

Canterbury Christ Church University

# Directors' Report and Financial Statements



For the year ended 31 July 2018

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## DIRECTORS AND ADVISERS

Directors in place for the year to 31 July 2018 and up to the date of signing the financial statements:

Ms N Ahmed (from 1 August 2018)  
Mrs S Appleby (from 1 August 2018)  
Ms J Armit  
Mr S Brown (from 1 August 2018)  
Mr C Calcutt (resigned 31 July 2018)  
Dr A Eyden  
Mr J Faber  
Mr P Fletcher  
Mrs J Harding  
Sir I Johnston (Deputy Pro-Chancellor)  
Mrs P Jones (from 11 January 2018)  
Mr P Kloppenborg (from 1 August 2018)  
Mr F Martin (Pro-Chancellor)

Ms R Martin (resigned 31 December 2017)  
Ms C Nolan  
Ms M Peachey  
Mr Q Roper  
Mrs J Shiner (resigned 31 December 2017)  
Revd Robert Stevenson  
Mr K Tashev (resigned 31 July 2018)  
Professor R Thirunamachandran (Vice-Chancellor and Principal)  
Ms D Upton (resigned 31 July 2018)  
Right Revd T Willmott (Deputy Pro-Chancellor until 31 December 2017)

### **Clerk to the Governing Body and University Solicitor**

Ms A Sear

### **Independent Auditor**

Deloitte LLP  
Statutory Auditor  
3 Victoria Square  
Victoria Street  
St Albans  
United Kingdom  
AL1 3TF

### **Solicitors**

Mills and Reeve  
Botanic House  
98-100 Hill Road  
Cambridge  
CB2 1PH

### **Registered office - Parent and Subsidiary**

Canterbury Christ Church University  
c/o The Governance and Legal Services Dept  
Rochester House  
St George's Place  
Canterbury  
Kent  
CT1 1UT

### **Internal Auditor for the year to 31 July 2018**

RSM LLP  
25 Farringdon Street  
London  
EC4A 4AB

### **Principal Bankers**

Lloyds Bank plc  
2 City Place  
Beehive Ring Road  
Gatwick  
West Sussex  
RH6 0PA

### **Company and Charity numbers**

**Registered company number**  
04793659 registered in England and Wales

**Registered charity number**  
1098136

## VICE CHANCELLOR'S INTRODUCTION

### VICE CHANCELLOR'S INTRODUCTION

I am pleased to introduce the financial statements for Canterbury Christ Church University. These statements include the statutory reports that set out the financial performance of the University for the year. They also provide an opportunity for us to summarise a number of the University's many highlights and successes during the year. Further details of these can be found within the University's Annual Report for 2017/18, which is published separately.

The higher education sector continues to face many challenges and considerable upheaval while the wider economic and political context remains extremely uncertain with the outcome of the Brexit negotiations looming in early 2019.

The Government's decision not to raise tuition fees in line with inflation, as well as changes in teacher pension contributions, are no doubt being felt by most in the sector. We await with interest the outcome of the Government's review of tuition fees as well as the Office for National Statistics' report on the student loan system, which is due in spring next year. New regulatory frameworks have necessitated valuable work from colleagues across the University to ensure that we are fully compliant.

The number of undergraduate and postgraduate students joining us paints a positive picture. However, there are likely to be continued short-term challenges caused by changing demographics both nationally and in our local region, most notably a decrease in the number of 18-year-olds. Meanwhile, Brexit and the ongoing policy debates around immigration create uncertainty for prospective EU and non-EU international students.

But I firmly believe that our clear strategic focus – aligned to considerable long-term planning and commitment to the regional economy and an excellent student experience – mean that Christ Church is exceptionally well placed for the challenges ahead.

Our significant investment plans across our academic portfolio and estate have started to take shape over the last year. With our departure from the Broadstairs Campus, we also look forward to consolidating our creative arts courses in Canterbury. Our new Creative Arts Building will open early in 2019, with new facilities and courses to accelerate our contribution of skills and talent to the region's creative arts and digital industries.

Our new multimillion-pound facility for Science, Engineering, Technology and Health opens in 2020. It will be home to our expanding range of STEM subjects and the Kent and Medway Engineering, Design, Growth and Enterprise (EDGE) Hub, working closely alongside our other disciplines in health and wellbeing, creative arts, teacher education, and social and applied sciences. This building will also house the new joint medical school, which we are developing in conjunction with the University of Kent. The Kent and Medway Medical School will bring the combined strengths of both universities to offer first-class medical education and research, attracting the most talented aspiring doctors from within the region and beyond.

Higher education is also a positive and rich environment for diversity and inclusivity. A diverse international staff and student population makes an immeasurable contribution to the vibrancy of the Christ Church community and we are strongly committed to internationalisation in all its aspects, and to ensuring that we seek to recruit staff and students from other EU countries and beyond.

We are a higher education institution that promotes strong values around transforming lives, enriching communities and building a sustainable future. Through our diverse programme of community events and activities, from educational festivals to public lectures and debates, we continue to provide excellent opportunities to engage local people with new ideas, opinions and insights. We were also delighted to this year receive an International Green Gown Award, the most prestigious recognition of sustainability best practice within the education sector globally.

## **VICE CHANCELLOR'S INTRODUCTION (CONTINUED)**

We remain strongly committed to creating a friendly, supportive and inclusive community, which recognises the importance of the health and wellbeing of our students and staff. Over the past year, we have prioritised improving awareness of mental health issues across the University. As well as educating and training staff and working closely with the Students' Union, we have developed more provisions and resources in this area and this will remain a priority for the future.

It just remains for me to pass on my tremendous gratitude to staff. It is their commitment, hard work and engagement that continues to drive us forward as we face the challenging and exciting times ahead.

Professor Rama Thirunamachandran  
Vice-Chancellor and Principal

# THE STRATEGIC REPORT

## Directors' Report

The disclosure requirements for the Directors' report can be found in the Strategic Report on pages 4 to 13 and form part of this report by cross reference. I present this report on behalf of all named directors (see page 1) in order to meet the requirements of the Companies Act 2006.

## Scope of Financial Statements

The Financial Statements for the year ended 31 July 2018 have been prepared to comply with the Statement of Recommended Practice (SORP) Accounting for Further and Higher Education and applicable accounting standards in the UK and in line with regulatory advice in the form of the Accounts Direction from the Office for Students (OfS 2018.26). The University is based in the UK and operates as both a company registered in England and Wales and a registered charity.

## Subsidiary Company

The University holds an investment in a subsidiary company, Medco (CCCU) Limited. This is a company registered in England and Wales which operates under a franchise arrangement with Warwick University Enterprises Limited. The subsidiary company is in a VAT group with the parent company. The subsidiary company's results have been consolidated with the parent company in these financial statements.

## Activities and Objectives

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

## Mission

Inspired by its Church of England foundation, the University's mission is to pursue excellence in higher education: transforming individuals, creating and disseminating knowledge, enriching communities and building a sustainable future.

The University has a strategic framework to provide measurable objectives to help achieve the mission and put shared values into practice. The framework was developed following a process of consultation led by the Vice-Chancellor and the senior management team. This involved engagement with staff and students from across the University as well as external partners. A simple one page framework was established that sets out what the University wants to achieve over the next five years. The four strategic aims are clearly identified in the framework and underpinned by a set of strategies and cross cutting themes. The framework guides the achievement of the University's ambitions; and the plan's aims and objectives also inform schools and departmental business plans and the personal objectives of all colleagues within the University. The four strategic aims are:

- To provide our diverse student body with a high quality, holistic student experience in relation to learning, the wider experience of the university and global citizenship.
- To maintain and enhance a high quality, broadly based academic portfolio which builds on and further develops areas of the University strength and potential including in relation to the public services.
- To extend our research and knowledge exchange activity to continue to contribute to intellectual, social, economic, cultural prosperity at a regional, national and international level.
- To provide an effective, efficient, innovative and sustainable use of the institution's resources to deliver the University's strategic goals across all our campuses.

## STRATEGIC REPORT (CONTINUED)

### Financial Strategy

During the 2017/18 year, the University revisited and updated its financial strategy. This took into consideration its strategy for major investment supported through additional borrowing as part of its approved funding arrangements. This additional investment is particularly focused on new and improved facilities on the Canterbury campus which will incorporate new buildings to accommodate expansion within the curriculum areas of medicine, engineering and the creative industries.

The particular aims within the financial strategy are:-

- To generate surpluses which maintain cash inflows sufficient to enable delivery of the University's strategic objectives and provide institutional sustainability.
- To maintain liquidity and borrowing at sustainable levels.
- To grow and diversify income streams.
- To ensure value for money in all University activities.
- To ensure that the consideration and evaluation of risk is undertaken as part of the institution's business planning.
- To maintain effective treasury management.

These aims are underpinned by particular objectives over the medium term to ensure that the University remains financially sustainable and is well positioned for further expansion over the coming years.

### Summary Results for the Year

The results for the University for the year ended 31 July 2018 are summarised, as follows:

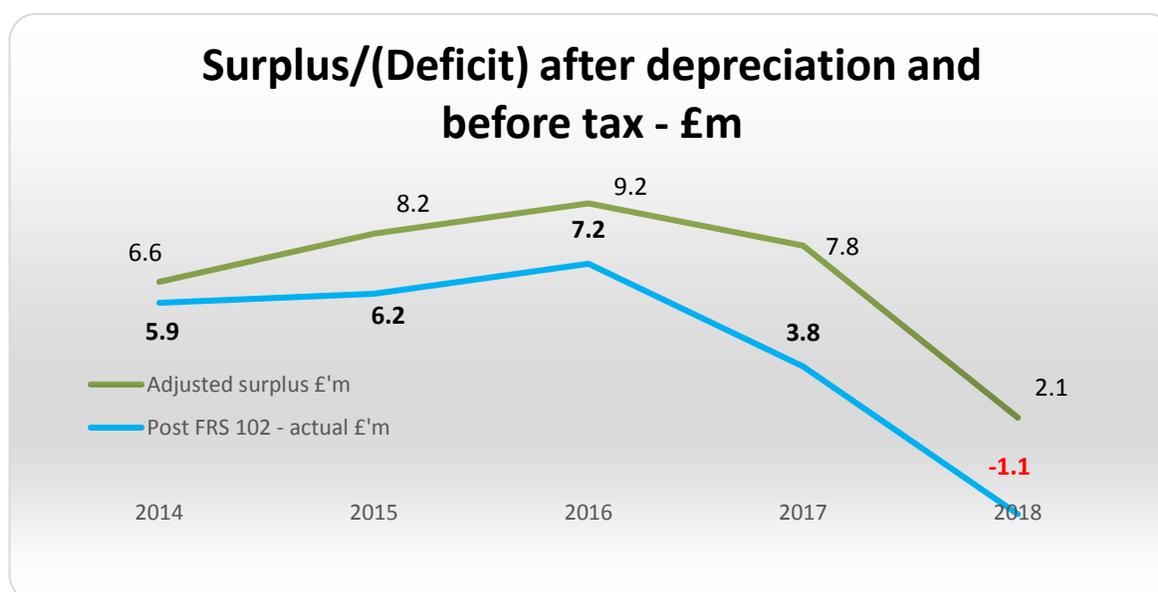
	£'000	£'000
Income	130,782	133,976
Expenditure	131,902	130,148
<b>(Deficit)/surplus</b>	<b><u>(1,120)</u></b>	<b><u>3,828</u></b>

The particular areas to highlight from the consolidated financial results are:

- A decrease in total income of 2.4% from £134.1m to £130.9m
- An increase in expenditure of 1.4% to £132m
- A charge for the year of £3.8m for notional interest and staff service costs within the Local Government Pension Scheme (LGPS)
- After charges to the LGPS, a reported deficit for the year of £1.1m
- Capital additions of £17.4m
- An LGPS pensions deficit of £20.3m

## THE STRATEGIC REPORT (CONTINUED)

The University returned a reported deficit of 0.1% of total income. This is compared to the surplus calculated before the end of year adjustments for FRS 102, as follows:



The operating performance for the year shows a £1.1m deficit which reflects a continuation of tighter financial performance since 2016 as restrictions on inflationary increases in fees, the demographic downturn of school leavers and a more competitive higher education environment impacts on institutional income. This is exacerbated by upward pressures on the pay bill, including employer pensions' costs. The operating performance does though include adjustments required by FRS102 of which the most significant are prudent non cash adjustments for future potential pensions' costs. The underlying performance for the institution, and its comparison to the previous year, is set out in the table below which shows the University continues to operate at a surplus when these non cash adjustments are added back.

As at 31 July	2018 £'000	2017 £'000
(Deficit) / Surplus reported per Financial Statements	(1,120)	3,828
Holiday accrual	(38)	61
Deferring of research income	(484)	599
USS pension provision	(33)	(41)
LGPS interest charge	399	692
LGPS staff related charges	3,367	2,568
Reverse of capital grants from prior year	0	98
<b>Adjusted surplus</b>	<b><u>2,091</u></b>	<b><u>7,805</u></b>

The adjusted surplus of £2.1m represents 1.6% of total income.

### Pension Reserve

The University contributes to the Local Government Pension Scheme (LGPS) on behalf of all eligible staff who have elected to join the scheme.

