values of the University are
93.8%	agreed that:	The University delivers good quality service to its students
83.1%	Agreed that:	The Chief Executive's Team set out a clear vision of where the University is headed
86.4%	Said that their:	Manager cares about my welfare

### Financial

The gearing ratio gives an indication of the affordability of the level of debt that the University holds, and is used by HEFCE as a measure of the sustainability of the University.

	2012/13 Actual	2013/14 Actual	2014/15 Actual	2015/16 Target	<b>2015/16 Actual</b>	2016/17 Target
Chichester	0.2:1	0.3:1	0.3:1	0.5:1	<b>0.4:1</b>	0.4:1
Sector	0.5:1	0.4:1	0.5:1			

The University is in a phase of capital expansion with major investment on both campuses. New borrowing is secured for this capital programme and will push the level of committed borrowing to the highest level in the history of the University. This growth has been supported by HEFCE including with Catalyst Funding and will stretch performance indicators in a controlled way in the short term leading to a step change growth in activity and financial turnover in the following years.

Cash held is often seen as a good indicator of sustainability, however, the pattern of funding to Universities is now dominated by the Student Loan Company payment schedule which for each academic year starting in September, allocates 25% in October, 25% in February and the final 50% in May. This income pattern requires careful treasury management across all months of the year.

### Estates

The University is committed to providing good quality and fit for purpose estate for all its staff and students. The improvement of the estate remains a key corporate objective for the University. The overall quality of University buildings is measured by the proportion of Gross Internal Area (GIA) that has a functionality classified as excellent or good as recorded in the HESA Estates Management Record.

Excellent/Good	2011-12 Actual	2012-13 Actual	2013-14 Actual	<b>2014-15 Actual</b>
<i>All space</i>				
Chichester	82%	93.1%	93.0%	<b>96.5%</b>
Sector median			86%	<b>91.2%</b>

Improvement of the estate remains a key corporate objective for the University. The Capital Projects Monitoring Group meets regularly and reviews all existing and proposed University capital projects for progress, timing and spend. The University continues to invest in its buildings and space with a pro-active approach. The University commissioned a full condition survey of the University estate which was actioned over the summer of 2015 and the priorities identified have been including in capital planning decisions for works during 2016/17 and with appropriate timing for the following years.

# The University of Chichester

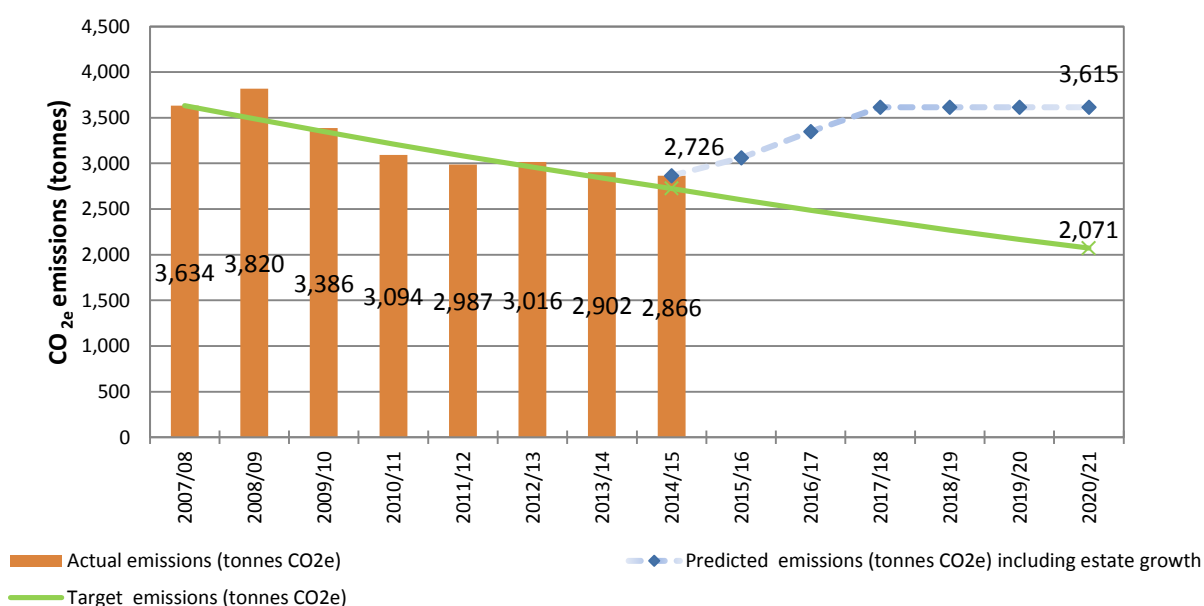
## Strategic report for the year ended 31 July 2016 (continued)

### Environmental Sustainability

The University has an active Environmental Sustainability Group which comprises key professional staff, keen academic champions and the Student Union Environment Representative. The Group met throughout 2015/16 and was a catalyst in projects:

<b>Environmental Management System</b>	A revised policy and system to identify environmental risks and opportunities and how the University prioritises its activities to address these
<b>Staff and Student Engagement</b>	2 <sup>nd</sup> year of the JUMP scheme, which encourages behavioural change to improve individual well-being and our impact on the environment
<b>Staff health assessments</b>	Referred to as “MOTs”, a pro-active scheme to enable staff to test their general health
<b>Hydration</b>	Staff health assessments identified dehydration in the workplace as an issue. The solution was to introduce more water coolers and to provide all staff with re-usable water bottles
<b>Sustainability in the curriculum</b>	Academic led project to identify ways to incorporate environmental sustainability into student learning and projects
<b>Waste and Recycling</b>	Pilot studies were used to identify the most effective messaging to use on recycling bins to encourage effective waste segregation
<b>Travel Plan</b>	Five focus groups reviewed the methods of travel to campus to identify the barriers to more sustainable travel options and opportunities for actions
<b>Sustainable and healthy food</b>	Worked cooperatively with our outsourced catering supplier to focus on local, seasonal and ethically sourced food at reasonable prices

The University’s Carbon Management Plan was implemented in 2010/11. This set an interim target of a 25% reduction in CO<sub>2</sub> emissions between 2007/08 and 2014/15 as well as a longer term target to achieve a 43% reduction in CO<sub>2</sub> emissions by 2020. The graphic illustration below shows actual emissions follow the downward trend of the target emissions line shown in green. The dashed blue line shows the challenges ahead as the University grows its estate and student numbers. The University has ensured all new builds incorporate BREEAM requirements (sustainability assessment methodology for masterplanning projects) energy efficiency requirements and continues to re-invest revolving green funding into energy reduction and building efficiency projects.





# The University of Chichester

## Strategic report for the year ended 31 July 2016 (continued)

### Risk and sustainability

#### *Changes to funding for the higher education sector*

In recent years, the higher education sector has undergone significant financial and regulatory change. Since September 2012 incoming undergraduate students from the United Kingdom or the member countries of the European Economic Area have been expected to pay up to £9,000 per annum for their tuition. Student fees are funded by loans that will be repaid once the student is earning above a threshold salary. This increase in fees has been offset by a reduction in HEFCE core funding for arts, humanities and social sciences programmes and changes to National College for Teaching and Leadership (NCTL) funding for trainee teachers. For University of Chichester, basic tuition fees were increased by £500 to reach the maximum £9,000 fee level for 2015/16 entry. The University continues to offer a generous bursary scheme to students coming from less-privileged backgrounds.

2015/16 student intake was the first intake without student number controls. The higher education market has become increasingly competitive and actual student choice demonstrated that small new Universities like Chichester were less able to grow student numbers in the new open market than the research active and long established universities. New private higher education providers have less restrictions to entering the higher education market, though this has tended to impact on London and the larger cities. The views of the student as a consumer and changes to the law regarding their rights as a consumer and changing government objectives and policies add extra complexity to future planning.

The biggest risk to the University's reputation and future income is demand for its academic programmes. Student recruitment for the 2015 intake was in line with the previous year intake alongside a similar level and pattern of student retention which suggests the University out-performed similar new and small universities. Student number monitoring and projecting has increased importance in a free market and during 2015/16 the methodology and approach to student number planning has been refined to support the budget setting process for 2016/17 and subsequent years. The University Academic Board plays a core role in refreshing the course portfolio and works closely with marketing to react to student demand. The University's critical risk register monitors several risks in relation to the University reputation and ability to recruit students. The Strategy, Risk and Projects Group review all critical risks and the full report is reviewed by the senior management team, Governors' Audit Committee and the full Board of Governors.

The Institute of Education now accounts for 15% of total student FTE numbers where in recent history teacher training was reported as 35% of the University's academic activity; teacher training numbers remain centrally controlled. Government policy to increase the amount of teacher training based in schools has had a direct impact on the University. The University's teacher training provision is currently graded as 'outstanding' by Ofsted. The University has not been able to grow its student numbers within teaching in the same way that it has been able to grow student numbers elsewhere in the portfolio in spite of a reputation for providing high quality teachers into the schools sector. In order to mitigate the risk of future cuts, the University has supported the establishment of the University of Chichester Academy Trust in order to sponsor academy schools. The Trust currently has seven primary schools and one secondary school with a further 4 primary schools expected to join in 2016/17. The sponsored academies provide placements for University of Chichester students as well as many opportunities to engage with students across other academic disciplines. The University continues to work with local schools and academies that have been awarded Teaching School status in order to continue to provide the academic elements of the training provision.

The University's strategy envisages modest growth in international students; it is expected that income from undergraduate and postgraduate international students will make up 3.2% of the institution's income by 2019-20, compared with 2.4% in 2012-13. International student recruitment has become increasingly challenging as government policy tightens visa control, the impact of the decision for Britain to leave the European Union alongside more general world issues and the recent increase in terrorism. The International Strategy includes partnership work with other organisations who can demonstrate a successful track record in this area and who are able to work with our International Office to raise our profile in key markets. The relatively low starting point for the University reduces the impact of this external risk, and therefore the recruitment of international students remains an opportunity as much as a risk.

# The University of Chichester

## Strategic report for the year ended 31 July 2016 (continued)

### *Government policy*

The Conservative government has progressed its current policy for higher education which has driven a number of significant changes:

- Student number controls were removed for 2015 intakes allowing universities to expand income based on student volume.
- £9,000 fees to increase by inflation from 2017/18 subject to a new Teaching Excellence Framework (TEF)
- Further austerity cuts to HEFCE funding means that actual government funded income to universities continues to fall in real terms (net of inflation)
- The Office for Students to be created out of the merger of HEFCE and the Office for Fair Access (OFFA)
- Removal of student maintenance grants and replacement with loans
- A revised National Student Survey to provide metrics for the TEF

The proposal for a Teaching Excellence Framework may prove advantageous for the University as the University scores highly in NSS for teaching quality and student satisfaction. A mock TEF exercise in the Times Higher Education (THE) suggested that the University of Chichester would be placed within the top twenty universities for teaching excellence (published in the THE 23<sup>rd</sup> June 2016).

### *Other income diversification*

The core income stream for the University remains full time undergraduate students. Student residential accommodation generates the University's second largest income stream with term time student rents and conference accommodation over the summer period. The volume and availability of student bed spaces facilitates core student growth and the University was able to increase the volume of available rooms ahead of the 2015 intake with an increased sub-let agreement from Chichester College. Growth in the conferencing and international short course programme have also improved outside term time use of other University space and resources.

The University continues to grow its research activity building on the successful outcome of the Research Excellence Framework (REF) in 2014 which rated 90% of our research as internationally renowned. Significant successes with externally funded projects, notably around Sports Science will grow research income for several years to come. Income from consultancy and other services rendered remain steady with some niche areas now showing growth. Future budget projections include modest assumptions for income growth particularly in relation to the complexity of international deals. The University continues to seek ways to diversify its income base to make better use of its assets and to protect against a more volatile market based student numbers economy.

### *Expenditure pressures*

The risks outlined above refer mostly to risks to the income of the University, however the cost base of the University is also facing pressure. Salary costs continue to rise with national pay awards closely aligned with inflation albeit at the low level of 1% for 2015/16. The poor performance of the pension funds and existing and future changes to the national insurance and state run pension schemes have, and will in the future, push up employer contributions thus increasing the real staff costs of our employees.

The University is committed to fair pay and since 2013 all directly employed staff have been paid at or above the living wage as defined by the Living Wage Foundation. Over the same three year period there has been a stepped transition to extend this commitment to the main University sub-contracts covering cleaning, catering and security staff. From 1st April 2016 all these staff had also moved fair pay at or above the Living Wage Foundation agreed level. From 1st May 2016 the cleaning provision was transferred on a TUPE agreement into the University. Similarly, no staff are employed by the University on zero hour contracts. The University believes that this fair approach to its staff represents value for money through a loyal and engaged workforce which shares the University's vision and values.

