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# Board of Governors Report

for the year ended 31 July 2007

The Governors of Sheffield Hallam University submit their annual report and audited accounts for the year ended 31 July 2007.

## 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

Virtual Learning Systems Limited : web-based learning services (e-learning)

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

The subsidiary companies transfer their profits by means of covenants and grants to the University. The Trust returns taxable profits to the University by way of a grant.

## Results for the Year

The University's Consolidated Income, Expenditure and Results for the year to 31 July 2007 are summarised as follows:

|                                  | 2007<br>£000 | 2006<br>£000 |
|----------------------------------|--------------|--------------|
| Income                           | 177,249      | 153,473      |
| Expenditure                      | 172,391      | 148,988      |
| <hr/>                            |              |              |
| Surplus on Continuing Operations | 4,858        | 4,485        |
| Surplus on Sale of Fixed Assets  | -            | 2,946        |
| <hr/>                            |              |              |
| Surplus for the Year             | <b>4,858</b> | <b>7,431</b> |

The University had another financially successful year, recording an operating surplus for the tenth consecutive year. The operating surplus for the year of £4.9m represents 2.7% of operating income (2005/06: 3.0%). There was no surplus on disposals in 2006/07.

The surplus before disposal of fixed assets for 2006/07 increased on prior year by £0.4m.

Income increased by £23.8m which was due to a combination of increased grant income from Funding Councils (£5.1m), increased fee income from full time home and EU students (£9.2m), increased fees from overseas students (£1.8m) and increased fees from NHS contracts (£4.2m). There was a £1.8m increase in other income as a result of increased income from the nursing and midwifery contract and loss of the Open College Network. Capital grants released in year increased by £0.4m.

Staff costs increased by £17.2m, excluding restructuring costs. This was as a result of increased staff numbers, pay modernisation costs of £2.4m and the FRS17 pension adjustment of £3.0m, increasing the percentage of income from prior year by 0.6% to 64.5%.

The University adopted in full the provisions of FRS17 in 2006 in accordance with the financial standard. 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, expected to arise from employee service in the period, is charged to the operating surplus – £2.1m (2006 £0.9m released). The expected return on the scheme's liabilities, arising from the passage of time, are included in pension finance costs £0.6m (2006 £2.3m). Actuarial gains and losses are recognised in the statement of total recognised gains and losses, in the year end to 31 July 2007 there was a gain of £8.5m (2006 loss of £1.3m).

Depreciation increased by £0.5m to 5.7% of income versus 6.3% in prior year.

Interest payable increased on prior year by £0.3m, which was as a result of the FRS17 pension adjustment.

Other operating expenses increased by £6.4m, in line with increased income, from 25.9% to 26.0%.

## Board of Governors Report

for the year ended 31 July 2007

After accounting for increased spend in student grants, scholarships and bursaries; premises and infrastructure; new business development, other operating expenses increased by a moderate £1.0m.

Fixed assets have increased by £13.6m (2005/06 £3.2m) with a significant addition to the estate of a new building for the Faculty of Development and Society at a cost of £8.0m, as well as refurbishment of properties at both City and Collegiate Crescent campuses.

Total net assets (excluding pension liability) have risen from £107.8m to £130.8m and within that figure, the Income and Expenditure Reserve improved by £8.0m to £66.5m (before accounting for the Pension liability of £26.3m versus £32.1m in 2005/06).

The University's ability to generate cash from its operating activities remains an important element of its financial strategy and 2006/07 saw another strong performance in this area. £15.3m was generated (2005/06: £11.0m) and this enabled the University to both invest £28.5m to its fixed asset base and also maintain current cash balances of £32.1m at 31 July 2007. The current ratio (the ratio of current assets to current liabilities) has reduced from 1.23 to 1.00, there has also been a decrease in net current assets by £8.7m to £0.1m. The reduction in net current assets is due partly to the inclusion in current liabilities of the balance outstanding on the loan with Barclays Bank amounting to £15.3m previously disclosed as a creditor falling due after more than one year. Ongoing investment plans for 2007/08 and beyond will result in reduced cash balances and increased borrowing.