## THE STRATEGIC REPORT (CONTINUED)

This pension fund is a defined benefit scheme and as its assets and liabilities can be separately identified by the scheme's actuary these are reported within the financial statements. The University's share of the deficit in the scheme increased by £2.79m to £20.27m (2017: decreased by £11.09m to £17.48m). The pension reserve is shown separately in the Balance Sheet, and reflects the level at which the scheme assets fail to cover the present value of liabilities.

### Student Numbers

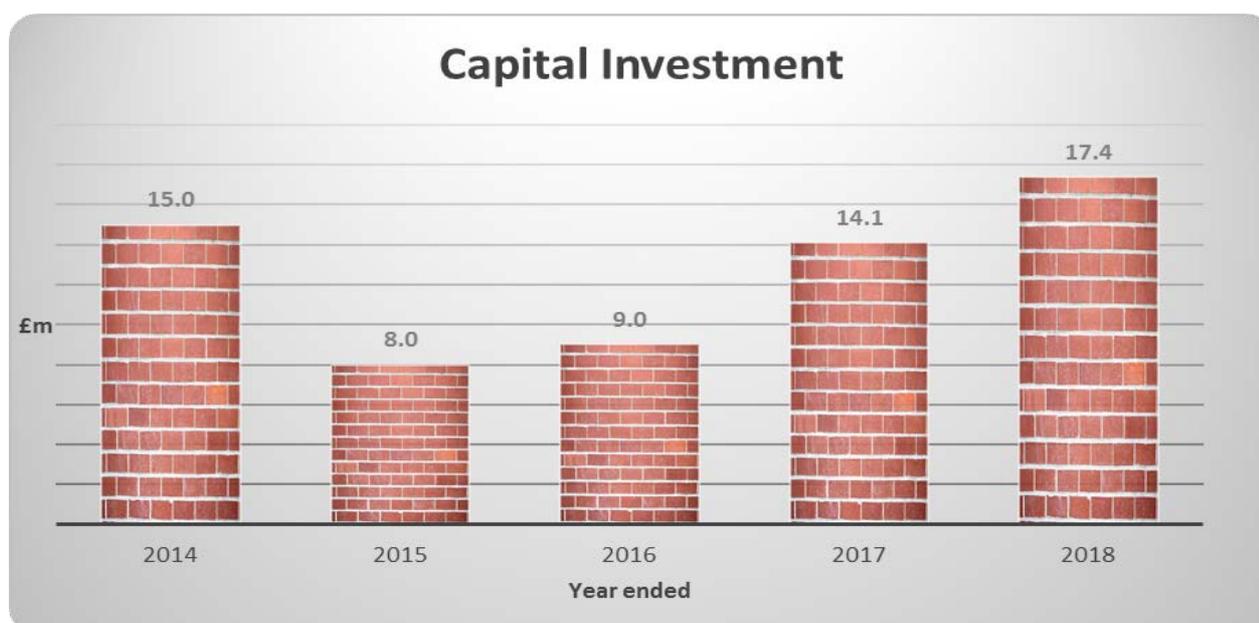
The University has circa 16,000 students and continues to recruit well across all of its main funding streams, notwithstanding the competitive challenge. The institution continues to project some increase in its student numbers over the next two years as it diversifies its curriculum provision but the full impact for growth will not be felt until 2020 and 2021 following the completion of new facilities which will accommodate programmes in the School of Engineering and the Medical School. The future year's growth is then forecast at a higher level reflecting the development of these two new schools which will coincide with an upturn in the number of school leavers eligible to enter higher education.

### Capital Projects

The University has a 10 year capital investment plan which specifies the necessary developments in buildings, technology and other capital schemes. This plan supports the overall Estates and IT Strategies which include further improvements to student facilities, IT systems and infrastructure.

Additionally, the supported schemes are carefully considered in order that they may maximise the community impact and support environmental sustainability initiatives. The investment plan is set in the context of the strategic plan to enhance significantly and improve the quality of facilities for its students as well as supporting new technologies, enabling further growth and expansion of the institution's provision of education.

During 2017/18 the institution continued to invest significantly in new IT systems and equipment with £4.4m being provided to support IT projects for hardware and infrastructure. Software developments include major projects for the replacement of the student record system and HR and Payroll system.



## THE STRATEGIC REPORT (CONTINUED)

There was significant investment in the new Arts Centre, with an investment of £9.9m. This to open to students in 2018/19. The enabling works for the former prison site commenced with the site being prepared for construction of the new teaching facility. These investments were financed from cash reserves.

The University continues to invest in carbon saving measures, with funding to support this being sourced through loan finance from SALIX.

### Payment of Creditors

The policy is that payments are made in accordance with those terms and conditions agreed between the institution and its suppliers. Where no specific conditions exist, suppliers are paid within 30 days of the receipt of invoice. The payment performance of the University is available to the public on the [Canterbury.ac.uk](http://Canterbury.ac.uk) website. In the year 2017/2018 the University met the 30 day target to pay valid and undisputed invoices within 30 days for 90% of all invoices received (2017 achieving 91%).

### Cash Flow

Canterbury Christ Church University has continued to maintain appropriate cash balances generated through operations to support the significant capital investment.

The cash position decreased by £0.2m at the end of the year (2017: £6.1m decrease). The net cash from operating activities and reserves has been used to fund the capital investment in year and the future requirements of the 10 year Estate Master Plan.

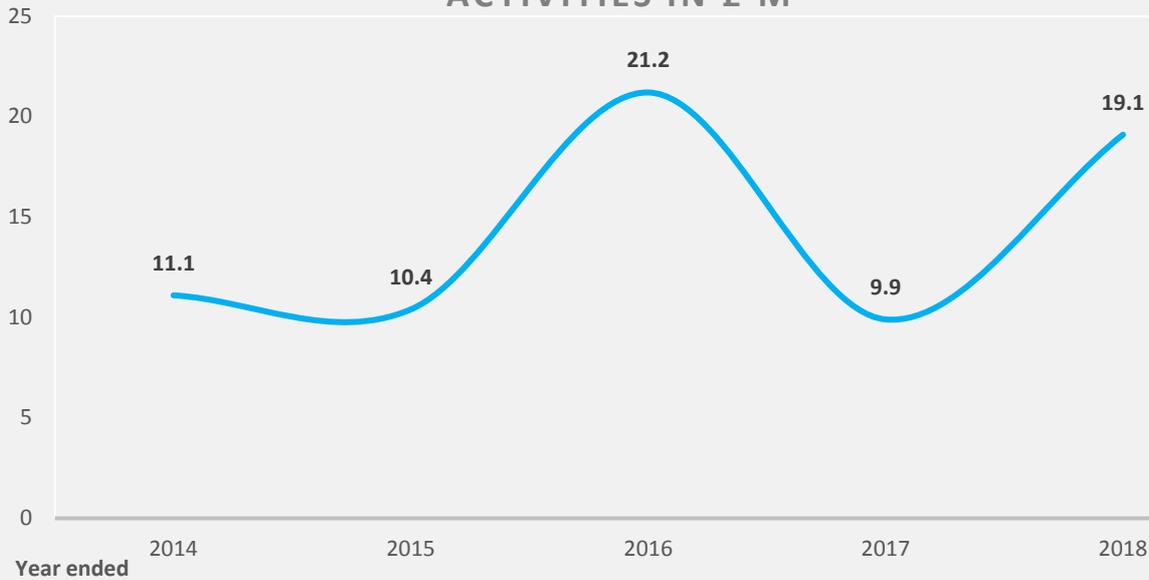


### Long Term Loans as a Percentage of Income

The University anticipates the need to manage its loan financing arrangements in a careful and measured manner, recognising that conditions can change substantially over the period of a long term loan. The Governing Body requires that interest rate exposure is managed by means of a combination of variable and fixed rate borrowing. New borrowing of £0.1m was received from Salix to support a range of energy efficient projects.

## THE STRATEGIC REPORT (CONTINUED)

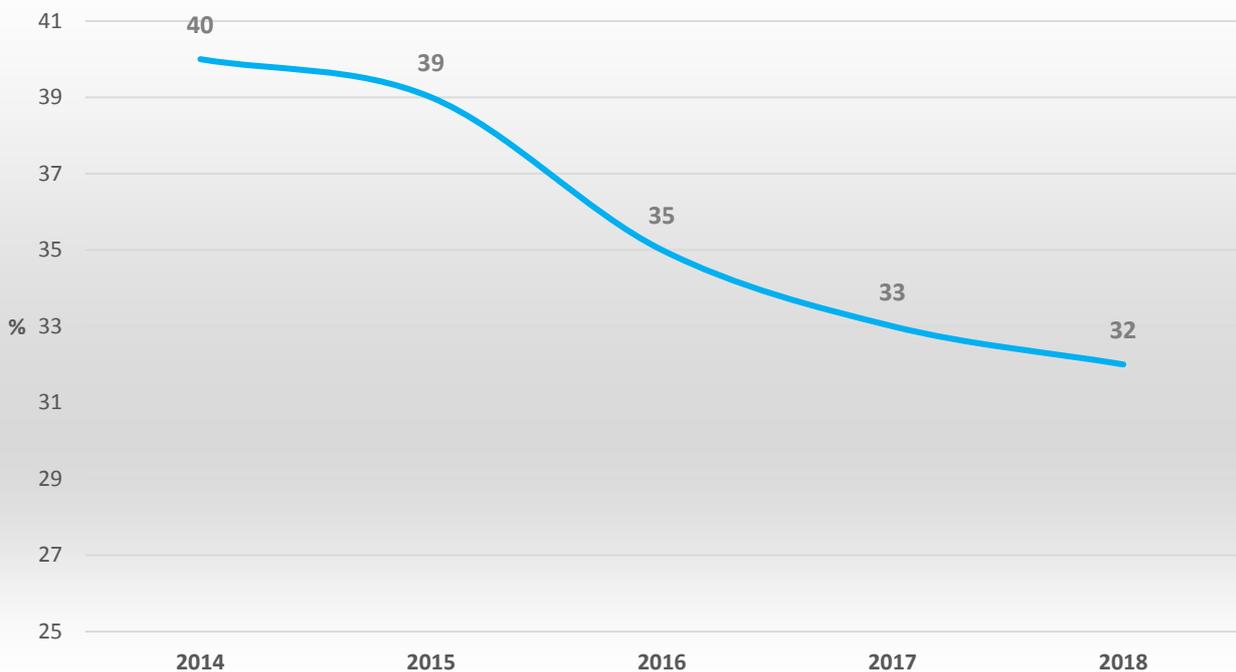
### CONSOLIDATED NET CASH INFLOW FROM OPERATING ACTIVITIES IN £'M



#### Long Term Loans as a Percentage of Income cont.

The investment required to support the Estate Master Plan was given careful consideration and close scrutiny by the Governors with support from external professional advisors KPMG. To further support the development of the University's plan an exercise to obtain expressions of interest from finance providers was entered into. As a result of this process a commitment for new loan finance of £47m has been entered into with the University's bankers, Lloyds Bank alongside Natwest. This commitment of funds will help drive the future aims of the University's financial strategy and the Estate Master Plan. It is anticipated that draw down of the new loan will commence early in 2019 which will result in an increase in long term loans as a percentage of income during the next two years.

### Long Term Loans as a Percentage of Income



## THE STRATEGIC REPORT (CONTINUED)

### Employee Consultation

The University places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the institution and its subsidiary company. This is achieved through formal and informal meetings, the sharing of the staff newsletter, the 'In Touch' magazine and by publishing the annual financial statements on the University's website. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

### Disabled Employees

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the University continues and that appropriate training is arranged. It is the policy of the institution that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

### Post Balance Sheet Events

There have been no significant events since the balance sheet date as confirmed in note 22 to the financial statements.

### Environment

Sustainability is one of the cross-cutting themes of the University's 2015-2020 Strategic Plan. To support this theme and to provide guidance on the management of resources the University has an energy management policy. This policy provides an overview of how the University will reduce the consumption of energy, help protect the environment and raise awareness of the University's environmental responsibility and to reduce the environmental impact.

The University operates the Sustainability Strategic Management Group to ensure delivery of the sustainability objectives outlined in the Environmental Sustainability Policy. These objectives include working with universities, colleges, businesses and the local community to promote and develop environmental good practice and promoting resource efficiency and minimising waste by implementing sustainable procurement practices and management of waste streams in line with the waste hierarchy. In support of this the University holds full ISO14001 accreditation and has won the first class award in the People and Planet Green League for three years running.

### Value for Money (VfM)

The University has a VfM Strategy setting out the objectives, benefits and responsibilities for achieving value for money across the organisation. To help to deliver and report on the success of this strategy the University established the Improvements and Efficiencies Steering Group. The group is chaired by the Director of Finance with staff representation from across the institution. The group members are responsible for embedding and disseminating VfM principles and practice across the University. The group reports on an annual basis to the audit committee on efficiencies delivered in the year.

## THE STRATEGIC REPORT (CONTINUED)

### Main Risks

The identification and management of risks is the responsibility of the Governing Body and the University management. The processes ensure that a culture of risk management is embedded amongst staff. The University has in place a risk management programme that seeks to limit the adverse effects on the performance of the institution and the system to manage these risks is described in the statement of internal control.

The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of policies, aims and objectives; to evaluate the nature and extent of those risks; and to manage them efficiently, effectively and economically. This process has been in place for the year ended 31 July 2018 and up to the date of approval of the financial statements, and accords with guidance from the Office for Students and Turnbull.

