

University of Chichester
(formerly University College Chichester)

**Annual report
for the year ended 31 July 2006**

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University of Chichester

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Directors, Governors and Advisers

Directors and Governors

Mr R D C Bunker (Chair 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
 Mr R C G Fortin
 Mr R J F Hoare OBE
 Mrs K S Velasco
 Dr A White OBE
 Professor P E D Robinson
 Ms G S Butler
 Dr S E Morgan
 Ms K Jones (Appointed 1 August 2005) (Resigned 31 July 2006)
 Mr S D Brice (Appointed 1 August 2006)
 Professor R R Baker OBE
 Mr C Brownlee
 Mrs M M Eva
 Mrs C R Evans (Appointed 4 April 2006)
 Mrs R C Hammond
 Mr D Longmore
 Dr C M Minter
 Mr W S Yardley

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**Clerk to the Governors
and Secretary**

Mrs I J Cherrett

Principal Address

University of Chichester
Bishop Otter Campus
College Lane
Chichester
West Sussex
PO19 6PE

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

BDO Stoy Hayward LLP
Emerald House
East Street
Epsom
Surrey
KT17 1NS

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Governors' report for the year ended 31 July 2006

The principal objectives of the University are concerned with the provision of higher education and associated facilities for the social welfare of the University's students. The mission of the University is to be an institution that is dedicated to the pursuit of knowledge in which individuals exceed their expectations, strive to achieve academic excellence in teaching and scholarship and are committed to lifelong learning and an enhanced contribution to society.

The University of Chichester (formerly University College Chichester) was incorporated on 22 April 2003 as a private company limited by guarantee (Company Number 4740553). The name University of Chichester was formally registered with Companies House on 6 January 2006. 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. The Company has been granted exempt charity status by the Privy Council.

The roots of the University lie in the merger in 1977 of the Bishop Otter College (founded 1840) with the Bognor Regis College (founded 1946), both of which were established to provide teacher education.

Scope of the Financial Statements

The Financial Statements comprise the consolidated results for the University and its subsidiary undertaking, Chichester Enterprises Limited. 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.

Financial review

The Financial Statements and supporting notes for this financial period comply with the Statement of Recommended Practice: Accounting for Further and Higher Education Institutions, Companies Act 1985 and other applicable accounting standards and HEFCE Accounts Directives.

In line with other organisations, the University implemented FRS 17: Accounting for Pensions for the first time in 2006/7. Figures for 2005/6 have been restated to show the impact that the FRS 17 adjustments would have had if the standard had been applied in this financial year. Note 33 to the accounts details the impact of the prior year adjustment resulting from the introduction of this new reporting standard.

The satisfactory financial performance of the University continued in 2005/6, with a surplus after depreciation of assets at valuation, disposal of assets and tax for the year amounting to £1,060,322, which represents 4.2% of total income. Investment has continued in capital assets, with the net book value of tangible assets increasing by £7,504,296 over the year. Cash and short term investments declined by £1,736,658 as reserves were used to temporarily fund the capital expansion programme.

Consolidated Income and Expenditure Account

The University's consolidated results for the years ended 31 July 2006 and 31 July 2005 (restated for the implementation of FRS 17) are summarised in the following table:

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Governors' report for the year ended 31 July 2006 (continued)

	Year to 31 July 2006	<i>Year to 31 July 2005</i>
	£'000	<i>As restated</i> £'000
Total income	24,974	22,777
Total expenditure	23,914	22,189
	-----	-----
Surplus after depreciation of assets at valuation and tax	1,060	588
	=====	=====
Historical cost surplus	1,148	676
	=====	=====

The University's total income increased by 9.6%. Within this figure, income from Funding Council grants, which account for 60% of the total, increased by 6.2% due to inflation and additional student number bids. Tuition fees rose by 9.2% largely for the same reasons. Research income declined by 31% to £180,103, a disappointing fall that is a result of fluctuations in externally funded activity. However, increases in academic consultancies and in income from student accommodation resulting from the purchase of Pinewood and Havenstoke residences combined to increase other income by £964,169, or 27%. Approximately £200,000 of this increase was due to one-off releases to the income and expenditure account following investigations into the levels of deferred income held in the balance sheet, and therefore will not be repeated in future years.

Total expenditure rose by 7.8%, with staff costs rising by 9.1% to £14,102,601. This reflects the impact of pay inflation, a small increase in the number of staff (average numbers employed rose from 406.1 full-time equivalents to 410.4) and the impact of an increase in the Local Government Pension Scheme (LGPS) contribution rate from 13.5% to 15.2% from April 2005. Costs are expected to increase further in 2006/7 and in future years as a consequence of the implementation of the modernised pay arrangements for academic staff and the national pay settlement agreed with the sector trades unions. These have been budgeted for in our future forecasts.

The impact of the implementation of FRS 17 is detailed further in notes 32 and 33; however the net impact on the income and expenditure account has been to reduce the surplus by £91,000 (2005: £117,000).

The company made no political or charitable donations in the year.

Consolidated Balance Sheet

The net book value of tangible assets of the University group increased by £7,504,296 to £42,344,440 as the latest phase of capital expansion continued. This period included the purchase of land and buildings to the north of the Bishop Otter campus from the NHS to provide additional student accommodation, and the construction of new student residences (containing 124 rooms) and a Dance and Performing Arts studio at Bishop Otter, as well as other refurbishments and capital improvements on both campuses. These projects were funded from HEFCE grants, a loan of £3.4m from Allied Irish Bank (GB) plc (AIB) and cash reserves. In September 2006 (and therefore after the end of the financial year), a further £4.0m of the AIB loan was drawn down to replace cash reserves expended on the student residences project. The opportunity was also taken to pay off a previous loan taken out with the Royal Bank of Scotland in 2000 at considerably less favourable interest rates. These changes are material to the accounts, and therefore are declared as a post balance sheet event in note 34.

The implementation of FRS 17 has brought a pension scheme liability of £2,837,000 into the balance sheet. This liability relates to the Local Government Pension Scheme, and is £47,000 lower than the

equivalent figure for 31 July 2005. Whilst any such liability in the accounts is unwelcome, the overall

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reserves of the University remain in a positive position and the situation will continue to be monitored and appropriate advice and action taken as required.

Cash Flow and Treasury Management

In spite of the significant programme of capital investment outlined above, the University's cash resources remain strong and have been strengthened further since 31 July by the latest loan draw down. As of 31 July 2006 cash and short term investments stood at £2,661,443, but this increased by a net £1,600,000 following the loan restructuring in September 2006 (after the balance sheet date). Capital commitments as of 31 July 2006 were £335,838.

The Cash Flow statement records a net decrease in cash at the bank of £134,587, but this includes the use of £1,600,000 of relatively liquid short term investments to maintain the overall cash position.

These investments are managed in line with the University's Treasury Management Policy, which ensures that working capital and investments are assessed in the context of its future revenue and capital plans and the need to ensure that sufficient funds are available to meet commitments on a day to day basis.

The University adopts a prudent approach to the investment of surplus funds and liquidity is managed through short and medium term maturity periods. Funds are managed by the University's Finance Department in line with the approved policy.

Payment of Creditors

The University endeavours to abide by payment terms agreed with suppliers. However, as it is the University's policy to negotiate the most favourable terms for all transactions, there are no uniform terms for payment of creditors.

