

GOVERNORS, EXECUTIVES AND ADVISERS

Board of Governors

Professor Michael Hughes (Chair)
Don Isherwood (Deputy Chair)
Valerie Burton
Christina Cassidy
Baroness Christine Crawley (*from 1st September 2000*)
Phil Day (*to June 2001*)
Alan Fernyhough
Martin Fiddler
Stuart Hough (*from 21st June 2001*)
Professor Christine King
Nina Nannar (*from 1st September 2000*)
Brian Patterson
Bernard Price, C.B.E.
Richard Priestley
Keith Ralls
Judith Robinson (*to 31st August 2000*)
Wendy Robinson (*from 14th March 2001*)
David Scahill (*to 31st August 2000*)
Brian Smith
Graham Stow
Sukhvinder Stubbs (*from 1st September 2000*)
Sharon Willis (*from 1st September 2000 to 13th March 2001*)

Executive

Professor Christine King	Vice-Chancellor
Dr Susan O'Brien	Deputy Vice-Chancellor
Paul Richards	Deputy Vice-Chancellor
Ken Sproston	Secretary

Director of Finance

Ian Starkie

Auditors

PricewaterhouseCoopers
Temple Court
35 Bull Street
Birmingham
B4 6JT

Bankers

Lloyds TSB Plc
5 Market Square
Stafford
ST16 2JL

Solicitors

Martineau Johnson
St Philips House
St Philips Place
Birmingham
B3 2PP

REPORT OF THE GOVERNORS

The Governors submit their annual report and audited accounts for the year ended 31 July 2001.

Constitution and Activities

The University is a Higher Education Corporation as defined under the Education Reform Act 1988.

The powers of Higher Education Corporations are defined in Section 124 of the Act and include the power to provide higher and further education and to carry out research and publish the results of research as the University thinks fit.

The University was incorporated in November 1988 and on 1 April 1989 all properties, rights and liabilities which had been used and/or held by Staffordshire County Council for the purposes of the University were transferred to the Higher Education Corporation.

The University also enjoys exempt charitable status under the Act.

On 16 June 1992, the Privy Council confirmed its formal approval of a change of name from Staffordshire Polytechnic to Staffordshire University under the terms of the Further and Higher Education Act 1992.

Review of Developments

(i) Student Numbers

In 2000/2001 17,300 students were enrolled with Staffordshire University. This is just under 5% higher than the previous year and is primarily the result of the establishment of a new partnership consortium, Staffordshire University Regional Federation (SURF), with 11 Further Education Colleges in Staffordshire and Shropshire. The integration into Staffordshire University of student numbers formally the direct responsibility of the individual colleges within the Consortium is a crucial element of the University's aim to provide access to quality assured higher education for Staffordshire and Shropshire.

Whilst the University recruited its contracted numbers and did not suffer any clawback of grant from the HEFCE, it did not recruit to its own targets and did not meet its budget for tuition fee income. The recruitment of students continues to be a significant challenge to the University and the development of the Consortium is an important component of the University's response to the changing recruitment environment. As part of this strategy the University developed its first Foundation Degree programme in Project Management during the year. This programme will be serviced through the SURF colleges and is seen as a prototype for further similar initiatives.

(ii) Campus Developments

At the beginning of the year, the new hall of residence at the Leek Road site in Stoke was completed at a cost of £4.6m. Clarice Cliff Court offers 297 places of

ensuite accommodation and completes the University's programme to build over 900 high quality student residential units of accommodation. The first two phases provide over 600 places in a student village at the Stafford campus and were completed in August 1998.

At the same time the new Beaconside Sports Hall was completed. This project provides Sports Hall and fitness facilities for both the general public and for students and staff at the University and was completed at a cost of £1.4m.

During 2000/2001, work commenced on a major restructuring of laboratory facilities in the School of Engineering and Advanced Technology and the School of Sciences. Over 3 years a programme of work valued at £4.4m will be undertaken. This work is to be financed jointly by the University and by the Higher Education Funding Council for England (HEFCE) through the Funding Council's Restructuring and Collaboration Fund. It will support the reprofiling and strengthening of the University's provision in Science, Engineering and Technology through investment in high quality facilities for the University's programmes in these areas.

The University has also invested earmarked capital allocations received from the HEFCE in projects to develop Virtual Learning Centres in Engineering and Computing, a Digital Media Centre in the School of Art & Design and Forensic Science Laboratories in the School of Sciences. Similarly it is anticipated that this investment will enable these courses to offer up to date facilities for its undergraduate and postgraduate students.

The University continues its commitment to improve its estate for the benefit of students, staff and the wider community. During 2000/2001, the University commissioned the refurbishment of Student Union facilities at the Stoke campus. The new facilities in the Sisulu building were opened in September 2001 and provide a suite of retail outlets together with much improved office accommodation for the Students Union.

During the year, the University entered into agreement with Tamworth and Lichfield Further Education College for the building of a second phase of the site jointly developed with the College at Lichfield. For this phase the College will be responsible for the contracting arrangements. The extended campus which will open in September 2002 will provide the University with starter accommodation units which will be rented to new businesses. It will also provide further accommodation to enable the University to offer an increasing number of education and training programmes within the City.

(iii) Strategic Developments

Reference has already been made to the development of the SURF partnership during the year. The Federation provides perhaps the most important component of the University's key strategic aim of providing a foundation for widening higher education participation levels in the region. It will be the intention to continue to increase the contribution which SURF makes to this strategic aim.

The University recognises that recruitment continues to be a significant challenge and that its ongoing financial health is sensitive to relatively small changes in recruitment patterns. With this in mind, the University has committed to a comprehensive planning strategy for the next three years. This will include a review of all current academic programmes and projections and plans for research, consultancy and commercial activities in each academic School. Safeguarding the University's financial position is clearly critical to the ongoing success of the University and the strategic planning work which is currently being undertaken should secure this.

One earlier manifestation of this planning was the agreement earlier in the year to transfer the University's Physics programmes to the University of Keele. This transfer was supported, both in principle and financially, by the HEFCE and recognised the reduction in demand for the Physics subject areas in the country as a whole.

The University has many business partners in the region. One of the most important relationships is with the National Health Service. During the year the University entered into a ten year contract with the West Midlands North Workforce Development Confederation for the continuation of Pre and Post-Registration Nursing and Midwifery programmes. The success of the University in renewing this contract for such an extended period is a reflection of both the quality and the efficiency by which these programmes are delivered.

Financial Position

The consolidated accounts for the year to 31 July 2001 show a retained surplus of £0.2m. This compares with a surplus of £1.6m reported in the year to 31 July 2000. The reduction in the retained surplus is in part a result of the fact that the University did not meet its own recruitment targets. This reflects the more difficult environment within which Higher Education is currently operating. Spending in a number of areas also increased by comparison with earlier years.