The University has continued its review of its long term borrowing requirements in line with the capital strategy and long term plan. Work has now been completed and a revolving credit facility up to a maximum of £74.0m has been agreed with Barclays Bank. No funds have been drawn down on this facility during the year.

Existing longer term borrowings have fallen from £20.5m to £15.3m. It is the University's intention to repay these loans in the current year.

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 £12.95m (2005/06: £13.71m) they generated a pre-tax profit of £1.75m (2005/06: £1.83m).

### 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.

A revised Health and Safety Policy Statement has been introduced during 2007, and has resulted in increased engagement of managers in all key areas. This is a continuation of the process to achieve further integration of health and safety into business planning and management processes. These developments will further increase the positive contribution effective health and safety management makes to the University.

### Sustainability

The breadth and extent of the University's activities are such that they have a considerable environmental impact. The aim of the University is to minimise adverse environmental effects through initiatives which are compatible with effective and efficient operation. All staff and students are encouraged to recognise their potential contribution to the achievement of the University's environmental aims. Leadership is provided by the Facilities Directorate.

The key achievements and developments during the year were

- reduction in total water consumption by 9.3%
- the amount of energy used for heating fell by 13.2% as control improvements reduced heating levels during the mild weather
- electricity consumption fell by 0.9%
- reuse and recycling schemes for paper, glass, batteries, green garden waste and other products resulted in a reduction of 84 tonnes of waste. 95% of the remainder goes to the energy recovery facility which resulted in: over £7,000 savings, carbon emission reductions and being awarded £5,000 in consultancy support to become part of Yorkshire Forward's RAY project.
- more work on supporting staff and students to reduce the reliance on cars and university space being used for car parking also contributed to carbon emission savings as well as parts of the plan being used by the Local Authority as best practice. The Local Authority gave a small grant to provide free cycling lessons for staff.
- the activities mentioned above along with lots of other small initiatives to reduce carbon emissions resulted in the University winning one of only seven national climate change champion awards issued at the first UK climate change summit hosted by HRH Prince Charles in May 2007
- activities to reduce the negative effects of students on the local community and raise the profile of the University's positive contributions was one of only twenty five universities and colleges recognised by Business in the Community in their national report on Universities that count
- this year's Green Gown Award for vocational course content was awarded to us for the Landlords for Excellence programme; training to empower landlords to improve the physical and management standards of private rented housing and the local environment in which they are located
- working with and supporting the Hallam Union of Students, especially in relation to fair trade and their achievement of a place on the carbon academy project
- many activities to raise staff and student awareness of sustainability issues

The University is also committed to sustainability in the broader senses of the word. We are strongly committed to enhancing our positive socio-economic impact on the city of Sheffield and the wider region through our employment policies, recruitment strategies and investments in our estate. The University works with local and regional partners to enhance the regeneration impact of our activities and mitigate any potentially negative dimensions (such as studentification).

Overall leadership in these aspects is provided by the Pro Vice-Chancellor for Strategic Planning and Sustainability. In addition, the University's Financial Strategy (led by the Director of Finance) embodies robust and forward-looking processes to ensure financial sustainability.

## Diversity

The University is committed to treating people equally irrespective of origins or background. It also believes that diversity and inclusivity of, and for, both students and staff, will help to encourage the dynamism, enterprise and excellence necessary to continue to be a leading university.

In April 2002 the Board of Governors approved a Racial Equality Policy (in compliance with the Race Relations Amendment Act 2000). In February 2003 the Higher Education Funding Council for England (HEFCE) included the University's policy in its list of those considered to be 'exemplars' in the sector. Progress towards achieving

## Board of Governors Report

for the year ended 31 July 2007

the goals in the implementation plan has been reported regularly to the Board of Governors and to HEFCE. In 2004 the Board of Governors and the Academic Board approved policies and guidance notes on religious and sexual orientation equality to take account of the University's obligations which came into force in December 2003. During 2005 and 2006 the University undertook work to ensure that it was compliant with age discrimination legislation which came into effect in October 2006. In December 2006 it published its Disability Equality Scheme in compliance with the Disability Discrimination Act 2005 and in April 2007 it published its Gender Equality Scheme in compliance with the Sex Discrimination Act 1975, as amended by the Equality Act 2006. The University is in the process of developing an integrated monitoring, reporting and planning process for all aspects of diversity and equality.

