

# **University College Chichester**

## **Annual report for the year ended 31 July 2005**

	<b>Pages</b>
<b>Directors, Governors and Advisers</b>	1-2
<b>Governors' report</b>	3-6
<b>Corporate governance</b>	7-11
<b>Responsibilities of the Governors</b>	12-13
<b>Independent Auditors' report</b>	14-15
<b>Consolidated income and expenditure account</b>	16
<b>Consolidated note of historical cost surpluses and deficits</b>	17
<b>Consolidated statement of total recognised gains and loss</b>	17
<b>Balance sheets</b>	18
<b>Consolidated cash flow statement</b>	19
<b>Notes to the accounts</b>	20-52

# University College Chichester

## Directors, Governors and Advisers

### Directors and Governors

Mr R D C Bunker (Chairman of Governors)	
The Bishop of Chichester: Right Reverend J W Hind	
Mr J B E H Ashwin	
Mr C W Doman	
Mr J W Hayes CBE	
The Reverend R W Hunt	
The Reverend Canon P C Kefford	
Mr P E Croucher	
Mrs S C Crowther	(Resigned 31 December 2004)
Mrs E J Davis	(Resigned 31 December 2004)
Mr R C G Fortin	(Appointed 1 January 2005)
Mr R J F Hoare OBE	
Mrs H Kilpatrick	(Resigned 31 March 2005)
Ms M Leafhead	(Resigned 24 May 2005)
Mrs K S Velasco	
Dr A White OBE	
Professor P E D Robinson	
Ms G S Butler	(Appointed 1 January 2005)
Mr H Dunkerley	(Resigned 31 December 2004)
Dr J Graydon	(Resigned 31 December 2004)
Dr S E Morgan	(Appointed 1 January 2005)
Mr D L Gilmore	(Appointed 1 August 2004) (Resigned 31 August 2004)
Ms K Jones	(Appointed 1 August 2005)
Professor R R Baker OBE	
Ms M Bremner	(Resigned 05 April 2005)
Mr C Brownlee	(Appointed 1 January 2005)
Mrs M M Eva	(Appointed 1 January 2005)
Mrs R C Hammond	(Appointed 1 August 2005)
Mr D Longmore	(Appointed 1 August 2005)
Dr C M Minter	(Appointed 27 October 2004)
Mrs S V Muir	(Resigned 31 December 2004)
Mr R A F Savill	(Resigned 10 September 2004)
Mr W S Yardley	(Appointed 1 August 2005)

# University College Chichester

**Clerk to the Governors**

Mrs I J Cherrett

**Bankers**

National Westminster Bank plc  
60 High Street  
Bognor Regis  
West Sussex  
PO21 1SL

**Solicitors**

Eversheds LLP  
Senator House  
85 Queen Victoria Street  
London  
EC4V 4JL

**Auditors**

PricewaterhouseCoopers LLP  
The Quay  
30 Channel Way  
Ocean Village  
Southampton  
SO14 3QG

# University College Chichester

## Governors' report for the year ended 31 July 2005

### Constitution

University College Chichester was incorporated on 22 April 2003 as a private company limited by guarantee (Company Number 4740553). On 1 August 2003 the Company was granted exempt charity status by the Privy Council. Also on 1 August 2003 the Company took over the activities formerly undertaken by a registered charitable trust known as University College Chichester. At that date all assets, liabilities and activities of the registered charitable trust were transferred to the private limited company. All activities are continuing under the Memorandum of Association and Articles of Association of the company.

Prior to 1 August 2003 the activities of University College Chichester had been undertaken by a charitable trust registered under the Charities Act 1960. The governance of the University College was regulated by a Trust Deed dated 18 November 1976 and an Instrument and Articles of Government endorsed by the Secretary of State on 29 September 1989. The registration of the charitable trust was terminated by the Charity Commission on 4 August 2003.

The University College was formed in 1977, following the merger of Bishop Otter College (founded 1840) with Bognor Regis College (founded 1946), as an institution for the advancement of the higher and further education of men and women and, in particular, for the provision of advanced courses leading to the award of degrees or other appropriate qualifications and for the training of persons intending to enter, or be engaged in, the teaching profession. From 1 August 2003 these objects were extended to include the provision, in the interest of the social welfare of the students of the University College, of facilities for recreation and other leisure-time occupation which will improve their quality of life and of which they have need, by reason of their social and economic circumstances. There has been no change in these activities during the year.

### Subsidiary Company

On 24 April 2004 University College Chichester acquired 100% of the issued ordinary £1 shares of Chichester Enterprises Limited, a company incorporated in England and Wales. Prior to 1 August 2004 the company did not trade. These financial statements comprise the consolidated results of the University College and its subsidiary. The principal business activity of Chichester Enterprises Limited is the provision of conference and catering services. Chichester Enterprises Limited transfers the whole of any taxable profits to the University College.

### Financial position

For the year ended 31 July 2005, there was a surplus on continuing operations, after depreciation of tangible fixed assets at valuation and disposal of assets, of £705,239 (2004: £705,140). The historical cost surplus was £792,839 (2004: £792,740).

The following table presents some key financial data for the year ended 31 July 2005 compared to the financial results for the year ended 31 July 2004.

	Year to 31 July 2005 £'000	Year to 31 July 2004 £'000
Total income	22,777	20,978
Total expenditure	22,072	20,272
Historical cost surplus	793	793
Tangible assets	34,930	34,323
Cash and deposits at 31 July	4,398	4,667
Net current assets	1,666	1,481

# University College Chichester

## Governors' report for the period ended 31 July 2005 (continued)

### Depreciation

In compliance with Financial Reporting Standard (FRS) 15, the land values have been included in the balance sheet at their 31 July 1995 valuations carried out on behalf of the former charitable trust. The book values of buildings, after taking into account depreciation previously relating to land values, will be depreciated over their remaining useful lives.

### Capital Projects

On the Bishop Otter Campus, the new Multi-Purpose Centre was completed in August 2004. This building has added to the University College's stock of general-purpose accommodation. The total project cost will be close to £1.5 million, much of which was financed from grants made by the Higher Education Funding Council for England (HEFCE) under its Project Capital Round 3 programme.

Construction of new student residences commenced in July 2005 on the Bishop Otter Campus. This project, which will provide 124 en-suite study bedrooms, is due for completion in July 2006. As at 31 July 2005 almost £500,000 had been spent on the project.

The building adaptation and improvement projects included works to improve some student residences and to comply with the requirements of the Disability Discrimination Act.

A total of £821,958 was spent on new and replacement furniture and equipment under the capital equipment programme. Many of the items acquired have been used to assist the University College in maximising the benefits to be obtained from the efficient use of new facilities in the area of Information Technology.

Total payments made to acquire new assets were £2,120,284. Capital grants received totalling £380,341, principally from HEFCE, contributed towards this expenditure. No new borrowings were undertaken and the balance of this investment in assets, being £1,739,943, was financed from cash reserves.

### Cash Flow

The cash on deposit, at bank and in hand, as recorded in the balance sheet, shows a total of £4,398,101 at 31 July 2005 compared to the figure of £4,667,429 as at 31 July 2004. As reported above, significant sums were spent on capital acquisitions and improvements, and grants received from the Higher Education Funding Council for England helped to ensure that cash balances remained at a satisfactory level.

The Cash Flow Statement, which is prepared in accordance with FRS 1, records a net decrease in cash during the period of £667,114 (2004: £763,529 increase). The definition of cash used in FRS 1 is cash in hand and deposits with any qualifying financial institution that are repayable on demand. Deposits are repayable on demand if they can be withdrawn at any time without notice and without penalty. No investments, including those on short notice, are included as cash.

### Payment of Creditors

It is the policy of the University College to obtain the best terms with each supplier of goods and services and, thus, there is no single policy applied to the payment of creditors. In agreements negotiated with suppliers, the University College endeavours to abide by any specific payment terms included in those agreements.

# University College Chichester

## Governors' report for the period ended 31 July 2005 (continued)

### Employees

The University College is a member of the Universities and Colleges Employers Association and has maintained its own consultative machinery with the recognised unions. The University College is committed to equality of opportunity in all aspects of its employment policies. Guidelines and procedures operate throughout the University College to ensure that good employment practice prevails in the recruitment and selection of staff. These guidelines reflect the relevant legislation and professional codes of practice. All applications for posts are treated on an equal basis, taking into account factors such as the individual's abilities, experience, knowledge and skills.

The University College actively seeks to recruit from all sections of the local and wider community, regardless of disability, gender, race, religion and sexuality.

The personnel policies and practices are aimed at promoting equality of opportunity in all areas of employment. The University College seeks to increase the number of black and minority ethnic people, and people with disabilities that it employs.

The University College has in place policies and procedures to address positively its responsibilities under the Disability Discrimination Act, both for prospective and existing employees.

The employee relations framework encourages staff to respond positively to changes that enhance organisational effectiveness and provide quality services. In line with this approach the University College recognises appropriate trades unions and has established a Joint Consultative Group that meets on a regular basis. This Group provides an effective means of communication and enables discussion to take place about issues of concern to both management and unions.

In order to promote staff involvement in matters affecting the governance of the University College, staff representatives are elected by their colleagues to serve as members of the Board of Governors, the Academic Board and its committees. All staff have access to the minutes of the meetings of the Board of Governors, except when these are considered to be of a confidential nature.

The remuneration systems and conditions of service operating within the University College contribute towards the achievement of corporate objectives. The pay and conditions policies are regularly reviewed and take into account changes in legislation, national agreements and the general employment market.

These policies and procedures enable the University College to reach sound decisions and meet its statutory obligations.

### Corporate Governance and Risk Management

The University College is committed to exhibiting best practice in all aspects of corporate governance. The statements on pages 7 to 11 detail the work that has been ongoing throughout the year, which reflects the risk-based approach in assessing control systems. Governors regularly review the major risks to which the University College is exposed. These reviews cover business, operational, compliance, quality and reputation issues in addition to financial risks.

### Donations

The company made no political or charitable donations.

# **University College Chichester**

## **Governors' report for the period ended 31 July 2005 (continued)**

### **Future Developments**

On 12 October 2005 the Privy Council confirmed that the University College's application for University title had been approved and that, having completed a period of consultation, the institution could now change its name to the University of Chichester. The necessary amendments to the Memorandum and Articles of Association have been approved and it is the intention to formally adopt the new title early in January 2006. On behalf of the Board I am pleased to congratulate the Principal, now Vice-Chancellor, and his colleagues on this significant achievement.

