

SHEFFIELD HALLAM UNIVERSITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2001

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SHEFFIELD HALLAM UNIVERSITY

BOARD OF GOVERNORS REPORT FOR THE YEAR ENDED 31 JULY 2001

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

Constitution and Powers

Sheffield Hallam University is a higher education corporation (HEC) as defined under the Education Reform Act 1988.

The powers of the HEC are defined in Section 124 of the 1988 Act as amended by the Further and Higher Education (FHE) Act 1992, and subject thereto any relevant regulations, orders or directions made by the Secretary of State or Privy Council. These powers include the power to provide higher and further education and to carry out research and to publish the results of such research.

The Corporation has exempt charitable status by virtue of the 1988 Act.

Scope of the Financial Statements

The financial statements presented by the Governors comprise the consolidated results of the University and its subsidiary companies. The subsidiary companies undertake activities which, for legal or commercial reasons, are more appropriately channelled through a limited company. These activities include:-

Collegiate Properties (2) Limited : contracting and property management

Collegiate Properties (3) Limited : equipment leasing

Collegiate Library Services Limited : provision of library services to the University

O & N Contracting Limited : property leasing

Sheffield Hallam University Enterprises Limited : non-property related trading activities

Collegiate Charitable Trust is also consolidated. The Trust's main activity is the leasing of property.

The subsidiary companies covenant taxable profits to the University.

The trust returns taxable profits to the University by way of a grant.

Review of Developments

External scrutiny

The University continued to be successful in the Quality Assurance Agency (QAA) subject reviews. Both areas reviewed, Education studies and the portfolio of the School of Sport and Leisure Management, achieved the 'excellent' standard. Further evidence of external regard for teaching quality was the award, for the second year running, of one of the twenty prestigious National Teaching Fellowships to a Sheffield Hallam lecturer.

The QAA also audited the University's arrangements for managing quality and academic standards (known as the Continuation Audit). All UK universities are subject to this audit process about every six years. The report was positive and agreed with the University's self-description of itself as a 'large, self-confident, high profile and successful new University.' It also referred to the 'well-founded and well-managed learning infrastructure.'

Planning

Effective planning is crucial if the University is to continue to adapt to a rapidly changing environment. It has further developed its business planning process, focusing on evidence-based plans, a stronger customer orientation, and closer integration of academic and business planning activities. A balanced set of key performance indicators encompassing market, quality and efficiency measures has been introduced to facilitate informed evaluation of progress against plans.

Business education and enterprise

Business and management education remains a core part of the educational portfolio, with more than a fifth of the University's students studying business and management related subjects. As part of the adaptation to the changing environment, the University refocused its business education strategy with a much stronger emphasis on promoting and enabling enterprise. Following a review which formed part of the refocusing, Sheffield Business School ceased to exist in its previous form as a free standing budget unit.

Plans were developed for a major new Enterprise Centre which will strengthen the University's capacity to support the regional business community, take the lead in providing students with entrepreneurial skills and facilitate the development of spin out companies from the University's research base.

Encouraging enterprising students and stimulating ideas that could develop into regional businesses were the main purposes of the Entrepreneur 2000 Plus business planning competition. Five winning consortia were given prize money, introductions to venture capitalists and business advice to help them turn their proposals into reality.

Estates

There were two important estates developments at the Collegiate Campus, one the completion of a project and the other opening up new possibilities.

In September 2000, the transformed library was officially reopened as a Learning Centre which provides an integrated library and multimedia learning resource comparable to the Adsetts Centre on City Campus. In response to student demand there is 24 hour opening at key times.

In February 2001, the University announced that it had acquired the former YMCA premises on Broomhall Road. The main significance of the purchase is that gives the University scope to accommodate its planned increase in healthcare students.

Conferences and Launches

In June 2001 the second annual Chancellor's Conference was held. Entitled 'Joined up regeneration' the conference focused on how different agencies and organisations can work together to promote regeneration. The Lord Rogers of Riverside gave the keynote address on the theme of the fragmented city.

Also in June, the University's Associate College Network was launched¹. It provides a framework for strategic partnerships with regional colleges and builds upon the links developed in recent years. Its development is an important element of the University's strategy to widen participation and promote lifelong learning within the region.

In July, the University hosted the launch of the Diversity Enabling Framework. This project, funded by the European Union and involving partners from Sweden, Spain and Italy, aims to assist employers to tackle workplace discrimination on the grounds of disability, sexuality, age or ethnicity.

Major grants

The Higher Education Funding Council for England (HEFCE) awarded the University £1.8m as part of the Government's new Science Research Investment Fund. The University's submission focused on two projects, 'research into chronic inflammatory degenerative diseases' in the Biomedical Research Centre, and 'research into modified surfaces and interfaces for optimising application durability and lifetime', led by the Materials Research Institute in collaboration with the School of Engineering and the School of Environment and Development.

Also from HEFCE, the University has been awarded over £1.1m under the Rewarding and Developing staff in Higher Education initiative. The action planned for 2001/02 includes the development of a revised equality of opportunity and diversity management policy and enhanced staff development to underpin leadership and particular responsibilities.

¹ The following institutions have signed an agreement: Chesterfield College; Dearne Valley College; Northern College; North Notts NHS Healthcare Trust; Rother Valley College; Rotherham College of Arts & Technology; Sheffield College; Wakefield College.

Financial Position

The University's Consolidated Income, Expenditure and Results for the year to 31 July 2001 are summarised as follows:

	2001 £000	2000 £000
Income	114,203	107,956
Expenditure	112,739	105,275
	<hr/>	<hr/>
Surplus for the Year	1,464	2,681
	<hr/> <hr/>	<hr/> <hr/>

The University has had another successful year from a financial perspective. Despite increasing competition in the student recruitment market and the continuing squeeze on the level of public funding, the University's total income has increased by 5.8% over the previous year, enabling the University to achieve a budget surplus for the fourth consecutive year. The surplus of £1.46m, although lower than the surpluses achieved in the previous two years, represents a satisfactory out-turn as it was achieved despite the financial and organisational cost of a major review and restructuring of business and management education provision, undertaken by the University in the latter part of the year. The review will ensure that this area of the University's academic portfolio provides a positive contribution to the institution's future financial position but had an adverse financial impact on the results for the year, affecting turnover from these activities and incurring limited non-recurrent restructuring costs. The University is confident that following the review, its operating surplus will return to the levels of recent years.

The core of the University's income, the revenue grants from the Funding Councils and tuition fees income, increased by 3.3%. The highlight of the year however was again the growth in income from non-Funding Council sources. The University's research and business development strategy, introduced in 1999 to stimulate the broadening of the University's funding base, continues to produce excellent results with income from Research Grants and Contracts increasing by 13% and from Other Services Rendered by 23.5% (following increases of 29% and 4.5% in 1999/2000).