Income has increased by 8.6%. The main reason for this increase is the transfer of student numbers from the SURF Colleges. Previously the Funding Council has provided funds directly to the individual Colleges. In the year to 31st July 2001, funding was provided to the University. Nevertheless, income from Research and Consultancy work

also increased by almost 20%, a trend which is anticipated in the University's Corporate Plan.

Expenditure increased by 10.7%. Again, much of this is accounted for in the change in the relationship with the University's partner Further Education Colleges. However, staffing costs also increased by 7%. This is in part a reflection of pay increases and the full year effect of changes in pension costs. Overall spending on staffing costs was within budget.

During the year the University generated a net cash inflow from its operating activities of £2.9m. The Consolidated Cashflow Statement also shows that there was an increase in cash for the year of £4.5m. This is primarily because during the financial year two loan facilities valued at £7.4m, and secured against student residential accommodation, were drawn down. In August 2000 a 20 year loan facility of £3.9m secured against the Stafford Court residential accommodation was drawn down. In October 2000 a second facility at £3.5m secured against the new residential accommodation at Stoke was drawn down. Borrowing consent for these facilities was obtained from the Funding Council and they have secured the longer term cash position of the University.

The University has two wholly owned subsidiaries, Staffordshire University Enterprises Ltd (SUEL) and Octagon Computer Centre Ltd (OCCL). The main activities of SUEL are the undertaking of consultancy work and the operation of recreational activities. The main activity of OCCL is as a property management company for the Octagon Building.

In addition, the Friends of Staffordshire University Charitable Trust, whose principal activity is property management, is considered to be a quasi-subsiary. The accounts of the Trust have been consolidated within the Group accounts. The accounts show a net outgoing of £164,000, arising from depreciation costs. This deficit has been consolidated within the Income and Expenditure Account of the Group. The accounts for SUEL show an operating profit on ordinary activities of £47,300. A sum of £47,000 has been paid to the University under the terms of a deed of covenant and there is a net increase of £300 in the reserves of the Company. The accounts for OCCL show an operating loss on ordinary activities of £10,000. There is a net reduction in the reserves of the Company of £10,000.

Governors

During the year David Scahill resigned as an independent member of the Board. He was replaced by Sukhvinder Stubbs. Nina Nannar and Baroness Christine Crawley also joined the Board as independent members.

Professor Michael Hughes
Chair of the Board of Governors
28 November 2001

CORPORATE GOVERNANCE

The University is committed to best practice in all aspects of corporate governance. This summary describes the manner in which the University has applied the principles set out in Section 1 of the Combined Code on Corporate Governance issued by the London Stock Exchange in June 1998. Its purpose is to assist readers of the Financial Statements to understand how the principles have been applied.

Throughout the year ended 31 July 2001, the University has been in compliance with all the Code provisions set out in Section 1 of the Combined Code of Corporate Governance insofar as they relate to Universities. The University also complies with the Guide for Members of Governing Bodies of Universities and Colleges in England and Wales that was issued by the Committee of University Chairmen in 1998.

Summary of the University's Structure of Corporate Governance

The University's Governing Body comprises independent, co-opted, staff and student members appointed under the University's Instrument of Government. The roles of the Chair and the Deputy Chair of the Governing Body are separated from the role of the University's Chief Executive, the Vice-Chancellor. The matters specially reserved for decision by the Governing Body are set out in the Articles of Government. Under the Financial Memorandum with the Higher Education Funding Council for England, the Governing Body is responsible for the ongoing strategic direction of the University, the approval of major developments and the receipt of regular reports from Executive Officers on the day to day operations of its business and its subsidiary companies. The Governing Body meets three times a year and has five Committees; an Employment and Finance Committee, a Nominations Committee, an Audit Committee, a Remuneration Committee and an Estates Committee. All of these Committees are formally constituted with terms of reference and comprise mainly independent members of Governing Body. In addition the Governing Body undertakes an annual review of its own effectiveness.

The Employment and Finance Committee recommends to the Governing Body the University's annual revenue and capital budgets and monitors performance in relation to the approved budgets. It also reviews the University's annual financial statements together with the accounting policies.

The Nominations Committee considers nominations for vacancies in the Governing Body membership and the reappointment of members under the Instrument of Government.

The Audit Committee is responsible for meeting, at least four times a year, with the External Auditors and Internal Auditors of the University and reviewing their work. The

Committee approves the Audit Plan and considers detailed reports together with recommendations for the improvement of the University's systems of internal control and management's response and implementation plans. They also receive and consider reports from the Higher Education Funding Council for England as they affect the University's business and monitor adherence with the regulatory requirements. Whilst senior executives attend meetings of the Audit Committee as necessary, they are not members of the Committee, and the Committee may meet with the External and Internal Auditors on their own for independent discussions.

The Remuneration Committee is responsible for determining the employment, contractual and remuneration arrangements for designated holders of senior posts. It normally reviews the salary levels of senior post holders on an annual basis and met once during the year ended 31 July 2001.

The Estates Committee has responsibility for advising the Governing Body on its Estates Strategy and the monitoring of Estates related projects.

The University has developed a comprehensive Risk and Control Framework. This framework identifies the key risks to which the University is exposed and the responsibility for these risks. It also identifies the control procedures in place to minimise the University's exposure to these risks and the monitoring which is undertaken to police the operation of the controls which are in place. It is one of the key mechanisms which underpins the University's overall systems of internal control. During the year the Risk and Control Framework has been reviewed by senior management within the University and the Audit Committee has considered the outcomes of this review. The review included an evaluation of those actions taken in the year ended 31 July 2001 to further enhance control mechanisms and those actions planned for the year which will end on 31 July 2002.

The University maintains a Register of Interests of members of the Board of Governors and of members of the University Management Team. This may be consulted by arrangement with the University Secretary.

In accordance with the Articles of Government of the University, the University Secretary has been designated Secretary to the Board and in that capacity provides independent advice on matters of governance to all Board members.

Professor Michael Hughes
Chair of the Board of Governors
28 November 2001

RESPONSIBILITIES OF THE GOVERNING BODY OF STAFFORDSHIRE UNIVERSITY

In accordance with the Education Reform Act 1988, the Governing Body of Staffordshire University is responsible for the administration and management of the affairs of the University and is required to present audited financial statements for each financial year.

The Governing Body is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the University and to enable it to ensure that the financial statements are prepared in accordance with the Education Reform Act 1988, the Statement of Recommended Practice (SORP), Accounting for Further and Higher Education Institutions and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between the Higher Education Funding Council for England and the Governing Body of the University, the Governing Body through its designated office holder, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the University and of the surplus or deficit and cash flows for that year.

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

- suitable accounting policies are selected and applied consistently
- judgements and estimates are made that are reasonable and prudent
- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- financial statements are prepared on the going concern basis unless it is inappropriate to presume that the University will continue in operation. Based on normal business planning and control procedures, the Governing Body has a reasonable expectation that the University has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the University's financial statements.

The Governing Body has taken reasonable steps to:

- ensure that funds from the Higher Education Funding Council for England are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the Funding Council and any other conditions which the Funding Council may from time to time prescribe.
- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources.
- safeguard the assets of the University and to prevent and detect fraud.