This ethical approach to ensure fair pay for all University workers places upward pressure on the real total staff costs. Staff recruitment is carefully controlled and only essential posts are replaced or new posts

# The University of Chichester

## Strategic report for the year ended 31 July 2016 (continued)

created. The University intends to continue to implement national pay awards, but recognises that this and future pension contribution commitments represent real significant future cost increases.

Given the size and age of the University Estate, and the demand of students and staff for IT-enabled learning, continued investment in the University's infrastructure is planned to ensure that both campuses provide fit for purpose facilities to students and staff. Provision for a number of building refurbishments and extensions for both campuses are included in the University's capital programme. Energy unit costs are expected to rise over the long term. Carbon Management Plan outcomes aim to mitigate this increase by improving the institution's environmental performance and to achieve the target emission reductions. The University has made positive use of its successful HEFCE Revolving Green Fund awards to invest and re-invest in long term energy saving projects.

The University has core strength and reputation built on the quality of its students' experience. In addition the University has intellectual capital from academic and professional service staff and the adaptability of a relatively small organisation to take advantage of new opportunities and agility to react to change to mitigate risk. The University will continue to identify efficiencies, innovations and ideas to free up funds for investment in the institution's strategy or to reduce overall expenditure. The University has a detailed cash flow projection model and daily treasury review to ensure it uses its money to optimise its value and to protect against future risk and fluctuations.

### *University Governance*

Membership of the Governing body during 2015/16 has seen a stable period of continuity and consolidation of understanding and experience of the University. During the year the University was saddened by the death of Phillip Hollins, who was Chair of Audit Committee and had been a valued ambassador and supporter of the University. The role of Chair was replaced quickly from within the existing governors and a new governor with an accounting background has been recruited. A staff Governor also changed following an election process in year. An induction programme is provided to ensure all new Governors are able to gain knowledge of the University and its governance, academic and financial arrangements.

The Chair of Governors has been in the role since 1 January 2014. The Board has continued to work effectively during 2015/16 and all Governors have demonstrated an enthusiastic commitment to the University.

### **Future outlook**

The recruitment of sufficient numbers of full time undergraduate students is fundamental to the University's long term sustainability and growth. Recruitment for September 2016 has achieved real growth over 2015 intake numbers and is expected to surpass budget assumptions for 2016/17. The University is continually monitoring its marketing strategy, course portfolio, student demand and a range of information sources and communication channels to inform marketing decisions

The Board of Governors recognises the very significant risks that a market led student recruitment environment creates. The sector has seen a steady journey towards marketisation, but the final move was faster than anticipated and there will be challenges to higher education in how to react to potential volatility of income streams. The Board believes that the University has core key strengths that will help mitigate these risks and secure its long term future.

The University has raised its headline fee to £9,000 from September 2015. The University has been able to increase investment in academic programmes, specialist facilities and staff resources to meet student expectations in a small student-focussed institution. This fee increase has had no noticeable impact on student demand or choice and brings it in line with the wider sector. The University continues to offer one of the highest levels of investment in supporting students from disadvantaged backgrounds in the country, in order to protect the University's core 'widening participation' market. In 2015/16, an estimated 50% of undergraduate students benefited from some element of financial support through a bursary, fee waivers or hardship award.

The University's 2016/17 Access Agreement was agreed in consultation with the Students' Union before approval by the Board of Governors and includes financial support focussed on providing bursaries and hardship funds. This bursary support targets students whose household income is less than £42,000. The

# The University of Chichester

## Strategic report for the year ended 31 July 2016 (continued)

2017/18 Access Agreement was submitted in April 2016 and this continues a bursary approach which we believe is one of the most generous in the sector.

The University's student satisfaction indicators, programme completion rates and student achievement indicators remain strong. High levels of satisfaction and success experienced by current students is expected to support the recruitment of future students. It is recognised that graduate employment figures should improve as the region starts to show economic growth and as the University portfolio of courses develops into STEM related programmes with the Technology Park project over the next few years. Graduate employability is being addressed through a variety of initiatives to ensure that the University's graduates have the appropriate skills that employers need. These initiatives may take time before the impact feeds through to student employability statistics.

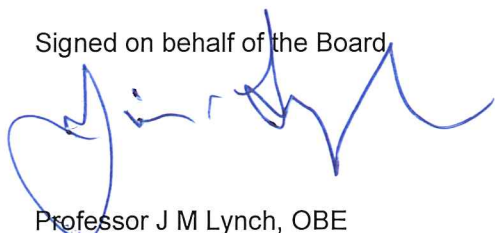
The University has a robust set of financial projections backed up by a clear financial strategy to deliver a growth in annual surpluses to support its capital investment plan including the major new Technology Park development. The Governors' Audit Committee has reviewed a sensitivity analysis to consider the impact of variance to student numbers, of further cuts to HEFCE funding, of the cost of employing staff and of the net income from student accommodation. For student numbers variances the University uses an October budget review to agree any mitigating actions to re-balance budgets within the University. A contingency is in place to protect for potential cuts to HEFCE funding in year. Detailed salary forecasting provides long term staff cost projections and scenario planning. A refreshed student accommodation strategy and pricing review has strengthened demand and reduced void spaces. The conferencing strategy has also seen an increase in activity and income outside term-time.

The University remains firmly committed to its *Twenty Twenty Vision* adopted by the Board of Governors in April 2013. This sets out the Vision, Mission, Strategic Goals and Values of the institution for the period 2013 to 2020. The needs, aspirations and overall experience of our students remain at the centre of the University's strategy. The University also remains committed to the needs of our community and key stakeholders, and the role that the University can continue to play in the social, cultural and economic regeneration of West Sussex and South East Hampshire, particularly focussing on the coastal strip.

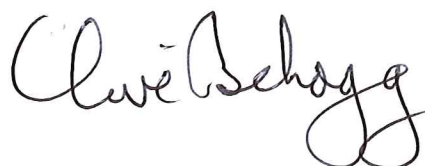
The University continues to invest in its capital programme with the opening of the new academic block and campus entrance on the Bishop Otter Campus in Chichester and the major extension to its Music building funded by new bank borrowing being drawn down through 2015/16. The Technology Park construction project on the Bognor Regis Campus commenced autumn 2016, with funding from Coast to Capital, HEFCE Catalyst Fund, West Sussex County Council and new bank borrowing from HSBC. There are also plans for a new Eastern access road to the Chichester campus as well as plans for new residential accommodation and enhancements to student facilities on both campuses.

The University has bold plans to introduce new subject provision through its Technology Park project. Engineering and Applied Design alongside Creative Digital and Design Technology will be based in a purpose designed statement building on the Bognor Regis Campus. Working closely with regional employers and stakeholders to design the curriculum the project focuses on regional development. Working closely with our feeder schools and colleges the project will raise the aspirations and opportunities of our community and future students.

Signed on behalf of the Board



Professor J M Lynch, OBE  
Chair of Governors  
22 November 2016



Professor C Behagg  
Vice-Chancellor  
22 November 2016

# The University of Chichester

## Corporate governance and internal controls statement

### Constitution

The University is a company limited by guarantee and members of the Board of Governors are legally Directors of the Company. The directors of the University's subsidiary company, Chichester Enterprises Limited, are ultimately accountable to the Board of Governors of the University and therefore the following provisions for Corporate Governance apply to both the University and its subsidiary.

The University endeavours to conduct its business in accordance with the seven principles identified by the Committee on Standards in Public Life, and with guidance provided by the Committee of University Chairs (CUC), including the *Higher Education Code of Governance* published December 2014.

Under the terms of the Charities Act 2011, the University is subject to the regulatory powers of the Charity Commission although, before using them, the Commission must consult the Higher Education Funding Council for England in its role of principal regulator of higher education institutions that are exempt charities.

This Corporate Governance Statement and associated statements including the Statement of Internal Control was effective for the period 1 August 2015 to 31 July 2016 and up to the date of the approval of the financial statements.

### Principles of University Governance

The Board of Governors has adopted the following Statement of Primary Responsibilities and these are actively reviewed by the Board on an annual basis as recommended in the recent review of the effectiveness of the Board of Governors :

The Board of Governors has adopted the following Statement of Primary Responsibilities:

1. To approve the mission and strategic vision of the University, the long-term academic and business plans and key performance indicators and to ensure that these meet the interests of students, staff, governors, the local and regional communities and others who have an interest in the success of the institution.
2. To delegate authority to the Vice-Chancellor, as Chief Executive, for the academic, corporate, financial, estates and personnel management of the University. The Board is also responsible for the establishment and regular review of all policies, procedures and limits within such management functions as shall be undertaken by and under the authority of the Vice-Chancellor.
3. To ensure the establishment and monitoring of systems of control and accountability, including financial and operational controls and risk assessment, and procedures for handling internal grievances and for managing conflicts of interest.
4. To ensure processes are in place to monitor and evaluate the performance and effectiveness of the University of Chichester against the plans and approved key performance indicators, which will be, where possible and appropriate, benchmarked against other comparable institutions.
5. To establish processes to monitor and evaluate the performance and effectiveness of the governing body.
6. To conduct its business in accordance with best practice in higher education corporate governance and with the principles of public life drawn up by the Committee on Standards in Public Life.
7. To safeguard the good name and values of the University of Chichester.
8. To appoint the Vice-Chancellor as Chief Executive, and to put in place suitable arrangements for monitoring his/her performance.
9. To appoint a Secretary to the Board of Governors and to ensure that, if the person appointed has managerial responsibilities in the University, there is an appropriate separation in the lines of accountability.

# The University of Chichester

## Corporate governance and internal controls statement (continued)

10. To appoint a Principal Chaplain in accordance with the University's status as a Denominational institution of the Church of England under section 66 (4) (a) of the Further and Higher Education Act 1992.
11. To employ all staff in the institution and to be responsible for establishing the human resources strategy.
12. To be responsible for the financial and business affairs of the institution, to ensure that proper books of account are kept, to approve the annual budget and financial statements, and to manage the University's assets, property and estate.
13. To ensure that systems are in place for meeting all the institution's legal obligations, including those arising from contracts and other legal commitments made in the name of the University.
14. To make such provision as it thinks fit for the general welfare of students, in consultation with the University's Academic Board.
15. To appoint such Trustees as it may think fit for any property, legacy, endowment, bequest or gift in support of the work and welfare of the University of Chichester.
16. To ensure that the constitution of the University of Chichester is followed at all times and that appropriate advice is available to enable this to happen.

### Governors' Code of Conduct

To reinforce the importance of the Seven Principles of Public Life and the way in which Governors are expected to perform their role, the Board adopted a new Code of Conduct in June 2010. All Governors are expected to comply with this Code, which can be found on the University's website at [http://d3mcbia3evjswv.cloudfront.net/files/UniversityofChichesterGovernorsCodeofConduct\\_0.pdf](http://d3mcbia3evjswv.cloudfront.net/files/UniversityofChichesterGovernorsCodeofConduct_0.pdf)

### The CUC Higher Education Code of Governance and Governance Effectiveness Review

The Board has adopted and implemented the CUC Higher Education Code of Governance published December 2014. A continuous internal review process has been established to ensure the Governors and the University adhere to and refer back to the code with a progressive and forward looking approach. The University is in the process of reviewing its Articles of Association to ensure they are in line with current practice in HE and fully align with the new code.

The effectiveness of the Board of Governors was last reviewed during 2014/15 using a respected external Higher Education Governance consultant. The February 2015 report covers core questions discussed with the Board members based on the CUC /LFHE Framework for reviewing Governing Body effectiveness. All the recommendations in the report have been considered and appropriate actions taken during 2015/16.

The Chair of Governors met with members of the Board on an individual basis in 2015/16 to gain their views on the University and the operation of the Board and its Committees as well as opportunities for enhancement and sharing best practice.

### Composition of the Board of Governors

The University's Board of Governors consists of at least nineteen and a maximum of twenty-five members and comprises lay persons and staff and students appointed according to the Articles of Association, the majority of whom are non-executive and independent. The membership includes the Vice-Chancellor as an *ex officio* member. No lay members of the Board are remunerated for the work they undertake for the University, although expenses may be paid for attendance at Board meetings.

The Chair and Vice-Chair of the Board of Governors, and the chairs of the sub-committees of the Board may only be appointed from within the non-executive members.

# The University of Chichester

## Corporate governance and internal controls statement (continued)

The Clerk to the Governors (who is also Company Secretary) is appointed under the Articles of Association to act as Secretary to the Board and its Committees. All Governors have access to the advice and services of the Clerk to the Governors and can seek independent advice should they wish to do so.

