

## **GOVERNORS, EXECUTIVES AND ADVISERS**

### **Board of Governors**

Professor Michael Hughes (Chair)  
Graham Stow (Deputy Chair)  
Valerie Burton (*to 31<sup>st</sup> August 2001*)  
Christina Cassidy  
Paul Chapman (*from 20 June 2002*)  
Baroness Christine Crawley (*to 29<sup>th</sup> May 2002*)  
David Dry (*from 1<sup>st</sup> September 2001*)  
Lady Ann Fender (*from 1<sup>st</sup> September 2001*)  
Alan Fernyhough  
Martin Fiddler  
Stuart Hough (*to 19<sup>th</sup> June 2002*)  
Don Isherwood (*to 31<sup>st</sup> August 2001*)  
Professor Christine King  
Nina Nannar  
Ita O'Donovan (*from 19<sup>th</sup> June 2002*)  
Brian Patterson (*to 31 August 2001*)  
Bernard Price, C.B.E.  
Richard Priestley  
Keith Ralls  
Wendy Robinson  
Brian Smith (*to 31<sup>st</sup> August 2001*)  
Sukhvinder Stubbs

### **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  
Cornwall Court  
19 Cornwall Street  
Birmingham  
B3 2DT

### **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 2002.

### 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.

### Scope of the Financial Statements

The Financial Statements comprise the consolidated results for the University and its subsidiary undertakings, Staffordshire University Enterprises Limited, Octagon Computer Centre and the Friends of Staffordshire University Charitable Trust. The subsidiaries undertake a range of activities including consultancy work, the operation of recreational activities and property management for a variety of commercial and other organisations. The taxable profits of Staffordshire University Enterprises Limited are transferred back to the University under a covenant arrangement.

### Results for the Year

The University's consolidated income, expenditure and results for the year to 31<sup>st</sup> July 2002 are as follows:-

	2001/02	2000/01
	£'000	£'000
Income	74,758	71,043
Expenditure	74,980	71,874
Taxation	7	0
(Deficit) on continuing operations after depreciation of assets at valuation and taxation	(229)	(831)
Historical Cost Surplus for the Year	866	244

Although modest, the retained surplus for the year compares favourably with the original forecasts. This is a result of tight control of costs and an increased contribution from full cost activities.

Income has increased by 5.2% largely as a result of increases in income from research and consultancy work and from work contracted with the NHS. Expenditure has increased by 4.3%. Staffing costs have increased by 6.3%, primarily because of an increase in employer contributions to pension schemes. The resources which the University has passed on to its partner Colleges in the Staffordshire University Regional Federation have also increased, by almost 10%. This reflects the strategic importance of the Consortium as a crucial element of the University's aim to provide access to quality assured higher education for Staffordshire and Shropshire.

### Capital Investments

Over £4m was invested in capital projects during the year. Most of this was spent on a major restructuring of laboratory facilities in the School of Engineering and Advanced Technology. This work was financed jointly by the University and by the Higher Education Funding Council for England (HEFCE) through their Restructuring and Collaboration Fund. It will support the reprofiling of the University's provision in Engineering and Technology through investment in high quality facilities for the University's programmes in these areas.

The University has also invested in earmarked capital allocations 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. This investment has also enabled these courses to offer up to date facilities for its undergraduate and postgraduate students.

During the year, the second phase of a campus at Lichfield was completed. This site has been jointly developed with the Tamworth and Lichfield Further Education College and for this second phase, the College was responsible for the contracting arrangements. The extended campus opened in September 2002 and provides the University with starter accommodation units which are being rented to new businesses. It also provides further accommodation to enable the University to offer an increasing number of education and training programmes within the City.

### Cashflow

The Consolidated Cashflow Statement shows cash inflows from operating activities of £4,692,000 (2000/01: £2,937,000). Overall there was a net cash inflow of £645,000 (2000/01: £4,473,000). The acquisition of fixed assets consumed £4,036,000 (2000/01: £4,026,000) with an inflow of capital grants of £2,656,000 (2000/01: £583,000).

## **Investment Performance**

Cash deposits are invested in accordance with the University's Treasury Management Policy. The prime requirement of the policy is to ensure that the capital sum is not at risk, whilst achieving a rate of return commensurate with deposit rates achievable on the London Money Market.

Interest receivable reduced in 2001/02, compared with 2000/01, due to the availability of lower interest rates. The performance of cash deposits was reviewed during 2001/02 by the Employment and Finance Committee of the Board and was deemed satisfactory by the Committee.

Professor Michael Hughes  
Chair of the Board of Governors  
27 November 2002.

## 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 2002, 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 the 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. It also receives 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 twice during the year ended 31 July 2002.

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

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.

### Interim Statement of Internal Control

The Governing Body is responsible 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 it is responsible, in accordance with the responsibilities assigned to the Governing Body in the University's Instrument and Articles of Government and the Financial Memorandum with the HEFCE.

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

The system of internal control is based on an ongoing process designed to identify the principle 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 Governing Body expects to have those procedures in place during 2002/03 that are necessary to provide a full statement on internal control for the financial year to 31<sup>st</sup> July 2003. This takes account of the time needed to fully embed the processes which the Governing Body and management have agreed should be established and to improve their robustness.

The Governing Body has undertaken the following actions to initiate its risk management strategy:-

- Drafted and adopted a risk management policy.
- Commissioned and adopted a risk management strategy.

