

Financial
Statements
and
Governors' Report

2007/08

GOVERNORS, EXECUTIVES AND ADVISERS

Board of Governors

Graham Stow (Chair)
David Dry (Deputy Chair)
Steve Burgin
Akthar Choudhury (to 29.9.08)
Ken Crossland
The Very Reverend Adrian Dorber
John Edwards (to 29.09.08)
Lady Ann Fender
Alan Fernyhough
Martin Fiddler
Sharon Gwinneth
Ron Hilton (from 29.09.08)
Professor Christine King
Karen Moir (to 29.09.08)
Keith Norris
Fred Pritchard (from 1.7.08)
Steve Robinson (to 29.09.08)
Laura Rowley (from 29.09.08)
Ann Spears
Fiona Ward for academic year 2008/09

Executive Team

Professor Christine King	Vice-Chancellor
Paul Richards	Deputy Vice-Chancellor
Ken Sproston	University Secretary
Neil Scott	Finance Director
Gill Howland	Executive Pro Vice-Chancellor
Ian Blachford	Director of Human Resources

Auditors

KPMG LLP
2 Cornwall Street
Birmingham
B3 2DL

Bankers

Lloyds TSB Plc
5 Market Square
Stafford
ST16 2JL

Solicitors

Martineau
No 1 Colmore Square
Birmingham
B4 6AA

REPORT OF THE GOVERNORS

The Governors submit their annual report and audited accounts for the year ended 31 July 2008.

OPERATING AND FINANCIAL REVIEW

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 result 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 the subsidiary undertakings are transferred back to the University under a covenant arrangement.

The University's Strategy and Vision

The University's latest strategic plan, 2007-2012, is a dynamic response to the increasingly competitive environment of higher education. Our students and other customers have rising expectations of quality of service and value for money. This presents the University with real challenges and great opportunities. Our strategic plan will enable the University to meet and exceed these demands.

We are an organisation that specialises in learning and knowledge and it is in this area, our core activity, that we intend to make the major impact. We will not only continue to work for the highest quality standards but will be seeking to diversify our student base and to deliver in ways that are flexible and even more customer focused. The learning community will reflect an even wider range of ages and backgrounds. Students will be able to learn in a variety of modes and within a flexible calendar and timetable. We will be creating a new and accessible model of learning and research that will differentiate us and identify us as leaders in our field.

Our strategic plan seeks to invest in our people, facilities and products. We will refresh or rebuild our campuses; our programmes will be market facing and the first choice for an ever growing percentage of our students. We will grow student numbers and income, moving from a balanced budget to a financial surplus. This will allow the University to fund ongoing investment, within a sustainable financial model and ensure the University continues to flourish in a climate of constant change.

Results for the Year

The University's consolidated income, expenditure and results for the year to 31st July 2008 are summarised as follows:

	2007/8	2006/7	2005/6
	£'000	£'000	£'000
Income	105,667	95,332	89,053
Expenditure	105,927	96,306	90,800
Surplus/(deficit) on continuing operations after depreciation at valuation	(260)	(974)	(1,747)
Historical Cost Surplus	816	101	(672)

In 2007/8 the University and its subsidiaries made an historical cost surplus of £0.8 million, compared with a surplus of £0.1 in 2006/7 and a deficit of £(0.7) million in 2005/6. Income grew by 11% to £105.7 million, whilst year on year operating costs increased by 10% to £106.0 million. These results include the impact of FRS17 – Accounting for Retirement Benefits. The impact of this accounting standard was to reduce the current year surplus by £(0.8) million (*2006/7 by £(0.8) million*). The achievement of a surplus reflects the University's strategy to move from a balanced budget to an annual surplus of around 5% of income.

Cashflow and Capital Investments

The table below summarises the major cash movements during the year ended 31st July 2008; this includes capital investments:

Cashflow	2007/8	2006/7	2005/6
	£'000	£'000	£'000
Net inflow from operating activities	4,072	1,703	3,693
Net outflow from servicing of finance	(101)	(619)	(646)
Capital Expenditure	(7,060)	(3,690)	(4,966)
Adjusted Net inflow before financing a/	1,760	249	1,057
Increase/(decrease in cash for year)	2,930	(1,409)	(700)

The net cash inflow before financing has been adjusted in 2005/6 to remove the effect of a one-off reimbursement by HEFCE of principal repayments

The consolidated Cash Flow Statement shows cash inflows from operating activities of £4.1 million (2006/7 £1.7 million). Overall there was a cash inflow, for the year ended 31st July 2008, of £2.9 million (2006/7 outflow £(1.4) million). Payments to acquire and improve fixed assets totalled £7.1 million (2006/7 £3.7 million). The increase in capital expenditure reflects the University's strategy to invest in its facilities, to provide an infrastructure to meet the demands of its students and other customers.

A significant proportion of the expenditure this year was used to refurbish the Beacon Building at our Stafford Campus. This investment has improved the external and internal environment of 5,400 square meters of key teaching space, and was another stage in the upgrading of the existing physical infrastructure on this campus. The improvement in the building's insulation and heating systems will also reduce considerably the energy usage of the Stafford campus.

During the year the University also continued to invest in the upgrading of its computing and specialist technology infrastructure. This included investment in our Stoke Media Centre and in new HD capability for our Entertainment Technology courses at Stafford.

Pension Liability

Retirement benefits for employees of the University are provided by defined benefit schemes. The financial results include the impact of Financial Reporting Standard 17 – Accounting for Retirement Benefits (FRS17) for the benefits covered by the Local Government Pension Scheme (LGPS). This accounting standard requires the inclusion, within the accounts,

for the University's share of any net deficit in the scheme. Full disclosures can be found in note 31- Pension Costs. As at 31 July 2008 the Group's estimated share of the LGPS net deficit was £30.1 million (2006/7 £20.7 million).

The Teachers' Pension Scheme (TPS) is deemed a multi-employer scheme, and the University's share of its assets and liabilities cannot be separately identified. As such the University has taken advantage of the exemption in FRS17 and has accounted for its contributions to the scheme as if it were a defined contribution scheme.

Liquidity and Long-term Financing

The University's net debt, as at 31 July 2008, was £1.1 million, compared with the previous year of £2.9 million. Cash at bank and in hand was £14.8 million (2006/7 £11.9 million).

On 17th September 2007 the University refinanced its existing loans, of £14.8 million, with a new term loan of £16 million, repayable over 27 years. The interest payable on this loan was fixed at 5.2%; for its duration. This represented a considerable reduction in the average interest-rate payable. The loan is part of a larger Convertible Revolving Credit Facility (CRCF) of £50 million. This facility was provided by Lloyds TSB, its purpose to provide funding for the University's extensive capital programme over the next five years.

Treasury and Financing

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 increased to £874,000 in 2007/8 (£807,000 in 2006/7) due to a mixture of slightly higher interest rates and larger cash deposits. Interest payable reduced to £967,000 (£1,416,000) as a result of the refinancing in September 2007.