The Board normally meets four times a year, with additional meetings if appropriate. The Board also holds an annual away day event to consider broader strategic discussions. There is also a joint meeting of the Board of Governors and the Academic Board. In undertaking its duties, the Board receives the advice and recommendations of its Committees, including the Strategy and Resources Committee, Audit Committee, Nominations and Effectiveness Committee, and Remuneration Committee. Decisions and recommendations of these Committees are formally reported to the Board as provided within the Articles of Association, the terms of reference of the Committees and the Financial Regulations of the University.

All members of the Board of Governors, co-opted members of its Committees and senior officers who are members or officers of Chief Executive's Team, have responsibility for significant areas of the University's business, or who hold senior positions in Finance are required to maintain entries on a Register of Interests. In addition, members may not be present at any discussion in which they have a direct or indirect financial interest.

In addition to being directors of the University company, members of the Board of Governors are also the trustees of the exempt charity. The list of directors/trustees on page 6 of this report is a complete list of those who have served during the 2015/16 financial year and the 2016/17 year until the date of formal approval of the financial statements by the Board of Governors.

### **Governors' Audit Committee**

The Governors' Audit Committee met four times in 2015/16, in accordance with its terms of reference.

On behalf of the Board, the Governors' Audit Committee considers reports, recommendations and reviews on the effectiveness of the University's arrangements for value for money, risk management, internal control and governance.

Where improvements are identified, the Committee monitors the implementation of agreed actions. The Committee presents an Annual Report to the Board of Governors, including an opinion on the adequacy of the University's processes for securing value-for-money, for the management of risk, for promoting good governance, for ensuring adequate internal controls are in operation and in accordance with the Funding Council's requirements on data assurance.

The Governors' Audit Committee also considers reports and updates from the Higher Education Funding Council for England (HEFCE) as they affect the University's business and monitors adherence to the regulatory requirements.

The Governors' Audit Committee understands its specific reporting responsibilities on data quality, and during 2015/16 has received regular reports on data quality matters and actions being taken for the continual improvement of systems and processes for the recording and reporting of the required returns.

Internal audit services are contracted out and are currently provided by KPMG LLP for a period of three years from 1 August 2015. The Audit Committee agreed the programme of reviews for 2015/16 with KPMG and this was approved by the Board on 25 November 2015. A programme for 2016/17 was reviewed by the Audit Committee on 28 October 2016.

External auditors are appointed in accordance with the requirements of HEFCE.

### **Governors' Strategy and Resources Committee**

The Governors' Strategy & Resources Committee met six times during 2015/16. It received reports concerning finance, estates, health, safety and sustainability, IT, employment and human resource issues, with the exception of the employment and salaries of those who form the 'Designated Staff' in the

# The University of Chichester

## Corporate governance and internal controls statement (continued)

Articles of Association. The designated staff are the Vice-Chancellor, the Deputy Vice-Chancellor, the Deputy Vice-Chancellor (Sustainability and Enterprise), Pro Vice-Chancellor (Student Experience), the University Secretary and the Principal Chaplain. The Board of Governors determines the total emoluments of these designated staff on the advice of the Governors' Remuneration Committee.

The Strategy and Resources Committee reviews the annual financial statements together with the accounting policies, and recommends the annual budget and financial forecasts to the Board for approval. It also receives reports on the progress of major capital projects at each meeting. The Board receives the minutes of the Governors' Strategy and Resources Committee together with the financial monitoring reports reviewed by the committee.

### Nominations and Effectiveness Committee

The Nominations and Effectiveness Committee is responsible for recommending the appointment and renewal of terms of office of individual governors to the Board. In performing these duties, the Committee identifies the skills required on the Board and assesses the expertise of governors so that any gaps can be addressed with each recruitment cycle. The Board recognises the need to ensure that the membership of the Board is reflective of, and relates to, the multiple strands of contemporary society. Governor appointments are therefore advertised widely to ensure that vacancies are filled with the highest calibre of person. During 2015/16 the Nominations and Effectiveness Committee has completed appropriate actions based on recommendations arising out of the Review of the Effectiveness of the Board of Governors (February 2015).

### Remuneration Committee

The Remuneration Committee is chaired by the Chair of Governors and makes recommendations to the Board on the total emoluments and conditions of service for all designated role holders as specified in the Articles of Association. The Remuneration Committee also considers and approves the arrangements for individual performance review for the designated posts. The Committee considers comparative information on salaries and other emoluments and conditions in the sector from the Universities and Colleges Employers' Association (UCEA) and the Committee of University Chairs (CUC).

### Responsibilities of the Vice-Chancellor

The Vice-Chancellor is the Chief Executive of the University and has responsibility to the Board of Governors for the organisation, direction and management of the institution. Under the terms of the formal Memorandum of Assurance and Accountability between the University and the Higher Education Funding Council for England, the Vice-Chancellor is the Accountable Officer, who can be summoned to appear before the Public Accounts Committee and is held accountable for the quality of data included in returns to HEFCE and other agencies.

The Vice-Chancellor is supported in performing his duties by the University Executive (Chief Executive's Team) which meets weekly, and by the Strategy, Risk and Projects Group, which meets six times a year. Ultimate responsibility for executive management rests with the Vice-Chancellor.

### Academic Board

The Academic Board is chaired by the Vice-Chancellor, and comprises twenty-four members, half of whom are individuals with primarily executive and managerial responsibilities with the remainder being elected non-executive staff or students.

The Academic Board is the senior committee of the University and the responsibilities of the Academic Board are set out in the Articles of Association as follows:

- issues relating to research, scholarship, teaching and courses at the University, including criteria for the admission of students;
- the appointment and removal of internal and external examiners;
- policies and procedures for the assessment and examination of students;
- the content of the curriculum;



# The University of Chichester

## Corporate governance and internal controls statement (continued)

- academic standards and the validation and review of courses;
- procedures for the award of qualifications and honorary academic titles;
- the procedures for the expulsion of students for academic reasons;
- advice relating to development of academic activities and resources required.

### Statement of Internal Control

The Board of Governors is responsible for maintaining a sound system of internal control which supports the achievement of policies, aims and objectives, whilst safeguarding the public and other funds and assets for which it is responsible.

The key elements of this system of internal financial control designed to discharge the responsibilities set out above are:

- clear definition of the responsibilities and delegated authority of heads of academic and administrative groups;
- a medium and short term planning process, supplemented by detailed annual income and expenditure and capital budgets;
- regular reviews of performance and quarterly reviews of financial performance and updates of forecasts for the current financial year;
- comprehensive Financial Regulations, reviewed annually;
- clearly defined requirements for the approval and control of expenditure, with significant investment decisions being subjected to detailed appraisal and review;
- a professional internal audit service (currently from KPMG LLP), with responsibilities to cover the entire internal control systems of the institution.

The system of internal control is supplemented by a process to identify the principal risks, including governance, management, quality, reputational and financial risks, to the achievement of the University's policies, aims and objectives; to evaluate the nature and extent of those risks; and to manage them efficiently, effectively and economically. The University has a Risk Management Policy and a Critical Risk Register. This process is designed to manage rather than eliminate the risk of failure to achieve these objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The Audit Committee receives regular reports and recommendations for improvement from KPMG who conduct internal audit services for the University. This includes an annual opinion on the adequacy and the effectiveness of internal controls and risk management across the University, in accordance with HEFCE's Audit Code of Practice.

As the governing body, the Board of Governors has responsibility for the University's risk management process. For this purpose, the Governors' Audit Committee oversees and provides assurance on the operation of the framework.

The Board of Governors is committed to the continuous development of a comprehensive process for identifying, evaluating and managing the University's significant risks. The risk management process is co-ordinated by the Strategy, Risk and Projects Group on behalf of the Chief Executive's Team; the Group ensures that Academic and Professional Service departments review their risk registers and compile the Critical Risk Register for the University. The design and layout of the Critical Risk Register was refreshed for 2015/16 alongside the creation of more detailed individual risk reports. The Strategy, Risk and Projects Group has thoroughly reviewed, revised wording and updated risk scores for every individual risk during 2015/16. The updated Critical Risk Register with a report tracking all changes has then been presented to the Governors' Audit Committee and Strategy and Resources Committee

# The University of Chichester

## Corporate governance and internal controls statement (continued)

throughout the year. The new format and thorough review has been well received and promotes better understanding and evaluation of the broader risk implications.

Each risk identified on the risk registers has a nominated 'owner' who is responsible for ensuring that adequate controls are in place and/or mitigating action taken, and for regularly reviewing changes to probability or impact.

Risk management is also embedded within the corporate planning and decision-making processes of the University, with all significant projects and associated business cases expected to demonstrate that risks and appropriate controls or mitigating actions have been recognised. If approved, the implementation of the mitigating action is then embedded into the normal risk management processes of the University. The process of identifying and managing risks is an ongoing process throughout the financial year.

The Board of Governors receives assurance on the effectiveness of the internal control systems through the minutes of the Governors' Audit Committee, which are presented by the Chair of the Committee to the meetings of the Board. Assurance also arises from the work of the internal auditors and the senior managers within the organisation who have responsibility for the development and maintenance of the internal control framework, and through comments made by the external auditors in their management letter and other reports.

The University of Chichester is an exempt charity regulated by HEFCE on behalf of the Charity Commission for England and Wales. The members of the Board of Governors, who include the Vice-Chancellor and staff and student members, are trustees of the charity. As such, the Board of Governors has due regard to the guidance published by the Charity Commission concerning the demonstration of the public benefit provided by the University. This section details how the University has met the requirements of the Charity Commission in this respect.

### Public Benefit Statement

From the University's Articles of Association, the object of the University of Chichester is "the establishment, conduct and development of a University for the advancement of the higher and further education of men and women". The advancement of education is the principal charitable aim of the University under the 2011 Charities Act.

Our registered students are direct beneficiaries of the charitable aims of the University. Wider benefit from the associated work of the University supports the education-led social, cultural and economic regeneration of West Sussex and South East Hampshire.

Access to the University is on the basis of academic ability and not the ability to pay fees. Under the terms of its Access Agreement with the Office for Fair Access (OFFA), the University offers bursaries to all new students on the basis of family income or need. Reduced fees, through fee 'waivers', are offered to some continuing students on the same basis. The amount put aside for these bursaries and fee reductions is not capped – every student who meets the criteria as detailed on the University's website will receive the benefit to which they are entitled. In 2015/16, the University distributed £4m in bursaries and fee waivers to students.

During 2015/16 the University has supported the recruitment of students from deprived and under-represented groups in the region through information and guidance provided to parents and students as well as through progression agreements with nineteen Further Education Colleges. The University continues to invest in raising the profile and benefits of higher education through its outreach activity in more than fifty schools across West Sussex, south east Hampshire, Portsmouth, the Isle of Wight and east into Brighton.

The University of Chichester Academy Trust was established in 2012-13 in order to sponsor academy schools. The University is taking a key role in improving standards and raising aspirations within these schools. The Trust consists of seven primary schools and one secondary school with further schools in due diligence. The University can now evidence the added value it has brought to its member schools both through the creation of the Trust and from the services provided by staff in the University's Institute of Education. The Trust is now in a phase of steady growth; able to increase the number of primary and

# The University of Chichester

## Corporate governance and internal controls statement (continued)

secondary academies over the coming years. The relationship between the academy schools and the University are strengthening as a number of academic and student led projects are emerging.

In addition to the sponsorship of the University of Chichester Academy Trust, the University plays a significant governance role in eight academies, as well as actively supporting many other schools and academies in meeting changing government requirements. This includes providing staff, often at a senior level, as governors and mentors, as well as curriculum support and development and training for school staff.

The University continues to invest in enhancing the employability of our graduates to ensure that they have the skills required by local businesses and the wider community. Students have access to a range of expertise within the University, including advice and guidance, enterprise and entrepreneurship modules and, for a number of our academic disciplines, students receive placements. The University internship scheme continues to grow and is able to provide students with a range of early career experiences. Summer internships are available to students completing year 2 or year 3 and moving on to postgraduate study. Flexible internships are available to support leavers and supply local businesses with quality graduate-level appointments. The 2015 annual Recruitment and Careers Fair was the largest careers event on campus for a number of years and helped establish new contacts with many local employers for both the University and the graduating students.

The University is now actively developing a major project on its Bognor Regis Campus which is currently referred to as the Technology Park. The capital project will deliver a £23m specialist academic building which will be the home for new courses in engineering and digital media. These new subjects represent a significant broadening of the University's academic portfolio and a step change growth in total student numbers by effectively doubling the student numbers based in Bognor Regis. These new STEM courses are being pro-actively designed in partnership with local employers, predominantly Small and Medium sized Enterprises, with a focus on meeting their specialist staff recruitment needs. This targeted regional regeneration project matches the identified employment need to a shortfall of regional higher education provision. The University's established success in outreach and widening participation through raising the aspirations of university applicants from non-traditional background in the region will open STEM opportunities to a new group of potential students. During 2015/16 the University has completed the process to secure £8m of funding from Coast to Capital local enterprise partnership and successfully applied to HEFCE for Catalyst Funding of £2.7m. The new building and student accommodation has been designed and received planning permission in July 2016. The balance of the funding has been secured against a new bank loan. Site works began in September 2016 and the full construction contract will commence in November 2016.

