

Canterbury Christ Church University

# Directors' Report and Financial Statements



For the year ended 31st July 2016



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## DIRECTORS AND ADVISERS

Ms C Alfrey  
Ms J Armit (from 1 August 2016)  
Mr C Calcutt  
Mr C Carmichael  
Mr S Clark (Pro-Chancellor and Chair)  
Mr C Frederick  
Mr D Hannaway (from 1 August 2016)  
Dr R Henson  
Sir I Johnston  
Mr F Martin (Deputy Pro-Chancellor)

Ms R Martin  
Ms M Peachey  
Dr G Perkins  
Mr Q Roper  
Mrs J Shiner  
Mr K Tashev (resigned 31 July 2016)  
Professor R Thirunamachandran (Vice-Chancellor and Principal)  
Ms D Upton  
Right Revd T Willmott (Deputy Pro-Chancellor)

### Clerk to the Governing Body

Mr P Bogle

### Independent Auditor

Deloitte LLP  
Chartered Accountants and Statutory Auditor  
Abbots House  
Abbey Street  
Reading  
RG1 3BD

### Solicitors

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

### Registered office

Canterbury Christ Church University  
c/o The Office of the General Counsel  
Rochester House  
St George's Place  
Canterbury  
Kent  
CT1 1UT

### Internal Auditor for the year to 31 July 2016

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 charity number**  
1098136

## VICE CHANCELLOR'S REPORT

The Higher Education sector is going through a period of considerable change bringing many opportunities and challenges for universities as they adapt to new policy, political vision and fluctuating economies. The prospect of change is likely to continue as we work through the consequences of one of the most significant events in recent history with the decision by the electorate to leave the European Union.

The University has a strong track record of adapting swiftly and innovatively to political and social change, and, while we wait with the rest of the country to understand the full outcome of this decision, it is business as usual.

Internationalisation is crucial to university life and, indeed, to the wider communities. It helps cultural diversity and inclusivity to flourish. We are really proud of our EU students and staff and all that they bring to Christ Church, and this sense of pride, together with our strong institutional values, will underpin our efforts to ensure we remain an international university with a global perspective.

During this period of national and international uncertainty, there are many examples of how we are providing certainty, stability and vision for the future.

In early September, we submitted plans to Canterbury City Council to transform the former Canterbury prison site in the city into a campus for the 21<sup>st</sup> century. We are privileged to be part of the city of Canterbury and its UNESCO World Heritage Site, and these plans help to celebrate the city's heritage and status opening up new public routes and community facilities.

In parallel, business and industry leaders have been working with us to develop a vision for engineering, science and technology at Christ Church. A new partnership-based and industry-facing hub, which we plan to base in a new facility on our city campus, will produce highly-skilled graduates in sectors important to local economic growth.

We have also secured funding for large research and teaching projects, from Leverhulme Trust funding to support social science research to winning the regional contract to deliver the new South East STEM Ambassador scheme. These projects, and many more, continue the narrative that Canterbury Christ Church University is thriving, seeking out new opportunities to make a difference in society.

### **Community initiatives**

Over the last 12 months we have been working hard to join up with, and support, local communities on many important issues for both students and residents.

We joined forces with Canterbury City Council and Kent Police on zero tolerance of sexual harassment in Canterbury pubs and clubs, linking to our own high-profile 'Expect Respect' campaign launched University-wide in 2016.

The Canterbury Street Marshal is the first of its kind in the South East, and the first to be funded by universities in the UK. The Street Marshal initiative was introduced to safeguard the safety and wellbeing of students as they make their way through designated areas of Canterbury at night. However, the Street Marshals - who do not make a distinction between students and the wider public travelling through the designated areas - also provide an important reassuring presence to local residents.

### **Student Experience**

Students are at the heart of what we do. Student recruitment, retention and their success is our central priority.

## VICE CHANCELLOR'S REPORT (CONTINUED)

We welcome students as individuals and encourage them to be active and influential members of our University community. We also work hard to make sure that higher education is available to everyone who has the academic potential.

We have a strong widening participation and outreach programme which is working with more than 50 schools and college in Kent and Medway to encourage those with the potential to enter Higher Education.

Latest figures show that 82% of our graduates from less advantaged backgrounds moved up to the top socio-economic groups within six months of completing their studies (DLHE 2014/2015, includes full-time and part-time graduates).

Unitemps is our recruitment service for students, graduates and the community. The Unitemps franchise offers part-time and holiday work, internships, placements and full-time work opportunities both within the University and in the local area.

2015/ 2016 was Unitemps' first full year of operation at Canterbury Christ Church University, placing over 1,140 graduates and students in employment, who delivered 132,000 hours of work.

The service has been successful in placing graduates into many roles including marketing, IT and finance sectors, and has already hit its target for 2016/ 2017 to work with 100 businesses.

### **Investing in the future**

The University is entering a new and exciting era of development. Our vision is to create a campus which truly celebrates our unique location in Canterbury and recognises the city's remarkable heritage and status. We are extremely fortunate to be based in a World Heritage Site and to be so close to the communities we serve. This special connection we have with the city and its communities has heavily shaped our plans to transform the former Canterbury Prison site over the next 10 to 15 years.

This transformation will ensure we continue to provide the very best facilities for our students and communities, while extending our expertise into new academic areas strengthening the local economy.

We have listened very carefully to local employers, residents, staff and students over the last 12 months. Their feedback has been really important in helping to design a campus for the future, one which we hope the city and its residents can be proud of.

Over the summer, we held a public exhibition of our plans which attracted over 400 visitors over the course of the eight-day event. We also consulted regularly with 36 stakeholders including Historic England, Canterbury Archaeological Trust and the Alliance of Canterbury Residents' Association.

Plans for the site were submitted to Canterbury City Council in early September. If approved students, staff and the public will be able to enjoy:

- A new building which offers courses and research in areas that are important to the regional economy, such as engineering, science and technology, as well as health and wellbeing.
- The creation of a new Arts building on our existing campus, reinforcing our investment in the city's arts and culture.
- A transformed Prison Quarter, celebrating the site's past and offering public open spaces for the local community to explore and enjoy.



## VICE CHANCELLOR'S REPORT (CONTINUED)

- The restoration of the former Pilgrims' Trail from St Martin's Church through the campus to Canterbury Cathedral.

The final stage will be the conversion of the former prison building to create a student hub and heritage centre. Here the design fuses old with the new, retaining the prison's historical architecture while transforming the building into a contemporary space.

The new partnership-based and industry-facing hub will produce highly-skilled graduates in sectors important to local economic growth, while providing excellent facilities for research and development.

These expansion plans build on successful science initiatives, including:

- The recent opening of a Life Sciences Industry Liaison Lab at one of Europe's leading science and technology parks, Discovery Park, which allows students and staff to link up with companies working at the cutting edge of research, helping them to find solutions that lead to new treatments and ground-breaking discoveries.
- The creation of a centre of excellence for postgraduate medical education and research with the launch of the Institute of Medical Sciences (IMS), based at our Medway Campus. This builds on the strength of its stem cell research and work in the area of minimally invasive surgery. A stem cell research and advanced bioengineering laboratory has been purpose built to ensure the Institute will be at the forefront of research and studies in biomedical engineering. It is equipped with the technology needed to support the latest innovations in stem cell culturing, bioengineering, computing and 3D printing.

The University's Institute of Medical Sciences will offer research and medical education opportunities for clinicians, as well as a medical innovation hub to support them in developing new and creative ideas for practice.

Also on offer is a broad portfolio of postgraduate medical education programmes to enhance clinical skills and knowledge to enable career advancement.

### **Strategic Partnerships**

As the landscape of higher education changes in Britain, with an ever growing demand for high quality degrees which directly link to employment, so universities need to reflect upon and develop their portfolio of opportunities. Increasingly students are choosing to study in their own cultural or geographical region, and are seeking qualifications which reflect the world in which they wish to live and work.

Working in partnership with education providers and organisations, we are actively seeking to extend our reach to parts of the UK and beyond and so bring high quality education closer to those who wish to study locally.

From an international point of view, we are building a portfolio of strong and sustainable partnerships with a select range of vocational and higher education providers. To date we have established a successful partnership in Greece, and more recently in Hong Kong and Sri Lanka.

Further developments are under way to add new partners to the list of those who will develop programmes for delivery abroad. As well as providing an important income source for the University, these partnerships help to enrich the experience of staff and students here in the UK, who will benefit from global perspectives both in study and life.

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

At a national level the University is currently the single biggest partner in the Teach First partnership, working with beginner teachers in three regions – London, the South East and the East of England. Overall the Teach First London Partnership was rated as outstanding and the South-East partnership as good, with outstanding leadership and management.