### Employee Involvement

The University is committed to developing its staff so that they have the skills, expertise and enterprise necessary to meet the University's challenging goals. Investors in People recognition has been achieved in a number of business units across the University and other quality benchmarks are used to monitor the excellence of the organisation and the products and services that we deliver.

The University continues to build on its partnership approach to progressing change and problem resolution, developing better employment relationships at all levels between managers, staff and their representatives. This approach has been widened to embrace the Information and Consultation Regulations through the introduction of Information and Consultation Representatives at both University and local level.

This year's annual partnership event explored widening participation of partnership working across all levels of the University. The main aim of the event was to encourage managers and trade union representatives at all levels of the University to appreciate the changing demands of partnership working.

The University undertakes a staff experience survey on a biennial basis. The methodology for improving the response rate and targeting salient issues through focus groups is being discussed by senior managers with the intention of tendering for an appropriate professional organisation which is experienced in delivering such surveys. Lead responsibility for commissioning and managing the survey results and subsequent action plan monitoring has transferred to the Director of Human Resources and the next survey is planned to take place in 2008. Action plans and subsequent action following the survey is logged and displayed on the staff website. The Information and Consultative Committees and Local Joint Consultative Committees are kept abreast of the process and outcomes. The University also intends to undertake a follow up stress survey in order to evaluate the impact of the action plans created as a result of the first survey. The timing of this survey has yet to be established.

The University has prioritised effective communications and consultation with staff on the implementation of the Corporate Plan and on initiatives such as the pay modernisation agenda and University branding. A clear participative approach has been adopted with an emphasis on partnership working.

The Corporate Communications Department has launched many new initiatives to help engage staff and strengthen internal communications right across the University. These initiatives include regular live webchats, which were introduced to provide easier, less formal access and two-way communication with members of the Executive Group and heads of departments on topical issues. Additions to the staff intranet over the past 12 months have included an Executive Group site where staff can read highlights of Executive meetings and decisions taken, read transcripts of the webchats and see all the Vice Chancellor's announcements and bulletins.

A new 'fast facts' site has also been introduced to the staff intranet which aims to give staff the information they need about the University when communicating with external stakeholders, writing reports etc. This site will be developed in time with input from information holders in other departments.

An electronic forum is about to be launched across the University to encourage staff to integrate and network more by sharing ideas, opinions, best practice etc. Discussion board subjects will include daily news and sport, the City of Sheffield, working at Sheffield Hallam and things to share.

A survey carried out in late 2006 showed that eView, the University's fortnightly electronic news bulletin, is increasing its readership, its popularity and its status as an important internal communications tool. More than 10 per cent of all staff responded to the survey, the vast majority very positively. A poster campaign launched in summer 2007 aims to encourage more members of staff to read eView.

The University's core briefing, PreView, has been in existence for over a year. Managers are asked to brief their staff face-to-face with information sent to them once a month. Local news and information is added during the briefings which usually take place as part of existing meetings. Feedback on the system is mixed but generally positive.

The University's quarterly staff magazine NewView continues to generate regular active input from staff and students. It is now being produced on 100% recycled and recyclable paper and the Corporate Communications Department is currently looking at a more effective distribution system to help cut costs and strengthen the commitment to being greener.

Plans are also underway to convene a formal internal communications advisory group which will meet quarterly to contribute towards the development of a comprehensive internal communications strategy, review mechanisms for effective internal communications; identify particular areas for improvement and recommend ways of making communications more effective and efficient.

## 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.

## 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. The Board of Governors has adopted the CUC's Governance Code of Practice and work is ongoing to ensure that governance practice is consistent with the principles of the Code. 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 intends to ensure that the University complies with the provisions of its Combined Code on Corporate Governance which can be applied to universities. As a result the University has developed a system of reviewing the entire system of internal control which concentrates on a risk based approach, with the aim of integrating corporate governance into the overall management process.

