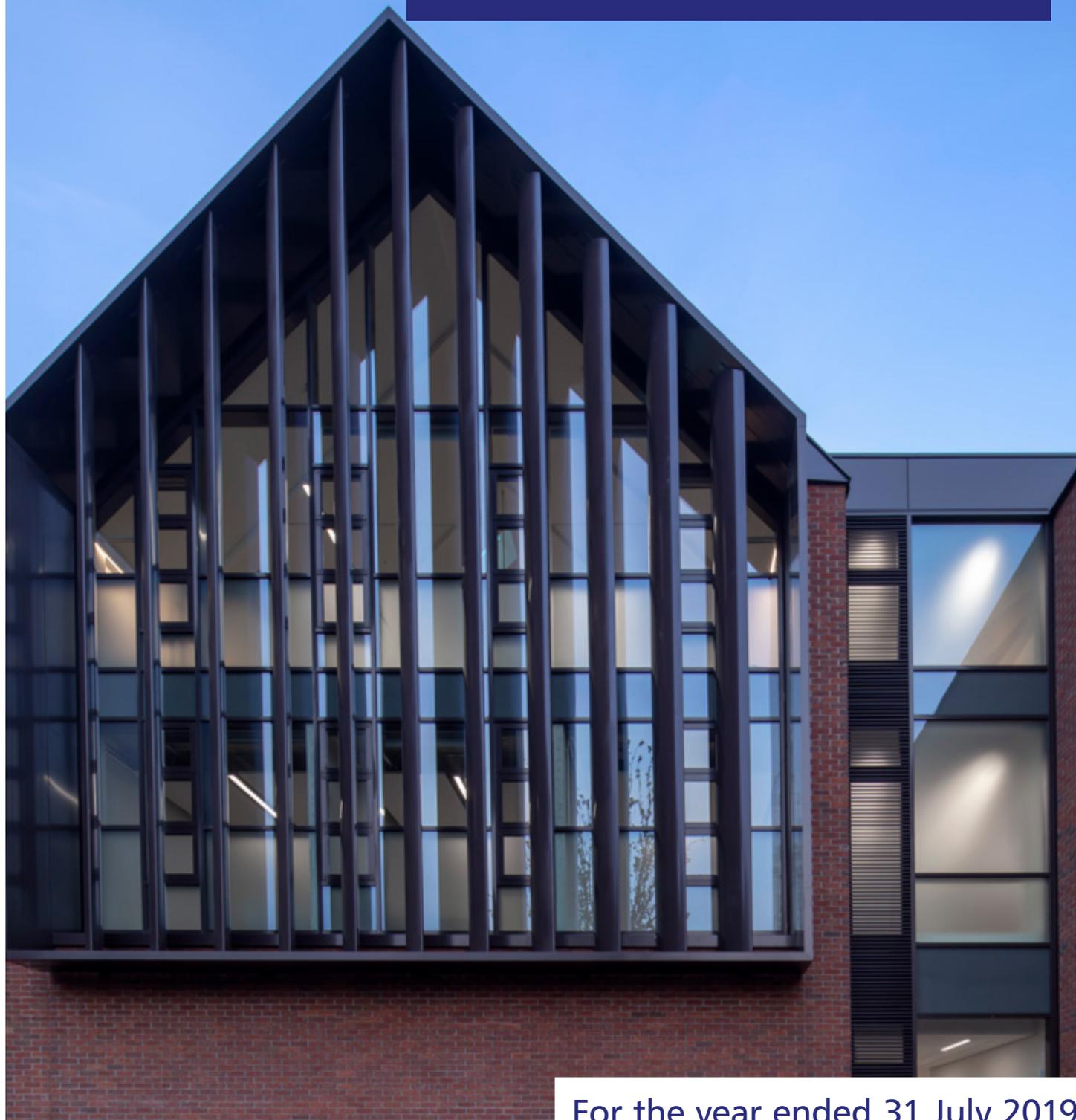


Canterbury Christ Church University

Directors' Report and Financial Statements



For the year ended 31 July 2019

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DIRECTORS AND ADVISERS

Directors in place for the year to 31 July 2019 and up to the date of signing the financial statements:

Ms N Ahmed
Mrs S Appleby
Ms J Armit
Mr S Brown
Dr A Eyden
Mr J Faber
Mr P Fletcher
Mrs J Harding
Sir W I R Johnston (Deputy Pro-Chancellor)
Mrs P Jones

Mr P Kloppenborg
Mr F Martin (Pro-Chancellor)
Ms C Nolan
Ms M Peachey
Mr Q Roper
Revd R Stevenson
Professor R Thirunamachandran (Vice-Chancellor and Principal)
Right Revd T Willmott (resigned 12 May 2019)

Clerk to the Governing Body and University Solicitor

Ms A Sear

Independent Auditor

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

Solicitors

Mills and Reeve
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Registered office - Parent and Subsidiary

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c/o The Governance and Legal Services Dept
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CT1 1UT

Internal Auditor

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Principal Bankers

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Beehive Ring Road
Gatwick
West Sussex
RH6 0PA

National Westminster Bank plc
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250 Bishopsgate
London
EC2M 4AA

Company and Charity numbers

Registered company number
04793659 registered in England and Wales

Registered charity number
1098136

VICE CHANCELLOR'S INTRODUCTION

I am pleased to introduce the financial statements for Canterbury Christ Church University. These statements include the statutory reports that set out the financial performance of the University for the year. They also provide an opportunity for us to reflect on the achievements and challenges over the same period.

The University has a clear purpose: to change lives for the better through education and research. In 2018/2019 we have worked towards delivering on our commitments to our students, staff and the wider community, in an environment of challenge, with ever-increasing competition to recruit students, and rising expectations for universities to deliver an outstanding student experience alongside an excellent education. The university sector continues to face a number of pressures, including still unanswered questions about funding following publication of the Government's review of post-18 education, and uncertainty in the wider economy as a result of Brexit.

Despite this national backdrop, we continue to attract students from across the UK and from over 80 other countries who value the outstanding university experience that we offer, including stimulating teaching, opportunities for workplace and voluntary experience and a supportive community. Our graduates secure excellent outcomes, with 93 per cent in further study or employment within six months of completing their studies, and remaining in high demand among employers in the region and across the UK. Our ability to attract students with great potential to succeed is, of course, shaped in large part by the commitment, knowledge and enthusiasm of our staff.

Over the past academic year, we have made significant progress in a number of strategically important areas. Students are at the heart of all we do. We are expanding opportunities to study new, exciting programmes and we are investing in new facilities in order to provide a first-class, stimulating environment for current and future generations of students.

The most visible changes can be seen across our Canterbury campus with the development of new buildings that provide a cutting-edge academic environment for our students and staff. Earlier this year the Daphne Oram creative arts building opened its doors to students, staff and stakeholders, thereby enhancing our contribution to the creative industries in our region.

In 2018 work began on the new building for Science, Technology, Engineering, Health and Medicine, which is due to open on our city campus in 2020. This investment will provide an inspiring and professional environment where researchers, academics, and student engineers, doctors, healthcare professionals, and scientists will come together and collaborate to develop the ideas and innovations that will shape our futures.

Our mission extends beyond our campus environment with a commitment to enriching our communities. We play an important role in supporting the regional economy to flourish and we are proud to make a significant contribution to the cultural and social life of Kent and Medway.

This year, we celebrated ten years as Partner and Principal Sponsor of the Canterbury Festival – a major arts festival held in the city which supports the development of creative talent. We are also delighted to be Partner of this year's Turner Prize at Turner Contemporary and Education Partner in the Folkestone Book Festival.

Our instrumental role in educating thousands of nurses working in our NHS and other health services was recognised through a series of events to mark 30 years of nursing education at Canterbury Christ Church University. We were also delighted to mark 30 years since Canterbury was designated a UNESCO World Heritage Site, given our campus location on this historically significant site.

VICE CHANCELLOR'S INTRODUCTION (CONTINUED)

The University is committed to listening to its staff voice, and is responding to feedback from the Staff Survey 2019 to further strengthen our friendly and supportive community. We continue to work in close partnership with the Students' Union in a wide-range of areas for the benefit of all our students. This includes provision of resources to support mental health and wellbeing, which is a priority for all staff and students.

In presenting the financial results for this year I would like to recognise the commitment, hard work and determination to excel demonstrated by our staff in delivering these outcomes in the face of such challenge.

Professor R Thirunamachandran
Vice-Chancellor and Principal

THE STRATEGIC REPORT

Directors' Report

The disclosure requirements for the Directors' report can be found in the Strategic Report on pages 4 to 14 and form part of this report by cross reference. I present this report on behalf of all named directors (see page 1) in order to meet the requirements of the Companies Act 2006.

Scope of Financial Statements

The Financial Statements for the year ended 31 July 2019 have been prepared to comply with the Statement of Recommended Practice (SORP) Accounting for Further and Higher Education and applicable accounting standards in the UK and in line with regulatory advice in the form of the Accounts Direction from the Office for Students (OfS 2018.26). The University is based in the UK and operates as both a company registered in England and Wales and a registered charity.

