

Canterbury Christ Church University

# Directors' Report and Financial Statements

For the year ended 31st July 2017

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## DIRECTORS AND ADVISERS

### Directors in place for the year to 31 July 2017 and up to the date of signing the financial statements:

Ms C Alfrey (resigned 31 July 2017)	Mr F Martin (Pro-Chancellor from 1 August 2017)
Ms J Armitt	Ms R Martin
Mr C Calcutt	Ms C Nolan (From 1 August 2017)
Mr C Carmichael (resigned 31 July 2017)	Ms M Peachey
Mr S Clark (Pro-Chancellor and Chair, resigned 31 July 2017)	Dr G Perkins (resigned 23 June 2017)
Dr A Eyden (From 1 August 2017)	Mr Q Roper
Mr J Faber (From 1 August 2017)	Mrs J Shiner
Mr P Fletcher (From 1 August 2017)	Revd Robert Stevenson (From 1 August 2017)
Mr C Frederick (resigned 31 July 2017)	Mr K Tashev (From 1 August 2017)
Mr D Hannaway (resigned 31 July 2017)	Professor R Thirunamachandran (Vice-Chancellor and Principal)
Mrs J Harding (From 1 August 2017)	Ms D Upton
Dr R Henson (resigned 31 July 2017)	Right Revd T Willmott (Deputy Pro-Chancellor)
Sir I Johnston (Deputy Pro-Chancellor from 1 August 2017)	

### Clerk to the Governing Body and University Solicitor

Ms A Sear

### Independent Auditor

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

### Solicitors

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

### Registered office - Parent and Subsidiary

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

### Internal Auditor for the year to 31 July 2017

RSM LLP  
25 Farringdon Street  
London  
EC4A 4AB

### Principal Bankers

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

### Company and Charity numbers

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

**Registered charity number**  
1098136



## VICE CHANCELLOR'S INTRODUCTION

Welcome to our financial statements for the year ended 31 July 2017. These statements include the statutory reports that detail the financial performance of the University for the year. These reports also provide an opportunity for us to share the University's many highlights and successes during the year.

Once again, it has been a challenging and eventful year. Significant reform of the higher education sector has taken place against a backdrop of ongoing political and economic uncertainty due to a snap General Election, which left us with a minority government and the complex and testing Brexit negotiations.

Higher education was at the forefront of the General Election with tuition fees being placed firmly back on the political agenda and this policy area continues to be widely debated. Meanwhile, the Higher Education and Research Act of 2017 was the most significant piece of legislation for a generation and provided the institutional and policy framework for a major overhaul of the entire sector. The creation of the Office for Students to replace the Higher Education Funding Council for England and the Office for Fair Access, changes to student finances and the amalgamation of the research councils into UK Research and Innovation will all profoundly affect both universities and students.

I firmly believe that Christ Church is well placed to adapt and respond to these changes. In the summer, we were delighted to receive news that the University had been awarded Silver in the Teaching Excellence Framework, a significant national endorsement of our high-quality and transformative education. Christ Church has a long and proud history of providing education that makes a real difference to people's lives and this award is recognition of our strong commitment to ensuring students of all abilities, from all backgrounds, succeed and reach their full potential.

There have also been some very important developments in our ambitious Estate Master Plan. Last year, we were delighted to receive planning permission from the City Council to develop the former Canterbury Prison site, a £150 million campus development over the next 10 to 15 years.

In April, we received news that the University had been granted planning permission by Canterbury City Council to build a new arts facility on the North Holmes campus. The building, due to open in September 2018, will enable the Schools of Media, Art and Design, and Music and Performing Arts to further support the region's creative arts and digital industries, with specialist teaching facilities and the latest technology for new and existing courses.

This followed news earlier in the year that the University had been successful in securing a Government grant of £6.12 million, for a new engineering, science and technology centre at Christ Church; a further Government grant of 7m was won later in the year. This funding is a significant step forward in realising our exciting plans to transform our campus in Canterbury. This includes the creation of a new Kent and Medway Engineering, Design, Growth and Enterprise (EDGE) Hub, which will support high-value employment, growth and investment in engineering and technology businesses in the area.

## VICE CHANCELLOR'S INTRODUCTION (CONTINUED)



The past year has also seen the creation of a number of change initiatives, including the semesterisation of the academic year. The combined effect of these various initiatives will be to improve the student learning experience. We also continue to maintain our close working relationship with Christ Church Students' Union to ensure our students enjoy the best possible university experience while studying with us.

Evidence of our ongoing commitment to providing an excellent student and staff experience was also reflected in some key surveys this year. Overall student satisfaction now sits at 82% according to the National Student Survey 2017. In our latest Staff Survey, 86% of our staff recommended the University as a good place to work and 91% also say this is a friendly place to work.



As ever, I would like to thank all our staff for their hard work, engagement, innovation and teamwork during the past year and I remain confident that those qualities will drive us forward in the challenging and exciting times ahead.

Professor Rama Thirunamachandran  
Vice-Chancellor and Principal

# THE STRATEGIC REPORT

## Our Achievements for 2016/2017

We have had much to celebrate this year, most notably:

### Silver for teaching excellence

The University received a prestigious Silver rating in the Teaching Excellence Framework, exceeding national quality requirements for UK universities.

### Top 20 for qualified teaching staff

Among the country's top 20 universities for teaching staff qualifications.\*

### Friendly workplace

In our latest staff survey, 86% of our staff would recommend the University as a good place to work and 91% say this is a friendly place to work.

### Investing in our staff

The University received an Athena SWAN Bronze award in recognition of our commitment to gender equality. We have also been awarded Silver in the Defence Employer Recognition Scheme and have signed the Armed Forces Covenant, confirming our strong commitment to supporting our armed forces community.

### National funding for engineering, science and technology

We were awarded Government funding totalling £13.12million to create the Kent and Medway Engineering, Design, Growth and Enterprise (EDGE) Hub – a major new first-class facility to support high-value employment, investment and economic growth in science, engineering and technology.

### Top 30 for value

The Economist ranked Canterbury Christ Church University in the top 30 universities providing 'most value for their students'.

### Excellent employability

96% of our students go on to work or further study within six months of completing their studies.\*\*

### Strong graduate prospects

9 out of 10 of our employed graduates are in graduate-level jobs three-and-a-half years after finishing their studies – higher than the national average.\*\*\*

*\* Higher Education Funding Council for England*

*\*\*according to the Destinations of Leavers from Higher Education Survey 2015/16*

*\*\*\*DLHE Longitudinal Survey: 87% of those surveyed, who are in employment, are in graduate jobs compared to the 84% UK average*

## **STRATEGIC REPORT (CONTINUED)**

### **Directors Report**

The disclosure requirements for the Directors report can be found in the Strategic Report on pages 5 to 15 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 2017 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 consolidated results for the University for the year ended 31 July 2017 are summarised, as follows:

	<u>2017</u>	<u>2016</u>
	£000	£000
Income	133,976	134,765
Expenditure	130,148	127,533
<b>Surplus</b>	<u>3,828</u>	<u>7,232</u>

The particular areas to highlight from the financial results are:

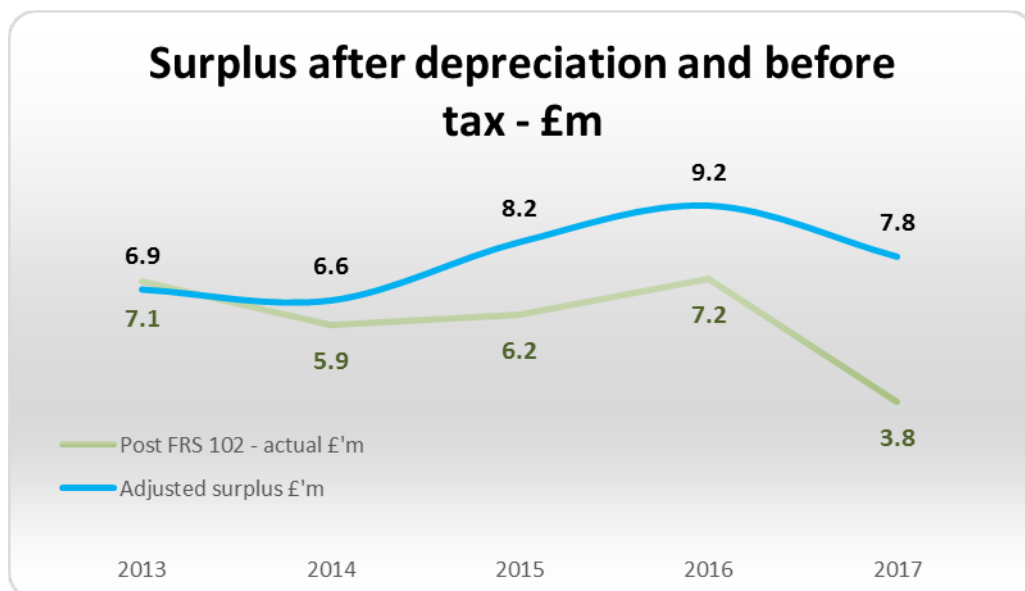
- A slight decrease in total income of 0.6% from £134.7m to £133.9m (2016 increase of 6.8%).
- An increase in expenditure of 2.1% to £130.1m (2016 increase of 6.2% to £127.6m).
- Surplus for the year after depreciation of tangible fixed assets at cost, disposal of tangible fixed assets and taxation of £3.8m (2016 £7.2m).

Strategic Report and Financial Statements for the year ending 31 July 2017

## STRATEGIC REPORT (CONTINUED)

- Capital additions of £14m (2016 £9m).
- A pension scheme deficit of £17.5m (2016 £28.5m)

The University returned a reported surplus of 2.86% of turnover (2016: surplus 5.36% restated for FRS102). This is compared to the adjusted surplus as follows:



The University's target of 5% annual surplus is a requirement for financial sustainability and to generate funds to support future capital investment. The adjusted surplus is measured before items are included, as required by FRS 102. In the year to 31 July 2017 the adjustments to surplus included the following items:

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

The adjusted surplus of £7.8m represents 5.8% of turnover.

### Pension Reserve

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

## THE STRATEGIC REPORT (CONTINUED)

This pension fund is a defined benefit scheme and as its assets and liabilities can be separately identified by the scheme's actuary these are reported within the financial statements. The University's share of the deficit in the scheme decreased by £11.09m to £17.48m (2016: increased by £4.4m to £28.6m). 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

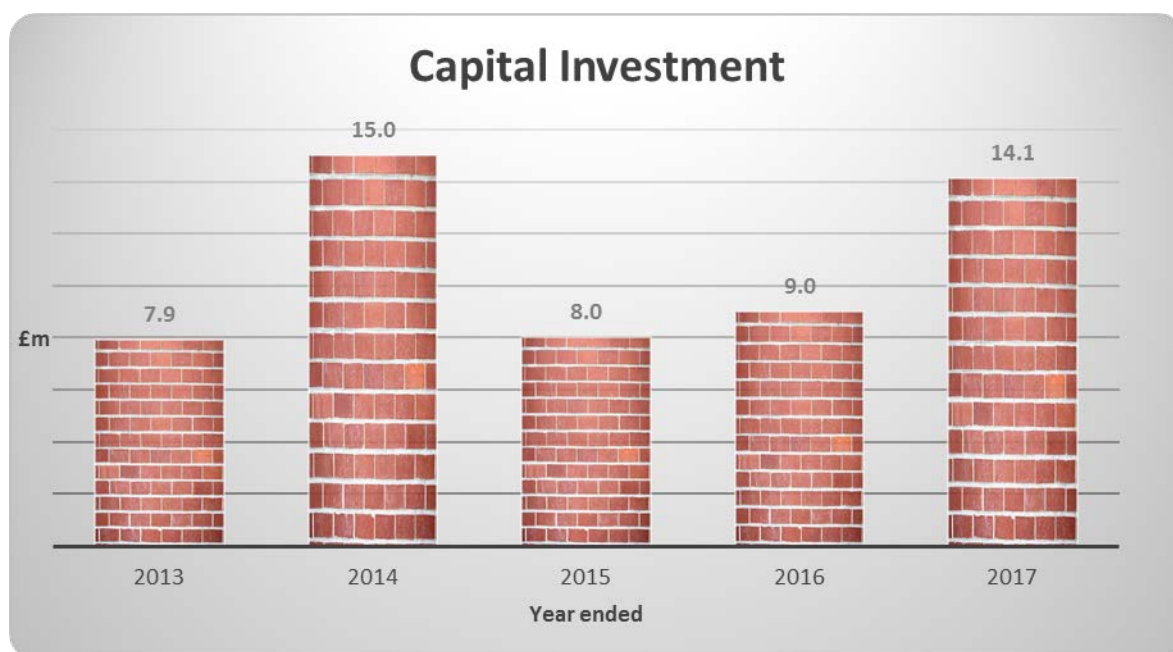
The University has approximately 18,000 students and has continued to recruit successfully across all of its main funding streams: those funded formerly by the Higher Education Funding Council for England (HEFCE); the National College for Teaching and Leadership (NCTL); and, the Health Education Kent, 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.

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 2016/17 the institution continued to invest significantly in new IT equipment with £3.9m being provided to support IT projects for hardware and the provision of the wifi network across the campuses. New software developments included the introduction of an electronic attendance monitoring system and enhanced smartcards for students. 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.



## THE STRATEGIC REPORT (CONTINUED)

### Payment of Creditors

The policy is that payments are made in accordance with those terms and conditions agreed between the Institution and its suppliers. Where no specific conditions exist, suppliers are paid within 30 days of the receipt of invoice. The payment performance of the University is available to the public on the Canterbury.ac.uk website. In the year 2016/2017 the University met the 30 day target to pay valid and undisputed invoices within 30 days for 91% of all invoices received.