Capital Projects

The completed projects outlined earlier in this report bring to an end the Estates Strategy for the period 1996 to 2006. The University is currently in the process of developing a new Estates Master Plan and associated capital investment strategy for the period to 2017, which will herald the next stage of the development of both campuses. At the core of the Master Plan will be the needs of our student population in terms of academic, social and residential space. The University will also continue to invest in areas of academic strength, and in other facilities to meet our wider mission of engagement with the local community.

Employees

The University is committed to equality of opportunity in all aspects of its employment policies. Guidelines and procedures operate throughout the University to ensure that good practice prevails in the selection, recruitment and management of staff.

The personnel policies and procedures are aimed at promoting equality of opportunity in all areas of employment, and the University actively seeks to recruit from all sections of the local and wider community, regardless of disability, gender, race, religion and ethnicity. The University has in place policies and procedures to address positively its responsibilities under the Disability Discrimination Act.

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 recognises appropriate trades unions and has established a Consultative Group that meets on a regular

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Governors' report for the year ended 31 July 2006 (continued)

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 the governance of the University, 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 Board of Governors, except where these are considered to be of a confidential nature.

The remuneration systems and conditions of service operating within the University 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. The University is also committed to annual appraisal and the personal development of its staff through a comprehensive staff training and development programme.

Students

The University has a number of mechanisms in place to facilitate communications with students and makes extensive use of email and the internet to disseminate information and receive feedback. The President of the Students Union sits ex-officio on the Board of Governors of the University.

Performance Indicators

The data for comparison purposes relate to the previous University financial year.

Students

The University aims to ensure that its students leave higher education with the skills that they need for their future careers. This is measured by the number of students who are in employment or who have gone on to further study. These data are available from May each year, and therefore the latest figures refer to students who graduated in 2004/5.

2003/4:	91.7%
2004/5:	94.6%

The National Student Survey is an independent assessment of the views of final year students on their academic experience at University. Although still in its infancy, the survey has become generally accepted as one measure of the quality of the student experience. The survey includes many different statistics, but the one we have chosen is 'overall satisfaction'. The scores are out of a maximum of 5.

2005 Survey:	4.0
2006 Survey:	4.1

Staff

The University recognises that its staff are the most important resource in an academic institution, and are key to the quality of the experience that students receive and to the reputation of the University amongst its peers. The performance indicators used by the University to measure this are both the number of academic staff and also the proportion of those academics with higher degrees. The following is based on a survey from November 2005 for the 2004/5 academic year.

	Number (Headcount)	Proportion with higher degrees
2003/4:	178	82%
2004/5:	180	80%

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Estates

The improvement of the estate remains a key corporate objective for the University. The overall quality of the University's buildings is measured by the proportion of Gross Internal Area (GIA) that has a functionality classified as satisfactory or above.

	Non-residential	Residential
2004/5	96%	94%
2005/6	96%	94%

Financial

The gearing ratio gives an indication of the affordability of the level of debt that the University holds, and is used by HEFCE as a measure of the sustainability of the University.

2004/5:	0.2:1
2005/6:	0.4:1

In terms of the University's liquidity (taking a broad definition of liquidity to include short term deposits redeemable at a maximum of a week's notice), the performance measure used is net liquidity days:

2004/5:	78
2005/6:	43

The financial strategy of the University sets a target minimum level of 30 net liquidity days.

Corporate Governance and Risk Management

The University is committed to exhibiting best practice in all aspects of corporate governance. It endeavours to conduct its business in accordance with the principles identified by the Committee on Standards in Public Life and with the Committee of University Chairmen's Guide for Members of Governing Bodies of Universities and Colleges. The statements on pages 9 to 13 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 is exposed. These reviews cover business, operational, compliance, quality and reputation issues in addition to financial risks.

Awareness of Relevant Audit Information

The Governors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the University's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The Governors are not aware of any relevant audit information of which the auditors are unaware.

Appointment of Auditors

BDO Stoy Hayward will be reappointed as the University's external auditors for the financial year to 31 July 2007 at the Company's Annual General Meeting on 12th December 2006.

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Governors' report for the year ended 31 July 2006 (continued)

Future Developments

The higher education sector is continuing to adapt to the new market created by variable tuition fees and the University recognises that this has brought increased risks, and also opportunities, that need to be managed. The awarding of 'University' status has already had a positive impact on the number of applications from students for September 2007 entry, and this is to be welcomed. We are also pleased with the results of the National Student Survey, although we recognise that we must not be complacent and that further investment both in staff time and resources will be required to maintain the high standard that we have set ourselves.

The University regularly reviews and updates its Corporate Plan to take into account changes in the external environment and monitors its performance against the Plan.

The development of the new Estates Master Plan will give us an opportunity to invest in the future strategic direction of the University under the new Vice-Chancellor.

Conclusion

The University continues to enjoy a position of financial and academic strength, and is well placed to engage with the needs of students and the local community over the coming years. The success to date is a reflection of the efforts of all the University's staff and the Board of Governors thanks and congratulates them all.

The University is about to lose two senior members of staff who have both played a significant role in the recent successes of the University. Professor Philip Robinson retires in April 2007, having occupied the position of Director, Principal and now Vice-Chancellor in his eleven years as Chief Executive of the institution. Under Philip's leadership, the institution has gained University status, made significant investment in the estate and improvements in the working conditions for staff and students, whilst maintaining the warm and friendly nature of the University. We are greatly in his debt.

I should also like to place on record my very warm thanks to Stuart Dobbin, who retired as Head of Finance on 30 September 2006 after twenty two years service. He has held his position through a period of considerable growth and change for the institution, managing the many challenges posed by uncertain funding and capital investment growth. He has given great support to both Governors and his executive colleagues. We are grateful to him for the tight control he has exercised in maintaining the University's finances in such good shape.

The Board of Governors wish both Philip and Stuart well in their retirement.

RDC Bunker
Chair of Governors

Corporate Governance of University of Chichester

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The University is a company limited by guarantee and members of the Board of Governors are legally Directors of the Company. The directors of the University's subsidiary company, Chichester Enterprises Limited, are ultimately accountable to the Board of Governors of the University and therefore the following provisions for Corporate Governance apply to both the University and its subsidiary.

The University's 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's Chief Executive, the Vice-Chancellor.

The University 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, 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 Vice-Chancellor is the Chief Executive of the University 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 and the Higher Education Funding Council for England, the Vice-Chancellor 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 and Effectiveness Committee. There is a majority of lay members on the Board, and six Independent Governors are appointed by the Church of England through the Bishop of Chichester. All terms of office, with the exception of that of the Bishop of Chichester, the Vice-Chancellor 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, 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 and Effectiveness, 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'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's academic affairs. The Board of Governors meets with the Academic Board at least once a year.

The Executive Committee is responsible to the Board for the University's annual revenue and capital budgets and for monitoring performance in relation to approved budgets. It also reviews the University'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 staff with the exception of

Corporate Governance of University of Chichester (continued)

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the Vice-Chancellor, Deputy Vice-Chancellor, Pro Vice-Chancellor, Director of Finance, Clerk to the Governors and Chaplain.

The Nominations and Effectiveness 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. The Nominations and Effectiveness 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 Vice-Chancellor, 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'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'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's business and monitors adherence to the regulatory requirements. The Vice-Chancellor, Director of Finance 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 and Effectiveness 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 Vice-Chancellor, staff and student governors and officers present. The Vice-Chancellor provides a written report, in the context of the higher education sector, on the activities of the University 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's Corporate Plan.