Our strategic partnerships with Bromley College and East Kent College, now working collaboratively with Canterbury College, continue and new strategic partnerships are in development including Mid Kent College, and Hadlow with West Kent and Ashford College.

### **Research with impact**

#### **Research at Discovery Park**

The new Life Sciences Industry Liaison Lab officially opened at Discovery Park's Building 500 earlier this year. The lab will give our students the opportunity to gain experience of working with industry and help to build the skills needed to work in the sector. It will also enable postgraduate students and staff to work directly with industry and local companies on research projects that address their specific challenges.

Some of the research projects already underway in the labs by our PhD students include the use of tarantula venom in providing treatment for pancreatic cancer and improving IVF success rates and embryo freezing techniques in pigs and cattle.

#### **Research Funding**

Our academic staff continue to attract research funding from a wide-range of sources. For example, the Leverhulme Trust has awarded the University £268,000 to research the resilience of plants and how they adapt to a changing environment. Scientists have also been awarded funding to use genetically modified worms to help with the fight against Alzheimer's and Parkinson's.

Professor R S Thirunamachandran

**Vice Chancellor and Principal**

**Date:**



# THE STRATEGIC REPORT

## Directors Report

The disclosure requirements for the Directors report can be found in the Strategic Report on pages 6 to 14 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 2016 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. The University is based in the UK and operates as both a registered company and a registered charity.

## Subsidiary Company

The University holds an investment in a subsidiary company, Medco (CCCU) Limited. Canterbury Christ Church University's subsidiary company, Medco (CCCU) Limited had been made dormant on 31 July 2012. The company was reactivated on 1 February 2015 and began trading as a Unitemps staffing agency, under a franchise arrangement with Warwick University Enterprises Limited. The subsidiary company was incorporated into a VAT grouping with the parent company from this date of reactivation. The subsidiary company has performed well since trading began, exceeding budget expectations. 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 knowledge, enriching communities and building a sustainable future.

## Strategic Framework 2015-20

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 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.

## STRATEGIC REPORT (CONTINUED)

- 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.

### Financial Strategy

The University has a clear financial strategy and it is pleasing to note that the results for the financial year continue to show performance in line with the expectations set out in the medium term financial projections for the Institution. Canterbury Christ Church University continues to work towards the following aims in supporting the strategic framework:

- Continued investment in high quality facilities for the benefit of its students and staff.
- Financial provision will be made for the Institution to grow and develop its research activities.
- The planning processes for investment and development are underpinned by a clear business case and the consequences reflected within the financial forecasts.
- A transparent approach to the distribution of resources between academic and professional services areas.
- Financial provision will be maintained to enable the development of new initiatives and restructure the cost base.
- The pricing policies of the University will reflect that expected of a high quality academic institution, whilst remaining competitive.

### Going Concern

The University's reports are prepared on the basis of the organisation being a going concern. This view is supported by the level of liquidity that has been maintained throughout the year, and planned for the foreseeable future, and further supported by a healthy balance of cash reserves.

### Summary Results for the Year

The results for the University for the year ended 31 July 2016 are summarised as follows:

	<u>2016</u>	<u>2015</u>
	£000	£000
Income	134,765	126,223
Expenditure	127,533	119,991
<b>Surplus before taxation and transfer to endowment funds</b>	<u>7,232</u>	<u>6,232</u>

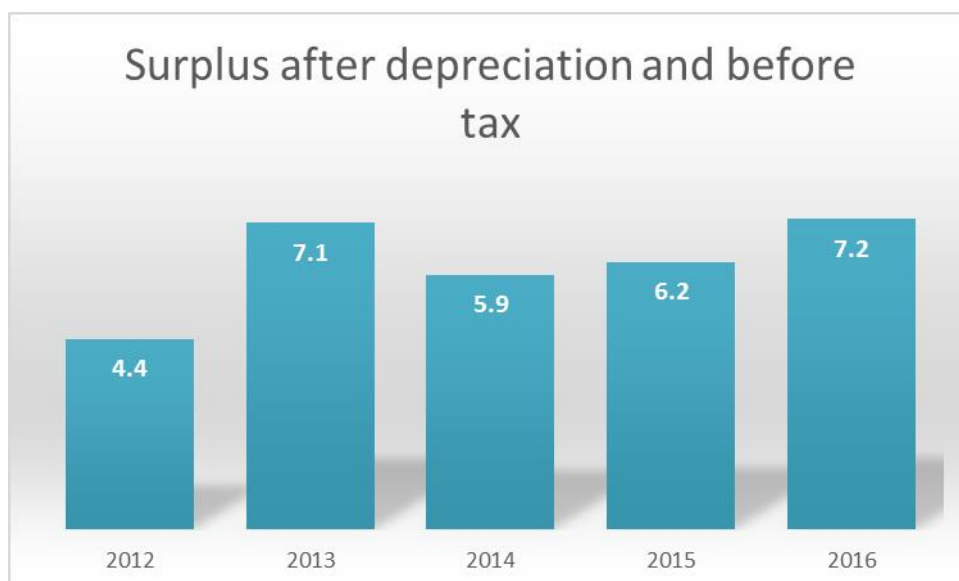
The particular areas to highlight from the financial results are:

- An increase in total income of 6.8% to £134.8m (2015 increase of 3.44% to £126.2m).

## STRATEGIC REPORT (CONTINUED)

- An increase in expenditure of 6.2% to £127.6m (2015 increase of 3.36% to £119.9m).
- Surplus for the year after depreciation of tangible fixed assets at cost, disposal of tangible fixed assets and taxation of £7.2m (2015 £6.2m).
- Capital additions of £9m (2015 £8.0m).
- A pension scheme deficit of £28.5m (2015 £24.2m)

The University returned a surplus of 5.36% of turnover (2015: surplus 4.95% restated for FRS102). The University's target of 5% annual trading surplus is a requirement for financial sustainability and to generate funds to support future capital investment.



### 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. 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 has increased in 2016 by £4.4m to £28.6m (2015: increased from £18.9m to £24.2m). 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 approximately 18,000 students and has continued to recruit successfully across all of its main funding streams: those funded formerly by the Higher Education Funding Council for England (HEFCE); the National College for Teaching and Leadership (NCTL); and, the Health Education Kent, Surrey and Sussex (HEKSS). The opportunities for growth in student numbers has been reassessed by the Institution as part of the development of its strategic plan in line with changes to public sector funding for higher education provision.

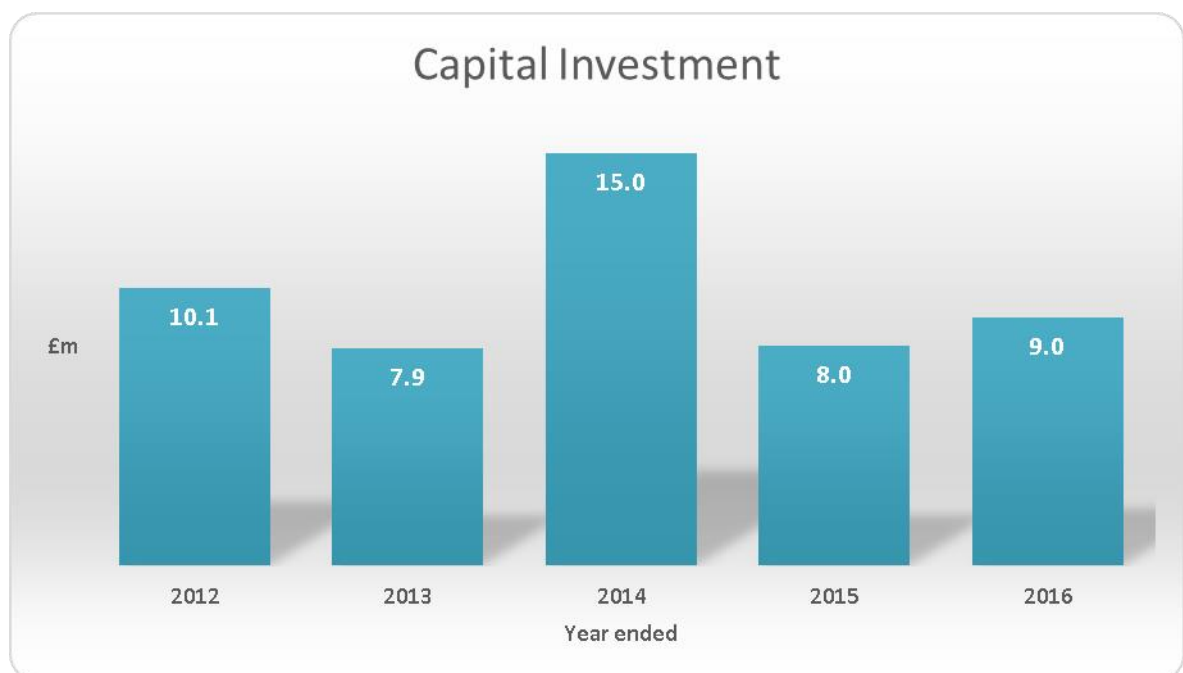
### Capital Projects

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.