Subsidiary Company

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

Activities and Objectives

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

Mission

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

The University has a strategic framework to provide measurable objectives to help achieve the mission and put shared values into practice. The framework was developed following a process of consultation led by the Vice-Chancellor and the senior management team. This involved engagement with staff and students from across the University as well as external partners. A simple one page framework was established that sets out what the University wants to achieve over the next five years. The four strategic aims are clearly identified in the framework and underpinned by a set of strategies and cross cutting themes. The framework guides the achievement of the University's ambitions; and the plan's aims and objectives also inform schools and departmental business plans and the personal objectives of all colleagues within the University. The four strategic aims were updated in 2019 and reflect the aims that will continue through to 2022:

- To provide our diverse student body with a high quality, holistic student experience in relation to learning, the wider experience of the university in developing global citizens.
- 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 partnerships.
- To extend our research, enterprise and scholarship of practice to grow its contribution to intellectual, social, economic and cultural prosperity locally, regionally, nationally and internationally.
- To ensure effective, efficient, innovative and sustainable use of the institution's resources to enable our people to deliver the University's strategic goals across all our locations.

THE STRATEGIC REPORT (CONTINUED)

Financial Strategy

During the 2018/2019 year, the University's financial strategy supported major capital investment to provide new and improved facilities on the Canterbury campus, incorporating expansion within the curriculum areas of medicine, engineering and the creative industries.

The particular aims within the financial strategy are:-

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

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

Summary Results for the Year

The Consolidated results for the University for the year ended 31 July 2019 are summarised, as follows:

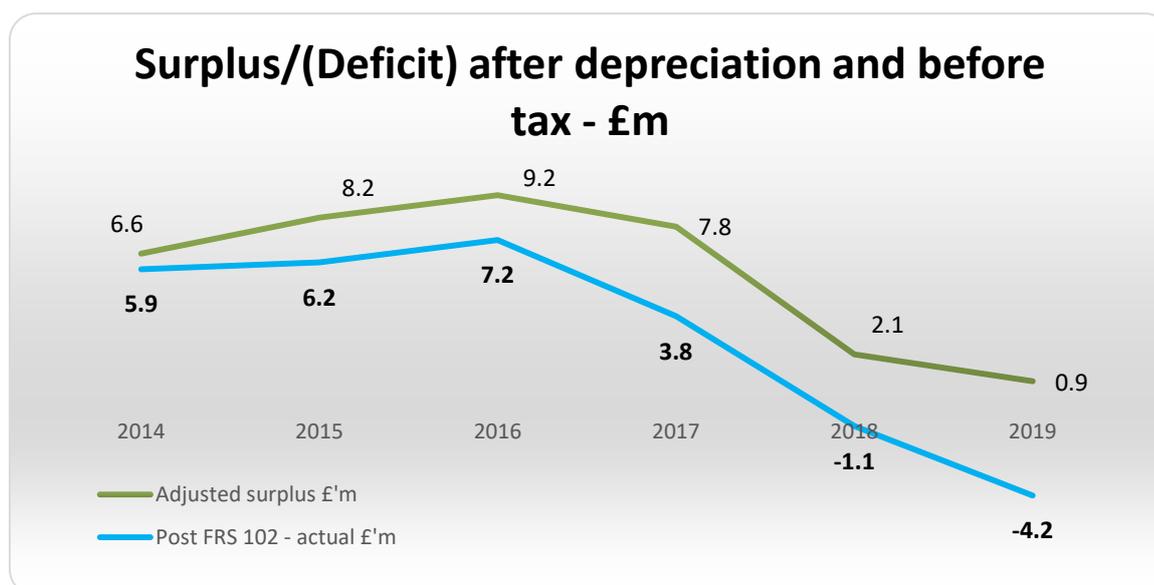
	2019	2018
	£'000	£'000
Income	126,078	130,874
Expenditure	130,314	131,994
Deficit	<u>(4,236)</u>	<u>(1,120)</u>

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

- A decrease in total income of 3.7% from £130.9m to £126m
- A decrease in expenditure of 1.3% to £130.3m
- An adjusted surplus for the year of £922k (2018: £2,091) which, after charges for pensions' provisions, notional interest and staff service costs with the LGPS and USS pension, returns a reported deficit for the year of £4,236k (2018: £1,120k)
- A charge for the year of £4.6m (2018: £3.8m) for notional interest and staff service costs within the Local Government Pension Scheme (LGPS)
- Capital additions of £30.2m (2018 £17.4m)
- An LGPS pensions deficit of £21.2m (2018: £20.3m)

THE STRATEGIC REPORT (CONTINUED)

The University returned a reported deficit of 3.7% of total income. This is compared to the surplus calculated before the end of year adjustments for FRS 102, as follows:



The operating performance for the year shows a £4.2m deficit which reflects a continuation of tighter financial performance due to the restriction on inflationary increase in fees, the demographic downturn of school leavers and a more competitive higher education environment, all of which impacts on institutional income. This is exacerbated by upward pressures on the pay bill, including employer pensions' costs. The operating performance includes adjustments required by FRS 102 of which the most significant are prudent non cash adjustments for future potential pensions' costs. In the future a significant increase in the employer contribution on the Teachers' Pension Scheme will add further pressure to the pay bill. The underlying performance for the institution (on a consolidated basis), and its comparison to the previous year, is set out in the table below. This shows the University continues to operate at a surplus when these non cash accounting adjustments are added back.

As at 31 July	2019 £'000	2018 £'000
Deficit reported per Financial Statements	(4,236)	(1,120)
Movement in the holiday accrual	(189)	(38)
Deferral of research income	211	(484)
USS pension provision movement	567	(33)
LGPS and USS interest charges	500	399
LGPS charges in excess of employer contribution	<u>4,069</u>	<u>3,367</u>
Adjusted surplus	<u>922</u>	<u>2,091</u>

The adjusted surplus of £0.922m represents 0.73% of total income.

Pension Reserve

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

THE STRATEGIC REPORT (CONTINUED)

This pension fund is a defined benefit scheme and as its assets and liabilities can be separately identified by the scheme's actuary, these are reported within the financial statements. The University's share of the deficit in the scheme increased by £0.978m to £21.248m per Note 23 (2018: increased by £2.79m to £20.27m). 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

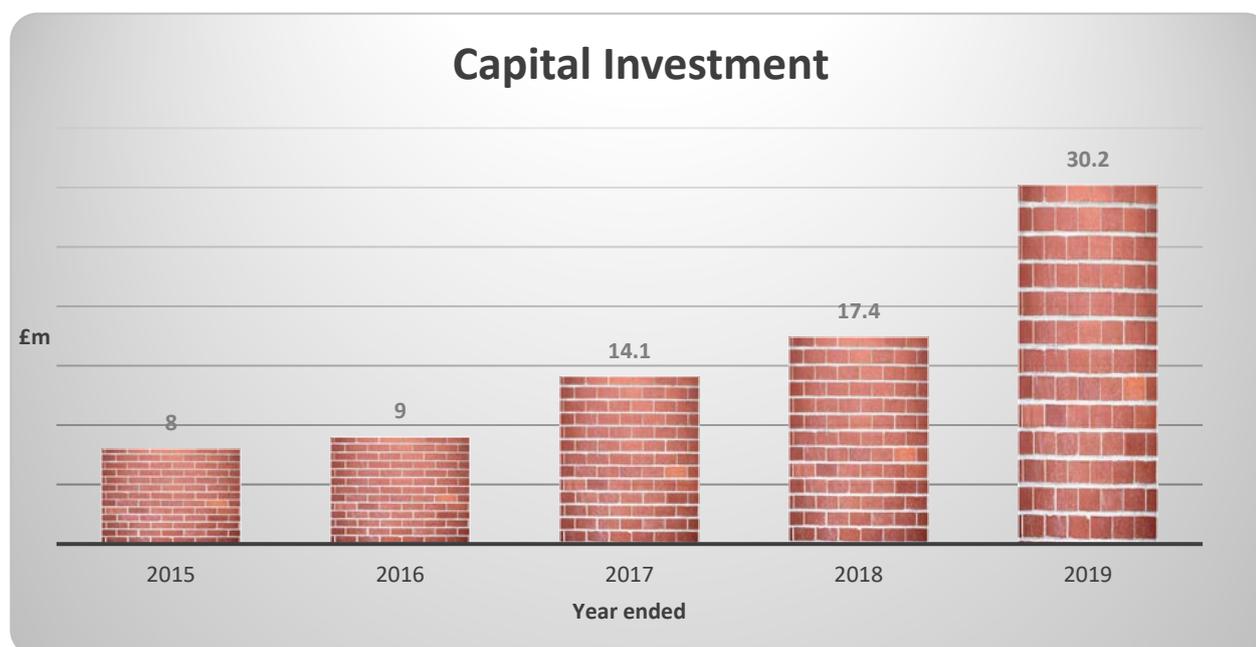
The University has 14,814 students, maintaining a steady level of students across all of its main funding streams, notwithstanding the competitive challenge. The institution continues to diversify its curriculum provision with significant growth anticipated from 2020/2021 enabled through the completion of a new building and facilities which will accommodate a dedicated School of Engineering and a Medical School, the latter of which is a joint initiative with the University of Kent. The growth for future years builds on this solid based and is expected to return an increase in student numbers as these important initiatives are further developed, working with local employers and the NHS to meet the needs of the Kent, Medway and South East region.