Following the introduction of a revised financial framework in 1999/2000, the Board of Governors approved a revised set of financial regulations in April 2001 and work is now underway to establish a detailed financial strategy together with a series of key financial performance indicators. Within this strategy, the University remains committed to achieving an annual operating surplus of at least 3% of total income, in line with HEFCE guidelines, to generate the cash needed for future strategic investments. Although the operating surplus for the year was only 1.3% of total income (1999/2000 : 2.5%) as a result of the financial impact of the reorganisation of business and management education, the University expects to achieve the 3% target in future years and Governors have approved a revenue budget for 2001/02 which meets this requirement.

Total Funds have risen from £69.0m to £70.5m and within that figure, the Income and Expenditure Reserve improved by £1.9m to £25.9m.

Net Current Liabilities continues to improve, totalling £1.5m compared with £2.4m in 1999/2000. The University remains committed to the CBI code of practice on prompt payment and trade creditors have again reduced, by £0.5m to £2.8m. The ability of the University to generate cash from its operating activities is critical to its financial health and in 2000/01 £12.0m was generated (1999/2000 : £5.2m), enabling the University to invest c £9.1m in additions to its fixed asset base and increasing current cash balances to £8.9m at 31 July 2001, £3.5m above the balances of £5.4m a year earlier. Cash balances are expected to remain stable in the short term. Longer term borrowings remain unchanged at £27.9m.

The consolidated statements incorporate the results of the University's wholly owned subsidiary companies and of the Collegiate Charitable Trust. As already indicated these organisations undertake a variety of activities, including trading, premises refurbishment and equipment leasing. On turnover of £12.31m (1999/2000 : £6.96m) they generated a pre-tax profit of £1.47m (1999/2000 : £1.24m). The increase in turnover is attributable to Collegiate Library Services Limited for which 2000/01 represented the first year of trading.

Health and Safety

The University is committed to providing a safe working environment for its staff, students and visitors and for that purpose employs professionally qualified staff to identify and report on problems, to organise training and to provide advice and information. To enable the Board of Governors to discharge its responsibility for health and safety, it receives regular reports together with an annual report on performance. This year the Board noted a number of major changes taking place in the health and safety arena including confirmation by the Health and Safety Executive that work-related stress should be regarded as a health and safety issue, the implications of the Disability Discrimination Act and the significant rise in mental and physical health issues relating to the student population nationally and at Sheffield Hallam University. The Board is confident that the content of the annual report indicates the University's health and safety infrastructure is robust enough to meet these challenges.

Sustainability

The University aims to minimise the environmental impact of its activities and promote greater environmental understanding through its curricula. In 2000/01 an initial environmental review was completed throughout all the administrative areas of the University and targets and an action plan for 2001/02 have been agreed. Two other major areas of progress were the introduction of the collection of office wastepaper and the adoption of 100% post-consumer waste recycled paper. During the year, the University undertook a major review of the Awards and Curriculum Framework and a policy statement on curriculum development sets out the University's expectations that students should be encouraged through appropriate aspects of their curriculum to develop awareness of the ecological, ethical, political and social dimensions and relationships of their studies and personal professional practice to the wider environment.

The University will also continue to play a pro-active role within the region, working in partnership with the City Council and other agencies. We are currently working with Business in the Environment to develop further the Yorkshire and Humber Index and performance measurement and with the Broomhill Forum, making a positive contribution to working with a community in Sheffield. The University has also been involved nationally, in association with the Forum for the Future, with two HEFCE supported projects; the HE21 project which identified and promoted examples of best practice for sustainability within the higher education sector, and the current Higher Education Partnership for Sustainability.

Employment of Disabled Persons

The University welcomes staff, students and visitors with disabilities. The University is committed to enabling access to employment, premises and facilities wherever possible and will make special arrangements and reasonable adjustments where appropriate to achieve this.

The University recognises that people's health and fitness change over time, due to the natural ageing process, illness, disability and/or accident. The University aims, as far as reasonably practicable, to help individuals to take up employment, continue to work and to return to work after periods of absence.

Employee Involvement

The University is working towards the Investors in People standard and 9 Departments and 2 Schools have now achieved recognition. The University's Human Resources strategy is seeking to build a partnership approach with both trade union staff representatives and the University's staff overall. Under the direction of the Joint Consultative Committee, a consultation framework has been agreed with the recognised trade unions and a negotiations framework is currently under discussion.

The University is committed to developing effective internal communications, and has recently developed several new mechanisms such as the staff briefing system to support this objective. The aim of the staff briefing system is to provide all employees with a regular update on the main developments within the University, and to provide a shared understanding of their implications. The staff briefing system is complemented by a number of other mechanisms. The Vice-Chancellor holds an annual programme of meetings with Schools and Departments, to which all staff are invited. These meetings provide an opportunity for her to identify and discuss the key priorities and challenges for the University over the next five years. In addition, the Vice-Chancellor hosts a series of 'listening and learning sessions', which provide a means by which small groups of staff from across the University can raise any issues they choose to discuss on an informal basis.

A second biennial staff experience survey (1999/2000) highlighted a number of positive factors together with a number of priority areas for improvement. Actions arising from the survey are being integrated with the business planning process and will be used to inform future development and investment decisions.

Payment of Creditors

The University is fully committed to the prompt payment of its suppliers invoices and supports the Confederation of British Industry's (CBI) Prompt Payment Code. The University aims to pay invoices in accordance with agreed contractual conditions or, where no such specific conditions exist, within 30 days of receipt of goods or services

or the presentation of a valid invoice, whichever is the later. To support this commitment, the University will monitor its performance on creditor payment against both sector and industry norms and report regularly to Governors thereon.

At 31 July 2001 trade creditors represented approximately thirty five days purchases, a reduction of six days from the July 2000 position.

Corporate Governance

The University is committed to exhibiting best practice in all aspects of corporate governance. It aims to conduct its business in accordance with the principles identified in the Committee on Standards in Public Life (Nolan) and the CUC Guide for Members of Governing Bodies of Universities and Colleges. In addition whilst the University, being a higher education corporation as defined under the Education Reform Act 1988 with charitable status, does not fall within the regulation of the London Stock Exchange, the Board of Governors intend to ensure that the University complies with the provisions of its Combined Code on Corporate Governance which can be applied to universities.