## THE STRATEGIC REPORT (CONTINUED)

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 2015/16 the institution continued to invest significantly in new IT equipment with £3.5m being provided to support IT projects for hardware, software and expansion to the provision of the wifi network across the campuses. New equipment was purchased for the sports centre and also within faculties to support the student experience. These investments were financed from cash reserves. Work continued with projects that help to reduce carbon emissions, with funding to support this being sourced through loan finance from SALIX and from the Revolving Green Fund from HEFCE.



### 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.

### 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 at the end of the financial year reflects the utilisation of liquid funds in this way. The Institution recognises the importance of continuing to generate appropriate levels of surplus to enable the generation of further positive cash inflows in support of working capital and investment plans.

## THE STRATEGIC REPORT (CONTINUED)



The cash position increased by £9.4m at the end of the year (2015: £0.3m decrease). The net cash inflow from operating activities, reserves and new loan finance has been used to fund the capital investment in year and the future requirements of the 10 year Estates Masterplan.

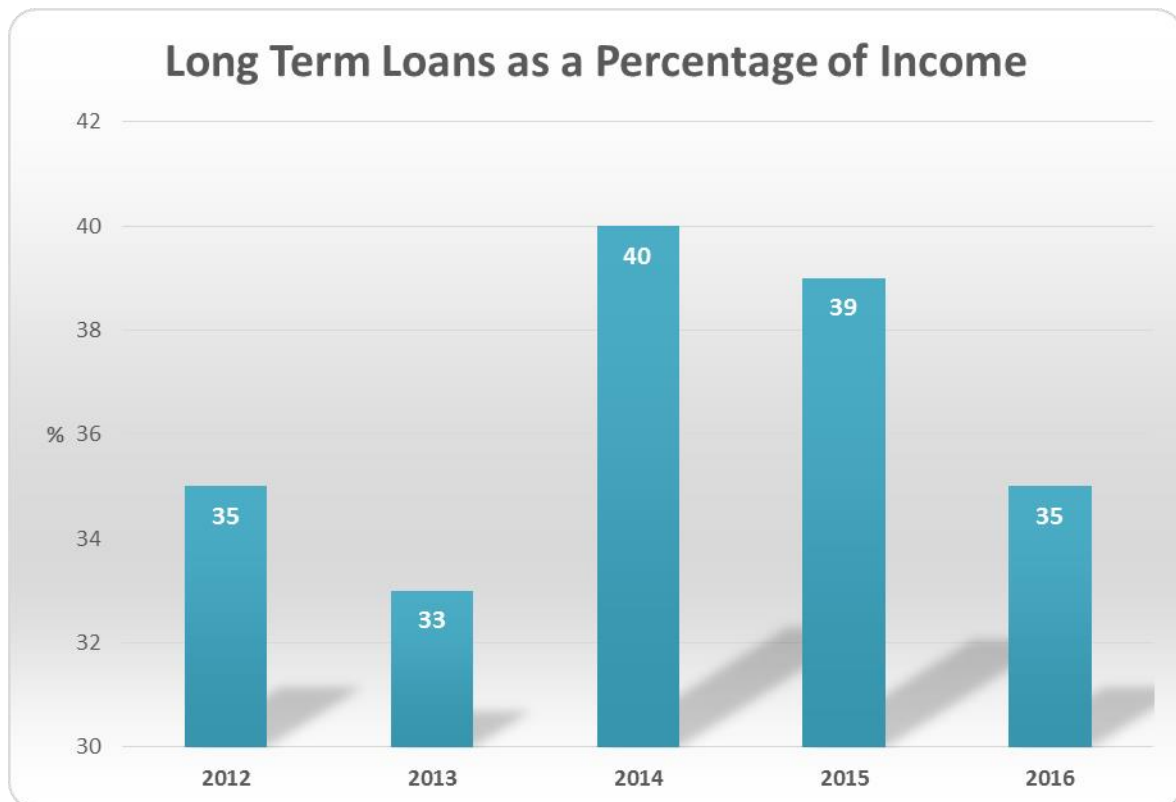
### Long Term Loans as a Percentage of Income

The Institution maintains its overall borrowing levels at 35% of annual income, in line with the current strategic plan targets.

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. In light of this the investment required to support the Estates Master plan is being given careful consideration and close scrutiny by the Governors with support from external professional advisors KPMG. This will drive the future aims and measures of the University's financial strategy, including levels of gearing.

The Governing Body requires that interest rate exposure is managed by means of a combination of variable and fixed rate borrowing. New borrowing of £0.189m was received in 2015/16 from Salix to support a range of energy efficient projects (2015: £0.315m). The University also received a further £0.289m from HEFCE as a revolving green fund loan (2015: no new loans received).

## 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

Details of significant events since the balance sheet date are contained in note 24 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 institution 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 STRATEGIC REPORT (CONTINUED)

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, some of which are recorded onto the MEASURE system which feeds into the HEFCE Efficiency Measurement Model (EMM) & Best Practice Indicator (BPI) annual reports.

The report also includes progress being made by the institution in improving processes through the Canterbury Christ Church Process Improvement Project (CCPIP) and an update on the profile of the organisation based on the Procurement Maturity Assessment.

### 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 2016 and up to the date of approval of the financial statements, and accords with the HEFCE and Turnbull guidance.

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.

HEFCE have confirmed that the institution is not currently at higher risk and undertook an assurance review in June 2016 to further support this view.

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:

- Pressure on pay and pensions.
- Constraints on government spending leading to a reduction in public funding.
- The impact of fee arrangements and the University's performance in league tables on the recruitment of students.



## THE STRATEGIC REPORT (CONTINUED)

- Changes to funding arrangements for Teacher Education.
- Changes to funding and commissioning arrangements for Health Education Kent, Surrey and Sussex (HEKSS) professional training.
- The implications of the outcome of the EU referendum
- The impact of the economic climate on the demand for higher education and, in particular, employer sponsored education and training.
- Failure to achieve targets for International recruitment of students and for research and knowledge exchange income.

### 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.

### 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 have 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 29 November 2016.

### 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 target of 5%. 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 which include the analysis of performance against KPIs and these are also reviewed at each meeting of the Finance and General Purposes Committee of the Governing Body. The table below shows KPI performance for the year ending 31 July 2016 compared to the previous year, which are restated for FRS102.

Key Performance Indicators	2016	2015
Historical cost surplus as a % of income	5.4	4.9
Unrestricted reserve as a % of total income	57.0	56.1
External borrowing as a % of total income	35.2	39.0
Current asset / current liability ratio	1.96	2.06
Net liquidity days	130	109

## 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 Pro Vice Chancellor (Resources) 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.

### Conclusion and Outlook

The current strategic plan was implemented after an extensive period of staff consultation and engagement. The plan is fully supported by a business planning process which relates income to expenditure and ensures that ongoing budgets are responsive to shifts in resource allocation. The University has an estates master plan which takes into consideration future use of the recently acquired former Canterbury prison site. An enabling investments and borrowing strategy is being developed to support the institution's achievement of its strategic aims and ambitions including the estates master plan.

The financial results and the provision of excellent education for its students continue to provide a sound basis for the sustainable development of Canterbury Christ Church University.

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 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'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 £134.7m in 2015/16 (2015: £126.2m) 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 General Purposes 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 Human Resources Sub-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 Funding Council are used in accordance with the terms and conditions specified in the Funding Council's Memorandum of Assurance and Accountability;
- ensuring, through the Finance and General Purposes 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; and,
- 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 and the Department for Education);
- 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 Funding Council;
- 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 at regular intervals;
- regularly monitoring the performance of the Institution against its planned strategies and operational targets including those contained in approved KPIs.

### 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 to 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 agreed between the Higher Education Funding Council for England (HEFCE) and the Governing Body of Canterbury Christ Church University, 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.

The Governing Body has taken reasonable steps to:

- ensure that funds from the Higher Education Funding Council for England are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the Funding Council and any other conditions which the Funding Council may from time to time prescribe;

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

- 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 directors confirm, so far as each director is aware, there is no relevant audit information of which the group auditor is unaware. Each director has taken all the steps that they ought to have taken in their duty as a director 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 General Purposes 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 Directors; 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 S Clark**

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

**Date:**



## CORPORATE GOVERNANCE

The following statement is provided to enable readers of the Vice-Chancellor's 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 Christian distinctive 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 (Chairman 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 of the formal Financial Memorandum between the University and the Higher Education Funding Council for England (HEFCE), 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 General Purposes Committee, a Human 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 HEFCE Audit Code of Practice contained in Annex A of the Memorandum of Assurance and Accountability between HEFCE and institutions. 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 General Counsel has been appointed as Clerk to the Governing Body and, in that capacity, provides independent advice on matters of governance to all members. The General Counsel 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 General Counsel.