The Governing Body's review of the effectiveness of the system of internal control is also informed by the work of the executive managers within the University, who have responsibility for the development and maintenance of the internal control framework, by the work of the Internal Auditor, and by comments made by the External Auditor in their management letter.

Whilst a prudent approach has been adopted to financial planning, the University considers that there are a number of key risks to its financial health and sustainability which are also likely to be experienced in other institutions across the sector.

The main areas identified are:

- Constraints in government spending and its future policy for the setting of tuition fees and accounting for student loans.
- The current freeze applied by Government to the sector on inflationary increases to tuition fees above £9,250.
- Impact of the current demographic downturn in the numbers of school leavers eligible to enter higher education which, along with increased competition, may lead to a failure to achieve targets for the recruitment of students.
- Pressure on pay and pensions, including increased employer's contribution rates.
- The implications of BREXIT for students and staff recruitment and retention.
- The impact of the economic climate on the demand for higher education and, in particular, employer sponsored education and training.

### Going Concern

The University has considerable resources and access to funding to support current, and future business plans, including the development of the campus and curriculum delivery to support the mission of the organisation. The University's funding is subject to financial covenants, which will be more challenging during the development phase of the campus project in advance of new income streams. The University's Senior Management Team and Governing Body have taken into account the key risks highlighted in the risk management process, and are confident that they are well placed to manage actions to mitigate these risks. As a consequence the Governing Body and Senior Management Team are confident that the University remains a going concern for the foreseeable future and these reports are prepared on that basis.

## THE STRATEGIC REPORT (CONTINUED)

### Directors' Indemnities

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors and those of the subsidiary company.

### Disclosure of Information to the Auditor

Each of the persons who are Directors at the date of approval of this report confirms that so far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditor is unaware, and the directors have taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Deloitte LLP expressed their willingness to continue in office as auditor. A resolution to reappoint Deloitte LLP was proposed and accepted at the Annual General Meeting held on 28 November 2017.

### Reserves Policy and Key Performance Indicators (KPIs)

The University seeks to retain a level of reserves to support its financial sustainability and in accordance with its strategic plan, the policy is reviewed in each academic term. The reserves position is maintained through the achievement of surpluses in line with the institution's key performance indicators. The pensions' liability reserve, whilst recognised in the balance sheet, represents a longer term liability which does not materially impact upon the short to medium term policy for the maintenance of a general reserve. Monthly financial reports are produced for the Senior Management Team (SMT) and for each meeting of the Finance and Resources Committee of the Governing Body.

The table below shows the consolidated KPI performance for the year ending 31 July 2018 compared to the previous year.

Key Performance Indicators	2018	2017
(Deficit)/surplus as a % of income	(0.86)	2.9
Unrestricted reserve as a % of total income	72.8	71.2
External borrowing as a % of total income	32.4	33.5
Current asset / current liability ratio	1.39	1.9
Net liquidity days	108	109

These KPIs are included in the monthly financial reports and are monitored and reviewed by the SMT. They are also considered and assessed by the Finance and Resources committee as part of the review of financial performance. The University's operating performance has remained within the parameters of the approved KPIs although the achievement of income growth remains a risk going forward. The impact of this is that adjustments to the cost base may not be immediately realisable when income falls below expectations, thus generating a short term in year impact on certain KPI measures.

## THE STRATEGIC REPORT (CONTINUED)

### Financial Risk Management

The University recognises that all treasury management activities involve risk and potential reward. The University's policy on borrowing is to minimise cost while maintaining the stability of its financial position by sound debt management techniques. The objective for lending purposes is to achieve the best possible return while minimising risk.

The University does not borrow or deposit funds denominated in foreign currencies, which limits the exposure to currency risk. The Director of Finance and Chief Financial Officer has the authority to implement the University's strategy for depositing surplus funds and managing the cash flow of the University. In exercising these powers he has regard to the perceived credit risk associated with the approved organisations with which funds may be deposited or invested; also the effect of possible changes in interest rates on the cost of borrowing and the return from investing and the need to maintain adequate liquid funds to meet the University's obligations.

### Outlook

The challenge for the higher education sector is almost unprecedented with a large number of uncertainties which fall outside of the institution's ability to control. The impact of Brexit, the Office for National Statistics' conclusions on whether student loans should be treated off balance sheet and the outcome of the current DFE tuition fees review will have a material impact upon the institution's forecasts. These known unknowns should be clarified by Spring 2019 which should enable the institution to present a more assured position in its future years' forecasts.

In the interim, the institution continues to invest for the benefit of its current and future students which also includes rationalisation of its Estate to enable more modern, purpose built and cost effective arrangements.

At the end of the 2017/18 year, the University withdrew provision from its Broadstairs Campus and re-accommodated programmes delivered there to its Canterbury campus. Some of this provision will benefit from the investment in the new Arts Building which will open during the latter part of 2018.

Work has commenced on the new building which will accommodate a range of Science, Technology, Engineering and Medicine (STEM) provision which includes the establishment of a new School of Engineering and a new School of Medicine. These facilities will be available to welcome new students at the commencement of the 2020/21 academic year.

Notwithstanding the short term challenges for the next two years, the University remains confident and ambitious to continue to provide excellent quality teaching and research for the benefit of its students within an environment that encourages innovation and enterprise for graduates as they enter the employment market or engage in further studies.

Professor R S Thirunamachandran  
**Vice Chancellor and Principal**  
Date:

## PUBLIC BENEFIT STATEMENT

Canterbury Christ Church University is a registered charity within the meaning of the Charities Act 2011 and as such is required to demonstrate how its work is of 'public benefit'. Inextricably linked with the primary purpose of Canterbury Christ Church University is the aim of contributing to the public good. Through its teaching, research and knowledge transfer activities, the Institution's aims are to contribute considerable public benefit to the local, national and international community. Trustees have had due regard to Charity Commission guidance on public benefit in section 4 of the Charities Act 2011.

The University aims to be a leading employer-engagement university, with a particular emphasis on the public services. It plays a key role in taking forward the skills agenda whilst delivering a flexible, demand-led portfolio of education and development. The University's student profile is varied, a significant proportion being mature learners.

Contributing towards a more employable graduate workforce, the University develops and delivers programmes in association with public sector organisations both locally and nationally. Canterbury Christ Church University embeds employability within the curriculum wherever possible, and many of our courses are designed with active employer engagement to meet their current and future needs. This ensures that programmes are current, relevant and appropriate to both students and the employers.

Vocational pathways linked to employment, part time and flexible study routes, appropriate levels of study support underpinned with key skills all play a key role in the future development of local communities.

The continuing work of the University's Outreach Team ensures that its reach is extended into schools and colleges and raises the aspirations and progression of young people and under-represented groups into higher education. The team provides advice to inspire school and college students to progress into higher education. Through a range of initiatives, including summer schools, progression days, mentoring sessions, master classes, workshops, taster days, careers fairs and work experience opportunities, the University has helped to open access to its programmes to large numbers of students who may otherwise not have engaged in higher education.

The University is proud to be the sponsor of Dover Christ Church Academy, helping to engage with young people and supporting their education.

The University's volunteering service is designed to allow local voluntary, community and not-for-profit organisations to benefit from the skills and enthusiasm of students and staff, who have invested their time into volunteering with local charities, schools and community groups. Students and staff are engaged in volunteering projects in the areas of the environment and conservation, arts and culture, the media, community activities, work with the young, elderly, disabled and disadvantaged.

As a Church of England foundation, the University enjoys effective partnerships with local faith groups and its chapel is used by external church organisations.

The University's research is applied for the benefit of the local community including, for example, research into education and music which is rated as world class. Specific research into the positive effects of music on people suffering early stage dementia is proving particularly beneficial in partnership with local community groups. The University makes an important contribution to the cultural life of the local community by providing a series of music concerts as well as art and photography exhibitions, many of which are open to the general public and often free of charge.

The University is a major employer and purchaser of goods and services in Kent. The income generated of £130.8m in 2017/18 (2016/17 £134.0m) has had a significant impact on the Canterbury and Kent economy.

## STATEMENT OF PRIMARY RESPONSIBILITIES OF THE UNIVERSITY'S GOVERNING BODY

In accordance with the Instrument and Articles of Government, the Governing Body of Canterbury Christ Church University is responsible for the determination of the educational character and mission of the University and the oversight of its activities including ensuring that an effective system of internal control is maintained. Their responsibilities are:

- protecting the effective and efficient use of resources, and for safeguarding assets, taking advice from the Finance and Resources Committee;
- setting a framework for the appointment, assignment, grading, appraisal, suspension, dismissal and determination of the pay and conditions of staff other than designated senior staff, for the guidance of the Finance and Resources Committee and/or the Vice-Chancellor as appropriate;
- ensuring the effective management of the Institution and planning its future development;
- observing the highest standards of corporate governance. To ensure and demonstrate integrity and objectivity in the transaction of its business and, wherever possible, following a policy of openness and transparency in the dissemination of its decisions;
- ensuring that funds provided by the Office for Students are used in accordance with specified terms and conditions in the Memorandum of Assurance and Accountability;
- ensuring, through the Finance and Resources Committee and the Audit Committee, the establishment and monitoring of systems of control and accountability including financial and operational controls and risk assessment;
- taking such steps as are reasonably practicable to ensure that the Students' Union operates in a fair and democratic manner and is accountable for its finances (The Education Act 1994);
- the health and safety of employees, students and other individuals whilst on the Institution's premises and in other places where they may be affected by its operations. Ensuring that the Institution has a written statement of policy on health and safety and arrangements for the implementation of that policy, including the establishment of a Health and Safety Group with trade union and staff representation;
- eliminating unlawful discrimination and promoting equality of opportunity and good relations between different groups;
- the determination of the educational character and mission of the University including the approval of the University's Strategic Plan and the setting of Key Performance Indicators (KPIs);
- the approval of the annual estimates of income and expenditure;
- ensuring the solvency of the Institution and the safeguarding of its assets;
- the appointment or dismissal of the Vice-Chancellor, and Clerk to the Governing Body;
- ensuring that there are suitable arrangements for monitoring the Vice-Chancellor's performance;

## STATEMENT OF PRIMARY RESPONSIBILITIES OF THE UNIVERSITY'S GOVERNING BODY (CONTINUED)

- the varying or revoking of the Instrument or Articles of Government (subject to provisions within those documents in regard to the office of the Archbishop of Canterbury);
- ensuring compliance with Company and Charity law, and in particular the duties of Directors under the Companies Act 2006 for the appointment of the external auditor;
- receiving and approving annual financial statements after they have been audited by the external auditor, and forwarding the external auditor's management letter to the Office for Students;
- approving the constitution of the student body (Students' Union) and receiving the audited financial statements of that body on an annual basis;
- reviewing its own effectiveness and performance and that of its committees formally every four years and annually on a 'light touch' basis;
- regularly monitoring the performance of the Institution against its planned strategies and operational targets including those contained in approved KPIs;
- for reviewing its terms of reference and work plan annually.

### Financial Responsibilities of the Governing Body

The Governing Body is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of Canterbury Christ Church University and which enable it to ensure that the financial statements are prepared in accordance with the Instrument and Articles of Government, the Statement of Recommended Practice: Accounting for further and higher education and relevant legislation. In addition, within the terms and conditions of the Memorandum of Assurance and Accountability, the Governing Body, through its designated accountable officer (the Vice-Chancellor), is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of Canterbury Christ Church University and of the surplus or deficit and cash flows for that year.

In causing the financial statements to be prepared, the Governing Body has ensured that:

- suitable accounting policies are selected and applied consistently;
- judgements and estimates are made that are reasonable and prudent;
- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- financial statements are prepared on the going concern basis unless it is inappropriate to presume that the University will continue in operation. The Governing Body is satisfied that the University has adequate resources to continue in operation for the foreseeable future. For this reason, the going concern basis continues to be adopted in the preparation of the financial statements.

## STATEMENT OF PRIMARY RESPONSIBILITIES OF THE UNIVERSITY'S GOVERNING BODY (CONTINUED)

The Governing Body has taken reasonable steps to:

- ensure that funds from the Office for Students are used only for the purposes for which they have been given and in accordance with the Financial Memorandum and any other conditions which the Office for Students may from time to time prescribe;
- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- safeguard the assets of the University and to prevent and detect fraud;
- safeguard the economical, efficient and effective management of the University's resources and expenditure; and
- review the means of securing its own effectiveness.

The governors confirm, so far as each governor is aware, there is no relevant audit information of which the group auditor is unaware. Each governor has taken all the steps that they ought to have taken in their duty as a governor in order to make themselves aware of any relevant audit information and to establish that the group auditor is aware of that information.

The key elements of Canterbury Christ Church University's system of internal financial control, which is designed to discharge the responsibilities set out above, include the following:

- clear definitions of the responsibilities of, and the authority delegated to, heads of academic and administrative departments;
- a comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets;
- regular reviews of key performance indicators and business risks and monthly reviews of financial results involving variance reporting and updates of forecast outturns;
- clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the Governing Body;
- comprehensive financial regulations, detailing financial controls and procedures, including a fraud policy, all as approved by the Finance and Resources Committee and Governing Body;
- compliance with a University policy on risk management; and
- a professional Internal Audit team whose annual programme is approved by the Audit Committee under powers delegated by the Governing Body and whose head provides the Audit Committee with a report on internal audit activity within Canterbury Christ Church University and an opinion on the adequacy and effectiveness of the University's system of internal control, including internal financial control.