The recently rebranded and relaunched Business School continues to build its network of regional business connections and to clarify and strengthen the offer to the students. The Business School provides business and management education for regional businesses, with a particular focus on the coastal strip. The business incubator facilities based on the Bognor Regis Campus are now at full capacity and have supported a growing number of business start-ups. During 2015/16 the Business School worked with a number of local businesses to create and recruit to a new degree apprenticeship programme which was approved by the Skills Funding Agency in September 2016 and has welcomed its first cohort of registered students.

The Business School also works closely with Bognor Regis through the appointment of a town centre manager who works closely with the Bognor Regis Regeneration Board. Based in the Business School, the town centre manager is playing a pro-active roles in the regeneration of the seaside town and wider coastal region.

During 2015/16 an economic impact report was commissioned using DTZ to identify the wider contribution to the wider business community of the campuses in both Chichester and Bognor Regis. The report identifies based on 2014/15 that the University of Chichester "has a major economic impact" contributing "£126.3m into the local economy". DTZ provided a projected figure looking forward to 2021 and "based on the delivery of all University plans". The outcome of their analysis was that in 2021 the University economic impact would have grown to £295.9m with the most significant gains in Bognor Regis.

# The University of Chichester

## Corporate governance and internal controls statement (continued)

University of Chichester students are given the opportunity and actively encouraged to volunteer to support a range of local charities and events through the Volunteering Service run by Student Support & Wellbeing. This allows the University's students to engage with their local community, as well as to learn vital skills that they may be able to put into use when they have left the institution. The Students' Union also actively fundraises for selected local charities each year and provide a number of volunteering activities.

The University plays a key role in the arts and culture of both Chichester and Bognor Regis. The Otter Gallery on the Chichester Campus runs a series of original art exhibitions as well as displays of the Bishop Otter Collection which attracted over 40,000 visits from students, staff and the wider community during 2015/16. The Otter Gallery works closely with Pallant House Gallery in Chichester including joint exhibitions and events. The University's free public lecture series and free music, dance and drama performances also bring the community into the University. Academic staff and students are also actively involved in many of the region's cultural events.

The University's governors, who are directors of the University company, are not paid for their time (with the exception of staff governors who receive remuneration for their substantive employment but not for their role as governors) but receive reasonable expenses paid in line with the University's published expenses policy.

# The University of Chichester

## Governors' report for the year ended 31 July 2016

### Objectives and Activities

The principal objectives of the University are concerned with the provision of higher education and research. To support these objectives, the University undertakes other activities, including the provision of accommodation, catering and conference services.

The University's mission is to be:

*A university community that inspires and enables individuals to exceed their expectations.*

The University's vision is as follows:

*By 2020, the University of Chichester will be internationally recognised as a beacon of good practice for high quality, student centred higher education, within a supportive community of learning.*

The University of Chichester was incorporated on 22 April 2003 as a private company, limited by guarantee (Company Number 4740553). On 1 August 2003, the Company took over the activities formerly undertaken by a registered charitable trust, with the consequence that all assets, liabilities and activities of the registered charitable trust were transferred to the private limited company. All activities are continuing under the Articles of Association of the company. The Company has been granted exempt charity status by the Privy Council.

The roots of the University lie in the merger in 1977 of the Bishop Otter College (founded 1840) with the Bognor Regis Training College (founded 1946), both of which were established to provide teacher education. University title was awarded by the Privy Council on 12 October 2005.

### Scope of the Financial Statements

The Financial Statements comprise the consolidated results for the University and its subsidiary undertaking, Chichester Enterprises Limited. The principal business activity of Chichester Enterprises Limited is the provision of conference and catering services and the provision of consultancy services. Chichester Enterprises Limited transfers the whole of any taxable profits to the University.

### Payment of Creditors

The University endeavours to abide by payment terms agreed with suppliers. The University is flexible in its procurement strategy in order to facilitate the most favourable terms for all transactions.

### Corporate Governance and Risk Management

The University is committed to exhibiting best practice in all aspects of corporate governance. It endeavours to conduct its business in accordance with the principles identified by the Committee on Standards in Public Life and with the Committee of University Chairs' Guide for Members of Higher Education Governing Bodies in the UK.

The corporate governance information on pages 20 to 27 details the work that has been ongoing throughout the year, which reflects the risk-based approach in assessing control systems. Governors regularly review Critical Risk Register which captures the major risks to which the University is exposed. These risk reviews cover business, operational, compliance, quality and reputation issues in addition to financial risks. The Board of Governors believes that its processes for identifying, evaluating and managing the University's risks during the year are adequate. KPMG completed an internal audit of Risk Management in August 2016 and reported "significant assurance with minor improvement potential".

# The University of Chichester

## Governors' report for the year ended 31 July 2016 (continued)

### Going concern and HEFCE Sustainability Reporting

The Board of Governors considers the guidance to directors provided by the Financial Reporting Council when assessing the going concern of the University, and is preparing a report to HEFCE assuring the Funding Council of the institutional sustainability of the University. This will be submitted in December 2016.

### Awareness of Relevant Audit Information

Each Governor has taken all the steps that he or she ought to have taken to make themselves aware of any information needed by the University's auditors for the purposes of their audit and to establish that the auditors are aware of that information. None of the Governors is aware of any relevant audit information of which the auditors are unaware.

### Appointment of Auditors

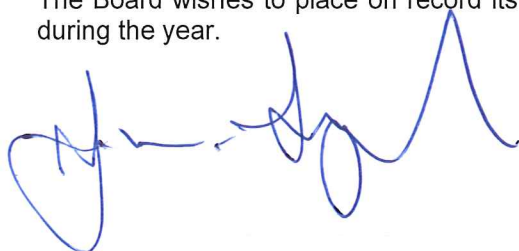
A resolution to re-appoint BDO LLP to undertake the external audit for the year ending 31<sup>st</sup> July 2017 will be proposed at the Annual General Meeting.

### Conclusion

The surplus reported for the year ended 31 July 2016 is in line with budget outturn and in-year forecasts and represents financial improvement against the 2014/15 surplus. The 2015/16 surplus is in line with the Financial Strategy (approved by Governors Nov 2013) target for the year and places increased confidence that planned student recruitment growth will achieve the target strategic growth in year on year surpluses. Current cash flow data and capital build programme show that the bank borrowing from Allied Irish Bank adequately funded the new Academic Building (opening January 2017) and the Music Building extension (opened September 2016). Forward cash flow projections identify that the new borrowing from HSBC as approved by Governors at the Board meeting on 12<sup>th</sup> July 2016 is adequate to complete the new Technology Park building and phase 1 student residential accommodation on the Bognor Regis Campus.

Higher Education continues a journey through a period of change and challenge. The Board of Governors recognise these risks and the impact that these may have on the University and are active in supporting the University meet these challenges. Equally they are supportive of the need to embrace new opportunities as a result of the changes in the sector, and to keep to the University's *Twenty-Twenty Vision* strategy which provides the direction of travel for the institution's future success. The University has significant strengths and plays a critical role in bringing the benefits of higher education to the communities of Bognor Regis and Chichester in particular and the county of West Sussex and to South East Hampshire.

The Board wishes to place on record its thanks to those Governors who completed their terms of office during the year.



Professor J M Lynch, OBE  
Chair of Governors  
22 November 2016

# The University of Chichester

## Statement of responsibilities of the Board of Governors

The members of the Board, who are also the directors of the University of Chichester for the purposes of company law, are responsible for preparing the Strategic Report, Governors' Report and Financial Statements in accordance with the Companies Act 2006 and the Charities Act 2011, and for being satisfied that the financial statements give a true and fair view. The members of the Board are also responsible for preparing the financial statements in accordance with the latest United Kingdom Accounting Standards, which for 2016/17 move to Financial Reporting Standard 102 (FRS102) as applied to the University based on the Higher Education Statement of Recommended Practice (HE SORP).

Company law requires members of the Board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the University and of the surplus of income over expenditure of the University for that period. In preparing the Financial Statements, the members of the Board are required to:

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

The members of the Board are also required to give a report in the Financial Statements which includes the legal and administrative status of the University. The members of the Board are responsible for the keeping of adequate accounting records which disclose with reasonable accuracy, at any time, the financial position of the University, and which enable them to ensure that the financial statements are prepared in accordance with the Companies Act 2006, its Articles of Association, the Accounts Direction issued by the Higher Education Funding Council for England (HEFCE) and the HE SORP, as well as reflecting best practice in public sector corporate governance. They are also responsible for taking steps that are reasonably open to them in order to safeguard the assets of the University and to prevent and detect fraud and other irregularities.

Members of the Board are responsible for ensuring that funds received from the HEFCE are used only in accordance with the Memorandum of Assurance and Accountability with the Funding Council and any other conditions that HEFCE may prescribe from time to time. Members of the Board must ensure that there are appropriate financial and management controls in place in order to safeguard public and other funds and to ensure they are used properly. In addition, members of the Board are responsible for securing economical, efficient and effective management of the University's resources and expenditure, so that the benefits that should be derived from the application of public funds by HEFCE are not put at risk. Members of the Board confirm that, so far as they are aware, there is no relevant audit information of which the University's auditors are unaware. They have taken all the steps that they ought to have taken as members of the Board in order to make themselves aware of any relevant audit information and to establish that the University's auditors are aware of that information.

Financial statements are published on the University's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the University's website is the responsibility of the members of the Board. The Board members' responsibility also extends to the ongoing integrity of the published financial statements.

Members of the Board have a broader role to ensure the University complies with current legislative requirements. For 2015/16 this included:

- Set up actions to enable publication of a statement under the Modern Slavery Act 2015
- Preparation of a Register of Persons of Significant Control as required by the Companies Act
- Compliance with the PREVENT Agenda including University Statement sign off by HEFCE

In the coming year there will be continued focus on these three areas as well as preparations for the new General Data Protection Regulations which will be fully enforced from 2018.

# The University of Chichester

## Statement of responsibilities of the Board of Governors (continued)

The Board of Governors is satisfied that the University is financially sustainable and has adequate resources to continue its operations for the foreseeable future and for this reason a 'going concern' basis has been adopted in the preparation of the financial statements which reflect:

- suitable accounting policies, selected and applied consistently;
- judgements and estimates that are reasonable and prudent; and
- applicable accounting standards, subject to disclosure and explanation in the financial statements of any material departures therefrom.

The Board of Governors has taken reasonable steps to:

- fulfil its responsibilities under the Articles and to ensure that funds from HEFCE and the National College for Teaching and Leadership (NCTL) are used only for the purposes for which they have been granted and in accordance with the Memorandum of Assurance and Accountability issued by the Funding Council and any other conditions which it may from time to time prescribe;
- ensure that appropriate financial and management controls are in place to safeguard public and other funds;
- safeguard the assets of the University and prevent and detect fraud and other irregularities;
- secure the economical, efficient and effective management of the University's resources and expenditure.



# Independent Auditors' Report to the Members of the University of Chichester

## Independent Auditors' Report to the Members of University of Chichester

We have audited the financial statements of University of Chichester for the year ended 31 July 2016 which comprise the Consolidated and University Statement of Comprehensive Income, Consolidated Statement of Changes in Reserves, the Balance Sheets for the Group and the University, the Consolidated Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members 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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective Responsibilities of the University's Governing Body and Auditors

As explained more fully in the statement of responsibilities of the Board of Governors, the members of the Governing Body (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law, regulatory requirements and International Standards on Auditing (UK and Ireland) and the Audit Code of Practice issued by the Higher Education Funding Council for England. Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

### Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

In addition, we also report to you whether income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the University have been properly applied only for the purposes for which they were received and whether income has been applied in accordance with the Statutes and, where appropriate, with the Memorandum of Assurance and Accountability with the Higher Education Funding Council for England.

### Opinion on the financial statements

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 2016 and of the Group and University's income and expenditure, gains and losses, reserves and group cash flows for the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Companies Act 2006 and the Statement of Recommended Practice: Accounting for Further and Higher Education.

# Independent Auditors' Report to the Members of the University of Chichester (continued)

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

In our opinion, in all material respects:

- Funds from whatever source administered by the University for specific purposes have been properly applied to those purposes and, if relevant, managed in accordance with relevant legislation;
- Funds provided by HEFCE have been applied in accordance with the Memorandum of Assurance and Accountability and any other terms and conditions attached to them; and
- The requirements of the HEFCE's Accounts Direction have been met.

## Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Governing Body and the Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- the parent University has not kept adequate accounting records, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent University financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Governors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

BDO LLP.

Philip Cliftlands, Senior Statutory Auditor  
for and on behalf of BDO LLP, Statutory Auditor  
Gatwick  
United Kingdom  
Date: 25 November 2016

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

# The University of Chichester

## Consolidated statement of comprehensive income and expenditure for the year ended 31 July 2016

	Notes	2016		2015	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>Income</b>					
Tuition fees and education contracts	1	38,026	38,026	35,373	35,373
Funding body grants	2	3,852	3,852	4,584	4,584
Research grants and contracts	3	723	161	380	291
Other income	4	10,208	10,489	10,378	10,302
Investment income	5	26	26	36	36
Donations	6	12	12	51	51
<b>Total income</b>		<b>52,847</b>	<b>52,566</b>	<b>50,802</b>	<b>50,637</b>
<b>Expenditure</b>					
Staff costs	7	29,454	29,454	28,262	28,262
Other operating expenses	10	17,897	17,651	18,190	18,035
Depreciation	11	3,396	3,393	3,236	3,234
Interest and other finance costs	8	862	862	788	788
<b>Total expenditure</b>	9	<b>51,609</b>	<b>51,360</b>	<b>50,476</b>	<b>50,319</b>
<b>Surplus for the year</b>		<b>1,238</b>	<b>1,206</b>	<b>326</b>	<b>318</b>
Actuarial loss in respect of pension schemes	25	(1,911)	(1,911)	(1,201)	(1,201)
<b>Total comprehensive income for the year</b>		<b>(673)</b>	<b>(705)</b>	<b>(875)</b>	<b>(883)</b>
Represented by:					
Restricted comprehensive income for the year		(3)	(3)	8	8
Unrestricted comprehensive income for the year		(583)	(615)	(796)	(804)
Revaluation reserve comprehensive income for the year		(87)	(87)	(87)	(87)
Attributable to the University		<b>(673)</b>	<b>(705)</b>	<b>(875)</b>	<b>(883)</b>

All items of income and expenditure relate to continuing activities.

# The University of Chichester

## Consolidated and University statement of changes in reserves for the year ended 31 July 2016

Consolidated	Income and expenditure account		Revaluation reserve	Total
	<i>Restricted</i>	<i>Unrestricted</i>		
	£'000	£'000	£'000	£'000
<b>Balance at 1 August 2014</b>	<b>47</b>	<b>21,867</b>	<b>24,101</b>	<b>46,015</b>
Surplus from the income and expenditure statement	51	275	-	326
Pension scheme actuarial loss	-	(1,201)	-	(1,201)
Transfers between revaluation and income and expenditure reserve	-	87	(87)	-
Release of restricted funds spent in year	(43)	43	-	-
<b>Total comprehensive income for the year</b>	<b>8</b>	<b>(796)</b>	<b>(87)</b>	<b>(875)</b>
<b>Balance at 1 August 2015</b>	<b>55</b>	<b>21,071</b>	<b>24,014</b>	<b>45,140</b>
Surplus from the income and expenditure statement	12	1,226	-	1,238
Pension scheme actuarial loss	-	(1,911)	-	(1,911)
Transfers between revaluation and income and expenditure reserve	-	87	(87)	-
Release of restricted funds spent in year	(15)	15	-	-
<b>Total comprehensive income for the year</b>	<b>(3)</b>	<b>(583)</b>	<b>(87)</b>	<b>(673)</b>
<b>Balance at 31 July 2016</b>	<b>52</b>	<b>20,488</b>	<b>23,927</b>	<b>44,467</b>

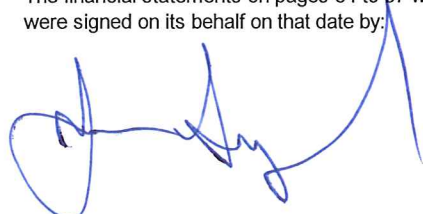
University	Income and expenditure account		Revaluation reserve	Total
	<i>Restricted</i>	<i>Unrestricted</i>		
	£'000	£'000	£'000	£'000
<b>Balance at 1 August 2014</b>	<b>47</b>	<b>21,911</b>	<b>24,101</b>	<b>46,059</b>
Surplus from the income and expenditure statement	8	310	-	318
Pension scheme actuarial loss	-	(1,201)	-	(1,201)
Transfers between revaluation and income and expenditure reserve	-	87	(87)	-
Release of restricted funds spent in year	-	-	-	-
<b>Total comprehensive income for the year</b>	<b>8</b>	<b>(804)</b>	<b>(87)</b>	<b>(883)</b>
<b>Balance at 1 August 2015</b>	<b>55</b>	<b>21,107</b>	<b>24,014</b>	<b>45,176</b>
Surplus from the income and expenditure statement	12	1,194	-	1,206
Pension scheme actuarial loss	-	(1,911)	-	(1,911)
Transfers between revaluation and income and expenditure reserve	-	87	(87)	-
Release of restricted funds spent in year	(15)	15	-	-
<b>Total comprehensive income for the year</b>	<b>(3)</b>	<b>(615)</b>	<b>(87)</b>	<b>(705)</b>
<b>Balance at 31 July 2016</b>	<b>52</b>	<b>20,492</b>	<b>23,927</b>	<b>44,471</b>

# The University of Chichester

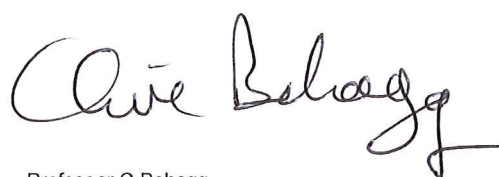
## Consolidated and University balance sheet at 31 July 2016

Company number 4740553	Notes	2016		2015	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>Non-current assets</b>					
Fixed assets	11	84,055	84,024	73,814	73,812
Investments	12	-	-	-	-
		<u>84,055</u>	<u>84,024</u>	<u>73,814</u>	<u>73,812</u>
<b>Current assets</b>					
Stock		6	6	4	4
Trade and other receivables	13	3,361	3,724	3,228	3,376
Cash and cash equivalents	20	4,409	3,920	7,874	7,618
		<u>7,776</u>	<u>7,650</u>	<u>11,106</u>	<u>10,998</u>
Creditors: amounts falling due within one year	14	(7,839)	(7,678)	(6,911)	(6,765)
		<u>(63)</u>	<u>(28)</u>	<u>4,195</u>	<u>4,233</u>
<b>Net current (liabilities)/assets</b>					
		<u>83,992</u>	<u>83,996</u>	<u>78,009</u>	<u>78,045</u>
<b>Total assets less current liabilities</b>					
Creditors: amounts falling due after more than one year	15	(26,776)	(26,776)	(23,229)	(23,229)
		<u>(12,749)</u>	<u>(12,749)</u>	<u>(9,640)</u>	<u>(9,640)</u>
<b>Provisions</b>					
Pension provisions	17	(12,749)	(12,749)	(9,640)	(9,640)
		<u>44,467</u>	<u>44,471</u>	<u>45,140</u>	<u>45,176</u>
<b>Total net assets</b>					
<b>Restricted Reserves</b>					
Income and expenditure reserve - restricted reserve	19	52	52	55	55
<b>Unrestricted Reserves</b>					
Income and expenditure reserve - unrestricted		20,488	20,492	21,071	21,107
Revaluation reserve		23,927	23,927	24,014	24,014
		<u>44,415</u>	<u>44,419</u>	<u>45,085</u>	<u>45,121</u>
<b>Total Reserves</b>		<u>44,467</u>	<u>44,471</u>	<u>45,140</u>	<u>45,176</u>

The financial statements on pages 34 to 37 were approved by the Board of Governors and authorised for issue on 22 November and were signed on its behalf on that date by:



Professor J M Lynch, OBE  
Chair of Governors



Professor C Behagg  
Vice-Chancellor

The notes on pages 38 to 57 form part of these financial statements.

# The University of Chichester

## Consolidated statement of cash flows for the year ended 31 July 2016

	Notes	2016 £'000	2015 £'000
<b>Cash flow from operating activities</b>			
Surplus for the year		1,238	326
<b>Adjustment for non-cash items</b>			
Depreciation	11	3,396	3,236
(Increase)/ decrease in stock		(2)	2
(Increase)/ decrease in debtors	13	(133)	355
Decrease in creditors	14	(204)	(171)
Increase in pension provision	17	1,198	941
<b>Adjustment for investing or financing activities</b>			
Investment income	5	(26)	(36)
Interest payable	8	514	490
Loss on the disposal of fixed assets		-	92
Capital grant income	18	(705)	(1,037)
<b>Net cash inflow from operating activities</b>		<b>5,276</b>	<b>4,198</b>
<b>Cash flows from investing activities</b>			
Capital grants receipts		895	476
Investment income		26	36
Payments made to acquire fixed assets		(12,764)	(4,569)
		<b>(11,843)</b>	<b>(4,057)</b>
<b>Cash flows from financing activities</b>			
Interest paid		(525)	(463)
New unsecured loans		4,289	1,462
Repayments of amounts borrowed		(575)	(395)
Capital element of finance lease		(87)	(87)
		<b>3,102</b>	<b>517</b>
<b>(Decrease)/ increase in cash and cash equivalents in the year</b>		<b>(3,465)</b>	<b>658</b>
Cash and cash equivalents at beginning of the year	20	7,874	7,216
Cash and cash equivalents at end of the year	20	4,409	7,874

# The University of Chichester

## Statement of accounting policies for the year ended 31 July 2016

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The University of Chichester is a company incorporated in England & Wales under the Companies Act 2006.

### 1 Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice : Accounting for Further and Higher Education 2015 (2015 FE HE SORP) and in accordance with Financial Reporting Standards (FRS) 102. The University is a public benefit entity and therefore has applied the relevant public benefit requirement of FRS 102. The financial statements are prepared in accordance with the historical cost convention (modified by the revaluation of certain fixed assets at transition as deemed cost).

### 2 Basis of consolidation

The consolidated financial statements include the University and all its subsidiaries for the financial year to 31 July 2016. The results of subsidiaries acquired or disposed of during the period are included in the consolidated statement of income and expenditure from the date of acquisition or up to the date of disposal. Intra-group transactions are eliminated on consolidation.

The consolidated financial statements do not include the income and expenditure of the Students' Union as the University does not exert control or dominant influence over policy decisions.

### 3 Income recognition

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

Fee income is stated gross of any expenditure which is not a discount and credited to the Consolidated Statement of Income and Comprehensive Expenditure over the period in which students are studying. Where the amount of the tuition fee is reduced, by a discount for prompt payment, income receivable is shown net of the discount. Bursaries and scholarships are accounted for gross as expenditure and not deducted from income.

Investment income is credited to the statement of income and expenditure on a receivable basis.

Funds the University receives and disburses as paying agent on behalf of a funding body are excluded from the income and expenditure of the University where the University is exposed to minimal risk or enjoys minimal economic benefit related to the

#### Grant funding

Government revenue grants including funding council block grant and research grants are recognised in income over the periods in which the University recognises the related costs for which the grant is intended to compensate. Where part of a government grant is deferred it is recognised as deferred income within creditors and allocated between creditors due within one year and due after more than one year as appropriate.

Grants (including research grants) from non government sources are recognised in income when the University is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

#### Donations

Non exchange transactions without performance related conditions are donations. Donations with donor imposed restrictions are recognised in income when the University is entitled to the funds. Income is retained within the restricted reserve until such time that it is utilised in line with such restrictions at which point the income is released to general reserves through a reserve transfer.

Donations with no restrictions are recognised in income when the University is entitled to the funds.

# The University of Chichester

## Statement of accounting policies (continued) for the year ended 31 July 2016

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### 3 Income recognition (continued)

#### Capital grants

Government capital grants are recognised in income over the expected useful life of the asset. Other capital grants are recognised in income when the University is entitled to the funds subject to any performance related conditions being met.

### 4 Accounting for retirement benefits

The two principle pension schemes for the University's staff are the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit plans, which are externally funded and until April 2016 were contracted out of the State Second Pension.

The TPS is an unfunded scheme. Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the University in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of valuations using a prospective benefit method. The TPS is a multi-employer scheme and the University is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution plan and the contributions recognised as an expense in the income statement in the periods during which services are rendered by employees.

The LGPS is a funded scheme. The assets of the LGPS are measured using closing fair values. LGPS liabilities are measured using the projected unit credit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability/asset is also recognised in the Consolidated Statement of Comprehensive Income and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in other recognised gains and losses.

Actuarial gains and losses are recognised immediately in other recognised gains and losses.