### **Conclusion**

The University remains in a sound financial position and has maintained its cash reserves whilst at the same time making a significant investment in new facilities and equipment to support the continued diversification of its academic programme.

The University continues to face significant challenges in ensuring that it retains its share of the number of students in the expanding higher education market place. The Board is working with the managers of the University to ensure that the portfolio of courses provides a sound basis for a successful higher education institution in the 21<sup>st</sup> century.

The progress achieved during the past year has been through the efforts of all the staff of the University and I know the Board of Governors would want me to thank them for their past efforts, and also in anticipation of their future efforts, to achieve our agreed goals for the University of Chichester.

**RDC Bunker  
Chair of Governors**

## Corporate Governance of University College Chichester

The University College is a company limited by guarantee and members of the Board of Governors are legally Directors of the Company.

The University College Board of Governors comprises lay persons and staff and students appointed according to the Articles of Association, the majority of whom are non-executive and independent. The specific powers and responsibility of the Board of Governors are set out in the Articles of Association and in the Financial Memorandum with the Higher Education Funding Council for England. The roles of Chair and Vice-Chair of the Board of Governors are separate from the role of the University College's Chief Executive, the Principal.

The University College endeavours to conduct its business in accordance with the seven principles identified by the Committee on Standards in Public Life, and with the guidance, which has been provided by the Committee of University Chairmen.

The Board of Governors holds to itself approval for the strategic development of the University College, annual estimates of income and expenditure, ensuring solvency of the institution and the safeguarding of its assets. The Board receives regular reports from Executive Officers on the operation of its business and its subsidiary companies.

The Principal is the Chief Executive of the University College and has general responsibility to the Board of Governors for the organisation, direction, and management of the institution. Under the terms of the formal Financial Memorandum between the University College and the Higher Education Funding Council for England, the Principal is the designated officer who can be summoned to appear before the Public Accounts Committee.

The Clerk to the Governors (who is also Company Secretary) is appointed under the Articles of Association to act as Secretary to the Board and its Committees. All Governors have access to the advice and services of the Clerk to the Governors and can seek independent advice should they wish to do so.

The Board appoints Independent and Co-opted Governors following recommendations by the Nominations Committee. There is a majority of lay members on the Board. All terms of office, with the exception of that of the Bishop of Chichester, the Principal and the student nominee, are for three years which can be renewed. According to agreed terms, newly appointed Governors receive briefing and training, as appropriate, on the University College, the role of the Board and on higher education in general to ensure that they are fully conversant with their responsibilities.

The Board meets at least three times a year. Much of the detailed work is initially considered by committees which include the Executive, Nominations, Remuneration, and Audit Committees. All of these Committees are formally constituted with terms of reference and membership approved by the Board. The membership consists of mainly lay members of the Board of Governors, one of whom is the Chair.

In respect of its strategic and development responsibilities, the Board of Governors is responsible for the adoption of the University College's Corporate Plan. It receives recommendations and advice on this and other strategic issues from the Governors' Executive Committee and the Academic Board, the body responsible for the University College's academic affairs. The Board of Governors meets with the Academic Board at least once a year.

## **Corporate Governance of University College Chichester (continued)**

The Executive Committee is responsible to the Board for the University College's annual revenue and capital budgets and for monitoring performance in relation to approved budgets. It also reviews the University College's annual financial statements together with the accounting policies. The Executive Committee also determines matters in relation to the conditions of employment of all University College staff with the exception of the Principal, Deputy Principal, Assistant Principal, Finance Officer, Clerk to the Governors and Chaplain.

The Nominations Committee reviews the status of the terms of office of individual governors and, when appropriate, oversees the arrangements for the appointment of new governors and the re-appointment of serving governors. Six Independent Governors are appointed by the Church of England through the Bishop of Chichester. The Nominations Committee monitors the expertise of Governors to ensure, as closely as possible, that agreed areas of expertise are represented on the Board.

The Board of Governors determines the total emoluments of the Principal, the Clerk to the Governors and other senior academic and administrative staff on the advice of the Remuneration Committee. The Executive Committee considers the remuneration of other staff.

The terms of reference of the Audit Committee require that it meets on at least three occasions each year, with the University College's external and internal auditors in attendance where business relevant to them is to be discussed. The Committee considers detailed reports together with recommendations for the improvement of the University College's systems of internal control and risk management issues. Management responses and implementation plans are considered, approved and monitored. This assists the Audit Committee in assessing the soundness and comprehensiveness of the system of internal and financial controls, and the action necessary to remedy weaknesses and the appropriateness of the existing monitoring systems. It also receives and considers reports from the Higher Education Funding Council for England as they affect the University College's business and monitors adherence to the regulatory requirements. The Principal, Finance Officer and the Clerk to the Governors, who acts as the Secretary to the Committee, attend meetings of the Audit Committee and have direct and independent access to the members of that Committee. Whilst these senior executives attend meetings of the Audit Committee as necessary, they are not members of the Committee. From time to time the Committee meets the external and internal auditors on their own for independent discussions.

All Audit and Executive Committees submit the minutes of their meetings and recommendations to the full Board of Governors. The Audit Committee also provides an annual report on its activities, which is sent to the Higher Education Funding Council for England's Head of Assurance. The Nominations Committee submits recommendations regarding appointments to the Board, which holds the responsibility for membership. The Remuneration Committee submits a report to the non-executive members of the Board annually, setting out its recommendations for approval. The Board has the opportunity to discuss the report without the Principal, staff and student governors and officers present. The Principal provides a written report, in the context of the higher education sector, on the activities of the University College at each meeting of the Board of Governors. Senior Officers attend the Board to expand on their reports and answer any questions. The Board has an annual meeting in which strategy is reviewed and the Board formally approves the University College's Corporate Plan.

The University College maintains a Register of Interests of the members of Board and of its Senior Officers, which is updated annually. The Register of Interests may be consulted by arrangement with the Clerk to the Governors.

## Corporate Governance of University College Chichester (continued)

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the University College and enable it to ensure that financial statements are prepared in accordance with the Higher Education Funding Council for England Accounts Direction, the Statement of Recommended Practice (SORP) - Accounting for Further and Higher Education, and other relevant accounting standards. In accordance with the terms and conditions of the Financial Memorandum agreed with the Higher Education Funding Council for England, the University College prepares financial statements for each financial year which will give a true and fair view of the state of affairs of the University College and of the surplus or deficit and cash flows for that year.

In accordance with Article 7.7 of the Memorandum and Articles of Association the Board of Governors may not delegate the following matters:

- (i) the determination of the educational character and objectives of the University College and the supervision of its activities.
- (ii) the effective and efficient use of resources, the solvency of the University College and the safeguarding of its assets.
- (iii) the approval of the annual estimates of income and expenditure.
- (iv) the determination of the membership of the Designated Staff.
- (v) the assignment of duties and of the appraisal of the Principal.
- (vi) the appointment, discipline, suspension and dismissal and the determination of the grading, pay and conditions of service of the Designated Staff.
- (vii) the determination of the policy for the pay and general conditions of employment of the staff who are not Designated Staff.
- (viii) the appointment of Auditors.
- (ix) the recommendation of the University College in General Meeting for the approval, revoking, amendment or variation of the Articles of Association.
- (x) the approval, revoking, amendment or variation of the Regulations, other than the regulations made by the Academic Board.
- (xi) the termination of the membership of any Governor.
- (xii) any act or thing which under, or by virtue of, the Companies Act 1985 is required to be done by the Principal or the Board.

It is further provided that the Board may only delegate the following matters to a Committee which consists exclusively of Governors:

- (xiii) the appraisal, discipline or suspension of the Principal; or
- (xiv) the authorisation of expenditure of any monies or the disposal of any assets of the University College except within such limits as the Board deems reasonably necessary for the proper performance by such person or body of the functions assigned to that person or body and notified to them accordingly.

## Corporate Governance of University College Chichester (continued)

For clarification the following are included within the supervision of the activities of the University College referred to in (i) above:

- ï The Corporate Plan
- ï Regulations relating to appointment, promotion, discipline, supervision, dismissal and grievance for all staff
- ï Constitution of the Students' Union and legislation relating to the Students' Union
- ï the draft annual Report and Financial Statements with supporting schedules
- ï the annual Budget
- ï the Financial Regulations of the University College
- ï any proposal for the University College to form or join any company, partnership or other form of legal association
- ï any proposal for the University College to borrow money or to mortgage or charge all or any part of its property
- ï major new initiatives in academic areas
- ï the use, in broad terms and within the academic policies of the University College, to which all buildings of the University are put
- ï programmes and budgets for:
  - (a) Building maintenance - to include provision for contingency, planned and long term maintenance,
  - (b) Building works
- ï the arrangements for carrying out any estates development costing over £100,000 (including VAT and fees)\*, including:
  - the appointment of consultants
  - \*or other amounts determined from time to time by the Board.

### Risk Management

1. As the governing body of University College Chichester, we have 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 we are responsible, in accordance with the responsibilities assigned to the Board of Governors in the University College's Articles of Association and the Financial Memorandum with the Higher Education Funding Council for England.
2. 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.
3. The system of internal control is based on a continuing 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. The procedures which are necessary to provide a full statement of internal control for the whole of the financial year 2004-05 were in place by the end of June 2003. This takes account of the time needed to fully embed the processes which the Board of Governors has agreed should be established and to improve their robustness.