Any system of internal financial control can, however, only provide reasonable, but not absolute, assurance against material misstatement or loss.

## **STATEMENT OF PRIMARY RESPONSIBILITIES OF THE UNIVERSITY'S GOVERNING BODY (CONTINUED)**

The Governing Body intends to publish the financial statements on Canterbury Christ Church University's website:

- The maintenance and integrity of the Canterbury Christ Church University website is the responsibility of the governors; the work carried out by the auditor does not involve consideration of these matters and, accordingly, the auditor accepts no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**Mr F Martin**

**Pro-Chancellor (Chair of the Governing Body)**

**Date:**

## CORPORATE GOVERNANCE

The following statement is provided to enable readers of the Strategic Report and Financial Statements of the Institution to obtain a better understanding of the governance and legal structure of Canterbury Christ Church University. It covers the full financial year period and the period from the end of the financial year up to the date of approval of the Vice-Chancellor's Report and Financial Statements.

Canterbury Christ Church University endeavours to conduct its business in accordance with the principles identified by the Committee on Standards in Public Life (Nolan) and the guidance to institutions of higher education, which has been provided by the Committee of University Chairmen (CUC), issued in December 2014. The Board of Governors has adopted the CUC's Governance Code of Practice and work has been undertaken to ensure that governance practice at the University is consistent with the principles of the code including all of its mandatory elements.

As an Anglican Foundation established in 1962 Canterbury Christ Church University operated under a Trust Deed until 2002-2003. It was a registered charity and, in accordance with S129a of the Education Reform Act 1988, its powers and framework of governance were set out in Articles of Government. The objects of the charity, set out in the Trust Deed, were:

"the advancement of education, learning and research for the benefit of the public including, in particular, and without prejudice to the generality of the foregoing, the conduct and development of a College to be called Canterbury Christ Church University College or under such other name as the Governing Body with the approval of the Archbishop of Canterbury shall decide for the training of persons as teachers and the provision of other higher or further education."

On 1 August 2003, the University College transferred its assets and liabilities to an incorporated body, a company limited by guarantee and registered as a charity. The incorporated body operates under governing documents known as the Memorandum and Articles of Association incorporating the Instrument and Articles of the previous Charitable Trust. Until 2003, all land assets were held in the name of the Church of England on behalf of the Institution. The Church retains an interest in the distinctive Christian elements of the institution's governance arrangements through special safeguarding provisions contained in the governing documents. These provisions are referred to as the "golden vote" and allow for the Church of England to exercise a power of veto if the Governing Body passes any resolution which seeks to remove or vary any clause in the governing documents pertaining to the Institution's Christian distinctiveness. The golden vote is not considered to be a material factor in the University's overall governance arrangements in circumstances where it has never been exercised and its inclusion and scope in the governing documents has been narrowed following dialogue with the Church of England.

On 1 August 2005, the Privy Council approved the Institution's application for full University status, and change of name to Canterbury Christ Church University. Companies House and the Charity Commission approved the change of name of the Company and the Registered Charity with effect from the same date.

On 24 June 2013 the Privy Council approved changes to the Articles of Government, principally in relation to a reduction in size from 24 to 18 Governors and consequential changes arising from that reduction. Changes to the responsibilities and Genuine Occupational Requirement relating to the post of Vice-Chancellor were also approved.

The Articles of Government require the University to have a Governing Body and an Academic Board, each with clearly defined functions and responsibilities, to oversee and manage its activities.

## CORPORATE GOVERNANCE (CONTINUED)

The primary responsibilities and constitution are as follows:

- The Governing Body is responsible for the finance, property and staffing of the Institution. It is specifically required to determine the educational character and mission of the Institution and to oversee its general strategic direction.
- The Governing Body comprises 18 members, chosen in line with criteria contained in the legislation identified above: the Pro-Chancellor (Chair of the Governing Body) is elected from the nominated members. There is provision for the appointment of co-opted members, none of whom may be members of staff of the University, and for representatives of the academic staff and of the student body.
- Subject to the overall responsibility of the Governing Body, the Academic Board has oversight of the academic affairs of the Institution and draws its membership from the staff and the students of the University and representatives of other institutions. It is particularly concerned with general issues relating to teaching and research.

The roles of the Chancellor (installed December 2005) and the Pro-Chancellor (Chair of the Governing Body) are separate from the role of the University's Chief Executive, the Vice-Chancellor. The Vice-Chancellor is the head of the Institution and has a general responsibility to the Governing Body for the organisation, direction and management of the University. Under the terms and conditions of funding for higher education institutions from the Office for Students (OfS), the Vice-Chancellor is the designated officer of the Institution and in that capacity can be summoned to appear before the Public Accounts Committee of the House of Commons.

Although the Governing Body meets at least four times each academic year, much of its detailed work is handled by committees, including a Finance and Resources Committee, a Chairs Committee (which fulfils the role of the Nominations Committee) and a Remuneration Committee.

The decisions of these Committees and those of the Audit Committee are formally reported to the full Governing Body. The Audit Committee comprises members of the Governing Body, not being members of any other committee or the Executive except that the Chair is a member of the Chairs Committee of the Governing Body, a committee without an executive role. The Audit Committee operates within the Audit Code of Practice contained in Annex C of the terms and conditions of funding of higher education institutions with the OfS. Its members may from time to time serve on working parties or other ad-hoc groups established by the Governing Body to consider specific projects. A significant proportion of the membership of all committees consists of nominated and co-opted Governors, other than co-opted student and staff members. Chairships are determined by the Governing Body on the advice of the Nominations Committee.

As Chief Executive, the Vice-Chancellor exercises considerable influence upon the development of institutional strategy, the identification and planning of new developments and the shaping of the institutional ethos. The Senior Management Team (SMT) members all contribute in various ways to this aspect of the work, but the ultimate responsibility for what is done rests with the Vice-Chancellor exercising the responsibility conferred by the Articles of Government. The University maintains a Register of Interests of members of the Governing Body which may be consulted by arrangement with the Clerk to the Governing Body. The Governing Body has powers to remove members in certain specified circumstances. In accordance with the Articles of Government of the Institution, the University Solicitor has been appointed as Clerk to the Governing Body and, in that capacity, provides independent advice on matters of governance to all members. The University Solicitor has also been appointed Company Secretary to the incorporated Canterbury Christ Church University, under the Memorandum and Articles of Association dated July 2013.

## CORPORATE GOVERNANCE (CONTINUED)

Copies of the Memorandum and Articles of Association are available for inspection in the office of the University Solicitor.

The University's KPIs were revised in March 2015 to reflect the priorities and monitoring of performance against the University's Strategic Plan (2015-20).

In addition there is an ongoing commitment to the development of the Governing Body effectiveness and work undertaken in this area during 2017/18 has included a series of governor visits to Schools and Departments; strategic discussion items at each full Governing Body meeting; and informal discussions with each member of the Governing Body to consider the effectiveness of the Board and its committees and the individual contribution made by each governor. A peer governance review was carried out in 2017 which confirmed good progress against the governance progress review led by the Pro-Chancellor and Clerk in 2016. The most recent Internal Audit of Corporate Governance in 2018 concluded that the Board could take substantial assurance that the controls which the organisation relies upon to manage this area are suitably designed, consistently applied and operating effectively. HEFCE carries out a periodic assurance review of the University's governance arrangements and in its most recent review in 2018 concluded that it was able to place reliance on the University's accountability information.

The University has a donations and fundraising group that monitors donations received and fundraising activities undertaken, and ensure these activities are carried out in accordance with the University's agreed policy and procedures and relevant legislation and regulations. The group scrutinises individual donations (above a specific level) and provides governance oversight for the University's donations and fundraising activity.

The University is committed to ensuring that slavery and human trafficking is not taking place in its supply chain in line with the Modern Slavery Act 2015. The actions taken by the University include identifying high risk supply chains and following up with these suppliers to gain confirmation that they comply with the requirements of the Act. As part of the University's procurement strategy the tender process has been updated to ensure that appropriate activities are undertaken for all high risk contracts. This includes questions relating to Modern Slavery Act being stated in the Pre-Qualifying Questionnaires.

## STATEMENT OF INTERNAL CONTROL

The Governing Body has responsibility for maintaining a sound system of internal control that supports the achievement of policies, aims and objectives, while safeguarding the public and other funds and assets for which they are responsible, in accordance with the responsibilities assigned to the Governing Body in the University's Instrument and Articles of Governance and the Financial Memorandum with HEFCE.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of policies, aims and objectives; to evaluate the nature and extent of those risks; and to manage them efficiently, effectively and economically. This process has been in place for the year ended 31 July 2018 and up to the date of approval of the Strategic Report and Financial Statements, and accords with the OfS and Turnbull guidance.

The Governing Body has responsibility for the Institution's system of internal control and for reviewing its effectiveness and that review covered all controls (financial, operational, risk management and compliance). The following processes have been established:

- The Governing Body meets at least four times each year to consider the plans and strategic direction of the Institution.
- The Governing Body and the Audit Committee have approved the Risk Management Policy and Procedures which summarise the approach, roles and responsibilities, and the annual review of effectiveness process.
- The Governing Body has assumed responsibility for oversight of the risk management process within the University as a whole, and determined its risk appetite, which includes adopting a differentiated approach to risk depending on the nature of the activity. As Chief Executive, the Vice-Chancellor has ultimate responsibility for the management of the University, including the management of risk. The University Solicitor oversees the risk management process adopted by the University.

The University maintains a comprehensive Strategic Risk Register that identifies the high level strategic risks facing the Institution. Each risk has an identified risk owner clearly documented within the Register together with a scoring assessment based on likelihood and impact. Risks are given a gross and residual rating. Risk identification and management is closely linked to the achievement of the Institution's objectives, with all Schools and Departments producing local risk registers alongside their annual business plans. All of the University's identified high level corporate risks are directly linked to the University's Key Performance Indicators which monitor achievement against the Strategic Plan.

Each risk response has been formally considered by the University Solicitor, the Senior Management Team (SMT) and the Audit Committee. The Vice-Chancellor and the SMT monitor the top 'net exposure' risks on a regular basis, as well as the effectiveness of controls in place to manage less serious risks. Less serious risks are reviewed and monitored by Faculties, Schools and Departments which operate local registers as part of an overall approach, embedding risk assessment and management within the University. The annual presentation of local risks within SMT business plans allows for consideration to be made of aggregated risks for potential inclusion in the University's high level risk register.

## STATEMENT OF INTERNAL CONTROL (CONTINUED)

Regular reports are received from the Audit Committee concerning findings of the Internal Auditor and matters relating to internal control. The Vice-Chancellor provides a written report to the Audit Committee on the University's approach to Risk Management at each of its meetings and an annual report is presented in May of each year.

The University has appointed Internal Auditors, who operate to standards defined in the OfS terms and conditions of funding for higher education institutions. The Internal Auditors submit regular reports which include their independent opinion on the adequacy and effectiveness of the system of internal control, together with recommendations for improvement.

The Governing Body's review of the effectiveness of the system of internal control is also informed by the work of the executive managers within the University, who have responsibility for the development and maintenance of the internal control framework, and by comments made by the External Auditors in their management letter.

HEFCE provided an annual assessment in February 2018, which once again confirmed that the Institution was not at higher risk.

# INDEPENDENT AUDITOR'S REPORT TO THE GOVERNING BODY OF CANTERBURY CHRIST CHURCH UNIVERSITY

## Report on the audit of the financial statements

### Opinion

In our opinion the financial statements of Canterbury Christ Church University (the 'university') and its subsidiary (the 'group'):

- give a true and fair view of the state of the group's and the university's affairs as at 31 July 2018 and of the group's and the university's income and expenditure, gains and losses and changes in reserves and group's cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Statement of Recommended Practice: Accounting for Further and Higher Education; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of principal accounting policies;
- the group and university income and expenditure accounts;
- the group and university statements of comprehensive income;
- the group and university balance sheets;
- the group and university statements of changes in reserves;
- the group cash flow statement; and
- the related notes 1 to 24.

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) 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 group and the university in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (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 are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and 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.

We have nothing to report in respect of these matters.

# INDEPENDENT AUDITOR'S REPORT TO THE GOVERNING BODY OF CANTERBURY CHRIST CHURCH UNIVERSITY (CONTINUED)

## **Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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 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 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 respect of these matters.

## **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement, the directors 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 directors 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 directors are responsible for assessing the group's 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 directors 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**

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 FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

# INDEPENDENT AUDITOR'S REPORT TO THE GOVERNING BODY OF CANTERBURY CHRIST CHURCH UNIVERSITY (CONTINUED)

## **Opinions on other matters prescribed by the Office for Students (OfS) "Regulatory Advice 9: Accounts Direction"**

In our opinion, in all material respects:

- funds administered by the university for specific purposes during the year ended 31 July 2018 have been applied to those purposes and managed in accordance with relevant legislation;
- funds provided by the OfS and Research England have been applied in accordance with the terms and conditions of the Accounts Direction and any other terms and conditions attached to them during the year ended 31 July 2018; and
- the requirements of the OfS's accounts direction have been met.