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

In addition there is an ongoing commitment to the development of the Governing Body effectiveness and work undertaken in this area during 2015/16 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 governance progress review led by the Pro-Chancellor and Clerk has confirmed good progress against the recommendations arising from the last four yearly review of University governance in 2012, and recommendations to enhance the information provided to Governors. The most recent Internal Audit of Corporate Governance in 2016 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 2016 concluded that it was able to place reliance on the University's accountability information.

In 2016 the University established a donations and fundraising group to ensure there was developed and appropriate policy to monitor 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 taking forward steps to ensure that slavery and human trafficking is not taking place in its supplier chain in line with the Modern Slavery Act 2015. The actions 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 2016 and up to the date of approval of the Vice-Chancellor's Report and Financial Statements, and accords with the HEFCE 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 General Counsel 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 General Counsel, 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 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.

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.

## **STATEMENT OF INTERNAL CONTROL (CONTINUED)**

The University has appointed Internal Auditors, who operate to standards defined in the HEFCE Memorandum of Assurance and Accountability and during the year they were part of the HEFCE Assurance Review of the University. 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 also provide an annual assessment which again confirmed in March 2016 that the Institution was not at higher risk.

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

We have audited the financial statements of Canterbury Christ Church University for the year ended 31 July 2016 which comprise the Consolidated and University Statement of Comprehensive Income and Expenditure, the Consolidated and University Balance Sheets, the Consolidated and University's Statement of Changes in Reserves, the Consolidated Cash Flow Statement, and the related notes 1 to 27. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Statement of Recommended Practice: Accounting for Further and Higher Education.

This report is made solely to the 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.

## **Respective responsibilities of the governing body and auditor**

As explained more fully in the Governing Body's Responsibilities Statement, the governing body is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the University's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the governing body; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the University and the Group's affairs as at 31 July 2016 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice: Accounting for Further and Higher Education; and,
- have been prepared in accordance with the requirements of the Companies Act 2006.

## **Opinion on other matters prescribed by the Companies Act 2006**

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

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

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

In our opinion, in all material respects:

- income from the funding council, grants and income for specific purposes and from other restricted funds administered by the University during the year ended 31 July 2016 have been applied for the purposes for which they were received;
- income during the year ended 31 July 2016 has been applied in accordance with the University's statutes and, where appropriate, with the memorandum of assurance and accountability, with the funding council, the funding agreement with the Teaching Agency; and,
- the requirements of HEFCE's accounts direction have been met.

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

We have nothing to report in respect of the following where the Companies Act 2006 requires us to report to you 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 financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of governors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Susan Barratt BA, ACA (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
Reading, United Kingdom  
November 2016



# 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 company limited by guarantee incorporated in the United Kingdom under the Companies Act. The University's registered address is shown on page 1 of the financial statements. The University is a public benefit entity and therefore has applied the relevant public benefit requirement of FRS 102. The financial statements are prepared in accordance with the historical cost convention (modified by the revaluation of fixed assets and derivative financial instruments). 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. Judgement and Estimates

The following are the critical judgements that have been made in the process of applying the accounting policies, and that have the most significant effect on the amounts recognised in the financial statements.

### i. Valuation of Land and Buildings for deemed cost

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. The two members of the valuation team, both qualified as Members of the Chartered Institute of Chartered Surveyors, visited each of the properties that form the property portfolio and carried out internal and external visual inspections.

### ii. Pension Provision assumptions

The rate used to discount future contributions to the USS deficit recovery programme at the balance sheet date reflects the yield on high quality bonds consistent with the currency and estimated period of future payments. The rates used are based on work commissioned by the British Universities' Finance Directors Group (BUFDG) from Mercer for the HE sector as a whole. The other assumptions used for calculation of the provision is the estimated salary inflation of future years and estimated change in the number of staff who are members of the pension scheme in future years. These are both consistent with our internal financial forecasting assumptions.

## 3. Basis of Consolidation

The consolidated financial statements include the University and all its subsidiaries for the financial year to 31 July 2016. The wholly owned subsidiary company, Medco (CCCU) Ltd was reactivated and started trading on 1 February 2015. 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.

## 4. 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

## STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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

### 5. 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 3, 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.

### 6. 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.

### 7. 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.

### 8. 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.

### 9. Tangible Fixed Assets

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation. 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 brought into 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.

## STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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 11.

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.

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.

### 10. 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.

### 11. 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.

### 12. 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.

### 13. 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 the 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.

## STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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.

### 14. 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 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. Remeasurement 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 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 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 7.

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

## STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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.

### 15. 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 a restricted reserve on the Balance Sheet. The University has two main types of endowments:

- Restricted 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.

### 16. 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 these instruments is at fair value. 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.

### 17. Investment in Subsidiaries

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

## STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### 18. 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 21.
- Restricted – where the University holds on which the donor has placed restrictions on their use.

### 19. Transition to 2015 SORP

The university is preparing its financial statements in accordance with FRS 102 for the first time and consequently has applied the first time adoption requirements. An explanation of how the transition to SORP has affected the reported financial position, financial performance and cash flows of the consolidated results of the university is provided in note 27. The date of transition was 1<sup>st</sup> August 2014 and we have restated the 2015 balances in accordance with FRS 102.

Application of first time adoption grants certain exemption from the full requirements of the SORP in the transition period. The following exemptions have been taken into these financial statements:

Fair value or revaluation as deemed cost as at 31 July 2014. The fair value has been used for deemed cost for properties measured at fair value as a one off transition valuation.

# Consolidated Statement of Comprehensive Income and Expenditure

For the year ending 31 July 2016

	<u>Note</u>	<u>2016</u>	<u>Restated</u> <u>2015</u>	<u>2016</u>	<u>Restated</u> <u>2015</u>
		<u>Consolidated</u>		<u>University</u>	
		<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
<b>Income</b>					
Tuition fees and education contracts	1	102,034	97,126	102,034	97,126
Funding body grants	2	9,817	8,302	9,817	8,302
Research grants and contracts	3	1,444	1,462	1,444	1,462
Other income	4	21,220	19,112	21,153	19,112
Investment income	5	318	221	317	221
<b>Total income</b>		<b>134,833</b>	<b>126,223</b>	<b>134,765</b>	<b>126,223</b>
<b>Expenditure</b>					
Staff costs	7	71,211	67,641	71,128	67,641
Interest and other finance costs	8	2,020	1,659	2,020	1,659
Other operating expenses	9	48,597	44,202	48,612	44,202
Depreciation	11	5,773	6,489	5,773	6,489
<b>Total Expenditure</b>		<b>127,601</b>	<b>119,991</b>	<b>127,533</b>	<b>119,991</b>
<b>Surplus for the year after depreciation of tangible fixed assets at cost and before taxation</b>		<b>7,232</b>	<b>6,232</b>	<b>7,232</b>	<b>6,232</b>
<b>Taxation</b>	10	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Surplus for the year after depreciation of tangible fixed assets at cost and taxation</b>		<b>7,232</b>	<b>6,232</b>	<b>7,232</b>	<b>6,232</b>
<b>Surplus for the year after depreciation of tangible fixed assets at cost, disposal of tangible fixed assets and taxation</b>		<b>7,232</b>	<b>6,232</b>	<b>7,232</b>	<b>6,232</b>
<b>Gain on investments</b>	6	<b>-</b>	<b>13</b>	<b>-</b>	<b>13</b>
<b>Surplus for the year as per SORP</b>		<b>7,232</b>	<b>6,245</b>	<b>7,232</b>	<b>6,245</b>

# Consolidated Statement of Comprehensive Income and Expenditure

For the year ending 31 July 2016

Cont'd

	<u>Note</u>	<u>2016</u>	<u>Restated</u>	<u>2016</u>	<u>Restated</u>
		<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
		<u>Consolidated</u>		<u>University</u>	
Taxation	10	-	-	-	-
Surplus for the year		<b>7,232</b>	6,245	<b>7,232</b>	6,245
Endowment comprehensive income for the year	19	<b>9</b>	(2)	<b>9</b>	(2)
Actuarial loss in respect of pension schemes	25	<b>(1,101)</b>	(3,192)	<b>(1,101)</b>	(3,192)
<b>Total comprehensive income for the year</b>		<b>6,140</b>	3,051	<b>6,140</b>	3,051
Represented by:					
Endowment comprehensive income for the year		<b>9</b>	(2)	<b>9</b>	(2)
Unrestricted comprehensive income for the year		<b>6,131</b>	3,053	<b>6,131</b>	3,053
<b>Total Comprehensive income for the year attributable to the University</b>		<b>6,140</b>	3,051	<b>6,140</b>	3,051

All items of income and expenditure relate to continuing activities.