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 2018/2019 several buildings were demolished in the North Holmes Road campus, and enabling works were completed for the new, purpose built teaching facility located behind the prison. With an investment of £64m the University is creating a state of the art centre to provide specialist teaching facilities for the new curriculum for the school of Engineering and the Kent and Medway Medical School. The building will open to students in September 2020.



THE STRATEGIC REPORT (CONTINUED)

The new Daphne Oram building will provide a facility for the delivery and development of programmes in the creative arts and industries. The building opened in January 2019, following investment of c£13m by the University, financed from its cash reserves.

The University continues to invest in carbon saving measures, with in year funding to support this being sourced through loan finance of £56k from SALIX.

Payment of Creditors

The policy is that payments are made in accordance with those terms and conditions agreed between the institution and its suppliers. Where no specific conditions exist, suppliers are paid within 30 days of the receipt of invoice. The payment performance of the University is available to the public on the Canterbury.ac.uk website. In the year 2018/2019 the University met the target to pay valid and undisputed invoices within 30 days for 86% of all invoices received (2018: 90%).

Cash Flow

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

The cash position decreased by £17.8m at the end of the year (2018: £0.2m decrease). The net cash from operating activities and reserves has been used to fund the ongoing capital investment in year for the establishment of a new building for the delivery of programmes within Engineering, Medicine and other STEM subjects.



Long Term Loans as a Percentage of Income

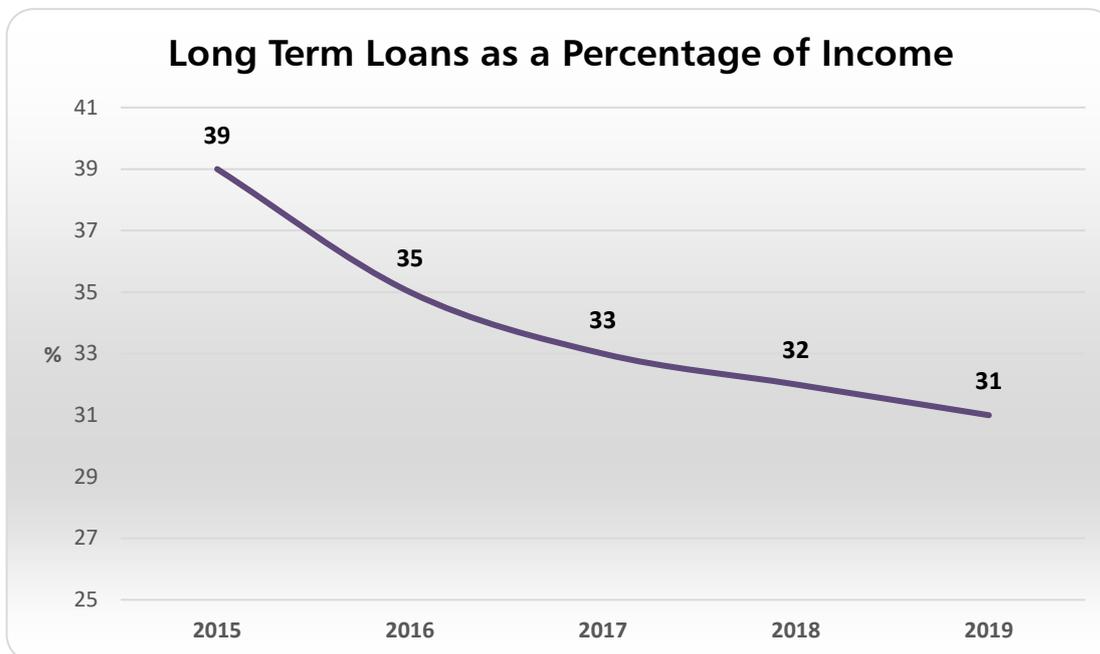
The University anticipates the need to manage its loan financing arrangements in a careful and measured manner, recognising that conditions can change substantially over the period of a long term loan. The Governing Body requires that interest rate exposure is managed by means of a combination of variable and fixed rate borrowing. New interest free borrowing of £56k was received from Salix to support a range of energy efficient projects.

The revolving credit facility from Lloyds and Natwest banks was accessed during the year to help with cash liquidity. At the end of the year funds drawn down from this facility were repaid to the bank, it is expected that further drawings on the facility will be made during 2019/2020 as the new building is completed.

THE STRATEGIC REPORT (CONTINUED)

Long Term Loans as a Percentage of Income cont.

The University has reduced long term borrowing in the year, from £39.7m to £37m. The revolving credit facility (RCF) has not impacted on the loan position as all cash drawn in year was repaid prior to the year end. The loan facility of £47m remains a commitment, with non-utilisation charges being incurred. After the year end 2019 the University drew down £12m of funds from the RCF to provide support for ongoing capital investment in the new teaching centre.



Net Debt



Net debt represents the total outstanding debt as at the year end, minus cash held at the bank. The increase in 2019 represents lower cash holdings at the end of the year, compared to previous years.

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 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. In 2019 the University undertook a staff survey and 75% of staff responded. We continue to show many positive headline results, a number of key focus areas for improvement have also been identified and we are working jointly with the trade unions on this.

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

Since completion of the balance sheet the USS have released a valuation of the scheme for 2018. Using this valuation the USS pensions' provision has been recalculated and this has generated a reduction in the provision of £501k. The building programme continues to progress well, and there are no delays to report as part of the post balance sheet review.

Environment

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

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

Value for Money (VfM)

The University has a VfM Strategy setting out the objectives, benefits and responsibilities for achieving value for money across the organisation. To help to deliver and report on the success of this strategy the University established the Improvements and Efficiencies Steering Group. The group is chaired by the Director of Finance with staff representation from across the institution. The group is accountable to the Senior Management Team.

Value for money is also important in the context of the tuition fees received from students and how these are utilised within the institution. The Undergraduate Fees graphic demonstrates how these funds were applied in 2017/2018 based upon the Transparent Approach to Costing (TRAC) methodology data for that particular year. The methodology for the reporting of how tuition fees are spent by the institution will be further developed in collaboration with the Student Union and the 2018/2019 breakdown will be presented once the TRAC return has been completed, and will be included in the strategic report within the 2019/2020 financial accounts.

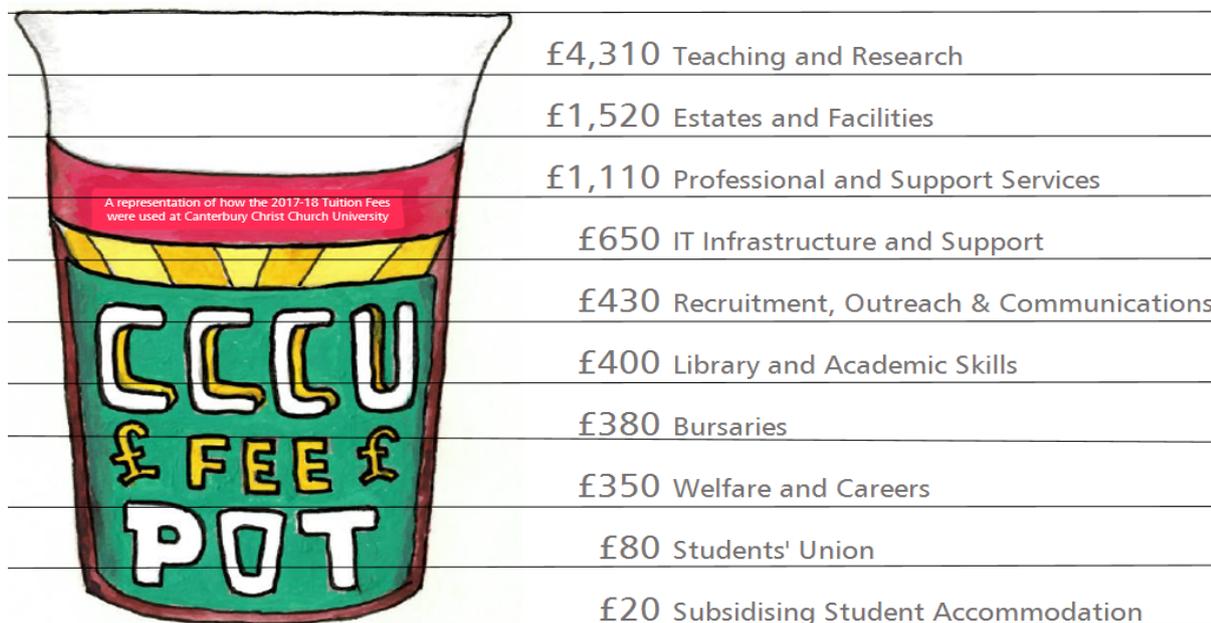
THE STRATEGIC REPORT (CONTINUED)

Value for Money (VfM) - Continued

How the 2017/2018 Undergraduate Fee was used at Canterbury Christ Church University:



£9,250 Total Undergraduate Fee



Data derived from 2017-18 TRAC Information

The above is a representation of how the 2017-18 Undergraduate fee was used by the University and the relative percentages are as follows:

- **47% Teaching and Research.** This includes lectures, technicians, course admin, course materials etc.
- **16% Estates and Facilities.** This covers building running costs, maintenance, light & heat, security etc.
- **12% Professional and Support Services.** This will include student registration & records, Human Resources, Finance, VC's Office etc.
- **7% IT Infrastructure and Support.** Mobile computing, software, subscriptions etc. will be included here.
- **5% Recruitment, Outreach & Communications.** School and College engagement, widening participation, recruitment activity etc.
- **4% Library and Academic Skills.** This includes books, periodicals, electronic subscriptions.
- **4% Bursaries.** This represents fee reductions for eligible students.
- **4% Welfare and Careers.** This covers, Counselling, Chaplaincy, Sports Centre and Careers.
- **1% Students' Union.** This is the grant to support the ongoing provision of the Students' Union.
- **<1% Subsidising Student Accommodation.** Towards the cost of student accommodation.