### Cash Flow

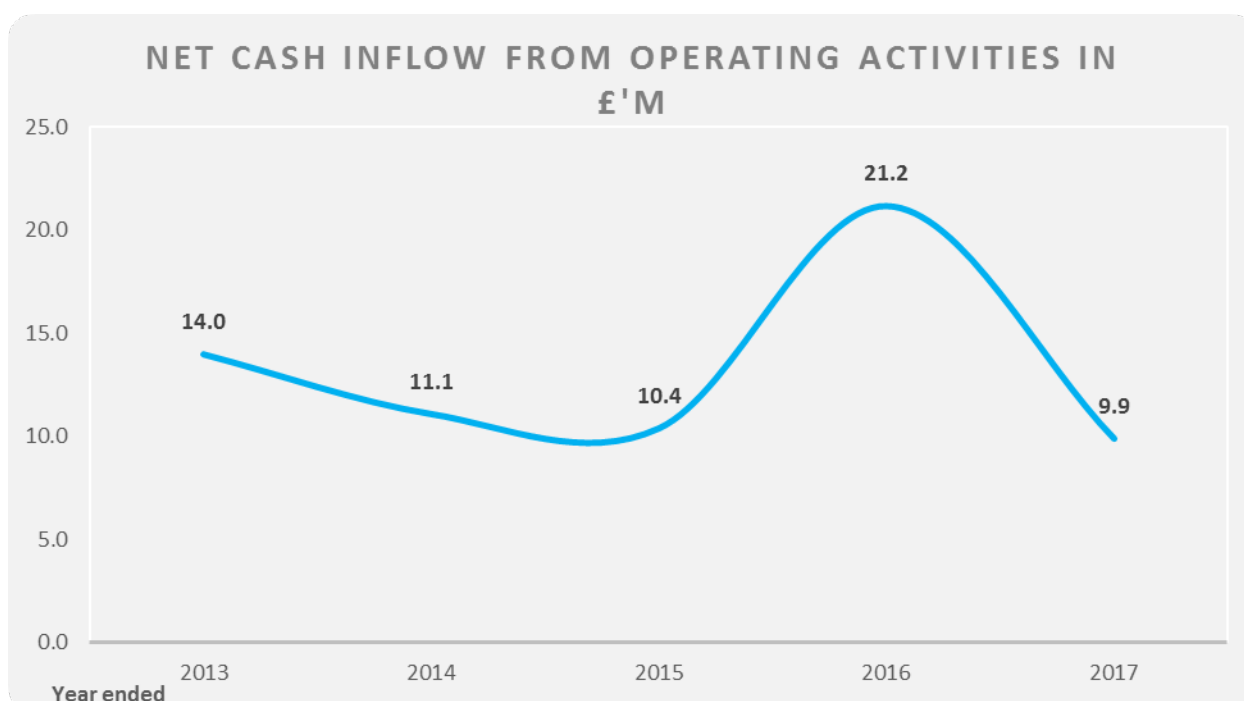
Canterbury Christ Church University has continued to maintain appropriate cash balances generated through operations to support the significant capital investment. The cash position at the end of the financial year reflects the utilisation of liquid funds in this way. The Institution recognises the importance 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 cash position decreased by £6.1m at the end of the year (2016: £9.4m increase). 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. A measure that has become increasingly important since the introduction of FRS 102 is the level of cash being generated from operational activities, the net cash inflow.



## THE STRATEGIC REPORT (CONTINUED)

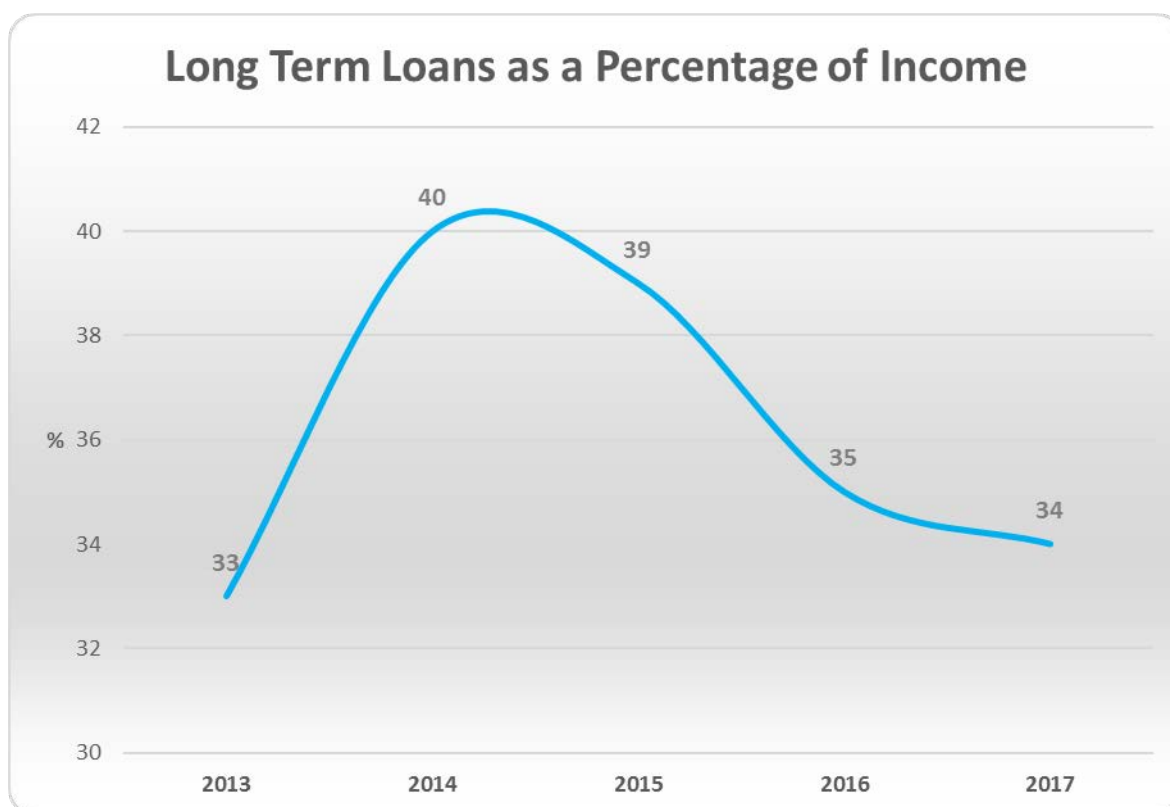


### Long Term Loans as a Percentage of Income

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 2016/17 from Salix to support a range of energy efficient projects (2016: £0.189m was received from Salix and £0.280m from the HEFCE Revolving Green Fund).

## 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 Programme (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 2017 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.

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.
- Changes to funding arrangements for Teacher Education.

## THE STRATEGIC REPORT (CONTINUED)

- Changes to funding and commissioning arrangements for Health Education Kent, Surrey and Sussex (HEKSS) professional training.
- The implications of BREXIT.
- 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 28 November 2017.

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

The University seeks to retain a level of reserves to support its financial sustainability and in accordance with its strategic plan, the policy is reviewed in each academic term. The reserves position is maintained through the achievement of surpluses in line with the Institution's 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 (SMT) and for each meeting of the Finance and Resources Committee of the Governing Body.

The table below shows the consolidated KPI performance for the year ending 31 July 2017 compared to the previous year.

Key Performance Indicators	2017	2016
Surplus as a % of income	2.9	5.4
Unrestricted reserve as a % of total income	70.4	57.0
External borrowing as a % of total income	33.2	35.2
Current asset / current liability ratio	1.90	1.96
Net liquidity days	109	130

These KPIs are included in the monthly financial reports and are monitored and reviewed by the SMT. They are also considered and assessed by the Finance and Resources committee as part of the review of financial performance.



## THE STRATEGIC REPORT (CONTINUED)

### Financial Risk Management

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

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

### Outlook

The 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. In light of this and following two years of detailed planning and consultation, our £150 million Estate Master Plan was approved by Canterbury City Council in December 2016. This was followed by planning committee approval for a new arts building on our city campus in April 2017. The University is known for its innovation and adaptability. These significant developments signal an exciting new chapter for Christ Church with an extended range of arts and humanities courses, and the expansion of STEM subjects mainly in the areas of engineering, science and technology. Construction work is underway for phase one of the Estate Master Plan – a new arts building due to open for the 2018/19 academic year. This will be followed by a major new facility for engineering, technology and health, opening in 2020, as the campus extends into the former Canterbury Prison site. In February 2017 the University was awarded £6.12million by the South East Local Enterprise Partnership (SELEP). A further £7 million of funding was secured from the Higher Education Funding Council for England's (HEFCE) Catalyst Fund, which supports innovation, excellence and efficiency within higher education. The new facility, to open in 2020, is estimated to be worth up to an estimated £11 million a year to the Kent and Medway economy and will add an additional 1,250 graduates with higher level engineering and technology skills into the labour market by 2024. The consolidation of the campus will help the University provide contemporary, industry-relevant facilities and courses, enhancing the student experience while critically supporting the local and regional economy.