## Consolidated Statement of Changes in Reserves Year ended 31 July 2016

Consolidated and University	Income and expenditure account			Total
	Endowment £'000	Restricted £'000	Unrestricted £'000	£'000
<b>Balance at 1 August 2014</b>	224	50	67,719	67,993
Surplus/(deficit) from the income and expenditure statement	-	-	6,245	6,245
Other comprehensive income	(2)	-	(3,192)	(3,194)
<b>Total comprehensive income for the year</b>	<b>(2)</b>	<b>-</b>	<b>3,053</b>	<b>3,051</b>
<b>Balance at 31 July 2015</b>	<b>222</b>	<b>50</b>	<b>70,772</b>	<b>71,044</b>
<b>Balance at 1 August 2015</b>	222	50	70,772	71,044
Surplus/(deficit) from the income and expenditure statement	-	-	7,232	7,232
Other comprehensive income	9	-	(1,101)	(1,092)
<b>Total comprehensive income for the year</b>	<b>9</b>	<b>-</b>	<b>6,131</b>	<b>6,140</b>
<b>Balance at 31 July 2016</b>	<b>231</b>	<b>50</b>	<b>76,903</b>	<b>77,184</b>

## Balance Sheets

As at 31 July 2016

		<u>Consolidated</u> Restated		<u>University</u> Restated	
	<u>Note</u>	<u>2016</u> £000	<u>2015</u> £000	<u>2016</u> £000	<u>2015</u> £000
<b>Non-current assets</b>					
Tangible assets	11	124,649	120,638	124,649	120,638
Investments	12	-	-	450	450
<b>Total fixed assets</b>		<b>124,649</b>	120,638	<b>125,099</b>	121,088
<b>Current assets</b>					
Stocks	13	266	273	266	273
Trade and other receivables	14	14,225	11,735	14,220	11,782
Cash at bank and cash equivalents	20	43,878	34,464	43,377	34,168
<b>Total current assets</b>		<b>58,369</b>	46,472	<b>57,863</b>	46,223
<b>Less creditors: amounts falling due within one year</b>	15	(29,669)	(22,512)	(29,613)	(22,713)
<b>Net current assets</b>		<b>28,700</b>	23,960	<b>28,250</b>	23,510
<b>Total assets less current liabilities</b>		<b>153,349</b>	144,598	<b>153,349</b>	144,598
<b>Creditors: amounts falling due after more than one year</b>	16	(44,790)	(46,695)	(44,790)	(46,695)
<b>Provisions</b>					
<b>Pension provision – LGPS</b>	25	(28,567)	(24,170)	(28,567)	(24,170)
<b>Other provisions</b>	18	(2,808)	(2,689)	(2,808)	(2,689)
<b>Total net assets</b>		<b>77,184</b>	71,044	<b>77,184</b>	71,044

## Balance Sheets - Continued

As at 31 July 2016

	<u>Note</u>	<u>Consolidated</u>		<u>University</u>	
		<u>2016</u>	Restated <u>2015</u>	<u>2016</u>	Restated <u>2015</u>
		£000	£000	£000	£000
<b>Restricted Reserves</b>					
Income and expenditure reserve – endowment reserve	19	50	50	50	50
<b>Unrestricted Reserves</b>					
Income and expenditure reserve – endowment reserve		231	222	231	222
Income and expenditure reserve – pensions reserve LGPS		(28,567)	(24,170)	(28,567)	(24,170)
Income and expenditure reserve – unrestricted		105,470	94,942	105,470	94,942
<b>TOTAL FUNDS</b>		<u>77,184</u>	<u>71,044</u>	<u>77,184</u>	<u>71,044</u>

The Financial Statements on pages 32 to 58 were approved and authorised for issue by the Governing Body on 29 November 2016 and signed on its behalf by:-

Professor R S Thirunamachandran

**Vice Chancellor and Principal  
Canterbury Christ Church University  
Registered company number 04793659**

Mr S Clark

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

## Consolidated Cash Flow Statement

For the year ending 31 July 2016

	<u>Note</u>	<u>2016</u>	<u>Restated</u> <u>2015</u>
		£000	£000
<b>Cash inflow from operating activities</b>			
Surplus for the year		7,232	6,232
<b>Adjustment for non-cash items</b>			
Depreciation	11	5,773	6,489
Decrease/(increase) in stock	13	7	(9)
Decrease/(increase) in debtors	14	(2,490)	(445)
Increase/(decrease) in creditors	15	7,175	(5,559)
Increase/(decrease) in long term creditors	16	(1,905)	(2,404)
Pension costs less contributions	18	4,397	5,199
Increase/(decrease) in other provisions	18	119	426
<b>Adjustment for investing or financing activities</b>	5	(318)	(221)
Investment income			
Interest payable	8	2,020	1,659
Endowment income	19	(14)	(10)
Capital grant income	2	(796)	(350)
<b>Net cash inflow from operating activities</b>		21,200	11,007
<b>Cash flows from investing activities</b>			
Payments to acquire fixed assets	11	(8,997)	(8,911)
Investment income	5	318	221
Payments to acquire endowment assets	19	(29)	(12)
Endowment decrease	19	-	2
Capital grant receipt	2	796	350
		(7,912)	(8,350)
<b>Cash flows from financing activities</b>			
Interest paid	8	(2,020)	(1,659)
Endowment cash received	19	23	2
New unsecured loans	17	469	315
Repayments of amounts borrowed	17	(2,346)	(1,592)
		(3,874)	(2,934)
<b>(Decrease)/increase in cash and cash equivalents in the year</b>		9,414	(277)
<b>Cash and cash equivalents at the beginning of the year</b>		34,464	34,741
<b>Cash and cash equivalents at the end of the year</b>		43,878	34,464

## Notes to the Financial Statements

### 1. TUITION FEES AND EDUCATION CONTRACTS

	<u>Note</u>	<u>2016</u>	<u>2015</u>
		£000	£000
Full time Students Home and European Union		73,582	68,945
Full time Students Overseas		2,108	1,927
Part time Students		7,387	7,558
<b>Total fees paid by or on behalf of individual students</b>		<b>83,077</b>	<b>78,430</b>
Education contracts		18,957	18,696
<b>Total</b>		<b>102,034</b>	<b>97,126</b>

### 2. FUNDING BODY GRANTS

	<u>Note</u>	<u>2016</u>	<u>Restated 2015</u>
		£000	£000
<b>Recurrent grants</b>			
HEFCE		6,731	5,908
NCTL		-	47
<b>Total recurrent grants</b>		<b>6,731</b>	<b>5,955</b>
<b>Specific grants</b>			
HEFCE		703	1,015
NCTL		1,587	982
<b>Total specific grants</b>		<b>2,290</b>	<b>1,997</b>
<b>Capital grants received and recognised in the year</b>			
Buildings		443	350
Equipment		353	-
<b>Total capital grants</b>		<b>796</b>	<b>350</b>
<b>Total</b>		<b>9,817</b>	<b>8,302</b>

## Notes to the Financial Statements (continued)

### 3. RESEARCH GRANTS AND CONTRACTS

	<u>Note</u>	<u>2016</u>	<u>Restated 2015</u>
		£000	£000
Research councils		106	25
UK based charities		825	540
European Commission		120	62
Other grants and contracts		393	835
<b>Total</b>		1,444	1,462

### 4. OTHER OPERATING INCOME

	<u>2016</u>	<u>2015</u>
	£000	£000
Residences, catering and conferences	12,914	10,855
Other income generating activities	8,199	7,990
Other operating income	107	267
<b>Total</b>	21,220	19,112

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

### 5. INVESTMENT INCOME

	<u>2016</u>	<u>2015</u>
	£000	£000
Bank interest receivable	316	220
Investment income on endowments	2	1
<b>Total</b>	318	221

### 6. DONATIONS AND ENDOWMENTS

	<u>2016</u>	<u>2015</u>
	£000	£000
New Endowments	-	-
Donations with restrictions	-	13
<b>Total</b>	-	13

## Notes to the Financial Statements (continued)

### 7. 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:

	<u>2016</u>	<u>2015</u>
	Number	Number
Teaching departments	624	610
Teaching support services	244	225
Administration and central services	668	636
Premises	36	35
<b>Total</b>	<u>1,572</u>	<u>1,506</u>