THE STRATEGIC REPORT (CONTINUED)

Principal risks and uncertainties

The approval of risk management processes, including the University's high level risk register, and risk management framework are delegated by the Governing Body to the Audit Committee, which reviews identified risks on a termly basis. The processes ensure that a culture of risk management is embedded across the University. The University's risk management framework 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 strategic 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 2019 and up to the date of approval of the financial statements, and accords with the requirements of the Office for Students.

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

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

The main areas identified are:

- Constraints in government spending and its future policy for the setting of tuition fees and accounting for student loans at a time when the University is delivering a change programme to realise its Strategic Plan goals including significant redevelopment of its estate and its underpinning data systems.
- The current freeze applied by Government to the sector on inflationary increases to tuition fees above £9,250.
- Impact of the current demographic downturn in the numbers of school leavers eligible to enter higher education which, along with increased competition, may lead to a failure to achieve targets for the recruitment of students.
- Pressure on pay and pensions, including increased employer's contribution rates.
- The implications of Brexit for students and staff recruitment and retention.
- The impact of the economic climate on the demand for higher education and, in particular, employer sponsored education and training.

Going Concern

The University has considerable resources and access to funding to support current, and future business plans, including the development of the campus and curriculum delivery to support the mission of the organisation. The University's funding is subject to financial covenants, which are more challenging to meet during the development phase of the campus project in advance of the generation of new income streams. The University has prepared updated forecasts following 2019/2020 student registration, and has reviewed forecast compliance with bank covenants against the latest forecasts, and in consideration of these challenges, a reset of one of the four covenants has been agreed with the University's lenders. In light of the covenant adjustment and the expression of ongoing support from the banks, the University's Senior Management Team and Governing Body are confident that the University will be able to continue to meet its liabilities as they fall due and to deliver the Estates Master plan.

The Governing Body and Senior Management Team are confident that the University remains a going concern for the foreseeable future and these reports are prepared on that basis.

THE STRATEGIC REPORT (CONTINUED)

Directors' Indemnities

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

Disclosure of Information to the Auditor

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

Deloitte LLP expressed their willingness to continue in office as auditor. A resolution to reappoint Deloitte LLP was proposed and accepted at the Annual General Meeting held on 26 November 2019.

Reserves Policy and Key Performance Indicators (KPIs)

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

The table below shows the consolidated performance indicators for the year ended 31 July 2019, compared to the previous year.

Key Performance Indicators	2019	2018
Deficit as a % of income	(3.36)	(0.86)
Adjusted surplus as a % of income	0.73	1.59
Unrestricted reserve as a % of total income	72.4	72.5
External borrowing as a % of total income	31.5	32.4
Current asset / current liability ratio	1.06	1.55
Net liquidity days	58	110

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

THE STRATEGIC REPORT (CONTINUED)

Financial Risk Management

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

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

Outlook

There remains significant uncertainty, politically and economically, which is affecting the Higher Education sector along with other sectors of the economy. This creates significant difficulty for the institution in terms of its medium and longer term planning. The impact of Brexit and the lack of clarity regarding government policy in its response to the Augar Review and future tuition fees' policy remain key concerns.

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

At the end of the 2017/2018 year, the University withdrew provision from its Broadstairs Campus and re-accommodated programmes delivered there to its Canterbury campus. The new Arts Building, named in recognition of Daphne Oram, opened in January 2019.

Work has commenced on the new building which will accommodate a range of Science, Technology, Engineering and Medicine (STEM) provision, including a new School of Engineering and School of Medicine. These facilities will be available to welcome new students in September 2020.

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

Professor R 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 School and College Engagement 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 £126m in 2018/19 (2017/18 £131m) has had a significant impact on the Canterbury and Kent economy.

STATEMENT OF PRIMARY RESPONSIBILITIES OF THE UNIVERSITY'S GOVERNING BODY

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

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

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

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

Financial Responsibilities of the Governing Body

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

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

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

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

The Governing Body has taken reasonable steps to:

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

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

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

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

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

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

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

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

Mr F Martin

Pro-Chancellor (Chair of the Governing Body)

Date:

CORPORATE GOVERNANCE

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

Canterbury Christ Church University endeavours to conduct its business in accordance with the principles identified by the Committee on Standards in Public Life (Nolan) and the guidance to Institutions of Higher Education, which has been provided by the Committee of University Chairs (CUC), issued in December 2014 and revised in June 2018 together with the Higher Education Senior Staff Remuneration Code issued in June 2018. The Board of Governors has adopted the CUC's Governance Codes of Practice. Work has been undertaken to ensure that governance practice at the University is consistent with the principles of the Codes including all of the mandatory elements therein.

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 Terms and Condition of Funding between the University and the OfS, the Vice-Chancellor is the designated officer of the Institution and in that capacity can be summoned to appear before the Public Accounts Committee of the House of Commons.

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

The decisions of these Committees and those of the Audit Committee are formally reported to the full Governing Body. The Audit Committee comprises members of the Governing Body, not being members of any other committee or the Executive except that the Chair is a member of the Chairs Committee of the Governing Body, a committee without an executive role. The Audit Committee operates within the OfS Audit Code of Practice contained in Annex C of the Terms and Conditions of Funding for Higher Education 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 2019 to reflect the priorities and monitoring of performance against the revised University Strategic Framework (2015-22). The revised KPIs and revised Strategic Framework (2015-22) were approved by the Governing Body in March 2019.

In addition there is an ongoing commitment to the development of the Governing Body effectiveness and work undertaken in this area during 2018/2019 has included a series of governor visits to Schools and Departments; strategic discussion items at each full Governing Body meeting; and informal discussions with each member of the Governing Body to consider the effectiveness of the Board and its committees and the individual contribution made by each governor. A peer governance review was carried out in 2017 which confirmed good progress against the governance progress review led by the Pro-Chancellor and Clerk in 2016. The most recent Internal Audit of Corporate Governance in 2018 concluded that the Board could take substantial assurance that the controls which the organisation relies upon to manage this area are suitably designed, consistently applied and operating effectively. The University undertook desktop Governance Effectiveness reviews following the publication of the CUC Higher Education Senior Staff Remuneration Code and the Halpin Review of the University of Bath, with positive outcomes. The OfS carries out a periodic assurance review of the University's governance arrangements and in its most recent review in 2018 concluded that it was able to place reliance on the University's accountability information.

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

Modern Slavery and Human Trafficking

The University is committed to ensuring that slavery and human trafficking is not taking place in its supply chain in line with the Modern Slavery Act 2015. The University's Modern Slavery and Human Trafficking Statement has support of the full Governing Body, and was presented for approval at the Governing Body meeting on 26 November 2019. The signed statement is published on the University's website.

The actions taken by the University in year include having a designated senior officer leading on identifying risks and a separate working group in place to implement actions to mitigate these risks. Key Performance Indicators are being identified by the working group and these will help identify progress in meeting the requirements of the act.

The University is developing a training programme for all staff and is undertaking a review of all policies, to ensure these support compliance with the act.

Due diligence has been completed for all significant tender exercises. The Procurement team have provided support and guidance to all areas of the University that engage with suppliers.

The Governance and Legal Services team reviews all contractual terms and conditions of all draft agreements to ensure provision is made relating to Modern Slavery Act compliance.

The work of the subsidiary company in delivering the Unitemps staffing agency is also monitored to ensure compliance with the act.

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 Terms and Conditions of Funding for Higher Education Institutions from the OfS.

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 2019 and up to the date of approval of the Strategic Report and Financial Statements, and accords with the OfS and Turnbull guidance.

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

- The Governing Body meets at least four times each year to consider the plans and strategic direction of the Institution.
- The Governing Body and the Audit Committee have approved the Risk Management Policy and Procedures which summarise the approach, roles and responsibilities, and the annual review of effectiveness process.
- The Governing Body has assumed responsibility for oversight of the risk management process within the University as a whole, and determined its risk appetite, which includes adopting a differentiated approach to risk depending on the nature of the activity. As Chief Executive, the Vice-Chancellor has ultimate responsibility for the management of the University, including the management of risk. The University Solicitor oversees the risk management process adopted by the University.
- The University maintains a comprehensive Strategic Risk Register that identifies the high level strategic risks facing the Institution. Each risk has an identified risk owner clearly documented within the Register together with a scoring assessment based on likelihood and impact. Risks are given a gross and residual rating. Risk identification and management is closely linked to the achievement of the Institution's objectives, with all Schools and Departments producing local risk registers alongside their annual business plans and major change strategic project owners producing the same. 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 Change Portfolio Assurance Board, chaired by the Deputy Vice-Chancellor considers the risks identified in the Project Risk Registers and reports to the Senior Management Team. The Vice-Chancellor and the SMT monitor the top 'net exposure' risks on a regular basis, as well as the effectiveness of controls in place to manage less serious risks. Less serious risks are reviewed and monitored by Faculties, Schools and Departments which operate local registers as part of an overall approach, embedding risk assessment and management within the University. The annual presentation of local risks within SMT business plans allows for consideration to be made of aggregated risks for potential inclusion in the University's high level risk register.