- Agreed where the principle management responsibility rests for risk management.
- Identified the University's objectives and risks and determined a control strategy for each of the significant risks.
- Requested the Audit committee to oversee risk management.
- Requested the Audit committee to provide advice on the effectiveness of the establishment and implementation of risk management.
- Requested that the internal audit service adapts 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.

The Governing Body has ensured that the meeting calendar and agenda enable risk management and internal control to be considered on a regular basis during the year so that there will be a full risk and control assessment before reporting on the year ending 31<sup>st</sup> July 2003. Risk management has been incorporated into the corporate planning and decision making processes of the University.

The Governing Body receives periodic reports from the Chair of the Audit committee concerning internal control and requires regular reports from managers on the steps they are taking to manage risks in their areas of responsibility, including progress reports on key projects.

Following the initial publication of the University's Risk and Control Framework, further work has been undertaken to update the basis of the framework and to bring about more consistency in the way in which the University treats risks.

In addition to the actions mentioned above, in the coming year the University plans to:-

- Arrange a regular programme of facilitated workshops to identify and to keep up to date the record of risks facing the University.
- Introduce a programme of risk awareness training co-ordinated by the Internal Audit Service.
- Establish a system of key performance and risk indicators.
- Develop and maintain an organisation wide risk register.
- Arrange for reports from senior managers in the University on internal control activities.

The University has an internal audit service which operates to standards defined in the HEFCE Audit Code of Practice and which was last reviewed for effectiveness by the HEFCE Audit Service in April 2000. The internal auditors submit regular reports which include an independent assessment on the adequacy and effectiveness of the system of internal control, together with recommendations for improvement.

The Governing Body's review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the Executive managers within the University who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors in their Management Letter and other reports.

Professor Michael Hughes  
Chair of the Board of Governors  
27 November 2002

## 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.

Professor Michael Hughes  
Chair of the Board of Governors  
27 November 2002

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

We have audited the financial statements which comprise the consolidated income and expenditure account, the balance sheet, the consolidated cash flow statement, the statement of total recognised gains and losses and the related notes on pages 14 to 36 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 and significant estimation techniques.

## **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 Financial Statements 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 2002, and of the surplus of income over expenditure, recognised gains & losses 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 in accordance with the financial memorandum dated August 2000 with the Higher Education Funding Council for England.

PricewaterhouseCoopers  
Chartered Accountants  
Birmingham  
27 November 2002

**CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT***For the Year Ended 31 July 2002*

	Note	Year to 31 July 2002 £'000	Year to 31 July 2001 £'000
<b>INCOME</b>			
Funding Council Grants	1	41,998	39,770
Academic Fees and Support Grants	2	19,190	19,019
Research Grants and Contracts	3	3,853	3,396
Other Operating Income	4	9,448	8,512
Endowment Income and Interest Receivable	5	269	346
<b>TOTAL INCOME</b>		<b>74,758</b>	<b>71,043</b>
<b>EXPENDITURE</b>			
Staff Costs	6	44,811	42,143
Depreciation	9,10	3,841	3,731
Other Operating Expenses	7	24,228	23,769
Interest Payable	8	2,100	2,231
<b>TOTAL EXPENDITURE</b>	9	<b>74,980</b>	<b>71,874</b>
<b>DEFICIT FOR THE YEAR BEFORE TAXATION</b>		<b>(222)</b>	<b>(831)</b>
<b>TAXATION</b>		<b>(7)</b>	<b>0</b>
<b>DEFICIT FOR THE YEAR AFTER TAXATION</b>	24	<b>(229)</b>	<b>(831)</b>
<b>NOTE OF HISTORICAL COST SURPLUS AND DEFICIT</b>			
		Year to 31 July 2002 £'000	Year to 31 July 2001 £'000
Reported deficit on ordinary activities		(229)	(831)
Difference between historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount		1,095	1,075
<b>HISTORICAL COST SURPLUS ON ORDINARY ACTIVITIES</b>		<b>866</b>	<b>244</b>

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

**BALANCE SHEET AS AT 31 JULY 2002**

		<b>GROUP</b>		<b>CORPORATION</b>	
		<b>Restated</b>			
	<b>Note</b>	<b>2002</b>	<b>2001</b>	<b>2002</b>	<b>2001</b>
		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>FIXED ASSETS</b>					
Tangible Assets	10	93,931	93,852	85,498	85,222
Investments	11	225	225	225	225
		<hr/>	<hr/>	<hr/>	<hr/>
		94,156	94,077	85,723	85,447
		<hr/>	<hr/>	<hr/>	<hr/>
ENDOWMENT ASSET INVESTMENTS	12	107	111	107	111
		<hr/>	<hr/>	<hr/>	<hr/>
<b>CURRENT ASSETS</b>					
Stocks	13	145	170	145	170
Debtors: Amounts falling due after more than one year	14	687	713	4,168	4,384
Debtors: Amounts falling due within one year	15	4,021	4,500	6,002	6,605
Pension Scheme prepayment	16	992	722	992	722
Cash at bank and in hand		5,257	4,612	5,208	4,574
		<hr/>	<hr/>	<hr/>	<hr/>
		11,102	10,717	16,515	16,455
		<hr/>	<hr/>	<hr/>	<hr/>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	17	8,242	7,986	8,640	8,487
		<hr/>	<hr/>	<hr/>	<hr/>
NET CURRENT ASSETS		2,860	2,731	7,875	7,968
		<hr/>	<hr/>	<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>97,123</b>	<b>96,919</b>	<b>93,705</b>	<b>93,526</b>
		<hr/>	<hr/>	<hr/>	<hr/>
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	18	25,351	26,963	28,832	30,634
		<hr/>	<hr/>	<hr/>	<hr/>
PROVISIONS FOR LIABILITIES AND CHARGES	19	4,456	4,455	4,455	4,455
		<hr/>	<hr/>	<hr/>	<hr/>
TOTAL ASSETS LESS LIABILITIES		<b>67,316</b>	<b>65,501</b>	<b>60,418</b>	<b>58,437</b>
		<hr/>	<hr/>	<hr/>	<hr/>