	<u>2016</u>	<u>Restated 2015</u>
	£000	£000
<b>Staff Costs for the above persons</b>	<b>£000</b>	<b>£000</b>
Wages and salaries	58,096	56,009
Social security costs	4,820	4,201
Other pension costs	8,295	7,431
<b>Total</b>	<u>71,211</u>	<u>67,641</u>

#### 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.

	<u>2016</u>	<u>2015</u>
	£000	£000
Key management personnel compensation	<u>1,583</u>	<u>1,440</u>

## Notes to the Financial Statements (continued)

### Directors' Emoluments

The emoluments paid to the five members of the Governing Body (2015:5) and their accrued benefits under Defined Benefits pension scheme are shown below:

	<u>2016</u>	<u>2015</u>
	£000	£000
Salaries	416	394
Employer's pension contributions	31	31
<b>Total</b>	<u>447</u>	<u>425</u>

### STAFF continued

	<u>2016</u>	<u>2015</u>
	£000	£000
<b>Emoluments of the Vice Chancellor, being the highest paid director</b>		
Salary	251	224
Employer's pension contributions	6	17
<b>Total emoluments of the Vice Chancellor</b>	<u>257</u>	<u>241</u>

The emoluments of the Vice Chancellor is shown on the same basis as for higher paid staff. Canterbury Christ Church University's pension contribution to the Universities Superannuation Scheme for the Vice Chancellor is paid at the same rate as for other staff.

The number of other Higher Paid Staff who received emoluments excluding pension contributions in the following ranges were:

	<u>2016</u>	<u>2015</u>
	Number	Number
£100,000 to £109,999	1	1
£110,000 to £119,999	1	-
£120,000 to £129,999	-	-
£130,000 to £139,999	-	-
£140,000 to £149,999	1	1
	<u>3</u>	<u>2</u>



## Notes to the Financial Statements (continued)

### 8. INTEREST PAYABLE AND OTHER FINANCE COSTS

	<u>2016</u>	<u>Restated 2015</u>
	£000	£000
Bank loans not wholly repayable within five years	1,156	1,189
Net charge on pension scheme	864	470
<b>Total</b>	<b>2,020</b>	<b>1,659</b>

### 9. ANALYSIS OF TOTAL EXPENDITURE BY ACTIVITY

	<u>2016</u>	<u>Restated 2015</u>
	£000	£000
Academic departments	61,044	59,695
Academic services departments	7,888	7,946
Administration and central services	22,438	18,972
Premises (non-residential and catering operations)	12,314	11,978
Residences and catering operations	11,967	10,386
Research grants and contracts	2,395	1,534
Other expenditure	1,762	1,332
Depreciation	5,773	6,489
Interest payable and other finance costs	2,020	1,659
<b>Total</b>	<b>127,601</b>	<b>119,991</b>

	£000	£000
Other operating expenses include:		
Fees payable to group auditor for the audit of parent company and consolidated financial statements	61	52
Fees payable to the company's auditors and its associates for other services:		
Assurance services for grant and pension review	4	4
Operating lease rentals - land and buildings	6,111	6,449
Operating lease rentals - Equipment	229	104
Operating lease rentals - plant and machinery	2,662	1,458

### 10. TAXATION

The University is a registered charity within the meaning of schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of paragraph 1 of Schedule 6 to the Finance Act 2010. 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 (CT 2010) formerly enacted in Section 505 of the Income and Corporation Taxes Act 1988 (ICTA) or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes. The University receives no similar exemption in respect of Value Added Tax.

## Notes to the Financial Statements (continued)

### 11. TANGIBLE ASSETS

#### Consolidated and University

<u>Note</u>	<u>Freehold Land &amp; Buildings</u>	<u>Assets under Construction</u>	<u>Fixtures, Fittings and Equipment</u>	<u>Plant and Machinery</u>	<u>Total</u>
<b>Cost and deemed cost for land and buildings - restated</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
At 1 August 2015	112,913	10,178	13,312	1,945	138,348
Additions	-	9,784	-	-	9,784
Assets coming into use	2,309	(5,793)	3,173	311	-
Disposals	-	-	-	-	-
<b>At 31 July 2016</b>	<b>115,222</b>	<b>14,169</b>	<b>16,485</b>	<b>2,256</b>	<b>148,132</b>
<b>Accumulated depreciation</b>					
At 1 August 2015	7,605	241	8,955	909	17,710
Charge for the year	2,906	82	2,347	438	5,773
Disposals	-	-	-	-	-
<b>At 31 July 2016</b>	<b>10,511</b>	<b>323</b>	<b>11,302</b>	<b>1,347</b>	<b>23,483</b>
<b>Net book value</b>					
At 31 July 2016	104,711	13,846	5,183	909	124,649
At 31 July 2015	105,308	9,937	4,357	1,036	120,638
Financed by capital grant	443	-	353	-	796
<b>Total</b>	<b>443</b>	<b>-</b>	<b>353</b>	<b>-</b>	<b>796</b>

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. 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. The total estimated current value of the assets is £101,450, based on insurance replacement costs determined in August 2015. 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)

### 12. FIXED ASSET INVESTMENTS

	Consolidated		
	<u>Shares/ Capital Contribution</u>	<u>Loans</u>	<u>Total</u>
	£000	£000	£000
<b>At 1 August 2015</b>	-	-	-
Additions	-	-	-
Disposals	-	-	-
Impairment	-	-	-
	<hr/>	<hr/>	<hr/>
<b>At 31 July 2016</b>	-	-	-
	<hr/>	<hr/>	<hr/>
	University only		
	<u>Shares/ Capital Contribution</u>	<u>Loans</u>	<u>Total</u>
	£000	£000	£000
<b>At 1 August 2015</b>	450	-	450
Additions	-	-	-
Disposals	-	-	-
Impairment	-	-	-
	<hr/>	<hr/>	<hr/>
<b>At 31 July 2016</b>	450	-	450
	<hr/>	<hr/>	<hr/>

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 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)

### 13. STOCKS

#### Consolidated and University

	<u>2016</u>	<u>2015</u>
	£000	£000
Goods for resale	266	273

There were no goods held for resale by the subsidiary company.

### 14. TRADE DEBTORS AND OTHER RECEIVABLES

	Consolidated		University only	
	<u>2016</u>	Restated <u>2015</u>	<u>2016</u>	Restated <u>2015</u>
	£000	£000	£000	£000
Trade debtors	8,534	5,193	8,554	5,240
Prepayments	5,691	6,542	5,646	6,542
Amount owed to group undertaking	-	-	20	-
Total	<u>14,225</u>	<u>11,735</u>	<u>14,220</u>	<u>11,782</u>

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

	Consolidated		University only	
	<u>2016</u>	Restated <u>2015</u>	<u>2016</u>	Restated <u>2015</u>
	£000	£000	£000	£000
Bank loans	2,713	2,686	2,713	2,686
Trade creditors	7,431	8,110	7,412	8,110
Amounts owed to group undertakings	-	-	91	282
Taxation and social security	2,360	2,401	2,360	2,401
Accruals and deferred income	17,165	9,315	17,037	9,234
Total	<u>29,669</u>	<u>22,512</u>	<u>29,613</u>	<u>22,713</u>

Amounts owed to group undertakings are unsecured, interest free and repayable 30 days from the date of invoice. The bank loans relate to the capital repayments for the campus and student accommodation in Broadstairs and repayment of Salix loans to support energy efficiency projects. Loan details are shown in Note 16.

## Notes to the Financial Statements (continued)

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

	Consolidated and University	
	<u>2016</u>	<u>2015</u>
	£000	£000
Unsecured Loans	507	383
Secured Loans	44,283	46,312
<b>Total</b>	<u><u>44,790</u></u>	<u><u>46,695</u></u>

On 17 February 2000, Canterbury Christ Church University agreed to borrow £4.25m from Lloyds Bank Plc to develop the Broadstairs Campus. This was repayable over 25 years at Lloyds Base Rate + 0.65% for the first 5 years and secured by a first legal charge over the Broadstairs Campus land and The Priory. The rate was amended in May 2008 to Lloyds Base Rate + 0.25%.

On 22 April 2003, Canterbury Christ Church University agreed to borrow £2.85m from Lloyds Bank Plc to be used towards the building of student accommodation in Broadstairs. The loan is repayable over 30 years at Lloyds Base Rate + 0.45% and secured by a first legal charge on the student accommodation building. The rate was amended in May 2008 to Lloyds Base Rate + 0.25%.

