



**STAFFORDSHIRE
UNIVERSITY**

*Financial Statements
&
Governors' Report*

2012-13

GOVERNORS, EXECUTIVES AND ADVISERS**Board of Governors**

Stephen Burgin (Chair)
David Gage (Deputy Chair)
Cordella Bart-Stewart
Richard Bayes (until 30.06.13)
Nick Bell
Simon Crofts (until 08.07.13)
Ken Crossland
Rebecca Dobbs
Professor Michael Gunn
Martin Fiddler
Mike Herbert
John van de Laarschot
Barry Machin
Graham Morley (from 08.01.13)
Rochelle Owusu-Antwi – (from 01.07.13)
Helen Pegg (until 26.04.13)
Gary Richardson (until 30.06.13)
Parveen Siddique (from 19.3.13)
Elaine Simpson (from 17.12.13)
Dr Greg Taylor
Ruth Thompson
Sarah Tudor
Sara Williams (from 01.08.12)
Kris Winpenny (from 01.07.13)

Executive Team

Professor Michael Gunn	Vice-Chancellor
Paul Richards	Deputy Vice-Chancellor
Mark Hattersley	Director of Finance & Infrastructure
Ken Sproston	University Secretary
Rosy Crehan	Executive Pro Vice-Chancellor
Ian Blachford	Director of Human Resources

Auditors

KPMG LLP
1 The Embankment
Neville Street
Leeds
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Bankers

Lloyds Bank Plc
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Solicitors

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REPORT OF THE GOVERNORS

The Governors submit their annual report and audited accounts for the year ended 31 July 2013

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, the Friends of Staffordshire University Charitable Trust and Unitemps Ltd. It also includes the University's share of its joint venture Flux Stoke-on-Trent Ltd.

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

In November 2011, the University's Governors approved a new strategic plan for the period 2012 – 2017 titled Securing Successful Futures. The plan places students at the heart of everything the University undertakes and builds upon the values of:

- Partnership
- Innovation and Enterprise
- People-focussed
- Excellence.

The Plan sets challenging targets with performance against these being regularly reported to and monitored by the Board of Governors. An in-depth review of the plan is scheduled for the next financial year.

The University is an organisation whose core mission is the delivery of learning and knowledge creation and exchange; our focus will remain in this area of activity. Our programmes will be targeted at producing graduates with subject specific knowledge along with the skills and attributes set out in the Staffordshire Graduate. The Staffordshire Graduate represents a set of qualities that we passionately believe are necessary for success in the 21st century and encompasses the 3Es of employability, enterprise and entrepreneurialism. These attributes are now embedded in every course we offer.

In addition to striving to deliver the highest quality and standards, we will also be seeking to diversify our student base and to deliver our learning and teaching in ways that are flexible and even more customer focused. This includes the development of partnerships with other academic institutions both within the UK and overseas, along with creating flexible and accessible

Results for the Year

The University's consolidated income, expenditure and results for the year to 31st July 2013 are summarised as follows:

	2012/13	2011/12	2010/11
	£'000	£'000	£'000
Income	116,251	118,687	123,337
Expenditure	114,211	111,452	117,850
Surplus/(deficit) on continuing operations after depreciation at valuation	2,040	7,235	5,487
Historical Cost Surplus	3,115	8,310	6,562
FRS 17 Adjustments included above	(1,508)	(953)	(1,086)
Surplus before FRS17 Adjustments	4,623	9,263	7,648

In 2012/13 the University and its subsidiaries made a historical cost surplus of £3.1 million (2011/12 £8.3 million). Income decreased by 2% to £116.3 million whilst operating costs increased to £114.3 million, equating to a 3% increase on last year. These results include adjustments for FRS17 – Accounting for Retirement Benefits. The impact of this accounting standard, on the income and expenditure account remains volatile and reflects changes in assumptions that affect pension assets and liabilities over many years. Its impact this year was to reduce the surplus by £1.5 million (2011/12 by £1.0 million). Excluding these FRS17 adjustments the operating surplus reduced to £4.6million (2011/12 £9.3 million).

Cashflow and Capital Investments

The table below summarises the major cash movements during the year ended 31st July 2013; this includes capital investments:

Cashflow	2012/13	2011/12	2010/11
	£'000	£'000	£'000
Net inflow from operating activities	11,065	11,601	12,566
Net outflow from servicing of finance	(361)	(472)	(563)
Capital Expenditure	(16,772)	(21,240)	(13,629)
Adjusted Net (outflow)/ inflow before financing	(5,437)	(6,341)	4,384
(Decrease)/ Increase in cash for year	(5,889)	(6,864)	4,693

The consolidated Cash Flow Statement shows cash inflows from operating activities of £11.1 million (2011/12 £11.6 million). Overall there was a cash outflow for the year ended 31st July 2013 of £5.9 million (2011/12 outflow £6.9 million). Payments to acquire and improve fixed assets totalled £16.8 million (2011/12 £21.2 million).

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 30-Pension Costs. As at 31 July 2013 the Group's estimated share of the LGPS net deficit was £43.7 million (2011/12 £41.6 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. There are however some pension liabilities related to Teachers' Pensions which are not funded through the scheme. These liabilities are valued on the University's balance sheet at £9.5million (2011/12 £9.4 million).

Liquidity and Long-term Financing

The University had net funds, as at 31 July 2013, of £13.2 million, (2011/12 net funds of £18.6 million). Cash at bank and in hand was £28.2 million (2011/12 £34.1 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. 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 future capital programme. The remaining £34 million remains available but undrawn at the year-end date.

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 decreased to £0.3 million in 2012/13 (£0.4 million in 2011/12) as a result of reduced interest rates and lower cash balances. Interest payable at £2.6 million includes an FRS17 adjustment of £1.8 million and loan interest payments of £0.8 million (2011/12 – interest payable £2.1 million includes FRS17 interest of £1.3 million and loan interest payments of £0.8 million).

Payment of Creditors

It is the University's policy to agree terms with all suppliers. The University's policy is then 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.

Public Benefit Statement

The University is a not-for-profit organisation, its mission is to provide and deliver higher education to a wide spectrum of students and other customers. In providing these services the University seeks to enhance the student's development and in so doing, improve their communities. By doing so the University seeks to enhance the general public good.

The Board of Governors and University management, in setting the University's strategy and planning its activities, make reference to and consider carefully the guidance on public benefit issued by the Charity Commission.

Teaching and Learning is the principal way in which the University makes a contribution to wider society. We provide opportunities to a broad range of students. Through our access and outreach activities we aim to ensure students are not discouraged from entering higher education because of financial pressures. To support these objectives we operate a generous bursary scheme. In 2012/13 we made bursary payments of £2.998 million to 3,683 students and awarded fee waivers totalling £428,000 to 428 students.

We are fully committed to supporting students with disabilities, we aim to provide individually negotiated support programmes that can include guidance and help with applications for Disabled Students' Allowances, specialist academic support and help with mobility along with modifications to estates and infrastructure where necessary.