Payment of Creditors

It is the University's policy to obtain the best terms for all business and therefore terms are negotiated individually with suppliers. The University's policy is to abide by the specific terms made in those agreements.

Employment of Disabled Persons

Applications by disabled persons for employment and admission to courses of study or research are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of existing staff and students becoming disabled every effort is made to ensure that their employment or study with the University continues and that appropriate training and support is arranged. It is the policy of the University that the training, career development and promotion and opportunities to undertake study and research should, as far as possible, be identical for all staff and students.

Governors' Remuneration

Governors receive no remuneration from the University in respect of activities undertaken while acting as Governors, other than in some circumstances travelling expenses.

Governor's Insurance

The University maintains insurance for Governors in respect of their duties as Governors of the institution.

Current and Future Developments

For several years the University has been pursuing an ambitious and innovative project to create a University Quarter (UQ), in the centre of Stoke. This £200 million project has required close collaboration with Stoke FE College, Stoke Sixth-form College, Stoke-on-Trent City Council and other local and regional bodies. During the past year the regeneration concept plan was completed, as was initial work on the campus master plan. Shared projects have been identified and outline designs completed. Funding for these ambitious projects, including resources from the University, Learning and Skills Council (LSC), Advantage West Midlands (AWM) and The Higher Education Funding Council (HEFCE), is close to being finalised. Key site acquisitions are already underway, supported by funding from AWM.

The refurbishment of our Stafford Campus received a major boost with the completion of the external refurbishment of the Beacon Building. Further plans are underway to enhance the configuration and vibrancy of this campus, including plans for new on-campus accommodation.

The University continues to invest in its staff, with many initiatives underway. These include the development of a new staff charter, an improved framework to enhance leadership and management, the first Celebrating Staff Success Awards Event, new flexible working arrangements and a revised performance management process.

The University has been successful in developing its relationship with employers, providing training on-site

for large and medium-sized companies. Staffordshire has also been awarded funding by HEFCE to develop its Employer-Engagement activities. This has enabled the University to build a dedicated team, which will drive forward our relationship with employers and enhance our offer to potential customers.

Our core business, providing excellent teaching for our students, has continued to grow. There were marked increases in student numbers at our partner colleges within the Staffordshire University Regional Federation (SURF). In addition a new collaboration with the National Design Academy (NDA) increased our part-time undergraduate numbers by over 400.

These successes reflect the University's strategy of flexibility and customer focus, offering courses close to students.

We continue to build on the success of our 'fast-track' two year degrees, and supporting the development of Foundation Degrees; Staffordshire University 'hosts' the national body Foundation Degree Forward (FDF).

The University has made progress in the areas of Environment and Sustainability. During the year the University appointed its first Environmental Officer, launched its Environmental Policy, established a Green Group, defined its carbon footprint and cemented its participation in the Staffordshire Local Area Agreement programme on Climate Change.

The Future - Risks and Uncertainties

Key to the University's future success will be its ability to attract and retain students and other customers. The widely reported demographic decline in the numbers of 18-21 year-olds will make this vital segment increasingly competitive, and represents a challenge to all Universities, especially those, like Staffordshire, for whom this represents a significant part of their income. The University recognises this challenge and is working to widen its customer-base and appeal beyond traditional full-time undergraduates.

The introduction of increased tuition fees, for UK and EU undergraduates, has provided the sector with a strong source of revenue growth. The academic year 2008/9 will be last year to benefit from this increase. There is also uncertainty about future government policy on tuition fees, and whether the existing cap will be removed. Staffordshire University will prepare pricing plans to ensure it is ready for any change in policy.

Proposed changes in the HEFCE funding methodology may affect the sector, as will any changes to the public sector funding settlement. The University will continue to diversify its income and strengthen its financial resources, to ensure it is able to meet any future shifts in public funding.

The University offers generous retirement benefits to its employees. These pension schemes are becoming increasingly expensive, and the liabilities are growing at an increasing rate. The University recognises its share of the net liability of the Local Government Pension Scheme; currently £30.1 million. The uncertainty around future pension funding and liabilities is a significant risk to the University.

The University Quarter represents an ambitious plan to reinvigorate our Stoke campus and its immediate environment. The University will invest considerable amounts in this collaborative project, largely funded through borrowing. The scale of this project, and the consequential debt, is significant, and will increase the University's operational gearing. Whilst vital to the future success of the University, this project will require the delivery of improved operating and financial performance.

Since the end of the University's financial year the economic outlook has deteriorated. The impact of the credit crunch has spread from the banking sector to the wider national and international economies. It is too early to quantify the likely impact upon the University, and the wider sector, however a prolonged downturn will bring risks, notably to recruitment and increased default on payments from debtors.

The University is confident that its strategic plan, financial resources and strong foundations will ensure a vibrant and exciting future for the Institution, its staff, partners, students and other customers.

Graham Stow
Chair of the Board of Governors
24 November 2008

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 the revised Combined Code on Corporate Governance issued by the London Stock Exchange in July 2003. Its purpose is to assist readers of the Financial Statements to understand how the principles have been applied.

Throughout the year ended 31 July 2008, 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 supports, and is guided by, the Guide for Members of Governing Bodies of Universities and Colleges in England and Wales and Northern Ireland that was reissued by the Committee of University Chairmen (CUC) in November 2004.

In addition the Governing Body has also formally accepted the CUC's Governance Code of Practice and General Principles issued in November 2004. In this connection the Governing body has also agreed the following:

Statement of Primary Responsibilities of the Board of Governors

Section 3(i) of the University's Instrument of Government states that the Board of Governors shall be responsible for:

- (a) the determination of the educational character and mission of the University and for oversight of its activities;
- (b) the effective and efficient use of resources, the solvency of the institution and the Corporation and for safeguarding their assets;
- (c) approving annual estimates of income and expenditure;
- (d) the appointment, grading, assignment, appraisal, suspension, dismissal and determination of the pay and conditions of service of holders of senior posts; and
- (e) setting a framework for the pay and conditions of service of all other staff.

In particular the Board will:

- (a) approve the mission and strategic vision of the institution, long term business plans, key performance indicators (KPI's) and annual budgets, and ensure that these meet the interests of stakeholders.

- (b) appoint the head of the institution as chief executive of the institution and put in place suitable arrangements for monitoring his/her performance;
- (c) ensure the establishment and monitoring systems of control and accountability, including financial and operational controls and risk assessment, clear procedures for handling internal grievances and for managing conflicts of interest;
- (d) monitor institutional performance against plans and approved KPI's, which, where possible and appropriate, be benchmarked against other institutions.

This statement is also available on the University's website.

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 four times a year and has five Committees; an Employment and Finance committee, a Nominations and Governance 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 a regular 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 and Governance committee considers nominations for vacancies in the Governing Body membership and the reappointment of members under the Instrument of Government. It also advises the Governing Body on general governance matters.

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 considers 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 financial year ended 31 July 2008.

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 senior managers of the University. 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.

Statement of Internal Control

As the Governing Body of Staffordshire University, we have responsibility for maintaining a sound system of internal control that supports the achievement of policies, aims and objectives, while safeguarding the public and other funds and assets for which 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. This process has been in place for the year ended 31st July 2008 and up to the date of approval of the Financial Statements.