The Board of Governors has responsibility for maintaining a sound system of internal control that supports the achievement of its objectives, whilst safeguarding the public and other funds and assets for which it is responsible. Such a system is designed to manage rather than eliminate the risk of failure to achieve objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

## Board of Governors Report

for the year ended 31 July 2007

The Board of Governors has responsibility for reviewing the system of internal control (including the effectiveness of the University's risk management processes). The system of internal control is based on an on-going process designed to identify the principal risks; to evaluate the nature and extent of those risks; and to manage them effectively and economically. The Board of Governors is of the view that this has been fully in place for the year ended 31 July 2007 and up to the date of approval of the annual report and financial statements, that it is regularly reviewed by the Board of Governors and that it accords with the internal control guidance for directors on the Combined Code as deemed appropriate for higher education.

The University engages in risk management because it is good business practice and brings identified benefits rather than merely to comply with external direction. The following have been established

- a risk management policy
- a register of corporate risks, which is reviewed on an annual basis
- a statement of the University's risk appetite
- a Risk Management Group, which is responsible for the continuing development of the risk management process and for monitoring and reviewing the risk register
- development workshops to raise staff awareness of risk management across the University
- the University has embedded its approach to risk management within its business planning process with the aim of engaging all levels of staff with management responsibility
- risk management is embedded in the University's approach to the management of change and, specifically, in the governance of corporate projects
- the Audit Committee receives reports from the head of internal audit, which include internal audit's independent opinion on the adequacy and effectiveness of the University's system of internal control together with any recommendations for improvement
- the Audit Committee receives regular reports on risk management
- the Board of Governors receives periodic reports from the Chair of the Audit Committee concerning internal control, and requires regular reports from managers on steps they are taking to manage risks in their areas of responsibility including progress reports on key strategies and initiatives

The University's review of effectiveness of internal control is informed by the work of internal audit, which operates to standards defined in the HEFCE Accountability and Audit Code of Practice. The review of the effectiveness of internal control is also informed by the work of the executive managers with 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.

The University's business planning process requires faculties and departments to identify and record risks (both threats and opportunities) associated with their annual operating plans, including the local implications of any key issues arising from their analysis of the external context, with reference to the University's PEST analysis. The senior management considers the local risk assessments and action plans when reviewing the University's key corporate risks.

The corporate risk register currently consists of eleven key strategic risk areas identified by the University Executive Group. Each key risk or uncertainty is further analysed and the root causes deemed to be of significant concern are identified. The risk register also identifies any opportunities that might arise, quantifies the degree of risk posed, explains current and/or planned countermeasures and records any change in level of risk over time. Risk owners have been assigned to each key risk area and they are responsible for regularly reviewing the risk statements and reporting on changes in levels of threat or opportunity.

At their meetings in November 2007, the Audit Committee and Board of Governors respectively carried out an annual assessment of the effectiveness of risk management for the year ended 31st July 2007 and taking into account events since 31st July 2007.

The Board of Governors is committed to continuous monitoring of its performance. Discussion of the Annual Report of the Board of Governors and its committees gives the Board an opportunity to reflect on its practice and recommend improvements.

New governors participate in an induction programme and each year all governors are given the opportunity to attend training and development activities on various aspects of their responsibilities. In 2006/07, the University held a workshop for Governors on age legislation and the Sheffield Hallam University Union of Students held a joint workshop for Governors and the University's Executive on its role and future plans. In addition, workshops were arranged relating to specific responsibilities: Development of the Estate Vision (for members of the Finance Committee) and revised Human Resources Strategy (for members of the Employment Committee).

### **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.

### **Summary of the University's Structure of Corporate Governance**

The University's Board of Governors comprises lay, staff and student members appointed under the Instrument of Government of the University, the majority of whom are non executive. The roles of Chair and Deputy Chair of the Board of Governors are separate from the role of the 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 six 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.

## Board of Governors Report

for the year ended 31 July 2007

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 Committee, an Employment Committee, a Remuneration 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 Vice-Chancellor and Clerk to the Board of Governors have held regular meetings with the Board Officers (ie Chair and Deputy Chair of the Board and the Chair of each of its subcommittees) in order to co-ordinate effectively the business of the Board and to brief Board Officers on key developments between Board/Committee meetings.