Rooted in Staffordshire University's strategic plan is our continued commitment to being an open and accessible institution that pro-actively encourages people from all backgrounds to aspire to higher education. We are committed to breaking down barriers and encouraging active participation, raising attainment and aspirations, encouraging engagement and ultimately admissions to higher education. We do this by ensuring pathways to higher education are available through our work with other educational providers. For example, we work closely with schools and colleges, targeting pupils and students from as young as Year 5 through the Children's University, to students in FE Colleges and Sixth Forms in Years 12 and 13 with in-school and on-campus activities, as well as mature learners via the Step Up to HE programme. We also collaborate with HEIs and other local organisations to provide a range of events and facilities that are available to people within our communities.

Current and Future Developments

The University is based upon two main campuses in Stoke and Stafford but also has satellite operations in Lichfield and Shrewsbury. We also work through a network of partnerships with established and high quality educational institutions on a regional, national and international basis. These partnerships enable the University to increase the availability of its courses to a broader range of students and customers, providing access to higher education to many thousands of students through innovative and flexible pathways.

The University opened its first overseas base, the China Centre in October 2013 within the Global Institute of Software Technology (GIST) campus in Suzhou. In total there are currently over 15,000 international and around 4,800 UK off-campus students studying Staffordshire University awards achieving the University's 2012/13 growth target. New collaborative partners in 2012/13 included The Mediterranean Business School (MBS) in Crete and

Chesterfield College and Raindance in the UK. We also have students studying for the first time this year at Rushmore Business School (RBS) in Mauritius, Brno International Business School (BIBS) in the Czech Republic, the Sales Manager Akademie (SMA) and the Werbe Akademie in Austria, and Bourneville College in the UK.

The delivery of on campus provision continues to be supported by investment in facilities and infrastructure. Following the opening of the new £24million Science Centre in 2011/12, further investment has been undertaken including £6.4million to improve accessibility, building usage and visual amenity of the Stoke campus, £1.3 million on the Cadman library and £4.0 million on supporting information systems. Focus has also been maintained on student facing facilities including the refurbishment of both general and specialist teaching rooms and significant support to the Students Unions in the refurbishment of their venues.

The Science Building opened in 2011/12 has been operational for its first full year through a novel and sector leading partnership with Stoke College and Stoke Sixth Form College. In the partnership, College students share the class leading facilities with both undergraduate and postgraduate students, raising both existing and aspirational standards. The partnership is seen as a major success by all parties.

To ensure that future infrastructure investment is suitably targeted in a rapidly changing environment, the University has now commenced a review of its Estates Strategy. This includes extensive engagement both internally and externally with staff, students, partners and businesses. When complete, this will provide a sound basis for the University to commit to longer term investment in its estates and infrastructure ensuring that the University provides first class leading facilities in line with the needs and expectations of both our staff and students

Our staff remain our key asset for delivering our services to our students and customers. We therefore continue to invest in staff development and celebrate their achievements through programmes such as The Leading for Success Programme and the annual Celebrating Staff Success event. Highlights in the year include the receipt of newly created customer service excellence awards and the outstanding leader award.

In terms of enhancing the quality of academic staff, during 2012/13, the University has been part of a Higher Education Academy national pilot which allows participating Universities to accredit their own CPD activity against the UK Professional Standards Framework. To date, two rounds have taken place resulting in 47 successful applications including 14 Fellowships, 30 Senior Fellowships and 3 Principal Fellowships. 26% of staff now hold a HEA Fellowship compared with 20% for the sector.

It should also be recognised that many of our academic and support staff have been affected during the year through restructuring programmes, primarily in the final stages of the reduction from six faculties/schools to four faculties with 3 constituent schools within each. The revised structure has been implemented to provide greater coherence in the academic disciplines, greater opportunities for cross disciplinary working and to create more balanced and operating units, with more uniformity of posts and accountabilities. A number of our services have also been restructured during this period of time. During 2013/14 it is anticipated that our focus will be on consolidating our ways of working in these new structures together with the cross university review of our professional support staff, following the phased implementation of SITS.

One of the University's key strategies is developing its relationship with employers offering both teaching and research services but also building engagement to transfer skills and knowledge and to create opportunities for both students and graduates. The University has been successful in securing funding from the Higher Education Funding Council to support these initiatives including £963,000 of additional strategic development funding for Work Based Learning in supporting private sector growth. Recognition of success in this area was also received when our 2011-15 Higher Education Innovation Fund (HEIF) Strategy received a commendation from the Higher Education Funding Council for England (HEFCE) for our work with businesses and in particular, the formation of the Business Innovation Group with Keele University, Keele Science and Business Park and the North Staffordshire Chamber of Commerce. We are one of only seven universities to receive this commendation.

The University's Applied Research Centres (ARCs) are the focus for high profile research activity in the University; consequently the ARCs also form the basis for the University's REF2014 submission which will involve 9 units of assessment. All research centres have a detailed business plan and associated targets which are monitored and evaluated on an annual basis. The University has a commitment to involving all academic staff in appropriate forms advanced scholarship by the end of the current planning period. The policy to support this ambition has been implemented during 2012/13 and a report monitoring the development of this activity will be produced on annual basis.

Last year's University's programme portfolio review resulted in a reduction of the number undergraduate awards and the streamlining of the modular framework. During 2012/13 a refined portfolio performance review tool was developed for on campus undergraduate programmes. This included market, internal quality and external measures. Provision of our academic services in a flexible manner responsive to student needs continues to be

at the core of what we do. On-going actions include, further development of our 'fast-track' two year degrees, development of distance learning options (including a major upgrade of the e-learning platform) and the further provision of Foundation Degrees, particularly with our Further Education partners. Part time flexible learning, including opportunities for CPD, also remains a significant and important part of our programme. Last year also saw the implementation of the Staffordshire Graduate Attributes across all level 4 undergraduate programmes. During 2013/14 these attributes will be delivered at both level 4 and level 5 and will be rolled out to level 6 in 2014/15. This is a commitment by the University to ensure that all students graduating from the University do so with a set of core skills required to be successful in the 21st century. To further enhance the student experience, during 2013/14 a thorough review of the personal tutoring system will take place.

The University is developing its capacity to act as a Sponsor for the Government's academy schools programme. This gives the University the opportunity to deploy its wide-ranging skills in education governance and management, school performance and teacher training and professional development to drive school improvement. It enables the University to extend its reach and strengthen its reputation in the region. It also provides a framework for the University's existing commitments to widening participation, community engagement and corporate social responsibility. The University has been the Sponsor of a secondary academy (The Staffordshire University Academy) at Hednesford since September 2011. A £10m building programme for the school is nearing completion. The recent OFSTED inspection of the Staffordshire University Academy specifically recognised the strength that the University has brought to Governance and to the capacity to raise aspirations among young people and enhance levels of achievement. It is also a co-sponsor of the Co-operative Academy, a secondary school in Stoke-on Trent. The University is recognised by the Department for Education as a sponsor for secondary and primary schools and is therefore able to work with DfE, local authorities and other partners to identify new opportunities for Academies, University Technical Colleges and Free Schools. The geographical focus is on Staffordshire, Stoke-on-Trent and surrounding areas where the University has a unique capability to work with schools, FE Colleges and employers to provide opportunities for students to realise their potential and contribute to the economy and community.

