

The University of Chichester

Integrated Report and Annual Financial Statements for the year ended 31 July 2017

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The University of Chichester

About The University of Chichester

The University of Chichester is a modern University with a proud history tracing back nearly 180 years. The Bishop Otter College was established by the Bishop of Chichester in 1839 as a teacher training college and admitted 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 campus in Chichester still known as the Bishop Otter 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 leafy Bognor Regis 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.

The University of Chichester renaming followed the granting of 'University' status in 2005. In September 2014 the Privy Council granted Research Degree Awarding Powers to complete the journey to full university status.

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.

The University continues to invest in both its campuses. During 2016/17 the University opened two new buildings on the Bishop Otter Campus. The new academic building provides a range of tailored yet flexible teaching spaces and the Music block extension has created spaces for our musicians to excel. On our Bognor Regis campus passers-by cannot miss the new building dedicated to STEM subjects and will welcome Engineering, Mathematics and Creative and Digital Technology students in September 2018.

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

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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.

The University can confidently state that it is becoming an internationally recognised beacon of good practice for high quality, student-centred higher education within a supportive community of learning. The process has now started to refresh the University mission, vision and strategy to strengthen this message.

The University is committed to ensuring it meets its commitments under the Charity Commission's guidance on public benefit across its activities. This is evident in the firm commitment to the student experience, the quality of the learning and the focus on regional regeneration. The 2016/17 report includes examples of public benefit and value for money throughout and the University places great pride in these achievements.

University funding has changed significantly in recent years and government funding for teaching, research and capital is largely replaced by tuition fees paid by the Student Loans Company. The University still receives some government grant funding for research and for subject areas that are expensive to teach. It also receives support for funding student opportunity, which is reducing, that the University invests in widening participation and outreach to attract non-traditional students to enter higher education. Access to funding for capital projects is less easy than it has been in the past and the University has worked hard to attract capital contributions from the local enterprise partnership, Coast to Capital and from HEFCE for the new Technology building.

The University needs to be able to create surpluses to be financially sustainable. A financially sustainable University can invest in and maintain its buildings and estate. In accounting terms this funding may historically have been earmarked for capital under a funding formula or grant. Under the current funding model the cost of sustaining the capital assets is an unspecified share of the tuition fees paid to the University and these fees are all accounted for as income in the year. The University therefore needs to make surpluses to reflect the share of the income that is needed to fund the cost of the assets which are accounted for over the assets' useful economic life. There is no fixed percentage guide for this figure as it varies by university; the University's financial strategy is targeting a surplus of 6% of total income by 2018/19.

Teaching and Learning

Teaching Excellence Framework (TEF)

The University of Chichester was awarded Silver in the Teaching Excellence Framework (TEF). The Silver award recognises that the University consistently delivers high quality teaching, learning and outcomes for our students and consistently exceeds rigorous national quality requirements for UK higher education. As a University with a long-standing commitment to widening participation, it is of particular significance that satisfaction with academic support among BME and disadvantaged student groups is recognised as a strength.

The Vice-Chancellor, Professor Jane Longmore commented at the time, "A Silver award is a significant step towards achieving our vision that, by 2020, the University of Chichester will be internationally recognised as a beacon of excellent practice for high quality, student-centred higher education. It is particularly gratifying that the TEF panel acknowledged the 'outstanding levels of student satisfaction with teaching and academic support'. This award recognises that we provide an environment in which high quality learning and teaching prepares students to succeed academically and thrive in a global economy. We are also justifiably proud that our excellent teaching opens the world of higher education for so many 'non-traditional' or disadvantaged university entrants."

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TEF awards are based on metrics from the National Student Survey and Destinations of Leavers in Higher Education Survey as well as a detailed institutional case. Closer review of the metrics suggest the University may have been the top ranked silver graded university.

Subjects offered

The University's academic offer provides a broad curriculum of subjects spread across the following departments:

- Business School
- Childhood, Social Work and Social Care
- Creative and Digital Technologies
- Dance
- Institute of Education
- English and Creative Writing
- Fine Art
- History and Politics
- Music and Musical Theatre
- Psychology and Counselling
- Institute of Sport
- Theatre
- Theology, Philosophy and Religious Studies

And from 2017/18 with a full launch in 2018/19

- Engineering and Design

From September 2018 Engineering and Design will be delivered alongside Creative and Digital Technologies in the new £30.5m Technology building on the Bognor Regis Campus with funding from HEFCE and Coast to Capital. The new courses will have strong links to the Business School on the same campus.



The image overleaf shows a cutaway of how the new building will look inside as well as its grand scale.

The picture shows the five floors of the central block filled with teaching spaces and to the right, the green room studio which is clad in striking flint stones typical of the West Sussex region. The Engineering block to the left will focus on the Conceive, Design, Implement, Operate (CDIO) approach to engineering in a large open workshop space.

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Student numbers

Total student numbers, including undergraduate and postgraduates, expressed as full time equivalents has remained just below 5,000 for a number of years. Since 2012/13 the mix of part time and full time students has remained fairly constant where historically the University had a larger percentage share studying part time. The University has an evolving and growing academic portfolio which is key to institutional growth.

Chichester has differentiated itself in an increasingly competitive environment with a focus on teaching quality (ranked 13th in the Times Good University Guide 2018) 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 2018 recognised the University's outstanding achievements with a climb of 10 places to 72nd. The Guide describes the NSS results as "stellar performance" and "a drop-out rate half the expected level" which has led to the University twice being awarded University of the Year for student retention in recent years.

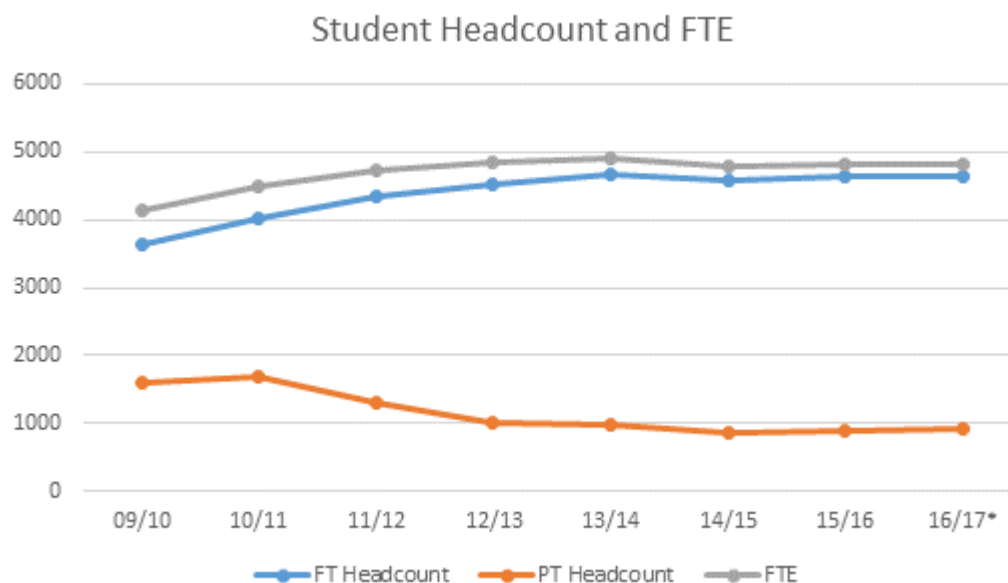
The new courses in Engineering and Design and in Creative and Digital Technologies to be based in the new Technology building will increase student numbers based on the Bognor Regis campus by around 1,500 by 2021/22, with annual intakes of around 500 students once the new courses are fully established. There is demand for new STEM provision (Science, Technology, Engineering and Mathematics) in the region based on participation levels and based on demand for graduates from local businesses. The University is working closely with schools and Further Education Colleges to fill an identifiable gap and with employers to match their needs.

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 following table shows the student numbers 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.

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* 2016/17 numbers to be confirmed once HESA return completes

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 which continues until the outcome of the next REF planned for 2021.

Income from externally funded research continues to grow in 2016/17 and is projected to rise further in 2017/18. The published research is available through the University of Chichester Institutional Repository which is an open access hub that showcases the excellent research output of the University's departments, making it available to the public and to the research community worldwide in a searchable, browse-able database.

The University of Chichester Academy Trust

The University of Chichester (Multi) 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 eleven primary schools and one secondary school with further schools planning to join the Trust during 2017/18. 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 secondary academies over the coming years. The relationship between the academy schools and the University is strengthening as a number of academic and student led projects are emerging.

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In September 2017 the Trust was assessed by OFSTED and was proud to receive positive recognition of the rapid improvement made in the academy schools. This inspection of the Trust is the only University sponsored Trust to receive a positive outcome from OFSTED in the current round of reviews. See link for more details: <http://www.chi.ac.uk/news/ofsted-overcome-positivity-after-academy-trust-review>

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Directors, Governors and Advisers

Management Structure and Governance

The Governing body of the University is the Board of Governors, which comprises of between nineteen and twenty-five members (currently twenty-one). 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;
- Four nominated Governors (one student, normally the President of the Students' Union, two from the teaching staff, and one from the non-teaching staff.)

The remainder are co-opted Governors.

At least half the Independent Governors are nominated by the Bishop Otter Trust (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 the Vice-Chancellor's Group (VCG) and is comprised of:

- Professor Jane Longmore, Vice Chancellor

Professor Jane Longmore was appointed Vice-Chancellor on 2nd May, 2017 and is responsible for the leadership of the University in accordance with the overall strategic direction determined by the Board of Governors. Professor Longmore was previously Deputy Vice-Chancellor (Academic) at Southampton Solent University where she had responsibility for learning, teaching, research and innovation. She is a Director of the University Vocational Awards Council and the UK College of Business and Computing. Most recently, Professor Longmore was a member of the Expert Group advising on the development of the Teaching Excellence Framework; she also co-convenes the HE Employer Apprenticeship trailblazer, a national consortium of over 100 higher education institutions and related organisations. Professor Longmore is a Professor of Urban History, a Fellow of the Royal Historical Society and an Honorary Fellow of the Historical Association. She co-chaired the most recent QAA Subject Benchmarking Group for History and is actively engaged with widening participation to higher education through chairing the Sussex Learning Network. As Vice-Chancellor of the University, Jane Longmore is a Governor and a member of the Governors' Strategy & Resources and Nominations & Effectiveness Committees. As Chair of the Academic Board, and the Vice-Chancellor's Group, Jane's role is central to the success of the institution which has a national reputation for student satisfaction.

- Professor Catherine Harper, Deputy Vice-Chancellor

Professor Catherine Harper is the Deputy Vice-Chancellor at the University of Chichester. Previously she was Dean of the Faculty of Creative and Cultural Industries at the University of Portsmouth where she was also Professor of Textiles. Prior to the University of Portsmouth, Catherine was Dean of the Faculty of Arts and Digital Industries at the University of East London and Head of the School of Architecture and Design at the University of Brighton. She has supervised and examined PhDs in the UK, Australia and Sweden, and undertaken research and academic advisory work in the UK, Ireland, Canada and Australia. Central to her role is leadership for the University's academic portfolio and profile, recruitment and enrolment, and quality and standards.

- 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

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and enterprise for the University, as well as leading on careers and employability. 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.

- 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, as well as the National Student Survey.

The Vice-Chancellor's Group is supported by key senior managers who lead functional departments across the University.