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

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

## **Use of our report**

This report is made solely to the University's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the university's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the University and the University's members as a body, for our audit work, for this report, or for the opinions we have formed.

## **Ben Sheriff**

FCA (Senior Statutory Auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
St Albans, United Kingdom

# STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

## 1. Basis of Preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2015 and in accordance with Financial Reporting Standards FRS 102. The University is a company limited by guarantee incorporated in the United Kingdom under the Companies Act. The University's registered address and that of the subsidiary company is shown on page 1 of this report. Under FRS 102 the University has taken advantage of the exemptions for financial instrument disclosure for the parent and group, and from providing a parent company cash flow statement.

The University is a public benefit entity and therefore has applied the relevant public benefit requirements of FRS 102. The Financial Statements are prepared in accordance with the historical cost convention. The principal accounting policies, which have been applied consistently throughout the current year are set out below.

The Governing Body is satisfied that the University has sufficient facilities to continue operating at its current level and therefore the financial statements have been prepared in accordance with the historical cost convention and on a going concern basis.

## 2. Critical Judgements

The following are the critical judgements that have been made in the process of applying the University's accounting policies.

### 2.1 Leases

The classification of leases into finance or operating leases is judgemental. The impact of the classification of leases as operating leases is disclosed in Note 20, Lease Obligations and other Financial Commitments. The determination of whether a lease is operating or finance depends on a fundamental assessment of whether the risks and rewards of ownership have been substantially transferred from the lessor on an individual lease basis. The main leases held by the University are for the provision of student accommodation and sports facilities. In each of these agreements the ownership does not transfer to the University and so these are categorised as operating leases.

### 2.2 Capital and Research Grants Received

The University's accounting policy requires recognition of income when performance related conditions are met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released into income as the conditions are met. The research contracts that are entered into by the University are assessed and any performance conditions identified. The income from these research activities is released based on the meeting of the conditions stated in the research contracts or on commencement of the activity if no conditions are specified. Where conditions have not yet been met the income is held as deferred income within creditors on the balance sheet.

## 3. Estimates

The key assumptions concerning the future and other key estimation uncertainty at the balance sheet date that have a significant risk of causing material adjustment to the carrying amounts of the assets and liabilities within the next financial year are highlighted as follows.

### 3.1 Intangible and Tangible Fixed Assets

As stated in the accounting policy for Tangible Fixed Assets, the University's assets are depreciated over their useful, economic lives taking into account residual values, where appropriate. The actual lives of the assets and the residual values are assessed annually and may vary depending on a number of factors.

## STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

In reassessing asset lives the impact of factors such as future technological innovation and maintenance programmes are taken into account. Residual value assessment considers issues such as the market conditions, the remaining life of the asset and any projected disposal values.

### 3.2 Local Government Pension

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 for pensions include the discount rate. Any changes in these assumptions are disclosed in note 23 will impact on the carrying value of the pensions liability. Furthermore a rolled forward approach which projects results from the latest full actuarial valuation performed as at 31 March 2016 has been used by the actuary in valuing the pensions liability as at 31 July 2018. Any differences between these figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

### 4. Basis of Consolidation

The consolidated financial statements include the University and its subsidiary company for the financial year to 31 July 2018. 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 of the union.

### 5. Recognition of Income

Income is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts and VAT recoverable from HM Revenue and Customs. Revenue from transactions that have a commercial substance, including tuition fee, accommodation, catering and conference income and consultancy fees are recognised as income in the Statement of Comprehensive Income using the Performance Related method of apportionment. Fee income is stated gross and credited to the income and expenditure account over the period in which students are studying. This may involve the deferral of income over more than one financial year. Where the amount of the tuition fee is reduced, by a discount awarded by the University for prompt payment, income receivable is shown net of the discount. Bursaries and scholarships are accounted for gross as expenditure and are not deducted from income

### 6. Grants

Revenue-based grants from Government, HEFCE, the National College of Teaching and Leadership (NCTL) and HEKSS trusts are passed through the Income and Expenditure Account when the conditions relating to the grant have been satisfied (see 4, Recognition of Income above). Grants or other contributions from Government and other bodies are accounted for using the performance model and are recognised in the financial statements when the conditions for their receipt have been complied with and there is reasonable assurance that the grant or contribution will be received.

### 7. Agency Arrangements

Funds the Institution receives and disperses as a 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.

## STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### 8. Foreign Currencies

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the closing rate as at the year end. The resulting exchange differences are charged to the Statement of Comprehensive Income.

### 9. Operating Leases

Rental costs under operating leases are charged to expenditure in equal annual amounts over the period of the leases. Rent free periods or other incentives reduce the total expenditure on the lease, calculated by applying all of the incentive over the life of the lease.

### 10. Intangible Assets

The development cost to the University of software assets is capitalised as an intangible asset when the asset comes into full use.

Assets in the course of construction are held in the asset register until they are complete and fully in use. The value of the asset is stated at historic cost less accumulated depreciation, with depreciation being charged on a straight line basis from the month that the asset is fully developed.

### 11. Tangible Fixed Assets

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation, or in the case of Land and Buildings, at deemed cost based on the one off revaluation undertaken as at 31 July 2014.

The total cost of an asset can include incidental expenses incurred by staff or consultants, where these costs relate entirely to the project.

Depreciation is charged on a straight line basis from the month that the asset is acquired or that construction is complete. During the time of construction the value of the asset is held in assets under construction. Once construction is complete the value of the asset is transferred to the asset register. Depreciation commences from when the asset is commissioned into use.

Land is not depreciated as it is considered to have an indefinite useful life. Buildings are depreciated over their expected useful lives of 50 years. Assets in the course of construction are accounted for at cost incurred to the end of the year. They are not depreciated until they are ready for use. Costs incurred in relation to a tangible fixed asset, after its initial purchase or production, are capitalised to the extent that they increase the expected future benefits to the University from the existing tangible fixed asset beyond its previously assessed standard of performance; the cost of any such enhancements are added to the gross amount of the tangible fixed asset concerned.

Minor works of between £10,000 and £25,000 are separately identified and depreciated over ten years. These have been included in the freehold land and buildings category in note 9.

Fixtures, fittings and equipment, including computers and software, costing less than £10,000 per individual item are written off in the year of acquisition.

Equipment that is capitalised is depreciated over the useful economic life expectancy of the asset. This is estimated to be 4 years for equipment including IT assets and over 10 years for plant and machinery.

## STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Where buildings, minor works and equipment are acquired with the aid of specific grants the asset is capitalised and depreciated as above. The related grants are released as income when the performance conditions are met, or on receipt if no conditions are specified.

Expenditure to ensure that a tangible fixed asset maintains its previously recognised standard of performance is recognised in the Statement of Comprehensive Income in the period it is incurred. The University has a planned maintenance programme, which is reviewed on an annual basis. All assets are reviewed on an annual basis for indicators of impairments. Any adjustment to the value of an asset for impairment is charged to the Statement of Comprehensive Income in the period it arises.

### 12. Stocks

Stocks are materials held by various University departments including catering, together with books and other items purchased for resale. Stocks relate to finished products and are valued at the lower of cost or selling price less costs to sell, on a first-in, first-out basis. Where necessary, provision is made for obsolete, slow-moving and defective stocks.

### 13. Cash at Bank and in Hand

Cash includes cash in hand, cash at bank, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty.

### 14. Maintenance of Premises

The University has a long term rolling maintenance plan which forms the basis of the ongoing maintenance of the estate. The cost of routine corrective maintenance is charged to the income and expenditure account as incurred. A provision for dilapidation is made where the lease agreement requires the University to return the property to the landlord in a specified state. A provision is made for the estimated costs of the dilapidation spread over the period of tenancy. Any increase or decrease in this provision is charged to the Statement of Comprehensive Income.

### 15. Taxation Status

The University is a registered charity within the meaning of Part 3 of the Charities Act 2011 and as such is a charity within the meaning of Section 506 of the Income and Corporation Tax Act 1988. It is therefore a charity within meaning of Para 1 of schedule 6 to Finance Act 2010 and accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by Sections 478-488 of the Corporation Taxes Act 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.

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

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. A net deferred tax asset is presented in the financial statements as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

## STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### 16. Pension Schemes

Retirement benefits to employees of the University are provided by the Local Government Pension Scheme (LGPS), the University Superannuation Scheme (USS) and the Teachers' Pension Scheme (TPS). All schemes are defined benefit schemes but the USS and TPS schemes are both multi-employer schemes and it is not possible to identify the assets and liabilities of the scheme which are attributable to the University on a consistent and reliable basis. In accordance with FRS 102 the USS and TPS pension schemes are accounted for on a defined contribution basis and the contributions to these schemes are included as expenditure in the period in which they are payable in the Statement of Comprehensive Income.

For defined benefit schemes the amounts charged to the operating surplus are the costs arising from employee services rendered during the period and the cost of the plan introductions, benefit changes, settlements and curtailments. They are included as part of staff costs. The net interest cost on the net defined benefit liability is charged to profit or loss and included within finance costs. Re-measurement comprising actuarial gains and losses and the return on scheme assets (excluding amounts included in net interest on the net defined benefit liability) are recognised immediately in other comprehensive income.

The University has an agreed obligation to fund past deficits of the USS and therefore, recognises the net present value of contributions payable that arise from this agreement as a liability in the Balance Sheet.

The TPS is an unfunded scheme and so no liability for past deficits is reported.

The University is able to identify its share of assets and liabilities of the LGPS. The movement in the defined benefit liability of this scheme, when adjusted for payments into and out of the plan, is charged to the Statement of Comprehensive Income. This cost is the aggregation of changes in the defined benefit obligation and changes in plan assets. To identify this liability the assets of the LGPS are valued using bid values. LGPS liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The increase in the present value of the liabilities of the scheme expected to arise from employee service in the period is charged to Staff Costs, Note 6.

The difference between the fair value of the University's share of the assets held in the LGPS defined benefit pension scheme and the scheme's liabilities measured on an actuarial basis using the projected unit method are recognised in the University's Balance Sheet as a pension scheme asset or liability as appropriate. The carrying value of any resulting pension scheme asset is restricted to the extent that the University is able to recover the surplus through reduced contributions in the future or through funds from the scheme. Actuarial gains and losses, and movements to the defined benefit pension scheme's assets or liabilities arising from a change in actuarial assumptions are charged to the Statement of Comprehensive Income in accordance with FRS 102.

### 17. Investments

Endowment asset investments are held as cash.

Where charitable donations are to be retained for the benefit of the Institution as specified by the donors, these are accounted for as endowments in the reserves on the Balance Sheet. The University has two main types of endowments:

- Expendable endowments - the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and the Institution can convert the donated sum into income.
- Restricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective.

## STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### 18. Financial Instruments

The University does not hold any non-basic financial instruments. The primary financial instruments are cash, loans, receivables from trade debtors and payables to creditors and suppliers. The recognition of trade debtors and trade creditors is at fair value. Loans, accruals and prepayments are recognised at the amortised cost.

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

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

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss.

### 19. Investment in Subsidiaries

The investment in the subsidiary undertaking is shown at cost less any impairment value. The University carries out an annual impairment review of the investment in the subsidiary.

### 20. Reserves

Reserves are classified as restricted or unrestricted. Restricted endowment reserves include balances which, though endowment to the university, are held as a permanently restricted fund which the university must hold in perpetuity.

The following reserves are maintained:

- Unrestricted – where the reserve is not restricted as to its use.
- Designated – this is the designated pensions reserve reported in Note 23.
- Restricted – where the University holds funds for which the donor has placed restrictions on their use.