Corporate Social Responsibility, Sustainability and Environmental Management are all key aspects of the University's engagement and operation. These are driven through numerous groups for which their success is dependent upon the engagement of staff, students and external bodies. Examples of such approaches include the Student Switch Off initiative, participation in the Green Impact Awards along with

environmental efficiency investments funded by both the Salix and Revolving Green Fund. Continued success in this area is demonstrated through the achievement of 15 awards in the Green Impact awards and an improvement from 45th to 16th in the People and Planet Green League, maintaining the award of a First Class Honours degree.

Future Risks and Uncertainties

HE sector performance and outlook

In 2011/12, the HE sector generated a total surplus of £1.12bn (4.0% of income) compared to a £1.49bn surplus in 2010/11 (5.4% of income). This 25% reduction reverses the improving trend seen over the previous 2 years. The number of institutions in deficit increased from 10 to 15 with 97 institutions (62%) achieving a surplus in excess of the 3% minimum recommended by HEFCE (Source: the Financial Health of the Higher Education Sector 2012, Grant Thornton). Looking forwards, it is likely that increased variability in financial performance will be seen across the sector. Universities that can maintain or increase student numbers will be able to benefit from the increased fees but the overall reduction in student numbers is likely to have a negative impact for many. Longer term, limited income growth potential allied with increasing cost pressures will pose challenges for many.

The Regulatory Framework

The regulatory framework continues to change and evolve. 2012/13 was the first year of the 'new fees regime' which sees a significant transfer in University income from HEFCE to student control through the student tuition fee loan system. As cohorts progress over the next 2 years, this will see student tuition fees forming the majority of funding with HEFCE funding being limited to top ups for higher cost courses and for other specific purposes such as widening participation. Under the new regime, Universities are limited to a maximum tuition fee level for full time UK undergraduates of £9,000 although the stated intention of the Government was to introduce competition which it was assumed would deliver an average fee of £7,500. To date, it would appear that the majority of Universities have adopted fees of £9,000 resulting in the Government not achieving one of its aims.

The new fee regime is supported by a new student loan system which provides loans to students for the full fees up to the £9,000 per year limit. The loans are interest bearing and are repaid by a 'graduate tax' of 9% on all earning over £21,000 with any balances remaining after 30 years being written off. This change will see the student taking significantly more responsibility for repaying the full cost (or a significant portion of the full cost) of their undergraduate education.

To support the above structure, manage the maximum cost to the Government (through loans and HEFCE funding) and to engender an element of competition, the Government has changed how it controls overall student numbers. In this, students obtaining AAB or equivalent grades for 2012/13 (ABB for 2013/14) are uncontrolled and there are no recruitment limits placed upon Universities; this is intended to deliver the competitive element. For students with grades below these levels, Universities are allocated a student number control level (SNC) above which they cannot recruit. In order to enable some competition and flexibility, these 'hard' limits will be subject to some flexibility (+3%/-5%) from 2013/2014 onwards. This revision will see a gradual redistribution of SNC from under recruiting Universities to more popular Universities.

Tuition Fees and Student Demand

Staffordshire University set its tuition fees for undergraduate full time courses towards the lower end of the sector with fees ranging between £5,900, for awards delivered by off-campus partners, to £8,490 for our premium courses. This averaged below £7,500 which enabled the University receive an additional allocation of SNC places.

In terms of sector demand, the changing fee environment saw a 5% surge in applications in 2011/12 (before the new fees were introduced) with a 7% reduction in 2012/2013, the first year of the new fees. In terms of accepted places, 2011/12 saw a 5,000 increase with 2012/13 seeing a 27,000 reduction.

The University's performance over the last two years reflected this trend with all places being filled in 2011/12 but recruitment dropping below target in 2012/13. Action plans were put in place to respond to this shortfall resulting in a financial performance in line with budget after adjusting for exceptional items.

The outlook for 2013/14 and beyond remains uncertain with the potential for the Government to take back and redistribute SNC under-recruitment, future changes to the ABB unrestricted regime and the longer term impact of the higher fees. Other issues that continue to affect student numbers are the immigration controls making the UK less attractive to overseas students, the impact of economic conditions on post graduate and part time applications and the longer term impact of the new fees on post graduate applications. Staffordshire University is exposed to all of these issues along with the threat from an increasingly competitive environment between Universities.

The University's response to this risk is to monitor and react to sector trends but also to focus on its own competitive position. This includes ensuring that we offer courses that are in demand, have good employment prospects and meet the need of the market supported by a strong and differentiated academic provision (e.g. the Staffordshire Graduate). This will be supplemented by ensuring that we invest in our facilities and infrastructure along with staff development and always placing the student at the heart of everything we do. The Universities undergraduate pricing has also been reviewed with an intention to move towards the sector norm of £9,000 over a period of time.

Other challenges

Pensions

The University offers retirement benefits to its employees through defined benefit pension schemes. These are becoming increasingly expensive, as the growth in liabilities outstrips the growth in the value of assets and contributions. The University recognises, in its accounts, the net liability of the Local Government Pension Scheme and the unfunded element of the Teachers' Pensions Scheme; currently £53.2 million.

The schemes themselves are changing the contribution rates and benefits to mitigate the risks where possible and establish the schemes on a sustainable basis. It does not however disguise the fact that pensions are becoming more expensive through factors such as lower investment returns and increasing longevity. The University will continue to review its options with regards to pensions to ensure that any future pension provision is affordable in the context of our own financial performance.

Capital Investment Funding

The availability of grant funding for University capital projects has significantly reduced in recent years and Universities now need to ensure they can fund capital requirements on a standalone basis. This required Universities to generate higher levels of surplus to fund such investments at a time when the sector is facing constrained recruitment.

As part of on-going Estates Strategy review, the University will be giving careful consideration to the fundability of such proposals, ensuring that the University remains on a financially sustainable basis.

Stephen Burgin
Chair of the Board of Governors

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 UK Corporate Governance Code (June 2010). Its purpose is to assist readers of the Financial Statements to understand how the principles have been applied.

Throughout the year ended 31 July 2013, the University has been in compliance with all the Code provisions set out in Section 1 of the UK Corporate Governance Code of 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 March 2009.

In addition the Board of Governors has also formally accepted the CUC's Governance Code of Practice and General Principles issued in March 2009. In this connection the Board of Governors 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 Board of Governors 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 Board of Governors are separated from the role of the University's Chief Executive, the Vice-Chancellor. The matters specially reserved for decision by the Board of Governors are set out in the Articles of Government. Under the Financial Memorandum with the Higher Education Funding Council for England, the Board of Governors is responsible for the on-going 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 Board of Governors meets four times a year and has six Committees; an Employment and Finance committee, a Nominations and Governance committee, an Audit & Risk committee, a Remuneration committee, an Education committee and an Estates & Infrastructure committee. All of these committees are formally constituted with terms of reference and comprise mainly members of the Board of Governors. In addition the Board of Governors undertakes a regular review of its own effectiveness.