The Finance Committee monitors progress in respect of the strategic development of the University on behalf of the Board of Governors in the areas of finance, estate and capital programmes. The Committee approves the policy framework and associated regulations for the investment of surplus funds and borrowing requirements; tenders, quotations and contracts for items of expenditure above the limits stated in the Financial Regulations; the write-off of irrecoverable debts; insurance arrangements and arrangements for the execution of estate, building and other capital programmes within the strategic framework and annual capital budgets approved by the Board. It recommends to the Board of Governors: financial policies within the strategic framework approved by the Board; Financial Regulations; the sale or acquisition of property or land within the strategic framework approved by the Board above the limits stated in the Financial Regulations; estate, building and other capital programmes within the strategic framework approved by the Board and annual revenue and capital budgets and longer term projections. Finally, it advises management on finance operating and receives reports on the activities of University companies.

The Employment Committee monitors progress in respect of the strategic development of the University on behalf of the Board of Governors in the areas of human resource and employment matters. It makes recommendations to the Board on the Human Resources Strategy and employment policies. The Committee approves major agreements entered into with trades unions and advises management on personnel operating procedures, staffing strategies and human resources development.

The Remuneration Committee determines salaries and conditions of service of Board appointments which are the Vice-Chancellor, the Director of Finance and the Secretary and Registrar 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 oversees the University's risk management process on behalf of the Board of Governors. It also receives and considers reports from the Higher Education Funding Council for England as they affect the University's corporate governance and assurance processes 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 Chair.

## 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 and the Training and Development Agency for Schools, 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

## 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.

N Jeffrey  
Chairman of the Board of Governors

P A Jones  
Vice-Chancellor

27 November 2007

# Independent Auditors' Report

to the Board of Governors of Sheffield Hallam University

## Introduction

We have audited the Consolidated and University financial statements (the 'financial statements') of Sheffield Hallam University for the year ended 31 July 2007 which comprise Consolidated Income and Expenditure Account, the Consolidated and University Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated statement of total recognised gains and losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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

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

The University's Board of Governors responsibilities for preparing the Board of Governors' Report and the consolidated financial statements in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education, applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Responsibilities on page 11.

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

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

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

## Basis of Audit Opinion

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

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial

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

statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of affairs of the University and the group as at 31 July 2007 and of the Group's surplus of income over expenditure for the year then ended
- the financial statements have been properly prepared in accordance with the Statement of Recognised Practice: Accounting for Further and Higher Education
- in all material respects, income from the Higher Education Funding Council for England and the Training and Development Agency for Schools grants and income for specific purposes and from other restricted funds administered by the University during the year ended 31 July 2007 have been applied for the purposes for which they were received, and
- in all material respects, income during the year ended 31 July 2007 has been applied in accordance with the University's statutes and, where appropriate, with the financial memorandum with the Higher Education Funding Council for England and the funding agreement with the Training and Development Agency for Schools

KPMG LLP  
Chartered Accountants and Registered Auditors  
1 The Embankment  
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Leeds  
LS1 4DW

## Consolidated Income and Expenditure Account

for the year ended 31 July 2007

|  | Note | 2007<br>£000   | 2006<br>£000   |
|--|------|----------------|----------------|
| <b>Income</b>  |      |                |                |
| Funding Council grants   | 2    | 80,756         | 75,503         |
| Academic fees and support grants   | 3    | 60,447         | 45,141         |
| Research grants and contracts  | 4    | 10,014         | 9,162          |
| Other operating income   | 5    | 24,182         | 21,980         |
| Endowment income and interest receivable   | 6    | 1,850          | 1,687          |
| Total income   |      | <b>177,249</b> | <b>153,473</b> |
| <b>Expenditure</b>   |      |                |                |
| Staff costs  | 7    | 114,318        | 98,081         |
| Depreciation   | 8    | 10,118         | 9,631          |
| Other operating expenses   | 9    | 45,826         | 39,696         |
| Interest and finance charges payable   | 10   | 2,129          | 1,580          |
| Total expenditure  |      | <b>172,391</b> | <b>148,988</b> |
| Surplus after depreciation of assets<br>at valuation and before tax                        |      | <b>4,858</b>   | <b>4,485</b>   |
| Surplus on disposal of fixed assets  |      | -              | 2,946          |
| Surplus after depreciation of assets at<br>valuation and disposal of assets but before tax |      | <b>4,858</b>   | <b>7,431</b>   |
| Taxation   |      | -              | -              |
| Surplus after depreciation of assets<br>at valuation, disposal of assets and tax           |      | <b>4,858</b>   | <b>7,431</b>   |

All results are from continuing operations.