**BALANCE SHEET - continued**

		<b>GROUP</b>		<b>CORPORATION</b>	
	<b>Note</b>	<b>2002</b>	<b>2001</b>	<b>2002</b>	<b>2001</b>
		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Represented by:					
<b>DEFERRED CAPITAL GRANTS</b>	20	11,701	10,030	11,701	10,030
<b>ENDOWMENTS</b>					
Specific	21	107	111	107	111
<b>RESERVES</b>					
Capital Reserve	22	44,657	45,375	44,657	45,375
Revaluation Reserve	23	192	192	192	192
Income and Expenditure Account	24	10,659	9,793	3,761	2,729
		55,508	55,360	48,610	48,296
<b>TOTAL FUNDS</b>		<b>67,316</b>	<b>65,501</b>	<b>60,418</b>	<b>58,437</b>

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 8 to 36 were approved by the Board of Governors on 27 November 2002 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 2002 £'000	Year to 31 July 2001 £'000
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	26	<u>4,692</u>	<u>2,937</u>
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>			
Income from short term investments		269	346
Interest Paid		(2,094)	(2,218)
HEFCE reimbursement of interest paid		363	395
<b>NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>		<u>(1,462)</u>	<u>(1,477)</u>
<b>CAPITAL EXPENDITURE</b>			
Payments to acquire tangible fixed assets		(4,036)	(4,026)
Receipts from sales of tangible fixed assets		1	22
Deferred capital grants received		2,656	583
HEFCE reimbursement of principal repayments		<u>377</u>	<u>368</u>
<b>NET CASH OUTFLOW FROM CAPITAL EXPENDITURE</b>		<u>(1,002)</u>	<u>(3,053)</u>
<b>NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING</b>		<u>2,228</u>	<u>(1,593)</u>
<b>FINANCING</b>			
New loans acquired	27	19	7,400
Repayment of loans	27	(1,449)	(1,194)
Capital element of finance lease repayments	27	<u>(153)</u>	<u>( 140)</u>
<b>NET CASH (OUTFLOW)/INFLOW FROM FINANCING</b>		<u>(1,583)</u>	<u>6,066</u>
<b>INCREASE IN CASH FOR THE YEAR</b>	28,29	<u>645</u>	<u>4,473</u>

**CONSOLIDATED CASH FLOW STATEMENT - continued****RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT (NOTE 30)**

	<b>Year to 31 July 2002 £'000</b>	<b>Year to 31 July 2001 £'000</b>
Increase in cash in year	645	4,473
Repayment of debt	1,602	1,334
New loans	<u>0</u>	<u>(7,400)</u>
Movement arising from cash flows	2,247	(1,593)
New finance lease	<u>(19)</u>	<u>-</u>
<b>CHANGE IN NET DEBT</b>	<b>2,228</b>	<b>(1,593)</b>
<b>NET DEBT AT 1 AUGUST 2001</b>	<b><u>(23,944)</u></b>	<b><u>(22,351)</u></b>
<b>NET DEBT AT 31 JULY 2002</b>	<b><u>(21,716)</u></b>	<b><u>(23,944)</u></b>

**STATEMENT OF CONSOLIDATED TOTAL RECOGNISED GAINS AND LOSSES**

	<b>Year to 31 July 2002 £'000</b>	<b>Year to 31 July 2001 £'000</b>
Deficit for the year	(229)	(831)
Endowment income received	-	31
Reimbursement of inherited debt	377	368
	<hr/>	<hr/>
<b>TOTAL GAINS/(LOSSES) RECOGNISED SINCE LAST ANNUAL REPORT</b>	<b>148</b>	<b>(432)</b>
	<hr/>	<hr/>

## 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.

### **FRS 19 DEFERRED TAXATION**

FRS 19 has been adopted in the period. FRS 19 requires full provision to be made for deferred tax assets or liabilities arising from timing differences between recognition in the financial statements and in the tax computation.

Deferred taxation has been recognised as a liability or asset if transactions have occurred at the balance sheet date that give rise to an obligation to pay more taxation in future, or a right to pay less taxation in future. An asset is not recognised to the extent that the transfer of economic benefits in future is uncertain. Deferred tax assets and liabilities recognised have not been discounted.