The University 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.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the University 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 prepares financial statements for each financial year which will give a true and fair view of the state of affairs of the University and of the surplus or deficit and cash flows for that year.

Corporate Governance of University of Chichester (continued)

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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 and the supervision of its activities.
- (ii) the effective and efficient use of resources, the solvency of the University 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 Vice-Chancellor.
- (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 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 Vice-Chancellor 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 Vice-Chancellor; or
- (xiv) the authorisation of expenditure of any monies or the disposal of any assets of the University 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.

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

- the Corporate Plan
- regulations relating to appointment, promotion, discipline, supervision, dismissal and grievance for all staff
- constitution of the Students' Union and legislation relating to the Students' Union
- the draft Annual Report and Financial Statements with supporting schedules

Corporate Governance of University of Chichester (continued)

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- the annual Budget
- the Financial Regulations of the University
- any proposal for the University to form or join any company, partnership or other form of legal association
- any proposal for the University to borrow money or to mortgage or charge all or any part of its property
- major new initiatives in academic areas
- the use, in broad terms and within the academic policies of the University, to which all buildings of the University are put
- programmes and budgets for:
 - (a) Building maintenance - to include provision for contingency, planned and long term maintenance,
 - (b) Building works
- 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 of 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'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 2005-06 were in place for the whole of this period and up to the date of the financial statements.
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.

Corporate Governance of University of Chichester (continued)

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- (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, and the process is continuing.
 6. The Vice-Chancellor 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's approach to risk management.
 8. The Executive Committee has in the course of the year 2005-2006 monitored closely the budgetary situation across the University as this has high priority on the risk register.
 9. The Board receives periodic reports from the Chair 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'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 of Chichester

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In accordance with the Memorandum and Articles of Association governing the University the Board of Governors is responsible for the administration and management of the affairs of the University and its subsidiary companies, 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 preparing the Governors' Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice for each financial year which, give a true and fair view of the University's financial activities during the year and of its financial position at the end of the year. In preparing those financial statements the Governors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards and statements of recommended practice have been followed, subject to any departures being disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the University will continue in operation;
- 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; and
- ensure that the funds from the Training and Development Agency for Schools 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.

The Governors are responsible for keeping accounting records which disclose with reasonable accuracy the financial position of the University and to ensure that the financial statements comply with the Companies Act 1985. The Governors are also responsible for safeguarding the assets of the University and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The key elements of the University'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

Responsibilities of the Board of Governors of University of Chichester (continued)

(formerly University College Chichester)

- 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 and an opinion on the adequacy and effectiveness of the University'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'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 of Chichester

(formerly University College Chichester)

We have audited the financial statements of the University of Chichester for the year ended 31 July 2006 which comprise the Consolidated Income and Expenditure Account, the Statement of Total Recognised Gains and Losses and Note of Historical Cost Surpluses and Deficits, the Balance Sheets for the Group and the University, the Consolidated Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of the Governors and Auditors

As described in the Statement of Governors' Responsibilities the University's Governors' are responsible for preparing the annual report and financial statements in accordance with applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice on Accounting in Further and Higher Education Institutions.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland) and the Audit Code of Practice issued by the Higher Education Funding Council for England.

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 on Accounting in Further and Higher Education Institutions and whether the information given in the Report of the Governors is consistent with those financial statements. We also report to you if, in our opinion, the Governors have not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding the remuneration of the Governors or other transactions is not disclosed.

We also report to you whether income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the University have been properly applied only for the purposes for which they were received and whether income has been applied in accordance with the Statutes and, where appropriate, with the Financial Memorandum with the Higher Education Funding Council for England.

We read the other information contained in the Report of the Governors and consider whether it is consistent with the audited financial statements. The other information comprises only the Corporate Governance Statement and the Statement of the Responsibilities of the Governors. We consider the implications for our report if we become aware of any misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

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

(formerly University College Chichester)

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and Audit Code of Practice issued by the Higher Education Funding Council for England. 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 University in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the University, 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.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the Group as at 31 July 2006 and of its surplus of income over expenditure for the year then ended;
- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the University as at 31 July 2006;
- the financial statements have been properly prepared in accordance with the Companies Act 1985 and the Statement of Recommended Practice: "Accounting for Further and Higher Education Institutions";
- the information given in the Report of the Governors is consistent with the financial statements;
- income from the Higher Education Funding Council for England, Training and Development Agency for Schools, grants and income for specific purposes and from other restricted funds administered by the University have been applied only for the purposes for which they were received; and
- income has been applied in accordance with the University's statutes and where appropriate with the applicable Financial Memorandums with the Higher Education Funding Council for England.

BDO Stoy Hayward LLP
Chartered Accountants and Registered Auditors
Epsom

2006

University of Chichester
(formerly University College Chichester)

**Consolidated income and expenditure account
for the year ended 31 July 2006**

	Notes	31 July 2006 £	As restated 31 July 2005 £
Income			
Funding Council grants	2	15,001,681	14,132,340
Tuition fees and education contracts	3	5,050,645	4,626,320
Research grants and contracts	4	180,103	259,144
Other income	5	4,512,553	3,548,384
Endowment and investment income	6	228,736	211,101
Total income		24,973,718	22,777,289
Expenditure			
Staff costs	7	14,102,601	12,928,765
Other operating expenses	8	7,990,975	7,495,603
Depreciation	13	1,555,708	1,513,404
Interest payable	9	264,112	251,278
Total expenditure	12	23,913,396	22,189,050
Surplus on continuing operations after depreciation of tangible fixed assets at valuation and before tax		1,060,322	588,239
Taxation	10	-	-
Surplus on continuing operations after depreciation of assets at valuation, disposal of assets and tax	11	1,060,322	588,239
Transfer from accumulated income within specific endowments	23	1,218	(260)
Surplus for the year retained within general reserves		1,061,540	587,979

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

The figures for the period ended 31 July 2005 have been restated to reflect the full implementation of Financial Reporting Standard (FRS) 17 (see note 33).

The notes on pages 22 to 53 form part of these financial statements.

University of Chichester
(formerly University College Chichester)

**Consolidated note of historical cost surpluses and deficits
for the year ended 31 July 2006**

	Notes	31 July 2006 £	As restated 31 July 2005 £
Surplus on continuing operations after depreciation of fixed assets at valuation and disposal of assets but before taxation		1,060,322	588,239
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	24	87,600	87,600
Historical cost surplus for the year before and after taxation		1,147,922	675,839

**Consolidated statement of total recognised gains and losses
for the year ended 31 July 2006**

	Notes	31 July 2006 £	As restated 31 July 2005 £
Surplus on continuing operations after depreciation of assets at valuation, disposal of assets and tax		1,060,322	588,239
New endowments	23	3,288	1,954
Actuarial gain in respect of pension scheme	32	138,000	14,000
Total recognised gains relating to the year		1,201,610	604,193
Prior year adjustment	33	(2,884,000)	-
Total recognised (losses)/gains since last report		(1,682,390)	604,193
Reconciliation			
Opening reserves and endowments as previously stated		24,427,927	26,604,734
Prior year adjustment	33	-	(2,781,000)
Opening reserves and endowments as restated		24,427,927	23,823,734
Total recognised gains for the year		1,201,610	604,193
Closing reserves and endowments		25,629,537	24,427,927

The notes on pages 22 to 53 form part of these financial statements.