## Consolidated Statement of Historical Cost Surpluses and Deficits

for the year ended 31 July 2007

|   | Note | 2007<br>£000 | 2006<br>£000 |
|---|------|--------------|--------------|
| Surplus after depreciation of assets at valuation, disposal of assets and tax   |      | 4,858        | 7,431        |
| Difference between an historical cost depreciation charge/fixed asset writedown and the actual depreciation charge for the year calculated on the revalued amount |      | 390          | 396          |
| Historical cost surplus after tax   |      | <b>5,248</b> | <b>7,827</b> |

## Consolidated Statement of Total Recognised Gains and Losses

for the year ended 31 July 2007

|   | Note | 2007<br>£000  | 2006<br>£000    |
|---|------|---------------|-----------------|
| Surplus after depreciation of assets at valuation, disposal of assets and tax |      | 4,858         | 7,431           |
| New endowments  | 14   | 8             | 39              |
| Endowment income retained for the year  | 14   | (11)          | (96)            |
| Revaluation of assets held for resale   | 20   | 6,518         | -               |
| Actuarial gain/(loss) in respect of the pension scheme                        | 23   | 8,475         | (1,321)         |
| Total recognised gains/(losses) relating to the year                          |      | 19,848        | 6,053           |
| Prior year adjustment – adoption of FRS17                                     |      | -             | (22,219)        |
| Total recognised gains/(losses) since last annual report                      |      | <b>19,848</b> | <b>(16,166)</b> |
| Reconciliation  |      |               |                 |
| Opening reserves and endowments   |      | 51,200        | 45,147          |
| Total recognised gains/(losses) for the year                                  |      | 19,848        | 6,053           |
| Closing reserves and endowments   |      | <b>71,048</b> | <b>51,200</b>   |

## Consolidated Balance Sheet

as at 31 July 2007

|   | Note | 2007<br>£000 | 2007<br>£000   | 2006<br>£000 | 2006<br>£000   |
|---|------|--------------|----------------|--------------|----------------|
| <b>Fixed Assets</b>   |      |              |                |              |                |
| Tangible assets   | 11   | 131,106      |                | 117,480      |                |
| Investments   | 13   | 42           | 131,148        | 42           | 117,522        |
| <hr/>   |      |              |                |              |                |
| <b>Endowment Asset Investments</b>                              | 14   |              | 546            |              | 549            |
| <b>Current Assets</b>   |      |              |                |              |                |
| Assets held for resale  |      | 11,245       |                | -            |                |
| Stocks and stores in hand                                       |      | 230          |                | 151          |                |
| Debtors   | 15   | 14,231       |                | 10,168       |                |
| Short term deposits   |      | 31,885       |                | 36,663       |                |
| Cash at bank and in hand  |      | 222          |                | 293          |                |
| <hr/>   |      |              |                |              |                |
|   |      | 57,813       |                | 47,275       |                |
| <b>Creditors</b> – amounts falling due within one year          | 16   | 57,675       |                | 38,402       |                |
| <hr/>   |      |              |                |              |                |
| <b>Net Current Assets</b>                                       |      |              | 138            |              | 8,873          |
| <hr/>   |      |              |                |              |                |
| <b>Total Assets less Current Liabilities</b>                    |      |              | <b>131,832</b> |              | <b>126,944</b> |
| <hr/>   |      |              |                |              |                |
| <b>Creditors</b> – amounts falling due after more than one year | 17   | -            |                | 17,783       |                |
| <b>Provisions for Liabilities and Charges</b>                   | 18   | 1,082        | 1,082          | 1,405        | 19,188         |
| <hr/>   |      |              |                |              |                |
| <b>Net Assets Excluding Pension Liability</b>                   |      |              | 130,750        |              | 107,756        |
| <b>Pension Liability</b>  | 23   |              | 26,294         |              | 32,092         |
| <hr/>   |      |              |                |              |                |
| <b>Total Net Assets</b>   |      |              | <b>104,456</b> |              | <b>75,664</b>  |
| <hr/>   |      |              |                |              |                |
| Represented by  |      |              |                |              |                |
| <b>Deferred Capital Grants</b>                                  | 19   |              | 33,408         |              | 24,464         |
| <b>Endowments</b>   |      |              |                |              |                |
| Specific  | 14   |              | 546            |              | 549            |
| <b>Reserves</b>   |      |              |                |              |                |
| Revaluation reserve   | 20   | 29,620       |                | 23,492       |                |
| Capital reserve   | 21   | 716          |                | 745          |                |
| Income and expenditure  | 22   | 40,166       | 70,502         | 26,414       | 50,651         |
| <hr/>   |      |              |                |              |                |
| <b>Total Funds</b>  |      |              | <b>104,456</b> |              | <b>75,664</b>  |
| <hr/>   |      |              |                |              |                |