During the strategic review of our estate the University took into account the current network of campuses and centres, including the Broadstairs Campus, with its mix of business, arts and humanities, and health programmes. At its meeting on 27 June 2017, the University's Governing Body considered a number of options for the future of the Broadstairs campus based on a comprehensive review of potential scenarios, including their feasibility and impact. After very careful consideration, the Governing Body agreed that the University should withdraw from Broadstairs, with the transfer of all courses to Canterbury to be achieved prior to commencement of the 2018/19 academic year. A number of these courses will benefit from the investment in the new arts building, due to open in September 2018.

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

## **PUBLIC BENEFIT STATEMENT**

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

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

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

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

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

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

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

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

The University's research is applied for the benefit of the local community including, for example, research into education and music which is rated as world class. Specific research into the positive effects of music on people suffering early stage dementia is proving particularly beneficial in partnership with local community groups. The University makes an important contribution to the cultural life of the local community by providing a series of music concerts as well as art and photography exhibitions, many of which are open to the general public and often free of charge. The University is a major employer and purchaser of goods and services in Kent. The income generated of £133.7m in 2016/17 (2016: £134.6m) 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 Finance and General Purposes 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 which enable it to ensure that the financial statements are prepared in accordance with the Instrument and Articles of Government, the Statement of Recommended Practice: Accounting for further and higher education and relevant legislation. In addition, within the terms and conditions of the Memorandum of Assurance and Accountability 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;

Strategic Report and Financial Statements for the year ending 31 July 2017



## 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 F Martin**

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

**Date:**

## CORPORATE GOVERNANCE

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

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

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

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

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

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

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

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

## CORPORATE GOVERNANCE (CONTINUED)

The primary responsibilities and constitution are as follows:

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

The roles of the Chancellor (installed December 2005) and the Pro-Chancellor (Chair of the Governing Body) are separate from the role of the University's Chief Executive, the Vice-Chancellor. The Vice-Chancellor is the head of the Institution and has a general responsibility to the Governing Body for the organisation, direction and management of the University. Under the terms 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 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 University Solicitor has been appointed as Clerk to the Governing Body and, in that capacity, provides independent advice on matters of governance to all members. The University Solicitor has also been appointed Company Secretary to the incorporated Canterbury Christ Church University, under the Memorandum and Articles of Association dated July 2013.



## **CORPORATE GOVERNANCE (CONTINUED)**

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

The University's KPIs were revised in March 2015 to reflect the priorities and monitoring of performance against the University's 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 2016/17 has included a series of governor visits to Schools and Departments; strategic discussion items at each full Governing Body meeting; and informal discussions with each member of the Governing Body to consider the effectiveness of the Board and its committees and the individual contribution made by each governor. A peer governance review carried out in 2017 confirmed good progress against the governance progress review led by the Pro-Chancellor and Clerk in 2016. The most recent Internal Audit of Corporate Governance in 2017 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 2017 concluded that it was able to place reliance on the University's accountability information.

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

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

## STATEMENT OF INTERNAL CONTROL

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

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

The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of policies, aims and objectives; to evaluate the nature and extent of those risks; and to manage them efficiently, effectively and economically. This process has been in place for the year ended 31 July 2017 and up to the date of approval of the Strategic 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 University Solicitor oversees the risk management process adopted by the University.

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

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

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

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

The University has appointed Internal Auditors, who operate to standards defined in the HEFCE Memorandum of Assurance and Accountability. 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 provided an annual assessment, which once again confirmed in March 2017 that the Institution was not at higher risk.

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

## **Report on the audit of the financial statements**

### **Opinion**

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the university's affairs as at 31 July 2017 and of the group's and the university's income and expenditure, gains and losses and changes in reserves and the group's cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Statement of Recommended Practice: Accounting for Further and Higher Education; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Canterbury Christ Church University (the 'university') and its subsidiaries (the 'group') which comprise:

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

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice: Accounting for Further and Higher Education.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the university in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

We are required by ISAs (UK) to report in respect of the following matters where:

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

We have nothing to report in respect of these matters.

Strategic Report and Financial Statements for the year ending 31 July 2017

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

### **Other information**

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### **Auditor's responsibilities for the audit of the financial statements**

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

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

### **Use of our report**

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

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

## **Report on other legal and regulatory requirements**

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

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

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

In the light of the knowledge and understanding of the group and of the university and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

### **Opinions on other matters prescribed by the Higher Education Funding Council for England Audit Code of Practice (HEFCE)**

In our opinion, in all material respects:

- funds from HEFCE and the Teaching Agency administered by the university for specific purposes during the year ended 31 July 2017 have been applied to those purposes and managed in accordance with relevant legislation;
- funds provided by HEFCE have been applied in accordance with the memorandum of assurance and accountability dated 1 August 2016 and any other terms and conditions attached to them during the year ended 31 July 2017; and
- the requirements of HEFCE's accounts direction have been met.

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

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

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

We have nothing to report in respect of these matters.

Susan Barratt, BA, ACA (Senior statutory auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
Reading, United Kingdom

# STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

## 1. Basis of Preparation

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

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

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

## 2. Critical Judgements

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

### 2.1 Leases

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

### 2.2 Capital and Research Grants Received

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

## 3. Estimates

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

### 3.1 Tangible Fixed Assets

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



## STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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

### 3.2 Local Government Pension

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost for pensions include the discount rate. Any changes in these assumptions are disclosed in note 23 will impact on the carrying value of the pensions liability. Furthermore a rolled forward approach which projects results from the latest full actuarial valuation performed as at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 July 2017. Any differences between these figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

### 4. Basis of Consolidation

The consolidated financial statements include the University and its subsidiary company for the financial year to 31 July 2017. The wholly owned subsidiary company, Medco (CCCU) Limited 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.

### 5. Recognition of Income

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

### 6. Grants

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

### 7. Agency Arrangements

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

## STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### 8. Foreign Currencies

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

### 9. Operating Leases

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

### 10. Tangible Fixed Assets

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

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

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

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

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

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.

## STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### 11. 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.

### 12. 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.

### 13. 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.

### 14. Taxation Status

The University is a registered charity within the meaning of Part 3 of the Charities Act 2011 and as such is a charity within the meaning of Section 506 of the Income and Corporation Tax Act 1988. It is therefore a charity within meaning of Para 1 of schedule 6 to Finance Act 2010 and accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by Sections 478-488 of the Corporation Taxes Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes.

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

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

### 15. Pension Schemes

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

## STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

contributions to these schemes are included as expenditure in the period in which they are payable in the Statement of Comprehensive Income.

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

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

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

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

### 16. Investments

Endowment asset investments are held as cash.