- secure the economical, efficient and effective management of the University's resources and expenditure.

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 of financial results involving variance reporting and updates of forecast outturns.
- clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital and revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the Board.
- comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Audit Committee and the Board of Governors.
- clear definitions of the responsibilities of, and the authority delegated to, Deans of Schools and Directors of Services.
- a professional internal audit team whose annual programme is approved by the Audit Committee.

Any system of internal financial control can, however, only provide reasonable, but not absolute, assurance against material misstatement or loss and during the year the Audit Committee has reviewed the effectiveness of the University's system of internal financial control.

Furthermore, the guidance issued by the Auditing Practice Board permits Universities to report on the internal control systems in place. On behalf of the Board of Governors, the Audit Committee commissioned a review of the effectiveness of the University's total systems of internal control, financial and other. This review was completed during the 1998/99 financial year and included a process of self assessment by the support services in the University. The review was supervised by the external auditors. A further re-evaluation of the systems of internal control was undertaken by University Officers during 2000/2001. This used the framework established during the initial review. The results have been considered by the Executive and the University Management Team and were summarised for review by the Audit Committee. The Committee considers that there are no weaknesses in the University's framework of internal controls which give rise to material issues.

Professor Michael Hughes
Chair of the Board of Governors
28 November 2001

INDEPENDENT AUDITOR'S REPORT TO THE GOVERNING BODY OF STAFFORDSHIRE UNIVERSITY

We have audited the financial statements which comprise the income and expenditure account, the balance sheet, the cash flow statement, the statement of total recognised gains and losses and the related notes on pages 13 to 31 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and in accordance with the accounting policies set out in the statement of accounting policies.

Respective Responsibilities of the Governing Body and Auditors

As described in the statement of the Governing Body's responsibilities, the Governing Body is responsible for the preparation of the financial statements in accordance with the Accounts Direction issued by the Higher Education Funding Council for England, the Statement of Recommended Practice - Accounting for Further and Higher Education Institutions, applicable law and United Kingdom accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board.

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 Statement of Recommended Practice - Accounting for Further and Higher Education Institutions. We also report to you whether in our opinion, income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the University, have been properly applied in all material respects for the purposes for which they were received, and whether income has been applied in all material respects in accordance with the University's statutes and where appropriate with the financial memorandum with the Higher Education Funding Council for England. We also report to you if, in our opinion, the Report of the Governors is not consistent with the financial statements, if the University has not kept proper accounting records, the accounting records do not agree with the financial statements, if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Report of the Governors and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of Opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board, and the 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 Governing Body in the preparation of the financial statements, and of whether the accounting policies are appropriate to the University's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion:

- a. the financial statements give a true and fair view of the state of affairs of the Corporation and the Group at 31 July 2001, and of the surplus of income over expenditure and cash flows of the group for the year then ended and have been properly prepared in accordance with the Statement of Recommended Practice - Accounting for Further and Higher Education Institutions;
- b. in all material respects, income from the Higher Education Funding Council for England and the Teaching Training Agency, grants and income for specific purposes and from other restricted funds administered by the institution have, been applied for the purposes for which they were received;
- c. in all material respects, income has been applied in accordance with the University's statutes and where appropriate with the financial memorandum dated March 1996 with the Higher Education Funding Council for England.

PricewaterhouseCoopers
Chartered Accountants
Birmingham
28 November 2001

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT

For the Year Ended 31 July 2001

	Note	Year to 31 July 2001 £'000	Year to 31 July 2000 £'000
INCOME			
Funding Council Grants	1	39,770	36,612
Academic Fees and Support Grants	2	19,019	17,924
Research Grants and Contracts	3	3,396	2,778
Other Operating Income	4	8,512	7,871
Endowment Income and Interest Receivable	5	346	256
TOTAL INCOME		71,043	65,441
EXPENDITURE			
Staff Costs	6	42,143	39,397
Depreciation	9,10	3,731	4,440
Other Operating Expenses	7	23,769	19,141
Interest Payable	8	2,231	1,946
TOTAL EXPENDITURE	9	71,874	64,924
(DEFICIT)/SURPLUS FOR THE YEAR	24	(831)	517

NOTE OF HISTORICAL COST SURPLUS AND DEFICIT

	Year to 31 July 2001 £'000	Year to 31 July 2000 £'000
Reported (deficit)/surplus on ordinary activities	(831)	517
Difference between historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount	1,075	1,079
HISTORICAL COST SURPLUS ON ORDINARY ACTIVITIES	244	1,596

The consolidated income and expenditure of the University and its subsidiaries relate wholly to continuing operations.

BALANCE SHEET AS AT 31 JULY 2001

		GROUP		CORPORATION	
	Note	2001 £'000	2000 Restated £'000	2001 £'000	2000 Restated £'000
FIXED ASSETS					
Tangible Assets	10	93,852	93,729	85,222	85,635
Investments	11	225	225	225	225
		<u>94,077</u>	<u>93,954</u>	<u>85,447</u>	<u>85,860</u>
ENDOWMENT ASSET INVESTMENTS	12	111	77	111	77
CURRENT ASSETS					
Stocks	13	170	158	170	158
Debtors: Amounts falling due after more than one year	14	713	735	4,384	4,596
Debtors: Amounts falling due within one year	15	4,496	4,433	6,605	5,847
Pension Scheme prepayment	16	722	438	722	438
Cash at bank and in hand		4,612	139	4,574	112
		<u>10,713</u>	<u>5,903</u>	<u>16,455</u>	<u>11,151</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	17	7,986	7,802	8,487	8,330
NET CURRENT ASSETS/(LIABILITIES)		2,727	(1,899)	7,968	2,821
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>96,915</u>	<u>92,132</u>	<u>93,526</u>	<u>88,758</u>
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	18	26,963	21,134	30,634	24,995
PROVISIONS FOR LIABILITIES AND CHARGES	19	4,455	4,790	4,455	4,790
TOTAL ASSETS LESS LIABILITIES		<u>65,497</u>	<u>66,208</u>	<u>58,437</u>	<u>58,973</u>

BALANCE SHEET - continued

		GROUP		CORPORATION	
	Note	2001	2000	2001	2000
		£'000	Restated £'000	£'000	Restated £'000
Represented by:					
DEFERRED CAPITAL GRANTS	20	10,030	10,311	10,030	10,311
ENDOWMENTS		<hr/>	<hr/>	<hr/>	<hr/>
Specific	21	111	77	111	77
RESERVES					
Capital Reserve	22	45,375	46,083	45,375	46,083
Revaluation Reserve	23	192	192	192	192
Income and Expenditure Account	24	9,789	9,545	2,729	2,310
		<hr/>	<hr/>	<hr/>	<hr/>
		55,356	55,820	48,296	48,585
		<hr/>	<hr/>	<hr/>	<hr/>
TOTAL FUNDS		65,497	66,208	58,437	58,973
		<hr/>	<hr/>	<hr/>	<hr/>

The consolidated accounts of the Group include the University's wholly owned subsidiaries and the Friends of Staffordshire University Charitable Trust. The accounts of the Corporation relate solely to the Higher Education Corporation.