## Corporate Governance of University College Chichester (continued)

4. We have undertaken the following actions to initiate our Risk Management Strategy:
  - (a) Drafted and adopted a risk management policy.
  - (b) Developed and adopted a risk management strategy and action plan, and a more detailed risk register for strategic risks.
  - (c) Agreed where the principal management responsibility rests for risk management.
  - (d) Held risk management workshops during which we identified the institution's objectives and risks, and determined a control strategy for each of the significant risks.
  - (e) Requested the Audit Committee to provide general oversight of risk management.
  - (f) Requested the Audit Committee to provide advice on the effectiveness of the implementation of risk management.
  - (g) Requested that the internal audit service adapt audit planning arrangements and the methodology and approach of the auditors, so that the service conforms to the latest professional standards reflecting the adoption of risk management.
  - (h) Developed and maintained an institution-wide risk register which is monitored regularly on behalf of the Board by the Audit Committee.
5. We have ensured that our meeting calendar and agenda enable risk management and internal control to be considered on a regular basis during the year. Risk management has been incorporated more fully into the corporate planning and decision making processes of the University College, and the process is continuing.
6. The Principal reviews with individual managers the departmental risk registers at least once each year. Where risks are increasing, the periodic review is more frequent and is managed collectively by the Senior Management Group or other appropriate body.
7. The Board will review annually the University College's approach to risk management.
8. The Executive Committee has in the course of the year 2004-2005 monitored closely the budgetary situation across the University College as this has high priority on the risk register.
9. The Board receives periodic reports from the Chairman of the Audit Committee concerning internal control and we require regular reports from managers on the steps they are taking to manage risk in their areas of responsibility, including progress reports on key projects.
10. Following the initial publication of the University College's risk management framework, further work has been done to widen the basis of the framework and to bring about more consistency in the way in which the institution treats risks.
11. The Board has an Audit Committee, which operates to standards defined in the Higher Education Funding Council for England's document Accountability and Audit: HEFCE Code of Practice. The internal auditors submit regular reports, which include an independent opinion on the adequacy and effectiveness of the system of internal control, together with recommendations for improvement.
12. Our review of the effectiveness of the system on internal control is informed by the work of the internal auditors and the senior managers within the institution 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 and other reports.

## Responsibilities of the Board of Governors of University College Chichester

In accordance with the Memorandum and Articles of Association governing the University College the Board of Governors of the University College is responsible for the administration and management of the affairs of the University College, including ensuring an effective system of internal control, and is required to present audited financial statements for each financial year.

The Board of Governors is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the University College and to enable it to ensure that the financial statements are prepared in accordance with the Memorandum and Articles of Association, the Statement of Recommended Practice on Accounting for Further and Higher Education and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between the Higher Education Funding Council for England and the Board of Governors of the University College, the Board of Governors, through its designated office holder, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the University College and of the surplus or deficit and cash flows for that year.

In causing the financial statements to be prepared, the Board of Governors 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 being disclosed and explained in the financial statements
- financial statements are prepared on the going concern basis unless it is inappropriate to presume that the University College will continue in operation. The Board of Governors is satisfied that the University College has adequate resources to continue in operation for the foreseeable future; for this reason the going concern basis continues to be adopted in the preparation of the financial statements.

The Board of Governors has taken reasonable steps to:

- ensure that the funds from the Higher Education Funding Council for England are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the Funding Council and any other conditions which the Funding Council may from time to time prescribe
- ensure that the funds from the Teacher Training Agency are used only for the purpose of carrying on the qualifying activities defined in section 4(1) of the Education Act 1994, and the terms and conditions of the Funding Agreement with the Agency and any other terms and conditions which the Agency may from time to time impose
- 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 College and to prevent and detect fraud
- secure the economical, efficient and effective management of the University College's resources and expenditure.

## **Responsibilities of the Board of Governors of University College Chichester (continued)**

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

- a comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets
- regular reviews of academic performance and monthly reviews by senior management of financial data 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 Board of Governors
- comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Audit Committee and Board of Governors
- a professional Internal Audit service whose annual programme is approved by the Audit Committee and endorsed by the Board of Governors. The Internal Audit Service, which is supplied under contract, provides the Board of Governors with a report on internal audit activity within the University College and an opinion on the adequacy and effectiveness of the University College's system of internal control, including internal financial control.

The Audit Committee, on behalf of the Board of Governors, is responsible for the effectiveness of the University College's systems of internal financial control. Any system of internal financial control can, however, only provide reasonable, but not absolute, assurance against material misstatement or loss.

# Independent Auditors' report to the Governors of University College Chichester

We have audited the financial statements which comprise the consolidated income and expenditure account, the consolidated note of historical cost surpluses and deficits, the consolidated statement of total recognised gains and losses, the balance sheets, the consolidated cash flow statement, and the related notes which have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and in accordance with the accounting policies set out in the Statement of Accounting Policies.

## Respective responsibilities of the Governors and Auditors

The Board of Governors' responsibility for preparing the financial statements in accordance with the Accounts Direction issued by the Higher Education Funding Council for England, the Statement of Recommended Practice - Accounting for Further and Higher Education, applicable United Kingdom law and accounting standards, is set out in the Board of Governors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and United Kingdom Auditing Standards issued by the Auditing Practices Board. This opinion has been prepared for and only for the Board of Governors in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 and the Statement of Recommended Practice - Accounting for Further and Higher Education. We also report to you whether in our opinion, income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the University College, have been properly applied in all material respects for the purposes for which they were received, and whether income has been applied in all material respects in accordance with the University College's statutes and where appropriate with the Financial Memorandum with the Higher Education Funding Council for England. We also report to you if, in our opinion, the University College has not kept proper accounting records, the accounting records do not agree with the financial statements, or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Financial Statements and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Governors' Report, the Responsibilities of the Board of Governors statements and the Corporate Governance Statement.

## Basis of Audit Opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board, and the Higher Education Funding Council for England Code of Practice. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Governing Body in the preparation of the financial statements, and of whether the accounting policies are appropriate to the University College's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

# **Independent Auditors' report to the Governors of University College Chichester (continued)**

## **Opinion**

In our opinion:

- i. The financial statements give a true and fair view of the state of affairs of the University College and its group at 31 July 2005, and of the surplus of income over expenditure, and cash flows for the year then ended and the statements have been properly prepared in accordance with the Companies Act and the Statement of Recommended Practice - Accounting for Further and Higher Education.
- ii. In all material respects, income from the Higher Education Funding Council for England, Teacher Training Agency, grants and income for specific purposes and from other restricted funds administered by the University College have been applied only for the purposes for which they were received.
- iii. In all material respects, income has been applied in accordance with the Memorandum and Articles of Association governing the University College and where appropriate in accordance with the Financial Memorandum with the Higher Education Funding Council for England dated 1 October 2003, and with the Funding Agreement with the Teacher Training Agency for the period 1 August 2004 to 31 July 2005.

PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
Southampton

2005

# University College Chichester

## Consolidated income and expenditure account for the year ended 31 July 2005

	Notes	Year Ended 31 July 2005 £	Period Ended 31 July 2004 £
<b>Income</b>			
Funding Council grants	2	14,132,340	13,103,049
Tuition fees and education contracts	3	4,626,320	4,284,518
Research grants and contracts	4	259,144	255,058
Other income	5	3,548,384	3,181,252
Endowment and investment income	6	211,101	153,644
<b>Total income</b>		<b>22,777,289</b>	<b>20,977,521</b>
<b>Expenditure</b>			
Staff costs	7	12,860,765	11,833,305
Other operating expenses	8	7,495,603	7,060,253
Depreciation	13	1,513,404	1,163,566
Interest payable	9	202,278	215,257
<b>Total expenditure</b>	<b>12</b>	<b>22,072,050</b>	<b>20,272,381</b>
<b>Surplus on continuing operations after depreciation of tangible fixed assets at valuation</b>		<b>705,239</b>	<b>705,140</b>
Taxation	10	-	-
<b>Surplus on continuing operations after depreciation of assets at valuation, disposal of assets and tax</b>	<b>11</b>	<b>705,239</b>	<b>705,140</b>
Transfer from accumulated income within specific endowments	22	(260)	991
<b>Surplus for the period retained within general reserves</b>		<b>704,979</b>	<b>706,131</b>

The consolidated Income and Expenditure Account of the University College and its subsidiary relates wholly to continuing operations.

The figures for the period ended 31 July 2004 relate to the period from 22 April 2003 to 31 July 2004 although the University College only traded for the 12 months to 31 July 2004 during that period.

## University College Chichester

### Consolidated note of historical cost surpluses and deficits for the year ended 31 July 2005

	Notes	Year Ended 31 July 2005 £	Period Ended 31 July 2004 £
Surplus on continuing operations after depreciation of fixed assets at valuation and disposal of assets but before taxation		705,239	705,140
Difference between historical cost depreciation and the actual charge for the period calculated on the revalued amount	23	87,600	87,600
<b>Historical cost surplus for the period before and after taxation</b>		<b>792,839</b>	<b>792,740</b>

### Consolidated statement of total recognised gains and losses for the year ended 31 July 2005

	Notes	Year Ended 31 July 2005 £	Period Ended 31 July 2004 £
Surplus on continuing operations after depreciation of assets at valuation, disposal of assets and tax		705,239	705,140
New endowments	22	1,954	-
<b>Total recognised gains relating to the period</b>		<b>707,193</b>	<b>705,140</b>
<b>Reconciliation</b>			
Opening reserves and endowments		26,604,734	25,899,594
Total recognised gains for the period		707,193	705,140
<b>Closing reserves and endowments</b>		<b>27,311,927</b>	<b>26,604,734</b>

# University College Chichester

## Balance sheets as at 31 July 2005

		Group		UCC	
	Note	31 July 2005 £	31 July 2004 £	31 July 2005 £	31 July 2004 £
<b>Fixed assets</b>					
Tangible assets	13	34,930,144	34,323,264	34,899,749	34,323,264
Investments	14	25,000	25,000	25,002	25,002
<b>Total fixed assets</b>		<b>34,955,144</b>	<b>34,348,264</b>	<b>34,924,751</b>	<b>34,348,266</b>
<b>Endowments</b>	15	<b>20,102</b>	17,888	<b>20,102</b>	17,888
Stock		26,462	53,086	26,462	53,086
Debtors	16	1,167,044	842,981	1,205,344	842,981
Short-term deposits		4,100,000	3,700,000	4,100,000	3,700,000
Cash at bank and in hand		298,101	967,429	234,473	967,429
<b>Total current assets</b>		<b>5,591,607</b>	5,563,496	<b>5,566,279</b>	5,563,496
Less: Creditors: amounts falling due within one year	17	(3,925,171)	(4,082,374)	(3,870,400)	(4,082,376)
<b>Net current assets</b>		<b>1,666,436</b>	1,481,122	<b>1,695,879</b>	1,481,120
<b>Total assets less current liabilities</b>		<b>36,641,682</b>	35,847,274	<b>36,640,732</b>	35,847,274
Less: Creditors: amounts falling due after more than one year	18	(2,454,044)	(2,562,098)	(2,454,044)	(2,562,098)
Less: Provisions for liabilities and charges	20	(563,035)	(460,470)	(563,035)	(460,470)
<b>NET ASSETS</b>		<b>33,624,603</b>	32,824,706	<b>33,623,653</b>	32,824,706
<b>Deferred capital grants</b>	21	<b>6,312,676</b>	6,219,972	<b>6,312,676</b>	6,219,972
<b>Specific endowments</b>	22	<b>20,102</b>	17,888	<b>20,102</b>	17,888
Revaluation reserve	23	15,192,542	15,280,142	15,192,542	15,280,142
General reserve	24	12,099,283	11,306,704	12,098,333	11,306,704
<b>Total reserves</b>		<b>27,291,825</b>	26,586,846	<b>27,290,875</b>	26,586,846
<b>TOTAL</b>		<b>33,624,603</b>	32,824,706	<b>33,623,653</b>	32,824,706