## Consolidated and University Statement of Comprehensive Income and Expenditure For the Year Ended 31 July 2018

	Notes	Consolidated		University	
		2018 £'000	2017 £'000	2018 £'000	2017 £'000
<b>Income</b>					
Tuition fees and education contracts	1	100,003	101,110	100,003	101,110
Funding body grants	2	9,780	11,056	9,780	11,056
Research grants and contracts	3	2,148	547	2,148	547
Other income	4	18,803	21,105	18,713	21,028
Investment income	5	140	236	138	235
<b>Total income</b>		<b>130,874</b>	<b>134,054</b>	<b>130,782</b>	<b>133,976</b>
<b>Expenditure</b>					
Staff costs	6	75,351	75,451	75,268	75,349
Interest and other finance costs	7	1,539	1,752	1,539	1,752
Other operating expenses	8	47,012	46,504	47,002	46,528
Depreciation	9	8,093	6,519	8,093	6,519
<b>Total Expenditure</b>		<b>131,994</b>	<b>130,226</b>	<b>131,902</b>	<b>130,148</b>
<b>(Deficit)/surplus for the year after depreciation of tangible fixed assets at cost and disposal of tangible fixed assets</b>		<b>(1,120)</b>	<b>3,828</b>	<b>(1,120)</b>	<b>3,828</b>
Endowment comprehensive income for the year	17	8	6	8	6
Actuarial gain in respect of pension schemes	23	973	14,349	973	14,349
<b>Total comprehensive (loss)/income for the year</b>		<b>(139)</b>	<b>18,183</b>	<b>(139)</b>	<b>18,183</b>
Represented by:					
Endowment comprehensive income for the year	18	8	6	8	6
Unrestricted comprehensive (loss)/income for the year		(147)	18,177	(147)	18,177
<b>(Deficit)/surplus for the year attributable to the University</b>		<b>(139)</b>	<b>18,183</b>	<b>(139)</b>	<b>18,183</b>

**Consolidated Statement of Changes in Reserves  
For the Year Ended 31 July 2018**

	Income and expenditure account			Total
	<i>Endowment</i>	<i>Restricted</i>	<i>Unrestricted</i>	
	£'000	£'000	£'000	£'000
<b>Balance at 1 August 2016</b>	231	50	76,903	77,184
Surplus from the income and expenditure statement	-	-	3,828	3,828
Other comprehensive income	6	-	14,349	14,355
<b>Total comprehensive income for the year</b>	<u>6</u>	<u>-</u>	<u>18,177</u>	<u>18,183</u>
<b>Balance at 31 July 2017</b>	<u><u>237</u></u>	<u><u>50</u></u>	<u><u>95,080</u></u>	<u><u>95,367</u></u>
<b>Balance at 1 August 2017</b>	237	50	95,080	95,367
Deficit from the income and expenditure statement	-	-	(1,120)	(1,120)
Other comprehensive income	19	(11)	973	981
<b>Total comprehensive income for the year</b>	<u>19</u>	<u>(11)</u>	<u>(147)</u>	<u>(139)</u>
<b>Balance at 31 July 2018</b>	<u><u>256</u></u>	<u><u>39</u></u>	<u><u>94,933</u></u>	<u><u>95,228</u></u>

**Consolidated and University Balance Sheet**  
**For the year ended 31 July 2018**

		2018	2017	2018	2017
		As at 31 July 2018		As at 31 July 2017	
	Notes	Consolidated		University	
		£'000	£'000	£'000	£'000
<b>Non-current assets</b>					
Fixed assets	9	139,585	132,660	139,585	132,660
Investments	10	-	-	450	450
Intangible assets	11	2,362	-	2,362	-
		<u>141,947</u>	<u>132,660</u>	<u>142,397</u>	<u>133,110</u>
<b>Current assets</b>					
Stock		237	275	237	275
Trade and other receivables	12	17,409	14,938	17,512	14,990
Cash and cash equivalents	18	37,468	37,698	37,057	37,309
		<u>55,114</u>	<u>52,911</u>	<u>54,806</u>	<u>52,574</u>
Less: Creditors: amounts falling due within one year	13	( 39,538)	( 28,342)	( 39,680)	( 28,455)
<b>Net current assets</b>		<b>15,576</b>	<b>24,569</b>	<b>15,126</b>	<b>24,119</b>
<b>Total assets less current liabilities</b>		<u><b>157,523</b></u>	<u><b>157,229</b></u>	<u><b>157,523</b></u>	<u><b>157,229</b></u>
Creditors: amounts falling due after more than one year	14	( 39,659)	( 42,087)	( 39,659)	( 42,087)
<b>Provisions</b>					
Pension provision LGPS	23	( 20,271)	( 17,478)	( 20,271)	( 17,478)
Other provisions	16	( 2,365)	( 2,297)	( 2,365)	( 2,297)
<b>Total net assets</b>		<u><b>95,228</b></u>	<u><b>95,367</b></u>	<u><b>95,228</b></u>	<u><b>95,367</b></u>
<b>Restricted Reserves</b>					
Income and expenditure reserve - endowment reserve	17	39	50	39	50
<b>Unrestricted Reserves</b>					
Income and expenditure reserve - endowment reserve	17	256	237	256	237
Income and expenditure - Local Government Pension Scheme reserve		( 20,271)	(17,478)	( 20,271)	(17,478)
Income and expenditure reserve - unrestricted includes pension		115,204	112,558	115,204	112,558
		<u>95,189</u>	<u>95,317</u>	<u>95,189</u>	<u>95,317</u>
<b>Total Funds</b>		<u><b>95,228</b></u>	<u><b>95,367</b></u>	<u><b>95,228</b></u>	<u><b>95,367</b></u>

The Financial Statements on pages 33 to 56 were approved and authorised for issue by the Governing Body on 27 November 2018 and signed on its behalf by:

Professor R S Thirunamachandran  
Vice Chancellor and Principal  
Canterbury Christ Church University  
Registered company number 04793659

Mr F Martin

Pro-Chancellor (Chairman of the Governing Body)

# Consolidated Cash Flow Statement

For the Year ended 31 July 2018

	Notes	Year ended 31 July 2018 £'000	Year ended 31 July 2017 £'000
<b>Cash flow from operating activities</b>			
(Deficit)/surplus for the year		( 1,120)	3,828
<b>Adjustment for non-cash items</b>			
Depreciation	9	8,092	6,519
Decrease)/(Increase) in stock		38	( 9)
(Increase) in debtors	12	( 2,471)	( 870)
Increase/(decrease) in creditors	13	11,375	( 1,684)
Increase/(decrease) in other provisions	16	68	( 511)
Pension costs excluding contributions paid	23	3,774	3,211
<b>Adjustment for investing or financing activities</b>			
Investment income	5	( 140)	( 236)
Interest payable	7	1,140	1,060
Endowment income	17	-	-
Capital Grant income	2	( 1,614)	( 1,423)
<b>Net cash inflow from operating activities</b>		<b>19,142</b>	<b>9,885</b>
<b>Cash flows from investing activities</b>			
Investment income	5	140	236
Payments made to acquire fixed assets	9	( 17,379)	( 14,121)
Payments made to acquire endowment assets	17	( 22)	-
Capital grants receipts	2	1,614	1,423
<b>Net cash outflow from investing activities</b>		<b>( 15,647)</b>	<b>( 12,462)</b>
<b>Cash flows from financing activities</b>			
Interest paid	7	( 1,140)	( 1,060)
Endowment cash received	17	22	2
New unsecured loans	15	123	158
Repayments of amounts borrowed	15	( 2,730)	( 2,703)
<b>Net cash outflow from financing activities</b>		<b>( 3,725)</b>	<b>( 3,603)</b>
<b>(Decrease) in cash and cash equivalents in the year</b>		<b>( 230)</b>	<b>( 6,180)</b>
Cash and cash equivalents at beginning of the year	18	37,698	43,878
Cash and cash equivalents at end of the year	18	37,468	37,698

## Notes to the Financial Statements

### 1. TUITION FEES AND EDUCATIONAL CONTRACTS

	2018	2017
Notes	£'000	£'000
Full-time home and European students	72,935	71,780
Full-time Students Overseas	2,584	2,284
Part-time Students	7,772	7,036
Total fees paid by or on behalf of individual students	83,291	81,100
Education contracts	16,712	20,010
<b>Total</b>	<b>100,003</b>	<b>101,110</b>

### 2. FUNDING BODY GRANTS

	2018	2017
<b>Recurrent grant</b>		
OfS	6,776	8,153
<b>Total recurrent grants</b>	<b>6,776</b>	<b>8,153</b>
<b>Specific grants</b>		
OfS	808	556
DfE	582	1,021
<b>Total specific grants</b>	<b>1,390</b>	<b>1,578</b>
<b>Capital grant received and recognised in the year</b>		
Buildings	139	545
Equipment	1,475	780
<b>Total capital grants</b>	<b>1,614</b>	<b>1,325</b>
<b>Total</b>	<b>9,780</b>	<b>11,056</b>

## Notes to the Financial Statements (continued)

<b>3. RESEARCH GRANTS AND CONTRACTS</b>	<b><u>2018</u></b>	<b><u>2017</u></b>
United Kingdom Research & Innovation (UKRI)	83	41
UK based charities	607	351
European Commission	257	96
Other grants and contracts	1,201	59
	<u>2,148</u>	<u>547</u>

<b>4. OTHER OPERATING INCOME</b>	<b><u>2018</u></b>	<b><u>2017</u></b>
Residences, catering and conferences	11,849	12,454
Other income generating activities	6,316	7,691
Other operating income	638	960
	<u>18,803</u>	<u>21,105</u>

Other income generating activities above include Teach First, consultancy fees and consultancy contracts, social work and community engagement.

<b>5. INVESTMENT INCOME</b>	<b><u>2018</u></b>	<b><u>2017</u></b>
Bank interest receivable	140	236
	<u>140</u>	<u>236</u>

## Notes to the Financial Statements (continued)

### 6. STAFF COSTS

All Staff are employed by Canterbury Christ Church University. The average monthly number of persons (including senior post holders) employed during the year, expressed as full time equivalents was:

	2018 Number	2017 Number
Teaching departments	639	652
Teaching support services	213	261
Administration and central services	695	676
Premises	38	38
Total	<u>1,585</u>	<u>1,627</u>
	2018 £'000	2017 £'000
<b>Staff costs</b>		
Wages and salaries	60,346	60,648
Social security costs	5,813	5,865
Other pension costs	9,192	8,938
Total	<u>75,351</u>	<u>75,451</u>

The other pension costs represents the total value of contributions due in the year to TPS, USS and LGPS. An additional cost of £3,556k (2017: £2,825k) is recognised within other operating expenses relating to the balance between the contributions due to the LGPS and the actuarially calculated service cost. The total expense recognised for the year can be seen within note 23.

#### Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the University. Staff costs includes compensation paid to key management personnel. Compensation consists of salary and benefits, including any employer's pension contribution. The Key Management Personnel in the University are members of the Senior Management Team.

	2018 £'000	2017 £'000
Key management personnel compensation	<u>1,502</u>	<u>1,660</u>

## Notes to the Financial Statements (continued)

### 6. STAFF COSTS Cont.

#### Higher paid staff

Salary Range	<u>2018</u> Number	<u>2017</u> Number
£100,000 to £104,999	-	1
£105,000 to £109,999	2	1
£110,000 to £114,999	-	1
£115,000 to £119,999	-	-
£120,000 to £124,999	1	-
£125,000 to £129,999	-	-
£130,000 to £134,999	-	-
£140,000 to £ 144,999	-	-
£150,000 to £154,999	1	1
	<u>4</u>	<u>4</u>

The emoluments paid to the five members of the Governing Body (2017: 5) and their accrued benefits under defined benefits pension schemes are shown below:

	<u>2018</u> £'000	<u>2017</u> £'000
Salaries	426	446
Employer's pension contributions	<u>25</u>	<u>14</u>
Total	<u>451</u>	<u>460</u>

	<u>2018</u> £'000	<u>2017</u> £'000
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#### Emoluments of the Vice Chancellor, being the highest paid director

Salary	265	260
Employer's pension contributions	<u>6</u>	<u>5</u>
Total emoluments of the Vice Chancellor	<u>271</u>	<u>265</u>

The emoluments of the Vice Chancellor are shown on the same basis as for higher paid staff. There have been no non-taxable or taxable benefits paid to the Vice Chancellor in the year other than those that are for the reimbursement of business travel and other business expenses. These are claimed in line with the University's staff expenses policy. The Vice Chancellor's expense claims and charges are shared on the University's public website. The Vice Chancellor has enhanced opt out membership of the USS Pension Scheme, and therefore, the contribution made by the University to the scheme on his behalf is at a significantly lower contribution rate of 2.1%.

The pay ratio of the Vice Chancellor's total emoluments as a ratio to the median of the total emoluments for all staff is 7.3:1 (2017: 7.2:1). The pay ratio of the Vice Chancellor's basic salary as a ratio to the median of the basic salary of all staff is 8.1:1 (2017: 7.9:1). These calculations are based on a full time equivalent basis for all staff directly employed by the University except agency workers. The University does not hold sufficiently detailed information to include agency workers in the calculation.

## Notes to the Financial Statements (continued)

### 6. STAFF COSTS Cont.

#### Directors' Emoluments

The remuneration of the Vice-Chancellor is determined by the Remuneration Committee which is made up of Independent Governors only and chaired by the Deputy Chair of the Governing Body. From November 2018, its membership has been supplemented with the addition of an external independent member who is not a member of the Governing Body. This member has met with staff governors and with a group of students to seek their input in advance of the Remuneration Committee meeting. The decisions of the Remuneration Committee are reported in writing to the full Governing Body.

The Remuneration of the Vice-Chancellor is based on an annual appraisal against objectives carried out by the Chair of the Governing Body. Any annual increase in the Vice-Chancellor's pay is based on a senior salary framework, which was approved by the Remuneration Committee in 2014, and applies equally to all members of the Senior Management Team. The framework is based on a 3 point scale for assessment and performance – exceptional, excellent and requiring improvement. The pay increase for an 'excellent' rating is pegged to the annual national pay award for all staff (1.7% in 2017/18). Where an exceptional rating has been achieved the pay increase is normally an additional 1%.

The Vice-Chancellor's salary level takes into account the size and complexity of the institution compared to other providers. The Remuneration Committee receives benchmark information on senior salaries from the Universities and Colleges Employers Association (UCEA). The Vice-Chancellor's salary is benchmarked against a group of post 1992 universities with a turnover of £110m -£160m. The University also participates in the annual survey of vice-chancellors remuneration carried out by the Committee of University Chairs (CUC) which provides a helpful means of comparison with other providers. Institutional specific factors adding to the complexity of the role include: the multi-campus operations across Kent and Medway and the substantive external stakeholder engagement with the health sector and the school sector given the significant health and education provision of the University.

The current Vice-Chancellor has been in post since 2013 and his remuneration takes into consideration his considerable experience. He has held senior roles in the Higher Education sector and the Civil Service. It also takes account of his personal performance against key institutional objectives, including the development of a new School of Engineering and the School of Medicine as well as the development and implementation of the £150m Estate Master Plan.