STATEMENT OF INTERNAL CONTROL (CONTINUED)

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

The University has appointed Internal Auditors, who operate to standards defined in the OfS Terms and Conditions of Funding for Higher Education Institutions, Audit Code of Practice. 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.

There were no significant control weaknesses in the year.

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

Report on the audit of the financial statements

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 of Canterbury Christ Church University (the 'university') and its subsidiary (the 'group'):

- give a true and fair view of the state of the group's and the university's affairs as at 31 July 2019 and of the group's and the university's income and expenditure, gains and losses and changes in reserves and group's cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Statement of Recommended Practice: Accounting for Further and Higher Education; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the Statement of Principal Accounting Policies;
- the Consolidated and University Statement of Comprehensive Income and Expenditure;
- the Consolidated and University University Changes in Reserves;
- the Consolidated and University Statement of Financial Position;
- the Consolidated Cash Flow Statement; and
- the related notes 1 to 25.

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

Basis for opinion

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

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

Conclusions relating to going concern

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

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

We have nothing to report in respect of these matters.

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

Other information

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

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

We have nothing to report in respect of these matters.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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.

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

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

In our opinion, in all material respects:

- funds administered by the university for specific purposes during the year ended 31 July 2019 have been applied to those purposes and managed in accordance with relevant legislation;
- funds provided by the OfS and Research England have been applied in accordance with the terms and conditions of the Accounts Direction and any other terms and conditions attached to them during the year ended 31 July 2019; and
- the requirements of the OfS's accounts direction have been met.

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Use of our report

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

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

Date:

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

1. Basis of Preparation

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

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

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

2. Critical Judgements

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

2.1 Leases

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

2.2 Capital and Research Grants Received

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

3. Estimates

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

3.1 Intangible and Tangible Assets

As stated in the accounting policies for Intangible and Tangible Assets, the University's assets are amortised and 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. The carrying amounts of the assets are disclosed in notes 9 and 11.

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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

3.2 Local Government Pension

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost for pensions include the discount rate. Any changes in these assumptions as disclosed in note 23 will impact on the carrying value of the pensions liability. Furthermore a rolled forward approach which projects results from the latest full actuarial valuation performed as at 31 March 2016 has been used by the actuary in valuing the pensions liability as at 31 July 2019. 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 2019. 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, the Office for Students (OfS), the Department for Education (DfE) and HEKSS trusts are passed through the Income and Expenditure Account when the conditions relating to the grant have been satisfied (see 4, Recognition of Income above). Grants or other contributions from Government and other bodies are accounted for using the performance model and are recognised in the financial statements when the conditions for their receipt have been complied with and there is reasonable assurance that the grant or contribution will be received.

7. Agency Arrangements

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

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

8. Foreign Currencies

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

9. Operating Leases

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

10. Intangible Assets

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

Software in development is held in the asset register until complete and fully in use. The value of the asset is stated at historic cost less accumulated amortisation charges, with amortisation being charged on a straight line basis from the month that the asset is fully developed. Significant intangible assets with a value of £200,000 or more are amortised over 10 years and lower value assets of less than £200,000 are amortised over five years.

The costs relating to the development of the medical programme are capitalised as an intangible asset. Development costs accrue from the date at which the contract was entered into, and are capitalised when the asset comes into use, and will be amortised when the benefits are realised on a straight line basis over five years.

11. Tangible Assets

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

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

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

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

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

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

Equipment that is capitalised is depreciated over the useful economic life expectancy of the asset. This is estimated to be 5 years for equipment including IT assets and between 10 to 25 years for plant and machinery.

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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

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

12. Stocks

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

13. Cash and Cash Equivalents

Cash includes cash in hand, cash at bank, deposits repayable within 3 months and overdrafts.

14. Maintenance of Premises

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

15. Taxation Status

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

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

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

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

16. Pension Schemes

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

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

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

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

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

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

17. Investments

Endowment asset investments are held as cash.

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

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

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

18. Financial Instruments

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

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

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

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

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

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

19. Investment in Subsidiaries

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

20. Reserves

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

The following reserves are maintained:

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

**Consolidated and University Statement of Comprehensive Income and Expenditure
For the Year Ended 31 July 2019**

	Notes	Consolidated		University	
		2019 £'000	2018 £'000	2019 £'000	2018 £'000
Income					
Tuition fees and education contracts	1	96,736	100,003	96,736	100,003
Funding body grants	2	8,796	9,780	8,796	9,780
Research grants and contracts	3	1,554	2,148	1,554	2,148
Other income	4	18,792	18,803	18,716	18,713
Investment income	5	200	140	198	138
Total income		126,078	130,874	126,000	130,782
Expenditure					
Staff costs	6	73,718	75,351	73,624	75,268
Interest and other finance costs	7	1,849	1,539	1,849	1,539
Other operating expenses	8	46,962	47,012	46,978	47,002
Depreciation and Amortisation	9 & 11	7,785	8,092	7,785	8,093
Total Expenditure		130,314	131,994	130,236	131,902
Deficit for the year before loss on disposal of fixed assets		(4,236)	(1,120)	(4,236)	(1,120)
Loss on disposal of fixed assets		(3,318)	-	(3,318)	-
Deficit for the year		(7,554)	(1,120)	(7,554)	(1,120)
Endowment comprehensive income for the year	17	11	8	11	8
Actuarial gain in respect of pension schemes	23	3,583	973	3,583	973
Total comprehensive loss for the year		(3,960)	(139)	(3,960)	(139)
Represented by:					
Endowment comprehensive income for the year	18	11	8	11	8
Unrestricted comprehensive loss for the year		(3,971)	(147)	(3,971)	(147)
Deficit for the year attributable to the University		(3,960)	(139)	(3,960)	(139)

**Consolidated and University Statement of Changes in Reserves
For the Year Ended 31 July 2019**

Consolidated	Income and expenditure account			Total
	<i>Endowment</i>	<i>Restricted</i>	<i>Unrestricted</i>	
	£'000	£'000	£'000	
Balance at 1 August 2017	237	50	95,080	95,367
Deficit from the income and expenditure statement	-	-	(1,120)	(1,120)
Other comprehensive income	19	(11)	973	981
Total comprehensive income for the year	19	(11)	(147)	(139)
	256	39	94,933	95,228
Balance at 31 July 2018	256	39	94,933	95,228
Balance at 1 August 2018	256	39	94,933	95,228
Deficit from the income and expenditure statement	-	-	(7,554)	(7,554)
Other comprehensive income	11	-	3,583	3,594
Total comprehensive income for the year	11	-	(3,971)	(3,960)
Balance at 31 July 2019	267	39	90,962	91,268
University	Income and expenditure account			Total
	<i>Endowment</i>	<i>Restricted</i>	<i>Unrestricted</i>	
	£'000	£'000	£'000	£'000
Balance at 1 August 2017	237	50	95,080	95,367
Deficit from the income and expenditure statement	-	-	(1,120)	(1,120)
Other comprehensive income	19	(11)	973	981
Total comprehensive income for the year	19	(11)	(147)	(139)
	256	39	94,933	95,228
Balance at 31 July 2018	256	39	94,933	95,228
Balance at 1 August 2018	256	39	94,933	95,228
Deficit from the income and expenditure statement	-	-	(7,554)	(7,554)
Other comprehensive income	11	-	3,583	3,594
Total comprehensive income for the year	11	-	(3,971)	(3,960)
Balance at 31 July 2019	267	39	90,962	91,268

Consolidated and University Statement of Financial Position
For the year ended 31 July 2019

		2019	2018	2019	2018
	Notes	As at 31 July Consolidated		As at 31 July University	
		£'000	£'000	£'000	£'000
			Restated		Restated
Non-current assets					
Tangible assets	9	157,202	139,585	157,202	139,585
Investments	10	-	-	450	450
Intangible assets	11	4,189	2,362	4,189	2,362
		<u>161,391</u>	<u>141,947</u>	<u>161,841</u>	<u>142,397</u>
Current assets					
Stock		229	237	229	237
Trade and other receivables	12	15,277	17,409	15,350	17,512
Cash and cash equivalents	18	19,632	37,468	19,202	37,057
		<u>35,138</u>	<u>55,114</u>	<u>34,781</u>	<u>54,806</u>
Less: Creditors: amounts falling due within one year	13	(33,081)	(35,613)	(33,174)	(35,755)
Net current assets		<u>2,057</u>	<u>19,501</u>	<u>1,607</u>	<u>19,051</u>
Total assets less current liabilities		<u>163,448</u>	<u>161,448</u>	<u>163,448</u>	<u>161,448</u>
Creditors: amounts falling due after more than one year	14	(47,951)	(43,584)	(47,951)	(43,584)
Provisions					
Pension liability LGPS	23	(21,248)	(20,271)	(21,248)	(20,271)
Other provisions	16	(2,981)	(2,365)	(2,981)	(2,365)
Total net assets		<u>91,268</u>	<u>95,228</u>	<u>91,268</u>	<u>95,228</u>
Restricted Reserves					
Income and expenditure reserve - endowment reserve	17	39	39	39	39
Unrestricted Reserves					
Income and expenditure reserve - endowment reserve	17	267	256	267	256
Income and expenditure - Local Government Pension Scheme reserve		(21,248)	(20,271)	(21,248)	(20,271)
Income and expenditure reserve - unrestricted includes pension		112,210	115,204	112,210	115,204
		<u>91,229</u>	<u>95,189</u>	<u>91,229</u>	<u>95,189</u>
Total Funds		<u>91,268</u>	<u>95,228</u>	<u>91,268</u>	<u>95,228</u>