The financial statements on pages 16 to 52 were approved by the Board of Governors on and were signed on its behalf by:

Governor (Chair)

Governor

## University College Chichester

### Consolidated cash flow statement for the year ended 31 July 2005

	Notes	Year Ended 31 July 2005 £	Period Ended 31 July 2004 £
<b>Cash inflow from operating activities</b>	<b>25</b>	<b>1,601,401</b>	2,679,114
Returns on investments and servicing of finance	26	15,923	(54,813)
Capital expenditure and financial investment	27	(1,737,989)	(1,225,369)
Management of liquid resources	28	(400,000)	(500,000)
Financing	29	(146,449)	(135,403)
<b>(Decrease)/Increase in cash in the period</b>		<b>(667,114)</b>	763,529

### Reconciliation of net cash flow to movement in net funds

	Notes	Year Ended 31 July 2005 £	Period Ended 31 July 2004 £
(Decrease)/Increase in cash in the period	30	(667,114)	763,529
Cash outflow from liquid resources	28	400,000	500,000
Change in net debt resulting from cash flows	29	146,449	135,403
Interest accrued on Central Board of Finance loan	30	(7,100)	(6,800)
Movement in net funds in the period		<u>(127,765)</u>	<u>1,392,132</u>
Net funds at 1 August		<u>2,000,808</u>	<u>608,676</u>
<b>Net funds at 31 July</b>	<b>30</b>	<b>1,873,043</b>	2,000,808

# University College Chichester

## Notes to the accounts for the year ended 31 July 2005

### 1 Principal Accounting Policies

#### Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2003 and in accordance with applicable Accounting Standards.

#### Basis of accounting

The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of certain fixed assets.

#### Basis of consolidation

The consolidated financial statements include the University College and its subsidiary, Chichester Enterprises Limited. Chichester Enterprises Limited is a subsidiary of the University College on the grounds of common control. The results of the subsidiaries acquired or disposed of during the period are included in the consolidated income and expenditure account from the date of acquisition or up to the date of disposal. Intra-group sales and profits are eliminated fully on consolidation. In accordance with Financial Reporting Standard (FRS) 2, the activities of the Students' Union, students' bar and clubs and societies have not been consolidated because the University College does not control those activities. All financial statements are made up to 31 July.

#### Recognition of income

Income from tuition fees is recognised in the period for which it is received and includes all the fees chargeable to students or their sponsors. The costs of any fees waived by the University College are included as expenditure in Note 8.

Income from grants, contracts and other services rendered is included to the extent of the completion of the contract or service rendered.

All income from short-term deposits and endowments is credited to the income and expenditure account in the period in which it is earned. Income from specific endowments not expended in accordance with the restrictions of the endowment is transferred from the income and expenditure account to specific endowments.

Income receivable from HEFCE and the Teacher Training Agency (TTA) is recognised in line with the latest estimates of grant receivable for an academic year. The final grant allocation is determined in the subsequent February, following an audit of the University College's activity.

# University College Chichester

## Notes to the accounts for the year ended 31 July 2005 (continued)

### 1 Principal Accounting Policies (continued)

#### Pension schemes

Retirement benefits to employees of the University College are provided by the Teachers Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS) - West Sussex County Council Pension Fund. These are defined benefit schemes, which are externally funded and contracted out of the State Earnings-Related Pension Scheme (SERPS). Contributions to the schemes are charged to the income and expenditure account, so as to spread the cost of pensions over employees' working lives with the University College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll.

The contributions are determined by qualified actuaries on the basis of triennial valuations using the projected unit method for the LGPS and quinquennial valuations using a prospective benefit method for the TPS.

The company has taken advantage of the transitional arrangements under Financial Reporting Standard (FRS) 17 "Retirement benefits", and has made the relevant disclosures in the notes to these financial statements.

#### Tangible fixed assets

##### (a) Land and buildings

###### (i) Bognor Regis College

As a consequence of the Education Reform Act 1988, the freehold interest in the land and buildings occupied by the University College, previously held by the West Sussex County Council, was transferred to the University College charitable trust with effect from 1 April 1989. These were not valued prior to transfer.

On 31 July 1995 a valuation of the open market value for existing use was made by Grimley, a firm of international property advisers, using the depreciated replacement cost basis. In accordance with the requirements of the SORP, this valuation, in the sum of £7,700,000, adjusted for subsequent disposals, has been used in the financial statements.

###### (ii) Bishop Otter College

The land and buildings are leased at a peppercorn rent from the Bishop Otter Trustees in whom the assets and any liability in respect of Department for Education and Skills grant are vested. The lease was granted in 1976 for a period of 999 years. Prior to 31 July 1995 no assessment had been made of the benefit to the University College of the leased land and buildings.

On 31 July 1995 a valuation of the open market value for existing use was made by Grimley, a firm of international property advisers, using the depreciated replacement cost basis. In accordance with the requirements of the SORP, this valuation, in the sum of £13,400,000 adjusted for subsequent disposals, has been used in the financial statements.

# University College Chichester

## Notes to the accounts for the year ended 31 July 2005 (continued)

### 1 Principal Accounting Policies (continued)

#### Tangible Fixed Assets (continued)

##### *(iii) General*

Buildings constructed since 31 July 1995 are included in the balance sheet at cost.

Freehold land, and the land held under the lease with the Bishop Otter Trustees, is not depreciated. All buildings are depreciated over their expected useful economic life to the University College, which is up to 50 years. Major equipment components included within new buildings are depreciated over their expected useful economic life, which is up to 20 years. The University College has a policy of depreciating major adaptations to buildings over the period of their useful economic life, which is up to 20 years.

Buildings under construction are accounted for at cost, based on the value of architects' certificates and other direct costs incurred to 31 July. Buildings and adaptations in the course of construction are not depreciated until they are commissioned.

Where land and buildings are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grants are credited to a deferred capital grant account, and are released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

Finance costs which are directly attributable to the acquisition of land and the construction of buildings are not capitalised as part of the cost of those assets.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable.

On adoption of Financial Reporting Standard (FRS) 15, the University College followed the transitional provision to retain the book value of land and buildings, which were revalued in July 1995, but not to adopt a policy of revaluations of these properties in the future. These values are retained subject to the requirement to test assets for impairment in accordance with FRS 11.

# University College Chichester

## Notes to the accounts for the year ended 31 July 2005 (continued)

### 1 Principal Accounting Policies (continued)

#### Tangible Fixed Assets (continued)

##### (b) *Furniture and equipment*

Furniture and equipment costing less than £1,000 per individual item or group of related items is written off to the income and expenditure account in the year of acquisition. All other furniture and equipment acquired since 1 April 1989 has been included at cost, together with any incidental costs of acquisition, less accumulated depreciation.

All assets are depreciated evenly over their useful economic life as follows:

Telephone system	7 years;
Furniture, computers and general equipment	4 years.

Where furniture and equipment are acquired with the aid of specific grants, it is capitalised and depreciated in accordance with the above policy, with the related grant being credited to a deferred capital grant account, and released to the income and expenditure account over the expected useful economic life of the related furniture or equipment.

##### (c) *Leased assets*

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Leasing agreements, which transfer to the University College substantially all the benefits and risks of ownership of an asset, are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital elements of the leasing commitments are shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements.

The capital element is applied in order to reduce outstanding obligations and the interest element is charged to the income and expenditure account in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease term or the useful economic lives of equivalent owned assets.

#### **Investments**

Investments held as fixed assets or endowment assets are stated at market value for listed investments or lower of cost or net realisable value for unlisted investments. Current asset investments, which may include listed investments, are stated at the lower of their cost and net realisable value.

#### **Stocks**

Stocks are stated at the lower of their cost and net realisable value. Where necessary, provision is made for obsolete, slow-moving and defective stocks.

# University College Chichester

## Notes to the accounts for the year ended 31 July 2005 (continued)

### 1 Principal Accounting Policies (continued)

#### Maintenance of premises

The cost of long-term and routine corrective maintenance is charged to the income and expenditure account in the period that it is incurred.

#### Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the end of the financial year, with all resulting exchange differences being taken to the income and expenditure account in the period in which they arise. Transactions denominated in foreign currencies are translated into sterling at the monthly average rate of exchange.

#### Taxation

The University College is an exempt charity within the meaning of Schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of section 506(1) of the Income and Corporation Taxes Act 1988 (ICTA 1988). Accordingly, the University College is potentially exempt from taxation in respect of income or capital gains received within the categories covered by section 505 of ICTA 1988 or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

The University College receives no similar exemption in respect of Value Added Tax.

Chichester Enterprises Limited is subject to UK corporation tax. The directors intend that any taxable profits in excess of the corporation tax nil rate band in the company should be paid to University College Chichester, the parent entity, by means of a Gift Aid payment. Accordingly no provision for corporation tax payable is required.

#### Liquid resources

Liquid resources comprise short-term deposits with recognised banks and building societies.