In addition to the above schemes, staff who had previously been members of the Universities Superannuation Scheme (USS) with a previous employer, on joining the University are able to continue their membership of USS.

The USS is a multi-employer scheme and the University is unable to identify its share of the underlying assets and liabilities due to the mutual nature of the scheme and therefore this scheme is accounted for as a defined contribution retirement benefit scheme.

A liability is recorded within provisions for any contractual commitment to fund past deficits within the USS scheme.

### 5 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.

### 6 Finance leases

Leases in which the University assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Leased assets acquired by way of finance lease and the corresponding lease liabilities are initially recognised at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

### 7 Operating leases

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Any lease premiums or incentives are spread over the minimum lease term.



# The University of Chichester

## Statement of accounting policies (continued) for the year ended 31 July 2016

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### 8 Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the Consolidated Statement of Comprehensive Income.

### 9 Fixed assets

Fixed assets are stated at cost or deemed cost less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets that had been revalued to fair value on or prior to the date of transition to the 2015 FE HE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Where parts of a fixed asset have different useful lives, they are accounted for as separate items of fixed assets.

#### Land and buildings

On adoption of FRS102, the University followed the transitional provision to revalue land to its fair value and use that fair value as its deemed cost at that date, and retain the book value of buildings, which were revalued in 1995, as deemed cost but not to adopt a policy of revaluations of land and buildings in the future.

Costs incurred in relation to land and buildings after initial purchase or construction, and prior to valuation, are capitalised to the extent that they increase the expected future benefits to the University.

Freehold land is not depreciated as it is considered to have an indefinite useful life.

Freehold buildings are depreciated on a straight line basis over their expected useful lives as follows:

New builds	50 years
Refurbishments	20 years

No depreciation is charged on assets in the course of construction.

#### Equipment

Equipment, including computers and software, costing more than £2,500 per individual item or collectively more than £2,500 if functionally interdependent or part of a larger asset, including set up costs in a building, is capitalised.

All other equipment is recognised as expenditure.

Capitalised equipment is stated at cost and depreciated over its expected useful life as follows:

Major components of a new building	up to 20 years
Furniture, computers and general equipment	4 years
Specific musical instruments	10 years
Steinway pianos	20 years
Motor vehicles	5 years

Depreciation methods, useful lives and residual values are reviewed at the date of preparation of each Balance Sheet.

#### Borrowing costs

Borrowing costs are recognised as expenditure in the period in which they are incurred.

### 10 Investments

Investments in subsidiaries are accounted for at cost less impairment in the individual financial statements.

### 11 Stock

Stock is held at the lower of cost and net realisable value, and is measured using an average cost formula.

# The University of Chichester

## Statement of accounting policies (continued) for the year ended 31 July 2016

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### 12 Cash and cash equivalents

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.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value and are accessible within 90 days.

### 13 Provisions, contingent liabilities and contingent assets

Provisions are recognised in the financial statements when:

- (a) the University has a present obligation (legal or constructive) as a result of a past event;
- (b) it is probable that an outflow of economic benefits will be required to settle the obligation; and
- (c) a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

A contingent liability arises from a past event that gives the University a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the University. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

A contingent asset arises where an event has taken place that gives the University a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the University.

Contingent assets and liabilities are not recognised in the Balance Sheet but are disclosed in the notes.

### 14 Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form. All loans, investments and short term deposits held by the Group are classified as basic financial instruments in accordance with FRS 102. These instruments are initially recorded at the transaction price less any transaction costs (historical cost). FRS 102 requires that basic financial instruments are subsequently measured at amortised cost.

### 15 Enhanced pensions

The cost of any enhanced ongoing pension to a former member of staff is paid by the University. An estimate of the expected future cost of any enhancement to the ongoing pension of a former member of staff is charged full to the University's income and expenditure account in the year that the member of staff retires. In subsequent years an additional charge is made in line with the latest estimates.

### 16 Taxation

The University is an exempt charity within the meaning of Part 3 of the Charities Act 2011.

It is therefore a charity within the meaning of Para 1 of schedule 6 to the Finance Act 2010 and accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 478-488 of the Corporation Tax Act 2010 (CTA 2010) or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

The University receives no similar exemption in respect of Value Added Tax. Irrecoverable VAT on inputs is included in the costs of such inputs. Any irrecoverable VAT allocated to fixed assets is included in their cost.

The University's subsidiaries are liable to Corporation Tax in the same way as any other commercial organisation.

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are more likely than not to be recovered. Deferred tax assets and liabilities are not discounted.

# The University of Chichester

## Statement of accounting policies (continued) for the year ended 31 July 2016

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### 17 Reserves

Reserves are classified as restricted or unrestricted.

Restricted reserves include balances where the donor has designated a specific purpose and therefore the University is restricted in the use of these funds.

### 18 Transition to the 2015 FE HE SORP

The University is preparing its financial statements in accordance with FRS 102 for the first time and consequently has applied the first time adoption requirements. An explanation of how the transition to 2015 FE HE SORP has affected the reported financial position, financial performance and cash flows of the consolidated results of the University is provided in note 30.

Application of first time adoption grants certain exemption from the full requirements of FRS102 and the 2015 FE HE SORP in the transition period. The following exemption has been taken into these financial statements:

Fair value or revaluation as deemed cost - at 1 August 2014, the University has retained the carrying values of freehold properties as being deemed cost and measured at fair value, fair value has been used for deemed cost for land measured at fair value.

The University has taken advantage of the exemptions provided in FRS 102 1.12 and the 2015 FE HE SORP 3.3, and has not included a separate statement of its own cash flows. These cash flows are included within the Consolidated Statement of Cash Flows, and the University balance sheet discloses cash at both the current and preceding reporting dates.

### 19 Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, management have made the following judgements:

Determine whether leases entered into by the University either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.

Determine whether there are indicators of impairment of the group's tangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash generating unit, the viability and expected future performance of that unit.

The critical underlying assumptions in relation to the estimate of the pension defined benefit scheme obligation such as standard rates of inflation, mortality, discount rate and anticipated future salary increases. Variations in these assumptions have the ability to significantly influence the value of the liability recorded and annual defined benefit expense.

Other key sources of estimation uncertainty:

#### Tangible fixed assets

Tangible fixed assets, other than investment properties, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

#### Local Government Pension Scheme

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 25, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2013 has been used by the actuary in valuing the pensions liability at 31 July 2016. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

# The University of Chichester

## Notes to the accounts for the year ended 31 July 2016

	2016		2015	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>1 Tuition fees and education contracts</b>				
Full-time home and EU students	35,167	35,167	32,278	32,278
Full-time international students	1,231	1,231	1,216	1,216
Part-time students	1,628	1,628	1,879	1,879
	<u>38,026</u>	<u>38,026</u>	<u>35,373</u>	<u>35,373</u>
<b>2 Funding body grants</b>				
<b>Recurrent grant</b>				
Higher Education Funding Council	3,056	3,056	3,154	3,154
National College for Teaching and Leadership	126	126	197	197
<b>Specific grants</b>				
National College for Teaching and Leadership	50	50	281	281
Release of capital grants (note 18)	620	620	952	952
	<u>3,852</u>	<u>3,852</u>	<u>4,584</u>	<u>4,584</u>
<b>3 Research grants and contracts</b>				
Research councils	76	76	91	91
Research charities	68	66	127	84
Government (UK and overseas)	570	10	151	109
Industry and commerce	-	-	11	7
Other	9	9	-	-
	<u>723</u>	<u>161</u>	<u>380</u>	<u>291</u>
<b>4 Other income</b>				
Residences, catering and conferences	7,096	6,508	6,614	6,149
Release of capital grants (note 18)	85	85	85	85
Other income	3,027	3,896	3,679	4,068
	<u>10,208</u>	<u>10,489</u>	<u>10,378</u>	<u>10,302</u>
<b>5 Investment income</b>				
Other investment income	26	26	36	36
<b>6 Donations</b>				
Donations with restrictions (note 19)	12	12	51	51

# The University of Chichester

## Notes to the accounts for the year ended 31 July 2016

	Year ended 31 July 2016		Year ended 31 July 2015	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>7 Staff costs</b>				
Salaries	23,349	23,349	22,537	22,537
Social security costs	1,795	1,795	1,726	1,726
Other pension costs including FRS102 adjustments (note 25)	4,310	4,310	3,999	3,999
	<b>29,454</b>	<b>29,454</b>	<b>28,262</b>	<b>28,262</b>

Emoluments of the Vice-Chancellor:	2016	2015
	£	£
Salary	169,983	168,300
Pension contributions	27,679	23,730
	<b>197,662</b>	<b>192,030</b>

The University's pension contributions to Teachers' Pension Scheme (TPS) for the Vice-Chancellor are paid at the same rates as for the academic staff. The Vice-Chancellor's accrued pension as at 31 July 2016 is £86,208 gross per annum (2015 - £82,502) and accrued tax-free lump sum total is £258,625 (2015 - £247,507). The Vice-Chancellor did not receive any other emoluments.

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

	No.	No.
£110,000 to £119,999	1	1
£160,000 to £169,999	1	1
	<b>2</b>	<b>2</b>

Average staff numbers by major category :	No.	No.
Academic	231	221
Administration, support and central services	321	316
The average staff numbers only includes established posts.	<b>552</b>	<b>537</b>

### Key management personnel

Key management personnel, (including senior post-holders) are those persons having authority and responsibility for planning, directing and controlling the activities of the University. Staff costs includes compensation paid to key management personnel.

	2016	2015
	£'000	£'000
Compensation for the loss of office	-	58

### Governors

The total emoluments of all governors in the year amounted to £305,481 (2015 - £306,640). These emoluments are in respect of the Vice-Chancellor and the staff governors in their capacity as members of staff. No other governors received remuneration. Employer pension contributions of the governors totalled £44,367 (2015 - £50,037), in respect of 5 governors (2015 - 6) all of whom are accruing retirement benefits under defined benefit schemes.

The total expenses paid to or on behalf of 11 governors was £6,009 (2015 - £4,619 to 11 governors). This represents travel and subsistence expenses incurred in their official capacity.

# The University of Chichester

## Notes to the accounts for the year ended 31 July 2016

	Year ended 31 July 2016		Year ended 31 July 2015	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>8 Interest and other finance costs</b>				
Loan interest	514	514	490	490
Net charge on pension schemes (note 25)	348	348	298	298
	<b>862</b>	<b>862</b>	<b>788</b>	<b>788</b>
<b>9 Analysis of total expenditure by activity</b>				
Academic and related expenditure	28,975	29,318	27,669	27,916
Administration and central services	8,988	9,102	8,918	8,998
Premises	5,619	5,686	5,913	5,965
Residences, catering and conferences	6,422	6,030	5,917	5,573
Research grants and contracts	452	192	312	243
Other expenses	1,153	1,032	1,747	1,624
	<b>51,609</b>	<b>51,360</b>	<b>50,476</b>	<b>50,319</b>
<b>10 Other operating expenditure</b>				
Chichester bursaries	2,096	2,096	2,101	2,101
Equipment and materials	2,594	2,516	2,652	2,601
Estates	4,015	4,015	3,535	3,535
Operating lease rentals - equipment	317	317	364	364
Partner colleges	765	765	677	677
Payments for placements	650	650	712	712
Residences, catering and conference	1,015	955	1,001	916
Students' Union grant	288	288	277	277
Travel and subsistence	1,031	1,002	946	946
Utilities	1,160	1,160	1,172	1,172
Other expenses	3,966	3,887	4,753	4,734
	<b>17,897</b>	<b>17,651</b>	<b>18,190</b>	<b>18,035</b>
Other operating expenses include:				
External auditors' remuneration in respect of audit services	44		44	
External auditors' remuneration in respect of FRS102 related services	4		1	
External auditors' remuneration in respect of taxation services	8		9	
Internal auditors' remuneration	57		43	

# The University of Chichester

## Notes to the accounts for the year ended 31 July 2016

### 11 Fixed Assets

	Freehold Land and Buildings £'000	Fixtures, Fittings and Equipment £'000	Assets in the Course of Construction £'000	Total £'000
<b>Consolidated</b>				
<b>Cost or valuation</b>				
At 1 August 2015	82,104	8,648	1,899	92,651
Additions	1,233	1,521	10,901	13,655
Transfers	289	(26)	(263)	-
Disposals	-	(4)	(18)	(22)
<b>At 31 July 2016</b>	<b>83,626</b>	<b>10,139</b>	<b>12,519</b>	<b>106,284</b>
<b>Depreciation</b>				
At 1 August 2015	13,365	5,472	-	18,837
Charge for the year	2,001	1,395	-	3,396
Disposals	-	(4)	-	(4)
<b>At 31 July 2016</b>	<b>15,366</b>	<b>6,863</b>	<b>-</b>	<b>22,229</b>
<b>Net book value</b>				
<b>At 31 July 2016</b>	<b>68,260</b>	<b>3,276</b>	<b>12,519</b>	<b>84,055</b>
At 31 July 2015	68,739	3,176	1,899	73,814
<b>University</b>				
<b>Cost and valuation</b>				
At 1 August 2015	82,104	8,595	1,899	92,598
Additions	1,233	1,489	10,901	13,623
Transfers	289	(26)	(263)	-
Disposals	-	(4)	(18)	(22)
<b>At 31 July 2016</b>	<b>83,626</b>	<b>10,054</b>	<b>12,519</b>	<b>106,199</b>
<b>Depreciation</b>				
At 1 August 2015	13,365	5,421	-	18,786
Charge for the year	2,001	1,392	-	3,393
Disposals	-	(4)	-	(4)
<b>At 31 July 2016</b>	<b>15,366</b>	<b>6,809</b>	<b>-</b>	<b>22,175</b>
<b>Net book value</b>				
<b>At 31 July 2016</b>	<b>68,260</b>	<b>3,245</b>	<b>12,519</b>	<b>84,024</b>
At 31 July 2015	68,739	3,174	1,899	73,812

Included within land and buildings is £23,385,300 relating to land (2015 - £23,385,300).