The financial statements on pages 7 to 31 were approved by the Board of Governors on 28 November 2001 and signed by:

Professor Michael Hughes: Chair of the Board of Governors

Professor Christine King: Vice-Chancellor

CONSOLIDATED CASH FLOW STATEMENT

	Note	Year to 31 July 2001 £'000	Year to 31 July 2000 £'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	26	2,937	4,575
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		-----	-----
Income from short term investments		346	256
Interest Paid		(2,218)	(2,030)
HEFCE reimbursement of interest paid		395	449
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		-----	-----
		(1,477)	(1,325)
CAPITAL EXPENDITURE			
Payments to acquire tangible fixed assets		(4,026)	(6,150)
Receipts from sales of tangible fixed assets		22	4
Deferred capital grants received		583	30
HEFCE reimbursement of principal repayments		368	363
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE		-----	-----
		(3,053)	(5,753)
NET CASH (OUTFLOW)/INFLOW BEFORE FINANCING		-----	-----
		(1,593)	(2,503)
FINANCING			
New loans acquired	27	7,400	-
Repayment of loans	27	(1,194)	(1,125)
Capital element of finance lease repayments	27	(140)	(177)
NET CASH INFLOW/(OUTFLOW) FROM FINANCING		-----	-----
		6,066	(1,302)
INCREASE/(DECREASE) IN CASH FOR THE YEAR	28,29	-----	-----
		4,473	(3,805)

CONSOLIDATED CASH FLOW STATEMENT - continued

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT (NOTE 30)

	Year to 31 July 2001 £'000	Year to 31 July 2000 £'000
Increase/(Decrease) in cash in year	4,473	(3,805)
Repayment of debt	1,334	1,302
New loans	(7,400)	-
	<hr/>	<hr/>
Movement arising from cash flows	(1,593)	(2,503)
New finance lease	-	(57)
	<hr/>	<hr/>
CHANGE IN NET DEBT	(1,593)	(2,560)
NET DEBT AT 1 AUGUST 2000	(22,351)	(19,791)
	<hr/>	<hr/>
NET DEBT AT 31 JULY 2001	(23,944)	(22,351)
	<hr/>	<hr/>

STATEMENT OF CONSOLIDATED TOTAL RECOGNISED GAINS AND LOSSES

	Year to 31 July 2001 £'000	Year to 31 July 2000 £'000
(Deficit)/Surplus for the year	(831)	517
Endowment income received	31	2
Reimbursement of inherited debt	368	363
	<hr style="width: 100%; border: 0.5px solid black;"/>	<hr style="width: 100%; border: 0.5px solid red;"/>
	(432)	882
	<hr style="width: 100%; border: 0.5px solid black;"/>	<hr style="width: 100%; border: 0.5px solid red;"/>
TOTAL (LOSSES)/GAINS RECOGNISED SINCE LAST ANNUAL REPORT	(432)	882

STATEMENT OF ACCOUNTING POLICIES AND SIGNIFICANT ESTIMATION TECHNIQUES

The accounting policies that the group has adopted to determine the amounts included in respect of material items in the financial statements are shown below and are in accordance with applicable accounting standards and the Statement of Recommended Practice, Accounting for Further and Higher Education Institutions.

BASIS OF ACCOUNTING

The financial statements are prepared on the historical cost basis, as modified by the revaluation of some assets.

BASIS OF CONSOLIDATION

The financial statements of the University include its wholly owned subsidiaries, Staffordshire University Enterprises Ltd and Octagon Computer Centre Ltd. They also include the Friends of Staffordshire University Charitable Trust.

The consolidated financial statements do not include those of Staffordshire University Union of Students on the grounds of materiality. The separately audited financial statements are shown in summary form in note 34 of the accounts.

HEFCE GRANTS

Recurrent grant from HEFCE represents the funding allocation which is attributable to the current accounting period.

Deferred credits in respect of grants received from HEFCE which are attributable to subsequent accounting periods are included in accruals and deferred income.

CAPITAL RESERVE

Capital reserve represents the difference between the valuation of tangible assets inherited from Staffordshire County Council and the loan account with the County Council. This amount is released to the Income and Expenditure account over the life of the assets.

ACADEMIC FEES

Academic fees represent student fees received and receivable attributable to the current accounting period.

TANGIBLE FIXED ASSETS

Tangible fixed assets are stated at cost or valuation less accumulated depreciation as shown in note 10 to the financial statements.

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

DEPRECIATION

Depreciation is not provided on freehold land. Freehold buildings have been depreciated over the estimated remaining useful life of each building with a base date of 1 April 1989. Depreciation on newly acquired buildings will be provided for at the rate of 2% per annum on a straight line basis.

On all other tangible fixed assets depreciation is provided to write off the cost or valuation over their useful lives on a straight line basis at the following annual rates :-

Plant and Machinery	10% per annum
Fixtures and Fittings	10% per annum
Computer Equipment	20% per annum
Office Furniture and Equipment	10% per annum

Expenditure which extends the useful life of an asset has been depreciated over the assessed extended life of the asset.

Assets held under finance leases are depreciated over the life of the lease if this is a shorter period. Equipment costing less than £10,000 is written off in the year of acquisition.

LEASED ASSETS

Payments made in respect of assets held under operating leases are charged to the income and expenditure account on a straight line basis over the term of the lease.

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 element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged to the income and expenditure account.

CAPITAL GRANTS

Grants applied to acquire tangible fixed assets are credited to deferred grants and released to the income and expenditure account over the estimated useful lives of the related assets.

INVESTMENTS

Fixed asset investments are stated at market value. Endowment asset investments include fixed interest stocks which are stated at historical cost.

STATEMENT OF ACCOUNTING POLICIES AND SIGNIFICANT ESTIMATION TECHNIQUES

STOCK

Stock is valued at the lower of cost and net realisable value.

TAXATION

The Corporation is an exempt charity and is exempt from Income Tax and Corporation Tax. Irrecoverable Value Added Tax is included in the financial statements with the expenditure to which it relates.

PENSION COSTS

Contributions to the defined benefit pension schemes are charged to the income and expenditure account so as to spread the cost of pensions evenly over employees' expected average service lives. The pension cost is assessed in accordance with the advice of actuaries.

REPAIRS AND MAINTENANCE

The University has a five year rolling maintenance plan which is reviewed on an annual basis. The cost of maintenance is charged to the income and expenditure account as incurred.