#### Provisions

Provisions are recognised when the University College has a present legal or constructive obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

# University College Chichester

## Notes to the accounts for the year ended 31 July 2005 (continued)

### 2 Funding Council Grants

	Year Ended 31 July 2005 £	Period Ended 31 July 2004 £
<b>Higher Education Funding Council for England</b>		
Recurrent grant	8,525,059	7,190,294
Research grant	270,804	281,700
Non formula funding	213,495	747,539
Release of deferred capital grants		
Buildings (note 21)	140,644	108,646
Equipment (note 21)	91,391	83,869
	-----	-----
	<b>9,241,393</b>	<b>8,412,048</b>
	-----	-----
<b>Teacher Training Agency</b>		
Recurrent grant	4,861,697	4,664,951
Release of deferred capital grants (note 21)	29,250	26,050
	-----	-----
	<b>4,890,947</b>	<b>4,691,001</b>
	-----	-----
<b>Total</b>	<b>14,132,340</b>	<b>13,103,049</b>

### 3 Tuition fees and education contracts

	Year Ended 31 July 2005 £	Period Ended 31 July 2004 £
Full-time students fees	3,165,351	3,036,697
Full-time students charged overseas fees	590,375	443,104
Part-time students fees	540,772	534,048
Short course fees	329,822	270,669
	-----	-----
<b>Total</b>	<b>4,626,320</b>	<b>4,284,518</b>

# University College Chichester

## Notes to the accounts for the year ended 31 July 2005 (continued)

### 4 Research grants and contracts

	Year Ended 31 July 2005 £	Period Ended 31 July 2004 £
Grants	259,144	255,058

### 5 Other income

	Year Ended 31 July 2005 £	Period Ended 31 July 2004 £
Residences, Catering and Conferences	2,268,296	2,177,691
Other income	1,253,736	980,578
Release of deferred capital grants (note 21)	26,352	22,983
<b>Total</b>	<b>3,548,384</b>	<b>3,181,252</b>

### 6 Endowment and investment income

	Year Ended 31 July 2005 £	Period Ended 31 July 2004 £
Income from specific endowments (note 22)	840	536
Interest receivable on deposits	209,480	151,333
Other interest receivable	781	1,775
<b>Total</b>	<b>211,101</b>	<b>153,644</b>

# University College Chichester

## Notes to the accounts for the year ended 31 July 2005 (continued)

### 7 Staff costs

	Year Ended 31 July 2005	Period Ended 31 July 2004
<b>The average number of persons employed by the University College during the period, expressed as full-time equivalents was:</b>		
	<b>Number</b>	<b>Number</b>
Teaching	192.0	178.1
Teaching support	19.0	18.6
Other support services	75.4	63.6
Administration and central services	97.7	90.0
Premises	22.0	21.0
<b>Total</b>	<b>406.1</b>	<b>371.3</b>

### Staff costs for the above persons:

	£	£
Salaries and wages	10,787,188	9,938,039
Social security costs	840,130	769,418
Other pension costs (note 31)	1,233,447	1,125,848
<b>Total</b>	<b>12,860,765</b>	<b>11,833,305</b>

The 2004 figures were calculated on the 12 month period from the date on which activities were transferred to the company.

### Staff costs include:

#### Aggregate emoluments of all Directors:

	£	£
Salaries	209,314	203,613
Benefits in kind	-	-
Pension contributions	28,394	28,525
<b>Total</b>	<b>237,708</b>	<b>232,138</b>

Retirement benefits are accruing to 3 (2004: 3) directors under the Teachers Pension Scheme and 1 director (2004: 1) under the Local Government Pension Scheme.

#### Emoluments of the Chairman of Governors:

No salary or benefits in kind were paid to the Chairman of Governors.

# University College Chichester

## Notes to the accounts for the year ended 31 July 2005 (continued)

	Year Ended 31 July 2005 £	Period Ended 31 July 2004 £
<b>Emoluments of the Principal:</b>		
Salary	104,346	100,332
Benefits in kind	-	-
	----- 104,346	----- 100,332
Pension contributions	14,087	13,545
<b>Total</b>	<b>118,433</b>	<b>113,877</b>

The University College's contributions to the Teachers' Pension Scheme are paid at the same rates as for other academic staff.

### Remuneration of other higher paid staff:

One other member of staff received remuneration in the range of £70,000 - £80,000 (2004 – one).

### Remuneration of Directors, excluding pension contributions:

Other than the Principal no Director received remuneration in excess of £70,000.

### Remuneration of other higher paid staff, excluding pension contributions:

Other than the Principal and Deputy Principal no member of staff received remuneration in excess of £70,000.

# University College Chichester

## Notes to the accounts for the year ended 31 July 2005 (continued)

### 8 Other operating expenses

	Year Ended 31 July 2005 £	Period Ended 31 July 2004 £
Payments to schools, visiting lecturers and pensioners	589,517	622,888
Long-term maintenance and adaptations	451,384	326,620
Repairs and general maintenance	83,899	102,294
Heat, light, water, power and cleaning	847,002	748,706
Non-domestic Rates and Council Tax	64,424	56,485
Travel and subsistence	824,247	877,513
Minor equipment and maintenance	1,341,664	1,251,991
External auditors' remuneration	30,500	22,800
Internal auditors' remuneration	20,100	17,665
Auditors remuneration in respect of non-audit services	16,500	9,212
Establishment expenses	342,625	332,682
Grant to Students' Union	165,000	140,000
Contract residence, catering and conference expenses	878,195	856,891
Other expenses	1,351,820	1,206,599
Equipment operating lease rentals	49,625	43,743
Unrecoverable VAT	439,101	444,164
<b>Total</b>	<b>7,495,603</b>	<b>7,060,253</b>

### 9 Interest payable

	Year Ended 31 July 2005 £	Period Ended 31 July 2004 £
On bank loans and other loans:		
Repayable wholly or partly in more than five years	195,178	208,457
Central Board of Finance (note 18)	7,100	6,800
<b>Total</b>	<b>202,278</b>	<b>215,257</b>

# University College Chichester

## Notes to the accounts for the year ended 31 July 2005 (continued)

### 10 Taxation

	Year Ended 31 July 2005 £	Period Ended 31 July 2004 £
UK Corporation Tax liability, payable on the profits of and by the subsidiary	-	-
Profit of subsidiary on ordinary activities before taxation	950	-
Profit of subsidiary on ordinary activities multiplied by the standard rate of corporation tax in the UK of 0% (nil) band	-	-

### 11 Surplus on Continuing Operations for the Year

The surplus on continuing operations for the year is made up as follows:

	Year Ended 31 July 2005 £	Period Ended 31 July 2004 £
University College's surplus for the year	704,289	705,140
Surplus generated by subsidiary undertaking for the year	950	-
<b>Total</b>	<b>705,239</b>	<b>705,140</b>

# University College Chichester

## Notes to the accounts for the year ended 31 July 2005 (continued)

### 12 Analysis of 2004-05 expenditure by activity

	Staff Costs £	Dep'n £	Other Operating Expenses £	Interest Payable £	Total £
Academic departments	8,257,767	154,599	1,910,471	-	10,322,837
Academic services	2,457,628	227,629	1,406,104	-	4,091,361
Research grants and contracts	130,982	11,150	43,700	-	185,832
Residences, catering and conferences	249,403	316,692	1,389,781	195,178	2,151,054
Premises	427,728	701,349	1,167,985	-	2,297,062
Administration	1,047,137	67,266	1,269,165	7,100	2,390,668
Other income generating activities	290,120	34,719	308,397	-	633,236
<b>Total per Income and Expenditure account</b>	<b>12,860,765</b>	<b>1,513,404</b>	<b>7,495,603</b>	<b>202,278</b>	<b>22,072,050</b>
Totals: 2003-04	11,833,305	1,163,566	7,060,253	215,257	20,272,381

The depreciation charge has been funded by:

	£
Deferred capital grants released (note 21)	287,637
Revaluation reserve transfer (note 23)	87,600
General income	1,138,167
<b>Total</b>	<b>1,513,404</b>

# University College Chichester

## Notes to the accounts for the year ended 31 July 2005 (continued)

### 13 Tangible fixed assets

Group	Buildings in course of construction £	Land and buildings £	Adaptations £	Furniture and equipment £	Total £
<b>Cost or valuation</b>					
At 1 August 2004	1,337,358	28,928,729	3,519,077	1,701,666	35,486,830
Additions	526,204	171,289	600,833	821,958	2,120,284
Transfers	(1,337,358)	1,337,358	-	-	-
Balance at 31 July 2005	526,204	30,437,376	4,119,910	2,523,624	37,607,114
<b>Depreciation</b>					
At 1 August 2004	-	402,101	234,058	527,407	1,163,566
Charge for year	-	572,870	285,473	655,061	1,513,404
Balance at 31 July 2005	-	974,971	519,531	1,182,468	2,676,970
<b>Net book value at 31 July 2005</b>	<b>526,204</b>	<b>29,462,405</b>	<b>3,600,379</b>	<b>1,341,156</b>	<b>34,930,144</b>
Net book value at 31 July 2004	1,337,358	28,526,628	3,285,019	1,174,259	34,323,264
<b>Analysis between cost and valuation:</b>					
<b>2005</b>					
Cost	526,204	13,329,056	4,119,910	2,523,624	20,498,794
Valuation	-	17,108,320	-	-	17,108,320
<b>Total</b>	<b>526,204</b>	<b>30,437,376</b>	<b>4,119,910</b>	<b>2,523,624</b>	<b>37,607,114</b>
<b>2004</b>					
Cost	1,337,358	11,820,409	3,519,077	1,701,666	18,378,510
Valuation	-	17,108,320	-	-	17,108,320
<b>Total</b>	<b>1,337,358</b>	<b>28,928,729</b>	<b>3,519,077</b>	<b>1,701,666</b>	<b>35,486,830</b>

# University College Chichester

## Notes to the accounts for the year ended 31 July 2005 (continued)

### 13 Tangible fixed assets (continued)

UCC	Buildings in course of construction £	Land and buildings £	Adaptations £	Furniture and equipment £	Total £
<b>Cost or valuation</b>					
At 1 August 2004	1,337,358	28,928,729	3,519,077	1,701,666	35,486,830
Additions	526,204	171,289	600,833	789,209	2,087,535
Transfers	(1,337,358)	1,337,358	-	-	-
	-----	-----	-----	-----	-----
Balance at 31 July 2005	526,204	30,437,376	4,119,910	2,490,875	37,574,365
	-----	-----	-----	-----	-----
<b>Depreciation</b>					
At 1 August 2004	-	402,101	234,058	527,407	1,163,566
Charge for year	-	572,870	285,473	652,707	1,511,050
	-----	-----	-----	-----	-----
Balance at 31 July 2005	-	974,971	519,531	1,180,114	2,674,616
	-----	-----	-----	-----	-----
<b>Net book value at 31 July 2005</b>					
	<b>526,204</b>	<b>29,462,405</b>	<b>3,600,379</b>	<b>1,310,761</b>	<b>34,899,749</b>
<b>Net book value at 31 July 2004</b>					
	1,337,358	28,526,628	3,285,019	1,174,259	34,323,264
<b>Analysis between cost and valuation:</b>					
<b>2005</b>					
Cost	526,204	13,329,056	4,119,910	2,490,875	20,466,045
Valuation	-	17,108,320	-	-	17,108,320
<b>Total</b>	<b>526,204</b>	<b>30,437,376</b>	<b>4,119,910</b>	<b>2,490,875</b>	<b>37,574,365</b>
<b>2004</b>					
Cost	1,337,358	11,820,409	3,519,077	1,701,666	18,378,510
Valuation	-	17,108,320	-	-	17,108,320
<b>Total</b>	<b>1,337,358</b>	<b>28,928,729</b>	<b>3,519,077</b>	<b>1,701,666</b>	<b>35,486,830</b>

# University College Chichester

## Notes to the accounts for the year ended 31 July 2005 (continued)

### 13 Tangible fixed assets (continued)

The valuation of land, included within land and buildings, is £12,105,105 (2004: £12,105,105).