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Directors, Governors and Advisers

The following governors have served during the 2016/17 financial year and the 2017/18 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 S Baysted	From January 2017	Staff elected governor
Professor C Behagg	To May 2017	Chair of Academic Board
Mrs H Bray	To May 2017	
Canon Dr A W Cane		
Mrs J Cook		Vice-Chair of Governors and Chair of Strategy and Resources Committee
Mr C J Dicks		
Miss L Ellis	From July 2017	President of the Students' Union
Mr I Garrard		
Mrs J E Gray		
Mr T Hancock		Chair of Audit Committee
Professor J Longmore	From May 2017	Chair of Academic Board
Mr R Martin		
Mrs N V Nageon de Lestang		Chair of Honorary Awards Committee
Dr A Naylor		
Dr F L Price	To January 2017	Staff elected governor
Mr L Sheavyn	To July 2017	President of the Students' Union
Mr R G Smith		
The Rt Revd M C R Sowerby		
Mr J Spence	From January 2017	Staff elected governor
Mr J N Stapleton		
Mrs L E Surgeon		
Dr A B Twitchen	To January 2017	Staff elected governor
Mrs K Vagg		
Mr K Williams		Staff elected governor

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Directors, Governors and Advisers

Vice-Chancellor	Professor Jane Longmore (in post from 2 nd May 2017) Professor Clive Behagg (left post 1 st May 2017)
Deputy Vice-Chancellor	Professor Catherine Harper (in post from 1 st November 2017) Dr Sarah Gilroy (left post 31 st Dec 2016)
Deputy Vice-Chancellor (Sustainability and Enterprise)	Professor Seamus Higson
Pro Vice-Chancellor (Student Experience)	Dr Mark Mason
Director of Finance and Performance	Mr Kevin Jones
Clerk to the Governors and Secretary	Miss Sophie Egleton (in post from 14 th March 2017) Mrs Ann Holder (left post 16 th February 2017)
University Solicitor	Mr Peter Aldred
Principal Address	University of Chichester Bishop Otter Campus College Lane Chichester West Sussex PO19 6PE
Second Campus Address	Bognor Regis Campus, University of Chichester Upper Bognor Road Bognor Regis West Sussex PO21 1HR
Clearing Bank	National Westminster Bank plc 60 High Street Bognor Regis West Sussex PO21 1SL
External Auditor	BDO LLP 2 City Place Beehive Ring Road Gatwick West Sussex RH6 0PA
Internal Auditor	KPMG LLP 66 Queen Square Bristol BS1 4BE

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Strategic report for the year ended 31 July 2017

Operating and Financial Review

The Financial Statements and supporting notes for this financial period comply with the Statement of Recommended Practice: Accounting for Further and Higher Education (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 second year of reporting under the new financial rules and as such can only be compared to the annual report for the year ending 31st July 2016. As last year's report included restated prior year accounts for the year ending 31st July 2015 there is now three years accounting data under the new HE SORP.

Consolidated Statement of Comprehensive Income and Expenditure

The University's consolidated results for the years ended 31 July 2017 and 31 July 2016 are summarised in the following table:

	31 July 2017	31 July 2016
	£m	£m
Total income	56.274	52.847
Total expenditure	<u>55.298</u>	<u>51.609</u>
Surplus for the year	0.976	1.238

The surplus for the year of £976k is down by £262k compared to 2015/16. This headline fall in surplus includes non-cash adjustments for pension scheme liabilities as calculated under the FRS102. The 2016/17 calculation has identified a net additional increase to the non-cash pension adjustments of £427k compared to the previous year. Without this non-cash adjustment the underlying operational surplus has therefore increased again over the previous year. The surplus reported is in line with the University's long term financial strategy which is focussed on growth in net cash flow from operating activities.

The University's total income increased by 6.5% to £56,274k compared with £52,847k in 2015/16.

Tuition fee income increased by £1,965k (5.2%) largely due to the difference between intake students paying tuition fees of £9,000 replacing a final year cohort of students who had paid a lower fee of £8,500. Funding body grants increased for the first time in many years, this included £500k of HEFCE funded Catalyst funds towards the Technology Park set up costs. HEFCE funding for students and research was also up by £100k. Teacher training funding from the National College for Teaching and Leadership increased by £96k partially reversing a long term decline in funding as the government controls on teacher training places continue.

Research income from grants and contracts was £1,130k for the year, up from £723k in the previous year. Sports Science now has a solid research funding base and new EU funding into the Business School will see total research income continue to rise in 2017/18.

Income from residences, catering and conferences increased by 4.5% to £7,415k. An increase in summer conference activity was supported by the new academic buildings on the Bishop Otter Campus in Chichester which provided better facilities for bookings.

The University receives £3,050k of income from a number of other smaller scale activities just slightly up from £3,027k in 2015/16.

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Strategic report for the year ended 31 July 2017

Total expenditure increased to £55,298k, an increase of 7.1% from £51,609k. This increase includes the additional £407k of non-cash pension adjustments referred to above.

Staff costs of £32,292k including non-cash pension FRS102 adjustments account for 58.4% of total costs (2015/16: £29,454k, 57.1%). Staff costs increased by £2,838k (9.6%). This 9.6% increase in salaries can be broken down into:

- National pay award of 1.1%
- Increased employer contributions to pensions schemes of £538k (1.8%)
- Increased HE SORP non-cash pension net adjustments of £427k (1.5%)
- Cleaning services were brought in-house from May 1st 2016 (3 months) and a full 12 months costs are included for 2016/17 £680k (2.3%)
- A new Engineering department is being set up with support from HEFCE Catalyst Funds, the costs in year were £70k (0.2%)
- Staff employed directly on externally funded research grants increased by £264k (0.9%)
- There was a voluntary severance scheme run in June 2016 with decisions signed off after 1st August 2016 leading to an increased cost of staff structuring of £113k year on year (0.4%)
- The balance of 1.4% reflects net staff churn including incremental drift and other staff growth including preparations for the new STEM courses on the Bognor Regis Campus

Established teaching staff numbers increased by 6.9 full time equivalents (FTE) included in the bullet points above and research staff increased by 7 FTE between July 2016 and July 2017. Administration, support and central services reduced by 1.85 FTE over the same period, in part due to the severance scheme. The full year impact of the decision to bring the cleaning service in-house is fully offset by the saving in non-salary costs against the previously out-sourced contract and was in line with the cleaning budget.

The table below shows the non-cash FRS102 pension adjustments which are shown within staff costs as expenditure. The increase of £435k is outside the control of the University and has a direct impact of reducing the overall surplus. The increase in year is on top of an increase of £212k in 2015/16 accounts compared to 2014/15.

	£000	2016/17	2015/16
Staff Costs - accrued holiday pay		56	48
LGPS Pension Costs		1,304	828
USS Pension Costs		11	60
Total non-cash staff adjustments		1,371	936

Other operating expenditure increased to £18.2m from £17.9m (1.8%), the underlying increase is slightly larger as this figure includes a net 9 months' savings against contracted out cleaning which transferred in house from 1st May 2016 referred to above. As with the salaries part of the increase relates to new increase streams for externally funded research and from the HEFCE Catalyst Fund award.

Interest and other finance costs increased from £862k to £942k up 9.3% and is made up of loan interest actual payments of £614k and pension scheme interest costs which is a non-cash FRS102 adjustment of £328k. Loan interest increased in year by £100k reflecting the full draw down against the Allied Irish Bank loan for construction of the Music building extension and the new Academic Building. There was also some interest costs relating to the new HSBC revolving credit facility set up to support funding the Technology Park capital project. Interest costs were below projected levels as careful cash-flow 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 a decrease in year from £349k to £328k.

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The company made no political or charitable donations in the year. Under the HE SORP the Consolidated Statement of Comprehensive Income and Expenditure includes an additional line to reflect the actuarial gain or loss in respect of pension schemes. This is shown below the surplus for the year to arrive at the Total Comprehensive Income for the Year. For 2016/17 there is a reported actuarial non-cash gain in respect of pension schemes of £6,751k. This consists mainly of the actuarial gain on the Local Government Pension Scheme of £6,744k and compares to a non-cash actuarial loss of £1,911k in 2015/16.

Consolidated Balance Sheet

The Consolidated Balance Sheet created using FRS102 accounting rules has significant changes to the previous methodology and can therefore only be compared to 2015/16 and the restated 2014/15 balance included in the previous 2015/16 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 £12.1m net of depreciation, this includes the completion costs of the Music Building extension (opened September 2017), the Academic Building (opened January 2017) and the construction costs to 31st July 2017 of the Technology building on the Bognor Regis Campus. A further £2.3m was invested in fixtures, fittings and equipment 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.

Trade and other receivables debtors increased to £4,437k (from £3,361k). This included an invoice for research funding from BAE Systems for £325k, a number of large invoices relating to summer conference activity and an increase in income invoices for collaborative activities in partner colleges. The total was also increased for a reduction of the bad debt provision which was recalculated based on the actual debtors list.

Creditors total amount falling due within one year increased to £9,299k (up from £7,839k) mainly linked to trade creditors which include the construction invoices for the Technology building. Creditors for amounts falling due after more than one year have increased to £38,438k (up from £26,776k); this includes £7.5m of deferred capital grant for the Technology building funded by the regional local enterprise partnership, Coast to Capital. Unsecured bank loans have also increased for the draw-down of £5.2m in two tranches in August and September 2016 to fund completion of the Academic Building and Music Block extension. This completed the draw-down against the £12m loan facility with AIB set up to finance the University's capital programme.

The FRS102 treatment of pension scheme adjustments has been discussed in the section above. These non-cash adjustments to the Income and Expenditure statement are also reflected in the Consolidated Balance Sheet. As at 31 July 2017 the liability under Pension Provisions has reduced to £7,602k compared to £12,749k in the previous year. This reduced provision has increased the total net assets of the University by over £5m compared to the previous year. This adjustment reverses a negative movement of £3m reported in the previous year and could move in either direction in future years. Calculations will continue to be influenced by the referendum decision of the United Kingdom to leave the European Union and the effectiveness of implementation of this decision.

Cash Flow and Treasury Management

This underlying improvement is also supported by the net cash flow from operating activities which at £6,225k shows an increase of £949k over the £5,276k reported in 2016.

The level of cash and short term investments held as at 31 July 2017 was £6,927k up against £4,409k 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. During the year, the University

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Strategic report for the year ended 31 July 2017

started using its HSBC revolving credit facility (RCF) which was set up to support the funding of the Technology building project. 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 RCF allows the University to draw down and repay borrowing on short term LIBOR plus margin rates to save on loan interest costs. The balance as at 31st July reflects the reducing balance from the annual cash high point in May and is lower than the previous year to reflect the monthly construction invoices. The day to day funds are held by NatWest Bank in an interest bearing account into which all surplus cash is swept overnight with the balance held in investment accounts. This provides a small income from as interest rates on overnight funds have been very low now for a number of years.

Capital Projects

Shown below is the new academic building which opened in January 2017 and provides a range of flexible teaching spaces. Along with changes to the road entrance, bus interchange and new landscaping there is an enhanced sense of arrival for visitors to the Bishop Otter Campus. The building is totally focussed on students with flexible teaching space spread throughout the building in a range of room sizes all fitted with the latest audio-visual teaching equipment. Two of the larger teaching spaces have semi-sprung floors suitable for teaching dance. There is also a student shop and an equipment loan service based in the building. The building is built to a high standard and its eco-credentials include solar panels shown below on the south facing wall as well as on the roof space.



The new music block extension was a smaller scale project which was completed in time for new students joining the University in September 2016. Music students are very happy with the new spaces and the imaginatively refurbished older parts of the building. Soundproofed rooms allow the students to practice instruments alongside formal teaching. The inclusion of quirky room names adds to the charm and appeal of this academic teaching space.

During 2016/17 the construction of the Technology building on the Bognor Regis Campus has made significant progress towards its opening to students in September 2018 (see picture on p4). The new £30.5m STEM focussed academic building will house new programmes for engineering, design, creative and digital technologies and mathematics. The building has been meticulously planned and scaled to accommodate the planned increase of up to 1,500 student on the Bognor Regis campus and includes space for staff offices and specialist teaching spaces. The final design received planning approval in July

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2016. The project has received £8m from Coast to Capital Local Enterprise Partnership funding. The University was also awarded HEFCE Catalyst Funds which included £1.2m towards the build costs and £1.5m to support the launch of the new STEM courses. A new loan facility for £14.8m has been agreed with HSBC, this agreement includes a revolving credit facility for £8.8m. 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 who have pledged real and in-kind support once the new students are recruited.