In line with the Turnbull Committee's guidance on internal control, HEFCE's policy on corporate governance requires Universities to move towards a system of reviewing the entire system of internal control, covering business, operational, and compliance as well as financial control. The policy concentrates on a risk based approach, with the aim of integrating corporate governance into overall management process. HEFCE's Accounts Direction to Higher Education Institutions for 2000/01 requires that all institutions should be in a position to make a full compliance statement covering all aspects of internal control as at year ending 31 July 2003 and the University is working towards full compliance. This report includes a statement showing key elements of the University's internal financial control system (page 10).

The Board of Governors has undertaken considerable work to review its effectiveness and is committed to continuous monitoring of its performance. It has agreed a set of performance indicators for measuring and monitoring Board effectiveness and these will form a key part of the Annual Report of the Board of Governors and its Committees from 2001/02 onwards. During 2000/01, a structured training and development programme for members of the Board was introduced.

The University recognises the genuine business benefits to be gained from a systematic approach to risk management as well as improvements in accountability and stakeholder confidence. The University has established a risk management group to advise the Vice-Chancellor and the Board on appropriate procedures for risk management and their integration within the planning framework. In addition, the University's internal auditors have provided training on corporate governance and risk management for members of the Audit Committee and other Board members and a presentation on risk to the University's senior managers. This work will enable the University to report formally on the process for identifying, evaluating and managing the University's significant risks in subsequent annual reports.

Summary of the University's Structure of Corporate Governance

The University's Board of Governors comprises lay and academic persons appointed under the Instrument of Government of the University, the majority of whom are non-executive. The roles of Chairman and Deputy Chairman of the Board of Governors are separate from the role of the University's Chief Executive and Vice-Chancellor. The matters specifically referred to the Board of Governors for decision are set out in the Articles of Government of the University and the Board meets five times a year for this purpose. In addition, discussions are held on issues of strategic development to the University.

By custom and under the Financial Memorandum with the Higher Education Funding Council for England, the Board of Governors holds to itself the responsibilities for the ongoing strategic direction of the University, 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 policy implications of strategic developments in higher education as they affect the experience of University students are kept under review through a University Students Union Liaison Group and the Board of Governors has nominated one of its members as a student mentor, to maintain a line of communication on its behalf. The President of the Students Union is a member of the Board *ex officio*, and reports to each meeting on student matters.

The Board of Governors operates with a Committee structure comprising a Finance and Employment Committee, a Remunerations Committee, a Nominations Committee and an Audit Committee. All of these Committees are formally constituted with terms of reference and comprise mainly lay members of the Board of Governors, one of whom is designated to chair meetings. Governors are also represented on the Academic Board's Honorary Awards Committee.

The Finance and Employment Committee *inter alia* recommends to the Board of Governors the University's annual income and expenditure budget and monitors performance in relation to the approved budgets.

The Remunerations Committee determines salaries and conditions of service of Board appointments which are the Vice-Chancellor, the Director of Finance and University Secretary and Clerk to the Board. More generally it advises the Vice-Chancellor on salaries and conditions of service of senior managers. The Nominations Committee considers nominations for filling vacancies in the Board of Governors membership under the Instrument of Government. Such nominations are subject to the formal approval of the Board of Governors.

The Audit Committee meets normally four times annually with the External and Internal Auditors in attendance. The Committee considers detailed internal audit reports and recommendations for the improvement of the University's systems of internal control, together with 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 monitors adherence with the regulatory requirements. It reviews the University's annual financial statements together with the accounting policies. Whilst senior executives attend meetings of the Audit Committee as necessary, they are not members of the Committee. The Committee has the formal opportunity to meet with the Auditors in private without University management to enable them to raise any issues and concerns at one meeting each year and may raise urgent matters at any time via the Committee Chairman.

Responsibilities of the University's Board of Governors

In accordance with the Education Reform Act 1988 and the Articles of Government, the Board of Governors is responsible for the administration and management of the affairs of the University and its subsidiary companies (Group) 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 Group and to enable it to ensure that the financial statements are prepared in accordance with the University's Articles of Government, the Statement of Recommended Practice on Accounting for Further and Higher Education 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 Group 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 ensured 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
- it is appropriate for the financial statements to be prepared on the going concern basis.

The Board of Governors has taken reasonable steps to

- ensure that funds from the Higher Education Funding Council for England, Further Education Funding Council (to 1 April 2001), the Learning and Skills Council (from 1 April 2001) and Teacher Training Agency, grants and income for specific purposes and from other restricted funds administered by Sheffield Hallam University have been applied only for the purposes for which they were received and in accordance with the Financial Memoranda with the Funding Councils and any other conditions which the Funding Councils 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 Group and prevent and detect fraud and other irregularities
- secure the economical, efficient and effective management of the Group's resources and expenditure.

Internal Financial Controls

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

- clear definitions of the responsibilities of, and the authority delegated to, heads of academic and administrative departments
- 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
- a formalised treasury management policy
- comprehensive Financial Regulations detailing financial controls and procedures
- a professional Internal Audit team whose annual programme is approved by the Audit Committee.

Any system of internal financial control can only provide reasonable, but not absolute, assurance against material misstatement or loss.

Going Concern

After making enquiries 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 they continue to adopt the going concern basis in preparing the Financial Statements.

Auditors

The Board of Governors appointed KPMG to undertake the audit of the University for the year to 31 July 2001.

KPMG have expressed their willingness to continue in office as the University's auditors and a resolution proposing their re-appointment has been approved by the Audit Committee.

R Gregory
Chair of the Board of Governors

D M Green
Vice-Chancellor
4 December 2001

Independent Auditors' Report to the Board of Governors of Sheffield Hallam University

We have audited the financial statements on pages 13 to 36, which have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and in accordance with the accounting policies set out on pages 18 to 20.

Respective Responsibilities of the Board of Governors and Auditors

The Board of Governors is responsible for preparing the financial statements. Our responsibilities as independent auditors are established by statute, the Auditing Practices Board, the Higher Education Funding Council for England and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Statement of Recommended Practice on Accounting for Further and Higher Education. We also report to you whether, in all material respects, income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the University have been properly applied only for the purposes for which they were received and whether, in all material respects, income has been applied in accordance with the University's Instrument and Articles of Government and, where appropriate, with the Financial Memorandum with the Higher Education Funding Council for England and with the Funding Agreements with the Further Education Funding Council and the Teacher Training Agency.

We also report to you if, in our opinion, the Board of Governors Report is not consistent with the financial statements, if the University has not kept proper accounting records, the accounting records do not agree with the financial statements or if we have not received all the information and explanations we require for our audit.