A full valuation of land using fair value was carried out at 31 July 2014 by GL Hearn Limited.

A full valuation of buildings using the depreciated replacement cost value was carried out at 31 July 1995 by Grimley.

There were no fixed asset impairments in the year.

The net book value of land and buildings for the University includes an amount of £508,000 (2015 - £581,000) in respect of assets held under finance leases.

The cost of assets acquired for the purpose of leasing under finance leases was £650,000 (2015 - £650,000).

# The University of Chichester

## Notes to the accounts for the year ended 31 July 2016

	2016		2015	
	Consolidated £	University £	Consolidated £	University £
<b>12 Non-Current Investments</b>				
Investment in subsidiary companies	-	2	-	2

During the year ended 31 July 2016 the University acquired 100% of the issued ordinary £1 shares of Chichester Enterprises Limited, a company incorporated in England and Wales. The principal business activity of Chichester Enterprises Limited is the provision of conference and catering services.

The net assets and profit for Chichester Enterprises Limited were as follows:

	Year ended 31 July 2016 £'000	Year ended 31 July 2015 £'000
Net Assets	(5)	(36)
Profit	31	8

	2016		2015	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>13 Trade and other receivables</b>				
Amounts falling due within one year:				
Trade receivables	1,233	1,032	1,432	1,317
Prepayments and accrued income	1,617	1,396	1,232	1,187
Amounts due from subsidiary companies	-	785	-	308
Amounts due from University of Chichester (Multi) Academy Trust	50	50	50	50
Net investment in finance lease	7	7	10	10
	<b>2,907</b>	<b>3,270</b>	2,724	2,872
Amounts falling after more than one year:				
Amounts due from University of Chichester (Multi) Academy Trust	454	454	504	504
	<b>3,361</b>	<b>3,724</b>	3,228	3,376

	2016		2015	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>14 Creditors : amounts falling due within one year</b>				
Unsecured bank loans (note 16)	653	653	450	450
Obligations under finance leases (note 16)	87	87	87	87
Trade payables	1,473	1,460	936	933
Social security and other taxation payable	563	563	727	727
Accruals and deferred income	3,518	3,371	2,898	2,758
Deferred income - government capital grants	666	666	600	600
Other creditors	754	753	1,088	1,085
Amounts owed to HEFCE	125	125	125	125
	<b>7,839</b>	<b>7,678</b>	6,911	6,765

	2016		2015	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>15 Creditors : amounts falling due after more than one year</b>				
Unsecured bank loans (note 16)	11,163	11,163	8,278	8,278
Obligations under finance lease (note 16)	260	260	347	347
Deferred income - government capital grants	14,378	14,378	14,254	14,254
Amounts owed to HEFCE	975	975	350	350
	<b>26,776</b>	<b>26,776</b>	23,229	23,229



# The University of Chichester

## Notes to the accounts for the year ended 31 July 2016

	2016		2015	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>Maturity of debt</b>				
<b>Unsecured bank loans are repayable as follows:</b>				
Due within one year - payable by instalment	653	653	450	450
Due between one and two years	659	659	457	457
Due between two and five years	2,021	2,021	1,410	1,410
Due in five years or more	8,483	8,483	6,411	6,411
Due after more than one year	11,163	11,163	8,278	8,278
	<b>11,816</b>	<b>11,816</b>	<b>8,728</b>	<b>8,728</b>

As at 31 July 2016 the University had three loans with the Allied Irish Bank as follows:

- 1) fixed rate of interest of 5.53 per cent per annum repayable by June 2031 totalling £2,540,520 (2015 - £2,646,341).
- 2) fixed rate of interest of 4.95 per cent repayable by September 2031 totalling £2,587,330 (2015 - £2,756,991).
- 3) variable rate of interest (LIBOR + 2.51%) repayable by July 2034 totalling £6,688,972 (2015 - £3,325,094). This is part of a £12 million loan facility to be drawn down by July 2017.

### Finance leases are repayable as follows:

Due within one year	87	87	87	87
Due between one and two years	87	87	87	87
Due between two and five years	173	173	260	260
Due in five years or more	-	-	-	-
Due after more than one year	260	260	347	347
	<b>347</b>	<b>347</b>	<b>434</b>	<b>434</b>

### Provisions for liabilities

Consolidated and University	Obligation to fund deficit on USS Pension £'000	Pension enhancement on termination £'000	Defined Benefit Obligations (Note 25) £'000	Total Pensions Provisions £'000
At 1 August 2015	151	790	8,699	9,640
Utilised during the year	(10)	(40)	(1,640)	(1,690)
Additions during the year	73	(27)	4,753	4,799
<b>At 31 July 2016</b>	<b>214</b>	<b>723</b>	<b>11,812</b>	<b>12,749</b>
			<b>2016</b>	2015
			£'000	£'000
Increase during the year recognised in Comprehensive Income			1,198	941
Increase during the year recognised in Other Comprehensive Income			1,911	1,201
<b>Increase in provisions during the year</b>			<b>3,109</b>	<b>2,142</b>

### USS deficit

The obligation to fund the past deficit on the Universities Superannuation Scheme (USS) arises from the contractual obligation with the pension scheme for total payments relating to benefits arising from past performance. Management have assessed future employees within the USS scheme and salary payment over the period of the contracted obligation in assessing the value of this provision.

### Pension enhancement

The enhanced pension provision relates to the cost of staff who have already left the University's employ. This provision has been recalculated in accordance with guidance issued by the funding bodies.

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

	<b>2016</b>	2015
Discount rate	<b>2.30%</b>	3.46%
Inflation	<b>1.30%</b>	1.68%

# The University of Chichester

## Notes to the accounts for the year ended 31 July 2016

### 18 Deferred capital grants

Consolidated and University	HEFCE £'000	Other grants £'000	Total £'000
Buildings	13,325	1,342	14,667
Equipment	187	-	187
At 1 August 2015	<u>13,512</u>	<u>1,342</u>	<u>14,854</u>
<b>Cash receivable</b>			
Buildings	-	581	581
Equipment	314	-	314
	<u>314</u>	<u>581</u>	<u>895</u>
<b>Released to income and expenditure account</b>			
Buildings (Notes 2 and 4)	487	85	572
Equipment (Note 2)	133	-	133
	<u>620</u>	<u>85</u>	<u>705</u>
Buildings	12,838	1,838	14,676
Equipment	368	-	368
<b>At 31 July 2016</b>	<u><u>13,206</u></u>	<u><u>1,838</u></u>	<u><u>15,044</u></u>

### 19 Restricted Reserves

Consolidated and University	2016 £'000	2015 £'000
<b>Donations</b>		
Balances at 1 August 2015	55	47
New donations	12	51
Expenditure	(15)	(43)
Total restricted comprehensive income for the year	<u>(3)</u>	<u>8</u>
At 31 July 2016	<u><u>52</u></u>	<u><u>55</u></u>
<b>Analysis of other restricted funds / donations by type of purpose:</b>		
Prize funds	10	10
General	42	45
	<u><u>52</u></u>	<u><u>55</u></u>

### 20 Cash and cash equivalents

Consolidated	At 1 August 2015 £'000	Cash Flows £'000	At 31 July 2016 £'000
Cash and cash equivalents	7,874	(3,465)	4,409
	<u>7,874</u>	<u>(3,465)</u>	<u>4,409</u>
<b>University</b>			
Cash and cash equivalents	7,618	(3,698)	3,920
	<u>7,618</u>	<u>(3,698)</u>	<u>3,920</u>

# The University of Chichester

## Notes to the accounts for the year ended 31 July 2016

### 21 Financial instruments

	2016		2015	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>Financial assets</b>				
Financial assets measured at amortised cost	<u>6,698</u>	<u>6,573</u>	<u>10,238</u>	<u>10,131</u>
<b>Financial liabilities</b>				
Financial liabilities measured at amortised cost	<u>18,148</u>	<u>18,118</u>	<u>14,189</u>	<u>14,113</u>

Financial assets measured at amortised cost comprise cash, trade debtors, other debtors, amounts owed by associated undertakings and accrued income.

Financial liabilities measured at amortised cost comprise bank loans, finance leases, trade creditors, other creditors and accruals.

### 22 Capital and other commitments

Provision has not been made for the following capital commitments at 31 July.

	2016		2015	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Commitments contracted for	1,369	1,369	11,305	11,305
Authorised but not contracted for	38,031	38,031	2,156	2,156
	<u>39,400</u>	<u>39,400</u>	<u>13,461</u>	<u>13,461</u>

### 23 Lease obligations

At 31 July the University had minimum lease payments under non-cancellable operating leases as follows:

	2016		Total £'000	2015 £'000
	Land and Buildings £'000	Other leases £'000		
<b>Future minimum lease payments due:</b>				
Not later than 1 year	1,992	274	2,266	2,192
Later than 1 year and not later than 5 years	4,295	186	4,481	6,293
Later than 5 years	6,300	-	6,300	6,650
<b>Total lease payments due</b>	<u>12,587</u>	<u>460</u>	<u>13,047</u>	<u>15,135</u>

### 24 Events after the reporting period

There are no events after the reporting period.

# The University of Chichester

## Notes to the accounts for the year ended 31 July 2016

### 25 Pension schemes

The University's employees belong to two principal pension schemes: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by West Sussex County Council. Both are multi-employer defined-benefit plans.

In addition to the above schemes, staff who had previously been members of the Universities Superannuation Scheme (USS) with a previous employer, on joining the University are able to continue their membership of USS.

<b>Total pension cost for the year</b>	<b>2016</b>	2015
	<b>£'000</b>	£'000
Employer's contributions paid	<b>3,422</b>	3,999
FRS 102 (28) charge:		
LGPS - current service cost	<b>2,470</b>	2,251
LGPS - employer contributions	<b>(1,642)</b>	(1,653)
USS - change in expected contributions	<b>70</b>	99
USS - employer deficit contributions	<b>(10)</b>	(15)
	<b>888</b>	682
<b>Total pension cost for year within staff costs</b>	<b>4,310</b>	4,681
FRS 102 (28) charge:		
LGPS - net interest on defined liability	<b>328</b>	277
USS - interest cost	<b>2</b>	2
Enhanced pensions - interest cost	<b>18</b>	19
<b>Net charge on pension schemes within other finance costs (note 8)</b>	<b>348</b>	298
<b>Total pension cost for year recognised in Comprehensive Income</b>	<b>4,658</b>	4,979
FRS 102 (28) charge:		
LGPS - actuarial loss	<b>1,957</b>	1,198
Enhanced pensions - actuarial gain	<b>(46)</b>	3
<b>Total pension cost for year recognised in Other Comprehensive Income</b>	<b>1,911</b>	1,201

### Teachers' Pension Scheme

Under the definitions set out in FRS 102 (28.11), the Teacher's Pension Scheme (TPS) is a multi-employer pension scheme. As the TPS is underwritten by central government and the University has no future obligation to make contributions to the scheme, this is effectively a defined contribution scheme in so far as it affects the University. Accordingly, the University has taken advantage of the exemption in FRS102 and accounted for its contributions to the scheme as if it were a defined-contribution plan.

The employers' contribution rates for the University's academic staff were 14.1% of pensionable salaries from 1 August 2015 to 31 August 2015 and 16.48% of pensionable pay from 1 September 2015 to 31 July 2016.

The pension costs paid to TPS in the year amounted to £1,886,426 (2015 - £1,543,345).

The University has set out below the information available on the Scheme and the implications for the University in terms of the anticipated contribution rates.