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

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

### 17. Financial Instruments

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

Strategic Report and Financial Statements for the year ending 31 July 2017

## STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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.

### 18. Investment in Subsidiaries

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

### 19. Reserves

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

The following reserves are maintained:

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

# Consolidated Statement of Comprehensive Income and Expenditure

For the year ended 31 July 2017

	<u>Note</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
		<u>Consolidated</u>		<u>University</u>	
		£000	£000	£000	£000
<b>Income</b>					
Tuition fees and education contracts	1	101,110	102,034	101,110	102,034
Funding body grants	2	11,056	9,817	11,056	9,817
Research grants and contracts	3	547	1,444	547	1,444
Other income	4	21,105	21,220	21,028	21,153
Investment income	5	236	318	235	317
<b>Total income</b>		<u>134,054</u>	<u>134,833</u>	<u>133,976</u>	<u>134,765</u>
<b>Expenditure</b>					
Staff costs	7	75,451	71,211	75,349	71,128
Interest and other finance costs	8	1,752	2,020	1,752	2,020
Other operating expenses	9	46,504	48,597	46,528	48,612
Depreciation	10	6,519	5,773	6,519	5,773
<b>Total Expenditure</b>		<u>130,226</u>	<u>127,601</u>	<u>130,148</u>	<u>127,533</u>
<b>Surplus for the year after depreciation of tangible fixed assets at cost and before taxation</b>		<u>3,828</u>	<u>7,232</u>	<u>3,828</u>	<u>7,232</u>
<b>Taxation</b>		-	-	-	-
<b>Surplus for the year after depreciation of tangible fixed assets at cost, disposal of tangible fixed assets and taxation</b>		<u>3,828</u>	<u>7,232</u>	<u>3,828</u>	<u>7,232</u>
<b>Surplus for the year</b>		<u>3,828</u>	<u>7,232</u>	<u>3,828</u>	<u>7,232</u>

# Consolidated Statement of Comprehensive Income and Expenditure

For the year ended 31 July 2017  
(Continued)

	<u>Note</u>	<u>2017</u> £000	<u>2016</u> £000	<u>2017</u> £000	<u>2016</u> £000
		<u>Consolidated</u>		<u>University</u>	
Surplus for the year		3,828	7,232	3,828	7,232
Endowment comprehensive income for the year	17	6	9	6	9
Actuarial gain\ (loss) in respect of pension schemes	23	14,349	(1,101)	14,349	(1,101)
<b>Total comprehensive income for the year</b>		<u>18,183</u>	<u>6,140</u>	<u>18,183</u>	<u>6,140</u>
Represented by:					
Endowment comprehensive income for the year		6	9	6	9
Unrestricted comprehensive income for the year		18,177	6,131	18,177	6,131
<b>Total Comprehensive income for the year attributable to the University</b>		<u>18,183</u>	<u>6,140</u>	<u>18,183</u>	<u>6,140</u>

All items of income and expenditure relate to continuing activities.

## Consolidated Statement of Changes in Reserves For the year ended 31 July 2017

Consolidated and University	Income and expenditure account			Total
	Endowment	Restricted	Unrestricted	
	£'000	£'000	£'000	£'000
<b>Balance at 1 August 2015</b>	222	50	70,772	71,044
Surplus from the income and expenditure statement	-	-	7,232	7,232
Other comprehensive income/(loss)	9	-	(1,101)	(1,092)
<b>Total comprehensive income for the year</b>	<u>9</u>	<u>-</u>	<u>6,131</u>	<u>6,140</u>
<b>Balance at 31 July 2016</b>	<u>231</u>	<u>50</u>	<u>76,903</u>	<u>77,184</u>
<b>Balance at 1 August 2016</b>	231	50	76,903	77,184
Surplus from the income and expenditure statement	-	-	3,828	3,828
Other comprehensive income	6	-	14,349	14,355
<b>Total comprehensive income for the year</b>	<u>6</u>	<u>-</u>	<u>18,177</u>	<u>18,183</u>
<b>Balance at 31 July 2017</b>	<u>237</u>	<u>50</u>	<u>95,080</u>	<u>95,367</u>

The net effect of the one off revaluation of tangible fixed assets undertaken as at 31 July 2014 as part of the transition to FRS 102 was a decrease in reserves of £0.351m.



## Balance Sheets

As at 31 July 2017

		<u>Consolidated</u>		<u>University</u>	
	<u>Note</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
		£000	£000	£000	£000
<b>Non-current assets</b>					
Tangible assets	10	132,660	124,649	132,660	124,649
Investments	11	-	-	450	450
<b>Total fixed assets</b>		<u>132,660</u>	<u>124,649</u>	<u>133,110</u>	<u>125,099</u>
<b>Current assets</b>					
Stocks		275	266	275	266
Trade and other receivables	12	14,938	14,225	14,990	14,220
Cash at bank and cash equivalents		37,698	43,878	37,309	43,377
<b>Total current assets</b>		<u>52,911</u>	<u>58,369</u>	<u>52,574</u>	<u>57,863</u>
<b>Less creditors: amounts falling due within one year</b>	13	(28,342)	(29,669)	(28,455)	(29,613)
<b>Net current assets</b>		<u>24,569</u>	<u>28,700</u>	<u>24,199</u>	<u>28,250</u>
<b>Total assets less current liabilities</b>		<b>157,229</b>	<b>153,349</b>	<b>157,229</b>	<b>153,349</b>
<b>Creditors: amounts falling due after more than one year</b>	14	(42,087)	(44,790)	(42,087)	(44,790)
<b>Provisions</b>					
<b>Pension provision – Local Government Pension Scheme</b>	23	(17,478)	(28,567)	(17,478)	(28,567)
<b>Other provisions</b>	16	(2,297)	(2,808)	(2,297)	(2,808)
<b>Total net assets</b>		<u>95,367</u>	<u>77,184</u>	<u>95,367</u>	<u>77,184</u>

## Balance Sheets

As at 31 July 2017  
(Continued)

		<u>Consolidated</u>		<u>University</u>	
	<u>Note</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
		£000	£000	£000	£000
<b>Restricted Reserves</b>					
Endowment reserve	17	50	50	50	50
<b>Unrestricted Reserves</b>					
Endowment reserve	17	237	231	237	231
Income and expenditure – Local Government Pension Scheme reserve	23	(17,478)	(28,567)	(17,478)	(28,567)
Income and expenditure reserve – unrestricted		112,558	105,470	112,558	105,470
<b>TOTAL FUNDS</b>		<b>95,367</b>	<b>77,184</b>	<b>95,367</b>	<b>77,184</b>

The Financial Statements on pages 35 to 59 were approved and authorised for issue by the Governing Body on 28 November 2017 and signed on its behalf by:

Professor R S Thirunamachandran

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

Mr F Martin

Pro-Chancellor (Chairman of the Governing Body)

# Consolidated Cash Flow Statement

For the year ended 31 July 2017

	<u>Note</u>	<u>2017</u>	<u>2016</u>
		£000	£000
<b>Cash inflow from operating activities</b>			
Surplus for the year		3,828	7,232
<b>Adjustment for non-cash items</b>			
Depreciation	10	6,519	5,773
(Increase)/decrease in stock		(9)	7
Increase in debtors	12	(870)	(2,490)
(Decrease)/increase in creditors	13	(1,684)	5,270
Pension costs less contributions	23	3,211	4,397
(Decrease)/increase in other provisions	16	(511)	119
<b>Adjustment for investing or financing activities</b>	5	(236)	(318)
<b>Interest received</b>			
Interest payable	8	1,060	2,020
Endowment income	17	-	(14)
Capital grant income		(1,423)	(796)
<b>Net cash inflow from operating activities</b>		<u>9,885</u>	<u>21,200</u>
<b>Cash flows from investing activities</b>			
Payments to acquire fixed assets	10	(14,121)	(8,997)
Investment income	5	236	318
Payments to acquire endowment assets	17	-	(29)
Capital grant receipt	2	1,423	793
<b>Net cash outflow from investing activities</b>		<u>(12,462)</u>	<u>(7,912)</u>
<b>Cash flows from financing activities</b>			
Interest paid	8	(1,060)	(2,020)
Endowment cash received	17	2	23
New unsecured loans	15	158	469
Repayments of amounts borrowed		(2,703)	(2,346)
<b>Net cash outflow from financing activities</b>		<u>(3,603)</u>	<u>(3,874)</u>
<b>(Decrease)/increase in cash and cash equivalents in the year</b>		<u>(6,180)</u>	<u>9,414</u>
<b>Cash and cash equivalents at the beginning of the year</b>		<u>43,878</u>	<u>34,464</u>
<b>Cash and cash equivalents at the end of the year</b>	18	<b>37,698</b>	<b>43,878</b>