## Notes to the Financial Statements (continued)

### 7. INTEREST PAYABLE AND OTHER FINANCE COSTS

	<u>2018</u>	<u>2017</u>
	£'000	£'000
Bank loans not wholly repayable within five years	1,140	1,060
Net charge on pension scheme	399	692
Total	<u>1,539</u>	<u>1,752</u>

### 8. ANALYSIS OF TOTAL EXPENDITURE BY ACTIVITY

	<u>2018</u>	<u>2017</u>
	£'000	£'000
Academic departments	66,216	66,730
Academic services departments	5,136	5,355
Administration and central services	23,658	22,366
Premises (including service concession cost)	12,742	11,878
Residences, catering and conferences	11,099	12,106
Research grants and contracts	2,300	1,727
Other expenses	1,212	1,793
Depreciation	8,093	6,519
Interest payable and other finance costs	<u>1,539</u>	<u>1,752</u>
	<u>131,995</u>	<u>130,226</u>

	£'000	£'000
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Other operating expenses include:

Fees payable for auditing of the financial statements of both the parent and subsidiary company	56	64
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Other - grant and pension audit	6	4
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Operating lease rentals - Land and Buildings	8,920	9,298
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Operating lease rentals - Equipment	229	156
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## Notes to the Financial Statements (continued)

### 9. TANGIBLE ASSETS

	Consolidated and University				
	Freehold Land and Buildings	Assets under Construction	Fixtures, Fittings and Equipment	Plant and Machinery	Total
Cost and deemed cost for land and buildings	£'000	£'000	£'000	£'000	£'000
At 1 August 2017	121,544	14,692	21,141	5,285	162,662
Additions	-	15,711	-	-	15,711
Transfer to Intangible Assets	-	(694)	-	-	(694)
Assets coming into use	4,994	(10,458)	5,252	212	-
Lift Componentisation	(1,346)	-	-	1,346	-
Disposals	-	-	-	-	-
<b>At 31 July 2018</b>	<b>125,192</b>	<b>19,251</b>	<b>26,393</b>	<b>6,843</b>	<b>177,679</b>
<b>Accumulated depreciation</b>					
At 1 August 2017	(13,613)	-	( 14,306)	(2,083)	(30,002)
Charge for the year	(3,593)	-	( 3,427)	(769)	(7,789)
Lift Componentisation	92	-	-	(395)	(303)
Disposals	-	-	-	-	-
<b>At 31 July 2018</b>	<b>(17,114)</b>	<b>-</b>	<b>( 17,733)</b>	<b>(3,247)</b>	<b>(38,094)</b>
<b>Net book value</b>					
<b>At 31 July 2018</b>	<b>108,078</b>	<b>19,251</b>	<b>8,660</b>	<b>3,596</b>	<b>139,585</b>
At 31 July 2017	107,931	14,692	6,835	3,202	132,660
Financed by capital grant	(139)	-	( 1,475)	-	(1,614)

Assets under construction that have been depreciated consist of minor works completed in the year that were utilised by the University, prior to the project being fully capitalised. As part of the transition to FRS 102 the University's land and buildings were valued at 31 July 2014 by Strutt and Parker, an external valuer, in accordance with RICS Valuation – professional standards.

#### Heritage Assets

Heritage assets held by the University consists of artwork and assets of cultural interest displayed in the University's campuses held in perpetuity. The total estimated current value of the assets as at 20 August 2018 is £163,700. This has increased since the previous valuation undertaken on 31 August 2015 when the assets were valued at £101,450. This value is based on an insurance replacement cost. The heritage assets are not being depreciated as their individual value, other than for insurance purposes, is not known. There were no tangible assets held by the subsidiary company.

## Notes to the Financial Statements (continued)

### 10. FIXED ASSET INVESTMENTS

	Shares / Capital Contribution	Loans	Total
	£'000	£'000	£'000
	450	-	450
	<u>450</u>	<u>-</u>	<u>450</u>
At 1 August 2017 and 31 July 2018	<u><u>450</u></u>	<u><u>-</u></u>	<u><u>450</u></u>

Medco (CCCU) Limited had share capital of 10,000,000 £1 ordinary shares of which 4,500,002 were issued, all owned by Canterbury Christ Church University. £4,500,000 of the £1 ordinary shares were converted from issued and paid up redeemable preference shares at an Extraordinary General Meeting on the 7 November 2006. At an Extraordinary General Meeting held on 26 October 2009, Canterbury Christ Church University agreed to a voluntary reduction in its share capital from £4,500,002 to £449,999.

The subsidiary company Medco (CCCU) Limited had been dormant from July 2012. The company was reactivated and started trading as an agency for temporary staff from 1 February 2015. The results of the subsidiary company have been consolidated with the parent company's statements. The registered address of the subsidiary company is the same as the parent, Rochester House, St George's Place, Canterbury, Kent, CT1 1UT.

The Directors and Governing Body believe that the carrying value of the investments is supported by their underlying net assets.

## Notes to the Financial Statements (continued)

### 11. Intangible Assets

### Consolidated and University

	Assets in the course of construction £'000	Total £'000
<b>At 1 August 2017</b>	-	-
Asset transfer from Tangible Assets Under Construction	694	694
Additions	1,668	1,668
<b>At 31 July 2018</b>	<u>2,362</u>	<u>2,362</u>
<b>Amortisation</b>		
At 1 August 2017	-	-
Charge for the year	-	-
<b>At 31 July 2018</b>	<u>-</u>	<u>-</u>
<b>Net book value</b>		
<b>At 31 July 2018</b>	<u>2,362</u>	<u>2,362</u>

Intangible Fixed Assets includes the software assets that are being developed by the University.

## Notes to the Financial Statements (continued)

### 12. TRADE DEBTORS AND OTHER RECEIVABLES

	Consolidated		University only	
	<u>2018</u> £'000	<u>2017</u> £'000	<u>2018</u> £'000	<u>2017</u> £'000
Trade debtors	11,634	8,809	11,616	8,884
Prepayments	5,775	6,129	5,760	6,106
Amount owed by subsidiary company	-	-	136	-
	<u>17,409</u>	<u>14,938</u>	<u>17,512</u>	<u>14,990</u>

### 13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Consolidated		University Only	
	<u>2018</u> £'000	<u>2017</u> £'000	<u>2018</u> £'000	<u>2017</u> £'000
Bank loans	2,693	2,871	2,693	2,871
Trade creditors	9,975	4,398	9,816	4,347
Amount owed to subsidiary company	-	-	353	290
Taxation and social	2,810	3,740	2,810	3,739
Accruals and deferred income	24,060	17,333	24,008	17,208
	<u>39,538</u>	<u>28,342</u>	<u>39,680</u>	<u>28,455</u>

Amounts owed to the subsidiary company and amounts owed by the parent company are unsecured, interest free and repayable 30 days from the date of invoice. The bank loans relate to the capital payments for the campus redevelopment, the purchase of the prison and for student accommodation in Broadstairs.

## Notes to the Financial Statements (continued)

### 14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

Lender	Purpose of Loan	Original amount borrowed £'000	Term (Years)	Maturity Date	Interest rate (%)	Amount owed as at 31 July 2018 £'000
Lloyds Bank	Thanet Campus Development	4,250	23	Dec 2024	0.75	1,235
Lloyds Bank	Thanet Accommodation Development	2,850	30	Dec 2033	0.75	1,413
Lloyds Bank	Canterbury Campus Development	5,000	15	Jul 2023	6.35	4,125
Lloyds Bank	Canterbury Campus Development	8,750	26	Sep 2034	5.34	7,800
Lloyds Bank	Canterbury Campus Development	5,000	25	Dec 2034	2.75	4,125
Lloyds Bank	Canterbury Campus Development	17,250	25	Dec 2034	0.75	14,390
Lloyds Bank	Acquisition of former prison	10,000	19	Dec 2033	4.20	8,733
Salix	Carbon Saving measures - interest free loan	267	4	Dec 2018	0.00	34
Salix	Carbon Saving measures - interest free loan	48	4	Sep 2019	0.00	12
Salix	Carbon Saving measures - interest free loan	141	4	Oct 2019	0.00	53
Salix	Carbon Saving measures - interest free loan	168	4	Apr 2021	0.00	134
Salix	Carbon Saving measures - interest free loan	123	4	Apr 2022	0.00	123
HEFCE	Revolving Green Fund to initiate carbon saving measures	278	4	Mar 2019	0.00	175

In April 2018 the University entered into a financing through a Revolving Credit Facility jointly with Lloyds Bank and RBS to further support the Estates Master Plan for the second phase. The total credit agreement is for £47,000,000 for five years with the option to convert to a term loan on completion of the building programme. There is a non-utilisation charge whilst the funds remain committed but undrawn of 0.6%. This is being expensed to the Statement of Comprehensive Income.

## Notes to the Financial Statements (continued)

### 15. BORROWINGS

	Consolidated and University	
	<u>2018</u>	<u>2017</u>
	£'000	£'000
Bank loans and overdrafts		
Bank loans and overdrafts are repayable as follows:		
In one year or less	2,693	2,871
Between one year and two years	2,714	2,668
Between two and five years	7,741	8,054
In five years or more	29,204	31,365
Total	<u>42,352</u>	<u>44,958</u>

### 16. PROVISIONS FOR LIABILITIES

	Consolidated and University	
	<u>2018</u>	<u>2017</u>
	£'000	£'000
Dilapidation provision at the start of the year	1,080	1,212
Additions in year	201	-
Released/Utilised	(350)	(132)
<b>At 31 July 2018</b>	<u>931</u>	<u>1,080</u>

The University has provided for the potential future dilapidation costs in line with the substance of the works required.

	<u>2018</u>	<u>2017</u>
	£'000	£'000
<b>Other Provisions</b>		
Provisions at the start of the year	1,217	1,596
Additions in year	250	-
Released/Utilised	(33)	(379)
Provision at the end of the year	<u>1,434</u>	<u>1,217</u>

Provision is made for the return of unused funding from prior years and an estimate of the net pension liability from the pension costs of the Universities Superannuation Scheme.

## Notes to the Financial Statements (continued)

### 17. ENDOWMENTS

	Consolidated and University		2018	2017
	Expendable	Restricted Permanent	Total	Total
	£'000	£'000	£'000	£'000
<b>Opening balance at 1 August 2017</b>				
Capital	295	54	348	312
Accumulated income	(57)	(4)	(61)	(31)
	<u>237</u>	<u>50</u>	<u>287</u>	<u>281</u>
<b>Movement for the year to date</b>				
New endowments	-	-	-	2
Transfer from Permanent to Expendable	10	(10)	-	-
Investment income	22	-	22	34
Expenditure	(13)	(1)	(14)	(30)
	<u>19</u>	<u>(11)</u>	<u>8</u>	<u>6</u>
<b>Closing balance at 31 July 2018</b>	<u><u>256</u></u>	<u><u>39</u></u>	<u><u>295</u></u>	<u><u>287</u></u>
<b>Represented by:</b>				
Capital	(326)	(44)	(370)	348
Accumulated income	70	5	75	(61)
	<u>(256)</u>	<u>(39)</u>	<u>(295)</u>	<u>287</u>
The above amounts are represented by cash balances				
<b>Representing:</b>				
Specific donations	1	-	1	1
Scholarships and bursaries	196	3	199	210
Prize funds	59	36	95	76
	<u>256</u>	<u>39</u>	<u>295</u>	<u>287</u>

## Notes to the Financial Statements (continued)

### 18. CASH AND CASH EQUIVALENTS

University	At 1st August 2017 £'000	Cash Flows £'000	At 31st July 2018 £'000
Balance at bank	37,022	(260)	36,762
Cash & cash equivalents - endowment assets	287	8	295
	<u>37,309</u>	<u>(252)</u>	<u>37,057</u>

### Consolidated

	At 1st August 2017 £'000	Cash Flows £'000	At 31st July 2018 £'000
Balance at bank - University	37,022	(260)	36,762
Balance at bank - Medco (CCCU) Limited	389	22	411
Cash & cash equivalents - endowment assets	287	8	295
	<u>37,698</u>	<u>(230)</u>	<u>37,468</u>

### 19. CONTINGENT LIABILITIES

There were no contingent liabilities as at 31 July 2018.

## Notes to the Financial Statements (continued)

### 20. LEASE OBLIGATIONS AND OTHER COMMITMENTS

At 31 July 2018, Canterbury Christ Church University had annual commitments under non-cancellable operating leases as follows:

	Land and Buildings £'000	2018 Plant and Machinery £'000	Other leases £'000	Total £'000	31 July 2017 £'000
<b>Paid during the year</b>	6,001	2,077	-	8,077	6,610
<b>Future minimum lease payments due:</b>					
Not later than 1 year	4,893	1,687	-	6,579	6,568
Later than 1 year and not later than 5 years	19,570	6,202	-	25,772	19,278
Later than 5 years	67,333	10,306	-	77,639	50,270
<b>Total lease payments due</b>	<u>91,796</u>	<u>18,195</u>	<u>-</u>	<u>109,990</u>	<u>76,116</u>

Other commitments consist of long term arrangements for the use of Polo Farm facilities by the University for a term of 65 years.