University of Chichester
(formerly University College Chichester)
(a company limited by guarantee)

Balance sheets as at 31 July 2006

	Note	Group		University	
		31 July 2006 £	As restated 31 July 2005 £	31 July 2006 £	As restated 31 July 2005 £
Fixed assets					
Tangible assets	13	42,434,440	34,930,144	42,361,681	34,899,749
Investments	14	25,000	25,000	25,002	25,002
Total fixed assets		42,459,440	34,955,144	42,386,683	34,924,751
Endowments	15	22,172	20,102	22,172	20,102
Stock		35,895	26,462	35,895	26,462
Debtors	16	1,177,725	1,167,044	1,203,413	1,205,344
Short-term deposits		2,500,000	4,100,000	2,500,000	4,100,000
Cash at bank and in hand		161,443	298,101	52,858	234,473
Total current assets		3,875,063	5,591,607	3,792,166	5,566,279
Less: Creditors: amounts falling due within one year	18	(4,581,391)	(3,925,171)	(4,485,865)	(3,870,400)
Net current (liabilities)/assets		(706,328)	1,666,436	(693,699)	1,695,879
Debtors: amounts falling due after more than one year	17	-	-	58,677	-
Total assets less current liabilities		41,775,284	36,641,682	41,773,833	36,640,732
Less: Creditors: amounts falling due after more than one year	19	(5,683,408)	(2,454,044)	(5,683,408)	(2,454,044)
Less: Provisions for liabilities and charges	21	(532,913)	(563,035)	(532,913)	(563,035)
Net assets excluding pension liability		35,558,963	33,624,603	35,557,512	33,623,653
Pension liability	32	(2,837,000)	(2,884,000)	(2,837,000)	(2,884,000)
NET ASSETS INCLUDING PENSION LIABILITY		32,721,963	30,740,603	32,720,512	30,739,653
Deferred capital grants	22	7,092,426	6,312,676	7,092,426	6,312,676
Specific endowments	23	22,172	20,102	22,172	20,102
General reserve excluding pension liability	25	13,339,423	12,099,283	13,337,972	12,098,333
Pension reserve	32	(2,837,000)	(2,884,000)	(2,837,000)	(2,884,000)
General reserve including pension liability	25	10,502,423	9,215,283	10,500,972	9,214,333
Revaluation reserve	24	15,104,942	15,192,542	15,104,942	15,192,542
Total reserves		25,607,365	24,407,825	25,605,914	24,406,875
TOTAL		32,721,963	30,740,603	32,720,512	30,739,653

The financial statements on pages 18 to 53 were approved by the Board of Governors on 12 December 2006 and were signed on its behalf by

Governor (Chair)

Governor

University of Chichester
(formerly University College Chichester)

**Consolidated cash flow statement
for the year ended 31 July 2006**

	Notes	31 July 2006 £	As restated 31 July 2005 £
Cash inflow from operating activities	26	3,026,095	1,601,401
(Losses)/returns on investments and servicing of finance	27	(27,926)	15,923
Capital expenditure and financial investment	28	(7,974,360)	(1,737,989)
Management of liquid resources	29	1,600,000	(400,000)
Financing	30	3,241,603	(146,449)
(Decrease) in cash in the year		(134,588)	(667,114)

Reconciliation of net cash flow to movement in net funds

	Notes	31 July 2006 £	31 July 2005 £
(Decrease) in cash in the year	31	(134,588)	(667,114)
Cash (inflow)/outflow from liquid resources	29	(1,600,000)	400,000
Change in net debt resulting from cash flows	30	(3,241,603)	146,449
Interest accrued on Central Board of Finance loan	31	(7,450)	(7,100)
Movement in net funds in the period		(4,983,641)	(127,765)
Net funds at 1 August		1,873,043	2,000,808
Net (debt)/funds at 31 July	31	(3,110,598)	1,873,043

The notes on pages 22 to 53 form part of these financial statements.

University of Chichester

(formerly University College Chichester)

Notes to the accounts for the year ended 31 July 2006

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.

Prior year adjustment

The University has adopted Financial Reporting Standard (FRS) 17 – Retirement Benefits. The full adoption of the Standard represents a change in accounting policy and the comparative figures have been restated where appropriate. Details of the effect of adopting FRS 17 are given in Note 33.

Basis of consolidation

The consolidated financial statements include the University of Chichester and its subsidiary, Chichester Enterprises Limited. Chichester Enterprises Limited is a wholly owned subsidiary of the University of Chichester. 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 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 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 Training and Development Agency for Schools (TDA) 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's activity.

University of Chichester

(formerly University College Chichester)

Notes to the accounts for the year ended 31 July 2006 (continued)

1 Principal Accounting Policies (continued)

Pension schemes

Retirement benefits to employees of the University 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 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 assets of the LGPS are measured using closing market values. LGPS liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The increase in the present value of the liabilities of the scheme expected to arise from employee service in the period is charged to the operating surplus. The expected return on the scheme's assets and the increase during the period of the present value of the scheme's liabilities arising from the passage of time are included in pension finance costs.

The difference between the fair value of the University's share of the assets held in the LGPS defined benefit pension scheme and the scheme's liabilities measured on an actuarial basis using the projected unit method are recognised in the University's balance sheet as a pension scheme asset or liability as appropriate. The carrying value of any resulting pension scheme asset is restricted to the extent that the University is able to recover the surplus through reduced contributions in the future or through refunds from the scheme. The pension scheme balance is recognised net of any related deferred tax balance.

Changes in the defined benefit pension scheme asset or liability arising from factors other than the cash contribution by the University are charged to the Income and Expenditure Account or the Statement of Total Recognised Gains and Losses in accordance with FRS 17.

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, previously held by the West Sussex County Council, was transferred to the University 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.

University of Chichester

Formerly University College Chichester)

Notes to the accounts for the year ended 31 July 2006 (continued)

1 Principal Accounting Policies (continued)

Tangible Fixed Assets (continued)

(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 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.

(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, 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 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 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 of Chichester

(formerly University College Chichester)

Notes to the accounts for the year ended 31 July 2006 (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 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 of Chichester

(formerly University College Chichester)

Notes to the accounts for the year ended 31 July 2006 (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 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 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 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 the University, 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 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 of Chichester
(formerly University College Chichester)

**Notes to the accounts
for the year ended 31 July 2006 (continued)**

2 Funding Council Grants

	31 July 2006 £	31 July 2005 £
Higher Education Funding Council for England		
Recurrent grant	9,448,184	8,525,059
Research grant	283,651	270,804
Non formula funding	184,688	213,495
Release of deferred capital grants		
Buildings (note 22)	140,644	140,644
Equipment (note 22)	92,202	91,391
	10,149,369	9,241,393
Training and Development Agency for Schools		
Recurrent grant	4,814,910	4,861,697
Release of deferred capital grants (note 22)	37,402	29,250
	4,852,312	4,890,947
Total	15,001,681	14,132,340

3 Tuition fees and education contracts

	31 July 2006 £	31 July 2005 £
Full-time students fees	3,486,056	3,165,351
Full-time students charged overseas fees	681,772	590,375
Part-time students fees	581,533	540,772
Short course fees	301,284	329,822
Total	5,050,645	4,626,320

University of Chichester
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**Notes to the accounts
for the year ended 31 July 2006 (continued)**