## Notes to the Financial Statements

### 1. TUITION FEES AND EDUCATION CONTRACTS

	<u>2017</u>	<u>2016</u>
	£000	£000
Full time Students Home and European Union	71,780	73,582
Full time Students Overseas	2,284	2,108
Part time Students	7,036	7,387
<b>Total fees paid by or on behalf of individual students</b>	<u>81,100</u>	<u>83,077</u>
Education contracts	20,010	18,957
<b>Total</b>	<u><u>101,110</u></u>	<u><u>102,034</u></u>

### 2. FUNDING BODY GRANTS

	<u>2017</u>	<u>2016</u>
	£000	£000
<b>Recurrent grants</b>		
HEFCE	8,153	6,731
<b>Total recurrent grants</b>	<u>8,153</u>	<u>6,731</u>
<b>Specific grants</b>		
HEFCE	556	703
NCTL	1,021	1,587
<b>Total specific grants</b>	<u>1,578</u>	<u>2,290</u>
<b>Capital grants received and recognised in the year</b>		
Buildings	545	443
Equipment	780	353
<b>Total capital grants</b>	<u>1,325</u>	<u>796</u>
<b>Total</b>	<u><u>11,056</u></u>	<u><u>9,817</u></u>

## Notes to the Financial Statements (continued)

### 3. RESEARCH GRANTS AND CONTRACTS

	<u>2017</u>	<u>2016</u>
	£000	£000
Research councils	41	106
UK based charities	352	825
European Commission	96	120
Other grants and contracts	59	393
<b>Total</b>	<u>547</u>	<u>1,444</u>

### 4. OTHER OPERATING INCOME

	<u>2017</u>	<u>2016</u>
	£000	£000
Residences, catering and conferences	12,454	12,914
Other income generating activities	7,691	8,199
Other operating income	960	107
<b>Total</b>	<u>21,105</u>	<u>21,220</u>

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

### 5. INVESTMENT INCOME

	<u>2017</u>	<u>2016</u>
	£000	£000
Bank interest receivable	235	316
Investment income on endowments	1	2
<b>Total</b>	<u>236</u>	<u>318</u>

### 6. DONATIONS AND ENDOWMENTS

	<u>2017</u>	<u>2016</u>
	£000	£000
New Endowments	2	-
Donations with restrictions	-	-
<b>Total</b>	<u>2</u>	<u>-</u>

## 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>2017</u>	<u>2016</u>
	Number	Number
Teaching departments	652	624
Teaching support services	261	244
Administration and central services	676	668
Premises	38	36
<b>Total</b>	<u>1,627</u>	<u>1,572</u>

	<u>2017</u>	<u>2016</u>
<b>Staff Costs for the above persons</b>	<b>£000</b>	<b>£000</b>
Wages and salaries	60,648	58,096
Social security costs	5,865	4,820
Other pension costs	8,938	8,295
<b>Total</b>	<u>75,451</u>	<u>71,211</u>

The other pension costs represents the total value of contributions due in the year to TPS, USS and LGPS. An additional cost of £2,825k (2016: £2,509k) is recognised within other operating expenses relating to the balance between the contributions due to the LGPS and the actuarially calculated service cost. The total expense recognised for the year can be seen within note 23.

#### Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the University. Staff costs includes compensation paid to key management personnel. Compensation consists of salary and benefits, including any employer's pension contribution. The Key Management Personnel in the University are members of the Senior Management Team. The membership of the management team increased on a temporary basis during the year with the retirement of two senior managers and an overlap in the engagement of their replacements.

	<u>2017</u>	<u>2016</u>
	£000	£000
Key management personnel compensation	<u>1,660</u>	<u>1,583</u>

## Notes to the Financial Statements (continued)

### Directors' Emoluments

The emoluments paid to the five members of the Governing Body (2016: 5) and their accrued benefits under Defined Benefits pension schemes are shown below:

	<u>2017</u>	<u>2016</u>
	£000	£000
Salaries	446	416
Employer's pension contributions	14	31
<b>Total</b>	<u>460</u>	<u>447</u>
	<u>2017</u>	<u>2016</u>
	£000	£000
<b>Emoluments of the Vice Chancellor, being the highest paid director</b>		
Salary	260	251
Employer's pension contributions	-	6
<b>Total emoluments of the Vice Chancellor</b>	<u>260</u>	<u>257</u>

The emoluments of the Vice Chancellor is shown on the same basis as for higher paid staff.

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

	<u>2017</u>	<u>2016</u>
	Number	Number
£100,000 to £109,999	1	1
£110,000 to £119,999	2	1
£120,000 to £129,999	-	-
£130,000 to £139,999	-	-
£140,000 to £149,999	-	1
£150,000 to £159,999	1	-
	<u>4</u>	<u>3</u>

## Notes to the Financial Statements (continued)

### 8. INTEREST PAYABLE AND OTHER FINANCE COSTS

	<u>2017</u>	<u>2016</u>
	£000	£000
Bank loans not wholly repayable within five years	1,060	1,156
Net charge on pension scheme	692	864
<b>Total</b>	<u>1,752</u>	<u>2,020</u>

### 9. ANALYSIS OF TOTAL EXPENDITURE BY ACTIVITY

	<u>2017</u>	<u>2016</u>
	£000	£000
Academic departments	66,730	61,044
Academic services departments	5,355	7,888
Administration and central services	22,366	22,438
Premises (non-residential and catering operations)	11,878	12,314
Residences and catering operations	12,106	11,967
Research grants and contracts	1,727	2,395
Other expenditure	1,793	1,762
Depreciation	6,519	5,773
Interest payable and other finance costs	1,752	2,020
<b>Total</b>	<u>130,226</u>	<u>127,601</u>
	£000	£000
Other operating expenses include:		
Fees payable to group auditor for the audit of parent company and consolidated financial statements	64	61
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	9,298	8,773
Operating lease rentals - Equipment	156	229



## Notes to the Financial Statements (continued)

### 10. TANGIBLE ASSETS

	Consolidated and University				
	Freehold Land & Buildings	Assets under Constructio n	Fixtures, Fittings & Equipment	Plant & Machinery	Total
Cost and deemed cost for land and buildings	£000	£000	£000	£000	£000
At 1 August 2016	115,222	14,169	16,485	2,256	148,132
Additions	-	14,544	(14)	-	14,530
Assets coming into use	6,322	(14,021)	4,670	3,029	-
Disposals	-	-	-	-	-
At 31 July 2017	<u>121,544</u>	<u>14,692</u>	<u>21,141</u>	<u>5,285</u>	<u>162,662</u>
Accumulated depreciation					
At 1 August 2016	10,511	323	11,302	1,347	23,483
Charge for the year	3,102	(323)	3,004	736	6,519
Disposals	-	-	-	-	-
At 31 July 2017	<u>13,613</u>	<u>-</u>	<u>14,306</u>	<u>2,083</u>	<u>30,002</u>
Net book value					
At 31 July 2017	107,931	14,692	6,835	3,202	132,660
At 31 July 2016	<u>104,711</u>	<u>13,846</u>	<u>5,183</u>	<u>909</u>	<u>124,649</u>
Financed by capital grant	545	-	878	-	1,423
Total	<u><u>545</u></u>	<u><u>-</u></u>	<u><u>878</u></u>	<u><u>-</u></u>	<u><u>1,423</u></u>

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

#### Heritage Assets

Heritage assets held by the University consists of artwork and assets of cultural interest displayed in the University's campuses held in perpetuity. The total estimated current value of the assets as at 31 August 2015 has not changed, and remains at £101,450 (2016: £101,450), based on insurance replacement cost. The heritage assets are not being depreciated as their individual value, other than for insurance purposes, is not known. There were no tangible assets held by the subsidiary company.