### **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**

	<b>Year to 31 July 2002 £'000</b>	<b>Year to 31 July 2001 £'000</b>
<b>1. FUNDING COUNCIL GRANTS</b>		
Recurrent Grant		
HEFCE	39,050	36,710
FEFC	128	254
TTA	210	213
Research and Selective Initiatives	1,262	1,334
HEFCE Reimbursement of Inherited Liabilities	363	395
Release of Capital Grants		
Buildings	175	162
Equipment	810	702
	<b>41,998</b>	<b>39,770</b>
<b>2. ACADEMIC FEES AND SUPPORT GRANTS</b>		
Full-Time Students -UK/EU	11,660	12,139
Full-Time Students - Overseas	1,917	1,608
Part-Time Fees	1,027	908
Education Contracts	3,796	3,540
Short Course Fees	790	824
	<b>19,190</b>	<b>19,019</b>
<b>3. RESEARCH GRANTS AND CONTRACTS</b>		
Research Councils	187	146
UK Based Charities	97	71
UK Industry and Commerce	320	390
UK Central Government/Health Authorities	366	936
Teaching Company Schemes	385	253
European Community Programmes	1,622	1,099
Other Research Grants and Contracts	876	501
	<b>3,853</b>	<b>3,396</b>
<b>4. OTHER OPERATING INCOME</b>		
Residences, Catering and Conferences	4,993	4,814
Consultancy/Self Financing Fees	2,756	2,004
Other Rents/Lettings	300	304
Other Income	1,399	1,390
	<b>9,448</b>	<b>8,512</b>

**NOTES TO THE FINANCIAL STATEMENTS - continued**

	<b>Year to 31 July 2002 £'000</b>	<b>Year to 31 July 2001 £'000</b>
<b>5. ENDOWMENT INCOME AND INTEREST RECEIVABLE</b>		
Investment Income	267	344
Endowment Income	<u>2</u>	<u>2</u>
	<b><u>269</u></b>	<b><u>346</u></b>

**6. STAFF**

	<b>Ordinary Activities £'000</b>	<b>Exceptional Costs £'000</b>	<b>31 July 2002 Total £'000</b>	<b>31 July 2002 Total £'000</b>
<b>Staff Costs</b>				
Wages	38,708		38,708	36,836
Social Security Costs	2,658		2,658	2,635
Other Pension Costs	3,324		3,324	2,625
Redundancy Costs		<u>121</u>	<u>121</u>	<u>47</u>
	<b><u>44,690</u></b>	<b><u>121</u></b>	<b><u>44,811</u></b>	<b><u>42,143</u></b>
			<b>Year to 31 July 2002 £'000</b>	<b>Year to 31 July 2001 £'000</b>
Emoluments of the Vice-Chancellor			<u>125</u>	<u>120</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 £9,549 (2001: £8,699)

	<b>2002 Number</b>	<b>2001 Number</b>
<b>Average Staff Numbers by Major Category</b>		
Management	59	57
Academic	609	568
Administrative, Professional, Technical and Clerical Staff	890	898
Manual Staff	<u>216</u>	<u>194</u>
	<b><u>1,774</u></b>	<b><u>1,717</u></b>
<b>Remuneration of other higher paid staff, excluding employer's pension contributions</b>		
£50,000 - £59,999	14	12
£60,000 - £69,999	-	-
£70,000 - £79,999	<u>3</u>	<u>3</u>

**NOTES TO THE FINANCIAL STATEMENTS - continued**

	<b>Year to 31 July 2002 £'000</b>	<b>Year to 31 July 2001 £'000</b>
<b>7. OTHER OPERATING EXPENSES</b>		
Consumables	1,883	1,888
Equipment and Tools	3,697	3,755
Books and Periodicals	885	858
Printing - External and Internal	550	578
Protective Clothing/Laundry/Uniforms	136	31
Repairs and General Maintenance	1,783	2,301
Heat, Light, Water and Power	1,187	1,244
Rent and Rates	1,561	1,295
Staff and Student Development	1,207	1,496
Travel and Subsistence	1,212	1,178
Student Union Contributions	475	464
Auditors' Remuneration	33	32
Auditors' Remuneration in Respect of Non-Audit Services	34	41
Irrecoverable VAT Input Tax	1,731	1,860
Payments to Franchise Colleges	3,703	3,386
Telephones and Postages	803	783
Publicity and Prospectus	655	782
Vehicle Hire/Lease	232	206
Other Expenses	971	784
Professional Charges	592	499
Payment to International Partners	368	145
Security	303	238
Movement in Provision for Bad/Doubtful Debts	227	(75)
	<b>24,228</b>	<b>23,769</b>
<b>8. INTEREST PAYABLE</b>		
Loan not wholly repayable within five years	2,091	2,217
Finance Leases	9	14
	<b>2,100</b>	<b>2,231</b>

**9. ANALYSIS OF EXPENDITURE BY ACTIVITY**

	<b>Staff Costs £'000</b>	<b>Dep'n £'000</b>	<b>Other Operating Expenses £'000</b>	<b>Interest Payable £'000</b>	<b>Total £'000</b>
Academic Departments	28,397	841	9,159		38,397
Academic Services	4,427	1,298	2,734		8,459
Research Grants & Contracts	1,277	-	1,572		2,849
Residences, Catering & Conferences	1,330	316	3,626	1,034	6,306
Premises	1,629	1,244	2,570		5,443
Administration	6,232	142	3,392		9,766
Other Expenses	1,519	-	1,175	1,066	3,760
<b>Total Income and Expenditure Account</b>	<b>44,811</b>	<b>3,841</b>	<b>24,228</b>	<b>2,100</b>	<b>74,980</b>

The depreciation has been funded by:	£'000
Deferred Capital Grants Released (note 20)	985
Transfer from Capital Reserve (note 22)	1,095
General Income	1,761
	<u>3,841</u>