NOTES TO THE FINANCIAL STATEMENTS

	Year to 31 July 2001 £'000	Year to 31 July 2000 £'000
1. FUNDING COUNCIL GRANTS		
Recurrent Grant		
HEFCE	36,710	33,756
FEFC	254	248
TTA	213	91
Research and Selective Initiatives	1,334	1,065
HEFCE Reimbursement of Inherited Liabilities	395	449
Release of Capital Grants		
Buildings	162	150
Equipment	702	853
	39,770	36,612
2. ACADEMIC FEES AND SUPPORT GRANTS		
Full-Time Students -UK/EU	12,139	11,927
Full-Time Students - Overseas	1,608	1,493
Part-Time Fees	908	941
Education Contracts	3,540	2,951
Short Course Fees	824	612
	19,019	17,924
3. RESEARCH GRANTS AND CONTRACTS		
Research Councils	146	237
UK Based Charities	71	72
UK Industry and Commerce	390	325
UK Central Government/Health Authorities	936	153
Teaching Company Schemes	253	233
European Community Programmes	1,099	1,642
Other Research Grants and Contracts	501	116
	3,396	2,778
4. OTHER OPERATING INCOME		
Residences, Catering and Conferences	4,814	4,257
Consultancy/Self Financing Fees	2,004	1,764
Other Rents/Lettings	304	388
Other Income	1,390	1,462
	8,512	7,871

NOTES TO THE FINANCIAL STATEMENTS - continued

	Year to 31 July 2001 £'000	Year to 31 July 2000 £'000
5. ENDOWMENT INCOME AND INTEREST RECEIVABLE		
Investment Income	344	252
Endowment Income	2	4
	<u>346</u>	<u>256</u>

	31 July 2001			31 July 2000
	Ordinary Activities £'000	Exceptional Costs £'000	Total £'000	£'000
Staff Costs				
Wages	36,836	-	36,836	34,125
Social Security Costs	2,635	-	2,635	2,493
Other Pension Costs	2,625	-	2,625	2,642
Redundancy Costs	-	47	47	137
	<u>42,096</u>	<u>47</u>	<u>42,143</u>	<u>39,397</u>
			Year to 31 July 2001 £'000	Year to 31 July 2000 £'000
Emoluments of the Vice-Chancellor			<u>120</u>	<u>114</u>

The emoluments of the Vice-Chancellor are shown on the same basis as for higher paid staff. The University's pension contributions to the Teachers' Superannuation Scheme are paid at the same rate as for other academic staff and amounted to £8,699 (2000: £8,183)

	2001 Number	2000 Number
Average Staff Numbers by Major Category		
Management	57	54
Academic	568	563
Administrative, Professional, Technical and Clerical Staff	898	883
Manual Staff	194	194
	<u>1,717</u>	<u>1,694</u>
Remuneration of other higher paid staff, excluding employer's pension contributions		
£50,000 - £59,999	12	6
£60,000 - £69,999	-	1
£70,000 - £79,999	3	2

NOTES TO THE FINANCIAL STATEMENTS - continued

	Year to 31 July 2001 £'000	Year to 31 July 2000 £'000			
7. OTHER OPERATING EXPENSES					
Consumables	1,888	1,761			
Equipment and Tools	3,755	3,076			
Books and Periodicals	858	817			
Printing - External and Internal	579	565			
Repairs and General Maintenance	2,301	1,625			
Heat, Light, Water and Power	1,244	1,157			
Rent and Rates	1,465	1,483			
Staff and Student Development	1,505	1,140			
Travel and Subsistence	1,178	1,131			
Student Union Contributions	464	451			
Auditors' Remuneration	32	32			
Auditors' Remuneration in Respect of Non-Audit Services	41	114			
Irrecoverable VAT Input Tax	1,860	1,477			
Payments to Franchise Colleges	3,394	1,408			
Telephones and Postages	786	826			
Publicity and Prospectus	784	727			
Vehicle Hire/Lease	206	221			
Other Expenses	692	724			
Professional Charges	499	204			
Security	238	202			
	23,769	19,141			
8. INTEREST PAYABLE					
Loan not wholly repayable within five years	2,217	1,928			
Finance Leases	14	18			
	2,231	1,946			
9. ANALYSIS OF EXPENDITURE BY ACTIVITY					
	Staff Costs £'000	Dep'n £'000	Other Operating Expenses £'000	Interest Payable £'000	Total £'000
Academic Departments	27,183	795	9,223	-	37,201
Academic Services	3,973	1,241	2,642	-	7,856
Research Grants & Contracts	1,062	-	1,211	-	2,273
Residences, Catering & Conferences	1,233	315	2,165	1,092	4,805
Premises	1,635	1,238	3,530	-	6,403
Administration	5,713	142	4,016	-	9,871
Other Expenses	1,344	-	982	1,139	3,465
Total Income and Expenditure Account	42,143	3,731	23,769	2,231	71,874

The depreciation has been funded by:	£'000
Deferred Capital Grants Released (note 20)	864
Transfer from Capital Reserve (note 22)	1,075
General Income	1,792
	<u>3,731</u>

NOTES TO THE FINANCIAL STATEMENTS - continued

10. TANGIBLE FIXED ASSETS - Group

	Freehold Land and Buildings £'000	Assets in Course of Construction £'000	Computer Equipment £'000	Leased Computer Equipment £'000	Other Equipment And Fittings £'000	Leased Equipment and Fittings £'000	TOTAL £'000
COST OR VALUATION							
At 1 August 2000	100,458	5,291	10,241	351	4,480	851	121,672
Additions	2,282	880	572	-	292	-	4,026
Reclassifications	5,261	(5,275)	14	-	-	-	-
Disposals	-	-	(538)	-	(393)	-	(931)
At 31 July 2001	108,001	896	10,289	351	4,379	851	124,767
DEPRECIATION							
At 1 August 2000	19,074	-	6,155	302	2,070	342	27,943
Elimination on disposals	-	-	(539)	-	(220)	-	(759)
Depreciation for year	2,067	-	1,104	11	431	118	3,731
At 31 July 2001	21,141	-	6,720	313	2,281	460	30,915
Net Book Value At 31 July 2001	86,860	896	3,569	38	2,098	391	93,852
Net Book Value At 31 July 2000	81,384	5,291	4,086	49	2,410	509	93,729

NOTES TO THE FINANCIAL STATEMENTS - continued

10. TANGIBLE FIXED ASSETS - Corporation

	Freehold Land and Buildings £'000	Assets in Course of Construction £'000	Computer Equipment £'000	Leased Computer Equipment £'000	Other Equipment And Fittings £'000	Leased Equipment and Fittings £'000	TOTAL £'000
COST OR VALUATION							
At 1 August 2000	91,878	4,485	10,205	351	4,378	851	112,148
Additions	1,638	880	570	-	204	-	3,292
Reclassifications	4,456	(4,470)	14	-	-	-	-
Disposals	-	-	(538)	-	(393)	-	(931)
At 31 July 2001	97,972	895	10,251	351	4,189	851	114,509
DEPRECIATION							
At 1 August 2000	17,742	-	6,123	302	2,005	341	26,513
Elimination on disposals	-	-	(539)	-	(220)	-	(759)
Depreciation for year	1,883	-	1,101	11	420	118	3,533
At 31 July 2001	19,625	-	6,685	313	2,205	459	29,287
Net Book Value At 31 July 2001	78,347	895	3,566	38	1,984	392	85,222
Net Book Value At 31 July 2000	74,136	4,485	4,082	49	2,373	510	85,635

As a result of the Education Reform Act 1988, the freehold and leasehold interests in properties occupied by the Corporation, previously held by Staffordshire County Council, were formally transferred, under the direction of the Education Assets Board, to the Corporation itself with effect from 1 April 1989.