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

Basis of Opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board and the Audit Code of Practice issued by the Higher Education Funding Council for England. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Board of Governors in the preparation of the financial statements and of whether the accounting policies are appropriate to the University's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion:

- a) the financial statements give a true and fair view of the state of affairs of the University and the Group at 31 July 2001 and of the surplus of income over expenditure and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Statement of Recommended Practice on Accounting for Further and Higher Education;
- b) in all material respects income for the year ended 31 July 2001 from the Higher Education Funding Council for England, the Further Education Funding Council and the Teacher Training Agency, grants and income for specific purposes and from other restricted funds administered by the University have been applied for the purposes for which they were received; and
- c) in all material respects, income for the year ended 31 July 2001 has been applied in accordance with the University's Instrument and Articles of Government, Financial Regulations and, where appropriate, with the Financial Memorandum dated 1 July 1997 with the Higher Education Funding Council for England and the Terms and Conditions of Funding with the Further Education Funding Council and the Teacher Training Agency.

KPMG
Chartered Accountants and Registered Auditors
Leeds
10 December 2001

SHEFFIELD HALLAM UNIVERSITY
CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT
for the year ended 31 July 2001

	Note	2001 £000	2000 £000
INCOME			
Funding Council grants	2	60,278	58,034
Academic fees and support grants	3	30,720	29,886
Research grants and contracts	4	6,790	5,986
Other operating income	5	15,729	13,620
Endowment income and interest receivable	6	686	430
		<hr/>	<hr/>
Total income		114,203	107,956
		<hr/>	<hr/>
EXPENDITURE			
Staff costs	7	72,947	67,214
Depreciation	8	8,284	7,258
Other operating expenses	9	29,708	28,982
Interest payable	10	1,800	1,821
		<hr/>	<hr/>
Total expenditure		112,739	105,275
		<hr/>	<hr/>
Surplus after depreciation of assets at valuation and before tax		1,464	2,681
Taxation		-	-
		<hr/>	<hr/>
Surplus after depreciation of assets at valuation and tax		1,464	2,681
		<hr/>	<hr/>

All results are from continuing operations.

SHEFFIELD HALLAM UNIVERSITY
CONSOLIDATED BALANCE SHEET

as at 31 July 2001

	Note	2001 £000	2001 £000	2000 £000	2000 £000
FIXED ASSETS					
Tangible assets	11	100,825		99,953	
Investments	13	<u>42</u>	100,867	<u>42</u>	99,995
ENDOWMENT ASSET INVESTMENTS					
	14		240		221
CURRENT ASSETS					
Stocks and stores in hand		160		188	
Debtors	15	8,892		9,660	
Short term deposits		9,899		5,653	
Cash at bank and in hand		<u>505</u>		<u>261</u>	
		<u>19,456</u>		<u>15,762</u>	
CREDITORS - amounts falling due within one year					
	16	<u>20,991</u>		<u>18,164</u>	
NET CURRENT LIABILITIES			<u>(1,535)</u>		<u>(2,402)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			99,572		97,814
CREDITORS - amounts falling due after more than one year					
	17	27,900		27,918	
PROVISIONS FOR LIABILITIES AND CHARGES					
	18	<u>1,176</u>	<u>29,076</u>	<u>879</u>	<u>28,797</u>
TOTAL NET ASSETS			<u>70,496</u>		<u>69,017</u>
Represented by :-					
DEFERRED CAPITAL GRANTS					
	19		15,903		15,907
ENDOWMENTS					
Specific	14		240		221
RESERVES					
Revaluation reserve	20	28,467		28,914	
Income and expenditure	21	<u>25,886</u>	<u>54,353</u>	<u>23,975</u>	<u>52,889</u>
TOTAL FUNDS			<u>70,496</u>		<u>69,017</u>

The financial statements on pages 13 to 36 were approved on behalf of the Board of Governors on 4 December 2001.

R. Gregory, Chair of the Board of Governors D M Green, Vice-Chancellor

SHEFFIELD HALLAM UNIVERSITY

UNIVERSITY BALANCE SHEET

as at 31 July 2001

	Note	2001 £000	2001 £000	2000 £000	2000 £000
FIXED ASSETS					
Tangible assets	12	95,803		95,404	
Investments	13	<u>17,537</u>	113,340	<u>15,807</u>	111,211
ENDOWMENT ASSET INVESTMENTS					
	14		240		221
CURRENT ASSETS					
Stocks and stores in hand		160		188	
Debtors	15	20,040		22,401	
Short term deposits		8,996		5,248	
Cash at bank and in hand		<u>456</u>		<u>150</u>	
		<u>29,652</u>		<u>27,987</u>	
CREDITORS - amounts falling due within one year					
	16	<u>25,179</u>		<u>21,104</u>	
NET CURRENT ASSETS					
Due within one year		2,830		3,040	
Due after more than one year		<u>1,643</u>	<u>4,473</u>	<u>3,843</u>	<u>6,883</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			118,053		118,315
CREDITORS - amounts falling due after more than one year					
	17	49,568		51,819	
PROVISIONS FOR LIABILITIES AND CHARGES					
	18	<u>1,176</u>	<u>50,744</u>	<u>879</u>	<u>52,698</u>
TOTAL NET ASSETS			<u>67,309</u>		<u>65,617</u>
Represented by :-					
DEFERRED CAPITAL GRANTS					
	19		15,903		15,907
ENDOWMENTS					
Specific	14		240		221
RESERVES					
Revaluation reserve	20	28,467		28,914	
Income and expenditure	21	<u>22,699</u>	<u>51,166</u>	<u>20,575</u>	<u>49,489</u>
TOTAL FUNDS			<u>67,309</u>		<u>65,617</u>

The financial statements on pages 13 to 36 were approved on behalf of the Board of Governors on 4 December 2001.

R Gregory, Chair of the Board of Governors D M Green, Vice-Chancellor

SHEFFIELD HALLAM UNIVERSITY

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31 July 2001

	Note	2001 £000	2000 £000
Surplus after depreciation of assets at valuation and tax		1,464	2,681
New Endowments	14	12	11
Endowment income retained for year	14	7	(16)
		<hr/>	<hr/>
Total recognised gains relating to the year		1,483	2,676
		<hr/> <hr/>	<hr/> <hr/>

NOTE OF HISTORICAL COST SURPLUSES AND DEFICITS

for the year ended 31 July 2001

	Note	2001 £000	2000 £000
Surplus after depreciation of assets at valuation and tax		1,464	2,681
Difference between an historical cost depreciation charge/fixed asset writedown and the actual depreciation charge for the year calculated on the revalued amount	20	447	447
		<hr/>	<hr/>
Historical cost surplus after tax		1,911	3,128
		<hr/> <hr/>	<hr/> <hr/>

SHEFFIELD HALLAM UNIVERSITY
CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 July 2001