**NOTES TO THE FINANCIAL STATEMENTS - continued****10. TANGIBLE FIXED ASSETS - Group**

	<b>Freehold Land and Buildings</b> £'000	<b>Assets in Course of Construction</b> £'000	<b>Computer Equipment</b> £'000	<b>Leased Computer Equipment</b> £'000	<b>Other Equipment And Fittings</b> £'000	<b>Leased Equipment and Fittings</b> £'000	<b>TOTAL</b> £'000
<b>COST OR VALUATION</b>							
At 1 August 2001	108,001	896	10,289	351	4,379	851	<b>124,767</b>
Additions	840	2,478	213		483	22	<b>4,036</b>
Reclassifications	393	(709)	13		303		
Disposals	-		(453)		(185)	(65)	<b>(703)</b>
At 31 July 2002	109,234	2,665	10,062	351	4,980	808	<b>128,100</b>
<b>DEPRECIATION</b>							
At 1 August 2001	21,141	-	6,720	313	2,281	460	<b>30,915</b>
Elimination on disposals			(454)		(109)	(24)	<b>(587)</b>
Depreciation for year	2,153		1,098	11	450	129	<b>3,841</b>
At 31 July 2002	23,294	0	7,364	324	2,622	565	<b>34,169</b>
Net Book Value At 31 July 2002	85,940	2,665	2,698	27	2,358	243	<b>93,931</b>
Net Book Value At 31 July 2001	86,860	896	3,569	38	2,098	391	<b>93,852</b>

**NOTES TO THE FINANCIAL STATEMENTS - continued****10. TANGIBLE FIXED ASSETS - Corporation**

	<b>Freehold Land and Buildings</b> £'000	<b>Assets in Course of Construction</b> £'000	<b>Computer Equipment</b> £'000	<b>Leased Computer Equipment</b> £'000	<b>Other Equipment And Fittings</b> £'000	<b>Leased Equipment and Fittings</b> £'000	<b>TOTAL</b> £'000
<b>COST OR VALUATION</b>							
At 1 August 2001	97,972	895	10,251	351	4,189	851	<b>114,509</b>
Additions	840	2,478	213	-	445	22	<b>3,998</b>
Reclassifications	393	(709)	13		303		
Disposals			(453)		(176)	(65)	<b>(694)</b>
At 31 July 2002	99,205	2,664	10,024	351	4,761	808	<b>117,813</b>
<b>DEPRECIATION</b>							
At 1 August 2001	19,625	-	6,685	313	2,205	459	<b>29,287</b>
Elimination on disposals			(454)		(108)	(24)	<b>(586)</b>
Depreciation for year	1,957		1,098	11	418	129	<b>3,613</b>
At 31 July 2002	21,582	-	7,329	324	2,515	564	<b>32,314</b>
Net Book Value At 31 July 2002	77,623	2,664	2,695	27	2,246	244	<b>85,499</b>
Net Book Value At 31 July 2001	78,347	895	3,566	38	1,984	392	<b>85,222</b>

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**

	<b>2002</b>	<b>GROUP</b>	<b>CORPORATION</b>	<b>2001</b>
	£'000	£'000	£'000	£'000
Artefacts	192	192	192	192
Investments	33	33	33	33
	<hr/>	<hr/>	<hr/>	<hr/>
Total	<b>225</b>	<b>225</b>	<b>225</b>	<b>225</b>
	<hr/>	<hr/>	<hr/>	<hr/>

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.

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 2002.

**12. ENDOWMENT ASSET INVESTMENTS**

	<b>GROUP AND CORPORATION</b>	
	<b>2002</b>	<b>2001</b>
	£'000	£'000
Balance at 1 August 2001	111	77
Additions		31
Interest Received	2	6
Prize Fund payments	(6)	(3)
	<hr/>	<hr/>
<b>Balance at 31 July 2002</b>	<b>107</b>	<b>111</b>
	<hr/>	<hr/>
	<b>2002</b>	<b>2001</b>
Represented by:	£'000	£'000
Fixed interest stocks	7	7
Bank balances	100	104
	<hr/>	<hr/>
	<b>107</b>	<b>111</b>
	<hr/>	<hr/>

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

**NOTES TO THE FINANCIAL STATEMENTS - continued****13. STOCK****GROUP AND CORPORATION**

	<b>2002</b> £'000	<b>2001</b> £'000
Raw materials and consumables	<b>145</b>	<b>170</b>

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

	<b>GROUP</b>		<b>CORPORATION</b>	
	<b>2002</b> £'000	<b>2001</b> £'000	<b>2002</b> £'000	<b>2001</b> £'000
Amounts owed by subsidiary undertaking	-	-	3,481	3,671
Amounts owed under joint arrangement with Tamworth and Lichfield College (note 10)	<b>687</b>	713	<b>687</b>	713
	<b>687</b>	<b>713</b>	<b>4,168</b>	<b>4,384</b>

**15. DEBTORS: Amounts falling due within one year**

	<b>GROUP</b> Restated		<b>CORPORATION</b>	
	<b>2002</b> £'000	<b>2001</b> £'000	<b>2002</b> £'000	<b>2001</b> £'000
Trade debtors	2,635	2,539	2,591	2,718
Amounts owed by subsidiary undertakings	-	-	2,051	1,935
Other debtors	745	733	723	729
Prepayments and accrued income	<b>641</b>	1,228	<b>637</b>	1,223
	<b>4,021</b>	<b>4,500</b>	<b>6,002</b>	<b>6,605</b>

**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 £992,000 (2001: £722,000) 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:**