4 Research grants and contracts

	31 July 2006 £	31 July 2005 £
Grants	180,103	259,144

5 Other income

	31 July 2006 £	31 July 2005 £
Residences, Catering and Conferences	2,490,932	2,268,296
Other income	1,989,263	1,253,736
Release of deferred capital grants (note 22)	32,358	26,352
Total	4,512,553	3,548,384

6 Endowment and investment income

	31 July 2006 £	31 July 2005 £
Income from specific endowments (note 23)	770	840
Interest receivable on deposits	202,741	209,480
Pension finance income (note 32)	25,000	-
Other interest receivable	225	781
Total	228,736	211,101

University of Chichester
(formerly University College Chichester)

**Notes to the accounts
for the year ended 31 July 2006 (continued)**

7 Staff costs

	31 July 2006	As restated 31 July 2005
The average number of persons employed by the University during the period, expressed as full-time equivalents was:		
	Number	Number
Teaching	194.0	192.0
Teaching support	19.2	19.0
Other support services	81.2	75.4
Administration and central services	94.0	97.7
Premises	22.0	22.0
Total	410.4	406.1

Staff costs for the above persons:

	£	£
Salaries and wages	11,696,797	10,787,188
Social security costs	918,198	840,130
Other pension costs including FRS 17 adjustments (note 32)	1,487,606	1,301,447
Total	14,102,601	12,928,765

Staff costs include:

Aggregate emoluments of all Directors:

	£	£
Salaries	231,239	209,314
Benefits in kind	-	-
Pension contributions	31,667	28,394
Total	262,906	237,708

Retirement benefits are accruing to 3 (2005: 3) directors under the Teachers Pension Scheme and 1 director (2005: 1) under the Local Government Pension Scheme.

Emoluments of the Chair of Governors:

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

University of Chichester
(formerly University College Chichester)

**Notes to the accounts
for the year ended 31 July 2006 (continued)**

	31 July 2006 £	31 July 2005 £
Emoluments of the Vice-Chancellor:		
Salary	116,000	104,346
Benefits in kind	-	-
	116,000	104,346
Pension contributions	15,660	14,087
Total	131,660	118,433

The University'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 (2005: 1).

Remuneration of Directors, excluding pension contributions:

Other than the Vice-Chancellor no Director received remuneration in excess of £70,000.

Remuneration of other higher paid staff, excluding pension contributions:

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

University of Chichester
(formerly University College Chichester)

**Notes to the accounts
for the year ended 31 July 2006 (continued)**

8 Other operating expenses

	31 July 2006 £	31 July 2005 £
Payments to schools, visiting lecturers and pensioners	642,860	589,517
Long-term maintenance and adaptations	383,419	451,384
Repairs and general maintenance	138,118	83,899
Heat, light, water, power and cleaning	886,697	847,002
Non-domestic Rates and Council Tax	81,874	64,424
Travel and subsistence	749,251	824,247
Minor equipment and maintenance	1,355,287	1,341,664
External auditors' remuneration (including expenses)	32,780	30,500
Internal auditors' remuneration (including expenses)	16,000	20,100
Auditors remuneration in respect of non-audit services	1,500	16,500
Establishment expenses	515,040	342,625
Grant to Students' Union	165,000	165,000
Contract residence, catering and conference expenses	845,090	878,195
Other expenses	1,624,908	1,351,820
Equipment operating lease rentals	49,871	49,625
Unrecoverable VAT	503,280	439,101
Total	7,990,975	7,495,603

9 Interest payable

	31 July 2006 £	As restated 31 July 2005 £
On bank loans and other loans:		
Repayable wholly or partly in more than five years	256,662	195,178
Central Board of Finance (note 19)	7,450	7,100
Pension finance costs (note 32)	-	49,000
Total	264,112	251,278

University of Chichester
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**Notes to the accounts
for the year ended 31 July 2006 (continued)**

10 Taxation

	31 July 2006 £	31 July 2005 £
UK Corporation Tax liability, payable on the profits of and by the subsidiary	-	-
Profit of subsidiary on ordinary activities before taxation	501	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:

	31 July 2006 £	As restated 31 July 2005 £
University of Chichester's surplus for the year	1,059,821	587,289
Surplus generated by subsidiary undertaking for the year	501	950
Total	1,060,322	588,239

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**Notes to the accounts
for the year ended 31 July 2006 (continued)**

12 Analysis of 2005-06 expenditure by activity

	Staff Costs £	Dep'n £	Other Operating Expenses £	Interest Payable £	Total £
Academic departments	8,854,899	184,042	1,883,621	-	10,922,562
Academic services	2,739,702	308,836	1,489,565	-	4,538,103
Research grants and contracts	189,905	-	39,271	-	229,176
Residences, catering and conferences	290,223	375,325	1,485,523	256,662	2,407,733
Premises	440,132	644,131	1,420,567	-	2,504,830
Administration	1,273,497	43,374	1,156,002	7,450	2,480,323
Other income generating activities	314,243	-	516,426	-	830,669
Total per Income and Expenditure account	14,102,601	1,555,708	7,990,975	264,112	23,913,396
Totals: 2004-05 (as restated)	12,928,765	1,513,404	7,495,603	251,278	22,189,050
The depreciation charge has been funded by:					£
Deferred capital grants released (note 22)					302,606
Revaluation reserve transfer (note 24)					87,600
General income					1,165,502
Total					1,555,708

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**Notes to the accounts
for the year ended 31 July 2006 (continued)**

13 Tangible fixed assets

Group	Buildings in course of construction £	Land and buildings £	Adaptations £	Furniture and equipment £	Total £
Cost or valuation					
At 1 August 2005	526,204	30,437,376	4,119,910	2,523,624	37,607,114
Additions	536,416	7,559,310	289,267	675,011	9,060,004
Transfers	(29,387)	29,387	-	-	-
Balance at 31 July 2006	1,033,233	38,026,073	4,409,177	3,198,635	46,667,118
Depreciation					
At 1 August 2005	-	974,971	519,531	1,182,468	2,676,970
Charge for year	-	549,205	282,311	724,192	1,555,708
Balance at 31 July 2006	-	1,524,176	801,842	1,906,660	4,232,678
Net book value at 31 July 2006	1,033,233	36,501,897	3,607,335	1,291,975	42,434,440
Net book value at 31 July 2005	526,204	29,462,405	3,600,379	1,341,156	34,930,144
Financed by:					
Capital grant	986,000	5,892,155	-	214,271	7,092,426
Other	47,233	30,609,742	3,607,335	1,077,704	35,342,014
Net book value at 31 July 2006	1,033,233	36,501,897	3,607,335	1,291,975	42,434,440
Analysis between cost and valuation:					
2006					
Cost	1,033,233	20,917,753	4,409,177	3,198,635	29,558,798
Valuation	-	17,108,320	-	-	17,108,320
Total	1,033,233	38,026,073	4,409,177	3,198,635	46,667,118
2005					
Cost	526,204	13,329,056	4,119,910	2,523,624	20,498,794
Valuation	-	17,108,320	-	-	17,108,320
Total	526,204	30,437,376	4,119,910	2,523,624	37,607,114

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**Notes to the accounts
for the year ended 31 July 2006 (continued)**