	Note	2001 £000	2000 £000
Cash inflow from operating activities	25	12,029	5,236
Return on investments and servicing of finance	27	(1,107)	(1,407)
Capital expenditure and financial investment	28	(7,222)	(5,530)
Cash inflow/(outflow) before use of liquid resources and financing		3,700	(1,701)
Management of liquid resources		(4,265)	1,298
Financing		(124)	(121)
Decrease in Cash		(689)	(524)
 Reconciliation of net cash flow to movement in net debt			
Decrease in cash in the period		(689)	(524)
Increase/(decrease) in liquid resources		4,265	(1,298)
Repayment of debt		124	121
Change in net debt		3,700	(1,701)
Net debt at 1 August		(22,436)	(20,735)
Net debt at 31 July	29	(18,736)	(22,436)

SHEFFIELD HALLAM UNIVERSITY

NOTES TO THE ACCOUNTS

1. Statement of Principal Accounting Policies

Accounting Convention

The financial statements of the University have been prepared under the historical cost convention, as modified by the revaluation of certain land and buildings, and in accordance with both the Statement of Recommended Practice : Accounting for Further and Higher Education (the SORP) issued in June 2000 and applicable Accounting Standards.

Basis of Consolidation

The consolidated financial statements consolidate the financial statements of the University and its wholly owned subsidiary undertakings (Sheffield Hallam University Enterprises Ltd, Collegiate Properties (2) Ltd, Collegiate Properties (3) Ltd, O&N Contracting Ltd and Collegiate Library Services Ltd) together with those of the Collegiate Charitable Trust.

The University and its subsidiaries prepare accounts to the 31 July.

The consolidated financial statements do not include those of the University's Union of Students as it is a separate legal entity in respect of which the University maintains controls at the minimum necessary level.

Recognition of Income

Income from Specific Endowments and 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.

Foreign Currencies

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at year end rates. The resulting exchange differences are dealt with in the determination of income and expenditure for the financial year.

Leases

Fixed assets held under finance leases and the related lease obligations are recorded in the Balance Sheet at the fair value of the leased assets on the inception of the lease. The excess of lease payments over recorded lease obligations are treated as finance charges which are amortised over each lease term to give a constant rate of charge on the remaining balance of the obligations.

Rental costs under operating leases are charged to expenditure in equal annual amounts over the periods of the leases.

Land and Buildings

Land and buildings were revalued at 31 March 1992 on the basis of current market value for continuation of existing use where appropriate. Where buildings are in specialist use and there is no general market value then the valuation was carried out on the basis of depreciated replacement cost, in accordance with the Royal Institution of Chartered Surveyors Guidance Notes concerning asset valuation. Land and buildings acquired since 31 March 1992 are included at cost.

The University adopted the transitional provisions of Financial Reporting Standard (FRS) 15 and determined not to subsequently revalue its Fixed Assets from the amounts currently included within the Financial Statements.

Equipment

Designated equipment financed from Funding Council grants and other equipment costing £5,000 or more is capitalised and shown at cost.

Depreciation

Buildings

Depreciation on new and existing buildings is provided on a straight line basis over their expected useful lives, generally 50 years. It is provided on structural additions over the remaining useful life, and on major refurbishments over 10 years.

Leased Buildings

The fitting out costs of leased buildings are depreciated over the lesser of the assets' lives or the expected occupancy period.

Other Tangible Fixed Assets

Furniture and fittings for new and refurbished buildings are depreciated on a straight line basis over 5 years. Other capital equipment is similarly depreciated, generally over 4 years.

Grants

Where assets are acquired with the aid of specific grants the relevant grants are treated as deferred capital grants and released to the Income and Expenditure account over the same period as the relevant assets are depreciated.

Stocks

Stocks are valued at the lower of cost and net realisable value.

Cash Flows and Liquid Resources

Cash flows comprise increases or decreases in cash. Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty. No investments, however liquid, are included in cash.

Liquid resources comprise assets held as a readily disposable store of value. They include term deposits, government securities and loan stock held as part of the University's treasury management activities. They exclude any such assets held as Endowment Asset Investments.

Taxation Status

The University is an exempt charity within the meaning of Schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of Section 506(1) of the Taxes Act 1988. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by Section 505 of the Taxes Act 1988 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. The University receives no similar exemption in respect of Value Added Tax.

The University's subsidiary companies are subject to corporation tax and VAT in the same way as any commercial organisation.

Pension Costs

The University/Group operates pension schemes providing benefits based on final pensionable pay. The assets of the schemes are held separately from those of the Group, being invested with insurance companies. Contributions to the schemes are charged to the Income and Expenditure Account so as to spread the cost of pensions over employees' working lives with the University/Group.

The University's approach to implementing the requirements of FRS17 Retirement Benefits is outlined in Note 22.

2. Funding Council Grants

	2001 £000	2000 £000
Higher Education Funding Council for England	53,481	51,549
Teacher Training Agency	5,225	5,201
Further Education Funding Council/Learning and Skills Council	134	50
Deferred capital grants released in year (Note 19)		
Buildings	1,099	969
Equipment	339	265
	<hr/> 60,278 <hr/>	<hr/> 58,034 <hr/>

From 1 April 2001, the Learning and Skills Council assumed responsibility for those activities previously funded by the Further Education Funding Council.

3. <u>Academic Fees and Support Grants</u>	2001	2000
	£000	£000
Full-time UG home and EU students	14,646	14,849
Full-time PG home and EU students	1,709	1,956
Part-time home and EU students	4,470	4,469
Overseas students	4,961	4,447
Fees from NHS contracts	3,942	3,243
Other fees and support grants	992	922
	<hr/>	<hr/>
	30,720	29,886
	<hr/>	<hr/>
4. <u>Research Grants and Contracts</u>	2001	2000
	£000	£000
OST Research Councils	902	731
UK-based charities	483	304
UK central government bodies/local authorities, health & hospital authorities	1,599	1,820
UK industry, commerce and public corporations	1,182	1,113
EU government bodies	1,351	931
EU other	635	385
Other overseas	35	49
Other sources	603	653
	<hr/>	<hr/>
	6,790	5,986
	<hr/>	<hr/>
5. <u>Other Operating Income</u>	2001	2000
	£000	£000
Residences, catering and conferences	5,047	4,886
Other services rendered	6,440	5,212
Other income	4,242	3,522
	<hr/>	<hr/>
	15,729	13,620
	<hr/>	<hr/>
6. <u>Endowment Income and Interest Receivable</u>	2001	2000
	£000	£000
Transferred from specific endowments (Note 14)	43	43
Income from short term investments	643	387
	<hr/>	<hr/>
	686	430
	<hr/>	<hr/>

7. **Staff**

Staff Costs	2001 £000	2000 £000
Wages and salaries	63,686	58,875
Social Security costs	4,643	4,319
Other pension costs	4,335	4,020
Restructuring costs	283	-
	<hr/>	<hr/>
	72,947	67,214
	<hr/>	<hr/>

Emoluments of the Vice-Chancellor	2001 £000	2000 £000
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The emoluments of the Vice-Chancellor are shown excluding employer's pension and National Insurance contributions.