The University is focussing its capital expenditure on the Technology building and essential equipment replacements and minor works to maintain the student experience. There are other smaller scale projects in development including refurbishment of teaching spaces. For example the lecture theatre space on the Bognor Regis Campus was completely stripped and rebuilt over the summer of 2017 to re-create the teaching space within a fully equipped screening theatre. This screening space adds to the facilities which are being built in the Technology building and is already in regular use by the creative media students.

The student accommodation strategy is being revised to plan for growth in student numbers and includes plans for new student accommodation in both Chichester and Bognor Regis. A lease has been agreed for a small development of 134 bed-spaces on Fishbourne Road East in Chichester. This new build will be ready for students joining the University in September 2018. The University has plans to build student accommodation on its own land in Bognor Regis. Planning permission has been approved to build approximately 200 rooms and a further 100 rooms would be possible on adjacent space in a second phase of development.

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Value for Money and University Impact

The University strives to use its funds and resources to achieve best value across all its activities. The stakeholders of the University are a broad community which goes beyond the Board of Governors, the funders, staff and students and into the regional economy. The University has a duty to all to ensure it can demonstrate its value for money and public benefit with integrity. This is enshrined in the Memorandum of Assurance and Accountability with the Higher Education Funding Council for England (HEFCE). The University also seeks to reassure students that the tuition fees and student accommodation rent they pay to the University is used effectively and efficiently.

HEFCE circular letter 23/2016 provides a comprehensive update of its guidance for reporting Value for Money including updated definitions and suggested content.

HEFCE define Value for Money under 4 categories:

- Economy – minimising the cost of resources used or required (spending less)
- Efficiency – the relationship between the output from goods and services and the resources to produce them (spending well)
- Effectiveness – the relationship between the intended and actual results of spending (spending wisely)
- Equity – the extent to which services are available to and reach all people for which they are intended (spending fairly)

The University has also considered two additional categories:

- Has the University supplied a student experience or other goods or services at a price that represents fair value to its customers?
- Does the University add value to its wider community and region through its operations and innovations?

Staff

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 people with disability whenever a suitable vacancy arises and the continued employment and retraining of employees who become disabled whilst employed by the University.

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

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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 Twenty-Twenty Vision and key strategies for 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 reviewed by the Joint Consultative Group.

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 regular open forum events on both campuses for all 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.

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. Information from the PRDP action plans is used to inform the annual staff development programme. During the year, the range of training courses included in the staff development programme were reviewed to identify the specific development benefits against the set of professional behaviours as defined by the Association of University Administrators (AUA). Staff leavers are offered exit interviews to pro-actively identify any staffing issues which may have impacted on their staff morale and any positive actions that can be taken to improve the work environment.

The last staff survey was taken in spring 2016 to update a previous survey 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

The University has a policy on modern 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. During 2016/17 there were regular meetings of a task group focussed on following up on the actions of the first Modern Slavery Statement published in November 2016 and to include the outcome of these actions alongside the current action list in the new statement for 2016/17 which 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/>

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Students

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 2016/17, the University distributed £2.8m in bursaries and fee waivers to students.

During 2016/17 the University has supported the recruitment of students from deprived and underrepresented 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 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 Students' Union. The University funding of the Students' Union was reviewed and improved for 2016/17. This enabled the students to elect an additional sabbatical officer for 2016/17. The creation of a third sabbatical Officer has allowed the Union to better represent the students across a wider range of areas and issues. The University funding of the Union 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 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.

Students and staff have access to the University's downloadable app which was developed in-house and is available from app stores (by searching University of Chichester). Moodle is the students' intranet and is used for announcements, banners, news, discussion boards as well as its core function to support the students' 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.

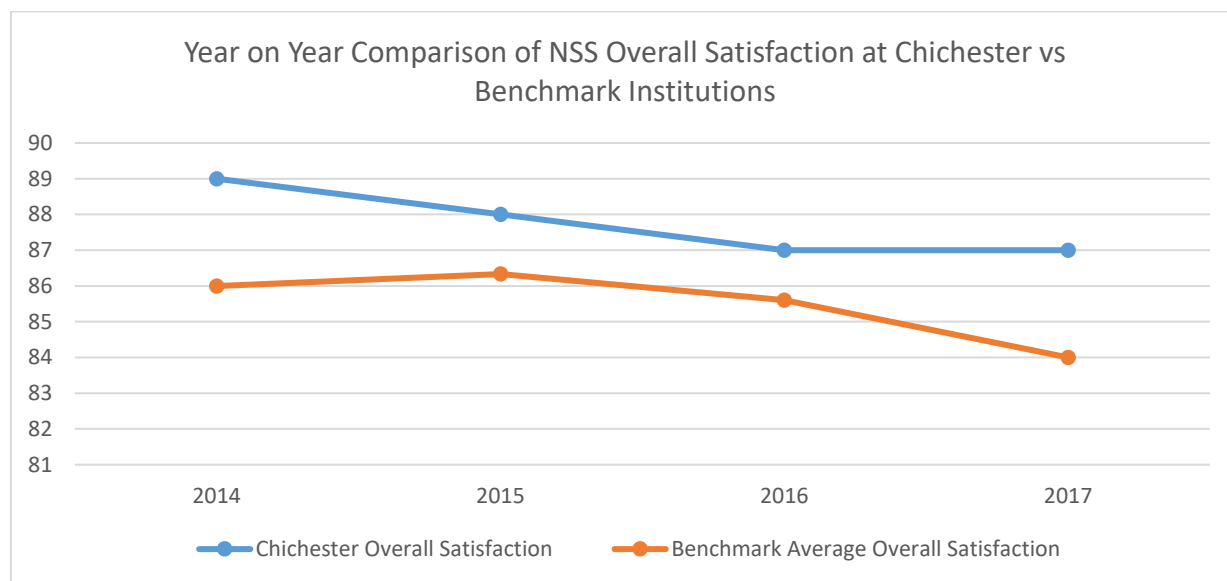
The National Student Survey (NSS) captures the opinions of final year students and a combination of their scores and comments can guide decisions on how the University can improve the student experience. The NSS has become generally accepted as a measure of the quality of the student experience. The 2017 Survey included a number of significant changes to the questions and to the overall focus of the questions. The changes were made to the NSS to capture the information in the context of the Teaching Excellence

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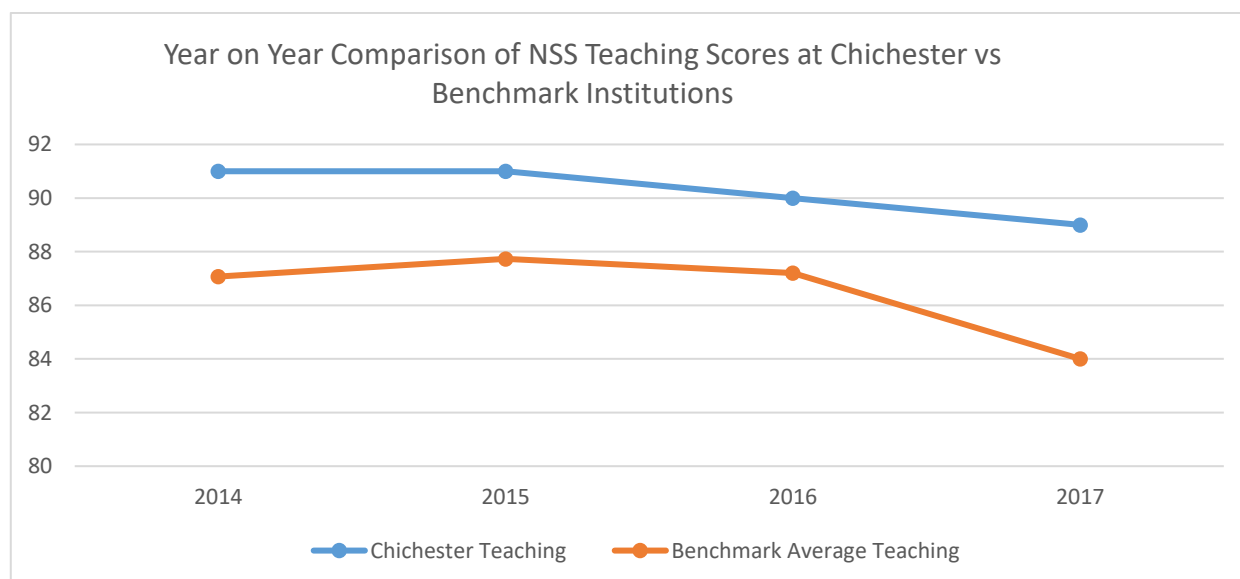
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Framework (TEF). The TEF2 process which awarded the University TEF Silver used NSS data from the 2016 survey. The TEF3 process which will run in 2018 will use the metrics of the NSS2017.

The graph below shows the University score for overall satisfaction. HEFCE advise that the 2017 results should not be compared to earlier years due to the changed questions. Showing the earlier years alongside the current year is useful though when comparing the difference between the Chichester score and the benchmark group average score. The graph shows that the University performs above the benchmark group consistently over time. For 2017, in the year the survey has been sharpened up to better understand teaching excellence, the gap above the benchmark group has improved.



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 graph below shows similar pattern of high scoring for teaching which demonstrates that the University's teaching strategy is effective and appreciated by the students.



The University conducts a detailed subject by subject analysis of the NSS scores and of the individual comments made by students completing the survey. This analysis forms the basis of an action plan to address students' concerns and is used to inform future academic delivery and capital developments.

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These are then reported back to the students so that those currently in years 1 and 2 understand that the students' views and feedback are taken seriously and acted upon.

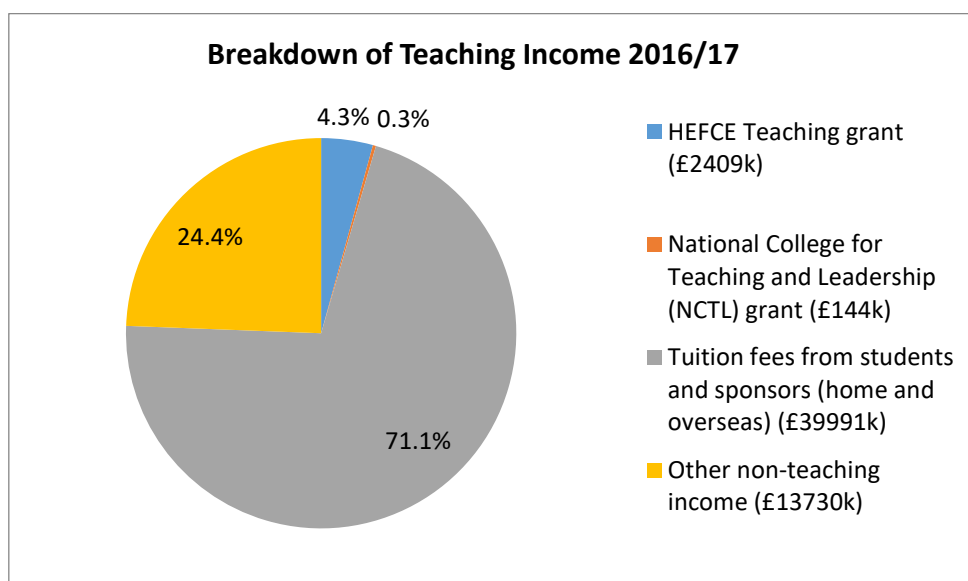
The University provides a student community environment that extends beyond the teaching timetable. For our students their experience extends 24/7 and the University provides support in many ways. All first year students are offered a guaranteed place in University-run student accommodation including pastoral care and support. During 2016/17 the University has increased its investment in student support including specialist support for mental health and special needs. The University provides sports and fitness facilities for all students and supports the Students' Union to run a broad range of clubs and societies. The students feel the benefits of being part of the University community.