The Employment and Finance committee recommends to the Board of Governors 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 Board of Governors membership and the reappointment of members under the Instrument of Government. It also advises the Board of Governors on general governance matters.

The Audit & Risk 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 Executive members attend meetings of the Audit & Risk committee as necessary, they are not members of the committee, and the committee does 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 2013.

The Estates & Infrastructure committee has responsibility for advising the Board of Governors on its Estates Strategy and the monitoring of Estates related projects.

The Education committee reviews policies and procedures relating to the educational character of the university, checks the soundness of the university's processes relating to assurance of academic standards and quality, and monitors progress against relevant KPIs on behalf of the Board.

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 Board of Governors 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 Board of Governors 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 on-going 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 2013 and up to the date of approval of the Financial Statements.

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

- We meet four times a year to consider the plans and strategic direction of the University.
- We receive periodic reports from the Audit & Risk 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 & Risk committee to provide oversight of the risk management process.
- The Audit & Risk 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 has been held to identify and keep up to date the record of risks facing 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 regularly 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 & Infrastructure 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 Board of Governors' 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.

Stephen Burgin
Chair of the Board of Governors

RESPONSIBILITIES OF THE BOARD OF GOVERNORS OF STAFFORDSHIRE UNIVERSITY

In accordance with the Education Reform Act 1988, the Board of Governors 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 Board of Governors 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 Board of Governors of the University, the Board of Governors through its designated office holder, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the University and of the surplus or deficit and cash flows for that year.

In causing the financial statements to be prepared, the Board of Governors has 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 Board of Governors 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 Board of Governors 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 the Executive, Deans of Faculties and Directors of Services.
- a professional internal audit team whose annual programme is approved by the Audit & Risk 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 & Risk committee has reviewed the effectiveness of the University's system of internal financial control.

Stephen Burgin
Chair of the Board of Governors

INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF GOVERNORS OF STAFFORDSHIRE UNIVERSITY

We have audited the group and University financial statements (the "financial statements") of Staffordshire University for the year ended 31 July 2013 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, the Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 Board of Governors and Auditor

As explained more fully in the Statement of Responsibilities set out on page 12, the Board of Governors is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion, on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the groups and University's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board of Governors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Financial Statements and Governors' Report 2012/13 to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the affairs of the Group and University as at 31 July 2013 and of the Group's income and expenditure, recognised gains and losses and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education.

Opinion on other matters prescribed in the HEFCE Audit Code of Practice issued under the Further and Higher Education Act 1992

In our opinion, in all material respects:

- funds from whatever source administered by the University for specific purposes have been properly applied to those purposes
- income has been applied in accordance with the University's Articles of Government; and
- funds provided by HEFCE have been applied in accordance with the Financial Memorandum and any other terms and conditions attached to them.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matter where the HEFCE Audit Code of Practice issued under the Further and Higher Education Act 1992 requires us to report to you if, in our opinion:

- the statement of internal control included as part of the Corporate Governance Statement is inconsistent with our knowledge of the University and group.

Stephen Clark
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 The Embankment,
Neville Street,
Leeds,
LS1 4DW

27 November 2013

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT*For the Year ended 31 July 2013*

	Note	Year to 31 July 2013 £'000	Year to 31 July 2012 £'000
INCOME			
Funding Council Grants	1	39,246	52,216
Academic Fees and Education Contracts	2	62,741	50,301
Research Grants and Contracts	3	1,774	1,625
Other Operating Income	4	12,161	14,127
Endowment Income and Interest Receivable	5	329	418
TOTAL INCOME		116,251	118,687
EXPENDITURE			
Staff Costs	6	62,979	63,477
FRS 17 pension adjustment to staffing costs	6	(272)	(323)
Depreciation	9	7,839	7,075
Other Operating Expenses	7	41,204	39,131
Interest Payable and other finance costs	8	793	816
FRS 17 pension finance costs	8	1,780	1,276
TOTAL EXPENDITURE		114,323	111,452
SURPLUS FOR THE YEAR BEFORE AND AFTER TAXATION		1,928	7,235
MINORITY INTEREST		112	-
SURPLUS FOR THE YEAR RETAINED IN RESERVES	20	2,040	7,235
NOTE OF HISTORICAL COST DEFICITS AND SURPLUSES			
		Year to 31 July 2013 £'000	Year to 31 July 2012 £'000
Surplus for the year retained in reserves		2,040	7,235
Difference between historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount		1,075	1,075
HISTORICAL COST SURPLUS FOR THE YEAR		3,115	8,310

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

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

		Year to 31 July 2013 £'000	Year to 31 July 2012 £'000
Surplus for the year retained in reserves	20	2,040	7,235
Actuarial loss in respect of pension scheme		(737)	(8,001)
Total recognised gains/(losses) for the year		1,303	(766)
Reconciliation			
Opening Reserves and endowments		33,969	34,735
Transfer from Endowment Reserve		-	-
Total recognised (losses)/gains for the year		1,303	(766)
Closing Reserves		35,272	33,969

The notes on page 21– 37 form an integral part of these financial statements

BALANCE SHEET AS AT 31 July 2013

	Note	GROUP		CORPORATION	
		2013 £'000	2012 £'000	2013 £'000	2012 £'000
FIXED ASSETS					
Tangible Assets	9	126,827	117,906	120,031	111,092
Investments	10	33	33	49	33
		126,860	117,939	120,080	111,125
ENDOWMENT ASSETS	11	27	28	27	28
CURRENT ASSETS					
Stock		95	0	0	0
Debtors: Amounts falling due after more than one year	12	259	312	259	312
Debtors: Amounts falling due within one year	13	6,818	5,713	13,860	11,473
Cash at bank and in hand		28,171	34,060	28,011	33,961
		35,343	40,085	42,130	45,746
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	14	(30,160)	(29,912)	(34,499)	(33,523)
NET CURRENT ASSETS		5,183	10,173	7,631	12,223
TOTAL ASSETS LESS CURRENT LIABILITIES		132,070	128,140	127,738	123,376
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	15	(14,707)	(15,169)	(14,626)	(15,169)
PROVISIONS FOR LIABILITIES AND CHARGES	16	(2,153)	(3,306)	(2,153)	(3,306)
NET ASSETS EXCLUDING PENSION LIABILITY		115,210	109,665	110,959	104,901
Net pension liability	29	(53,235)	(50,990)	(53,235)	(50,990)
NET ASSETS INCLUDING PENSION LIABILITY		61,975	58,675	57,724	53,911
Represented by:		2013 £'000	2012 £'000	2013 £'000	2012 £'000
DEFERRED CAPITAL GRANTS	17	26,803	24,706	26,803	24,706
ENDOWMENTS					
Permanent	18	27	28	27	28
RESERVES					
Revaluation Reserve	19	37,685	38,761	37,685	38,761
Income and Expenditure Account excluding pension reserve	20	50,794	46,170	46,444	41,406
Pension Reserve	20	(53,235)	(50,990)	(53,235)	(50,990)
Income & Expenditure Account including pension reserve		(2,441)	(4,820)	(6,791)	(9,584)
Total Reserves		35,244	33,941	30,894	29,177
Minority Interest		(99)	0	0	0
TOTAL FUNDS		61,975	58,675	57,724	53,911