117	105
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The University's related employer's pension contributions are paid on a similar basis to other relevant staff and amounted to £8,650 (2000 : £7,600).

Remuneration of other higher paid staff, excluding employer's pension contributions, fall within the following bands:

	2001	2000
£50,000 - £59,999	17	11
£60,000 - £69,999	4	5
£70,000 - £79,999	1	1
£80,000 - £89,999	1	1
£90,000 - £99,999	1	-

The average number of persons employed during the year was made up as follows:

	2001	2000
School/Research Institute based	1,680	1,583
Academic support departments	272	260
Administration	534	503
Other	252	247
	<hr/>	<hr/>
	2,738	2,593
	<hr/>	<hr/>

The staff numbers are full time equivalents. Academic support departments mainly comprise staff of Corporate Information Systems and the Learning Centre.

8. **Depreciation**

	2001 £000	2000 £000
The depreciation charge has been funded by:		
Deferred capital grants released (Note 19)	1,926	1,758
General income	5,911	5,053
Revaluation reserve released (Note 20)	447	447
	<hr/>	<hr/>
	8,284	7,258
	<hr/>	<hr/>

9. **Other Operating Expenses**

	2001 £000	2000 £000
Residences, catering and conferences	2,024	2,070
Consumables and laboratory expenditure	4,386	4,357
Books and periodicals	1,349	1,400
Heat, light, water and power	1,090	966
Repairs and general maintenance	911	1,200
Grants to Sheffield Hallam University Union of Students	642	589
Rents	650	686
Auditors' remuneration - Audit	31	31
- Other services	12	32
Equipment operating lease rentals	448	352
Staff development, travel and other expenses	1,858	1,921
Restructuring costs	395	-
Student-related expenses	2,335	3,051
Printing and stationery	1,169	1,064
Postage and telephones	1,161	1,194
Advertising and marketing	1,825	1,875
Franchising	900	984
Professional services	4,203	3,613
Other expenses	4,319	3,597
	<hr/>	<hr/>
	29,708	28,982
	<hr/>	<hr/>

Costs of £2.52m (2000 : £2.36m) in respect of residences, catering and conferences staff are included within employee costs (Note 7).

10. **Interest Payable**

	2001 £000	2000 £000
Loans not wholly repayable within five years	1,797	1,809
Finance leases	3	12
	<hr/>	<hr/>
	1,800	1,821
	<hr/>	<hr/>

11. **Tangible Fixed Assets - Consolidated**

	<u>Land and Buildings</u>			<u>Assets in Course of Construction</u>	<u>Equipment</u>	<u>Total</u>
	<u>Freehold</u>	<u>Long Leasehold</u>	<u>Short Leasehold</u>			
Cost or Valuation	£000	£000	£000	£000	£000	£000
At 1 August 2000						
Valuation	34,305	-	-	-	-	34,305
Cost	78,946	136	2,701	1,199	39,415	122,397
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Additions at cost	5,082	-	-	34	4,040	9,156
Transfers at cost	1,233	-	-	(1,233)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2001						
Valuation	34,305	-	-	-	-	34,305
Cost	85,261	136	2,701	-	43,455	131,553
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation						
At 1 August 2000	20,248	7	2,475	-	34,019	56,749
Charge for year	4,300	1	75	-	3,908	8,284
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2001	24,548	8	2,550	-	37,927	65,033
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net Book Value						
At 31 July 2001	95,018	128	151	-	5,528	100,825
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 1 August 2000	93,003	129	226	1,199	5,396	99,953
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

The land and buildings were revalued as at 31 March 1992 by Fuller Peiser, Property Consultants in accordance with the fixed assets accounting policy outlined in Note 1.

12. **Tangible Fixed Assets - University**

	<u>Land and Buildings</u>			<u>Assets in Course of Construction</u>	<u>Equipment</u>	<u>Total</u>
	<u>Freehold</u>	<u>Long Leasehold</u>	<u>Short Leasehold</u>			
Cost or Valuation	£000	£000	£000	£000	£000	£000
At 1 August 2000						
Valuation	34,305	-	-	-	-	34,305
Cost	63,181	15,901	2,701	-	39,096	120,879
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Additions at cost	5,082	-	-	-	4,027	9,109
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2001						
Valuation	34,305	-	-	-	-	34,305
Cost	68,263	15,901	2,701	-	43,123	129,988
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation						
At 1 August 2000	18,043	5,523	2,475	-	33,739	59,780
Charge for year	3,960	789	75	-	3,886	8,710
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2001	22,003	6,312	2,550	-	37,625	68,490
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net Book Value						
At 31 July 2001	80,565	9,589	151	-	5,498	95,803
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 1 August 2000	79,443	10,378	226	-	5,357	95,404
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

The land and buildings were revalued as at 31 March 1992 by Fuller Peiser, Property Consultants in accordance with the fixed assets accounting policy outlined in Note 1.

13. **Investments**

	Consolidated		University	
	2001	2000	2001	2000
	£000	£000	£000	£000
Fixed Asset Investments				
Investment in subsidiary companies at cost	-	-	9,750	9,750
Loan to Collegiate Properties (2) Ltd	-	-	6,015	6,015
Loan to Collegiate Library Services Ltd	-	-	1,730	-
Other investments	42	42	42	42
	42	42	17,537	15,807

Subsidiary Undertakings

	Principal Activity	Country of Registration	Percentage of Ordinary Shares Held
Collegiate Library Services Limited	Provision of library services to the University	England and Wales	100
Collegiate Properties Limited	Dormant	England and Wales	100
Collegiate Properties (2) Limited	Contracting and property leasing	England and Wales	100
Collegiate Properties (3) Limited	Equipment leasing	England and Wales	100
O&N Contracting Limited	Property leasing	England and Wales	100
Sheffield Hallam University Enterprises Limited	Non-property related trading activities	England and Wales	100
Virtual Learning Systems Limited	Dormant	England and Wales	100

The University also consolidates the Collegiate Charitable Trust. The Trust's financial statements are prepared to 31 July 2001.

14. **Endowment Assets**

	Consolidated and University	
	2001	2000
	£000	£000
At 1 August	221	226
Additions	12	11
Income for year	50	27
Transferred to Income and Expenditure account (Note 6)	(43)	(43)
	<hr/>	<hr/>
At 31 July	240	221
	<hr/>	<hr/>
Representing		
Prize funds	139	129
Other funds	101	92
	<hr/>	<hr/>
	240	221
	<hr/>	<hr/>

The University's fixed asset endowments are held as short term cash deposits.