Freehold buildings, to which the Corporation now has title, were professionally revalued at 1 April 1989 on the basis of replacement cost at that date. The surplus was taken to the capital reserve. Freehold land was revalued on an open market, existing use basis at the same date.

Computer equipment, other equipment and fittings belonging to the University were revalued at 31 July 1995.

The transitional rules set out in FRS15 "Tangible Fixed Asset" have been applied on implementing FRS15. Accordingly, the book values at implementation have been retained.

In December 1996 the University entered into a joint agreement with Tamworth and Lichfield College to provide a new campus facility at Lichfield. This project was completed in January 1998 at a cost of £3.2m. The project was partly funded by a grant from the European Regional Development Fund. The balance of costs was funded equally by the University and Tamworth and Lichfield College.

NOTES TO THE FINANCIAL STATEMENTS - continued

11. FIXED ASSET INVESTMENTS

	2001	GROUP 2000 Restated £'000	CORPORATION 2001	2000 Restated £'000
Artefacts	192	192	192	192
Investments	33	33	33	33
Total	225	225	225	225

The value of the Thornhill Bequest, a collection of medieval Chinese pottery owned by the University, is included as a fixed asset investment. The value is based on a valuation made for insurance purposes as at 5th February 1998. The valuation was undertaken by professional advisors expert in this field.

The University has a £33,000 investment in CVCP Properties. These shares were purchased in 1995 and previously shown as a current asset. However, as there is no intention to dispose of these shares in the near future, these have been reclassified as a fixed asset investment.

The investments in subsidiaries, which cost £4, are detailed below:

Professor M A Hughes and Professor C E King as nominees of the Corporation hold all the issued share capital of Staffordshire University Enterprises Limited, a company incorporated in and operating in Great Britain and registered in England and Wales. The main areas of activity of Staffordshire University Enterprises Limited are the undertaking of consultancy work and the operation of recreational activities.

Professor M A Hughes and Professor C E King as nominees of the Corporation also hold all the issued share capital of Octagon Computer Centre Limited, a company incorporated in and operating in Great Britain and registered in England and Wales. The principal activity of the company is to act as a property management company.

The Friends of Staffordshire University Charitable Trust is regarded as a quasi-subsiary of the University under the definition provided in Financial Reporting Standard 5. Under the provisions of this standard the accounts of the Trust have been consolidated in the group accounts of the University for the year ended 31 July 2001.

12. ENDOWMENT ASSET INVESTMENTS

	GROUP AND CORPORATION £'000	
Balance at 1 August 2000		77
Additions		31
Interest Received		6
Prize Fund payments		(3)
Balance at 31 July 2001		111
	2001	2000
Represented by:	£'000	£'000
Fixed interest stocks	7	19
Bank balances	104	58
	111	77

All fixed interest stocks are listed investments and are stated at historical cost.

NOTES TO THE FINANCIAL STATEMENTS - continued

13. STOCK

GROUP AND CORPORATION

	2001 £'000	2000 £'000
Raw materials and consumables	170	158

14. DEBTORS: Amounts falling due after more than one year

	GROUP		CORPORATION	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Amounts owed by subsidiary undertaking	-	-	3,671	3,861
Amounts owed under joint arrangement with Tamworth and Lichfield College (note 10)	713	735	713	735
	713	735	4,384	4,596

15. DEBTORS: Amounts falling due within one year

	GROUP		CORPORATION	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Trade debtors	2,539	2,698	2,718	2,598
Amounts owed by subsidiary undertakings	-	-	1,935	1,514
Other debtors	729	713	729	713
Prepayments and accrued income	1,228	1,022	1,223	1,022
	4,496	4,433	6,605	5,847

16. PENSION SCHEME PREPAYMENT

The assessed value of the variation from the regular cost of the University's contributions to the Staffordshire County Council Superannuation Scheme has been isolated from the regular cost. The additional cost of £722,000 (2000: £438,000) gives rise to a prepayment. This prepayment will be charged to the Income and Expenditure account over a period which matches the benefit derived from the services of University employees.

NOTES TO THE FINANCIAL STATEMENTS - continued

17. CREDITORS: Amounts falling due within one year:

	GROUP		CORPORATION	
	2001	2000	2001	2000
	£'000	£'000	£'000	£'000
Loans	1,453	1,216	1,643	1,406
Obligations under finance leases	140	140	140	140
Trade creditors	2,223	3,206	2,181	3,194
Amounts owed to subsidiary undertakings	-	-	574	561
Other taxation and social security	1,385	1,274	1,365	1,274
Other creditors	741	686	741	686
Accruals and deferred income	2,044	1,280	1,843	1,069
	7,986	7,802	8,487	8,330

18. CREDITORS: Amounts falling due after more than one year:

	GROUP		CORPORATION	
	2001	2000	2001	2000
	£'000	£'000	£'000	£'000
Bank loan account	19,709	12,997	19,709	12,997
Staffordshire County Council loan account	4,854	5,234	4,854	5,234
Building Society Mortgage	2,311	2,674	2,311	2,674
Obligations under finance leases	89	229	89	229
Amounts owed to subsidiary company	-	-	3,671	3,861
	26,963	21,134	30,634	24,995

LOAN OBLIGATIONS

	GROUP		CORPORATION	
	2001	2000	2001	2000
	£'000	£'000	£'000	£'000
Between one and two years	1,556	1,374	1,746	1,564
Between two and five years	5,228	4,685	5,798	5,255
Over five years	20,090	14,846	23,001	17,947
	26,874	20,905	30,545	24,766
Within one year	1,453	1,216	1,643	1,406
	28,327	22,121	32,188	26,172

NOTES TO THE FINANCIAL STATEMENTS - continued

The table below provides details of the University's bank loans

Original Loan £'000	Outstanding Balance at 31 July 2001 £'000	Interest Basis	Repayment Terms	Security
3,000	2,339	8.7% fixed until January 2008	Equal principal repayments over 20 years starting in December 1992.	University academic accommodation at the Stoke and Stafford campuses.
2,000	1,572	7.5% fixed until January 2009	Equal principal repayments over 20 years starting in January 1994	University academic accommodation at the Stoke and Stafford campuses.
3,200	2,712	8.0% fixed until July 2010	Equal principal repayments over 19 years starting in July 1995	University academic accommodation at the Stoke campus.
3,600	3,600	6.4% fixed until April 2011	Equal principal repayments over 15 years starting from October 2001	University student residential accommodation at the Stafford campus.
1,900	1,305	8.3% fixed until August 2007	Equal principal repayments over 10 years starting from August 1997.	University academic accommodation at the Stafford Campus.
1,600	1,467	7.9% fixed until August 2003	Equal principal repayments over 20 years starting from August 1998.	University academic accommodation at the Lichfield Campus owned jointly with Tamworth and Lichfield College.
3,900	3,900	7.8% fixed until August 2005	Interest only for 5 years starting from August 2000. Equal principal repayments for 15 years starting August 2005.	University student residential accommodation at the Stafford campus.
3,500	3,500	7.2% fixed until October 2005	Interest only for 5 years starting from August 2000. Equal principal repayments for 15 years starting October 2005.	University student residential accommodation at the Stoke campus.