The Financial Statements on pages 34 to 59 were approved and authorised for issue by the Governing Body on 26 November 2019 and signed on its behalf by:

Professor R 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 2019

	Notes	Year ended 31 July 2019	Year ended 31 July 2018 Restated
		£'000	£'000
Cash flow from operating activities			
Deficit for the year		(7,554)	(1,120)
Adjustment for non-cash items			
Depreciation and amortisation	9/11	7,785	8,092
Decrease in stock		8	38
Decrease in debtors	12	2,132	(2,471)
(Decrease)/increase in creditors	13	(2,533)	7,450
Increase in other provisions	16	616	68
Pension charges	23	4,569	3,774
Adjustment for investing or financing activities			
Investment income	5	(200)	(140)
Interest payable	7	1,349	1,140
Endowment income	17	(21)	(22)
Loss on the sale of tangible assets	9	3,318	-
Capital Grant income	2	(745)	(1,614)
Net cash inflow from operating activities		<u>8,724</u>	<u>15,195</u>
Cash flows from investing activities			
Proceeds from sales of fixed assets	9	1,625	-
Investment income	5	200	140
Payments made to acquire tangible and intangible assets	9/11	(32,125)	(17,365)
Payments made to acquire endowment assets	17	(25)	(14)
Capital grant receipts	2/14	7,730	5,539
Net cash outflow from investing activities		<u>(22,595)</u>	<u>(11,700)</u>
Cash flows from financing activities			
Interest paid	7	(1,349)	(1,140)
Endowment cash received	17	21	22
New unsecured loans	14	56	123
Repayments of amounts borrowed	15	(2,693)	(2,730)
Net cash outflow from financing activities		<u>(3,965)</u>	<u>(3,725)</u>
Decrease in cash and cash equivalents in the year		<u>(17,836)</u>	<u>(230)</u>
Cash and cash equivalents at beginning of the year	18	37,468	37,698
Cash and cash equivalents at end of the year	18	19,632	37,468

Notes to the Financial Statements

Consolidated

1. TUITION FEES AND EDUCATIONAL CONTRACTS

	Notes	2019 £'000	2018 £'000
Full-time home and European students		77,656	72,935
Full-time Students Overseas		2,858	2,584
Part-time Students		5,348	7,772
Total fees paid by or on behalf of individual students		85,862	83,291
Education contracts		10,874	16,712
Total		96,736	100,003

Consolidated

2. FUNDING BODY GRANTS

		2019 £'000	2018 £'000
Recurrent grant			
OfS (2018: HEFCE and OfS)		6,844	6,776
Total recurrent grants		6,844	6,776
Specific grants			
OfS (2018: HEFCE and OfS)		720	808
DfE		487	582
Total specific grants		1,207	1,390
Capital grant received and recognised in the year			
Buildings		226	139
Equipment		519	1,475
Total capital grants		745	1,614
Total		8,796	9,780

Notes to the Financial Statements (continued)

Consolidated

3. RESEARCH GRANTS AND CONTRACTS	2019	2018
	£'000	£'000
		Restated
United Kingdom Research & Innovation (UKRI)	194	140
UK based charities	405	584
European Commission	446	477
Other grants and contracts	509	947
	<u>1,554</u>	<u>2,148</u>

The analysis for Research Grants & Contracts has been realigned for 2018 to reflect the type of grant and contract the income relates to.

Consolidated

4. OTHER OPERATING INCOME	2019	2018
	£'000	£'000
Residences, catering and conferences	11,256	11,849
Other income generating activities	6,653	6,316
Other operating income	883	638
	<u>18,792</u>	<u>18,803</u>

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

Consolidated

5. INVESTMENT INCOME	2019	2018
	£'000	£'000
Bank interest receivable	200	140
	<u>200</u>	<u>140</u>

Notes to the Financial Statements (continued)

6. STAFF COSTS

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

	Consolidated	
	2019	2018
	Number	Number
		Restated
Academic Staff	630	663
Professional Service Staff	705	732
Administration and central services	172	189
	<hr/>	<hr/>
Total	<u>1,507</u>	<u>1,584</u>
	2019	2018
	£'000	£'000
Staff costs		
Wages and salaries	59,100	60,346
Social security costs	5,629	5,813
Other pension costs	8,989	9,192
	<hr/>	<hr/>
Total	<u>73,718</u>	<u>75,351</u>

The other pension costs represents the total value of contributions due in the year to TPS, USS and LGPS. An additional cost of £4,389k (2018: £3,556k) 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.

Included in Wages and salaries and other pension costs are severance payments of £701,658 for 69 members of staff receiving redundancy payments (2018: £536,968 for 45 members of staff).

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. In 2019 there were 14 serving members of the management team (2018: 13).

	2019	2018
	£'000	£'000
Key management personnel compensation	<u>1,472</u>	<u>1,502</u>

Notes to the Financial Statements (continued)

6. STAFF COSTS Cont.

Higher paid staff

Salary Range	2019 Number	2018 Number
£100,000 to £104,999	-	-
£105,000 to £109,999	-	2
£110,000 to £114,999	-	-
£115,000 to £119,999	-	-
£120,000 to £124,999	2	1
£125,000 to £129,999	-	-
£130,000 to £134,999	-	-
£140,000 to £ 144,999	-	-
£150,000 to £154,999	-	1
£155,000 to £159,999	1	-
	3	4

The emoluments paid to the five members of the Governing Body (2018: 5) and their accrued benefits under defined benefits pension schemes are shown below:

	2019 £'000	2018 £'000
Salaries	432	426
Employer's pension contributions	25	25
Total	457	451

Emoluments of the Vice Chancellor, being the highest paid director

	2019 £'000	2018 £'000
Salary	265	265
Employer's pension contributions	6	6
Total emoluments of the Vice Chancellor	271	271

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

The pay ratio of the Vice Chancellor's total emoluments as a ratio to the median of the total emoluments for all staff is 8.1:1 (2018: 8.3:1). The pay ratio of the Vice Chancellor's basic salary as a ratio to the median of the basic salary of all staff is 8.0:1 (2018: 8.1:1). These calculations are based on a full time equivalent basis for all staff employed by the University including agency workers.

Notes to the Financial Statements (continued)

6. STAFF COSTS Cont.

Directors' Emoluments

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

The remuneration of the Vice-Chancellor is based on an annual appraisal against objectives carried out by the Chair of the Governing Body. Any annual increase in the Vice-Chancellor's pay is based on a senior salary framework, which was approved by the Remuneration Committee in 2014, and applies equally to all members of the Senior Management Team. The framework is based on a 3 point scale for assessment and performance – exceptional, excellent and requiring improvement. The pay increase for an 'excellent' rating is pegged to the annual national pay award for all staff (2% in 2018/19). Where an exceptional rating has been achieved the pay increase is normally an additional 1%.

In reviewing the Vice-Chancellor's salary for 2018/2019, the Committee assessed the Vice-Chancellor's performance in 2017/2018 as exceptional and noted that he continued to be an asset for the University. However, the Vice-Chancellor requested that he should not receive a pay award for this year to which the Committee agreed but, in doing so, also noted the need to be mindful of the future and not allowing the Vice-Chancellor's salary to fall out of line with comparator universities.

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

The current Vice-Chancellor has been in post since 2013 and his remuneration reflects his considerable experience gained through a number of senior roles within the Higher Education sector and the Civil Service. His personal performance in 2017/2018 is rated as exceptional as the University has continued to develop and implement a widening of its academic portfolio with the introduction of a new School of Engineering and the Kent & Medway Medical School (jointly with the University of Kent) enabled through an ambitious and innovative development of the Canterbury campus which will complete in readiness of the commencement of the 2020/2021 academic year.