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. During 2016/17 a new Head of Employability was recruited and is introducing new initiatives to engage with students across all years of study. This should lead to steady improvement in the University's DLHE figures which have been a persistent area of underperformance over the past three years.

Teaching, Learning Resources and Information Technology

The majority of University funding and activity is focused on teaching. This section will cover how we receive funding for our teaching and how we spend it. It will also evidence how the University spends its money to ensure students receive the student learning experience they deserve. The TEF Silver award recognises the high quality teaching, learning and student outcomes from the University's investment.

Income from teaching accounts for 75.6% of the University total income with the majority of this being for tuition fees predominantly funded through the Student Loans Company. The breakdown of the teaching income is shown in the pie chart below:



The University strives to invest and spend wisely to deliver high quality teaching and to encourage our students to achieve and fulfil their potential. The University is smaller than many of its competitors and is

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a complex organisation with increasingly complex challenges. Defining value across all of its activities is also complex. The following sections aim to assess the University performance with reference to data sources available to the higher education sector.

TRAC

The Transparent Approach to Costing (TRAC) is a metrics return which attempts to identify the cost of teaching and the cost of research. It is typical in universities to see that the cost of research is subsidised by income for teaching. The University is within acceptable parameters in that TRAC identifies recovery of full economic cost for teaching at 104.8% which is below the TRAC benchmark maximum of 105%. The University invests in research as we believe all our researchers must teach and all our teachers must research. By ensuring all research active staff are engaged in teaching, the University is taking a value for money approach in ensuring our students see the benefit within the curriculum. Students respond to the passionate curiosity of academic staff which the University believes is a fundamental principle of the student experience.

TRAC T

This is a second dataset return used to compare the cost of teaching by subject area. The detailed calculation uses assumptions to distribute central university costs to identify a total cost by subject area. Some of the subject categories straddle departments within the University structure and some contain more than one department. Nevertheless, the subject area information provides an interesting tool for business planning. The data set is still being developed to assess how this may be a useful tool to capture trends across disciplines and across years as well as fluctuations in student numbers. The University uses the data to identify movements in value for money where there are changes in student numbers and where there are higher costs for equipment, space or facilities to ensure funds are invested fairly across the curriculum.

The learning environment

All academic departments and support services are reviewed annually to assess the academic health and performance of the curriculum. This reviews provides essential information which is converted into operational plans and detailed financial budgets. By assessing academic disciplines alongside the support services it is possible to identify institution wide investments in learning resources. This particularly relates to library facilities, information technology and learning spaces. During 2016/17 the opening of new academic teaching spaces in the new buildings on the Bishop Otter Campus in Chichester was a step change in the quality of teaching space. To ensure other existing spaces were not left behind, there was further investment to the lecture theatres on both campuses, in the case of Bognor Regis to create a screening room within the lecture theatre.

During the year there has been continued investment in student computing rooms, the University app and the IT infrastructure to minimise downtime.

Research and Knowledge Exchange

Headlines from the REF 2014 based on the University submission weighted by staff FTE in each Unit of Assessment are:

- 14.9% of the University's entire submission has been classed as 'world leading' (i.e. 4*)
- Nearly one third (30.9%) of the 'Impact' component of the University's entire submission has been classed as 'world leading'
- 12.9% of research outputs in the University's entire submission have been classed as 'world leading'
- 89.7% of the University's entire submission is internationally renowned
- 87.2% of the University's research outputs are internationally renowned
- 93.0% of the 'Impact' component of the University's entire submission is internationally renowned
- 94.8% of the 'Research Environment' component of the University's entire submission is internationally renowned.

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The real impact of the REF for the University was an increase in HEFCE Research funding to £729k in 2016/17 (£708k in 2015/16) compared to funding of £272k in 2014/15 based on the results of the Research Assessment Exercise 2008. This funding level continues until the next REF and the increased resource has enabled the University to further invest in developing the research profiles of the academic staff.

Alumni and the Community

During 2016/17 the University has continued to reach out and connect with our Alumni. Chichester Alumni can keep up to date through the alumni net community (alumni.chi.ac.uk) and there is active 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 runs a series of small alumni special interest events such as a backstage tour of the Chichester Festival Theatre.

The University has its crowdfunding platform ♥lovechichester, <http://lovechichester.chi.ac.uk/>, which can be used for University or Students' Union fundraising campaigns. During 2016/17 there was a campaign to support the Vice Chancellor's Refugee Scholars Fund linked to a 24 hour cycle to Paris challenge which raised £5k.

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.

University staff and students have also played a major part in the regional community through volunteering, fundraising for local charities and involvement with local schools and colleges. 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. Many staff take on governance roles for local schools and charities.

A new student mentoring programme is being launched in early 2017/18 which draws on alumni volunteers who will be assigned to act as mentors for individual students. The aim of the project is to build students' confidence as they prepare to enter the workplace and to support them in finding employment that fits their graduate status and ability giving them a firm grounding on their career ladder.

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 2016/17. 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.

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Effective cash management

The University continues its programme of capital expansion with major investment on both campuses. Funding for the now completed academic building and music block extension has been fully drawn down. A new borrowing facility for the Technology building includes a revolving credit facility (RCF) and a term loan. The level of committed borrowing is now at the highest level in the history of the University and is backed up by a detailed financial plan based on prudent growth assumptions. The University growth through STEM is supported by HEFCE including Catalyst Funding for part of the build and for set up costs. However, the high level of borrowing will stretch performance indicators in a controlled way in the short term before settling back as the University grows its 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. The RCF was negotiated to support treasury management and to make savings on loan interest at times in the year when the University has more cash in a similar way to an offset mortgage.

Effective Procurement

As a small University, there are challenges to ensuring best value is achieved through effective procurement. The University has created a virtual network of procurement experts ensuring that staff based in the Learning and Information Services, in Estate Management and the larger spending academic departments work closely with Finance and share best practice across the Procurement Group. This relatively new approach to procurement led to the implementation of InTend software in July 2016 to support the tendering process across the University. The knowledge and expertise is growing fast with some major tender processes linked to the Technology building.

The staff with procurement roles also network widely beyond the University to ensure best practice is achieved learning from the regional universities as well as the Southern Universities Purchasing Consortium (SUPC) and British University Finance Directors Group (BUFDG). Procurement experts from both SUPC and BUFDG have been used to build team knowledge.

The University continues to hold membership of the Southern Universities Construction Consultants Affinity Group (SUCCAG) which was established formally during 2012/13. Following an OJEU compliant process, SUCCAG has established Framework Agreements providing professional consultancy services for Architect, Quantity Surveyor, Structural Engineer, Mechanical and Electrical Engineer, Construction Design Management Co-ordinator (CDM (C)), Building Surveyor and Project Manager services.

Effective use of the Estate

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	2014-15 Actual	2015/16 Actual
Chichester	82%	93.1%	93.0%	96.5%	96.5%
Sector median			86%	89.3%	

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Continued improvement of the estate remains a key corporate objective for the University. The Capital Projects Monitoring Group has met regularly throughout 2016/17 to review 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 included in capital project works during 2016/17 and with appropriate timing for projects in the following years.

For 2017/18 there has been a review of timetabling alongside the introduction of new software for student attendance monitoring which has identified opportunities to use teaching space more effectively. The Vice-Chancellor working with the Director of Estate Management and the Estate Management link governor has conducted a review of both campuses to identify the spaces that are least effective currently and to imaginatively bring these spaces back to life.

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Environmental Sustainability

The University has an active Environmental Sustainability Group which comprises key professional staff, keen academic champions and the Students' Union Environment Representative. The Group met throughout 2016/17 and was a catalyst in projects:

Bore hole supplied water	The University has drilled two bore holes which can be used to water the sports fields and garden spaces.
Staff and Student Engagement	3rd year of the JUMP scheme, which encourages behavioural change to improve individual well-being and our impact on the environment.
Staff health assessments	Referred to as "MOTs", a pro-active scheme to enable staff to test their general health.
Hydration	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.
Sustainability in the curriculum	Academic led project to identify ways to incorporate environmental sustainability into student learning and projects.
Waste and Recycling	Improved messaging on recycling bins to encourage effective waste segregation. A re-tender exercise was used to encourage more effective use of bins to reduce costs and improve recycling.
Travel Plan	Five focus groups reviewed the methods of travel to campus to identify the barriers to more sustainable travel options and opportunities for actions. A travel survey is run annually to identify opportunities for change.
Sustainable and healthy food	Worked cooperatively with our outsourced catering supplier to focus on local, seasonal and ethically sourced food at reasonable prices.
Renewable energies	The University purchased electric vehicles and recharging points and is exploring possibilities with hydrogen cell technology.
Wild flower meadows	Wild flower meadows were seeded in a number of locations on the Bishop Otter Campus in Chichester (see photo below).

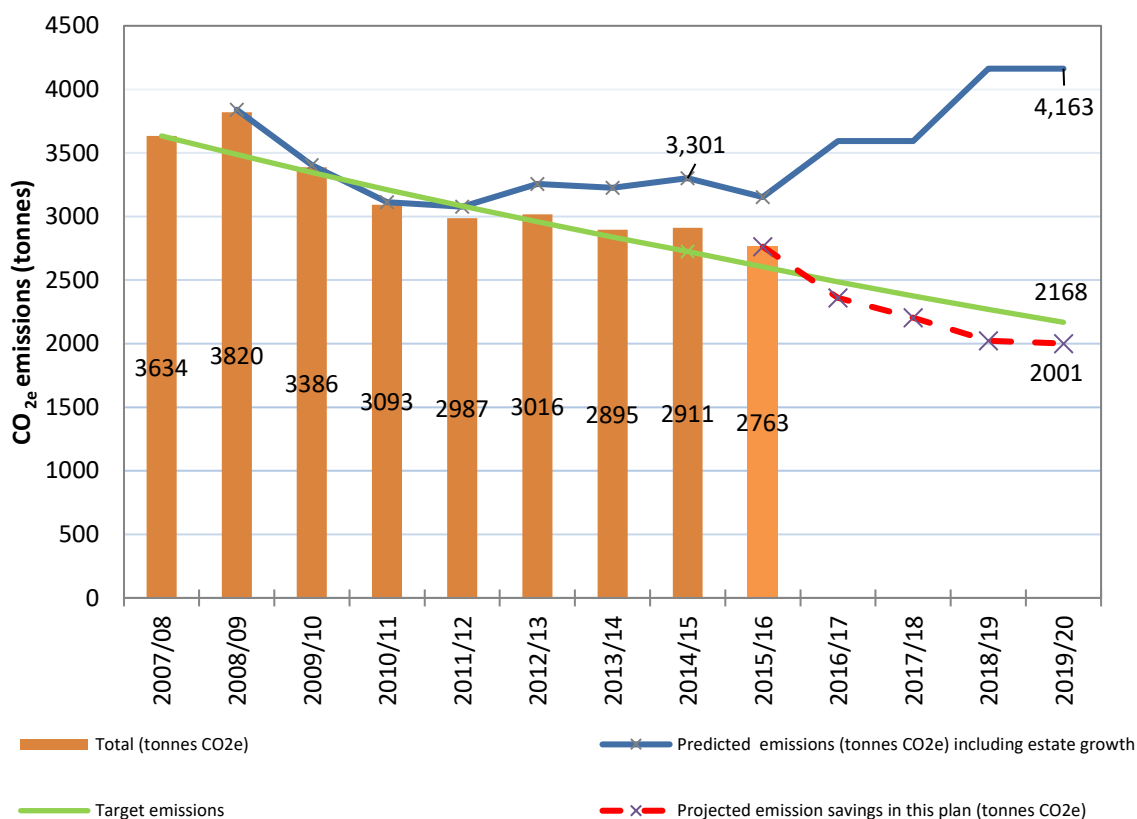


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The University's Carbon Management Plan was implemented in 2010/11. This set an interim target of a 25% reduction in CO₂ emissions between 2007/08 and 2014/15 as well as a longer term target to achieve a 43% reduction in CO₂ emissions by 2020. The graphic illustration below shows actual emissions follow the downward trend of the target emissions line shown in green. The actual emissions in 2015/16 were narrowly above the target emissions shown on the green line.