	<b>GROUP</b>		<b>CORPORATION</b>	
	<b>2002</b>	<b>2001</b>	<b>2002</b>	<b>2001</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Loans	1,557	1,453	1,747	1,643
Obligations under finance leases	64	140	64	140
Trade creditors	2,152	2,223	2,144	2,181
Amounts owed to subsidiary undertakings	-	-	266	574
Other taxation and social security	1,470	1,385	1,439	1,365
Other creditors	854	741	841	741
Accruals and deferred income	2,145	2,044	2,139	1,843
	<b>8,242</b>	<b>7,986</b>	<b>8,640</b>	<b>8,487</b>

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

	<b>GROUP</b>		<b>CORPORATION</b>	
	<b>2002</b>	<b>2001</b>	<b>2002</b>	<b>2001</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Bank loan account	18,968	19,709	18,968	19,709
Staffordshire County Council loan account	4,466	4,854	4,466	4,854
Building Society Mortgage	1,886	2,311	1,886	2,311
Obligations under finance leases	31	89	31	89
Amounts owed to subsidiary company	-	-	3,481	3,671
	<b>25,351</b>	<b>26,963</b>	<b>28,832</b>	<b>30,634</b>

**LOAN OBLIGATIONS**

	<b>GROUP</b>		<b>CORPORATION</b>	
	<b>2002</b>	<b>2001</b>	<b>2002</b>	<b>2001</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Between one and two years	1,597	1,556	1,787	1,746
Between two and five years	5,552	5,228	6,122	5,798
Over five years	19,941	20,090	20,891	23,001
	<b>27,090</b>	<b>26,874</b>	<b>28,800</b>	<b>30,545</b>
Within one year	1,557	1,453	1,747	1,643
	<b>28,647</b>	<b>28,327</b>	<b>30,547</b>	<b>32,188</b>

**NOTES TO THE FINANCIAL STATEMENTS - continued**

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

<b>Original Loan £'000</b>	<b>Outstanding Balance at 31 July 2002 £'000</b>	<b>Interest Basis</b>	<b>Repayment Terms</b>	<b>Security</b>
3,000	2,216	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	1,499	8.5% 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	2,588	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	3,456	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	1,130	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	1,422	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	7.5% 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 2002 the current interest rate was 6.9%.

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 four 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**

	<b>Pension Enhancement £'000</b>	<b>Deferred Taxation £'000</b>	<b>2002 Total £'000</b>	<b>2001 Total £'000</b>
At 1 August 2001	4,455	-	4,455	4,790
Utilised in the year	-	1	1	(335)
<b>At 31 July 2002</b>	<b>4,455</b>	<b>1</b>	<b>4,456</b>	<b>4,455</b>

**20. DEFERRED CAPITAL GRANTS**

**GROUP AND CORPORATION**

	<b>Buildings £'000</b>	<b>Equipment £'000</b>	<b>2002 Total £'000</b>	<b>2001 Total £'000</b>
At 1 August 2001	7,056	2,974	10,030	10,311
Add cash received	1,376	1,280	2,656	583
Released to Income and Expenditure	(176)	(809)	(985)	(864)
<b>At 31 July 2002</b>	<b>8,256</b>	<b>3,445</b>	<b>11,701</b>	<b>10,030</b>

**21. ENDOWMENTS RESERVE**

**GROUP AND CORPORATION**

	<b>2002 Specific £'000</b>	<b>2001 Specific £'000</b>
At 1 August 2001	111	77
Net Income for year	(4)	34
<b>At 31 July 2002</b>	<b>107</b>	<b>111</b>

**NOTES TO THE FINANCIAL STATEMENTS - continued****22. CAPITAL RESERVE****GROUP AND CORPORATION**

	<b>2002</b>	<b>2001</b>
	£'000	£'000
At 1 August 2001	45,375	46,083
Add HEFCE reimbursement of loan repayments	377	367
Less Release of capital reserve (note 9)	<u>(1,095)</u>	<u>(1,075)</u>
<b>At 31 July 2002</b>	<b><u>44,657</u></b>	<b><u>45,375</u></b>

**23. REVALUATION RESERVE****GROUP AND CORPORATION**

	<b>2002</b>	<b>2001</b>
	£'000	£'000
<b>As at 31 July</b>	<b><u>192</u></b>	<b><u>192</u></b>

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

**24. INCOME AND EXPENDITURE ACCOUNT**

	<b>2002</b>	<b>2001</b>
	£'000	£'000
<b>GROUP</b>		
At 1 August 2001 as restated	9,793	9,545
Deficit for the year	(229)	(831)
Prior year adjustment for deferred taxation	0	4
Transfer from capital reserve	<u>1,095</u>	<u>1,075</u>
<b>At 31 July 2002</b>	<b><u>10,659</u></b>	<b><u>9,793</u></b>
<b>CORPORATION</b>		
At 1 August 2001	2,729	2,311
Deficit for the year	(63)	(657)
Transfer from capital reserve	<u>1,095</u>	<u>1,075</u>
<b>At 31 July 2002</b>	<b><u>3,761</u></b>	<b><u>2,729</u></b>

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

	<b>2002</b> £'000	<b>2001</b> £'000
Obligations under finance leases fall due as follows:		
Within one year	64	140
Between one and two years	22	73
Between two and five years	9	16
	<u>95</u>	<u>229</u>

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

	<b>2002</b> £'000	<b>2001</b> £'000
Within one year	224	224
Between two and five years	183	230
	<u>407</u>	<u>454</u>

**NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT****26. NET CASH FLOW FROM OPERATING ACTIVITIES**

	<b>Year to 31 July 2002 £'000</b>	<b>Year to 31 July 2001 £'000</b>
Deficit for the year before transfers from reserves	(229)	(831)
Interest Receivable	(269)	(346)
HEFCE Reimbursement Receivable	<u>(363)</u>	<u>(395)</u>
	<u>(861)</u>	<u>(1,572)</u>
Add back interest payable	<u>2,100</u>	<u>2,231</u>
Surplus from operating activities	1,239	659
Release of capital grant	(985)	(864)
Depreciation	3,841	3,731
Loss on sale of fixed assets	116	151
Decrease in stock	25	(12)
Decrease in debtors	235	(500)
Increase in creditors	220	107
Decrease in provisions	<u>1</u>	<u>(335)</u>
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	<b><u>4,692</u></b>	<b><u>2,937</u></b>

**27. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR**

	<b>Building Society Mortgage £'000</b>	<b>LEA Loan Account £'000</b>	<b>Finance Leases £'000</b>	<b>Bank Loans £'000</b>
Balance at 1 August 2001	2,696	5,234	229	20,397
Cash outflows from financing	(388)	(377)	(153)	(684)
New Lease	<u>          </u>	<u>          </u>	<u>19</u>	<u>          </u>
<b>Balance at 31 July 2002</b>	<b><u>2,308</u></b>	<b><u>4,857</u></b>	<b><u>95</u></b>	<b><u>19,713</u></b>

**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 2001	4,612
Net cash inflow	645
	<hr/>
<b>Balance at 31 July 2002</b>	<b>5,257</b>
	<hr/>

**29. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS**

	<b>2002</b> £'000	<b>2001</b> £'000	<b>2002</b> Change in Year £'000	<b>2001</b> £'000	<b>2000</b> £'000	<b>2001</b> Change In Year £'000
<b>Cash at bank and in hand</b>	<b>5,257</b>	<b>4,612</b>	<b>645</b>	<b>4,612</b>	<b>139</b>	<b>4,473</b>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

**30. ANALYSIS OF CHANGES IN NET DEBT**

	<b>August</b> <b>2001</b> £'000	<b>Cash</b> <b>Flows</b> <b>2002</b> £'000	<b>Other</b> <b>Movements</b> £'000	<b>July</b> <b>2002</b> £'000
Cash in hand, at bank	4,612	645		5,257
Debt due within 1 year	(1,453)	1,453	(1,557)	(1,557)
Debt due after 1 year	(26,874)	(4)	1,557	(25,321)
Finance Leases	(229)	134		(95)
	<hr/>	<hr/>	<hr/>	<hr/>
	<b>(23,944)</b>	<b>2,228</b>	<b>0</b>	<b>(21,716)</b>
	<hr/>	<hr/>	<hr/>	<hr/>

**31. CAPITAL COMMITMENTS****GROUP AND CORPORATION**

	<b>2002</b> £'000	<b>2001</b> £'000
<b>Contracted for</b>	<b>636</b>	<b>4,696</b>
	<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 31<sup>st</sup> July 2002 amounted to £4.0m.

**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 and the results of the assessment as at 31 March 2001 is awaited when the rates below will be reviewed. 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	8.5% per annum
Salary scale increases	6.5% per annum
Pensions increases	5.0% 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%

**NOTES TO THE FINANCIAL STATEMENTS – continued**

During the year all employers have paid the same contribution rate; 1 August 2001 to 31 March 2002 7.2% plus 0.2% in respect of benefit improvements to the scheme. From 1 April 2002 to date the contribution rate was 8.35%. The DfES announced in 1996 that from the 2001 valuation the cost of the increase for TPS pensions would be included as part of calculating contributions to the scheme. The government Actuary is still preparing the valuation. The TPS is an unfunded statutory scheme and this measure is intended to make it operate more like a privately funded scheme. Up until now the cost has been borne directly by the Treasury. That cost has been transferred to the scheme and the Government state clearly that the Spending Review for education (including HE) includes an additional 4.75% to fund the increase and hence there should be no increase in public expenditure. The intention to fund the additional cost of adding the pension increase would bring the contribution level of 13.1%, however, there are other costs expected to arise from the 2001 valuation as a result of changes within the scheme itself, the details of which are not yet available, which could bring the contribution to 14%.

**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.

The latest formal valuation of the Staffordshire County Council Pension Fund for funding purposes was at 31 March 2001. A valuation of the Fund's liabilities as at 31 July 2002 has been undertaken by the Fund's actuary. The following valuation data has been used for the purposes of this disclosure.

- The membership data submitted for the previous formal valuation as at 31 March 2001;
- Actual contribution income to 31 July 2002.
- Employee contributions in relation to Staffordshire University, to estimate the pensionable payroll since full information on the total pensionable payroll is not available (any inaccuracies in the provision of data in relation to employee contributions will have a corresponding impact of the estimated pensionable payroll amounts); and
- Other relevant information provided by Staffordshire County Council as the administering authority to the Fund in relation to Staffordshire University in the period since the previous valuation, estimated where necessary.

**FRS 17**

The following information is based upon a full actuarial valuation of the Fund at 31 March 2001, updated to 31 July 2002 by a qualified independent actuary.