Notes to the Financial Statements (continued)

7. INTEREST PAYABLE AND OTHER FINANCE COSTS	Consolidated	
	2019	2018
	£'000	£'000
Bank loans not wholly repayable within five years	1,349	1,140
Net charge on pension scheme	500	399
Total	1,849	1,539

8. ANALYSIS OF TOTAL EXPENDITURE BY ACTIVITY	Consolidated	
	2019	2018
	£'000	£'000
Academic departments	64,247	66,216
Academic services departments	4,777	5,136
Administration and central services	25,348	23,658
Premises (including service concession cost)	12,226	12,742
Residences, catering and conferences	10,616	11,099
Research grants and contracts	2,288	2,300
Other expenses	1,178	1,212
Depreciation	7,785	8,093
Interest payable and other finance costs	1,849	1,539
	130,314	131,995

	Consolidated	
	2019	2018
	£'000	£'000
Other operating expenses include:		
Fees payable for auditing of the financial statements of the parent company	52	51
Fees payable for auditing the subsidiary company	5	5
Other fees payable to the group auditor - grant and pension assurance review	5	6
Operating lease rentals - land and buildings	7,202	8,920
Operating lease rentals - equipment	160	229

Notes to the Financial Statements (continued)

9. TANGIBLE ASSETS

	Consolidated and University				
	Freehold Land and Buildings	Assets under Construction	Fixtures, Fittings and Equipment	Plant and Machinery	Total
Cost and deemed cost for land and buildings	£'000	£'000	£'000	£'000	£'000
At 1 August 2018	125,192	19,251	26,393	6,843	177,679
Additions	-	30,227	-	-	30,227
Assets coming into use	14,357	(19,622)	4,360	905	-
Disposals	(5,922)	-	(6,741)	(220)	(12,883)
At 31 July 2019	133,627	29,856	24,012	7,528	195,023
Accumulated depreciation					
At 1 August 2018	(17,114)	-	(17,733)	(3,247)	(38,094)
Charge for the year	(3,334)	-	(3,712)	(667)	(7,713)
Disposals	1,062	-	6,736	188	7,986
At 31 July 2019	(19,386)	-	(14,709)	(3,726)	(37,821)
Net book value					
At 31 July 2019	114,241	29,856	9,303	3,802	157,202
At 31 July 2018	108,078	19,251	8,660	3,596	139,585
Financed by capital grant:					
At 31 July 2019	226	-	519	-	745
At 31 July 2018	139	-	1,475	-	1,614

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

Disposals in the year include the demolition charges of redundant buildings on North Holmes road as enabling works for the new teaching facility, at a cost of £3,916k, along with sundry equipment disposed of at a cost of £7k. The sale of 21 New Dover Road completed in year. This generated a gain on disposal of £605k. The total loss charged to the Statement of Comprehensive Income for disposals is £3,318k.

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 value of the assets as at 20 August 2018 was £163,700. There have been additions in year valued at £2,700, increasing the value of heritage assets to £166,400. The recognition value of all items is based on the insurance replacement cost. The heritage assets are not depreciated as their individual value, other than for insurance purposes, is not known. These asset values are not included in the tangible asset note.

There were no tangible assets held by the subsidiary company.

Notes to the Financial Statements (continued)

10. FIXED ASSET INVESTMENTS

	Shares / Capital Contribution	Loans	Total
	£'000	£'000	£'000
	450	-	450
	<u>450</u>	<u>-</u>	<u>450</u>
At 1 August 2018 and 31 July 2019	<u><u>450</u></u>	<u><u>-</u></u>	<u><u>450</u></u>

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

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

Notes to the Financial Statements (continued)

11. INTANGIBLE ASSETS

Consolidated and University

	Assets in development £'000	Software £'000	Total £'000
At 1 August 2018	2,362	-	2,362
Additions	1,899	-	1,899
Transfers	(935)	935	-
At 31 July 2019	<u>3,326</u>	<u>935</u>	<u>4,261</u>
Amortisation			
At 1 August 2018	-	-	-
Charge for the year	-	72	72
At 31 July 2019	<u>-</u>	<u>72</u>	<u>72</u>
Net book value			
At 31 July 2019	<u>3,326</u>	<u>863</u>	<u>4,189</u>
At 31 July 2018	<u>2,362</u>	<u>-</u>	<u>2,362</u>

Intangible assets include the software assets that are being developed and the development cost of the Medical School programme.

Notes to the Financial Statements (continued)

12. TRADE DEBTORS AND OTHER RECEIVABLES

	Consolidated		University	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Trade debtors	8,731	11,634	8,713	11,616
Prepayments and accrued income	6,546	5,775	6,538	5,760
Amount owed by subsidiary company	-	-	99	136
	<u>15,277</u>	<u>17,409</u>	<u>15,350</u>	<u>17,512</u>

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Consolidated		University	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
		Restated		Restated
Bank loans	2,673	2,693	2,673	2,693
Trade creditors	9,422	9,975	9,398	9,816
Amount owed to subsidiary company	-	-	293	353
Taxation and social	2,648	2,810	2,648	2,810
Accruals and deferred income	18,338	20,135	18,162	20,083
	<u>33,081</u>	<u>35,613</u>	<u>33,174</u>	<u>35,755</u>

Amounts owed to the subsidiary company and amounts owed by the parent company are unsecured, interest free and repayable 30 days from the date of invoice. The bank loans relate to the capital payments for the campus redevelopment, the purchase of the prison and for student accommodation in Broadstairs. Although not secured on assets of the University, the loan agreement restricts further borrowing and indebtedness.

As at 31 July 2019 the University has a creditor of monies owed to the University of Kent of £304,503. This is included in creditors and accruals. This is being reflected as a debtor in the financial statements of the University of Kent. Invoicing had been held pending a decision from HMRC on the VAT status of the arrangement. This has now been confirmed and therefore, invoicing will commence between the institutions in 2019/2020.

The University received capital grants to support the opening of the new Engineering School and the creation of a jointly run medical school with the University of Kent. The capital grants are provided with performance conditions that relate to the opening of the centre in September 2020. The deferred income creditor of £3.925m, being the first year of grant funding being received, had been recognised in the prior year, 2018, as being due for release in less than one year. The grant funds have now been realigned to be reported as a creditor of more than one year to reflect when the unfulfilled element of the grant will be released in 2020/2021, when the facilities open to students and the performance conditions are met.

Notes to the Financial Statements (continued)

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

	Consolidated		University	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
		Restated		Restated
Unsecured loans	37,041	39,659	37,041	39,659
Capital Grants	10,910	3,925	10,910	3,925
	<u>47,951</u>	<u>43,584</u>	<u>47,951</u>	<u>43,584</u>

The University received capital grants to support the opening of the new Engineering School and the creation of a jointly run medical school with the University of Kent. The capital grants are provided with performance conditions that relate to the opening of the centre in September 2020. The deferred income creditor of £3.925m, being the first year of grant funding being received, had been recognised in the prior year, 2018, as being due for release in less than one year. The grant funds have now been realigned to be reported as a creditor of more than one year to recognise that the unfulfilled element of the grant will be released in 2020/2021, when the facilities open to students and the performance conditions are met.

15. BORROWINGS

Lender	Purpose of Loan	Original amount borrowed £'000	Term (Years)	Maturity Date	Interest rate (%)	Amount owed as at 31 July 2019 £'000	Amount owed as at 31 July 2018 £'000
Lloyds Bank	Thanet Campus Development	4,250	23	Dec 2024	0.75	1,047	1,235
Lloyds Bank	Thanet Accommodation Development	2,850	30	Dec 2033	0.75	1,325	1,413
Lloyds Bank	Canterbury Campus Development	8,750	26	Sep 2034	5.34	7,494	7,800
Lloyds Bank	Canterbury Campus Development 1	5,000	25	Dec 2034	2.74	3,875	4,125
Lloyds Bank	Canterbury Campus Development 2	17,250	25	Dec 2034	0.75	13,551	14,390
Lloyds Bank	Canterbury Campus Development 3	5,000	25	Dec 2034	4.05	3,875	4,125
Lloyds Bank	Acquisition of former prison	10,000	19	Dec 2033	2.75	8,168	8,733
Salix	Carbon Saving measures - interest free loan	267	4	Dec 2018	0.00	-	34
Salix	Carbon Saving measures - interest free loan	48	4	Dec 2018	0.00	-	12
Salix	Carbon Saving measures - interest free loan	141	4	Oct 2019	0.00	18	53
Salix	Carbon Saving measures - interest free loan	168	4	Apr 2021	0.00	101	134
Salix	Carbon Saving measures - interest free loan	123	4	Apr 2022	0.00	99	123
Salix	Carbon Saving measures - interest free loan	56	4	Mar 2023	0.00	56	-
HEFCE	Revolving Green Fund to initiate carbon saving measures	278	4	Mar 2019	0.00	105	175
Total						<u>39,714</u>	<u>42,352</u>

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

Notes to the Financial Statements (continued)

15. BORROWINGS (CONTINUED)

	Consolidated and University	
	2019 £'000	2018 £'000
Bank loans and overdrafts		
Bank loans and overdrafts are repayable as follows:		
In one year or less	2,673	2,693
Between one year and two years	2,635	2,714
Between two and five years	7,825	7,741
In five years or more	26,581	29,204
Total	<u>39,714</u>	<u>42,352</u>

16. PROVISIONS FOR LIABILITIES

	Consolidated and University	
	2019 £'000	2018 £'000
Dilapidation provision at the start of the year	931	1,080
Additions in year	123	201
Released	(84)	(350)
At 31 July	<u>970</u>	<u>931</u>

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

	2019 £'000	2018 £'000
Other Provisions		
Provisions at the start of the year	1,434	1,217
Additions in year	924	250
Released	(347)	(33)
Provision at the end of the year	<u>2,011</u>	<u>1,434</u>

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

Notes to the Financial Statements (continued)

17. ENDOWMENTS

	Consolidated and University		2019	2018
	Expendable	Restricted Permanent	Total	Total
	£'000	£'000	£'000	£'000
Opening balance at 1 August 2018				
Capital	256	39	295	287
Movement for the year to date				
New endowments	15	-	15	-
Investment income	21	-	21	22
Expenditure	(25)	-	(25)	(14)
	<u>11</u>	<u>-</u>	<u>11</u>	<u>8</u>
Closing balance at 31 July 2019	<u><u>267</u></u>	<u><u>39</u></u>	<u><u>306</u></u>	<u><u>295</u></u>
Represented by:				
Capital	267	39	306	295
The above amounts are represented by cash balances				
Representing:				
Specific donations	2	-	2	1
Scholarships and bursaries	202	3	205	199
Prize funds	63	36	99	95
	<u><u>267</u></u>	<u><u>39</u></u>	<u><u>306</u></u>	<u><u>295</u></u>

Notes to the Financial Statements (continued)

18. CASH AND CASH EQUIVALENTS

University	At 1st August 2018 £'000	Cash Flows £'000	At 31st July 2019 £'000
Balance at bank	36,762	(17,868)	18,894
Cash & cash equivalents - endowment assets	295	13	308
	<u>37,057</u>	<u>(17,855)</u>	<u>19,202</u>

Consolidated

	At 1st August 2018 £'000	Cash Flows £'000	At 31st July 2019 £'000
Balance at bank - University	36,762	(17,868)	18,894
Balance at bank - Medco (CCCU) Limited	411	19	430
Cash & cash equivalents - endowment assets	295	13	308
	<u>37,468</u>	<u>(17,836)</u>	<u>19,632</u>

19. CONTINGENT LIABILITIES

There were no contingent liabilities as at 31 July 2019.