The Teachers' Pension Scheme is a statutory, contributory, unfunded, defined benefit scheme. The regulations under which the TPS operates are the Teachers' Pensions Regulations 1997, as amended. Contributions are credited to the Exchequer on a "pay as you go" basis under arrangements governed by the Superannuation Act 1972. A notional asset value is ascribed to the Scheme for the purposes of determining contribution rates.

The last valuation of the TPS related to the period 1 April 2004 to 31 March 2012. The Government Actuary's report of June 2014 revealed that the total liabilities of the Scheme (pensions currently in payment and the estimated cost of future benefits) amounted to £191.5billion. The value of the assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) was £176.6billion. The assumed real rate of return is 3% in excess of prices and 1.25% in excess of earnings. The rate of real earnings growth is assumed to be 2.75%. The assumed gross rate of return is 5.06%.

The next formal actuarial valuation is due as at 31 March 2016.

# The University of Chichester

## Notes to the accounts for the year ended 31 July 2016

### 25 Pension schemes (continued)

#### Local Government Pension Scheme

The Local Government Pension Scheme (LGPS) is a funded defined-benefit plan, with the assets held in separate funds administered by West Sussex County Council.

The employers' contribution rate for the University's administrative and manual staff for the period 1 August 2015 to 31 July 2016 was 17.2% of pensionable salaries with an annual deficit repayment of £147,000.

The pension costs (including the deficit payment) paid to LGPS in the year amounted to £1,493,134 (2015 - £1,496,957).

The major assumptions used by the actuary were:

	<b>2016</b>	2015
	%	%
Salary increases	<b>3.4</b>	4.0
Pension increases	<b>1.9</b>	2.6
Discount rate	<b>2.4</b>	3.6

With regard to mortality assumptions life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2010 model assuming long term improvements of 1.25% p.a., with allowance for short term rates of improvement and declining mortality for the over 90s. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	<b>Male</b>	Male	<b>Female</b>	Female
	<b>31 July 2016</b>	31 July 2015	<b>31 July 2016</b>	31 July 2015
Current pensioners	<b>24.4 years</b>	24.4 years	<b>25.8 years</b>	25.8 years
Future pensioners	<b>26.9 years</b>	26.9 years	<b>28.5 years</b>	28.5 years

The University's share of assets in the fund were:

	<b>Value at</b>	<b>Proportion</b>	Value at	Proportion
	<b>31 July 2016</b>		31 July 2015	
	<b>£'000</b>		£'000	
Equities	<b>33,933</b>	<b>73%</b>	27,850	74%
Bonds	<b>7,437</b>	<b>16%</b>	6,276	16%
Property	<b>3,719</b>	<b>8%</b>	3,138	8%
Cash	<b>1,395</b>	<b>3%</b>	1,961	2%
<b>Total market value of assets</b>	<b><u>46,484</u></b>	<b><u>100%</u></b>	<u>39,225</u>	<b><u>100%</u></b>

The following amounts, at 31 July, were measured in accordance with the requirements of FRS 102:

#### Analysis of the amount shown in the balance sheet

	<b>31 July 2016</b>	31 July 2015
	<b>£'000</b>	£'000
University of Chichester – Estimated asset share	<b>46,484</b>	39,225
University of Chichester – Present value of funded liabilities	<b>(58,242)</b>	(47,868)
University of Chichester – Present value of unfunded liabilities	<b>(54)</b>	(56)
<b>University of Chichester – Net pension deficit (note 17)</b>	<b><u>(11,812)</u></b>	<u>(8,699)</u>

# The University of Chichester

## Notes to the accounts for the year ended 31 July 2016

### 25 Pension schemes (continued)

Local Government Pension Scheme (continued) 31 July 2016    31 July 2015  
£'000                    £'000

Amounts recognised in the Statement of Comprehensive Income in respect of the plan are as follows:

#### Amounts included in staff costs

Current service cost (2,470)                    (2,251)

#### Amounts included in interest and other finance costs

Net interest charge (328)                                    (277)

#### Amounts recognised in Other Comprehensive Income

Return on pension plan assets 4,449                                    2,088

Experience gains arising on defined benefit obligations 437    242

Changes in assumptions underlying the present value of plan liabilities (6,843)                                    (3,528)

#### Amount recognised in Other Comprehensive Income

(1,957)                                    (1,198)

#### Movement in net defined benefit liability during the year

Deficit in scheme at 1 August (8,699)                                    (6,626)

Movement in year:

Current service cost (2,470)                                    (2,251)

Employer contributions 1,642    1,653

Net interest on the defined liability (328)    (277)

Actuarial gain or loss (1,957)                                    (1,198)

#### Net defined benefit liability at 31 July

(11,812)                                    (8,699)

#### Asset and Liability Reconciliation

#### Changes in the present value of defined benefit obligations

Defined benefit obligations at start of period 47,924                                    40,862

Current Service cost 2,470    2,251

Interest cost 1,765    1,675

Contributions by Scheme participants 585    603

Experience gains and losses on defined benefit obligations (437)    (242)

Changes in financial assumptions 6,843    3,528

Estimated benefits paid (854)    (753)

#### Defined benefit obligations at end of period

58,296                                    47,924

#### Reconciliation of Assets

Fair value of plan assets at start of period 39,225                                    34,236

Interest on plan assets 1,437    1,398

Return on plan assets 4,449    2,088

Employer contributions 1,642    1,653

Contributions by Scheme participants 585    603

Estimated benefits paid (854)    (753)

#### Assets at end of period

46,484                                    39,225

# The University of Chichester

## Notes to the accounts for the year ended 31 July 2016

### 26 Related party disclosures

All governors of the University are directors of the Company.

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

The University is the sponsor to the University of Chichester (Multi) Academy Trust, a company limited by guarantee, which was formed in July 2013. Professor Clive Behagg, Vice Chancellor, is Chair of the Board of Directors and a Member of the Trust, Sarah Gilroy, Deputy Vice Chancellor and Jon Spence, Director of the Institute of Education are both directors of the Trust. In the year the University paid on behalf of the Trust costs totalling £520,584 (2015 - £526,442) which were recharged to the Trust. The University also invoiced the Trust £39,576 (2015 - £49,851) in regard of consultancy and marketing services. As at 31 July 2016, the University was owed £634,176 (2015 - £883,658), consisting of an interest free loan balance of £504,418 (2015 - £554,418) and a trade debtor balance of £129,758 (2015 - £329,240).

There were no transactions directly with any member of the Board of Governors.

Transactions are disclosed below where members of the Board of Governors disclose a significant interest in a body (other than with the Trust detailed above) with whom the University undertakes transactions which are considered material to the University's financial statements and/or the other party.

Governor	Sales to related party £'000	Purchases from related party £'000	Grants to related party £'000	Amounts	Amounts
				owed by related party as at 31 July £'000	owed to related party as at 31 July £'000
Ms Jodie Hope as President of University of Chichester Students' Union					
Income and expenditure activities:					
<b>2016</b>	<b>29</b>	<b>55</b>	<b>288</b>	<b>9</b>	<b>108</b>
2015	19	108	277	1	23
Payroll cost recharges:					
<b>2016</b>	<b>309</b>	-	-	<b>24</b>	-
2015	286	-	-	25	-

### 27 Members

The University of Chichester is a company limited by guarantee and therefore does not have share capital. The liability of members is limited to £1 each.

# The University of Chichester

## Notes to the accounts for the year ended 31 July 2016

### 28 Amounts disbursed as agent

#### National College for Teaching and Leadership training bursaries

	2016		2015	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Balance at 1 August	350	350	110	110
NCTL grants received	1,002	1,002	1,541	1,541
	<u>1,352</u>	<u>1,352</u>	<u>1,651</u>	<u>1,651</u>
Disbursed to students	(1,225)	(1,225)	(1,301)	(1,301)
Balance unspent at 31 July	<u>127</u>	<u>127</u>	<u>350</u>	<u>350</u>

National College for Teaching and Leadership grants are available solely for students; the University acts only as a paying agent. The grants and related disbursements are therefore excluded from the Statement of Comprehensive Income.

### 29 Catering contract

	2016		2015	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Cash sales	1,039	1,039	901	901
Cost of sales	(744)	(744)	(643)	(643)
Income, as recognised in the University's financial statements	<u>295</u>	<u>295</u>	<u>258</u>	<u>258</u>

The University receives a guaranteed return from the operation of its catering facilities by an external company. The University declares output VAT on the standard rated element of the cash sales and includes the above figures in its VAT return.



# The University of Chichester

## Notes to the accounts for the year ended 31 July 2016

### 30 Transition to FRS102 and the 2015 SORP

As explained in the accounting policies, these are the University's first financial statements prepared in accordance with FRS 102 and the 2015 FE HE SORP. Accounting policies set out in pages 38 to 42 have been applied in preparing the financial statements for the year ended 2016, the comparative information is presented in these financial statements for the year ended 2015 and in the preparation of an opening FRS 102 Statement of Financial Position at 1 August 2014. In preparing its FRS 102, FE HE SORP based Statement of Financial Position, the University has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (2007 SORP).

An explanation of how the transition to FRS 102 and the SORP has affected the University's financial position, financial performance and cash flows is set out below.

Financial position	01 August 2014		31 July 2015	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>Total reserves under 2007 SORP</b>	<b>36,436</b>	<b>36,480</b>	<b>35,633</b>	<b>35,669</b>
Land and buildings revaluation	9,698	9,698	9,698	9,698
Deferred capital grants	266	266	255	255
USS pension provision	(65)	(65)	(151)	(151)
Enhanced pension provision	(246)	(246)	(234)	(234)
Employee leave accrual	(125)	(125)	(131)	(131)
Endowments	26	26	24	24
Income released	25	25	46	46
<b>Total effect of transition to FRS 102</b>	<b>9,579</b>	<b>9,579</b>	<b>9,507</b>	<b>9,507</b>
<b>Total reserves under 2015 SORP</b>	<b>46,015</b>	<b>46,059</b>	<b>45,140</b>	<b>45,176</b>

Financial performance	2015	
	Consolidated £'000	University £'000
<b>Surplus for the year under 2007 SORP</b>	<b>1,057</b>	<b>1,049</b>
Defined benefit pension obligations - net interest cost	(666)	(666)
Defined benefit pension obligations - actuarial losses	(1,198)	(1,198)
USS pension provision	(86)	(86)
Enhanced pension provision	12	12
Employee leave accrual	(6)	(6)
Income released	21	21
Deferred capital grants	(11)	(11)
Endowment income released to income	2	2
<b>Total effect of transition to FRS 102</b>	<b>(1,932)</b>	<b>(1,932)</b>
<b>Total comprehensive income for the year under 2015 SORP</b>	<b>(875)</b>	<b>(883)</b>

#### Land and buildings revaluation

On adoption of FRS102, the University followed the transitional provision to revalue land to its fair value and use that fair value as its deemed cost at that date, and retain the book value of buildings, which were revalued in 1995, as deemed cost but not to adopt a policy of revaluations of land and buildings in the future.

#### Non-government grants accounted for under performance model

The College has previously been in receipt of certain capital grants from sources other than those classified as "government" under FRS 102 and the 2015 FE HE SORP. Under the previous UK GAAP and 2007 SORP, these were able to be capitalised and amortised over the remaining useful economic life of the relevant fixed assets. This accounting treatment is no longer available for non-government grants and the grants have therefore been accounted for under the performance model and treated as if they had been credited to Comprehensive Income immediately that the performance conditions had been met. A corresponding adjustment has been made to the income recognised in the 2015 results that related to the annual amortisation of the capital grants involved.

# The University of Chichester

## Notes to the accounts for the year ended 31 July 2016

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### 30 Transition to FRS102 and the 2015 SORP (continued)

#### **Change in recognition of defined benefit plan finance costs**

The net pension finance cost recognised in the Income and Expenditure account for the year ended 31 July 2015 under the previous UK GAAP was the net of the expected return on pension plan assets and the interest on pension liabilities. FRS 102 requires the recognition in the Statement of Comprehensive Income, of a net interest cost, calculated by multiplying the net plan obligations by the market yield on high quality corporate bonds (the discount rate applied). The change has had no effect on net assets as the measurement of the net defined benefit plan obligation has not changed. Instead, the decrease in the surplus for the year has been mirrored by a reduction in the actuarial losses presented within Other Comprehensive Income.

#### **Presentation of actuarial gains and losses within Total Comprehensive Income**

Actuarial gains and losses on the University's defined benefit plans were previously presented in the Statement of Total Recognised Gains and Losses (STRGL), a separate statement to the Income and Expenditure account. All such gains and losses are now required under FRS 102 to be presented within the Statement of Comprehensive Income, as movements in Other Comprehensive Income.