13 Tangible fixed assets (continued)

University	Buildings in course of construction £	Land and buildings £	Adaptations £	Furniture and equipment £	Total £
Cost or valuation					
At 1 August 2005	526,204	30,437,376	4,119,910	2,490,875	37,574,365
Additions	536,416	7,559,310	289,267	609,841	8,994,834
Transfers	(29,387)	29,387	-	-	-
Balance at 31 July 2006	1,033,233	38,026,073	4,409,177	3,100,716	46,569,199
Depreciation					
At 1 August 2005	-	974,971	519,531	1,180,114	2,674,616
Charge for year	-	549,205	282,311	701,386	1,532,902
Balance at 31 July 2006	-	1,524,176	801,842	1,881,500	4,207,518
Net book value at 31 July 2006	1,033,233	36,501,897	3,607,335	1,219,216	42,361,681
Net book value at 31 July 2005	526,204	29,462,405	3,600,379	1,310,761	34,899,749
Financed by:					
Capital grant	986,000	5,892,155	-	214,271	7,092,426
Other	47,233	30,609,742	3,607,335	1,004,945	35,269,255
Net book value at 31 July 2006	1,033,233	36,501,897	3,607,335	1,219,216	42,361,681
Analysis between cost and valuation:					
2006					
Cost	1,033,233	20,917,753	4,409,177	3,100,716	29,460,879
Valuation	-	17,108,320	-	-	17,108,320
Total	1,033,233	38,026,073	4,409,177	3,100,716	46,569,199
2005					
Cost	526,204	13,329,056	4,119,910	2,490,875	20,466,045
Valuation	-	17,108,320	-	-	17,108,320
Total	526,204	30,437,376	4,119,910	2,490,875	37,574,365

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**Notes to the accounts
for the year ended 31 July 2006 (continued)**

13 Tangible fixed assets (continued)

The valuation of land, included within land and buildings, is £13,642,105 (2005: £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 £7,132,822 (2005: £6,070,202) have been financed by exchequer funds. Should these assets be sold, the University 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.

	Land and Buildings 31 July 2006 £	Adaptations 31 July 2006 £	Total 31 July 2006 £	Total 31 July 2005 £
Cost	-	-	-	400,891
Depreciation	-	-	-	(239,153)
Net book value of assets	-	-	-	161,738
Impairment of assets	-	-	-	(161,738)

The buildings and adaptations detailed above were demolished during the year ended 31 July 2005 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.

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**Notes to the accounts
for the year ended 31 July 2006 (continued)**

14 Investments

	Group 31 July 2006 £	Group 31 July 2005 £	University 31 July 2006 £	University 31 July 2005 £
Investments in subsidiary	-	-	2	2
Other investments	25,000	25,000	25,000	25,000
Total	25,000	25,000	25,002	25,002

During the period ended 31 July 2004 the University 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.

The University owns 50 (5.5%) of the issued ordinary £1 shares of LeNSE Limited at a cost of £25,000. The principal business activity of LeNSE Limited is computer networking and internet access for higher education and other public sector institutions. There is no significant difference between the net book value and the market value.

15 Endowment asset investments

	Group 31 July 2006 £	Group 31 July 2005 £	University 31 July 2006 £	University 31 July 2005 £
Endowments	22,172	20,102	22,172	20,102

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**Notes to the accounts
for the year ended 31 July 2006 (continued)**

16 Debtors

	Group 31 July 2006 £	Group 31 July 2005 £	University 31 July 2006 £	University 31 July 2005 £
Fee debtors	809,663	759,454	723,713	673,631
Amount due from subsidiary	-	-	146,687	125,741
Other debtors	38,088	44,441	36,066	44,441
Prepayments and accrued income	329,974	363,149	296,947	361,531
Total	1,177,725	1,167,044	1,203,413	1,205,344

Included within amounts due from subsidiary is £17,430 which is part of an inter-company loan with Chichester Enterprises Limited. The inter-company loan is an unsecured loan bearing interest at the rate of 5.75 per cent per annum. The loan is repayable by quarterly instalments falling due between October 2006 and July 2010.

17 Debtors: Amounts falling due after more than one year

	Group 31 July 2006 £	Group 31 July 2005 £	University 31 July 2006 £	University 31 July 2005 £
Amount due from subsidiary	-	-	58,677	-

See note 16 for details of inter-company loan.

18 Creditors: Amounts falling due within one year

	Group 31 July 2006 £	Group 31 July 2005 £	University 31 July 2006 £	University 31 July 2005 £
Bank loans (note 20)	255,942	158,396	255,942	158,396
Expense creditors	889,971	689,228	856,895	677,715
Taxation, Social Security and Pensions	476,739	458,946	476,739	458,946
Other creditors	2,007,124	1,769,325	1,971,314	1,739,397
Accruals	820,348	665,677	793,708	652,347
Tuition fees received in advance	131,267	183,599	131,267	183,599
Total	4,581,391	3,925,171	4,485,865	3,870,400

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**Notes to the accounts
for the year ended 31 July 2006 (continued)**

19 Creditors: Amounts falling due after more than one year

	Group 31 July 2006 £	Group 31 July 2005 £	University 31 July 2006 £	University 31 July 2005 £
Bank loans (note 20)	5,381,831	2,237,774	5,381,831	2,237,774
Central Board of Finance (note 20)	156,440	148,990	156,440	148,990
Training and Development Agency for Schools grant	145,137	67,280	145,137	67,280
Total	5,683,408	2,454,044	5,683,408	2,454,044

The Central Board of Finance of the Church of England granted the University an unsecured loan for an initial term of twenty-five years from 15 March 1983. 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 cent per annum. Interest has been provided in the accounts on this basis. The amount of capital advanced included above is £50,000 (2005: £50,000).

20 Borrowings

	Group 31 July 2006 £	Group 31 July 2005 £	University 31 July 2006 £	University 31 July 2005 £
Bank loans are repayable as follows:				
In one year or less	255,942	158,396	255,942	158,396
Between one and two years	410,690	171,320	410,690	171,320
Between two and five years	881,108	751,463	881,108	751,463
In five years or more	4,246,473	1,463,981	4,246,473	1,463,981
Total	5,794,213	2,545,160	5,794,213	2,545,160

A bank loan at a fixed rate of interest repayable by instalments falling due between 1 August 2006 and 31 July 2016 totalling £2,237,774 (2005: £2,396,170), is secured on a portion of the freehold land and buildings of the University. The above figures include the Central Board of Finance of the Church of England loan (see note 19).

Also included above is a bank loan at a fixed rate of interest repayable by instalments falling due between 1 August 2006 and 31 July 2031 totalling £3,400,000 (2005: £nil). The loan is secured on a portion of the freehold land and buildings of the University.

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**Notes to the accounts
for the year ended 31 July 2006 (continued)**

21 Provisions for liabilities and charges

Group and University	31 July 2006 £	31 July 2005 £
Pensions		
Balance brought forward	472,423	460,470
Expenditure in the year	(28,503)	(27,188)
Transferred from income and expenditure account	48,221	39,141
Total pension provision	492,141	472,423
Fixed asset cost provision		
Balance brought forward	90,612	-
(Expenditure in the year)/provision	(49,840)	90,612
Total fixed asset cost provision	40,772	90,612
Balance at 31 July 2006	532,913	563,035

The total pension cost for the year ended 31 July 2006 was £1,535,827 (2005: £1,340,588 as restated) (note 32), this included an amount of £48,221 (2005: £39,141) being notional interest in respect of enhanced pension entitlements for staff who have taken early retirement.

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.