As the Governing Body, we have responsibility for reviewing the effectiveness of the system of internal control. The following processes have been established.

- We meet five times a year to consider the plans and strategic direction of the University.
- We receive periodic reports from the Chair of the Audit Committee concerning internal control, and we require regular reports from managers on the steps they are taking to manage risks in their areas on responsibility, including progress reports on key projects. Risk management is a regular item on the agendas of both the full Board and its Committees.
- We have requested the Audit Committee to provide oversight of the risk management process.
- The Audit Committee receives regular reports from the firm of accountants contracted to provide an internal audit service which includes their independent opinion on the adequacy and effectiveness of the University's system of internal control, together with recommendations for improvement.
- A programme of facilitated workshops is held to identify and keep up to date the record of risks facing the organisation.
- A programme of risk awareness training is underway in order to increase awareness at all levels within the organisation.
- A system of key performance and risk indicators has been developed.
- A robust risk prioritisation methodology based on risk ranking has been established.
- An organisation-wide risk register is maintained and annually updated.
- Reports are received from budget holders and project managers on internal control activities.

- Other sub-committees of the Board, notably the Employment and Finance Committee and Estates Committee, consider financial, employment and estates issues, and review the effectiveness of management in monitoring and controlling the consequences of these issues.

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 September 2004. 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.

Graham Stow
Chair of the Board of Governors
24 November 2008

RESPONSIBILITIES OF THE GOVERNING BODY OF STAFFORDSHIRE UNIVERSITY

In accordance with the Education Reform Act 1988, the Governing Body of Staffordshire University is responsible, inter alia, 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 Employment and Finance committee and the Board of Governors.
- clear definitions of the responsibilities of, and the authority delegated to, Faculty Pro Vice-Chancellors/Deans 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.

Graham Stow
Chair of the Board of Governors
24 November 2008

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

We have audited the Group University financial statements (the "financial statements") of Staffordshire University for the year ended 31 July 2008 which comprise the Group Income and Expenditure Account, the Group and University Balance Sheets, the Group Cash Flow Statement, the Group statement of total recognised gains and losses and the related notes. These financial statements have been prepared under historical cost convention (as modified by the revaluation of certain fixed assets) and in accordance with the accounting policies set out therein.

This report is made solely to the Board of Governors, in accordance with paragraph 13(2) of the University's Articles of Government and section 124B of the Education Reform Act 1988. Our audit work has been undertaken so that we might state to the Board of Governors those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board of Governors, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the University's Board of Governors and Auditors

The University's Board of Governors responsibilities for preparing the Financial Statements and Governors' Report in accordance with the Accounts Direction issued by the Higher Education Funding Council for England, the Statement of Recommended Practice: Accounting for Further and Higher Education, applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Responsibilities on page 6.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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. We also report to you whether income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the University have been properly applied only for the purposes for which they were received and whether, in all material respects, income has been applied in accordance with the Statutes and, where appropriate, with the Financial Memorandum with the Higher Education Funding Council for England and with the Training and Development Agency. We also report to you whether in our opinion the Governors' Report is not consistent with the financial statements, if the University has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the Governors' Report and the Corporate Governance Statement and consider the implications for our report if we become aware of any apparent misstatements within them or material inconsistencies with the financial statements.

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 University's Board of Governors in the preparation of the financial statements and of whether the accounting policies are appropriate to the Group and 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:

- § the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of affairs of the University and the Group as at 31 July 2008 and of the Group's deficit of income over expenditure for the year then ended;
- § the financial statements have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education;
- § in all material respects, income from the Higher Education Funding Council for England and the Training and Development Agency, grants and income for specific purposes and from other restricted funds administered by the University during the year ended 31 July 2008 have been applied for the purposes for which they were received; and
- § in all material respects, income during the year ended 31 July 2008 has been applied in accordance with the University's statutes and, where appropriate, with the financial memorandum with the Higher Education Funding Council for England and the Financial Memorandum with the Training and Development Agency.

KPMG LLP

*Chartered Accountants
Registered Auditor
24 November 2008*

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT

For the Year Ended 31 July 2008

	Note	Year to 31 July 2008 £'000	Year to 31 July 2007 £'000
INCOME			
Funding Council Grants	1	57,562	50,412
Academic Fees and Education Contracts	2	32,581	27,503
Research Grants and Contracts	3	502	725
Other Operating Income	4	14,148	15,885
Endowment Income and Interest Receivable	5	874	807
TOTAL INCOME		105,667	95,332
EXPENDITURE			
Staff Costs	6	61,098	55,976
Depreciation	9,10	4,246	3,637
Other Operating Expenses	7	39,616	35,277
Interest Payable	8	967	1,416
TOTAL EXPENDITURE	9	105,927	96,306
DEFICIT FOR THE YEAR BEFORE TAXATION		(260)	(974)
TAXATION		-	-
DEFICIT FOR THE YEAR AFTER TAXATION	22	(260)	(974)

NOTE OF HISTORICAL COST DEFICITS AND SURPLUSES

	Year to 31 July 2008 £'000	Year to 31 July 2007 £'000
Deficit for the year after taxation	(260)	(974)
Difference between historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount	1,076	1,075
HISTORICAL COST SURPLUS FOR THE YEAR	816	101

The income and expenditure account is in respect of continuing operations.

STATEMENT OF CONSOLIDATED TOTAL RECOGNISED GAINS AND LOSSES

		Year to 31 July 2008 £'000	Year to 31 July 2007 £'000
Deficit for the year after taxation		(260)	(974)
Actuarial (loss)/gain in respect of pension scheme	22	(8,965)	10,798
Total recognised (losses)/gains for the year		(9,225)	9,824
Reconciliation			
Opening Reserves and endowments		45,239	35,413
Transfer from Endowment Reserve		1	2
Total recognised gains for the year		(9,225)	9,824
Closing Reserves		36,015	45,239

BALANCE SHEET AS AT 31 JULY 2008

		GROUP Restated		CORPORATION Restated	
	Note	2008 £'000	2007 £'000	2008 £'000	2007 £'000
FIXED ASSETS					
Tangible Assets	10	96,920	93,725	89,280	85,899
Investments	11	33	72	33	72
		96,953	93,797	89,313	85,971
ENDOWMENT ASSETS					
	12	29	30	29	30
CURRENT ASSETS					
Stocks	13	167	140	167	140
Debtors: Amounts falling due after more than one year	14	490	525	2,831	3,056
Debtors: Amounts falling due within one year	15	8,351	7,170	11,406	9,662
Cash at bank and in hand		14,861	11,931	14,775	11,861
		23,869	19,766	29,179	24,719
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	16	(16,800)	(29,210)	(17,633)	(29,513)
NET CURRENT ASSETS/(LIABILITIES)		7,069	(9,444)	11,546	(4,794)
TOTAL ASSETS LESS CURRENT LIABILITIES		104,051	84,383	100,888	81,207
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR					
	17	(16,492)	(537)	(18,833)	(3,068)
PROVISIONS FOR LIABILITIES AND CHARGES	18	(2,708)	(1,375)	(2,708)	(1,375)
NET ASSETS EXCLUDING PENSION LIABILITY		84,851	82,471	79,347	76,764
Net pension liability	31	(30,119)	(20,371)	(30,119)	(20,371)
NET ASSETS INCLUDING PENSION LIABILITY		54,732	62,100	49,228	56,393