Land and buildings have been valued at open market value for existing use adopting the Depreciated Replacement Cost basis of valuation. These valuations were made at 31 July 1995 by Grimley, a firm of international property advisers. The transitional rules set out in FRS 15 Tangible Fixed Assets were applied on implementing FRS 15. Accordingly, the asset values at implementation have been retained.

Land and buildings with a net book value of £6,070,202 (2004 - £5,920,515) have been financed by exchequer funds. Should these assets be sold, the University College may be required, under the terms of the Financial Memorandum with HEFCE, to surrender a proportion of the proceeds.

During the year the Company and Group impaired fixed assets as follows.

	<b>Land and Buildings Year Ended 31 July 2005 £</b>	<b>Adaptations Year Ended 31 July 2005 £</b>	<b>Total Year Ended 31 July 2005 £</b>	<b>Total Period Ended 31 July 2004 £</b>
Cost	383,266	17,625	400,891	-
Depreciation	(239,153)	-	(239,153)	-
	-----	-----	-----	-----
Net book value of assets	144,113	17,625	161,738	-
	-----	-----	-----	-----
<b>Impairment of assets</b>	<b>(144,113)</b>	<b>(17,625)</b>	<b>(161,738)</b>	<b>-</b>

The buildings and adaptations detailed above were demolished during the year to make way for the new student residences. Once the decision was made to demolish the assets they were deemed to have no value. The impairment expense is included within the depreciation charge for the year.

# University College Chichester

## Notes to the accounts for the year ended 31 July 2005 (continued)

### 14 Investments

	Group	Group	UCC	UCC
	31 July 2005	31 July 2004	31 July 2005	31 July 2004
	£	£	£	£
Investments in subsidiary	-	-	2	2
Other investments	25,000	25,000	25,000	25,000
<b>Total</b>	<b>25,000</b>	<b>25,000</b>	<b>25,002</b>	<b>25,002</b>

During the period ended 31 July 2004 University College Chichester acquired 100% of the issued ordinary £1 shares of Chichester Enterprises Limited, a company incorporated in England and Wales. The principal business activity of Chichester Enterprises Limited is the provision of conference and catering services.

University College Chichester owns 50 (5.5%) of the issued ordinary £1 shares of LeNSE Limited, at a cost of £25,000. There is no significant difference between the net book value and the market value.

### 15 Endowment asset investments

	Group	Group	UCC	UCC
	31 July 2005	31 July 2004	31 July 2005	31 July 2004
	£	£	£	£
<b>Endowments</b>	<b>20,102</b>	<b>17,888</b>	<b>20,102</b>	<b>17,888</b>

# University College Chichester

## Notes to the accounts for the year ended 31 July 2005 (continued)

### 16 Debtors

	<b>Group</b>	Group	<b>UCC</b>	UCC
	<b>31 July 2005</b>	31 July 2004	<b>31 July 2005</b>	31 July 2004
	£	£	£	£
Fee debtors	<b>759,454</b>	328,677	<b>673,631</b>	328,677
Amount due from subsidiary	-	-	<b>125,741</b>	-
Other debtors	<b>44,441</b>	114,381	<b>44,441</b>	114,381
Prepayments and accrued income	<b>363,149</b>	399,923	<b>361,531</b>	399,923
<b>Total</b>	<b>1,167,044</b>	842,981	<b>1,205,344</b>	842,981

### 17 Creditors: Amounts falling due within one year

	<b>Group</b>	Group	<b>UCC</b>	UCC
	<b>31 July 2005</b>	31 July 2004	<b>31 July 2005</b>	31 July 2004
	£	£	£	£
Bank loans (note 19)	<b>158,396</b>	146,449	<b>158,396</b>	146,449
Expense creditors	<b>689,228</b>	1,142,864	<b>677,715</b>	1,142,864
Taxation, Social Security and Pensions	<b>458,946</b>	420,094	<b>458,946</b>	420,094
Other creditors	<b>1,769,325</b>	1,696,409	<b>1,739,397</b>	1,696,411
Accruals	<b>665,677</b>	490,114	<b>652,347</b>	490,114
Tuition fees received in advance	<b>183,599</b>	186,444	<b>183,599</b>	186,444
<b>Total</b>	<b>3,925,171</b>	4,082,374	<b>3,870,400</b>	4,082,376

# University College Chichester

## Notes to the accounts for the year ended 31 July 2005 (continued)

### 18 Creditors: Amounts falling due after more than one year

	Group	Group	UCC	UCC
	31 July 2005	31 July 2004	31 July 2005	31 July 2004
	£	£	£	£
Bank loans (note 19)	2,237,774	2,396,170	2,237,774	2,396,170
Central Board of Finance (note 19)	148,990	141,890	148,990	141,890
Teacher Training Agency Grant	67,280	24,038	67,280	24,038
<b>Total</b>	<b>2,454,044</b>	<b>2,562,098</b>	<b>2,454,044</b>	<b>2,562,098</b>

The Central Board of Finance of the Church of England granted the University College Chichester charitable trust an unsecured loan for an initial term of twenty-five years from 15 March 1983. On 1 August 2003 the company took over the loan from the charitable trust including the liability for its repayment. The agreement with the Central Board of Finance provides that no interest will be payable during the period of the loan, but on repayment of the loan there shall be due to the Board a sum equal to the amount of the loan compounded by 5% per annum. Interest has been provided in the accounts on this basis. The amount of capital advanced included above is £50,000 (2004: £50,000).

### 19 Borrowings

	Group	Group	UCC	UCC
	31 July 2005	31 July 2004	31 July 2005	31 July 2004
	£	£	£	£
Bank loans are repayable as follows:				
In one year or less	158,396	146,449	158,396	146,449
Between one and two years	171,320	158,396	171,320	158,396
Between two and five years	751,463	698,920	751,463	698,920
In five years or more	1,463,981	1,680,744	1,463,981	1,680,744
<b>Total</b>	<b>2,545,160</b>	<b>2,684,509</b>	<b>2,545,160</b>	<b>2,684,509</b>

A Bank loan at a fixed rate of interest of 7.92% per annum repayable by instalments falling due between 1 August 2005 and 31 July 2016 totalling £2,396,170 (2004: £2,542,619), is secured on a portion of the freehold land and buildings of the University College. The above figures include the Central Board of Finance of the Church of England loan (see note 18).

# University College Chichester

## Notes to the accounts for the year ended 31 July 2005 (continued)

### 20 Provisions for liabilities and charges

Group and UCC	Group & UCC 31 July 2005 £	Group & UCC 31 July 2004 £
<b>Pensions</b>		
Balance brought forward	460,470	-
Transfer in	-	448,710
Expenditure in the year	(27,188)	(26,382)
Transferred from income and expenditure account	39,141	38,142
<b>Total pension provision</b>	<b>472,423</b>	460,470
<b>Fixed asset cost provision</b>		
Balance brought forward	-	-
Provision	90,612	-
<b>Total fixed asset cost provision</b>	<b>90,612</b>	-
<b>Balance at 31 July 2005</b>	<b>563,035</b>	460,470

The total pension cost for the year ended 31 July 2005 was £1,272,588 (2004: £1,163,990) (note 31), this included an amount of £39,141 (2004: £38,142) being notional interest in respect of enhanced pension entitlements for staff who have taken early retirement under the reorganisation programme.

The fixed asset cost provision represents amounts withheld from building contractors relating to the construction of the Sports Activity and Research Centre. The amounts were withheld due to problems with the roof of the building. The amounts will be paid when the problems are rectified.