The Staffordshire County Council loan account comprises numerous, unsecured loans repayable between one and forty years. All loans bear interest at the current rate on the County Council's Consolidated Loans Fund. At 31 July 2001 the current interest rate was 7.5%.

The Building Society Mortgage is repayable over 15 years. The mortgage was drawn down in December 1991 with interest only being paid for the first five years at a fixed rate of 12%. The mortgage was renegotiated in December 1996 and a repayment of £403,400 was made. The outstanding principal will be repaid in the final ten years with the next five years interest paid at a fixed rate of 9.6%. The mortgage is secured on student residential accommodation with a total open market valuation of £5.5m.

NOTES TO THE FINANCIAL STATEMENTS - continued

19. PROVISIONS FOR LIABILITIES AND CHARGES

GROUP AND CORPORATION

	Pension Enhancement £'000	2001 Total £'000	2000 Total £'000
At 1 August 2000	4,790	4,790	4,803
Utilised in the year	(335)	(335)	(13)
At 31 July 2001	4,455	4,455	4,790

20. DEFERRED CAPITAL GRANTS

GROUP AND CORPORATION

	Buildings £'000	Equipment £'000	2001 Total £'000	2000 Total £'000
At 1 August 2000	6,635	3,676	10,311	11,284
Add cash received	583	-	583	30
Released to Income and Expenditure	(162)	(702)	(864)	(1,003)
At 31 July 2001	7,056	2,974	10,030	10,311

21. ENDOWMENTS RESERVE

GROUP AND CORPORATION

	2001 Specific £'000	2000 Specific £'000
At 1 August 2000	77	75
Net Income for year	34	2
At 31 July 2001	111	77

NOTES TO THE FINANCIAL STATEMENTS - continued

22. CAPITAL RESERVE

GROUP AND CORPORATION

	2001 £'000	2000 £'000
At 1 August 2000	46,083	46,799
Add HEFCE reimbursement of loan repayments	367	363
Less Release of capital reserve (note 9)	<u>(1,075)</u>	<u>(1,079)</u>
At 31 July 2001	<u>45,375</u>	<u>46,083</u>

23. REVALUATION RESERVE

GROUP AND CORPORATION

	2001 £'000	2000 £'000
As at 31 July	<u>192</u>	<u>192</u>

The revaluation reserve relates to the Artefacts included in note 11.

24. INCOME AND EXPENDITURE ACCOUNT

	2001 £'000	2000 £'000
GROUP		
At 1 August 2000 as restated	9,545	7,949
(Deficit)/surplus for the year	(831)	517
Transfer from capital reserve	<u>1,075</u>	<u>1,079</u>
At 31 July 2001	<u>9,789</u>	<u>9,545</u>
CORPORATION		
At 1 August 2000 as restated	2,311	540
(Deficit)/surplus for the year	(657)	692
Transfer from capital reserve	<u>1,075</u>	<u>1,079</u>
At 31 July 2001	<u>2,729</u>	<u>2,311</u>

NOTES TO THE FINANCIAL STATEMENTS - continued**25. LEASE OBLIGATIONS****GROUP AND CORPORATION**

	2001 £'000	2000 £'000
Obligations under finance leases fall due as follows:		
Within one year	140	140
Between one and two years	73	140
Between two and five years	16	89
	<hr/> 229	<hr/> 369

Annual commitments on operating leases in respect of assets other than land and buildings on leases expiring as follows are:

	2001 £'000	2000 £'000
Within one year	224	239
Between two and five years	230	273
	<hr/> 454	<hr/> 512

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

26. NET CASH FLOW FROM OPERATING ACTIVITIES

	Year to 31 July 2001	Year to 31 July 2000
	£'000	£'000
(Deficit)/surplus for the year before transfers from reserves	(831)	517
Interest Receivable	(346)	(256)
HEFCE Reimbursement Receivable	(395)	(449)
	(1,572)	(188)
 Add back interest payable	 2,231	 1,946
 Surplus from operating activities	 659	 1,758
Release of capital grant	(864)	(1,003)
Depreciation	3,731	4,440
Loss on sale of fixed assets	151	150
(Increase) in stock	(12)	(19)
(Increase) in debtors	(500)	(1,059)
Increase in creditors	107	321
(Decrease) in provisions	(335)	(13)
	2,937	4,575
 NET CASH INFLOW FROM OPERATING ACTIVITIES		

27. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Building Society Mortgage	LEA Loan Account	Finance Leases	Bank Loans
	£'000	£'000	£'000	£'000
Balance at 1 August 2000	3,025	5,602	369	13,494
Cash outflows from financing	(329)	(368)	(140)	(497)
New Loans	-	-	-	7,400
	2,696	5,234	229	20,397
Balance at 31 July 2001				

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT - continued

28. ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS DURING THE YEAR

	£'000
Balance at 1 August 2000	139
Net cash inflow	4,473
	<hr/>
Balance at 31 July 2001	4,612
	<hr/>

29. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS

	2001 £'000	2000 £'000	2001 Change in Year £'000	2000 £'000	1999 £'000	2000 Change In Year £'000
Cash at bank and in hand	4,612	139	4,473	139	3,944	(3,805)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

30. ANALYSIS OF CHANGES IN NET DEBT

	August 2000 £'000	Cash Flows 2001 £'000	Other Movements £'000	July 2001 £'000
Cash in hand, at bank	139	4,473	-	4,612
Debt due within 1 year	(1,216)	1,216	(1,453)	(1,453)
Debt due after 1 year	(20,905)	(7,422)	1,453	(26,874)
Finance Leases	(369)	140	-	(229)
	<hr/>	<hr/>	<hr/>	<hr/>
	(22,351)	(1,593)	-	(23,944)
	<hr/>	<hr/>	<hr/>	<hr/>

31. CAPITAL COMMITMENTS

GROUP AND CORPORATION

	2001 £'000	2000 £'000
Contracted for	4,696	1,195
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS - continued

In September 2000, the University entered into a contract valued at £4.4m for the restructuring of the Engineering and Science Laboratories. This project is being 50% (£2.2m) funded by a Capital Grant from HEFCE.

Payments made against this contract at 31st July 2001 amounted to £0.3m.