In 21 February 2004, Canterbury Christ Church University agreed to borrow £10.1m from Lloyds Bank Plc to be used towards the development at Medway and Canterbury. The first draw down of the loan took place on 28 July 2004 and totalled £0.5m. Further draw down totalling £6.25m took place during the year to July 2005. The loan was repayable over 30 years at Lloyds Base Rate + 0.45% and was secured by a first legal charge over the Broadstairs Campus land.

On 31 August 2004, the loan facility from Lloyds Bank Plc was amended to £16.1m to cover works on Augustine House, and a further drawdown of £2m took place on 26 May 2006. The loan was repayable over 30 years and was secured by a first legal charge over the Broadstairs Campus land.

The loan facility of £16.1m was converted to a loan facility of £36m in March 2008 with a first legal charge over the Broadstairs Campus land. A fixed loan of £5m was drawn down in July 2008 with an interest rate of 5.35% for a 5 year period. A variable £12m loan was drawn down in June 2009 at Lloyds Base Rate +0.25%. A fixed loan of £5m was drawn down in July 2009 with an interest rate of 4.44% for a 5 year period. The final £5.25m was drawn down in August 2009 at Lloyds Base Rate +0.25%. On 2 April 2014, Canterbury Christ Church University agreed to borrow £10m from Lloyds Bank Plc to be used for the purchase of HMP Canterbury. The full amount was drawn down on 27 June 2014. The loan is repayable over 20 years with the current interest rate being variable at Lloyds 3 month LIBOR + 1.75% and is secured with a pledge over all University assets.

In 2014 the University received an interest free loan of £0.357m from HEFCE in the form of the revolving green fund. This fund is repayable over four years. The University received Salix Energy Efficiency loans to the value of £0.315m in 2015. In the year to 31 July 2016 further loans of £0.189m were received from Salix to support energy efficiency projects and £0.280m from the Revolving Green Fund.

## Notes to the Financial Statements (continued)

### 17. BORROWINGS

	Consolidated and University	
	<u>2016</u>	<u>2015</u>
<b>Bank loans and overdrafts</b>	<b>£000</b>	<b>£000</b>
Bank loans and overdrafts are repayable as follows:		
In one year or less	2,713	2,686
Between one and two years	2,697	2,901
Between two and five years	7,785	8,366
In five years or more	34,308	35,428
<b>Total</b>	<b><u>47,503</u></b>	<b><u>49,381</u></b>

### 18. PROVISIONS FOR LIABILITIES

	Consolidated and University	
	<u>2016</u>	<u>2015</u>
	<b>£000</b>	<b>£000</b>
Dilapidation provision at start of year	927	849
Charges for the year	344	368
Utilised in the year	(59)	(290)
<b>Dilapidation provision at end of year</b>	<b><u>1,212</u></b>	<b><u>927</u></b>

The University has provided for the potential future dilapidation costs of their leased properties spread over the period of tenancy, in line with the substance of the works required.

	Consolidated and University	
	<u>2016</u>	<b>Restated</b> <u>2015</u>
<b>Other Provisions</b>	<b>£000</b>	<b>£000</b>
Provision at start of year	1,762	298
Additions in the year	-	1,464
Utilised in the year	(166)	-
<b>Provision at end of year</b>	<b><u>1,596</u></b>	<b><u>1,762</u></b>

## Notes to the Financial Statements (continued)

### 19. ENDOWMENTS

	Consolidated and University			
	<u>Unrestricted expendable</u>	<u>Restricted permanent</u>	<u>2016 Total</u>	<u>2015 Total</u>
	£000	£000	£000	£000
<b>Opening balance at 1 August 2015</b>				
Capital	222	54	276	265
Accumulated income	-	(4)	(4)	9
	222	50	272	274
<b>Movement for the year to date</b>				
New Endowments	23	-	23	135
Transfer	13	-	13	2
Interest	1	-	1	1
Expenditure	(28)	-	(28)	(12)
	9	-	9	(2)
<b>Closing balance at 31 July 2016</b>	<b>231</b>	<b>50</b>	<b>281</b>	<b>272</b>
Represented by:				
Capital	258	54	312	276
Accumulated income	(27)	(4)	(31)	(4)
	231	50	281	272

The above amounts are represented by cash balances.

	<u>Expendable</u>	<u>Permanent</u>	<u>2016 Total</u>	<u>2015 Total</u>
	£000	£000	£000	£000
<b>Representing:</b>				
Specific donations	1	-	1	1
Scholarships / bursaries	196	13	209	231
Prize funds	34	36	70	40
	231	50	281	272

## Notes to the Financial Statements (continued)

### 20. CASH AND CASH EQUIVALENTS

	Notes	At 1 August 2015 £000	Cash flows £000	At 31 July 2016 £000
<b>University</b>				
Balance at bank		33,896	9,200	43,096
Cash and cash equivalents - endowments	19	272	9	281
		<b>34,168</b>	<b>9,209</b>	<b>43,377</b>
<b>Consolidated</b>				
Balance at bank - University		33,896	9,200	43,096
Balance at bank – Medco (CCCU) Limited		296	205	501
Cash and cash equivalents - endowments	19	272	9	281
		<b>34,464</b>	<b>9,414</b>	<b>43,878</b>

### 21. CONTINGENT LIABILITIES

There were no contingent liabilities as at 31 July 2016.

### 22. LEASE OBLIGATIONS AND OTHER COMMITMENTS

At 31 July 2016, Canterbury Christ Church University had annual commitments under non-cancellable operating leases as follows:

	<u>2016</u>				<u>31 July 2015 Total</u>
	<u>Land and Buildings</u>	<u>Plant and Machinery</u>	<u>Other leases</u>	<u>Total</u>	<u>Total</u>
	£000	£000	£000	£000	£000
Payable during the year	6,068	2,021	913	9,002	8,011
Future minimum lease payments due:					
Not later than one year	4,269	2,299	42	6,610	6,578
Later than one year and not later than five years	11,542	7,736	-	19,278	21,146
Later than five years	39,772	15,184	-	54,956	59,658
<b>Total lease payments due</b>	<b>61,651</b>	<b>27,240</b>	<b>955</b>	<b>89,846</b>	<b>95,393</b>



## Notes to the Financial Statements (continued)

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

	<u>2016</u>	<u>2015</u>
Future minimum payments due:		
Not later than one year	250	-
Later than one year and not later than five years	1,000	-
Later than five years	15,033	-
<b>Total payments due</b>	<u>16,283</u>	<u>-</u>

### 23. RELATED PARTY DISCLOSURES

Canterbury Christ Church University is one of five (2015: five) equal partners in GOETEC Limited, formerly Kent MAN Limited, a company formed on 1 April 2002 and limited by guarantee, maintaining telecommunications links between higher education institutions and the County Council in Kent. During the 2015-16 financial year, Canterbury Christ Church University paid GOETEC Limited £114,908 (2015: £30,368), and received £171,468 (2015: £169,258) in income. Included in Canterbury Christ Church University's creditor balance at 31 July 2016 was £259,544 (2015: £280,028) owed to GOETEC Limited.

Canterbury Christ Church University's subsidiary company, Medco (CCCU) Limited had been made dormant on 31 July 2012. The company was reactivated on 1 February 2015 and began trading as a Unitemps staffing agency, under a franchise arrangement with Warwick University Enterprises Limited. The subsidiary company was incorporated into a VAT grouping with the parent company from this date of reactivation. The subsidiary company has performed well in the eighteen months since trading began, exceeding budget expectations. 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.

### 24. EVENTS AFTER THE REPORTING PERIOD

There were no post balance sheet events to note.

### 25. 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 which were contracted out of the State Earnings Related Pension Scheme until 5 April 2016. From this date the contracted out status was removed and the University's National Insurance Contribution were then paid at the standard employer rate.

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

## Notes to the Financial Statements (continued)

### 25. PENSION SCHEMES continued

accordance with FRS 102 the USS and TPS pension schemes are accounted for on a defined contributions 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.

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:

	<u>2016</u>	<u>2015</u>
	£000	£000
Contributions to TPS	4,654	3,789
Contributions to LGPS	3,544	3,118
Contributions to USS	249	280
<b>Total pension contributions</b>	<u><u>8,447</u></u>	<u><u>7,187</u></u>
Percentage employer's contribution to TPS as at year end	16.5%	14.1%
Percentage employer's contribution to LGPS as at year end	17.5%	17.5%
Percentage employer's contribution to USS as at year end	18.0%	16.0%

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

	<u>TPS</u>	<u>LGPS</u>	<u>USS</u>
	31/03/12	31/3/10	31/3/14
Latest actuarial valuations	Prospective benefits	Projected unit	Projected unit
Actuarial method	8.4%	4.0%	5.2%
Investment returns per annum	4.75%	5.0%	RPI + 1%
Salary scale increases per annum	2.0%	3.0%	RPI
Pension increases per annum	-	£2,885m	£41,604.6m
Market value of assets at date of last valuation	£176,600m	-	-
Nominal market value of assets at date of last valuation	92%	77%	89%
Proportion of members accrued benefits covered by the actuarial value of the assets			

## Notes to the Financial Statements (continued)

### 25. PENSION SCHEMES continued

The most recent valuation of Kent's Local Government Pension Scheme at 31 March 2013 records a deficit of £784m, equivalent to a funding level of assets to liabilities of 83%.