Carbon emissions: impact of the Carbon Management Plan 2017-20



The dark blue line shows the predicted emissions when new buildings are included that have been added since the original plan. This helps to explain why actual figures are running at a higher level than the targeted levels which used 2007/08 as the baseline.

The University has ensured all new builds incorporate BREEAM requirements (sustainability assessment methodology for master-planning projects) energy efficiency requirements and continues to re-invest revolving green funding into energy reduction and building efficiency projects.

The University remains committed to the target reduction in CO₂ emissions and has published a Carbon Management Plan for the period 2017 to 2020 and the red dashed line on the graph below shows the predicted impact of the actions included in the plan.

Regional Regeneration

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 that the University of Chichester "has a major economic impact" contributing "£126.3m into the local economy" based on 2014/15 data. A projected figure looking forward to 2021 and "based on the delivery of all University plans" demonstrated that the University's economic impact will grow to £295.9m by 2021, with the most significant gains in Bognor Regis where the Technology building opens in 2018.

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The University supports the development of Bognor Regis through the employment of a town centre manager. Based in the Business School, the town centre manager is playing a pro-active role in the regeneration of the seaside town and wider coastal region. The University is working with Arun District Council on the incorporation of a Business Improvement District Company to be funded by local businesses.

The Technology building based in Bognor Regis has received funding from the Local Enterprise Partnership and West Sussex County Council. The new STEM led activities will create a hub of creativity and research for regional small and medium sized enterprises. The University is also a key partner in the Digital Hub project based at the Bognor Regis railway station site.

In Chichester, the University continues to invest in student accommodation with a new hall of accommodation opening in September 2018. There are numerous joint initiatives with Chichester College as well as other local FE providers in the wider region. The University also has strong links to the cultural heart of Chichester through the Chichester Festival Theatre, Pallant House Gallery, the Cathedral and numerous other smaller museums and galleries.

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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 up to and including the year covered by this report, 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 the 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.

The 2016/17 student intake was the second intake without student number controls and universities were better prepared for the new competitive environment. 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 fewer restrictions to entering the higher education market, though this has tended to impact on London and the larger cities, its impact does ripple out into the regions. The concept of the student as the consumer is at odds with the idea of the student as part of a learning community. Changes to consumer rights law are more clearly articulated in the context of a university. Changing and sometimes unpredictable government objectives and policies add extra complexity to future planning in higher education.

The biggest risk to the University's reputation and future income is demand for its academic programmes. Student recruitment for the 2016 intake was better than the previous year intake. Student retention monitoring shows a similar level and pattern of student retention. The University appears to have performed better than the trend for similar new and small universities. The ability to be able to monitor student numbers and to apply complex assumptions to predict future student numbers by subject area has increased importance in a free market. During 2016/17 the methodology and approach to student number planning has continued to be refined to support the budget setting process for 2017/18 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's reputation and ability to recruit students. The Strategy, Risk and Projects Group met throughout the year to 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 two founding colleges of the University of Chichester were both set up to provide teacher training. This activity delivered through the Institute of Education based on the Bognor Regis Campus now accounts for 15% of total student FTE numbers. Unlike the rest of the University where subjects can recruit freely, teacher training places continue to be centrally controlled. To complicate this area of recruitment, student numbers can and do change year on year and allocations to universities have been reduced dramatically over recent years. This Government policy reflects a desire to increase the amount of teacher training based in schools by directly reducing places at universities.

The University's teacher training provision was reviewed by Ofsted during 2017 with the final visit in late September and the University is awaiting announcement of the grading (previously graded as 'outstanding'). 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 this area of risk, the University has supported the establishment of the University of Chichester Academy Trust in order to sponsor academy schools. The Trust currently has eleven primary schools and one secondary school with a further 4 schools expected to join in 2017/18 and aims to achieve teaching school status. The Trust was also assessed by Ofsted in the year and was highly praised. The sponsored academies provide placements for

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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. However, 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 events. 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.

Government policy

A weakened Conservative government regained power following a snap election in June 2017. The government continues to progress its current policy for higher education, however, a significant shift in the youth vote to the Labour party has put tuition fees firmly back on the agenda. The following list identifies recent significant changes:

- Student number controls were removed for 2015 intakes allowing universities to expand income based on student volume through competition with other universities.
- Tuition fees were allowed to increase with inflation to £9,250 (from £9,000) for the first time since 2012/13
- Further austerity cuts to HEFCE funding means that actual government funded income to universities continues to fall in real terms (net of inflation)
- HEFCE has also made cuts to student opportunity funding, an area where Chichester outperformed the sector in terms of funding levels
- The Office for Students (OfS) to be created as a regulatory body, effectively merging and replacing HEFCE and the Office for Fair Access (OFFA)
- Removal of student maintenance grants and replacement with loans
- The introduction of an annual Teaching Excellence Framework (TEF) exercise to assess universities as either gold, silver or bronze based on metrics and a University submitted case.
- A revised National Student Survey to provide metrics for the TEF

In June 2017 the University was advised of the TEF outcome and that it had been awarded TEF Silver <http://www.chi.ac.uk/news/university-awarded-silver-teaching-excellence-framework>. An internal review of the metrics used to calculate the TEF suggest that the University of Chichester was the top ranked TEF Silver institution in the country. When reviewing the same metrics applied to a re-submission for 2018 the University was provisionally positioned to achieve TEF gold. However, changes to the TEF methodology were announced which reduce the weightings of the metrics where the University performed strongest.

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 from term time student rents. Student accommodation is seen firmly within the student experience mix and therefore has to be appropriate for the students in terms of quality and affordability. Volatility of student numbers has an impact on both tuition fee income and the ability of the University to fill student bed-spaces. Any empty rooms are referred to as room voids and represent lost income to the University as the cost of running student accommodation is mostly fixed costs, as opposed to variable costs.

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In terms of risk, the main focus of the University is to ensure there are adequate student bed-spaces to support student recruitment to the academic courses. A shortage of student rooms is likely to reduce student numbers. For this reason the University has an accommodation strategy to grow the number of student bed-spaces alongside student growth projections in a sustainable way against a year by year plan. There is also a risk of over-supply of student rooms which would include the room void levels and this can be offset by mitigating actions if the variance can be identified suitably in advance.

The use of teaching spaces and student accommodation outside term time for conferences and events is also a significant income stream for the University. There is growth in the conferencing and international short course programme year on year with growing numbers of repeat trade agreements. As a number of these agreements are international business, there is risk and volatility linked to terrorism and general world instabilities. The University is able to emphasise the benefits of its relatively safe location and community.

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 predominantly impact on the income of the University. The cost base of the University is also facing increased inflationary pressure. Salary costs continue to rise with national pay awards closely aligned with inflation albeit at the low level of 1.1% for 2016/17. Employer pension contributions have also increased alongside this and the continued poor performance of the pension funds suggests there may well need to be further increases 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. Starting in 2013, there was a three year transition period 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 been increased to 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. This approach has effectively committed the University to staffing levels for lowest paid staff above the levels of some other universities. 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.

Staff recruitment is carefully controlled and only essential posts are replaced or new posts 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.

This report has emphasised the investments made in the University Estate and that the majority of the estate has been rated excellent or good in the Estates Management Return to HEFCE. The size and age of the University Estate does mean that there needs to be continued and regular investment to keep the estate at this level. Students and staff expect learning spaces to be equipped with up to date audio-visual teaching equipment. This requires continued investment in the University's infrastructure to ensure that both campuses provide fit for purpose facilities. Plans for 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

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made positive use of its successful HEFCE Revolving Green Fund awards to invest and re-invest in long term energy saving projects.

The reputation and core strength of the University is built on the quality of its students' experience. In addition the University has intellectual capital from academic and professional service staff. As a relatively small organisation there is the adaptability 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

There have been only minor changes to the membership of the Governing body during 2016/17. There is a continued depth of understanding of the University and growing confidence in the University's vision and major projects. All new governors are given a supportive induction programme to ensure they 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 2016/17 and all Governors have demonstrated an enthusiastic commitment to the University.

Future outlook

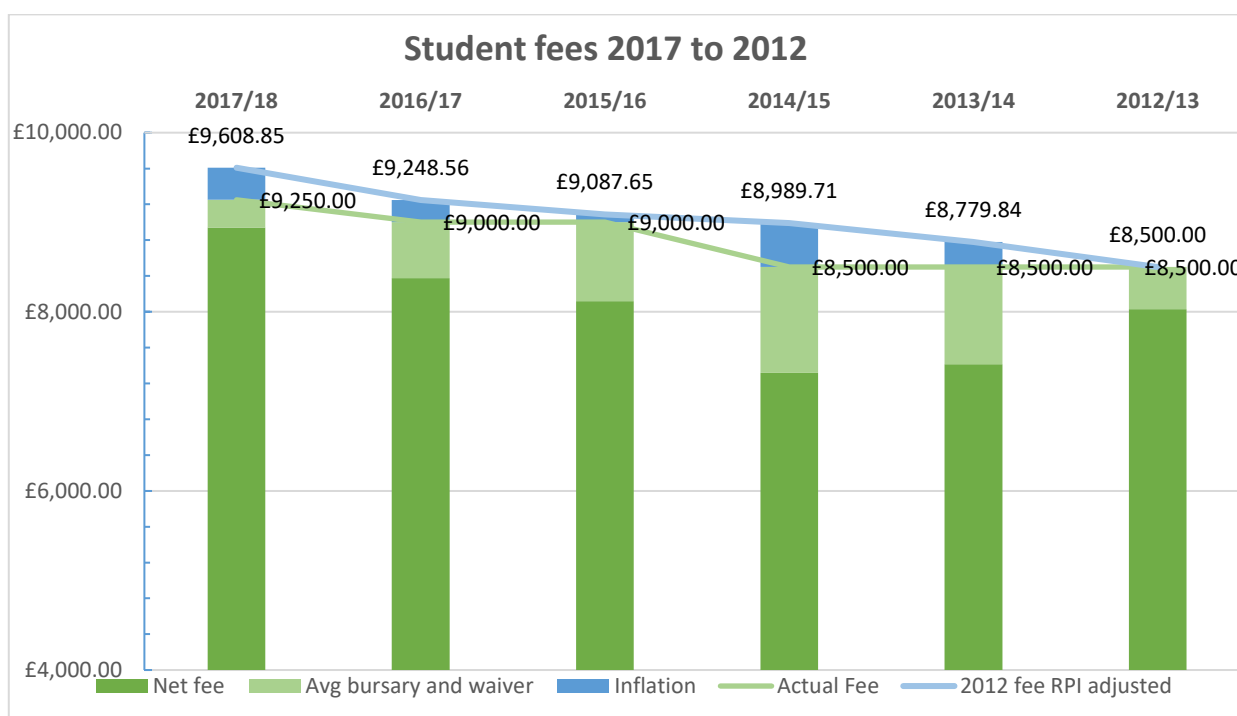
Student recruitment to attract sufficient numbers of full time undergraduate students is fundamental to the University's long term sustainability and growth. The demographic dip alongside increased competition for home students is particularly challenging for small and new universities. Recruitment for September 2017 was challenging and budget assumptions had been prudently set to reflect the current challenges. The University is continually monitoring its marketing strategy, course portfolio, student demand and a range of information sources and communication channels to inform its marketing plans. With new courses being promoted alongside the existing provision the challenge has been to capture what the University of Chichester does best, the quality of its teaching, of the care and support for students, the sense of community and the best possible overall student experience.