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**Notes to the accounts
for the year ended 31 July 2006 (continued)**

22 Deferred capital grants

Group and University	TDA £	HEFCE £	Other grants £	Total £
At 1 August 2005				
Buildings	-	5,706,189	341,756	6,047,945
Equipment	78,950	113,653	72,128	264,731
Total	78,950	5,819,842	413,884	6,312,676
Cash received				
Buildings	-	986,000	-	986,000
Equipment	31,300	65,056	-	96,356
Total	31,300	1,051,056	-	1,082,356
Released to income and expenditure account				
Buildings (Note 2 and 5)	-	140,644	9,043	149,687
Equipment (Note 2 and 5)	37,402	92,202	23,315	152,919
Total (Note 12)	37,402	232,846	32,358	302,606
At 31 July 2006				
Buildings	-	6,551,545	332,713	6,884,258
Equipment	72,848	86,507	48,813	208,168
Total	72,848	6,638,052	381,526	7,092,426

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**Notes to the accounts
for the year ended 31 July 2006 (continued)**

23 Endowments

Group and University

	31 July 2006	31 July 2005
	£	£
Specific funds		
Balance brought forward	20,102	17,888
Additions	3,288	1,954
Appreciation of endowment asset investments	770	840
Expenditure for year	(1,988)	(580)
Balance carried forward	22,172	20,102

Representing:

Prize funds	9,987	10,042
Other funds	12,185	10,060
Total	22,172	20,102

24 Revaluation Reserve

Group and University

	31 July 2006	31 July 2005
	£	£
Balance brought forward	15,192,542	15,280,142
Transfer to general reserve of amount equivalent to depreciation charged for the year	(87,600)	(87,600)
Balance carried forward	15,104,942	15,192,542

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Notes to the accounts
for the year ended 31 July 2006 (continued)

25 Movement on general reserves

	Group 31 July 2006 £	Group 31 July 2005 £	University 31 July 2006 £	University 31 July 2005 £
At 1 August 2005 as previously stated	-	11,306,704	-	11,306,704
Prior year adjustment (note 33)	-	(2,781,000)	-	(2,781,000)
At 1 August 2005 restated	9,215,283	8,525,704	9,214,333	8,525,704
Surplus for the year retained within general reserves	1,061,540	587,979	1,061,039	587,029
Transfer from Revaluation Reserve	87,600	87,600	87,600	87,600
Actuarial gain in respect of pension scheme	138,000	14,000	138,000	14,000
At 31 July 2006	10,502,423	9,215,283	10,500,972	9,214,333
Balance represented by:				
Pension reserve	(2,837,000)	(2,884,000)	(2,837,000)	(2,884,000)
Income and Expenditure Account reserve excluding pension reserve	13,339,423	12,099,283	13,337,972	12,098,333
At 31 July 2006	10,502,423	9,215,283	10,500,972	9,214,333

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**Notes to the accounts
for the year ended 31 July 2006 (continued)**

26 Reconciliation of Consolidated Operating Surplus to Net Cash Inflow from Operating Activities

	31 July 2006 £	As restated 31 July 2005 £
Surplus on continuing operations after depreciation of fixed assets at valuation	1,060,322	588,239
Depreciation (note 1 and 13)	1,555,708	1,513,404
Deferred capital grants released to income (note 2, 5 and 22)	(302,606)	(287,637)
Interest payable (note 9)	264,112	251,278
Pension cost less contributions payable (note 7 and 32)	91,000	68,000
(Increase)/decrease in stock	(9,433)	26,624
(Increase)/decrease in debtors	(10,681)	(324,063)
Increase/(decrease) in creditors	636,531	(125,908)
(Decrease)/increase in provisions	(30,122)	102,565
Interest receivable (note 6)	(228,736)	(211,101)
Net cash inflow from operating activities	3,026,095	1,601,401

27 Returns on Investments and Servicing of Finance

	31 July 2006 £	31 July 2005 £
Income from endowment investments (note 23)	770	840
Income from short term investments	202,741	209,480
Other interest received	25,225	781
Interest paid	(256,662)	(195,178)
Net cash (outflow)/inflow from returns on Investments and Servicing of Finance	(27,926)	15,923

28 Capital Expenditure and Financial Investment

	31 July 2006 £	31 July 2005 £
Purchase of tangible fixed assets (note 13)	(9,060,004)	(2,120,284)
Deferred capital grants received (note 22)	1,082,356	380,341
Additions to endowments	3,288	1,954
Net cash (outflow) from capital expenditure and financial investment	(7,974,360)	(1,737,989)

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**Notes to the accounts
for the year ended 31 July 2006 (continued)**

29 Management of liquid resources

	31 July 2006 £	31 July 2005 £
Withdrawal of/(placing of) deposits	1,600,000	(400,000)
Net cash inflow/(outflow) from management of liquid resources	1,600,000	(400,000)

30 Financing

	31 July 2006 £	31 July 2005 £
Repayments of amounts borrowed	(158,397)	(146,449)
Amounts borrowed	3,400,000	-
Net cash inflow/(outflow) from financing	3,241,603	(146,449)

31 Analysis of changes in net funds

	At 1 August 2005 £	Cash flows £	Other movements £	At 31 July 2006 £
Endowment assets (note 15)	20,102	2,070	-	22,172
Cash at bank and in hand	298,101	(136,658)	-	161,443
	318,203	(134,588)	-	183,615
Debt due within one year	(158,396)	(97,546)	-	(255,942)
Debt due after more than one year	(2,386,764)	(3,144,057)	(7,450)	(5,538,271)
Current asset investments	4,100,000	(1,600,000)	-	2,500,000
Total	1,873,043	(4,976,191)	(7,450)	(3,110,598)

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**Notes to the accounts
for the year ended 31 July 2006 (continued)**

32 Pension costs

The University's employees belong to two principal pension schemes, the Teachers' Pensions Scheme (TPS) and the Local Government Pension Scheme (LGPS). Both are defined benefit schemes. The total pension cost for the year ended 31 July 2006 was £1,535,827 (2005: £1,340,588 as restated), this included an amount of £48,221 (2005: £39,141) being notional interest in respect of enhanced pension entitlements for staff who have taken early retirement. 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.

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 cent per annum
Salary scale increases per annum	5.0 per cent 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 to 31 July 2006 the employer contribution was 13.5 per cent. An appropriate sum in respect of unfunded pensioners' liabilities is included in Provisions.

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Notes to the accounts for the year ended 31 July 2006 (continued)

32 Pension costs (continued)

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 is unable to identify its share of the underlying assets and liabilities of the Scheme.

Accordingly, the University has taken advantage of the exemption in FRS 17 and has accounted for its contributions to the Scheme as if it were a defined-contribution scheme. The University has set out above the information available on the Scheme and the implications for the University in terms of the anticipated contribution rates.

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 2006 was £715,558 (2005: £603,864) of which employer's contributions totalled £511,629 (2005: £422,364) and employees' contributions totalled £203,929 (2005: £181,501).

The employer's contribution rate of the University for the period from 1 April 2002 to 31 March 2005 was 13.5 per cent for administrative staff, and 11.25 per cent for manual staff employed on or before 31 March 1998. For manual staff joining the University 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 per cent for administrative and manual staff. The employee's contribution rate for administrative staff is 6 per cent and for manual staff employed on or before 31 March 1998 is 5 per cent. For manual staff joining the University 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.

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 2006 by a qualified independent actuary.