Future minimum payments due:	<b>2018</b> £'000	2017 £'000
Not later than 1 year	300	250
Later than 1 year and not later than 5 years	1,200	1,000
Later than 5 years	16,920	14,783
	<u>18,420</u>	<u>16,033</u>

### 21. RELATED PARTY DISCLOSURES

Canterbury Christ Church University had been one of five equal partners in GOETEC Limited, formerly Kent MAN Limited, a company formed on 1 April 2002 and limited by guarantee. This company was responsible for maintaining telecommunications links between higher education institutions and the County Council in Kent. The company was wound up and made dormant in 2017/2018. There were no funds owed to Canterbury Christ Church University by GOETEC at this time. All funds owed to GOETEC by Canterbury Christ Church University were transferred to the University of Kent on 29 November 2017 to enable the company to be closed.

Canterbury Christ Church University's subsidiary company, Medco (CCCU) Limited trades as a Unitemps staffing agency, under a franchise arrangement with Warwick University Enterprises Limited. The subsidiary company has continued to perform well in the last year, exceeding budget expectations. The ultimate controlling party of the subsidiary company is the parent company, the University. The subsidiary company's results have been consolidated with the parent company in these financial statements.

Funding council grants are disclosed on the face of the statement of comprehensive income and in the relevant notes to the financial statements.

### 22. EVENTS AFTER THE REPORTING PERIOD

There were no post balance sheet events to note.

## Notes to the Financial Statements (continued)

### 23. PENSION SCHEMES

The three principal pension schemes for Canterbury Christ Church University's staff are the Teacher's, Pension Scheme (TPS), the local Government Pension Scheme (LGPS) and the Universities Superannuation Scheme (USS). The schemes are defined benefit schemes. The TPS and USS schemes are both multi-employer schemes and it is not possible to identify the assets of the schemes which are attributable to the University on a consistent and reliable basis. In accordance with FRS 102 the USS and TPS pension schemes are accounted for on a defined contributions basis. The contributions to these scheme are included as expenditure in the period in which they are payable in the Statement of Comprehensive Income.

The University has an agreed obligation to fund past deficits of the USS and therefore, recognises the contributions payable that arise from the agreement as a liability in the Balance Sheet.

The TPS is an unfunded scheme and therefore, no liability for past deficits are reported. The total pension contributions for Canterbury Christ Church University was:

	2018	2017
	£000	£000
Contribution to TPS	5,042	5,003
Contribution to LGPS	3,872	3,659
Contribution to USS	277	276
	<u>9,191</u>	<u>8,938</u>
Percentage employers contributions to TPS as at the year end	16.5%	16.5%
Percentage employers contributions to LGPS as at the year end	17.5%	17.5%
Percentage employers contributions to USS as at the year end	18.0%	18.0%

The assumptions and other data relevant to the determination of the contribution levels of the schemes are as follows:

	TPS	LGPS	USS
Latest actuarial valuations	31/03/12	31/03/16	31/03/14
Actuarial Method	Prospective benefits	Projected Unit	Projected Unit
Investment returns per annum	8.40%	5.40%	5.20%
Salary scale increases per annum	4.75%	3.90%	RPI + 1%
Pension increases per annum	2.00%	2.40%	RPI
Market value of assets at date of last valuation	-	£4,597m	£41,604.6m
Nominal market value of assets at date of the last valuation	£176,600m	-	-
Proportion of members accrued benefits covered by the actuarial value of assets	92%	89%	89%

## Notes to the Financial Statements (continued)

### 23. PENSION SCHEMES (CONTINUED)

The most recent valuation of Kent's Local Government Pension Scheme at 31 March 2016 records a deficit of £546m, equivalent to a funding level of assets to liabilities of 89%.

The Teacher's Pension Scheme valuation at 31 March 2012 reported the scheme as having a notional deficit of £15.0 billion.

The latest Universities' Superannuation Scheme valuation at 31 March 2014 indicated that the scheme had a shortfall or deficit of £5.3 billion, equivalent to a funding level of assets to liabilities of 89%.

#### Teachers' Pensions Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme. The regulations under which the TPS operates are the Teachers' Pensions Regulations 1997, as amended. These regulations apply to teachers in schools and other educational establishments in England and Wales maintained by local authorities, to teachers in many independent and voluntary-aided schools, and to teachers and lecturers in establishments of further and higher education. Membership is automatic for full-time teachers and lecturers and from 1 January 2007 automatic too for teachers and lecturers in part-time employment following appointment or a change of contract. Teachers and lecturers are able to opt out of the TPS.

The Teachers' Pensions Regulations require an annual account, the Teachers' Pension Account, to be kept of receipts and expenditure (including the cost of pensions' increases). From 1 April 2001, the Account has been credited with a real rate of return (in excess of price increases and currently set at 3.1%), which is equivalent to assuming that the balance in the account is invested in notional investments that produce that real rate of return.

Not less than every four years the Government Actuary, using normal actuarial principles, conducts a formal actuarial review of the TPS. The aim of the review is to specify the level of future contributions.

The contribution rate paid into the TPS is assessed in two parts. First, a standard contribution rate (SCR) is determined. This is the contribution, expressed as a percentage of the salaries of teachers and lecturers in service or entering service during the period over which the contribution rate applies, which if it were paid over the entire active service of these teachers and lecturers would broadly defray the cost of benefits payable in respect of that service. Secondly, a supplementary contribution is payable if, as a result of the actuarial investigation, it is found that accumulated liabilities of the Account for benefits to past and present teachers, are not fully covered by standard contributions to be paid in future and by the notional fund built up from past contributions. The total contribution rate payable is the sum of the SCR and the supplementary contribution rate.

Although teachers and lecturers are employed by various bodies, their retirement and other pension benefits, including annual increases payable under the Pensions (Increase) Acts are, as provided for in the Superannuation Act 1972, paid out of monies provided by Parliament. Under the unfunded TPS, teachers' contributions on a 'pay-as-you-go' basis, and employers' contributions, are credited to the Exchequer under arrangements governed by the above Act. The scheme is accounted for as if it is a defined contribution scheme.

## Notes to the Financial Statements (continued)

### 23. Pension Schemes (continued)

#### Universities Superannuation Scheme

USS is valued every three years by professionally qualified independent actuaries using the projected unit method, the rates of contribution payable being determined by the trustees on the advice of the actuaries. In the intervening years, the USS actuary reviews the progress of the USS scheme.

The contribution rate payable by Canterbury Christ Church University to USS is 18% of pensionable salaries. The actuary to USS has confirmed that it is appropriate to take the pension costs in Canterbury Christ Church University's financial statements to be equal to the actual contributions paid during the year. In particular, the current contribution rate has regard to the surplus disclosed, the benefit improvements introduced subsequent to the valuation and the need to spread surplus in a prudent manner over the future working lifetime of current scheme members.

Because of the mutual nature of the scheme, Canterbury Christ Church University is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting year. The liability for future payments is included in the balance sheet.

#### Local Government Pension Scheme

The LGPS is a funded scheme and is valued every three years by actuaries using the projected unit method, the rates of contribution payable being determined by the members of Kent County Council Superannuation Fund on the advice of the actuaries. In the intervening years, the LGPS actuary reviews the progress of the LGPS scheme.

For LGPS, the actuary has indicated that the resources of the scheme are likely, in the normal course of events, to meet the liabilities as they fall due at the level specified by the LGPS Regulations.

Under the definitions set out in FRS 102 the LGPS is a multi-employer defined benefit pension scheme. In the case of the LGPS, the actuary of the scheme has identified Canterbury Christ Church University's share of its assets and liabilities as at 31 July 2018.

The pension scheme assets are held in a separate trustee administered fund to meet long-term pension liabilities to past and present employees. The trustees of the fund are required to act in the best interests of the funds' beneficiaries. The appointment of the trustees of the fund is determined by the scheme's trust documentation. The trustees are responsible for setting the investment strategy for the scheme after consultation with professional advisors.

The significant assumptions used by the actuary for FRS 102 for the LGPS at 31 July 2018 were:

	<u>2018</u>	<u>2017</u>
	<u>% pa</u>	<u>% pa</u>
Inflation / Pension increase	2.35	2.10
Rate of increase in salaries	3.15	2.90
Discount rate for liabilities	2.65	2.58

## Notes to the Financial Statements (continued)

### 23. PENSION SCHEMES (CONTINUED)

The post retirement mortality tables adopted are the S2PA tables. These base tables are then projected using the CMI 2015 model, allowing for a long term rate of improvement of 1.5% p.a. Based on these assumptions, the average life expectations on retirement at age 65 are:

	<b>Males</b>	<b>Females</b>
Current Pensioners	23.1 years	25.2 years
Future Pensioners	25.3 years	27.5 years

The assets in the LGPS scheme and the expected rate of return for Canterbury Christ Church University were:

	<b>Value at 31 July 2018</b>	<b>Value at 31 July 2017</b>
	<b>£'000</b>	<b>£'000</b>
Equities	74,685	68,889
Gilts	841	682
Bonds	9,730	9,422
Property	13,554	12,011
Cash	3,155	3,103
Target return portfolio	7,420	3,751
	<b><u>109,385</u></b>	<b><u>97,858</u></b>
	<b>Value at 31 July 2018</b>	<b>Value at 31 July 2017</b>
	<b>£'000</b>	<b>£'000</b>
<b>Total market value of assets</b>	<b>109,585</b>	<b>97,858</b>
Present value of scheme liabilities	(129,818)	(115,297)
Present value of unfunded liabilities	(38)	(39)
<b>Deficit in the scheme – net pension liability</b>	<b><u>(20,271)</u></b>	<b><u>(17,478)</u></b>

The net charge for the year was £2,971k (2017: £2,893k cost).

## Notes to the Financial Statements (continued)

### 23. PENSION SCHEMES (CONTINUED)

	2018	2017
	£'000	£'000
<b>Reconciliation of Defined Benefit Obligation</b>		
<b>Opening Defined Benefit Obligation</b>	<b>115,336</b>	109,588
Current Service Cost	7,368	6,375
Interest Cost	2,971	2,839
Change in financial assumptions	4,525	6,367
Change in demographic assumptions	-	1,178
Experience loss/(gain) on defined benefit obligation	-	(10,253)
Contributions by Members	1,538	1,474
Losses on curtailments	13	60
Estimated Unfunded Benefits Paid	(3)	(6)
Estimated Benefits Paid (net of transfers in)	(1,892)	(2,286)
<b>Closing Defined Benefit Obligation</b>	<b><u>129,856</u></b>	<b><u>115,336</u></b>

	2018	2017
	£'000	£'000
<b>Reconciliation of Fair Value of Employer Assets</b>		
<b>Opening Fair Value of Employer Assets</b>	<b>97,858</b>	81,021
Interest on assets	2,572	2,147
Return on assets less interest	5,498	11,814
Administration expenses	(47)	(49)
Contributions by the Employer	4,061	3,916
Contributions by Members	1,538	1,474
Other Actuarial gains/(losses)	-	(173)
Estimated Benefits Paid including unfunded benefits	(1,895)	(2,292)
<b>Closing Fair Value of Employer Assets</b>	<b><u>109,585</u></b>	<b><u>97,858</u></b>

The total return on the fund assets for the year to 31 July 2018 is £8,070,000. Scheme assets do not include any Canterbury Christ Church University owned financial instruments or any property occupied by Canterbury Christ Church University.

	2018	2017
	£'000	£'000
<b>Analysis of the amount shown in the balance sheet for LGPS:</b>		
Scheme assets	109,585	97,858
Scheme liabilities	(129,818)	(115,297)
<b>Deficit in the scheme – net pension liability recorded within pension provisions (Note 24)</b>	<b><u>(20,233)</u></b>	<b><u>(17,439)</u></b>
Current service cost	7,381	6,435
Admin charge	47	49
<b>Total operating charge:</b>	<b><u>7,428</u></b>	<b><u>6,484</u></b>
<b>Analysis of the amount charged to interest payable for LGPS</b>		
Interest cost	399	692
	-	-
	-	-
<b>Net charge to other finance income</b>	<b><u>399</u></b>	<b><u>692</u></b>
<b>Total profit and loss charge before deduction for tax</b>		
<b>Analysis of other comprehensive income for LGPS:</b>		
Gain on assets	5,498	11,814
Experience loss on liabilities	-	10,253
Other actuarial gains/(losses) on assets	-	(173)
Changes to demographic assumptions	-	(1,178)
Financial assumption changes	(4,525)	(6,367)
<b>Total other comprehensive income before deduction for tax</b>	<b><u>973</u></b>	<b><u>14,349</u></b>

## Notes to the Financial Statements (continued)

### 24. STUDENT SUPPORT FUNDS

	2018 Total £'000	2017 Total £'000
<b>The Education and Training Foundation Premium Graduate ITE Bursary</b>		
Funding Council grants	-	-
Balance brought forward from previous years	-	14
Disbursed to students	-	(14)
	-	-
<b>DfE Bursaries</b>		
Funding Council grants	3,242	5,232
Balance brought forward from previous years	473	171
Disbursed to students	(3,633)	(4,930)
	82	473
<b>HEKSS Paramedic Bursaries</b>		
Funding Council grants	525	356
Balance brought forward from previous years	(25)	(7)
Travel expenses paid to students	(68)	(61)
Disbursed to students	(487)	(313)
	(55)	(25)

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