The financial statements on pages 14 to 37 were approved by the Board of Governors on 27 November 2013 and signed by:

Mr Stephen Burgin
Chair of the Board of Governors

Professor Michael Gunn
Vice-Chancellor

The notes on page 21 – 37 form an integral part of these financial statements

CONSOLIDATED CASH FLOW STATEMENT

	Note	Year to 31 July 2013 £'000	Year to 31 July 2012 £'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	22	11,065	11,601
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Income from short term investments		432	349
Interest Paid		(793)	(821)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(361)	(472)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Payments to acquire tangible fixed assets		(16,772)	(21,240)
Payments to acquire fixed asset investments		-	-
Loss from sales of fixed asset investments		(4)	10
Deferred capital grants received		635	3,760
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		(16,141)	(17,470)
TAXATION			
NET CASH OUTFLOW AFTER TAXATION, BUT BEFORE FINANCING		(5,437)	(6,341)
FINANCING			
New loans acquired	23	102	-
Repayment of loans	23	(554)	(523)
Capital element of finance lease repayments	23	-	-
NET CASH OUTFLOW FROM FINANCING		(452)	(523)
DECREASE IN CASH FOR THE YEAR	24, 25	(5,889)	(6,864)

The notes on page 21– 37 form an integral part of these financial statements

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.

ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements except as noted below.

BASIS OF CONSOLIDATION

The financial statements of the University include its wholly owned subsidiaries, Staffordshire University Enterprises Limited and Staffordshire University Unitemps Limited. They also include the Friends of Staffordshire University Charitable Trust. The University also includes 100% of the results of Flux Stoke-on-Trent Limited in its financial statements as the University has control over the company. The proportion of Flux Stoke-on-Trent relating to other investors is shown as a minority interest in the University financial statements.

The consolidated financial statements do not include those of Staffordshire University Union of Students as it is a separately managed organisation.

RECOGNITION OF INCOME

Recurrent grants from the Higher Education Funding Council for England and the Teaching Agency 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 Teaching Agency for Schools (see notes 30 and 31).

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 9 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.

Land and buildings inherited from Staffordshire County Council are stated in the balance sheet at valuation on the basis of depreciated replacement cost as the open market value for existing use is not readily obtainable. The associated credit is included in the revaluation reserve. The difference between depreciation charged on the historic cost of assets and the actual charge for the year calculated on the revalued amount is released to the income and expenditure account reserve on an annual basis.

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:-

Building Refurbishments	10% per annum
Plant and Machinery	20% per annum
Plant and Machinery (small)	10% 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 is 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 University is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable organisation for UK corporation tax purposes. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes. Subsidiary companies are liable to corporation tax.

The University is partially exempt in respect of Value Added Tax, so that it can only recover a minor element of VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

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 29.

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 2013 £'000	Year to 31 July 2012 £'000
1. FUNDING COUNCIL GRANTS		
Recurrent Grant		
Higher Education Funding Council	27,890	40,189
Teaching Agency	50	113
Foundation Degree Forward	0	43
Research and Selective Initiatives	9,488	10,192
Release of Capital Grants		
Buildings	1,055	852
Equipment	763	827
	39,246	52,216
2. ACADEMIC FEES AND EDUCATION CONTRACTS		
Full-Time Students -UK/EU	42,557	29,953
Full-Time Students - Overseas	6,320	6,734
Part-Time Fees	4,029	3,500
Education Contracts	6,631	7,169
Short Course Fees	3,204	2,945
	62,741	50,301
Research Councils	17	64
UK Based Charities	84	100
UK Industry and Commerce	75	55
UK Central Government/Health Authorities	466	508
European Community Programmes	769	435
Other Research Grants and Contracts	363	463
	1,774	1,625
4. OTHER OPERATING INCOME		
Residences, Catering and Conferences	6,502	6,413
Consultancy/Self Financing Fees	2,853	5,027
Other Rents/Lettings	1,157	1,292
Release from deferred capital grants (non-funding council)	124	111
Other Income	1,525	1,284
	12,161	14,127

NOTES TO THE FINANCIAL STATEMENTS - continued

	Year to 31 July 2013 £'000	Year to 31 July 2012 £'000
5. ENDOWMENT INCOME AND INTEREST RECEIVABLE		
Investment Income	329	417
Endowment Income (Note 11)	0	1
	329	418
6. STAFF		
	Year to 31 July 2013 Total	Year to 31 July 2012 Total
Staff Costs		
Wages	50,374	50,654
Social Security Costs	4,053	4,027
Other Pension Costs	7,944	7,702
FRS 17 adjustments	(272)	(323)
Redundancy/Managed Severance Scheme	608	1,094
	62,707	63,154
	Year to 31 July 2013 £'000	Year to 31 July 2012 £'000
Emoluments of the Vice-Chancellor:		
Salary costs	165	165
Performance bonus	13	11
Benefits in kind	-	-
Sub Total	178	176
Employers Pension Contributions	23	23
	201	199

The salary and benefits of the Vice Chancellor are shown on the same basis as for higher paid staff and the University's pension contributions to the Teachers' Superannuation Scheme are paid at the same rate as for other academic staff.

	2013 Number	2012 Number
Average (fte) Staff Numbers by Major Category		
Management	76	80
Academic	568	570
Administrative, Professional, Technical and Clerical Staff	745	740
Manual Staff	121	123
	1,510	1,513
Remuneration of other higher paid staff, including employer's pension contributions		
£110,000 - £119,999	1	2
£120,000 - £129,999	2	0
£130,000 - £139,999	1	1
£140,000 - £149,999	0	0
	4	3

A general pay award of 1% was made with effect from 1st August 2012.

NOTES TO THE FINANCIAL STATEMENTS - continued

	Year to 31 July 2013 £'000	Year to 31 July 2012 £'000
7. OTHER OPERATING EXPENSES		
Consumables	1,738	1,712
Equipment and Tools	2,511	2,079
Software Support Maintenance	1,112	818
Operating Leases	473	966
Books and Periodicals	1,488	1,390
Printing - External and Internal	333	362
Protective Clothing/Laundry/Uniforms	77	67
Repairs and General Maintenance	3,670	2,350
Heat, Light, Water and Power	3,126	2,501
Rent and Rates	595	665
Staff and Student Development	1,575	1,551
Travel and Subsistence	1,421	1,507
Student Union Contributions	1,463	844
Auditors' Remuneration Audit Services (Corporation)	47	46
Auditors' Remuneration Audit Services(Subsidiaries)	9	5
Auditors' Remuneration Non-Audit Services (Corporation)	0	34
Internal Audit Costs	88	97
Payments to Franchise Colleges	8,031	8,586
Telephones and Postages	620	692
Insurance	280	302
Publicity and Prospectus	1,985	1,101
Examinations/Awards Day	433	384
Subscriptions	651	473
Vehicle Hire/Lease	143	137
Other Expenses	94	4
Professional Charges	1,481	1,231
Consultancy	1,389	1,884
Technical and design work	154	181
Legal Charges	482	202
Agency Servicing	813	516
Security	631	609
Movement in Provision for Bad/Doubtful Debts	343	359
Placement Fees	421	346
Registration Fees	143	273
Grant Payments (External Activity)	73	764
Bursary Payments	3,047	3,766
Hospitality	122	72
Student Awards/Expenses	114	59
Bank Charges	24	206
(Gain)/Loss on disposal of Assets	4	(10)
	41,204	39,131

Included in Other Operating Expenses are payments to or on behalf of trustees of £2.8k (2011/12 £2.7k). The £2.8K expenditure in 2012/13 relates to travel and subsistence for nine trustees (2011/12 £2.7k for travel and subsistence expenses for eight trustees).