BALANCE SHEET - continued

		GROUP Restated		CORPORATION Restated	
	Note	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Represented by:					
DEFERRED CAPITAL GRANTS	19	18,688	16,831	18,688	16,831
ENDOWMENTS					
Permanent	20	29	30	29	30
RESERVES					
Revaluation Reserve	21	43,062	44,138	43,062	44,138
Income and Expenditure Account excluding pension reserve	22	23,072	21,472	17,568	15,765
Pension Reserve	22	(30,119)	(20,371)	(30,119)	(20,371)
Income & Expenditure Account including pension reserve		(7,047)	1,101	(12,551)	(4,606)
Total Reserves		36,015	45,239	30,511	39,532
TOTAL FUNDS		54,732	62,100	49,228	56,393

The financial statements on pages 12 to 42 were approved by the Board of Governors on 24 November 2008 and signed by:

Graham Stow
Chair of the Board of Governors

Professor Christine King
Vice-Chancellor

CONSOLIDATED CASH FLOW STATEMENT

	Note	Year to 31 July 2008 £'000	Year to 31 July 2007 £'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	24	4,072	1,703
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Income from short term investments		851	807
Interest Paid		(952)	(1,426)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(101)	(619)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Payments to acquire tangible fixed assets		(7,060)	(3,690)
Payments to acquire fixed asset investments			(39)
Receipts from sales of fixed asset investments		82	1
Deferred capital grants received		4,767	2,893
NET CASH (OUTFLOW) FROM CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		(2,211)	(835)
TAXATION			-
NET CASH INFLOW AFTER TAXATION, BUT BEFORE FINANCING		1,760	249
FINANCING			
New loans acquired	25	16,000	-
Repayment of loans	25	(14,830)	(1,658)
Capital element of finance lease repayments	25	-	-
NET CASH INFLOW FROM FINANCING		1,170	(1,658)
INCREASE/(DECREASE) IN CASH FOR THE YEAR	26,27	2,930	(1,409)

CONSOLIDATED CASH FLOW STATEMENT - continued

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT (NOTE 28)

	Year to 31 July 2008 £'000	Year to 31 July 2007 £'000
Increase/(decrease) in cash in year (Increase)/Repayment of debt	2,930 (1,170)	(1,409) 1,658
Movement arising from cash flows	1,760	249
CHANGE IN NET DEBT		
NET DEBT AT 1 AUGUST 2007	(2,899)	(3,148)
NET DEBT AT 31 JULY 2008	(1,139)	(2,899)

STATEMENT OF ACCOUNTING POLICIES AND SIGNIFICANT ESTIMATION TECHNIQUES

The following accounting policies have been applied consistently in detailing with items which are considered material in relation to the financial statements.

BASIS OF PREPARATION

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

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 Limited and Octagon Computer Centre Limited. They also include the Friends of Staffordshire University Charitable Trust.

The consolidated financial statements do not include those of Staffordshire University Union of Students as it is a separately managed organisation. The audited financial statements of the Union of Students are shown in summary form in note 32 of the accounts.

RECOGNITION OF INCOME

Recurrent grants from the Higher Education Funding Council for England, the Learning and Skills Council and the Training and Development Agency for Schools represent the funding allocation which is attributable to the current accounting period and are credited direct to the income and expenditure account.

Income from academic fees is recognised in the period for which it is receivable and includes all fees payable by students or their sponsors.

Income from specific donations, research grants, contracts and other services rendered is included to the extent of the expenditure incurred during the year, together with any related contributions towards overhead costs. All income from short-term deposits is credited to the income and expenditure account on a receivable basis.

Non-recurrent grants from Funding Councils or other bodies received in respect of the acquisition or construction of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the life of the assets.

Where the University receives and disburses funds in which it has no direct beneficial interest, such funds are excluded from the income and expenditure

account on the grounds that the University does not have direct control over the future economic benefits derived from these funds. The University has applied this policy to certain funds received during the year from the Higher Education Funding Council for England and the Training and Development Agency for Schools (see notes 33 and 34).

FOUNDATION DEGREE FORWARD

Foundation Degree Forward (fdf) is a national body hosted by Staffordshire University that supports the development and validation of high quality Foundation degrees. It is funded by the Higher Education Funding Council for England to support employer engagement across higher education programmes generally and in relation to Foundation degrees specifically. All income and expenditure associated with fdf is included within these accounts.

REVALUATION RESERVE

Revaluation 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.

ENDOWMENT FUNDS

Where charitable donations are restricted to a particular objective specified by the donor, these are accounted for as an endowment. There are three main types:

- a) Restricted permanent endowments – the capital fund is maintained (and is therefore restricted) but the income thereon can be applied to the general purposes of the institution and is therefore unrestricted.
- b) Unrestricted permanent endowments – these are expendable at the discretion of the trustees with no requirement that capital be maintained.
- c) Expendable endowments – where trustees have the power of discretion to convert endowed capital into income.

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.

Buildings under construction are accounted for at cost. They are not depreciated until they are brought into use.

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 is 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	20% per annum
Fixtures and Fittings	20% per annum
Computer Equipment (general)	33.3% per annum
Computer Equipment (servers)	20% per annum
Office Furniture and Equipment	20% per annum
Vehicles	33.3% 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 £1,000 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.

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, with any partial recovery netted off against these figures.

FRS 19 DEFERRED TAXATION

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.

INVESTMENTS

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

POST RETIREMENT BENEFITS

Retirement benefits to employees of the University are provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit schemes which are externally funded and contracted out of the State Earnings Related Pension Scheme (SERPS). Contributions to the TPS are charged as incurred.

Contributions to the TPS scheme are charged to the income and expenditure account so as to spread the cost of pensions over employees' working lives with the University in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of quinquennial valuations using a prospective benefit method.

The assets of the LGPS are measured using closing market values. LGPS liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The increase in the present value of the liabilities of the scheme are expected to arise from employee service in the period is charged to the operating surplus. The expected return of the scheme's assets and the increase during the period in the present value of the scheme's liabilities, arising from the passage of time, are included in pension finance costs. Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

Further details of the pension schemes are given in note 31.