Notes to the Financial Statements (continued)

20. LEASE OBLIGATIONS AND OTHER COMMITMENTS

At 31 July 2019, Canterbury Christ Church University had annual commitments under non-cancellable operating leases as follows:

	Land and Buildings £'000	2019 Plant and Machinery £'000	Total £'000	31 July 2018 £'000
Paid during the year	5,955	1,810	7,765	8,077
Future minimum lease payments due:				
Not later than 1 year	5,571	1,563	7,134	6,579
Later than 1 year and not later than 5 years	20,809	6,142	26,951	25,772
Later than 5 years	63,916	8,803	72,719	77,639
Total lease payments due	90,296	16,508	106,804	109,990

The University had outstanding financial commitments in the form of open purchase orders with a total value of £14,642,434 at the year end (2018: £35,539,513).

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

Future minimum payments due:	2019 £'000	2018 £'000
Not later than 1 year	300	300
Later than 1 year and not later than 5 years	1,200	1,200
Later than 5 years	16,620	16,920
	18,120	18,420

21. RELATED PARTY DISCLOSURES

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

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

22. EVENTS AFTER THE REPORTING PERIOD

In respect of the USS pension scheme a new schedule of contributions based on the 2018 valuation has been agreed. This results in a decrease of £501,029 in the provision for the obligation to fund the deficit on the USS pension which would instead be £510,407. This adjustment will be reflected in the University's Financial Statements for the year ended 31 July 2020.

The building programme continues to progress well, and there are no delays to report.

Notes to the Financial Statements (continued)

23. PENSION SCHEMES

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

	2019 £000	2018 £000
Contribution to TPS	4,876	5,042
Contribution to LGPS	3,833	3,872
Contribution to USS	280	277
	<u>8,989</u>	<u>9,191</u>

Percentage employers contributions to TPS as at the year end	16.5%
Percentage employers contributions to LGPS as at the year end	17.5%
Percentage employers contributions to USS as at the year end	18.0%

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

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

Notes to the Financial Statements (continued)

23. PENSION SCHEMES (CONTINUED)

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

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

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

Teachers' Pensions Scheme

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

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

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

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

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

Notes to the Financial Statements (continued)

23. Pension Schemes (continued)

Universities Superannuation Scheme

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

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

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

Local Government Pension Scheme

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

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

Under the definitions set out in FRS 102 the LGPS is a multi-employer defined benefit pension scheme. In the case of the LGPS, the actuary of the scheme has identified Canterbury Christ Church University's share of its assets and liabilities as at 31 July 2019.

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

The significant assumptions used by the actuary for FRS 102 for the LGPS at 31 July 2019 were:

	2019	2018
	% pa	% pa
Inflation / Pension increase	2.14	2.35
Rate of increase in salaries	2.14	3.15
Discount rate for liabilities	2.10	2.65

It is accepted there is a potential financial impact to the choice of assumptions applied. The actuary completes a sensitivity review of the estimation techniques and this forms part of the report to the University, as the employer.

Notes to the Financial Statements (continued)

23. PENSION SCHEMES (CONTINUED)

The post retirement mortality tables adopted are the S2PA tables. These base tables are then projected using the CMI 2018 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:

	Males	Females
Current Pensioners	22.2 years	24.1 years
Future Pensioners	23.6 years	25.6 years

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

	Value at 31 July 2019	Value at 31 July 2018
	£'000	£'000
Equities	80,155	74,685
Gilts	841	841
Bonds	10,607	9,730
Property	13,710	13,554
Cash	3,141	3,155
Absolute return fund	9,135	7,420
	<u>117,589</u>	<u>109,385</u>
	Value at 31 July 2019	Value at 31 July 2018
	£'000	£'000
Total market value of assets	117,589	109,585
Present value of scheme liabilities	(138,801)	(129,818)
Present value of unfunded liabilities	(36)	(38)
Deficit in the scheme – net pension liability	<u>(21,248)</u>	<u>(20,271)</u>

Notes to the Financial Statements (continued)

23. PENSION SCHEMES (CONTINUED)

	2019	2018
	£'000	£'000
Reconciliation of Defined Benefit Obligation		
Opening Defined Benefit Obligation	129,856	115,336
Current Service Cost	7,685	7,368
Interest Cost	3,431	2,971
Change in financial assumptions	7,735	4,525
Change in demographic assumptions*	(8,950)	-
Contributions by Members	1,524	1,538
Losses on curtailments	537	13
Estimated Unfunded Benefits Paid	(2)	(3)
Estimated Benefits Paid (net of transfers in)	(2,979)	(1,892)
Closing Defined Benefit Obligation	<u>138,837</u>	<u>129,856</u>

* The change in demographic assumptions reflects the outcome of the recent McCloud/Sargeant judgement.

	2019	2018
	£'000	£'000
Reconciliation of Fair Value of Employer Assets		
Opening Fair Value of Employer Assets	109,585	97,858
Interest on assets	2,940	2,572
Return on assets less interest	2,368	5,498
Administration expenses	(51)	(47)
Contributions by the Employer	4,204	4,061
Contributions by Members	1,524	1,538
Other Actuarial gains/(losses)	-	-
Estimated Benefits Paid including unfunded benefits	(2,981)	(1,895)
Closing Fair Value of Employer Assets	<u>117,589</u>	<u>109,585</u>

The total return on the fund assets for the year to 31 July 2019 is £5,308,000. Scheme assets do not include any Canterbury Christ Church University owned financial instruments or any property occupied by Canterbury Christ Church University.

	2019	2018
	£'000	£'000
Analysis of the amount shown in the balance sheet for LGPS:		
Scheme assets	117,589	109,585
Scheme liabilities	(138,801)	(129,818)
Deficit in the scheme – net pension liability recorded within pensions provisions (Note 24)	<u>(21,212)</u>	<u>(20,233)</u>

Current service cost	8,222	7,381
Admin charge	51	47
Total operating charge:	<u>8,273</u>	<u>7,428</u>

Analysis of the amount charged to interest payable for LGPS

Interest cost	491	399
Net charge to other finance income	<u>491</u>	<u>399</u>

Total profit and loss charge before deduction for tax

Analysis of other comprehensive income for LGPS:

Gain on assets	2,368	5,498
Changes to demographic assumptions	8,950	-
Financial assumption changes	(7,735)	(4,525)
Total other comprehensive income before deduction for tax	<u>3,583</u>	<u>973</u>

Notes to the Financial Statements (continued)

24. FINANCIAL INSTRUMENTS

Consolidated	2019 £'000	2018 £'000
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Financial Assets

Financial Instruments are debt instruments measured at amortised cost

Cash and cash equivalents	19,632	37,468
Trade and other debtors	11,265	13,466
	<u>30,897</u>	<u>50,934</u>

Financial Liabilities

Financial liabilities measured at amortised cost

Loans	39,715	42,352
Trade creditors	9,422	9,975
Other creditors	18,338	18,162
	<u>67,475</u>	<u>70,489</u>

University	2019 £'000	2018 £'000
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Financial Assets

Financial Instruments are debt instruments measured at amortised cost

Cash and cash equivalents	19,202	37,057
Trade and other debtors	11,139	13,337
	<u>30,341</u>	<u>50,394</u>

Financial Liabilities

Financial liabilities measured at amortised cost

Loans	39,715	42,352
Trade creditors	9,398	9,816
Other creditors	18,455	20,436
	<u>67,568</u>	<u>72,604</u>

Notes to the Financial Statements (continued)

25. STUDENT SUPPORT FUNDS

	2019 Total £'000	2018 Total £'000
DfE Bursaries		
Funding Council grants	5,318	3,242
Balance brought forward from previous years	82	473
Disbursed to students	(5,003)	(3,633)
	397	82
HEKSS Paramedic Bursaries		
Funding Council grants	445	525
Balance brought forward from previous years	(55)	(25)
Travel expenses paid to students	(44)	(68)
Disbursed to students	(370)	(487)
	(24)	(55)

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