NOTES TO THE FINANCIAL STATEMENTS – continued

	Year to 31 July 2013 £'000	Year to 31 July 2012 £'000
8. INTEREST PAYABLE		
Loan not wholly repayable within five years	793	816
Pension finance costs (FRS17)	1,780	1,276
	2,573	2,092

9. 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 2012	156,876	2,778	13,899	14,661	93	188,307
Additions	6,968	5,372	2,189	2,218	25	16,772
Reclassifications	2,046	(2,046)	-	-	-	-
Disposals	(57)	-	(374)	(113)	(13)	(557)
At 31 July 2013	165,833	6,104	15,714	16,766	105	204,522
DEPRECIATION						
At 1 August 2012	50,880	-	11,632	7,813	76	70,401
Depreciation for year	4,548	-	1,562	1,717	12	7,839
Elimination on disposals	(57)	-	(373)	(102)	(13)	(545)
At 31 July 2013	55,371	-	12,821	9,428	75	77,695
Net Book Value at 31 July 2013	110,462	6,104	2,893	7,338	30	126,827
Net Book Value at 31 July 2012	105,996	2,778	2,267	6,848	17	117,906

NOTES TO THE FINANCIAL STATEMENTS – continued**TANGIBLE FIXED ASSETS – Corporation**

	Freehold Land and Buildings	Assets in Course of Construction	Computer Equipment	Other Equipment And Fittings	Motor Vehicles	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000
COST OR VALUATION						
At 1 August 2012	146,060	2,778	13,899	14,569	93	177,399
Additions	6,736	5,372	2,189	2,218	25	16,540
Reclassifications	2,046	(2,046)	-	-	-	-
Disposals	(57)	-	(374)	(113)	(13)	(557)
At 31 July 2013	154,785	6,104	15,714	16,674	105	193,382
DEPRECIATION						
At 1 August 2012	46,848	-	11,632	7,751	76	66,307
Depreciation for year	4,304	-	1,561	1,712	12	7,589
Elimination on disposals	(57)	-	(373)	(102)	(13)	(545)
At 31 July 2013	51,095	-	12,820	9,361	75	73,351
Net Book Value at 31 July 2013	103,690	6,104	2,894	7,313	30	120,031
Net Book Value at 31 July 2012	99,212	2,778	2,267	6,818	17	111,092

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. 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 (now South Staffordshire College, see note 15, page 28) 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 12).

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 15).

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.

NOTES TO THE FINANCIAL STATEMENTS - continued

10. FIXED ASSET INVESTMENTS

	GROUP		CORPORATION	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
At 1 August 2012	33	33	33	33
Additions	-	-	16	-
Disposals	-	-	-	-
At 31 July 2013	33	33	49	33

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 and £16K investment (55% of the issued share capital) in Flux Stoke on Trent Limited.

The group holds shares in a number of spin out companies and companies which have been set up through Enterprise and Commercial Development. The group shareholding is as follows: Picture Nation Ltd 23.6%, AVA Technologies Ltd 37%, Intelligent Orthopaedics Ltd 7.4%, Ludorum Studios Ltd 15%, Grand Independent Ltd 30%, iCentrica Ltd. 100%, and Linkway Software Ltd. 18%. The group has chosen not to attribute any value to these investments within the financial statements and will review as they become further established.

A new subsidiary company, Staffordshire University Unitemps Ltd was established in the year to act as an employment agency primarily employing students providing services both internal and external to the University. Other subsidiaries are detailed below:

Mr S Burgin and Professor M Gunn 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.

Mr S Burgin and Professor M Gunn as nominees of the Corporation also held all the issued share capital of Octagon Computer Centre Limited, which was dissolved on 27th September 2012 and was a company incorporated in and operating in Great Britain and registered in England and Wales,. The principal activity of the company was 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 2013.

11. ENDOWMENT ASSET INVESTMENTS

	GROUP AND CORPORATION	
	2013 £'000	2012 £'000
Balance at 1 August 2012	28	29
Additions	-	-
Interest Received	-	1
Prize Fund payments	(1)	(2)
Balance at 31 July 2013	27	28
Represented by:		
Fixed interest stocks	3	3
Bank balances	24	25
	27	28

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

NOTES TO THE FINANCIAL STATEMENTS - continued

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

	GROUP		CORPORATION	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Amounts owed by subsidiary undertaking	-	-	-	-
Amounts owed under joint arrangement with South Staffordshire College Phase 1 (Formerly Tamworth and Lichfield College – see note 15)	259	312	259	312
	259	312	259	312

13. DEBTORS: Amounts falling due within one year

	GROUP		CORPORATION	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Trade debtors	3,793	3,179	3,745	3,130
Amounts owed by subsidiary undertakings	-	-	6,859	5,857
Other debtors	183	135	414	87
Prepayments and accrued income	2,842	2,399	2,842	2,399
	6,818	5,713	13,860	11,473

14. CREDITORS: Amounts falling due within one year:

	GROUP		CORPORATION	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Loans	590	546	590	546
Trade creditors	5,160	4,999	5,042	4,895
Amounts owed to subsidiary undertakings	-	-	4,585	3,727
Other taxation and social security	2,821	2,781	2,807	2,781
Other creditors	175	157	156	157
Accruals and deferred income	21,414	21,429	21,319	21,417
	30,160	29,912	34,499	33,523

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

	GROUP		CORPORATION	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Bank loan account	14,239	14,623	14,239	14,623
Salix Energy Efficiency Loan	159	271	159	271
South Staffordshire College Phase 2	212	275	212	275
Other Creditors	97	-	16	-
	14,707	15,169	14,626	15,169

NOTES TO THE FINANCIAL STATEMENTS - continued

LOAN OBLIGATIONS

	GROUP		CORPORATION	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Between one and two years	520	564	520	564
Between two and five years	1,390	1,364	1,390	1,364
Over five years	12,488	12,966	12,488	12,966
Within one year	590	546	590	546
	14,988	15,440	14,988	15,440

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%.

A new loan facility of £102k was drawn down on 20 March 2013 from Salix Finance Ltd as part of their Energy Efficiency Programme. The loan is interest free, repayable over four years.

South Staffordshire College was formed as a merger of the Colleges of Rodbaston, Cannock and Tamworth & Lichfield on 1st August 2008.