The higher education sector has changed to become marketised and competitive creating volatility to its income streams. The sector however, is still driven by annual cycles of teaching delivery which make fast cost savings difficult. The idea of universities as competitors challenges the sector which has a proud history of innovation and success built on collaboration and knowledge transfer to advance research and understanding. The Board of Governors recognises the very significant risks that a market led student recruitment environment creates. The Board believes that the University has core key strengths that will help mitigate these risks and secure its long term future.

The University was one of a small group that initially set its fees below the £9,000 maximum when the increase was implemented in 2012/13. The fee level for 2012/13 was introduced at £8,500 alongside a generous fee waiver and bursary deal for students from low income backgrounds. The headline fee level was increased to £9,000 in September 2015 to reflect the increased costs of course delivery over that period. The headline fee was increased again alongside most of the sector for inflation to £9,250 for students joining the University in September 2017. The table below shows how the University tuition fees over that period compare to inflation over the same period.

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The graph above shows that the equivalent tuition fee in 2017/18 if Retail Price Index inflation is applied to the £8,500 fee for 2012/13 is £9,608. The top of the light green section shows that actual tuition fee level has been consistently down on the 2012/13 level when adjusted for RPI inflation. The darker green section of the bars shows the actual net fee per student the University received once adjusted for the average fee waivers and bursaries awarded each year.

In early October 2017 the government reversed the decision to allow Universities to increase tuition fees from £9,250 in line with inflation. The anticipated tuition fee level was widely expected to be £9,500 based on published criteria for universities to calculate the increase. The decision to freeze tuition fees was effectively a decision to cut funding to higher education.

The University has and continues to invest in its academic programmes, specialist facilities and staff resources to meet student expectations in a small student-focused institution. The fee increase as shown above in 2015/16 and 2017/18 has brought the University in line with the wider sector. The decisions to increase fees were driven by the economics to achieve a financially sustainable university with the capacity to invest in capital decisions to ensure the best possible student experience now and into the future.

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. This spend is focussed on supporting students in their studies and pastoral needs to be able to confidently progress their studies through to successful graduation and employment. The University also provides targeted bursary and hardship support with an estimated 50% of undergraduate students benefitting from some element of financial support through a bursary, fee waiver or hardship award.

The University's 2017/18 Access Agreement was agreed 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 2018/19 Access Agreement was submitted in April 2017 and retains the same level of bursary and hardship support with an increased focus on investment in student retention and progression to support all students to achieve their potential.

The TEF results demonstrated that while the University's student satisfaction indicators, programme completion rates and student achievement indicators remain strong, student employability remains an

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issue. High levels of student satisfaction and success experienced by current students is expected to support the recruitment of future students. However, in an increasingly competitive market and with government policy which focusses on graduate salary levels as an indicator of teaching quality, the University has to recognise its role in improving the employment prospects of graduates. Graduate employment figures have improved based on the Destinations of Leavers in Higher Education (DLHE) survey for 2017 and this may be linked to regional economic growth. The University's academic portfolio is expanding into STEM related programmes with the Technology building and these courses target graduate skills gaps. A new Head of Employability has been appointed and is introducing a range 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.

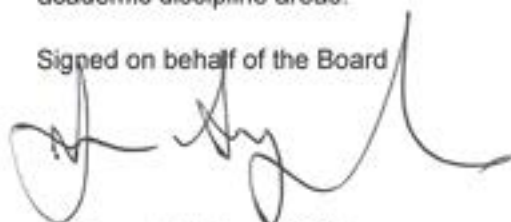
The University has a robust set of financial projections backed up by a clear financial strategy to deliver a growth in annual surpluses to support its capital investment plan including the major new Technology building. The Governors' Audit Committee has reviewed a sensitivity analysis to consider the 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. The annual budget includes a contingency to protect for funding fluctuations in year or for unavoidable new expenditure. Detailed salary forecasting provides long term detailed staff cost projections by individual and is used for scenario planning. A refreshed student accommodation strategy and pricing review has strengthened demand and reduced void spaces during 2016/17. The conferencing strategy alongside the availability of new teaching spaces has driven an increase in bookings and income outside of term-time.

Although cross-institutional work has begun on the next Strategic Plan, the University remains firmly committed in the meantime 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 management team of the University made up of all the heads of departments have started the process to generate an updated strategy to take the University through to 2025.

The University is in the process of considering its potential major capital projects beyond the Technology building. There is an identified need for additional student accommodation in Bognor Regis and this is included in an updated version of the Accommodation Strategy. There are also plans for a new Eastern access road to the Chichester campus. The main focus for capital spend is likely to be on smaller scale projects to enhance student facilities on both campuses. This will include the two learning resource centres, catering outlets, sports facilities and creating social learning spaces.

The introduction of STEM subjects is the biggest challenge and represents a bold step for the University, which has a firmly established portfolio of liberal arts, sport and education. The new courses in Engineering and Applied Design alongside Creative Digital and Design Technology will be fully equipped and housed in the purpose-designed, statement building. This new direction of growth based on the Bognor Regis campus gives the University a broader curriculum portfolio to meet the needs of the University community, region and stakeholders. The new courses also provide a clearer pathway to the introduction of future academic discipline areas.

Signed on behalf of the Board



Professor J M Lynch, OBE
Chair of Governors
21 November 2017



Professor J Longmore
Vice-Chancellor
21 November 2017

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 2016 to 31 July 2017 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.

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Corporate governance and internal controls statement

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.
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

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 completed during 2015/16.

The Chair of Governors met with members of the Board on an individual basis in 2016/17 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.

The University of Chichester

Corporate governance and internal controls statement

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 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 the Vice-Chancellor's Group, 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 2016/17 financial year and the 2017/18 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 2016/17, 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 2016/17 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.

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Corporate governance and internal controls statement

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 2016/17 with KPMG and this was approved by the Board on 22 November 2016. A programme for 2017/18 was reviewed by the Audit Committee on 15 September 2017.

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

Governors' Strategy and Resources Committee

The Governors' Strategy & Resources Committee met five times during 2016/17. 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 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.

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 by the University Executive (Vice-Chancellor's Group) which meets weekly. Ultimate responsibility for executive management rests with the Vice-Chancellor.

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Corporate governance and internal controls statement

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;
- 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 Governors' 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.

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Corporate governance and internal controls statement

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 coordinated by the Risk Management Group on behalf of the Vice-Chancellor's Group; the Group ensures that Academic and Professional Service departments review their risk registers and compile the Critical Risk Register for the University. .

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.

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 2017

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 34 to 39 details the work that has been ongoing throughout the year, which reflects the risk-based approach in assessing control systems. Governors regularly review the 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 provide the internal audit service to the University and in their 2016/17: Internal Audit Annual Report the opinion was reported

The University of Chichester

Governors' report for the year ended 31 July 2017

that "significant assurance can be given on the overall adequacy and effectiveness of the organisation's framework of risk management, control and governance".

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 2017.

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

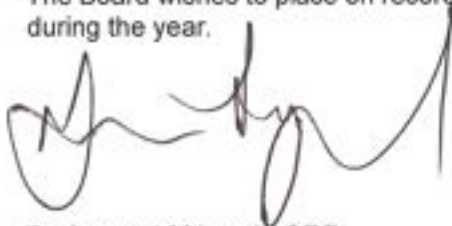
A resolution to re-appoint BDO LLP to undertake the external audit for the year ending 31st July 2018 will be proposed at the Annual General Meeting.

Conclusion

The surplus reported for the year ended 31 July 2017 is £976k and includes an increase of £427k non-cash pension adjustments. This non-cash movement explains the variance compared to the 2015/16 surplus of £1,238k. The underlying operational surplus before non-cash adjustments continues to rise and was broadly in line with budget outturn and in-year forecasts. The 2016/17 surplus continues to track the upwards trajectory of the Financial Strategy (approved by Governors November 2013) target for year on year financial stability. Current cash flow data and capital build programme show that the bank borrowing from Allied Irish Bank adequately funded the new Academic Building (opened 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 12th July 2016 is adequate to complete the new Technology building on the Bognor Regis Campus.

Higher Education continues to experience a mix of volatility, 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 more widely the communities of West Sussex and 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
21 November 2017

The University of Chichester

Statement of the 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 financial information published on 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 2016/17 this included:

The University of Chichester

Statement of the responsibilities of the Board of Governors

- Preparation and training for General Data Protection Regulation (GDPR) ahead of implementation in May 2018
- Publication of a statement under the Modern Slavery Act 2015 and continued actions to include in the 2017 statement
- Published the Register of Persons of Significant Control as required by the Companies Act
- Continued compliance with the PREVENT Agenda including updated actions and sign off by HEFCE of the University Statement

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

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.

The University of Chichester

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

Opinion

We have audited the financial statements of the University of Chichester ("the University") and its subsidiary ("the Group") for the year ended 31 July 2017 which comprise the Consolidated and University Statement of Comprehensive Income, Consolidated and University Statement of Changes in Reserves, the Balance Sheets for the Group and University, the Consolidated Cash Flow Statement and the related notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the University's affairs as at 31 July 2017 and of the Group's and the University's income and expenditure, gains and losses, changes in reserves and of the group's cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006 and the Statement of Recommended Practice: Accounting for Further and Higher Education.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) "ISAs (UK)" and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the University in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the board members use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the board members have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the University's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. The board are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, including the Strategic Report, Governors Report, Corporate Governance and Internal Controls Statement and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other

The University of Chichester

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

information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the report of the board for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the report of the board have been prepared in accordance with applicable legal requirements.

Opinion on other matters required by the Higher Education Funding Council for England ("HEFCE") 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.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the University and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the report of the board.

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

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

Responsibilities of the board

As explained more fully in the Statement of Responsibilities of the Board of Governors set out on page 40, the board are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the board members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the board are responsible for assessing the Group and the University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board either intend to liquidate the Group or the University or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

This report is made solely to the 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 University's board those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than

The University of Chichester

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

the University and the board members as a body, for our audit work, for this report, or for the opinions we have formed.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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.

BDO LLP

Philip Cliftlands (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Gatwick
Date: *28 November 2017*

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 2017

		2017		2016	
	Notes	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Income					
Tuition fees and education contracts	1	39,991	39,991	38,026	38,026
Funding body grants	2	4,520	4,520	3,852	3,852
Research grants and contracts	3	1,130	54	723	161
Other income	4	10,550	11,308	10,208	10,489
Investment income	5	9	9	26	26
Donations	6	74	74	12	12
Total income		56,274	55,956	52,847	52,566
Expenditure					
Staff costs	7	32,292	32,292	29,454	29,454
Other operating expenses	10	18,226	17,949	17,897	17,651
Depreciation	11	3,838	3,822	3,396	3,393
Interest and other finance costs	8	942	942	862	862
Total expenditure	9	55,298	55,005	51,609	51,360
Surplus for the year		976	951	1,238	1,206
Actuarial gain/(loss) in respect of pension schemes	25	6,751	6,751	(1,911)	(1,911)
Total comprehensive income for the year		7,727	7,702	(673)	(705)
Represented by:					
Restricted comprehensive income for the year		59	59	(3)	(3)
Unrestricted comprehensive income for the year		7,755	7,730	(583)	(615)
Revaluation reserve comprehensive income for the year		(87)	(87)	(87)	(87)
Attributable to the University		7,727	7,702	(673)	(705)