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 2008 £'000	Year to 31 July 2007 Restated £'000
1. FUNDING COUNCIL GRANTS		
Recurrent Grant		
HEFCE	47,099	45,241
LSC	82	62
TDA	305	333
Foundation Degree Forward	6,646	3,123
Research and Selective Initiatives	2,075	425
Release of Capital Grants		
Buildings	589	483
Equipment	766	745
	57,562	50,412
2. ACADEMIC FEES AND EDUCATION CONTRACTS		
Full-Time Students -UK/EU	17,783	14,261
Full-Time Students - Overseas	4,784	5,207
Part-Time Fees	2,335	1,997
Education Contracts	6,733	5,516
Short Course Fees	946	522
	32,581	27,503
3. RESEARCH GRANTS AND CONTRACTS		
Research Councils	96	42
UK Based Charities	18	23
UK Industry and Commerce	2	16
UK Central Government/Health Authorities	369	581
European Community Programmes	17	63
Other Research Grants and Contracts	-	-
	502	725
4. OTHER OPERATING INCOME		
Residences, Catering and Conferences	6,037	5,779
Consultancy/Self Financing Fees	5,441	6,498
Other Rents/Lettings	1,295	765
Release from deferred capital grants (non-funding council)	132	133
Other Income	1,077	1,567
Foundation Degree Forward	166	1,143
	14,148	15,885

NOTES TO THE FINANCIAL STATEMENTS - continued

	Year to 31 July 2008 £'000	Year to 31 July 2007 £'000
5. ENDOWMENT INCOME AND INTEREST RECEIVABLE		
Investment Income	872	805
Endowment Income (Note 12)	2	2
	874	807

	31 July 2008 Total £'000	31 July 2007 Total £'000
6. STAFF		
Staff Costs		
Wages	49,782	45,490
Social Security Costs	3,731	3,533
Other Pension Costs (including FRS 17 adjustments)	7,201	6,890
Redundancy/Managed Severance Scheme	384	63
	61,098	55,976

	Year to 31 July 2008 £'000	Year to 31 July 2007 £'000
Emoluments of the Vice-Chancellor		
Salary costs	187	159
Benefits in kind	3	4
Employers Pension Contributions	25	22
	215	185

The salary and benefits 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 £24,675 (2007: £22,038)

	2008 Number	2007 Number
Average Staff Numbers by Major Category		
Management	92	83
Academic	611	613
Administrative, Professional, Technical and Clerical Staff	885	854
Manual Staff	190	181
	1,778	1,731
Remuneration of other higher paid staff, including employer's pension contributions		
£100,000 - £109,999	-	3
£110,000 - £119,999	1	1
£120,000 - £129,999	2	1
	3	5

A general pay award of 3% was made with effect from 1st August 2007 and a further 3% on 1st May 2008 approved by the Corporation.

NOTES TO THE FINANCIAL STATEMENTS – continued

	Year to 31 July 2008 £'000	Year to 31 July 2007 £'000
7. OTHER OPERATING EXPENSES		
Consumables	1,889	1,646
Equipment and Tools	2,055	2,537
Operating Leases	2,359	1,667
Books and Periodicals	1,200	1,107
Printing - External and Internal	621	389
Protective Clothing/Laundry/Uniforms	13	54
Repairs and General Maintenance	2,691	2,497
Heat, Light, Water and Power	2,340	1,819
Rent and Rates	806	526
Staff and Student Development	1,994	2,168
Travel and Subsistence	1,664	1,412
Student Union Contributions	683	615
Auditors' Remuneration (Corporation)	47	37
Auditors' Remuneration (Subsidiaries)	8	6
Internal Audit Costs	91	56
Irrecoverable VAT Input Tax	0	2,266
Payments to Franchise Colleges	7,016	5,827
Telephones and Postages	813	832
Insurance	254	271
Publicity and Prospectus	1,691	1,163
Examinations/Awards Day	390	315
Subscriptions	450	350
Vehicle Hire/Lease	135	100
Other Expenses	261	303
Professional Charges	371	269
Consultancy	3,304	2,051
Legal Charges	265	205
Agency Servicing	337	437
Breakage Costs for Inherited Liabilities	14	297
Security	440	331
Movement in Provision for Bad/Doubtful Debts	369	252
Placement Fees	206	156
Registration Fees	254	148
Grant Payments (External Activity)	2,093	1,766
Bursary Payments	2,492	1,402
	39,616	35,277
8. INTEREST PAYABLE		
Loan not wholly repayable within five years	945	1,109
Pension finance costs (FRS17)	22	307
	967	1,416

NOTES TO THE FINANCIAL STATEMENTS - continued

9. ANALYSIS OF EXPENDITURE BY ACTIVITY

	Staff Costs £'000	Dep'n £'000	Other Operating Expenses £'000	Interest Payable £'000	2008 Total £'000	2007 Total £'000
Academic Departments	33,431	1,766	10,926	-	46,123	42,793
Academic Services	6,629	970	2,555	-	10,154	9,274
Research Grants & Contracts	280	-	395	-	675	670
Residences, Catering & Conferences	1,840	619	1,981	548	4,988	5,114
Premises	2,264	411	5,659	-	8,334	7,072
Administration	9,448	480	4,720	-	14,648	14,469
Other Expenses	5,428	-	8,262	419	14,109	12,649
Foundation Degree Forward	1,778	-	5,118	-	6,896	4,265
Total Income and Expenditure Account	61,098	4,246	39,616	967	105,927	96,306

The depreciation has been funded by:

	£'000
Deferred Capital Grants Released (note 19)	1,487
Transfer from Revaluation Reserve (note 21)	1,075
General Income	1,684
	<u>4,246</u>

10. TANGIBLE FIXED ASSETS - Group

	Freehold Land and Buildings £'000	Assets in Course of Construction £'000	Computer Equipment £'000	Other Equipment And Fittings £'000	Motor Vehicles £'000	TOTAL £'000
COST OR VALUATION						
At 1 August 2007	123,131	2,296	8,652	6,944	-	141,023
Additions	1,962	3,514	1,292	647	26	7,441
Reclassifications	1,495	(1,973)	478	-	-	-
Disposals	-	-	-	(5)	-	(5)
At 31 July 2008	126,588	3,837	10,422	7,586	26	148,459
DEPRECIATION						
At 1 August 2007	34,281	-	7,645	5,372	-	47,298
Depreciation for year	2,974	-	712	558	2	4,246
Elimination on disposals	-	-	-	(5)	-	(5)
At 31 July 2008	37,255	-	8,357	5,925	2	51,539
Net Book Value at 31 July 2008	89,333	3,837	2,065	1,661	24	96,920
Net Book Value at 31 July 2007	88,850	2,296	1,007	1,572	-	93,725

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	Other Equipment And Fittings £'000	Motor Vehicles £'000	TOTAL £'000
COST OR VALUATION						
At 1 August 2007	112,438	2,296	8,652	6,766	-	130,152
Additions	1,918	3,514	1,292	647	26	7,397
Reclassifications	1,495	(1,973)	478	-	-	-
Disposals	-	-	-	(5)	-	(5)
At 31 July 2008	115,851	3,837	10,422	7,408	26	137,544
DEPRECIATION						
At 1 August 2007	31,399	-	7,645	5,209	-	44,253
Depreciation for year	2,751	-	712	551	2	4,016
Elimination on disposals	-	-	-	(5)	-	(5)
At 31 July 2008	34,150	-	8,357	5,755	2	48,264
Net Book Value at 31 July 2008	81,701	3,837	2,065	1,653	24	89,280
Net Book Value at 31 July 2007	81,039	2,296	1,007	1,557	-	85,899

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 FRS 15 "Tangible Fixed Assets" have been applied on implementing FRS 15. Accordingly, the book values at implementation have been retained.