16. PROVISIONS FOR LIABILITIES AND CHARGES

	Pension Enhancement £'000	Onerous Lease/ Dilapidations £'000	Legal Costs £'000	Restructuring £'000	GROUP AND CORPORATION	
					2013 Total £'000	2012 Total £'000
At 1 August 2012	351	2,153	-	802	3,306	3,340
Utilised in the Year	(151)	(1,184)	-	(654)	(1,989)	(644)
Charge to Income & Expenditure Account	164	148	-	524	836	610
At 31 July 2013	364	1,117	-	672	2,153	3,306

17. DEFERRED CAPITAL GRANTS

	GROUP AND CORPORATION		2013	2012
	Buildings £'000	Equipment £'000	Total £'000	Total £'000
At 1 August 2012	23,804	902	24,706	22,013
Add cash receivable	608	3,429	4,037	4,483
Released to Income and Expenditure	(1,156)	(784)	(1,940)	(1,790)
At 31 July 2013	23,256	3,547	26,803	24,704

NOTES TO THE FINANCIAL STATEMENTS – continued

18. ENDOWMENTS RESERVE

	GROUP AND CORPORATION	
	2013 Permanent £'000	2012 Permanent £'000
At 1 August 2012	28	29
Net Expenditure for year	(1)	(1)
At 31 July 2013	27	28

19. REVALUATION RESERVE

	GROUP AND CORPORATION	
	2013 £'000	2012 £'000
At 1 August 2012	38,761	39,836
Less release of revaluation reserve	(1,076)	(1,075)
At 31 July 2013	37,685	38,761

20. INCOME AND EXPENDITURE ACCOUNT RESERVE

	GROUP		CORPORATION	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
As at 1 August	(4,820)	(5,130)	(9,584)	(10,082)
Surplus retained for the year	2,040	7,235	2,454	7,423
Transfer from Endowment Reserve	1	1	1	1
Transfer from revaluation reserve	1075	1,075	1,075	1,075
Actuarial loss in respect of pension scheme	(737)	(8,001)	(737)	(8,001)
At 31 July	(2,441)	(4,820)	(6,791)	(9,584)
Balance represented by				
Pension Reserve	(53,235)	(50,990)	(53,235)	(50,990)
Income and Expenditure account reserve excluding pension reserve	50,794	46,170	46,444	41,406
At 31 July	(2,441)	(4,820)	(6,791)	(9,584)

21. OPERATING LEASE COMMITMENTS

Annual commitments on operating leases in respect of assets, expiring as follows are:

	GROUP AND CORPORATION					
	2013 Land & Buildings £'000	2013 Other £'000	2013 Total £'000	2012 Land & Buildings £'000	2012 Other £'000	2012 Total £'000
Within one year	82	59	141	421	222	643
	82	59	141	421	222	643

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

22. NET CASH FLOW FROM OPERATING ACTIVITIES

	Year to 31 July 2013 £'000	Year to 31 July 2012 £'000
Surplus for the year before taxation and transfers from reserves	2,040	7,235
Interest Receivable	(329)	(418)
	<u>1,711</u>	<u>6,817</u>
Add back interest payable	793	816
Surplus from operating activities	2,504	7,633
Release of capital grant	(1,941)	(1,790)
Depreciation	7,839	7,075
Pension Adjustments (FRS17)	1,508	953
(Surplus)/Loss on sale of Investments/Fixed Assets	16	(10)
Increase in stock	(95)	-
(Increase)/ Decrease in debtors	(1,155)	193
Increase/(Decrease) in creditors	3,542	(2,419)
Decrease in provisions	(1,153)	(34)
NET CASH INFLOW FROM OPERATING ACTIVITIES	<u>11,065</u>	<u>11,601</u>

23. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Bank Loans £'000
Balance at 1 August 2012	15,440
Cash outflow from financing	(554)
New loans	102
Balance at 31 July 2013	<u>14,988</u>

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

	£'000
Balance at 1 August 2012	34,060
Net cash outflow	(5,889)
Balance at 31 July 2013	<u>28,171</u>

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT – continued

25. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS

	2013 £'000	2012 £'000	2013 Change in Year £'000	2012 £'000	2011 £'000	2012 Change In Year £'000
Cash at bank and in hand	28,171	34,060	(5,889)	34,060	40,924	(6,864)

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

	Year Ended 31 July 2013 £'000	Year Ended 31 July 2012 £'000
Decrease in cash in year	(5,889)	(6,864)
Repayment of debt	554	523
New loans	(102)	-
CHANGE IN NET FUNDS	(5,437)	(6,341)
NET FUNDS AT 1 AUGUST	18,620	24,961
NET FUNDS AT 31 JULY	13,183	18,620

ANALYSIS OF CHANGES IN NET FUNDS

	1 August 2012 £'000	Cash Flows 2013 £'000	Other Movements £'000	31 July 2013 £'000
Cash in hand, at bank	34,060	(5,889)	-	28,171
Debt due within 1 year	(546)	554	(468)	(460)
Debt due after 1 year	(14,894)	-	366	(14,528)
New loans	-	(102)	102	-
	18,620	(5,437)	-	13,183

27. CAPITAL COMMITMENTS

	GROUP AND CORPORATION	
	2013 £'000	2012 £'000
Approved/Contracted for	11,711	18,245
Approved/Not contracted for	2,743	9,704
	14,454	27,949

Of the £12m capital commitments approved/contracted, £1.9m relates to the replacement of the Student System.

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT - continued

28. 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.

29. 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' Pension 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 2012/13 were £5,406k (2011/12 £5,281k) and for the Staffordshire County Council Superannuation Scheme £5,149k (2011/12 £5,029k).

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%

From 1 April 2012 to 31 March 2013, the employee contribution rate will range between 6.4% and 8.8%, depending on a member's Full-Time Equivalent salary. Further changes to the employee contribution rate will be applied in 2013-14 and 2014-15.

NOTES TO THE FINANCIAL STATEMENTS – continued

Local Government Pension Scheme

The LPGS 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 agreed contribution rates for future years are 18.2% for employers and between 5.5% and 7.5% for employees.

The latest formal valuation of the Fund for the purpose of setting employers' actual contributions was as at 31 March 2010, with the next formal valuation due as at 31 March 2013.

A valuation of the Fund's liabilities as at 31 July 2013 has been undertaken by the Fund's actuary for the purpose of FRS 17 "Retirement Benefits". The following valuation data has been used for the purposes of this disclosure.

- The individual membership data submitted as at 31 March 2010 for the purpose of the formal funding valuation at that date (or for employers which have joined the Fund after 31 March 2010, 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;
- The mid-market value of fund assets as at the latest available date; and
- Any new early retirements from 1 August 2011 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 retirement age at which all the member's benefits can be taken unreduced), as set out in Section 1 of the Results Schedule.

The following information is based upon a full actuarial valuation of the Fund at 31 March 2010.