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 2017

Consolidated	Income and expenditure account		Revaluation reserve	Total
	<i>Restricted</i>	<i>Unrestricted</i>		
	£'000	£'000	£'000	£'000
Balance at 1 August 2015	55	21,071	24,014	45,140
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	-	-
Total comprehensive income for the year	(3)	(583)	(87)	(673)
Balance at 1 August 2016	52	20,488	23,927	44,467
Surplus from the income and expenditure statement	66	910	-	976
Pension scheme actuarial gain	-	6,751	-	6,751
Transfers between revaluation and income and expenditure reserve	-	87	(87)	-
Release of restricted funds spent in year	(7)	7	-	-
Total comprehensive income for the year	59	7,755	(87)	7,727
Balance at 31 July 2017	111	28,243	23,840	52,194
University				
	Income and expenditure account		Revaluation reserve	Total
	<i>Restricted</i>	<i>Unrestricted</i>		
	£'000	£'000	£'000	£'000
Balance at 1 August 2015	55	21,107	24,014	45,176
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	-	-
Total comprehensive income for the year	(3)	(615)	(87)	(705)
Balance at 1 August 2016	52	20,492	23,927	44,471
Surplus from the income and expenditure statement	66	885	-	951
Pension scheme actuarial gain	-	6,751	-	6,751
Transfers between revaluation and income and expenditure reserve	-	87	(87)	-
Release of restricted funds spent in year	(7)	7	-	-
Total comprehensive income for the year	59	7,730	(87)	7,702
Balance at 31 July 2017	111	28,222	23,840	52,173

The University of Chichester

Consolidated and University balance sheet at 31 July 2017

Company number 4740553	Notes	2017		2016	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
Non-current assets					
Fixed assets	11	96,161	96,106	84,055	84,024
Investments	12	-	-	-	-
		<u>96,161</u>	<u>96,106</u>	<u>84,055</u>	<u>84,024</u>
Current assets					
Stock		8	8	6	6
Trade and other receivables	13	4,437	4,587	3,361	3,724
Cash and cash equivalents	20	6,927	6,555	4,409	3,920
		<u>11,372</u>	<u>11,150</u>	<u>7,776</u>	<u>7,650</u>
Creditors: amounts falling due within one year	14	(9,601)	(9,345)	(7,839)	(7,678)
		<u>1,771</u>	<u>1,805</u>	<u>(63)</u>	<u>(28)</u>
Net current assets/(liabilities)					
		<u>97,932</u>	<u>97,911</u>	<u>83,992</u>	<u>83,996</u>
Total assets less current liabilities					
Creditors: amounts falling due after more than one year	15	(38,136)	(38,136)	(26,776)	(26,776)
Provisions					
Pension provisions	17	(7,602)	(7,602)	(12,749)	(12,749)
		<u>52,194</u>	<u>52,173</u>	<u>44,467</u>	<u>44,471</u>
Total net assets					
		<u>52,194</u>	<u>52,173</u>	<u>44,467</u>	<u>44,471</u>
Restricted Reserves					
Income and expenditure reserve - restricted reserve	19	111	111	52	52
Unrestricted Reserves					
Income and expenditure reserve - unrestricted		28,243	28,222	20,488	20,492
Revaluation reserve		23,840	23,840	23,927	23,927
		<u>52,083</u>	<u>52,062</u>	<u>44,415</u>	<u>44,419</u>
Total Reserves		<u>52,194</u>	<u>52,173</u>	<u>44,467</u>	<u>44,471</u>

The financial statements on pages 47 to 50 were approved by the Board of Governors and authorised for issue on 21 November and were signed on its behalf on that date by:



Professor J M Lynch, OBE
Chair of Governors



Professor J Longmore
Vice-Chancellor

The notes on pages 51 to 68 form part of these financial statements.

The University of Chichester

Consolidated statement of cash flows for the year ended 31 July 2017

	Notes	2017 £'000	2016 £'000
Cash flow from operating activities			
Surplus for the year		976	1,238
Adjustment for non-cash items			
Depreciation	11	3,838	3,396
Increase in stock		(2)	(2)
Increase in debtors	13	(1,075)	(133)
Increase/(decrease) in creditors	14	1,062	(204)
Increase in pension provision	17	1,604	1,198
Adjustment for investing or financing activities			
Investment income	5	(9)	(26)
Interest payable	8	614	514
Capital grant income	18	(783)	(705)
Net cash inflow from operating activities		6,225	5,276
Cash flows from investing activities			
Capital grants receipts		8,399	895
Investment income		7	26
Payments made to acquire fixed assets		(15,653)	(12,764)
		(7,247)	(11,843)
Cash flows from financing activities			
Interest paid		(631)	(525)
New unsecured loans		5,136	4,289
Repayments of amounts borrowed		(878)	(575)
Capital element of finance lease		(87)	(87)
		3,540	3,102
Increase/(decrease) in cash and cash equivalents in the year		2,518	(3,465)
Cash and cash equivalents at beginning of the year	20	4,409	7,874
Cash and cash equivalents at end of the year	20	6,927	4,409

The University of Chichester

Statement of accounting policies for the year ended 31 July 2017

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).

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.

2 Basis of consolidation

The consolidated financial statements include the University and all its subsidiaries for the financial year to 31 July 2017. 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 transaction.

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 for the year ended 31 July 2017

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 for the year ended 31 July 2017

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 for the year ended 31 July 2017

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 for the year ended 31 July 2017

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 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 2017

	2017		2016	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
1 Tuition fees and education contracts				
Full-time home and EU students	37,441	37,441	35,167	35,167
Full-time international students	1,238	1,238	1,231	1,231
Part-time students	1,312	1,312	1,628	1,628
	<u>39,991</u>	<u>39,991</u>	<u>38,026</u>	<u>38,026</u>
2 Funding body grants				
Recurrent grant				
Higher Education Funding Council	3,155	3,155	3,056	3,056
National College for Teaching and Leadership	144	144	126	126
Specific grants				
Higher Education Funding Council Catalyst Fund	500	500	-	-
National College for Teaching and Leadership	23	23	50	50
Release of capital grants (note 18)	698	698	620	620
	<u>4,520</u>	<u>4,520</u>	<u>3,852</u>	<u>3,852</u>
3 Research grants and contracts				
Research councils	10	10	76	76
Research charities	28	28	68	66
Government (UK and overseas)	71	13	10	10
Industry and commerce	1,018	-	560	-
Other	3	3	9	9
	<u>1,130</u>	<u>54</u>	<u>723</u>	<u>161</u>
4 Other income				
Residences, catering and conferences	7,415	6,773	7,096	6,508
Release of capital grants (note 18)	85	85	85	85
Other income	3,050	4,450	3,027	3,896
	<u>10,550</u>	<u>11,308</u>	<u>10,208</u>	<u>10,489</u>
5 Investment income				
Other investment income	9	9	26	26
6 Donations				
Donations with restrictions (note 19)	66	66	12	12
Unrestricted donations	8	8	-	-
	<u>74</u>	<u>74</u>	<u>12</u>	<u>12</u>

The University of Chichester

Notes to the accounts for the year ended 31 July 2017

	2017		2016	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
7 Staff costs				
Salaries	24,651	24,651	23,349	23,349
Social security costs	2,366	2,366	1,795	1,795
Other pension costs including FRS102 adjustments (note 25)	5,275	5,275	4,310	4,310
	32,292	32,292	29,454	29,454

	2017	2016
Emoluments of the Vice-Chancellor:		
Professor Clive Behagg	£	£
Salary	129,512	169,983
Pension contributions	21,344	27,679
	150,856	197,662
Professor Jane Longmore	£	£
Salary	40,652	-
Pension contributions	6,699	-
	47,351	-

Professor Jane Longmore succeeded Professor Clive Behagg as Vice-Chancellor on 2 May 2017.

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

	No.	No.
£100,000 to £109,999	1	-
£110,000 to £119,999	-	1
	1	1

Average staff numbers by major category :	No.	No.
Academic	316	301
Administration, support and central services	334	319
	650	620

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 and include the Vice-Chancellor, the Deputy Vice-Chancellor, the Deputy Vice-Chancellor (Sustainability and Enterprise, the Pro-Vice Chancellor (Student Experience) and staff members of the Board of Governors.

	2017	2016
The number of key management personnel	11	8
Key management personnel compensation	£'000 764	£'000 698

Compensation consists of salary and benefits including employer's pension contribution.

Governors

The total emoluments of all governors in the year amounted to £324,592 (2016 - £305,481). 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 £54,110 (2016 - £44,367), in respect of 7 governors (2016 - 5) all of whom are accruing retirement benefits under defined benefit schemes.

The total expenses paid to or on behalf of 12 governors was £7,253 (2016 - £6,009 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 2017

	2017		2016	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
8 Interest and other finance costs				
Loan interest	614	614	514	514
Net charge on pension schemes (note 25)	328	328	348	348
	942	942	862	862
9 Analysis of total expenditure by activity				
Academic and related expenditure	30,075	30,665	28,975	29,318
Administration and central services	10,231	10,432	8,988	9,102
Premises	6,022	6,140	5,619	5,686
Residences, catering and conferences	6,793	6,306	6,422	6,030
Research grants and contracts	948	296	452	192
Other expenses	1,229	1,166	1,153	1,032
	55,298	55,005	51,609	51,360
10 Other operating expenditure				
Chichester bursaries	2,002	2,002	2,096	2,096
Equipment and materials	2,658	2,520	2,594	2,516
Estates	3,722	3,722	4,015	4,015
Operating lease rentals - equipment	283	283	317	317
Partner colleges	887	887	765	765
Payments for placements	597	597	650	650
Residences, catering and conference	1,182	1,164	1,015	955
Students' Union grant	367	367	288	288
Travel and subsistence	1,019	962	1,031	1,002
Utilities	1,095	1,095	1,160	1,160
Other expenses	4,414	4,350	3,966	3,887
	18,226	17,949	17,897	17,651
Other operating expenses include:				
External auditors' remuneration in respect of audit services	46		44	
External auditors' remuneration in respect of FRS102 related services	-		4	
External auditors' remuneration in respect of taxation services	9		8	
Internal auditors' remuneration	53		57	

The University of Chichester

Notes to the accounts for the year ended 31 July 2017

11 Fixed Assets

	Freehold Land and Buildings £'000	Fixtures, Fittings and Equipment £'000	Assets in the Course of Construction £'000	Total £'000
Consolidated				
Cost or valuation				
At 1 August 2016	83,626	10,139	12,519	106,284
Additions	2,940	2,307	10,697	15,944
Transfers	10,254	-	(10,254)	-
Disposals	-	(256)	-	(256)
At 31 July 2017	96,820	12,190	12,962	121,972
Depreciation				
At 1 August 2016	15,366	6,863	-	22,229
Charge for the year	2,249	1,589	-	3,838
Disposals	-	(256)	-	(256)
At 31 July 2017	17,615	8,196	-	25,811
Net book value				
At 31 July 2017	79,205	3,994	12,962	96,161
At 31 July 2016	68,260	3,276	12,519	84,055
University				
Cost and valuation				
At 1 August 2016	83,626	10,054	12,519	106,199
Additions	2,940	2,267	10,697	15,904
Transfers	10,254	-	(10,254)	-
Disposals	-	(256)	-	(256)
At 31 July 2017	96,820	12,065	12,962	121,847
Depreciation				
At 1 August 2016	15,366	6,809	-	22,175
Charge for the year	2,249	1,573	-	3,822
Disposals	-	(256)	-	(256)
At 31 July 2017	17,615	8,126	-	25,741
Net book value				
At 31 July 2017	79,205	3,939	12,962	96,106
At 31 July 2016	68,260	3,245	12,519	84,024

Included within land and buildings is £23,385,300 relating to land (2016 - £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 £391,000 (2016 - £508,000) in respect of assets held under finance leases.

The cost of assets acquired for the purpose of leasing under finance leases was £650,000 (2016 - £650,000).