In December 1996 the University entered into an agreement with Tamworth and Lichfield College to provide a new campus facility at Lichfield. The cost of this project was £3.2m. The project was partly funded by a grant from the European Regional Development Fund and by a loan facility taken out by the University. Responsibility for the loan is shared jointly by the University and the College and the value of the College's commitment is shown as a long term debtor in the University's Balance Sheet (see note 14).

During 2002/03 the University and the College entered into an agreement for the development of a second phase at the Lichfield campus. This phase was partly funded by a loan facility taken out by the College. Responsibility for the loan is shared jointly by the University and the College and the value of the University's commitment is shown as a long term creditor in the University's Balance Sheet (see note 17).

The Thornhill Bequest, a collection of medieval Chinese pottery owned by the University, is not included in the total on Tangible Fixed Assets. The value of the collection is £192k and 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.

11. FIXED ASSET INVESTMENTS

	GROUP		CORPORATION	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
At 31 August 2007	72	33	72	33
Additions	-	39	-	39
Disposals	(39)	-	(39)	-
At 31 July 2008	33	72	33	72

Fixed Asset Investments represent a 33k investment (0.78% of the issued share capital) in CVCP Properties Limited, which is a Company registered in Great Britain and incorporated in England and Wales.

Disposals in the year relate to valuation write down of the Mercia Investment Fund, a 19% shareholding in Picture Nation Limited and 10% shareholding in Blackstone Resourcing Limited.

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 2007.

12. ENDOWMENT ASSET INVESTMENTS

	GROUP AND CORPORATION	
	2008	2007
	£'000	Restated £'000
Balance at 1 August 2007	30	32
Additions	-	-
Interest Received	2	2
Prize Fund payments	(3)	(4)
Balance at 31 July 2008	29	30
Represented by:	2008	2007
	£'000	£'000
Fixed interest stocks	7	7
Bank balances	22	23
	29	30

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

The University has implemented the recommendations of the Higher Education SORP 2007, one of the effects of which is the reclassification of general endowments. The general endowment of £67,000 previously disclosed as endowment assets, is transferred to other creditors.

The Thornhill Bequest, a collection of medieval Chinese pottery owned by the University, formerly included within permanent endowments at a value of £192,000, has been reclassified as a heritage asset (see note 10).

NOTES TO THE FINANCIAL STATEMENTS - continued

13. STOCK

GROUP AND CORPORATION

	2008 £'000	2007 £'000
Raw materials and consumables	167	140

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

	GROUP		CORPORATION	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Amounts owed by subsidiary undertaking	-	-	2,341	2,531
Amounts owed under joint arrangement with Tamworth and Lichfield College Phase 1	490	525	490	525
	490	525	2,831	3,056

15. DEBTORS: Amounts falling due within one year

	GROUP		CORPORATION	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Trade debtors	5,218	3,886	5,190	3,865
Amounts owed by subsidiary undertakings	-	-	3,119	2,552
Other debtors	320	182	284	148
Prepayments and accrued income	2,813	3,102	2,813	3,097
	8,351	7,170	11,406	9,662

NOTES TO THE FINANCIAL STATEMENTS - continued

16. CREDITORS: Amounts falling due within one year:

	GROUP		CORPORATION	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Loans	-	14,830	-	14,830
Trade creditors	5,104	3,410	5,050	3,410
Amounts owed to subsidiary undertakings	-	-	916	337
Other taxation and social security	2,311	2,003	2,289	1,982
Other creditors	374	305	374	305
Accruals and deferred income	9,011	8,662	9,004	8,649
	16,800	29,210	17,633	29,513

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

	GROUP		CORPORATION	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Bank loan account	16,000	-	16,000	-
Tamworth & Lichfield College Phase 2	492	537	492	537
Amounts owed to subsidiary company	-	-	2,341	2,531
	16,492	537	18,833	3,068

LOAN OBLIGATIONS

	GROUP		CORPORATION	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Between one and two years	307	-	307	-
Between two and five years	1,025	-	1,025	-
Over five years	14,668	-	14,668	-
	-	-	-	-
Within one year	-	14,830	-	14,830
	16,000	14,830	16,000	14,830

A new term loan facility of £16.0m was drawn down on 17th September 2007. The interest basis of the loan is 27 years fixed rate at 5.2%. The first repayment of the capital element of the loan is due on 17th September 2009.

NOTES TO THE FINANCIAL STATEMENTS - continued

18. PROVISIONS FOR LIABILITIES AND CHARGES

GROUP AND CORPORATION

	Pension Enhancement £'000	Onerous Leases and Lease Dilapidations £'000	Legal Costs £'000	NPF £'000	2008 Total £'000	2007 Total £'000
At 1 August 2007	382	759	84	150	1,375	819
Utilised in the Year	(69)	(148)	(84)	(150)	(451)	(236)
Charge to Income & Expenditure Account	243	1,241	150	150	1,784	792
At 31 July 2008	556	1,852	150	150	2,708	1,375

The NPF provision relates to a number of posts which are in the process of being evaluated under the National Pay Framework agreement.

19. DEFERRED CAPITAL GRANTS

GROUP AND CORPORATION

	Buildings £'000	Equipment £'000	2008 Total £'000	2007 Total £'000
At 1 August 2007 (Restated)	15,049	1,782	16,831	15,757
Add cash receivable	3,344	-	3,344	2,435
Released to Income and Expenditure	(662)	(825)	(1,487)	(1,361)
At 31 July 2008	17,731	957	18,688	16,831

20. ENDOWMENTS RESERVE

GROUP AND CORPORATION

	2008 Permanent £'000	2007 Permanent £'000
At 1 August 2007 (Restated)	30	32
Net Income for year	(1)	(2)
At 31 July 2008	29	30

NOTES TO THE FINANCIAL STATEMENTS - continued

21. REVALUATION RESERVE

GROUP AND CORPORATION

	2008 £'000	2007 £'000
At 1 August 2006	44,138	45,213
Less release of revaluation reserve	(1,076)	(1,075)
At 31 July 2007	43,062	44,138

22. INCOME AND EXPENDITURE ACCOUNT RESERVE

GROUP

CORPORATION

	2008 £'000	2007 Restated £'000	2008 £'000	2007 £'000
As at 1 August	1,101	(9,800)	(4,606)	(15,740)
Deficit retained for the year	(260)	(974)	(57)	(741)
Transfer from Endowment Reserve	1	2	1	2
Transfer from revaluation reserve	1,076	1,075	1,076	1,075
Actuarial gain in respect of pension scheme	(8,965)	10,798	(8,965)	10,798
At 31 July	(7,047)	1,101	(12,551)	(4,606)
Balance represented by				
Pension Reserve	(30,119)	(20,371)	(30,119)	(20,371)
Income and Expenditure account reserve excluding pension reserve	23,072	21,472	17,568	15,765
At 31 July	(7,047)	1,101	(12,551)	(4,606)