# University College Chichester

## Notes to the accounts for the year ended 31 July 2005 (continued)

### 21 Deferred capital grants

Group and UCC	TTA £	HEFCE £	Other Grants £	Total £
<b>At 1 August 2004</b>				
Buildings	-	5,569,717	350,798	5,920,515
Equipment	78,200	197,940	23,317	299,457
<b>Total</b>	<b>78,200</b>	<b>5,767,657</b>	<b>374,115</b>	<b>6,219,972</b>
<b>Cash received</b>				
Buildings	-	277,116	-	277,116
Equipment	30,000	7,104	66,121	103,225
<b>Total</b>	<b>30,000</b>	<b>284,220</b>	<b>66,121</b>	<b>380,341</b>
<b>Released to income and expenditure account</b>				
Buildings (Note 2 and 5)	-	140,644	9,042	149,686
Equipment (Note 2 and 5)	29,250	91,391	17,310	137,951
<b>Total (Note 12)</b>	<b>29,250</b>	<b>232,035</b>	<b>26,352</b>	<b>287,637</b>
<b>At 31 July 2005</b>				
Buildings	-	5,706,189	341,756	6,047,945
Equipment	78,950	113,653	72,128	264,731
<b>Total</b>	<b>78,950</b>	<b>5,819,842</b>	<b>413,884</b>	<b>6,312,676</b>

# University College Chichester

## Notes to the accounts for the year ended 31 July 2005 (continued)

### 22 Endowments

#### Group and UCC

	31 July 2005 £	31 July 2004 £
<b>Lord Wolfenden Fund – Prize Fund</b>		
Balance brought forward	630	-
Transfer in	-	661
Interest received	30	19
Transfer to income and expenditure account	(100)	(50)
	-----	-----
<b>Balance at year end</b>	<b>560</b>	<b>630</b>
	-----	-----
<b>Fred Chambers Memorial Fund – Prize Fund</b>		
Balance brought forward	2,412	-
Transfer in	-	2,390
Interest received	101	72
Transfer to income and expenditure account	(50)	(50)
	-----	-----
<b>Balance at year end</b>	<b>2,463</b>	<b>2,412</b>
	-----	-----
<b>John Wyatt Lecture Fund – Other Fund</b>		
Balance brought forward	7,708	-
Transfer in	-	8,466
Interest received	317	231
Transfer to income and expenditure account	-	(989)
	-----	-----
<b>Balance at year end</b>	<b>8,025</b>	<b>7,708</b>
	-----	-----
<b>George Harper History Fund – Other Fund</b>		
Balance brought forward	5,565	-
Transfer in	-	5,637
Interest received	238	167
Transfer to income and expenditure account	(230)	(239)
	-----	-----
<b>Balance at year end</b>	<b>5,573</b>	<b>5,565</b>
	-----	-----
<b>Alan Hayes Fund – Prize Fund</b>		
Balance brought forward	1,573	-
Transfer in	-	1,726
Interest received	74	47
Transfer to income and expenditure account	(200)	(200)
	-----	-----
<b>Balance at year end</b>	<b>1,447</b>	<b>1,573</b>
	-----	-----
<b>Sub total</b>	<b>18,068</b>	<b>17,888</b>

# University College Chichester

## Notes to the accounts for the year ended 31 July 2005 (continued)

### 22 Endowments (continued)

	31 July 2005 £	31 July 2004 £
<b>Sub total</b>	<b>18,068</b>	17,888
<b>Rebecca Skelton Fund</b>		
Additions	1,954	-
Interest received	80	-
Transfer to income and expenditure account	-	-
	-----	-----
<b>Balance at year end</b>	<b>2,034</b>	-
	-----	-----
<b>Total Endowments balance</b>	<b>20,102</b>	17,888

The 'transfers in' in 2004 represented the balances in the endowment funds held by the University College charitable trust that were transferred to the company on 1 August 2003.

### 23 Revaluation Reserve

	31 July 2005 £	31 July 2004 £
Balance brought forward	15,280,142	-
Transfers in	-	15,367,742
Transfer to general reserve of amount equivalent to depreciation charged for the year	(87,600)	(87,600)
<b>Balance carried forward</b>	<b>15,192,542</b>	15,280,142

### 24 Movement on general reserves – Income and expenditure account

	Group 31 July 2005 £	Group 31 July 2004 £	UCC 31 July 2005 £	UCC 31 July 2004 £
Balance brought forward	11,306,704	-	11,306,704	-
Transfers in	-	10,512,973	-	10,512,973
Surplus for the year retained within general reserves	704,979	706,131	704,029	706,131
Transfer from Revaluation Reserve	87,600	87,600	87,600	87,600
<b>Balance carried forward</b>	<b>12,099,283</b>	11,306,704	<b>12,098,333</b>	11,306,704

# University College Chichester

## Notes to the accounts for the year ended 31 July 2005 (continued)

### 25 Reconciliation of Consolidated Operating Surplus to Net Cash Inflow from Operating Activities

	Year Ended 31 July 2005 £	Period Ended 31 July 2004 £
Surplus on continuing operations after depreciation of fixed assets at valuation	705,239	705,140
Depreciation (note 1 and 13)	1,513,404	1,163,566
Deferred capital grants released to income (note 2, 5 and 21)	(287,637)	(241,548)
Interest payable (note 9)	202,278	215,257
Decrease/(increase) in stock	26,624	(16,762)
(Increase)/decrease in debtors	(324,063)	161,514
(Decrease)/increase in creditors	(125,908)	833,831
Increase in provisions	102,565	11,760
Interest receivable (note 6)	(211,101)	(153,644)
<b>Net cash inflow from operating activities</b>	<b>1,601,401</b>	<b>2,679,114</b>

### 26 Returns on Investments and Servicing of Finance

	Year Ended 31 July 2005 £	Period Ended 31 July 2004 £
Income from endowment investments (note 22)	840	536
Income from short term investments	209,480	151,333
Other interest received	781	1,775
Interest paid	(195,178)	(208,457)
<b>Net cash inflow/(outflow) from returns on Investments and Servicing of Finance</b>	<b>15,923</b>	<b>(54,813)</b>

### 27 Capital Expenditure and Financial Investment

	Year Ended 31 July 2005 £	Period Ended 31 July 2004 £
Purchase of tangible fixed assets (note 13)	(2,120,284)	(2,868,204)
Deferred capital grants received (note 21)	380,341	1,642,835
Additions to endowments	1,954	-
<b>Net cash (outflow) from capital expenditure and financial investment</b>	<b>(1,737,989)</b>	<b>(1,225,369)</b>

# University College Chichester

## Notes to the accounts for the year ended 31 July 2005 (continued)

### 28 Management of liquid resources

	Year Ended 31 July 2005 £	Period Ended 31 July 2004 £
(Placing of) deposits	(400,000)	(500,000)
<b>Net cash (outflow) from management of liquid resources</b>	<b>(400,000)</b>	<b>(500,000)</b>

### 29 Financing

	Year Ended 31 July 2005 £	Period Ended 31 July 2004 £
Repayments of amounts borrowed	(146,449)	(135,403)
<b>Net cash (outflow) from financing</b>	<b>(146,449)</b>	<b>(135,403)</b>

### 30 Analysis of changes in net funds

	At 1 August 2004 £	Cash flows £	Other movements £	At 31 July 2005 £
Cash at bank and in hand				
Endowment assets (note 15)	17,888	2,214	-	20,102
Other	967,429	(669,328)	-	298,101
	-----	-----	-----	-----
	985,317	(667,114)	-	318,203
Debt due within one year	(146,449)	(11,947)	-	(158,396)
Debt due after more than one year	(2,538,060)	158,396	(7,100)	(2,386,764)
Current asset investments	3,700,000	400,000	-	4,100,000
<b>Total</b>	<b>2,000,808</b>	<b>(120,665)</b>	<b>(7,100)</b>	<b>1,873,043</b>

# University College Chichester

## Notes to the accounts for the year ended 31 July 2005 (continued)

### 31 Pension costs

The University College's employees belong to two principal pension schemes, the Teachers' Pensions Scheme (TPS) and the Local Government Pension Scheme (LGPS). The total pension cost for the year ended 31 July 2005 was £1,272,588 (2004: £1,163,990), this included an amount of £39,141 (2004: £38,142) being notional interest in respect of enhanced pension entitlements for staff who have taken early retirement under the reorganisation programme. The calculation of the cost of early retirement provisions charged to the Income and Expenditure account in the year of retirement is based on the total capital cost of providing enhanced pensions with allowance for future investment returns at 3.5% in excess of price inflation.

#### Teachers' Pension Scheme

The Teachers' Pension Scheme is an unfunded defined benefit scheme. Contributions on a "pay-as-you-go" basis are credited to the Exchequer under arrangements governed by the Superannuation Act 1972. A notional asset value is ascribed to the Scheme for the purposes of determining contribution rates.

Statement of Standard Accounting Practice (SSAP) 24 - Accounting for pension costs

The pensions cost is assessed every five years in accordance with the advice of the government actuary. The assumptions and other data that have the most significant effect on the determination of the contribution levels are as follows:

Latest actuarial valuation	31 March 2001
Actuarial method	Prospective Benefits
Investment returns per annum	7.0% per annum
Salary scale increases per annum	5.0% per annum
Notional value of assets at date of last valuation	£142,880 million
Proportion of members' accrued benefits covered by the notional value of the assets	100%

Following the implementation of the Teachers' Pensions (Employers' Supplementary Contributions) Regulations 2000 the government actuary carried out a further review on the level of employers' contributions. For the period from 1 April 2003 the employer contribution was 13.5%. An appropriate SSAP 24 provision in respect of unfunded pensioners' liabilities is included in provisions.

Financial Reporting Standard (FRS) 17 - Retirement benefits

Under the definitions set out in Financial Reporting Standard 17 "Retirement benefits", the TPS is a multi-employer pension scheme. The University College is unable to identify its share of the underlying assets and liabilities of the Scheme. Accordingly, the University College has accounted for its contributions as if it were a defined contribution scheme.

# University College Chichester

## Notes to the accounts for the year ended 31 July 2005 (continued)

### 31 Pension costs (continued)

#### Local Government Pension Scheme

The West Sussex County Council Pension Fund (WSCCPF) is a funded defined benefit scheme, with the assets held in separate trustee administered funds. The total contribution made for the year ended 31 July 2005 was £603,864 (2004: £545,558) of which employer's contributions totalled £422,364 (2004 -£374,821) and employees' contributions totalled £181,501 (2004: £170,737). The employer's contribution rate of the University College for the period from 1 April 2002 to 31 March 2005 was 13.5% for administrative staff, and 11.25% for manual staff employed on or before 31 March 1998. For manual staff joining the University College on, or after, 1 April 1998, who had not had previous continuous service in the Scheme, the employer's contribution rate was the same as for the administrative staff. From 1 April 2005 the employer's contribution rate increased to 15.2% for administrative and manual staff. The employee's contribution rate for administrative staff is 6% and for manual staff employed on or before 31 March 1998 is 5%. For manual staff joining the University College on, or after, 1 April 1998, who had not had previous continuous service in the Scheme, the employee's contribution rate is the same as for the administrative staff.