In April 2000, capital projects were commenced for a Digital Media Centre, Science Forensic Laboratory and Technology Research Centres at a cost of £1.9m. These projects are partially funded by HEFCE to a value of £1.3m.

Payments made against these projects at 31st July 2001 amounted to £1.2m.

32. CONTINGENT LIABILITIES

- i) The University is a member of UMALT, a company limited by guarantee formed to provide a mutual association for terrorism risks. Under the terms of its membership, each member acts as insurer and insured. If the association as a whole suffers a shortfall in any underwriting year, the members are liable for their prorated share, spread using a bank facility over 7 years. The University is a guarantor, on a joint and several basis with other members, of this £60 million bank facility. No liability has yet arisen under this guarantee.
- ii) The University has a contractual dispute regarding the completion of student residential accommodation. The University has received professional advice on this matter and it is the view of the Board of Governors that any settlement of this dispute is unlikely to be material.

33. PENSION COSTS

Retirement benefits for employees of the University are provided by defined benefit schemes which are funded by contributions from the University and employees. Payments are made to the Teachers Superannuation Scheme for academic staff and to the Staffordshire County Council Superannuation Scheme for non-academic staff. These are both independently administered schemes.

Teachers' Pension Scheme

The Teachers Pension Scheme (TPS) is an unfunded scheme. Contributions on a 'pay as you go' basis are credited to the exchequer under arrangements governed by the Superannuation Act 1972. Actuarial valuations are carried out on a notional set of investments.

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 (notional) 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 below the information available on the deficit in the scheme and the implications for the University in terms of the anticipated 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 1996
Actuarial method	Prospective benefits.
Investment returns per annum	8.5% per annum
Salary scale increases per annum	6.5% per annum
Value of notional assets at date of last valuation. (Estimated future contributions together with notional investments held at 31 March 1996).	£61,710 million
Proportion of members' accrued benefits covered by the actuarial value of the assets.	94%

Following the implementation of 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 2000 to 31 March 2002, the employer contribution will be 7.2%, plus 0.2% in respect of benefit improvements to the scheme. From 1 April 2002 there will be a further increase of 0.95%.

Local Government Pension Scheme

The Local Government Superannuation Scheme (LGSS) is regulated by statute, with separate regulations for (a) England and Wales and (b) Scotland. The benefits of the LGSS are determined nationally by regulation and meet the definition of a defined benefit scheme.

The LGSS is a funded scheme, with some 100 separate funds administered locally by administering authorities. Each fund has a number of employing authorities. Staffordshire County Council is the administering authority with the District Councils in the County being employing authorities within that scheme. Each fund will also have admitted bodies, such as education institutions, whose employees are members of the LGSS. The LGSS is not therefore a national multi-employer scheme, but each separate LGSS fund is a multi-employer scheme.

Staffordshire University

The Fund's actuary is currently undertaking a formal funding valuation of the Staffordshire County Council Pension Fund. Results of the valuation are not yet finalised and the following valuation data has been used for the purposes of this disclosure:-

- (i) Membership data submitted for the previous valuation as at 31 March 1998.
- (ii) Pension fund accounts for each year since the previous valuation to 31 March 2001.

The financial assumptions used for the purpose of FRS17 calculations as at 31 July 2001, are as follows:-

Rate of Salary increases	4.0%
Rate of Increase in Pension Payments	2.5%
Discount Rate	5.7%
Inflation assumption	2.5%

FRS 17 requires that the expected return on assets is to be set by the employer having taken appropriate actuarial advice. The Fund's actuary has recommended that the following assumptions are appropriate as at 31 July 2001.

Asset Class	Expected Return (% per annum)
Equities	7.0
Bonds	5.5
Property	6.0
Cash	4.0

Based on these assumptions the assets of the pension fund at 31 March 2001 were as follows:-

Assets (Whole Fund)	Long Term Rate % per annum	Fund Value at 31 March 2001 £'000
Equities	7.0%	1,109,818
Bonds	5.5%	220,430
Property	6.0%	134,230
Cash	4.0%	50,148
Total		<u>1,514,626</u>

On the basis of the actuary's calculations, the asset share of the Staffordshire County Council pension fund in respect of Staffordshire University at 31 March 2001 was 2.371%. On this basis the actuary has calculated that the net pension deficit relating to the University as at 31 July 2001, measured in accordance with the requirements of FRS 17 was as follows:-

Net Pension Asset as at	31 July 2001
Estimated Asset Share	35,828
Present Value of Liabilities	(44,009)
Net Pension Deficit	<u>(8,181)</u>

If the above amounts had been recognised in the financial statements, the University's net assets and profit and loss reserve at 31 July 2001, would be as follows:-

	£'000
Net assets excluding pension deficit	65,497
Pension deficit	(8,181)
Net Assets including pension deficit	<u>57,316</u>
Income and expenditure reserve excluding pension deficit	9,789
Pension deficit	(8,181)
Income and Expenditure Reserve	<u>1,608</u>

The cost of providing pensions is part of the remuneration of employees. As such, this cost should be allocated as fairly as possible so as to match the benefit derived from the services of the University's employees. Under SSAP 24: Accounting for Pensions Costs, that element of the University's contribution which relates to the deficit in the pensions fund has been isolated from the regular pension cost, as follows:-

	£'000
Regular pension cost based on a constant percentage of earnings over the employees' service lives with the University	1,053
Variations from regular cost based on a constant percentage of current and estimated future earnings over the average service lives of current employees	374
	<u>1,427</u>

The regular pension cost has been charged to the Income and Expenditure account. The additional charge gives rise to a prepayment which is included in other debtors (note 16 on page 21)

The total pension charge for the year was £2,625,801 (2000: £2,641,526). 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 4% in excess of price inflation.

An amount of £4,455,051 (2000: £4,790,051) is included in provisions for liabilities and charges representing the extent to which the cost charged exceeds actual payments made. The provision will be released against the cost to the University of enhanced pension entitlements over the estimated life expectancy of each relevant employee.

NOTES TO THE FINANCIAL STATEMENTS - continued

34. STUDENTS' UNION

The University has not consolidated the financial statements of the Staffordshire University Students' Union because they are not material to the group. The accounts of the Students' Union are separately audited by F Mazloomian & Co. The results to 31 July 2001 are summarised below.

Results for the year are:

	2001	2000
	£'000	£'000
INCOME	880	1,016
EXPENDITURE		
Administration Expenses	298	291
Communication	83	70
Education	15	15
Finance	81	73
Information Technology	27	24
Student Activity	267	259
Personnel/Welfare	103	102
Representation	63	66
	937	900
	(57)	116
(Deficit)/Surplus for Year		
 35. ACCESS FUNDS		
	Year to	Year to
	31 July	31 July
	2001	2000
	£'000	£'000
Funding Council Grants	1,103	834
Interest Earned	10	10
	1,113	844
Disbursements to Students	(978)	(730)
Balance Unspent 31 July 2001	135	114

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