23. OPERATING LEASE COMMITMENTS

GROUP AND CORPORATION

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

	2008 £'000	2007 Restated £'000
Within one year	829	996
Between two and five years	1,574	2,045
Over five years	273	706
	2,676	3,747

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

24. NET CASH FLOW FROM OPERATING ACTIVITIES

	Year to 31 July 2008 £'000	Year to 31 July 2007 £'000
Deficit for the year before taxation and transfers from reserves	(260)	(974)
Interest Receivable	(874)	(807)
	<u>(1,134)</u>	<u>(1,781)</u>
Add back interest payable	945	1,416
(Deficit) from operating activities	(189)	(365)
Release of capital grant	(1,487)	(1,361)
Depreciation	4,246	3,637
Pension Adjustments (FRS17)	783	790
(Surplus)/Loss on sale of Investments/Fixed Assets	(82)	31
Write down of Fixed Asset Investments	106	-
Increase in stock	(27)	(9)
Increase in debtors	(1,774)	(34)
Increase/ (Decrease) in creditors	1,163	(1,542)
Increase in provisions	1,333	556
NET CASH INFLOW FROM OPERATING ACTIVITIES	<u>4,072</u>	<u>1,703</u>

25. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Bank Loans £'000
Balance at 1 August 2007	14,830
Cash inflow from financing	<u>1,170</u>
Balance at 31 July 2008	<u>16,000</u>

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT - continued

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

	£'000
Balance at 1 August 2007	11,931
Net cash inflow	2,930
	<hr/>
Balance at 31 July 2008	14,861
	<hr/>

27. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS

	2008 £'000	2007 £'000	2008 Change in Year £'000	2007 £'000	2006 £'000	2007 Change In Year £'000
Cash at bank and in hand	14,861	11,931	2,930	11,931	13,340	(1,409)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

28. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	Year Ended 31 July 2008 £'000	Year Ended 31 July 2007 £'000
Increase/(decrease) in cash in year	2,930	(1,409)
Repayment of debt	14,830	1,658
New loans	(16,000)	-
Movement arising from cash flows	1,693)	249
	<hr/>	<hr/>
CHANGE IN NET DEBT	1,760	249
	<hr/>	<hr/>
NET DEBT AT 1 AUGUST	(2,899)	(3,148)
	<hr/>	<hr/>
NET DEBT AT 31 JULY	(1,139)	(2,899)
	<hr/>	<hr/>

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT - continued

ANALYSIS OF CHANGES IN NET DEBT

	August 2007 £'000	Cash Flows 2008 £'000	Other Movements £'000	July 2008 £'000
Cash in hand, at bank	11,931	2,930	-	14,861
Debt due within 1 year	(14,830)	14,830	-	-
Debt due after 1 year	-	(16,000)	-	(16,000)
	(2,899)	1,760	-	(1,139)

29. CAPITAL COMMITMENTS

GROUP AND CORPORATION

	2008 £'000	2007 £'000
Approved/Contracted for	1,659	5,123

NOTES TO THE FINANCIAL STATEMENTS – continued

30. CONTINGENT LIABILITIES

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.

31. 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.

Total employees and employers contributions to the Teachers Superannuation Scheme for 2007/08 were £4,992k (2006/07 £4,448k) and for the Staffordshire County Council Superannuation Scheme £4,372k (2006/07 £3,872k).

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. The assumptions and other data that have the most significant effect on the determination of the contribution levels are as follows:

Latest actuarial valuation	31 March 2004
Actuarial method	Prospective benefits
Notional Investment returns per annum.	6.5% per annum
Salary scale increases per annum	5.0% per annum
Market value of notional assets at date of last valuation.	£162,650 million
Proportion of members' accrued benefits covered by the actuarial value of the assets.	98.88%

NOTES TO THE FINANCIAL STATEMENTS – continued

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 August 2007 to 31 July 2008 the employer contribution was 14.1%. Employee contribution rate was 6.4% for the same period.

Local Government Pension Scheme

The LPGA is a defined benefit statutory scheme, administered in accordance with the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007, the Local Government Pension Scheme (Administration) Regulations 2008 and the Local Government Pension Scheme (Transitional Provisions) Regulations 2008. It is contracted out of the State Second Pension.

The latest formal valuation of the Fund for the purpose of setting employers' actual contributions was as at 31 March 2007, with the next formal valuation due as at 31 March 2010.

NOTES TO THE FINANCIAL STATEMENTS – continued

A valuation of the Fund’s liabilities as at 31 July 2008 has been undertaken by the Fund’s actuary. The following valuation data has been used for the purposes of this disclosure.

- The individual membership data submitted as at 31 March 2007 for the purpose of the formal funding valuation at that date (or for employers which have joined the Fund after 31 March 2007, membership data as at the date of joining);
- The individual pensioner data in respect of LGPS unfunded pensions and teachers’ pensions where appropriate.
- The latest numbers of employees, deferred pensioners and pensioners;
- Employer and employee contributions up to the latest available date (in order to estimate contribution income and pensionable payroll for the accounting period this year)
- The actual split of fund assets as at the latest available date;
- The actual Fund returns provided up to the latest available date; and
- Any new early retirements from 1 August 2007 to the latest available date on unreduced pensions which are not anticipated in the normal employer service cost (e.g. non ill-health retirements before the earliest of the employee’s Rule of 85 retirement age (minimum of 60) or normal retirement age, which are not reduced), as set out in Section 1 of the Results Schedule.

FRS 17

The following information is based upon a full actuarial valuation of the Fund at 31 March 2007.

	At 31 July 2008	At 31 July 2007
Inflation	3.8%	3.3%
Rate of increase in salaries	5.3%	4.8%
Rate of increase for pensions	3.8%	3.3%
Discount rate for liabilities	6.7%	5.8%

Changes to the Local Government Pension Scheme (LGPS) under regulation 3 of the LGPS (Amendment) Regulations 2006 (Statutory Instrument 2006/966) permits employees retiring on or after 6 April 2006 to take an extra increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension.

Mortality Assumptions

Life expectancy is based on the PFA92 and PMA92 tables, projected to calendar year 2033 for non pensioners and 2017 for pensioners. Based on these assumptions, average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	19.6 years	22.5 years
Future Pensioners	20.7 years	23.6 years

These figures make no allowance for the age ratings set out in the report on the latest triennial valuation of the Fund.

Our actuaries have made the assumption that 50% of future retirements will elect to commute additional tax-free cash up to HMRC limits.