The University of Chichester

Notes to the accounts for the year ended 31 July 2017

	2017		2016	
	Consolidated £	University £	Consolidated £	University £
12 Non-Current Investments				
Investment in subsidiary companies	-	2	-	2

During the year ended 31 July 2004 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:

	2017 £'000	2016 £'000
Net Assets	21	547
Profit	863	583

	2017		2016	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
13 Trade and other receivables				
Amounts falling due within one year:				
Trade receivables	1,882	1,329	1,233	1,032
Prepayments and accrued income	2,093	1,965	1,617	1,396
Amounts due from subsidiary companies	-	831	-	785
Amounts due from University of Chichester (Multi) Academy Trust	50	50	50	50
Net investment in finance lease	8	8	7	7
	4,033	4,183	2,907	3,270
Amounts falling after more than one year:				
Amounts due from University of Chichester (Multi) Academy Trust	404	404	454	454
	4,437	4,587	3,361	3,724

	2017		2016	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
14 Creditors : amounts falling due within one year				
Unsecured bank loans (note 16)	961	961	653	653
Obligations under finance leases (note 16)	87	87	87	87
Trade payables	2,518	2,505	1,473	1,460
Social security and other taxation payable	596	596	563	563
Accruals and deferred income	3,155	2,914	3,518	3,371
Deferred income - government capital grants	785	785	666	666
Other creditors	1,374	1,372	754	753
Amounts owed to HEFCE	125	125	125	125
	9,601	9,345	7,839	7,678

	2017		2016	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
15 Creditors : amounts falling due after more than one year				
Unsecured bank loans (note 16)	15,338	15,338	11,163	11,163
Obligations under finance lease (note 16)	173	173	260	260
Deferred income - government capital grants	21,875	21,875	14,378	14,378
Amounts owed to HEFCE	750	750	975	975
	38,136	38,136	26,776	26,776

The University of Chichester

Notes to the accounts for the year ended 31 July 2017

	2017		2016	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
16 Maturity of debt				
Unsecured bank loans are repayable as follows:				
Due within one year - payable by instalment	961	961	653	653
Due between one and two years	969	969	659	659
Due between two and five years	2,950	2,950	2,021	2,021
Due in five years or more	11,419	11,419	8,483	8,483
Due after more than one year	15,338	15,338	11,163	11,163
	16,299	16,299	11,816	11,816

As at 31 July 2017 the University had the following loan arrangements in place:

- 1) AIB loan - fixed rate of interest of 5.53 per cent per annum repayable by June 2031 totalling £2,428,326 (2016 - £2,540,520).
- 2) AIB loan - fixed rate of interest of 4.95 per cent repayable by September 2031 totalling £2,417,669 (2016 - £2,587,330).
- 3) AIB loan - variable rate of interest (LIBOR + 2.51%) repayable by July 2034 totalling £11,453,384 (2016 - £6,688,972).
- 4) During the year a variable rate loan of £6m and a revolving credit facility of £8.8m were secured from HSBC, both facilities are repayable by October 2023 and both were undrawn at year end.

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	86	86	173	173
Due in five years or more	-	-	-	-
Due after more than one year	173	173	260	260
	260	260	347	347

17 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 2016	214	723	11,812	12,749
Utilised during the year	-	(40)	1,795	1,755
Charge to income and expenditure account	15	19	(6,936)	(6,902)
At 31 July 2017	229	702	6,671	7,602
			2017 £'000	2016 £'000
Increase during the year recognised in Comprehensive Income			1,604	1,198
(Decrease)/increase during the year recognised in Other Comprehensive Income			(6,751)	1,911
(Decrease)/increase in provisions during the year			(5,147)	3,109

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:

	2017	2016
Discount rate	2.30%	2.30%
Inflation	1.30%	1.30%

The University of Chichester

Notes to the accounts for the year ended 31 July 2017

18 Deferred capital grants

Consolidated and University	HEFCE £'000	Other grants £'000	Total £'000
Buildings	12,838	1,837	14,675
Equipment	368	-	368
At 1 August 2016	<u>13,206</u>	<u>1,837</u>	<u>15,043</u>
Cash receivable			
Buildings	600	7,419	8,019
Equipment	380	-	380
	<u>980</u>	<u>7,419</u>	<u>8,399</u>
Released to income and expenditure account			
Buildings (Notes 2 and 4)	480	85	565
Equipment (Note 2)	217	-	217
	<u>697</u>	<u>85</u>	<u>782</u>
Buildings	12,958	9,171	22,129
Equipment	531	-	531
At 31 July 2017	<u>13,489</u>	<u>9,171</u>	<u>22,660</u>

19 Restricted Reserves

Consolidated and University	2017 £'000	2016 £'000
Donations		
Balances at 1 August	52	55
New donations	66	12
Expenditure	(7)	(15)
Total restricted comprehensive income for the year	<u>59</u>	<u>(3)</u>
At 31 July	<u>111</u>	<u>52</u>
Analysis of other restricted funds / donations by type of purpose:		
Prize funds	8	10
General	103	42
	<u>111</u>	<u>52</u>

20 Cash and cash equivalents

	At 1 August 2016 £'000	Cash Flows £'000	At 31 July 2017 £'000
Consolidated			
Cash and cash equivalents	4,409	2,518	6,927
	<u>4,409</u>	<u>2,518</u>	<u>6,927</u>
University			
Cash and cash equivalents	3,920	2,635	6,555
	<u>3,920</u>	<u>2,635</u>	<u>6,555</u>

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Notes to the accounts for the year ended 31 July 2017

21 Financial instruments

	2017		2016	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Financial assets				
Financial assets measured at amortised cost	<u>9,997</u>	<u>9,813</u>	<u>6,698</u>	<u>6,573</u>
Financial liabilities				
Financial liabilities measured at amortised cost	<u>23,697</u>	<u>23,616</u>	<u>18,148</u>	<u>18,118</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.

	2017		2016	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Commitments contracted for	220	220	1,369	1,369
Authorised but not contracted for	23,411	23,411	38,031	38,031
	<u>23,631</u>	<u>23,631</u>	<u>39,400</u>	<u>39,400</u>

23 Lease obligations

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

	2017			2016 £'000
	Land and Buildings £'000	Other leases £'000	Total £'000	
Future minimum lease payments due:				
Not later than 1 year	2,054	118	2,172	2,266
Later than 1 year and not later than 5 years	4,032	74	4,106	4,481
Later than 5 years	6,318	-	6,318	6,300
Total lease payments due	<u>12,404</u>	<u>192</u>	<u>12,596</u>	<u>13,047</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 2017

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.

Total pension cost for the year	2017	2016
	£'000	£'000
Employer's contributions paid	3,960	3,422
FRS 102 (28) charge:		
LGPS - current service cost	3,099	2,470
LGPS - employer contributions	(1,795)	(1,642)
USS - change in expected contributions	29	70
USS - employer deficit contributions	(18)	(10)
Total pension cost for year within staff costs	5,275	4,310
FRS 102 (28) charge:		
LGPS - net interest on defined liability	299	328
USS - interest cost	4	2
Enhanced pensions - interest cost	25	18
Net charge on pension schemes within other finance costs (note 8)	328	348
Total pension cost for year recognised in Comprehensive Income	5,603	4,658
FRS 102 (28) charge:		
LGPS - actuarial (gain)/loss	(6,744)	1,957
Enhanced pensions - actuarial gain	(7)	(46)
Total pension (gain)/cost for year recognised in Other Comprehensive Income	(6,751)	1,911

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 16.48% of pensionable salaries from 1 August 2016 to 31 July 2017.

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 valuation of the TPS is currently underway based on April 2016 data, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

The University of Chichester

Notes to the accounts for the year ended 31 July 2017

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 2016 to 31 March 2017 was 17.2% of pensionable salaries, with an annual deficit repayment of £147,000, the rate for the period 1 April 2017 to 31 July 2017 was 20.5%.

The major assumptions used by the actuary were:

	2017	2016
	%	%
Salary increases	3.2	3.4
Pension increases	2.5	1.9
Discount rate	2.7	2.4

With regard to mortality assumptions life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2013 model assuming long term improvements of 1.5% 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:

	Male 31 July 2017	Male 31 July 2016	Female 31 July 2017	Female 31 July 2016
Current pensioners	23.6 years	24.4 years	25.0 years	25.8 years
Future pensioners	26.0 years	26.9 years	27.8 years	28.5 years

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

	Value at 31 July 2017 £'000	Proportion	Value at 31 July 2016 £'000	Proportion
Equities	27,902	52%	33,933	73%
Bonds	19,853	37%	7,437	16%
Property	4,293	8%	3,719	8%
Cash	1,610	3%	1,395	3%
Total market value of assets	53,658	100%	46,484	100%

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

	31 July 2017 £'000	31 July 2016 £'000
University of Chichester – Estimated asset share	53,658	46,484
University of Chichester – Present value of funded liabilities	(60,280)	(58,242)
University of Chichester – Present value of unfunded liabilities	(49)	(54)
University of Chichester – Net pension deficit (note 17)	(6,671)	(11,812)

The University of Chichester

Notes to the accounts for the year ended 31 July 2017

25 Pension schemes (continued)

Local Government Pension Scheme (continued) 31 July 2017 31 July 2016
£'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 (3,099) (2,470)

Amounts included in interest and other finance costs

Net interest charge (328) (328)

Amounts recognised in Other Comprehensive Income

Return on pension plan assets 4,449 4,449

Experience gains arising on defined benefit obligations 437 437

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

Amount recognised in Other Comprehensive Income

(1,957) (1,957)

Movement in net defined benefit liability during the year

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

Movement in year:

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

Employer contributions 1,642 1,642

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

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

Net defined benefit liability at 31 July

(11,812) (11,812)

Asset and Liability Reconciliation

Changes in the present value of defined benefit obligations

Defined benefit obligations at start of period 58,296 47,924

Current Service cost 3,099 2,470

Interest cost 1,432 1,765

Contributions by Scheme participants 621 585

Experience gains and losses on defined benefit obligations (2,665) (437)

Changes in demographic assumptions (1,398) -

Changes in financial assumptions 1,839 6,843

Estimated benefits paid (895) (854)

Defined benefit obligations at end of period

60,329 58,296

Reconciliation of Assets

Fair value of plan assets at start of period 46,484 39,225

Interest on plan assets 1,133 1,437

Return on plan assets 4,520 4,449

Employer contributions 1,795 1,642

Contributions by Scheme participants 621 585

Estimated benefits paid (895) (854)

Assets at end of period

53,658 46,484

The University of Chichester

Notes to the accounts for the year ended 31 July 2017

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 Jane Longmore, Vice Chancellor, is Chair of the Board of Directors and a member of the Trust, Romy Jones, Director of Strategic Development, is a member and a director of the Trust and Jon Spence, Director of the Institute of Education is a director of the Trust. In the year the University paid on behalf of the Trust costs totalling £520,590 (2016 - £520,584) which were recharged to the Trust. The University also invoiced the Trust £42,514 (2016 - £39,576) in regard of consultancy and marketing services. As at 31 July 2017, the University was owed £578,630 (2016 - £634,176), consisting of an interest free loan balance of £454,418 (2016 - £504,418) and a trade debtor balance of £124,212 (2016 - £129,758).

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 owed by related party as at 31 July £'000	Amounts owed to related party as at 31 July £'000
Miss Lauren Ellis as President of University of Chichester Students' Union					
Income and expenditure activities:					
2017	40	55	367	5	103
2016	29	55	288	9	108
Payroll cost recharges:					
2017	341	-	-	31	-
2016	309	-	-	24	-

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 2017

28 Amounts disbursed as agent

National College for Teaching and Leadership training bursaries

	2017		2016	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Balance at 1 August	127	127	350	350
NCTL grants received	<u>1,331</u>	<u>1,331</u>	1,002	1,002
	1,458	1,458	1,352	1,352
Disbursed to students	(1,146)	(1,146)	(1,225)	(1,225)
Balance unspent at 31 July	<u>312</u>	<u>312</u>	<u>127</u>	<u>127</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

	2017		2016	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Cash sales	1,105	1,105	1,039	1,039
Cost of sales	(777)	(777)	(744)	(744)
Income, as recognised in the University's financial statements	<u>328</u>	<u>328</u>	<u>295</u>	<u>295</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.