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%.

Any surplus or deficit on either scheme will be compensated for by altering the rate of contributions and in the case of USS amending the constitution of the scheme. The best estimate of employers' and employees' contributions to be paid by the University to the schemes for the year beginning 1 August 2015 is £15.9m (1 August 2014: £12.2m).

#### 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.

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 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 (GA), 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.

## Notes to the Financial Statements (continued)

### 25. PENSION SCHEMES continued

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.

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, the scheme is accounted for as if it were a defined contribution scheme. As a result, the amount charged to the statement of comprehensive income statement represents the contributions payable to the scheme in respect of the accounting year.

#### 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, as required by FRS 17 Retirement Benefits, 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 FRS102 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 2016.

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.

## Notes to the Financial Statements (continued)

### 25. PENSION SCHEMES continued

The material assumptions used by the actuary for FRS 102 for the LGPS at 31 July 2016 were:

	<u>2016</u>	<u>2015</u>
	<u>% pa</u>	<u>% pa</u>
Inflation / Pension increase	1.80	2.25
Rate of increase in salaries	3.00	4.05
Discount rate for liabilities	2.60	3.8

The post retirement mortality tables adopted were the S1PA tables. These base tables are then projected using the CMI 2015 model, allowing for a long term rate of improvement of 1.25% p.a. Based on these assumptions, the average life expectations on retirement at age 65 are:

	<b>Males</b>	<b>Females</b>
Current Pensioners	22.1 years	24.4 years
Future Pensioners	23.8 years	26.3 years

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

	<u>Value at 31 July</u> <u>2016</u>	<u>Value at 31 July</u> <u>2015</u>
	<u>£'000</u>	<u>£'000</u>
Equities	54,823	49,207
Gilts	727	753
Bonds	8,651	8,009
Property	11,357	8,944
Cash	1,940	1,969
Target return portfolio	3,523	3,122
	<u>Value at 31 July</u> <u>2016</u>	<u>Value at 31 July</u> <u>2015</u>
	<u>£'000</u>	<u>£'000</u>
<b>Total market value of assets</b>	<b>81,021</b>	<b>72,004</b>
Present value of scheme liabilities	(109,543)	(96,135)
Present value of unfunded liabilities	(45)	(39)
<b>Deficit in the scheme–Net pension liability</b>	<b>(28,567)</b>	<b>(24,170)</b>

The net interest cost for the year was a cost of £6,665k (2015: £3,615k).

## Notes to the Financial Statements (continued)

### 25. PENSION SCHEMES continued

LGPS	2016	2015
Reconciliation of Defined Benefit Obligation	£'000	£'000
<b>Opening Defined Benefit Obligation</b>	<b>96,174</b>	<b>81,895</b>
Current Service Cost	5,562	4,286
Interest Cost	3,665	3,615
Change in financial assumptions	6,005	8,074
Change in demographic assumptions	(2,113)	(1,798)
Experience loss/(gain) on defined benefit obligation	10	-
Contributions by Members	1,359	1,240
Losses on curtailments	442	333
Estimated Unfunded Benefits Paid	(5)	(5)
Estimated Benefits Paid (net of transfers in)	(1,511)	(1,466)
<b>Closing Defined Benefit Obligation</b>	<b>109,588</b>	<b>96,174</b>
Reconciliation of Fair Value of Employer Assets	2016	2015
	£'000	£'000
<b>Opening Fair Value of Employer Assets</b>	<b>72,004</b>	<b>62,924</b>
Interest on assets	2,801	2,775
Return on assets less interest	2,801	3,084
Administration expenses	(49)	(46)
Contributions by the Employer	3,621	3,498
Contributions by Members	1,359	1,240
Estimated Benefits Paid including unfunded benefits	(1,516)	(1,471)
<b>Closing Fair Value of Employer Assets</b>	<b>81,021</b>	<b>72,004</b>

Scheme assets do not include any Canterbury Christ Church University owned financial instruments or any property occupied by Canterbury Christ Church University.

## Notes to the Financial Statements (continued)

	31 July 2016 £'000	31 July 2015 £'000
<b>Analysis of the amount shown in the balance sheet for the LGPS</b>		
Scheme assets	81,021	72,004
Scheme liabilities	<u>109,588</u>	<u>96,174</u>
<b>Deficit in the scheme – net pension liability recorded within pension provisions (Note 24)</b>	<b>(28,567)</b>	<b>(24,170)</b>
<b>Analysis of the amount charged to interest payable for LGPS</b>		
Current service cost	6,004	4,619
Past service costs included in above	-	-
Admin charge	<u>49</u>	<u>46</u>
Total operating charge:	6,053	4,665
<b>Analysis of the amount charged to interest payable for LGPS</b>		
Interest cost	864	840
Expected return on assets	<u>-</u>	<u>-</u>
<b>Net charge to other finance income Total profit and loss charge before deduction for tax</b>	<b><u>864</u></b>	<b><u>840</u></b>
<b>Analysis of other comprehensive income for LGPS</b>		
Gain on assets	2,801	3,084
Experience loss on liabilities	(10)	-
Changes to demographic assumptions	2,113	1,798
Financial assumption changes	<u>(6,005)</u>	<u>(8,074)</u>
<b>Total other comprehensive income before deduction for tax</b>	<b><u>(1,101)</u></b>	<b><u>(3,192)</u></b>

## Notes to the Financial Statements (continued)

### 26. STUDENT SUPPORT FUNDS

	2016 Total £'000	2015 Total £'000
<b>The Education and Training Foundation Premium Graduate ITE Bursary</b>		
Funding Council grants	242	300
Balance brought forward from previous years	37	-
Disbursed to students	(265)	(263)
	14	37
<b>NCTL Bursaries</b>		
Funding Council grants	5,155	3,460
Balance brought forward from previous years	(357)	37
Disbursed to students	(4,627)	(3,854)
	171	(357)
<b>HEKSS Paramedic Bursaries</b>		
Funding Council grants	346	152
Balance brought forward from previous years	(32)	78
Travel expenses paid to students	(53)	(39)
Disbursed to students	(268)	(222)
	(7)	(31)



## Notes to the Financial Statements (continued)

### Note 27 TRANSITION TO FRS102

As explained in the accounting policies, these are the University's first financial statements prepared in accordance with FRS 102 and the new SORP 2015. The accounting policies set out in Note 1 have been applied in preparing the financial statements for the year ended 2015. The comparative information presented in these financial statements

Financial position	1 August 2014		31 July 2015	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>Total reserves under 2007 SORP</b>	55,503	55,503	57,500	57,500
Endowment moved to reserves	274	274	272	272
Fixed asset revaluation one off transition	(810)	(810)	459	459
USS pension liability	(298)	(298)	(542)	(542)
Deferred capital grant released to reserves	14,584	14,584	14,268	14,268
Grant income changed to performance method	-	-	153	153
Employee leave accrual	(1,260)	(1,260)	(1,066)	(1,066)
<b>Total effect of transition to FRS 102</b>	<b>12,490</b>	<b>12,490</b>	<b>13,544</b>	<b>13,544</b>
<b>Total reserves under 2015 SORP</b>	<b>67,993</b>	<b>67,993</b>	<b>71,044</b>	<b>71,044</b>
	<b>Year ended 31 July 2015</b>			
Financial performance	Consolidated £'000	University £'000		
<b>Surplus for the year under 2007 SORP</b>	<b>6,445</b>	<b>6,445</b>		
USS pension provision	(244)	(244)		
Grant income	153	153		
Adjustment to capital grants	(316)	(316)		
Employee leave accrual	194	194		
Depreciation	1,269	1,269		
Interest and other finance costs - LGPS	(840)	(840)		
Operating expenditure adjustment - LGPS	(416)	(416)		
Endowment - comprehensive income	(2)	(2)		
Previously reported in the STRGL - LGPS	(3,192)	(3,192)		
<b>Total effect of transition to FRS 102</b>	<b>(3,394)</b>	<b>(3,394)</b>		
<b>Total comprehensive income for the year under 2015 SORP</b>	<b>3,051</b>	<b>3,051</b>		

#### Cash Flows

The transition to FRS 102 has not had an impact on the cash flows of the University or the Group.



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