NOTES TO THE FINANCIAL STATEMENTS – continued

The assets in the scheme and the expected rates of return were:

	Long-term rate of return expected at 31 July 2008	Value at 31 July 2008 £'000	Long-term rate of return expected at 31 July 2007	Value at 31 July 2007 £'000
Equities	7.8%	50,023	8.0%	55,354
Bonds	5.7%	9,052	5.2%	9,251
Property	5.7%	5,671	6.0%	6,192
Cash	4.8%	1,458	5.1%	1,570
Total Market Value of Assets		66,204		72,367

	Year Ended 31 July 2008 £'000	Year Ended 31 July 2007 £'000
Group's estimated asset share	66,204	72,367
Present value of scheme liabilities	(96,323)	(92,738)
Deficit in the scheme	(30,119)	(20,371)

Under the arrangements of FRS 17, a provision has been made by the Group for the Institution's share of the deficit of the scheme.

Analysis of the amount charged to the Income and Expenditure Account

	Year Ended 31 July 2008 £'000	Year Ended 31 July 2007 £'000
Employer service cost (net of employee contributions)	3,292	3,715
Past service cost	1,165	85
Curtailment and Settlements	91	9
Total Operating Charge	4,548	3,809

NOTES TO THE FINANCIAL STATEMENTS – continued

Analysis of pension finance income/costs

	Year Ended 31 July 2008	Year Ended 31 July 2007
	£'000	£'000
Expected return on pension scheme assets	5,445	4,510
Interest on pension scheme liabilities	(5,467)	(4,817)
Pension finance costs	<u>(22)</u>	<u>(307)</u>

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

Actuarial gain recognised in STRGL	<u>(8,965)</u>	<u>10,798</u>
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Reconciliation of defined benefit obligation

	Year Ended 31 July 2008	Year Ended 31 July 2007
Opening Defined Benefit Obligation	92,738	93,120
Current Service Cost	3,292	3,715
Interest Cost	5,467	4,817
Contributions by Members	1,223	1,115
Actuarial Losses/(Gains)	(4,967)	(7,845)
Past Service Costs/(Gains)	1,165	85
Losses/(Gains) on Curtailments	91	9
Liabilities Extinguished on Settlements	-	-
Liabilities Assumed in a Business Combination	-	-
Exchange Differences	-	-
Estimated Unfunded Benefits Paid	(600)	(597)
Estimated Benefits Paid	(2,086)	(1,681)
Closing Defined Benefit Obligation	<u>96,323</u>	<u>92,738</u>

Reconciliation of fair value of employer assets

	Year Ended 31 July 2008	Year Ended 31 July 2007
Opening Fair Value of Employer Assets	72,367	62,741
Expected Return on Assets	5,445	4,510
Contribution by Members	1,223	1,115
Contributions by the Employer	3,187	2,729
Contributions in respect of Unfunded Benefits	600	597
Actuarial Gains/(Losses)	(13,932)	2,953
Assets Distributed on Settlements	-	-
Assets Acquired in a Business Combination	-	-
Exchange Differences	-	-
Estimated Unfunded Benefits paid	(600)	(597)
Estimated Benefits Paid	(2,086)	(1,681)
Closing Fair Value of Employer Assets	<u>66,204</u>	<u>72,367</u>

NOTES TO THE FINANCIAL STATEMENTS – continued

Movement in deficit during the year

	Year Ended 31 July 2008 £'000	Year Ended 31 July 2007 £'000
Deficit in scheme at 1 August	(20,371)	(30,379)
Movement in year:		
Current service charge	(3,292)	(3,715)
Contributions	3,187	2,729
Contributions in respect of unfunded benefits	600	597
Past service costs	(1,165)	(85)
Impact of Settlements and Curtailments	(91)	(9)
Net interest on assets	(22)	(307)
Actuarial (loss)/gain	(8,965)	10,798
Deficit in scheme at 31 July	<u>(30,119)</u>	<u>(20,371)</u>

History of experience gains and losses

	Year Ended 31 July 2008	Year Ended 31 July 2007	Year Ended 31 July 2006	Year Ended 31 July 2005	Year Ended 31 July 2004
Actuarial Gain/(Losses) on assets	(13,932)	2,953	4,515	6,049	464
Experience gains and losses on scheme liabilities	466	61	24	3,500	(907)
Total amount recognised in STRGL	(8,965)	10,798	1,049	(373)	(534)

NOTES TO THE FINANCIAL STATEMENTS – continued

32. STUDENTS' UNION

The University has not consolidated the financial statements of the Staffordshire University Students' Union as it is a separately managed organisation. The accounts of the Students' Union are separately audited by F Mazloomian & Co. The results to 31 July 2008 are summarised below.

Results for the year are:

	2008 £'000	2007 Restated £'000
INCOME	630	615
Recurrent block grant	135	109
Project Support Grants	26	26
Activity Group Membership	31	29
Interest Receivable	8	8
Net Rental Income	2,286	2,505
Trading Income	29	22
Total	3,145	3,314
EXPENDITURE		
Trading costs and expenses	2,299	2,345
Central finance	87	81
Communication	73	65
Information Technology	10	20
Information Services	53	51
Central Administration	106	115
Personnel and Development	60	61
Student Media	9	14
Student Advice Centre	146	145
Student Activities	122	120
Welcome and Diversity Events	27	25
Representation	163	149
Community Volunteer Scheme	39	37
	3,194	3,228
Surplus for the Year	(49)	86
SUMMARY BALANCE SHEET		
	2008 £'000	2007 £'000
Fixed Assets	298	388
Net Current Assets	485	504
Accruals and deferred Income	(83)	(144)
Total Net Assets	700	748

NOTES TO THE FINANCIAL STATEMENTS - continued

33. ACCESS FUNDS

	Year to 31 July 2008 £'000	Year to 31 July 2007 £'000
Funding Council Grants	721	836
Interest Earned	8	4
	729	840
Disbursements to Students	(688)	(822)
Balance Unspent 31 July 2007	41	18

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.

34. TRAINING AND DEVELOPMENT AGENCY (TDA)

(a) Student Bursaries

	Year to 31 July 2008 £'000	Year to 31 July 2007 £'000
Opening fund balance	23	34
Net Training and Development Agency grants received in year	300	246
Disbursed to students	(290)	(257)
Balance Unspent at 31 July owing to the Training and Development Agency	33	23

(b) Ethnic Minority Recruitment

Opening fund balance	4	3
Net Training and Development Agency grants received in year	-	1
Disbursed to students	-	-
Support Payments to Schools	-	-
Development	-	-
Administration	-	-
Balance Unspent at 31 July owing to the Training and Development Agency	4	4

Training and Development Agency grants are available solely for students or school for student support and the University acts only as paying agent in administering these TDA grants. The grants and related disbursements are therefore excluded from the Income and Expenditure Account.

35. RELATED PARTY TRANSACTIONS

Due to the nature of the University's operations and the composition of the Board of Governors (being drawn from local public and private sector organisations) it is inevitable that transactions will take place with organisations in which a member of the Board of Governors may have an interest.

All transactions involving organisations in which a member of the Board of Governors may have an interest are conducted at arm's length and in accordance with the University's Financial Regulations and Standing Orders Relating to Contracts and normal procurement procedures. The transactions requiring disclosure under Financial Reporting Standard 8 Related Party Disclosures are as follows:-

Mr N R Scott is a shareholder in Picture Nation Limited in which the University holds 19% of the issued share capital.