#### Statement of Standard Accounting Practice (SSAP) 24 - Accounting for pension costs

The pensions cost is assessed every three years in accordance with the advice of a qualified independent actuary. The assumptions and other data that have the most significant effect on the determination of the contribution levels are as follows:

Latest actuarial valuation	31 March 2004
Actuarial method	Projected Unit
Investment returns per annum	6.3% per annum
Pension increases per annum	2.9% per annum
Salary scale increases per annum	4.4% per annum
Market value of assets at date of last valuation	£967 million
Proportion of members' accrued benefits covered by the actuarial value of the assets	59%

#### Financial Reporting Standard (FRS) 17 - Retirement benefits

The following information is based upon a full actuarial valuation of the Fund at 31 March 2004 updated to 31 July 2005 by a qualified independent actuary.

The major assumptions used by the actuary were:

	2005	2004	2003
	%	%	%
Inflation rate	2.8	2.9	2.6
Rate of increase in salaries	4.3	4.4	4.1
Rate of increase for pensions	2.8	2.9	2.6
Discount rate for liabilities	5.0	5.8	5.5

# University College Chichester

## Notes to the accounts for the year ended 31 July 2005 (continued)

### 31 Pension costs (continued)

#### Local Government Pension Scheme (continued)

The assets in the Fund (of which the University College's share is estimated at 0.85% (2004 – 0.75%) and the expected rates of return were:

	Long term rate of return expected at 31 July 2005 %	Value at 31 July 2005 £'000	Long term rate of return expected at 31 July 2004 %	Value at 31 July 2004 £'000	Long term rate of return expected at 31 July 2003 %	Value at 31 July 2003 £'000
Equities	7.3	917,000	7.9	730,000	8.0	670,700
Bonds	4.7	153,100	5.4	139,000	5.0	119,800
Property	5.4	3,200	6.7	73,000	6.0	62,800
Cash	4.5	82,100	4.5	29,000	3.5	40,800
<b>Total market value of assets</b>		<b>1,155,400</b>		<b>971,000</b>		<b>894,100</b>

The following amounts, at 31 July 2005, were measured in accordance with the requirements of FRS 17:

	31 July 2005 £'000	31 July 2004 £'000
University College Chichester – Estimated asset share	9,856	7,242
University College Chichester – Present value of Fund liabilities	(12,674)	(9,964)
University College Chichester – Present Value of Unfunded liabilities	(66)	(59)
<b>University College Chichester – Net pension deficit</b>	<b>(2,884)</b>	<b>(2,781)</b>

Under the transitional arrangements of FRS 17, no provision has been made by the University College for the institution's share of the deficit of the Scheme. If provision were made, the following entries would be made:

#### Balance sheet presentation

	31 July 2005 £'000	31 July 2004 £'000
Net assets excluding FRS 17 pension liability	33,625	32,825
Net pension liability	(2,884)	(2,781)
<b>Net assets including FRS 17 pension liability</b>	<b>30,741</b>	<b>30,044</b>

# University College Chichester

## Notes to the accounts for the year ended 31 July 2005 (continued)

### 31 Pension costs (continued)

#### Local Government Pension Scheme (continued)

##### Reserves note

	31 July 2005 £'000	31 July 2004 £'000
Income and expenditure account excluding FRS 17 pension liability	12,099	11,307
Pension reserve	(2,884)	(2,781)
<b>Income and expenditure account including FRS 17 pension liability</b>	<b>9,215</b>	<b>8,526</b>

Under the transitional arrangements of FRS 17, the University College's pension charge for the period calculated under FRS 17 assumptions is not included in the financial statements (as this is currently calculated on a SSAP 24 basis). If the charge had been included on an FRS 17 basis, the following entries would be made:

#### Analysis of amounts charged to the income and expenditure account

	Year Ended 31 July 2005 £'000	Period Ended 31 July 2004 £'000
Current service cost	(492)	(432)
Curtailements and settlements	-	-
<b>Total operating charge</b>	<b>(492)</b>	<b>(432)</b>

#### Analyses of net return on pension scheme

Expected return on pension fund assets	543	476
Interest on expected pension fund liabilities	(592)	(515)
<b>Net return</b>	<b>(49)</b>	<b>(39)</b>

# University College Chichester

## Notes to the accounts for the year ended 31 July 2005 (continued)

### 31 Pension costs (continued)

#### Local Government Pension Scheme (continued)

#### Amount recognised in the statement of total recognised gains and losses (STRGL)

	Year Ended 31 July 2005 £'000	Period Ended 31 July 2004 £'000
Actual return less expected return on pension fund assets	1,278	116
Experience gains/(losses) arising on the fund liabilities	210	(3)
Change in financial and demographic assumptions underlying the fund liabilities	(1,474)	(12)
<b>Actual gain recognised in the Statement of Total Recognised Gains and Losses</b>	<b>14</b>	<b>101</b>

#### Movement in deficit during the period

	Year Ended 31 July 2005 £'000	Period Ended 31 July 2004 £'000
Deficit in fund at 1 August	(2,781)	(2,793)
Movement in the period:		
Current service cost	(492)	(432)
Employer contributions	420	378
Contribution in respect of unfunded benefits	4	4
Impact of settlements and curtailments	-	-
Net return on assets	(49)	(39)
Actuarial gain	14	101
<b>Deficit in fund at 31 July</b>	<b>(2,884)</b>	<b>(2,781)</b>

#### History of experience gains and losses

	31 July 2005 £'000	31 July 2004 £'000
Difference between the expected and actual return on assets	1,278	116
<b>Percentage of fund assets</b>	<b>13.0%</b>	<b>1.6%</b>
Experience gains/(losses) on liabilities	210	(3)
<b>Percentage of the present value of fund liabilities</b>	<b>1.6%</b>	<b>(0.0)%</b>
Actuarial losses recognised in the Statement of Total Recognised Gains and Losses	14	101
<b>Percentage of the present value of fund liabilities</b>	<b>0.1%</b>	<b>1.0%</b>

# University College Chichester

## Notes to the accounts for the year ended 31 July 2005 (continued)

### 32 Post Balance Sheet Events

On 20 September 2005 the Allied Irish Bank (GB) Limited sanctioned a loan of £8.9 million to University College Chichester. An element of the loan is intended to fund the completion of the construction of a 124 room student residence at the Bishop Otter Campus. The construction commenced during the year and is due to be completed in the summer of 2006. The loan is also intended to fund the planned acquisition of the land at the Graylingwell site. The land acquisition is unlikely to be completed until February 2006 at the earliest. The remainder of the loan is an evergreen revolving credit facility which may be employed to repay a portion of the existing loan (see note 19).

The loan repayment periods are 25 years, for the construction and land acquisition loans, and five years for the credit facility to be reviewed at the end of two years.

On 30 August 2005 the two £1 ordinary shares representing 100% of the issued share capital of Chichester Enterprises Limited were transferred to the University College.

### 33 Capital commitments

At 31 July 2005, the University College had authorised and contracted for building works totalling £4,365,329 (2004: £152,997). The large increase relates to the construction of the new student residence on the Bishop Otter Campus.

### 34 Lease obligations

At 31 July the University College had annual operating lease commitments in respect of buildings and equipment for the 2004-05 financial year, on leases expiring:

	<b>2005</b> <b>Buildings</b> £	<b>2005</b> <b>Equipment</b> £	2004 Buildings £	2004 Equipment £
Within one year	-	<b>10,045</b>	-	3,038
Between one and five years	<b>86,950</b>	<b>34,541</b>	86,950	25,915
<b>Total</b>	<b>86,950</b>	<b>44,586</b>	86,950	28,953

# University College Chichester

## Notes to the accounts for the year ended 31 July 2005 (continued)

### **35 Related party disclosures**

Due to the nature of the University College's operations and the composition of the Board of Governors (being drawn from local public and private sector organisations), it is inevitable that transactions will take place with organisations in which a member of the Board of Governors may have an interest. All transactions involving organisations in which a member of the Board of Governors may have an interest are conducted at arm's length and in accordance with the University College's financial regulations and normal procurement procedures.

All Governors of the University College are directors of the Company. No director had any interest in any contract during the year ended 31 July 2005 other than a contract of employment.

### **36 Members**

The University College is a company limited by guarantee and therefore does not have share capital. The liability of members is limited to £1 each.

# University College Chichester

## Notes to the accounts for the year ended 31 July 2005 (continued)

### 37 Access funds

	Year Ended 31 July 2005 £	Period Ended 31 July 2004 £
<b>Balance at 1 August</b>	<b>24,582</b>	46,087
Funding Council grants	<b>268,194</b>	287,750
Interest earned	<b>4,808</b>	4,286
	-----	-----
	<b>297,584</b>	338,123
Disbursed to students	<b>(224,954)</b>	(279,571)
Fee waivers	<b>(5,350)</b>	(33,970)
<b>Balance unspent at 31 July</b>	<b>67,280</b>	24,582

Funding Council grants are available solely for students: the University College acts only as a paying agent. The grants and related disbursements are therefore excluded from the Income and Expenditure Account.

### 38 Secondary subject shortage scheme

	Year Ended 31 July 2005 £	Period Ended 31 July 2004 £
<b>Balance at 1 August</b>	<b>61,011</b>	59
Teacher Training Agency grants received	<b>78,258</b>	103,535
Teacher Training Agency grants refunded	<b>(59,966)</b>	(14)
	-----	-----
	<b>79,303</b>	103,580
Disbursed to students	<b>(15,512)</b>	(38,639)
Administrative costs	<b>(3,727)</b>	(3,930)
<b>Balance unspent at 31 July</b>	<b>60,064</b>	61,011

Teacher Training Agency grants are available solely for students: the University College acts only as a paying agent. The grants and related disbursements are therefore excluded from the Income and Expenditure Account.

# University College Chichester

## Notes to the accounts for the year ended 31 July 2005 (continued)

### 39 TTA Training Bursaries

	Year Ended 31 July 2005 £	Period Ended 31 July 2004 £
<b>Balance at 1 August</b>	<b>181,476</b>	120,895
Teacher Training Agency grants received	<b>1,612,620</b>	1,522,540
Teacher Training Agency grants refunded	<b>(181,476)</b>	(122,281)
	<b>1,612,620</b>	1,521,154
Disbursed to students	<b>(1,292,716)</b>	(1,311,838)
Administrative costs	<b>(31,620)</b>	(27,840)
<b>Balance unspent at 31 July</b>	<b>288,284</b>	181,476

Teacher Training Agency grants are available solely for students: the University College acts only as a paying agent. The grants and related disbursements are therefore excluded from the Income and Expenditure Account.