	<b>At 31 July 2002</b>	<b>At 31 July 2001</b>
Inflation	2.4%	2.5%
Rate of increase in salaries	3.9%	4.0%
Rate of increase for pensions	2.4%	2.5%
Discount rate for liabilities	6.0%	5.7%

**NOTES TO THE FINANCIAL STATEMENTS – continued**

The assets in the scheme (of which the Group's share is estimated at 2.27%) and the expected rates of return were:

	<b>Long-term rate of return expected at 31 July 2002</b>	<b>Value at 31 July 2002 £'000</b>	<b>Long-term rate of return expected at 31 July 2001</b>	<b>Value at 31 July 2001 £'000</b>
Equities	8.0%	1,085,369	7.0%	1,109,818
Bonds	5.5%	212,371	5.5%	220,430
Property	6.0%	147,745	6.0%	134,230
Cash	4.0%	<u>45,717</u>	4.0%	<u>50,148</u>
Total Market Value of Assets		<u>1,491,202</u>		<u>1,514,626</u>
		<b>Year Ended 31 July 2002 £'000</b>	<b>Year Ended 31 July 2001 £'000</b>	
Group's estimated asset share		33,924	35,828	
Present value of scheme liabilities		<u>(50,315)</u>	<u>(44,009)</u>	
Deficit in the scheme		<u>(16,391)</u>	<u>(8,181)</u>	

Under the transitional arrangements of FRS 17, no provision has been made by the Group for the Institution's share of the deficit of the scheme. If provision were made, the following entries would be made:

**Balance Sheet Presentation**

	<b>Year Ended 31 July 2002 £'000</b>	<b>Year Ended 31 July 2001 £'000</b>
Net assets excluding FRS17 asset	70,779	69,234
Net pension liability	<u>(16,391)</u>	<u>(8,181)</u>
Net assets including FRS17 pensions asset	<u>54,388</u>	<u>61,053</u>

**NOTES TO THE FINANCIAL STATEMENTS – continued****Reserves Note**

	<b>Year Ended 31 July 2002 £'000</b>	<b>Year Ended 31 July 2001 £'000</b>
Income and expenditure account excluding FRS17 pension asset	10,659	9,793
Pension Reserve	<u>(16,391)</u>	<u>(8,181)</u>
Income and expenditure account including FRS 17 pension liability	<u>(5,732)</u>	<u>1,612</u>

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

**Analysis of the amount charged to Income and Expenditure account**

	<b>Year Ended 31 July 2002 £'000</b>
Service cost	1,550
Past service cost	<u>0</u>
Total operating charge	<u>1,550</u>

**Analysis of net return on pension return**

	<b>Year Ended 31 July 2002 £'000</b>
Expected return on pension scheme assets	2,368
Interest on pension liabilities	<u>(2,509)</u>
Net Return	<u>(141)</u>

**NOTES TO THE FINANCIAL STATEMENTS – continued****Amount recognised in the statement of total recognised gains and losses (STRGL)**

	<b>Year Ended 31 July 2002 £'000</b>
Actual return less expected return on pension scheme assets	(8,686)
Experience gains and losses arising on the scheme liabilities	(2,788)
Changes in financial and demographic assumptions underlying the present value of liabilities	<u>3,336</u>
Actuarial loss recognised in STRGL	<u>(8,138)</u>

**Movement in surplus/(deficit) during the year**

	<b>Year Ended 31 July 2002 £'000</b>
Deficit in scheme at 1 August	(8,181)
Movement in year:	
Current service charge	(1,550)
Contributions	1,619
Past service costs	0
Net interest/return on assets	(141)
Actuarial gain or loss	<u>(8,138)</u>
<b>Deficit in scheme at 31 July</b>	<b><u>(16,391)</u></b>

**History of experience gains and losses (In practice, from 2006, 5 years must be shown)**

Difference between the expected and actual return on assets	(8,686)
% of scheme assets	(25.6%)
Experience gains and losses on scheme liabilities	(2,788)
% of scheme liabilities	(6.3%)
Total amount recognised in STRGL	(8,138)
% of scheme liabilities	(18.4%)

**NOTES TO THE FINANCIAL STATEMENTS – continued****Employers and Employees Total Contributions**

	<b>Year Ended 31 July 2002 £'000</b>	<b>Year Ended 31 July 2001 £'000</b>
Contributions to TPS	1,690	1,394
Contributions to LGPS	1,633	1,233

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	1,603
Variations from regular cost based on a constant percentage of current and estimated future earnings over the average service lives of current employees	412
	<hr/>
	2,015
	<hr/>

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 22)

The total pension charge for the year was £3,323,733 (2001: £2,625,801). 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 (2001: £4,455,051) 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 2002 are summarised below.

Results for the year are:

	<b>2002</b> £'000	<b>2001</b> £'000
<b>INCOME</b>	<u>923</u>	<u>880</u>
<b>EXPENDITURE</b>		
Administration Expenses	288	298
Communication	84	83
Education	15	15
Finance	93	81
Information Technology	25	27
Student Activity	232	267
Personnel/Welfare	108	103
Representation	<u>64</u>	<u>63</u>
	<u>909</u>	<u>937</u>
<b>Surplus/(Deficit) for Year</b>	<u>14</u>	<u>(57)</u>

**35. ACCESS FUNDS**

	<b>Year to</b> <b>31 July</b> <b>2002</b> £'000	<b>Year to</b> <b>31 July</b> <b>2001</b> £'000
Funding Council Grants	1,145	1,103
Interest Earned	<u>5</u>	<u>10</u>
	1,150	1,113
Disbursements to Students	<u>(1,056)</u>	<u>(978)</u>
Balance Unspent 31 July 2002	<u>94</u>	<u>135</u>

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.