## Notes to the Financial Statements (continued)

### 11. Fixed asset investments

	<u>Shares/ Capital Contribution</u>	<u>Loans</u>	<u>Total</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>
At 1 August 2016 and 31 July 2017	450	-	450

Medco (CCCU) Limited had share capital of 10,000,000 £1 ordinary shares of which 4,500,002 were issued, all owned by Canterbury Christ Church University. £4,500,000 of the £1 ordinary shares were converted from issued and paid up redeemable preference shares at an Extraordinary General Meeting on the 7 November 2006.

At an Extraordinary General Meeting held on 26 October 2009, Canterbury Christ Church University agreed to a voluntary reduction in its share capital from £4,500,002 to £449,999.

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

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

### 12. TRADE DEBTORS AND OTHER RECEIVABLES

	<u>Consolidated</u>		<u>University only</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Trade debtors	8,809	8,534	8,884	8,554
Prepayments	6,129	5,691	6,106	5,646
Amount owed to group undertaking	-	-	-	20
Total	<u>14,938</u>	<u>14,225</u>	<u>14,990</u>	<u>14,220</u>

## Notes to the Financial Statements (continued)

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

	Consolidated		University only	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	£000	£000	£000	£000
Bank loans	2,871	2,713	2,871	2,713
Trade creditors	4,398	7,431	4,346	7,412
Amounts owed to group undertakings	-	-	290	91
Taxation and social security	3,740	2,360	3,739	2,360
Accruals and deferred income	17,333	17,165	17,208	17,037
<b>Total</b>	<b>28,342</b>	<b>29,669</b>	<b>28,455</b>	<b>29,613</b>

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 redevelopment, the purchase of the prison and for student accommodation in Broadstairs.

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

	Consolidated and University	
	<u>2017</u>	<u>2016</u>
	£000	£000
Unsecured Loans	408	507
Secured Loans	41,680	44,283
<b>Total</b>	<b>42,087</b>	<b>44,790</b>

### 15. BORROWINGS

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.

## Notes to the Financial Statements (continued)

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 land held in Broadstairs. 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 further loans of £0.189m were received from Salix to support energy efficiency projects and £0.280m from the Revolving Green Fund. In the year to 31 July 2017 a new Salix efficiency loan was received of £0.164m.

### Consolidated and University

<b>Bank loans and overdrafts</b>	<b><u>2017</u></b>	<b><u>2016</u></b>
Bank loans and overdrafts are repayable as follows:	<b>£000</b>	<b>£000</b>
In one year or less	<b>2,871</b>	<b>2,713</b>
Between one and two years	<b>2,668</b>	<b>2,697</b>
Between two and five years	<b>8,054</b>	<b>7,785</b>
In five years or more	<b>31,365</b>	<b>34,308</b>
<b>Total</b>	<b><u>44,958</u></b>	<b><u>47,503</u></b>

## 16. PROVISIONS FOR LIABILITIES

### Consolidated and University

	<b><u>2017</u></b>	<b><u>2016</u></b>
	<b>£000</b>	<b>£000</b>
Dilapidation provision at start of year	<b>1,212</b>	<b>927</b>
Charges for the year	<b>-</b>	<b>344</b>
Released in the year	<b>(132)</b>	<b>(59)</b>
<b>Dilapidation provision at end of year</b>	<b><u>1,080</u></b>	<b><u>1,212</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.

## Notes to the Financial Statements (continued)

### Consolidated and University

	<u>2017</u>	<u>2016</u>
<b>Other Provisions</b>	<b>£000</b>	<b>£000</b>
Provision at start of year	1,596	1,762
Additions in the year	-	-
Released in the year	(379)	(166)
<b>Provision at end of year</b>	<b><u>1,217</u></b>	<b><u>1,596</u></b>

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

### 17. ENDOWMENTS

#### Consolidated and University

	<u>Expendable</u>	<u>Restricted Permanent</u>	<u>2017 Total</u>	<u>2016 Total</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
<b>Opening balance at 1 August 2016</b>				
Capital	231	50	281	276
Accumulated income	-	-	-	(4)
	<u>231</u>	<u>50</u>	<u>281</u>	<u>272</u>
<b>Movement for the year to date</b>				
New Endowments	2	-	2	23
Transfer		-		13
Interest	34	-	34	1
Expenditure	(30)	-	(30)	(28)
	<u>6</u>	<u>-</u>	<u>6</u>	<u>9</u>
<b>Closing balance at 31 July 2017</b>	<b><u>237</u></b>	<b><u>50</u></b>	<b><u>287</u></b>	<b><u>281</u></b>
Represented by:				
Capital	295	54	348	312
Accumulated income	(57)	(4)	(61)	(31)
	<u>237</u>	<u>50</u>	<u>287</u>	<u>281</u>

The above amounts are represented by cash balances.

Strategic Report and Financial Statements for the year ending 31 July 2017

## Notes to the Financial Statements (continued)

	<u>Expendable</u>	<u>Restricted Permanent</u>	<u>2017 Total</u>	<u>2016 Total</u>
	£000	£000	£000	£000
<b>Representing:</b>				
Specific donations	1	-	1	1
Scholarships / bursaries	197	13	210	209
Prize funds	40	36	76	70
	<u>237</u>	<u>50</u>	<u>287</u>	<u>281</u>

### 18. CASH AND CASH EQUIVALENTS

	<b>At 1 August 2016</b>	<b>Cash flows</b>	<b>At 31 July 2017</b>
	£000	£000	£000
<b>University</b>			
Balance at bank	43,096	(6,074)	37,022
Cash and cash equivalents – endowment assets	281	6	287
	<u>43,377</u>	<u>(6,068)</u>	<u>37,309</u>
<b>Consolidated</b>			
Balance at bank - University	43,096	(6,074)	37,022
Balance at bank – Medco (CCCU) Limited	501	(112)	389
Cash and cash equivalents – endowment assets	281	6	287
	<u>43,878</u>	<u>(6,180)</u>	<u>37,698</u>

### 19. CONTINGENT LIABILITIES

There were no contingent liabilities as at 31 July 2017.

## Notes to the Financial Statements (continued)

### 20. LEASE OBLIGATIONS AND OTHER COMMITMENTS

At 31 July 2017, Canterbury Christ Church University had annual commitments under non-cancellable operating leases as follows:

	2017				31 July 2016
	<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	4,269	2,299	42	6,610	9,002
Future minimum lease payments due:					
Not later than one year	4,269	2,299	-	6,568	6,610
Later than one year and not later than five years	11,542	7,736	-	19,278	19,278
Later than five years	36,888	13,382	-	50,270	54,956
<b>Total lease payments due</b>	<b>56,968</b>	<b>25,716</b>	<b>42</b>	<b>82,796</b>	<b>89,846</b>

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

	<u>2017</u>	<u>2016</u>
	£000	£000
Future minimum payments due:		
Not later than one year	250	250
Later than one year and not later than five years	1,000	1,000
Later than five years	14,783	15,033
<b>Total payments due</b>	<b>16,033</b>	<b>16,283</b>

### 21. RELATED PARTY DISCLOSURES

Canterbury Christ Church University is one of five (2016: 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 2016-17 financial year, Canterbury Christ Church University paid GOETEC Limited £13,107 (2016: £114,908), and received £61,035 (2016: £171,468) in income. Included in Canterbury Christ Church University's creditor balance at 31 July 2017 was £221,118 (2016: £259,544) 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 continued to perform well in the last year, exceeding budget expectations. The subsidiary company's results have been consolidated with the parent company in these financial statements.