15. **Debtors**

	Consolidated		University	
	2001	2000	2001	2000
	£000	£000	£000	£000
Amounts falling due within one year:				
Trade debtors	5,341	6,202	4,558	5,476
Amounts owed by group undertakings	-	-	8,982	7,803
Prepayments and accrued income	3,551	3,458	4,857	5,279
	<hr/>	<hr/>	<hr/>	<hr/>
	8,892	9,660	18,397	18,558
	<hr/>	<hr/>	<hr/>	<hr/>
Amounts falling due after one year:				
Prepayments to group undertakings	-	-	1,643	3,843
	<hr/>	<hr/>	<hr/>	<hr/>
	8,892	9,660	20,040	22,401
	<hr/>	<hr/>	<hr/>	<hr/>

In the financial year 1996/97 the University entered into a contract with Collegiate Properties (2) Limited (CP2L) to carry out refurbishment work on certain of the University's buildings. The University prepaid the whole of the works amounting to £15 million, which was immediately lent back by CP2L with interest at 1% per annum above LIBOR, payable quarterly. The prepayment is reduced as refurbishment work is carried out by CP2L, consequently the loan from CP2L to the University is also reduced, by the value of the work undertaken.

16. **Creditors: Amounts Falling Due Within One Year**

	Consolidated		University	
	2001	2000	2001	2000
	£000	£000	£000	£000
Bank overdrafts	1,461	528	833	528
Obligations under finance leases	19	125	1,242	1,155
Payments received on account	4,633	4,490	4,770	4,776
Trade creditors	2,844	3,290	2,525	3,269
Social security and other taxation payable	2,107	2,262	2,104	1,745
Accruals and deferred income	9,927	7,469	11,001	7,896
Amounts owed to group undertakings	-	-	2,704	1,735
	20,991	18,164	25,179	21,104

17. **Creditors : Amounts Falling Due After More Than One Year**

	Consolidated		University	
	2001	2000	2001	2000
	£000	£000	£000	£000
Loans repayable secured on residential and other property				
Between one and five years:				
Secured loans	7,638	4,848	7,638	4,848
Over five years:				
Secured loans	20,262	23,052	20,262	23,052
Unsecured loans repayable				
Between one and five years:				
Group undertakings	-	-	1,643	3,843
Obligations under finance leases				
Between one and five years:				
Equipment	-	18	4,001	3,885
Over five years:				
Equipment	-	-	259	426
Leasehold obligation to group undertakings	-	-	15,765	15,765
	27,900	27,918	49,568	51,819

18. **Provisions for Liabilities and Charges**

	Consolidated and University			
	Property related £000	Pensions £000	Restructuring £000	Total £000
At 1 August 2000	378	501	-	879
Utilised in year	(178)	(31)	(210)	(419)
Released in year	-	-	-	-
Income and Expenditure account	-	38	678	716
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2001	200	508	468	1,176
	<hr/>	<hr/>	<hr/>	<hr/>

The property related provision is in respect of a constructive obligation to contribute towards developments that will enhance the environs within which the University's main campus is located.

The pensions provision is in respect of pension enhancements payable on behalf of staff who have taken early retirement.

The restructuring provision is in respect of redundancy payments and other one-off costs arising from the reorganisation of the University's business and management education provision.

19. **Deferred Capital Grants**

	Consolidated and University			
	Funding Councils £000	Other Grants £000	2001 Total £000	2000 Total £000
At 1 August				
Buildings	12,974	1,561	14,535	13,620
Equipment	936	436	1,372	1,798
Total	13,910	1,997	15,907	15,418
Cash Received				
Buildings	1,398	100	1,498	2,047
Equipment	424	-	424	200
Total	1,822	100	1,922	2,247
Released to Income and Expenditure account				
Buildings	1,099	152	1,251	1,132
Equipment	339	336	675	626
Total	1,438	488	1,926	1,758
At 31 July				
Buildings	13,273	1,509	14,782	14,535
Equipment	1,021	100	1,121	1,372
Total	14,294	1,609	15,903	15,907

20. **Revaluation Reserve**

	Consolidated and University	
	2001 £000	2000 £000
Balance brought forward at 1 August	28,914	29,361
Release in respect of assets sold in year	-	-
Release to Income and Expenditure reserve equivalent to depreciation on revaluation	(447)	(447)
Balance at 31 July	28,467	28,914

21. **Income and Expenditure Reserve**

	Consolidated £000	University £000
Surplus after depreciation of assets at valuation and tax	1,464	1,677
Release from revaluation reserve	447	447
	<hr/>	<hr/>
	1,911	2,124
Balance at 1 August 2000	23,975	20,575
	<hr/>	<hr/>
Balance at 31 July 2001	25,886	22,699
	<hr/>	<hr/>

22. **Pension Costs**

The two principal pension schemes for the University's staff are the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). Additionally, the University has agreed with the Universities Superannuation Scheme (USS) that, with effect from 1 August 2000, any employee joining the University who is an existing USS member shall be permitted to retain that membership. The assets of the schemes are held in separately administered funds. The schemes are defined benefit schemes which are externally funded. They are valued every three years for LGPS, every five years for TPS and by actuaries using the projected unit method, the rates of contribution payable being determined by the actuary with the approval of the administering authority. TPS provides benefits based on final pensionable salary for academic staff. LGPS provides similar benefits based on final pensionable salary for academic staff and support staff, including research and manual staff, subject to the rules of eligibility. The assumptions and other data which have the most significant effect on the determination of the contribution levels are as follows:

	TPS	LGPS
Latest actuarial valuations	31.3.96	31.3.98
Excess of projected investment returns over salary increases per annum	2.0%	2.5%
Pension increases per annum	3.5%	4%
Market value of assets at date of last valuation	£61,710m	£2,009m
Proportion of the members' accrued benefits covered by the actuarial value of the assets.	94%	90%

The TPS is a multi-employer scheme where the share of assets and liabilities to each employer is not identified. The University will therefore account for its pension costs under this scheme on a defined contribution basis as permitted by FRS 17.

The University has attempted to obtain information on its share of assets and liabilities in the LGPS at 31 July 2001 in accordance with FRS 17. Full information on this basis has not been made available and for the current year the University has accounted for its pension costs on a defined contribution basis as envisaged by FRS 17 in these circumstances.

Following judgements of the European Court of Justice (ECJ) that excluding part-time staff from pension schemes amounted to discrimination, and the resulting changes in UK legislation, a liability in respect of the cost of providing backdated pension benefits may arise in the University. This would apply to benefits for those part-time staff who have or may elect for retrospective membership of the two principal pension schemes.