	At 31 July 2013	At 31 July 2012
Rate of increase in salaries	5.1%	4.5%
Rate of increase for pensions	2.8%	2.2%
Expected return on assets	5.9%	4.9%
Discount rate for liabilities	4.6%	4.4%

Salary increases are 1% pa nominal until 31st March 2015, reverting to the long term rate shown thereafter.

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.

Commutation

An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 and 75% of the maximum tax-free cash for post-April 2008 service.

NOTES TO THE FINANCIAL STATEMENTS – continued

Mortality Assumptions

Life expectancy is based on the fund's VitaCurves with improvements from 2007 in line with the medium cohort and a 1% pa underpin. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	21.2 years	23.4 years
Future Pensioners	23.3 years	25.6 years

Historic Mortality

Life expectancy for the prior year end is based on the fund's VitaCurves. The allowance for future life expectancies are shown below;

Year Ended	Prospective Pensioners	Pensioners
31 July 2012	Year of birth, medium cohort and 1% p.a. minimum improvements from 2007	Year of birth, medium cohort and 1% p.a. minimum improvements from 2007

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

	Long-term rate of return expected at 31 July 2013	Value at 31 July 2013 £'000	Long-term rate of return expected at 31 July 2012	Value at 31 July 2012 £'000
Equities	6.4%	84,424	5.5%	68,794
Bonds	3.9%	13,157	2.8%	11,767
Property	4.6%	8,771	3.7%	8,147
Cash	3.4%	3,289	2.8%	1,810
Total Market Value of Assets		109,641		90,518
			Year Ended 31 July 2013 £'000	Year Ended 31 July 2012 £'000
Group's estimated asset share			109,641	90,518
Present value of scheme liabilities			(162,876)	(141,508)
Deficit in the scheme			(53,235)	(50,990)

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.

NOTES TO THE FINANCIAL STATEMENTS – continued

Analysis of the amount charged to the Income and Expenditure Account

	Year Ended 31 July 2013 £'000	Year Ended 31 July 2012 £'000
Employer service cost (net of employee contributions)	4,276	4,119
Past service cost	-	34
Curtailment and Settlements	98	17
	<hr/>	<hr/>
Total operating cost	4,374	4,170

Analysis of pension finance income/costs

	Year Ended 31 July 2013 £'000	Year Ended 31 July 2012 £'000
Expected return on pension scheme assets	4,486	5,495
Interest on pension scheme liabilities	(6,266)	(6,771)
Pension finance costs	(1,780)	(1,276)

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

Actuarial loss recognised in STRGL	<hr/> (737)	<hr/> (8,001)
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Reconciliation of defined benefit obligation

	Year Ended 31 July 2013 £'000	Year Ended 31 July 2012 £'000
Opening Defined Benefit Obligation	141,508	127,001
Current Service Cost	4,276	4,119
Interest Cost	6,266	6,771
Contributions by Members	1,356	1,354
Actuarial Losses	13,292	6,228
Past Service Costs	-	34
Losses on Curtailments	98	17
Estimated Unfunded Benefits Paid	(696)	(665)
Estimated Benefits Paid	(3,224)	(3,351)
Closing Defined Benefit Obligation	162,876	141,508

Reconciliation of fair value of employer assets

	Year Ended 31 July 2013 £'000	Year Ended 31 July 2012 £'000
Opening Fair Value of Employer Assets	90,518	84,965
Expected Return on Assets	4,486	5,495
Contribution by Members	1,356	1,354
Contributions by the Employer	3,950	3,828
Contributions in respect of Unfunded Benefits	696	665
Actuarial Gains/(Losses)	12,555	(1,773)
Estimated Unfunded Benefits paid	(696)	(665)
Estimated Benefits Paid	(3,224)	(3,351)
Closing Fair Value of Employer Assets	109,641	90,518

NOTES TO THE FINANCIAL STATEMENTS – continued

Movement in deficit during the year

	Year Ended 31 July 2013 £'000	Year Ended 31 July 2012 £'000
Deficit in scheme at 1 August	(50,990)	(42,036)
Movement in year:		
Current service charge	(4,276)	(4,119)
Contributions	3,950	3,828
Contributions in respect of unfunded benefits	696	665
Past service costs	-	(34)
Impact of Settlements and Curtailments	(98)	(17)
Net interest on assets	(1,780)	(1,276)
Actuarial loss	(737)	(8,001)
Deficit in scheme at 31 July	(53,235)	(50,990)

History of experience gains and losses

	Year Ended 31 July 2013 £'000	Year Ended 31 July 2012 £'000	Year Ended 31 July 2011 £'000	Year Ended 31 July 2010 £'000	Year Ended 31 July 2009 £'000
Actuarial Gains/(Losses) on assets	12,555	(1,773)	826	6,321	(11,218)
Experience(Losses)/Gains on scheme liabilities	57	(1,691)	5,930	598	(154)
Total amount recognised in STRGL	(737)	(8,001)	10,060	5,804	(24,314)

30. ACCESS FUNDS

	Year to 31 July 2013 £'000	Year to 31 July 2012 £'000
Funding Council Grants	552	598
Interest Earned	1	1
	553	599
Disbursements to Students	(547)	(589)
Balance Unspent 31 July 2013	6	10

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.

NOTES TO THE FINANCIAL STATEMENTS – continued

31. NATIONAL COLLEGE FOR TEACHING AND LEADERSHIP (NCTL)

(a) Student Bursaries

	Year to 31 July 2013	Year to 31 July 2012
	£'000	£'000
Opening fund balance	8	4
Net NCTL grants received in year	250	174
Disbursed to students	(246)	(170)
Balance Unspent at 31 July owing to the NCTL	12	8

(b) Black & Minority Ethnic Recruitment

Opening fund balance	1	1
Net NCTL grants received/(reclaimed) in year	-	-
Disbursed to students	-	-
Support Payments to Schools	-	-
Development	-	-
Administration	-	-
Balance Unspent at 31 July owing to the NCTL	1	1

National College for Teaching and Leadership grants are available solely for students or school for student support and the University acts only as paying agent in administering these National College for Teaching and Leadership grants. The grants and related disbursements are therefore excluded from the Income and Expenditure Account.

32. CONNECTED CHARITIES

Charities with Income over £100,000

	Brought forward £000's	Income £000's	Expenditure £000's	Carry forward £000's
Friends of Staffordshire University Charitable Trust	5,002	177	365	4,814

The principle activity of Friends of Staffordshire University Charitable Trust is to act as a property manager for properties leased from Staffordshire University. The Trust also acts as a landlord of a property for which it owns the freehold.

33. 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 such transactions 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.

Helen Pegg, retired as the Principal of the Sixth Form College in Stoke-on-Trent on 31 August 2012 and was a member of the Board of Governors until 26 April 2013. The University is working in partnership with the Sixth Form College on the development of the University Quarter in Stoke-on-Trent.

Included within the accounts for the period are transactions between Flux Stoke-on-Trent Ltd and Staffordshire University. Purchases by the University amounted to £5k (2011/12: £0) and sales £34k (2011/12: £0). At the end of the year, there was a balance outstanding due to the University of £299k comprising of a loan and working capital facility. This has been eliminated in consolidation.