The major assumptions used by the actuary were:

	2006	2005	2004	2003
	%	%	%	%
Inflation rate	3.1	2.8	2.9	2.6
Rate of increase in salaries	4.6	4.3	4.4	4.1
Rate of increase for pensions	3.1	2.8	2.9	2.6
Discount rate for liabilities	5.1	5.0	5.8	5.5

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Notes to the accounts for the year ended 31 July 2006 (continued)

32 Pension costs (continued)

Local Government Pension Scheme (continued)

The assets in the Fund (of which the University's share is estimated at 0.84% (2005: 0.85%)) and the expected rates of return were:

	Long term rate of return expected at 31 July 2006 %	Value at 31 July 2006 £'000	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
Equities	7.7	1,031,000	7.3	917,000	7.9	730,000
Bonds	4.7	198,800	4.7	153,100	5.4	139,000
Property	5.7	92,800	5.4	3,200	6.7	73,000
Cash	4.8	60,300	4.5	82,100	4.5	29,000
Total market value of assets		1,382,900		1,155,400		971,000

The following amounts, at 31 July 2006, were measured in accordance with the requirements of FRS 17:

	31 July 2006 £'000	31 July 2005 £'000
The University of Chichester – Estimated asset share	11,612	9,856
The University of Chichester – Present value of Fund liabilities	(14,383)	(12,674)
The University of Chichester – Present Value of Unfunded liabilities	(66)	(66)
University of Chichester – Net pension deficit	(2,837)	(2,884)

Analysis of amounts charged to the Income and Expenditure Account

	31 July 2006 £'000	31 July 2005 £'000
Employer service cost (net of employee contribution)	(633)	(492)
Past service cost	-	-
Total operating charge	(633)	(492)

Analysis of pension finance costs

	31 July 2006 £'000	31 July 2005 £'000
Expected return on pension scheme assets	675	543
Interest on pension liabilities	(650)	(592)
Pension finance costs	25	(49)

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**Notes to the accounts
for the year ended 31 July 2006 (continued)**

32 Pension costs (continued)

Local Government Pension Scheme (continued)

**Amount recognised in the Statement of Total Recognised
Gains and Losses (STRGL)**

	31 July 2006 £'000	31 July 2005 £'000
Actual return less expected return on pension fund assets	665	1,278
Experience gains arising on the fund liabilities	1	210
Change in financial and demographic assumptions underlying the fund liabilities	(528)	(1,474)
Actuarial gain recognised in the Statement of Total Recognised Gains and Losses	138	14

Movement in deficit during the period

	31 July 2006 £'000	31 July 2005 £'000
Deficit in fund at 1 August	(2,884)	(2,781)
Movement in the period:		
Current service cost	(633)	(492)
Employer contributions	513	420
Contribution in respect of unfunded benefits	4	4
Impact of settlements and curtailments	-	-
Net return on assets	25	(49)
Actuarial gain	138	14
Deficit in fund at 31 July	(2,837)	(2,884)

History of experience gains and losses

	31 July 2006 £'000	31 July 2005 £'000
Difference between the expected and actual return on assets	665	1,278
Percentage of fund assets	5.7%	13.0%
Experience gains on liabilities	1	210
Percentage of the present value of fund liabilities	0.0%	1.6%
Actuarial losses recognised in the Statement of Total Recognised Gains and Losses	138	14
Percentage of the present value of fund liabilities	1.0%	0.1%

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**Notes to the accounts
for the year ended 31 July 2006 (continued)**

33 Prior year adjustment

The prior year adjustment relates to the full implementation of FRS17 - Retirement Benefits.

The adoption of FRS 17 has resulted in an increase in staff costs of £116,000 (2005: £68,000), an increase in endowment and investment income of £25,000 (2005: increase in interest payable of £49,000), a decrease in the surplus for the year of £91,000 (2005: £117,000) and a decrease in the total recognised gains and losses of £2,837,000 (2005: increase of £14,000).

Analysis of prior year adjustment

	31 July 2005 £'000
Income and Expenditure account reserve as previously stated	12,099
Pension (liability) at 1 August 2004	(2,781)
Movements during 2004-05	
Employer service cost	(492)
Employer contributions	424
Net return on assets	(49)
Actuarial gain	14
Income and expenditure account reserve as restated at 31 July	9,215

Analysis of prior year adjustment

Adjustment to opening Income and Expenditure Account reserve at 1 August 2004	(2,781)
Adjustment to Income and Expenditure Account for year ended 31 July 2005	(117)
Adjustment to Statement of Total Recognised Gains and Losses for the year ended 31 July 2005	14
Total	(2,884)

The net adjustment of £2,884,000 is disclosed on the face of the Statement of Total Recognised Gains and Losses.

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**Notes to the accounts
for the year ended 31 July 2006 (continued)**

34 Post Balance Sheet Events

A bank loan with £2,237,774 outstanding as at 31 July 2006 (see note 20) was redeemed in full in September 2006. At the same time, a bank loan of £4 million was drawn down from the Allied Irish Bank (GB) Limited in respect of funding for the new student residences on the Bishop Otter Campus. This formed part of the £8.9 million loan arrangement with the Bank that was detailed in note 32 to the 2005 Financial Statements. This latest funding, together with the £3.4 million drawn in 2005-06 (included in note 20), means that a total of £7.4 million of the £8.9 million available has been drawn down to date. This new element of the loan currently attracts a variable interest rate.

35 Capital commitments

At 31 July 2006 the University had authorised and contracted for building works totalling £335,838 (2005: £4,365,329). The large decrease relates to the completion of construction of the new student residences on the Bishop Otter Campus.

36 Lease obligations

At 31 July the University had annual operating lease commitments in respect of buildings and equipment for the 2005-06 financial year, on leases expiring:

	2006	2006	2005	2005
	Buildings	Equipment	Buildings	Equipment
	£	£	£	£
Within one year	56,458	666	-	10,045
Between one and five years	-	37,987	86,950	34,541
Total	56,458	38,653	86,950	44,586

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**Notes to the accounts
for the year ended 31 July 2006 (continued)**

37 Related party disclosures

Due to the nature of the University'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's financial regulations and normal procurement procedures.

All Governors of the University are directors of the Company. No director had any interest in any contract during the year ended 31 July 2006 other than a contract of employment.

38 Members

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

39 Access funds

	31 July 2006	31 July 2005
	£	£
Balance at 1 August	67,280	24,582
Funding Council grants	308,187	268,194
Interest earned	4,785	4,808
	<hr/> 380,252	297,584
Disbursed to students	(233,050)	(224,954)
Fee waivers	(2,065)	(5,350)
	<hr/> 145,137	67,280
Balance unspent at 31 July	145,137	67,280

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

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**Notes to the accounts
for the year ended 31 July 2006 (continued)**

40 TDA Secondary subject shortage scheme

	31 July 2006 £	31 July 2005 £
Balance at 1 August	60,064	61,011
Training and Development Agency grants received	75,178	78,258
Training and Development Agency grants refunded	(60,064)	(59,966)
	75,178	79,303
Disbursed to students	(23,466)	(15,512)
Administrative costs	(3,225)	(3,727)
Balance unspent at 31 July	48,487	60,064

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

41 TDA Training Bursaries

	31 July 2006 £	31 July 2005 £
Balance at 1 August	288,284	181,476
Training and Development Agency grants received	1,614,891	1,612,620
Training and Development Agency grants refunded	(279,813)	(181,476)
	1,623,362	1,612,620
Disbursed to students	(1,355,678)	(1,292,716)
Administrative costs	(28,880)	(31,620)
Balance unspent at 31 July	238,804	288,284

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