A significant number of claims nationally have been lodged (in excess of 40,000), 18 of which are against the University. Following a series of test cases, clarification was sought from the UK courts and the ECJ. The ECJ made a series of rulings in May 2000 which were subsequently referred to the House of Lords. In February 2001, the House of Lords reached its long-awaited decision, stating that

- (i) an application for membership must be made no later than 6 months after leaving employment,
- (ii) membership cannot be backdated before 8 April 1976, and
- (iii) missing contributions must be paid if the membership is to count.

A number of test cases are now underway to establish how the judgement can be implemented from a practical point of view and the vast majority of the claims lodged remain stayed pending the outcome of these test cases. In view of this uncertainty no financial provision has been made in these accounts in relation to this matter. The Universities and Colleges Employers Association (UCEA) is currently undertaking research into the current position across the sector, with a view to seeking a commitment from the government to meet any associated costs.

23. **Lease Obligations**

	Consolidated		University	
	2001	2000	2001	2000
	£000	£000	£000	£000
The net finance lease obligations to which the University is committed are:				
Within one year	19	125	1,242	1,155
Between one and five years	-	18	4,001	3,885
Over five years	-	-	16,024	16,191
	19	143	21,267	21,231
Operating lease commitments for the financial year, on leases expiring:				
Within one year	18	29	18	29
Between one and five years	493	392	493	392
Over five years	829	829	3,140	3,137
	1,340	1,250	3,651	3,558

24. **Capital Commitments**

	Consolidated		University	
	2001	2000	2001	2000
	£000	£000	£000	£000
Commitments contracted at 31 July	2,288	1,007	-	-
Authorised but not contracted at 31 July	2,850	2,752	2,850	2,752
	<hr/>	<hr/>	<hr/>	<hr/>
	5,138	3,759	2,850	2,752
	<hr/>	<hr/>	<hr/>	<hr/>

25. **Reconciliation of Consolidated Operating Surplus to Net Cash from Operating Activities**

	2001	2000
	£000	£000
Operating surplus	1,464	2,681
Depreciation	8,284	7,258
Deferred capital grants released to income	(1,926)	(1,758)
Investment income	(686)	(430)
Interest payable	1,800	1,821
Decrease/(increase) in stocks	28	(39)
Decrease/(increase) in debtors	768	(1,594)
Increase/(decrease) in creditors	2,000	(1,887)
Increase/(decrease) in provisions	297	(816)
Profit on sale of fixed assets	-	-
	<hr/>	<hr/>
Net Cash Inflow from Operating Activities	12,029	5,236
	<hr/>	<hr/>

26. **Analysis of Changes in Consolidated Financing During the Year**

	Finance Leases £000	Mortgages & Loans £000	Total £000
Balances at 31 July 1999	264	27,900	28,164
New leases/loans	-	-	-
Capital repayments	(121)	-	(121)
Net amount (repaid)/acquired in year	(121)	-	(121)
Balances at 31 July 2000	143	27,900	28,043
New leases/loans	-	-	-
Capital repayments	(124)	-	(124)
Net amount (repaid)/acquired in year	(124)	-	(124)
Balances at 31 July 2001	19	27,900	27,919

27. **Returns on Investments and Servicing of Finance**

	2001 £000	2000 £000
Income from endowments	50	27
Income from short term investments	643	387
Interest paid	(1,800)	(1,821)
	(1,107)	(1,407)

28. **Capital Expenditure and Financial Investment**

	2001 £000	2000 £000
Tangible assets acquired	(9,156)	(7,788)
Receipts from sale of fixed assets	-	-
	<hr/> (9,156) <hr/>	<hr/> (7,788) <hr/>
Deferred capital grants received	1,922	2,247
Endowments received	12	11
	<hr/> 1,934 <hr/>	<hr/> 2,258 <hr/>
	<hr/> (7,222) <hr/>	<hr/> (5,530) <hr/>

29. **Analysis of Changes in Net Debt**

	2000 Consolidated £000	Cash Flows £000	2001 Consolidated £000
Cash at bank and in hand	(267)	(689)	(956)
Endowment bank balance	221	19	240
	<hr/> (46) <hr/>	<hr/> (670) <hr/>	<hr/> (716) <hr/>
Debt due over more than 1 year:			
Long term loans	(27,900)	-	(27,900)
Obligations under finance leases	(18)	18	-
Debt due under 1 year:			
Obligations under finance leases	(125)	106	(19)
Short term deposits	5,653	4,246	9,899
	<hr/> (22,436) <hr/>	<hr/> 3,700 <hr/>	<hr/> (18,736) <hr/>

30. <u>Access Funds</u>	2001 £000	2000 £000
Funding Council Access grants	1,678	1,271
Interest earned	29	15
	<hr/>	<hr/>
	1,707	1,286
Disbursed to students	(1,586)	(1,266)
Grants carried forward and disbursed in following year	(121)	(20)
	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>

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

31. **Related Party Transactions**

The Governors have considered the requirements of FRS8 : Related Party Disclosures which apply to these financial statements. The standard requires disclosure of, inter alia, transactions with related parties of the University.

In the normal course of business the University transacts with private and public sector organisations at certain of which Governors and senior managers of the University are directors, officers or partners. All such transactions are undertaken on an arm's length basis in accordance with normal agreements with customers and suppliers. The Governors do not consider that disclosure of transactions with such organisations is required under the standard because none of the Governors or senior managers, or members of their close family, have a controlling interest in the organisations in which they are employees or partners.

Nonetheless the Governors consider it appropriate to disclose transactions where, for example, a parent company directorship or partner status in a professional firm is involved. There are no cases where this is applicable for the period covered by the Financial Statements.

The University maintains a register of Governors' and senior managers' interests which is available for inspection at the University Secretariat.

BOARD OF GOVERNORS

FOR THE YEAR ENDED 31 JULY 2001

Isadora Aiken (from January 2001)

Christopher Chapman

W Angus Clark

Mohammed Dajani (from January 2001)

Pamela Gordon

Diana Green

Susan Green

Richard Gregory (Chair)

Cathy Hamlyn

Simon Holden (from January 2001)

Paul Jagger

Nicholas Jeffrey

Liz Kerry

Bob Kerslake

Pam Liversidge

Shahid Malik

Richard McGloin

Anthony Meehan

Mark Norman (Student Nominee July 2001 - June 2002)

Hilary Spencer

Martin Taylor

Quentin Thompson

Paul Watson (Student Nominee July 2001 - June 2002)

Dawn Yates (Student Nominee July 2000 - June 2001)