Strategic Report and Financial Statements for the year ending 31 July 2017

## Notes to the Financial Statements (continued)

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

### 22. EVENTS AFTER THE REPORTING PERIOD

There were no post balance sheet events to note.

### 23. PENSION SCHEMES

The three principal pension schemes for Canterbury Christ Church University's staff are the Teacher's, Pension Scheme (TPS), the local Government Pension Scheme (LGPS) and the Universities Superannuation Scheme (USS). The schemes are defined benefit schemes 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 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>2017</u>	<u>2016</u>
	<u>£000</u>	<u>£000</u>
Contributions to TPS	5,003	4,654
Contributions to LGPS	3,659	3,544
Contributions to USS	276	249
<b>Total pension contributions</b>	<b>8,938</b>	<b>8,447</b>
Percentage employer's contribution to TPS as at year end	16.5%	16.5%
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%	18.0%



## Notes to the Financial Statements (continued)

### 23. PENSION SCHEMES (CONTINUED)

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>
	<b>31/03/12</b>	<b>31/3/16</b>	<b>31/3/14</b>
Latest actuarial valuations			
Actuarial method	Prospective benefits	Projected unit	Projected unit
Investment returns per annum	8.4%	5.4%	5.2%
Salary scale increases per annum	4.75%	3.9%	RPI + 1%
Pension increases per annum	2.0%	2.4%	RPI
Market value of assets at date of last valuation	-	£4,597m	£41,604.6m
Nominal market value of assets at date of last valuation	£176,600m	-	-
Proportion of members accrued benefits covered by the actuarial value of the assets	92%	89%	89%

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

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

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

#### Teachers' Pensions Scheme

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

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.

## Notes to the Financial Statements (continued)

### 23. PENSION SCHEMES (CONTINUED)

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.

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

#### Universities Superannuation Scheme

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

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

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

#### Local Government Pension Scheme

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

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

Under the definitions set out in 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 2017.

## Notes to the Financial Statements (continued)

### 23. PENSION SCHEMES (CONTINUED)

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

The material assumptions used by the actuary for FRS 102 for the LGPS at 31 July 2017 were:

	<u>2017</u>	<u>2016</u>
	<u>% pa</u>	<u>% pa</u>
Inflation/Pension increase	2.10	1.80
Rate of increase in salaries	2.90	3.00
Discount rate for liabilities	2.58	2.60

The post retirement mortality tables adopted are the S2PA tables. These base tables are then projected using the CMI 2015 model, allowing for a long term rate of improvement of 1.25% p.a. Based on these assumptions, the average life expectations on retirement at age 65 are:

	<b>Males</b>	<b>Females</b>
Current Pensioners	22.7 years	24.7 years
Future Pensioners	24.4 years	26.6 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>2017</u>	<u>Value at 31 July</u> <u>2016</u>
	<u>£'000</u>	<u>£'000</u>
Equities	68,889	54,823
Gilts	682	727
Bonds	9,422	8,651
Property	12,011	11,357
Cash	3,103	1,940
Target return portfolio	3,751	3,523
	<u>Value at 31 July</u> <u>2017</u>	<u>Value at 31 July</u> <u>2016</u>
	<u>£'000</u>	<u>£'000</u>
<b>Total market value of assets</b>	<b>97,858</b>	<b>81,021</b>
Present value of scheme liabilities	(115,297)	(109,543)
Present value of unfunded liabilities	(39)	(45)
<b>Deficit in the scheme– net pension liability</b>	<b>(17,478)</b>	<b>(28,567)</b>

## Notes to the Financial Statements (continued)

### 23. PENSION SCHEMES (CONTINUED)

The net interest for the year was a cost of £2,839k (2016: £3,665k).

<b>LGPS</b>		
	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
<b>Reconciliation of Defined Benefit Obligation</b>		
<b>Opening Defined Benefit Obligation</b>	<b>109,588</b>	<b>96,174</b>
Current Service Cost	6,375	5,562
Interest Cost	2,839	3,665
Change in financial assumptions	6,367	6,005
Change in demographic assumptions	1,178	(2,113)
Experience (gain)/loss on defined benefit obligation	(10,253)	10
Contributions by Members	1,474	1,359
Losses on curtailments	60	442
Estimated Unfunded Benefits Paid	(6)	(5)
Estimated Benefits Paid (net of transfers in)	(2,286)	(1,511)
<b>Closing Defined Benefit Obligation</b>	<b><u>115,336</u></b>	<b><u>109,588</u></b>
<b>Reconciliation of Fair Value of Employer Assets</b>	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
<b>Opening Fair Value of Employer Assets</b>	<b>81,021</b>	<b>72,004</b>
Interest on assets	2,147	2,801
Return on assets less interest	11,814	2,801
Administration expenses	(49)	(49)
Contributions by the Employer	3,916	3,621
Contributions by Members	1,474	1,359
Estimated Benefits Paid including unfunded benefits	(2,292)	(1,516)
Other actuarial losses	(173)	-
<b>Closing Fair Value of Employer Assets</b>	<b><u>97,858</u></b>	<b><u>81,021</u></b>

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

Strategic Report and Financial Statements for the year ending 31 July 2017

## Notes to the Financial Statements (continued)

### 23. PENSION SCHEMES (CONTINUED)

	31 July 2017	31 July 2016
	£'000	£'000
<b>Analysis of the amount shown in the balance sheet for the LGPS</b>		
Scheme assets	97,858	81,021
Scheme liabilities	115,297	109,588
<b>Deficit in the scheme – net pension liability recorded within pension provisions</b>	<b>(17,439)</b>	<b>(28,567)</b>
 Current service cost	 6,435	 6,004
Admin charge	49	49
<b>Total operating charge:</b>	<b>6,484</b>	<b>6,053</b>
 <b>Analysis of the amount charged to interest payable for LGPS</b>		
Interest cost	692	864
<b>Net charge</b>	<b>692</b>	<b>864</b>
<b>Analysis of other comprehensive income for LGPS</b>		
Gain on assets	11,814	2,801
Experience loss on liabilities	10,253	(10)
Other actuarial gains/(losses) on assets	(173)	-
Changes to demographic assumptions	(1,178)	2,113
Financial assumption changes	(6,367)	(6,005)
<b>Total other comprehensive income</b>	<b>14,349</b>	<b>(1,101)</b>

## Notes to the Financial Statements (continued)

### 24. STUDENT SUPPORT FUNDS

	2017 Total £'000	2016 Total £'000
<b>The Education and Training Foundation Premium Graduate ITE Bursary</b>		
Funding Council grants	-	242
Balance brought forward from previous years	14	37
Disbursed to students	(14)	(265)
	<u>-</u>	<u>14</u>
<b>NCTL Bursaries</b>		
Funding Council grants	5,232	5,155
Balance brought forward from previous years	171	(357)
Disbursed to students	(4,930)	(4,627)
	<u>473</u>	<u>171</u>
<b>HEKSS Paramedic Bursaries</b>		
Funding Council grants	356	346
Balance brought forward from previous years	(7)	(32)
Travel expenses paid to students	(61)	(53)
Disbursed to students	(313)	(268)
	<u>(25)</u>	<u>(7)</u>

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