The financial statements on pages 16 to 45 were approved on behalf of the Board of Governors on 27 November 2007.

N Jeffrey, Chairman of the Board of Governors

P A Jones, Vice-Chancellor

# University Balance Sheet

as at 31 July 2007

|   | Note | 2007<br>£000 | 2007<br>£000   | 2006<br>£000 | 2006<br>£000   |
|---|------|--------------|----------------|--------------|----------------|
| <b>Fixed Assets</b>   |      |              |                |              |                |
| Tangible assets   | 12   | 123,413      |                | 110,232      |                |
| Investments   | 13   | 15,807       | 139,220        | 17,537       | 127,769        |
| <b>Endowment Asset Investments</b>                              |      |              |                |              |                |
|   | 14   |              | 546            |              | 549            |
| <b>Current Assets</b>   |      |              |                |              |                |
| Assets held for resale  | 31   | 11,245       |                | -            |                |
| Stocks and stores in hand                                       |      | 230          |                | 151          |                |
| Debtors   | 15   | 16,467       |                | 12,988       |                |
| Short term deposits   |      | 31,885       |                | 36,383       |                |
| Cash at bank and in hand  |      | 95           |                | 172          |                |
|   |      |              |                |              |                |
|   |      | 59,922       |                | 49,694       |                |
| <b>Creditors</b> – amounts falling due within one year          | 16   | 57,991       |                | 39,859       |                |
| <b>Net Current Assets</b>                                       |      |              |                |              |                |
|   |      |              | 1,931          |              | 9,835          |
| <b>Total Assets less Current Liabilities</b>                    |      |              |                |              |                |
|   |      |              | <b>141,697</b> |              | <b>138,153</b> |
| <b>Creditors</b> – amounts falling due after more than one year | 17   | 16,257       |                | 34,857       |                |
| <b>Provisions for Liabilities and Charges</b>                   | 18   | 1,082        | 17,339         | 1,405        | 36,262         |
| <b>Net Assets Excluding Pension Liability</b>                   |      |              |                |              |                |
|   |      |              | 124,358        |              | 101,891        |
| <b>Pension Liability</b>  | 23   |              | 26,294         |              | 32,092         |
| <b>Total Net Assets</b>   |      |              |                |              |                |
|   |      |              | <b>98,064</b>  |              | <b>69,799</b>  |
| Represented by  |      |              |                |              |                |
| <b>Deferred Capital Grants</b>                                  | 19   |              | 33,408         |              | 24,464         |
| <b>Endowments</b>   |      |              |                |              |                |
| Specific  | 14   |              | 546            |              | 549            |
| <b>Reserves</b>   |      |              |                |              |                |
| Revaluation reserve   | 20   | 29,620       |                | 23,492       |                |
| Capital reserve   | 21   | 716          |                | 745          |                |
| Income and expenditure  | 22   | 33,774       | 64,110         | 20,549       | 44,786         |
| <b>Total Funds</b>  |      |              |                |              |                |
|   |      |              | <b>98,064</b>  |              | <b>69,799</b>  |

The financial statements on pages 16 to 45 were approved on behalf of the Board of Governors on 27 November 2007.

N Jeffrey, Chairman of the Board of Governors

P A Jones, Vice-Chancellor

## Consolidated Cash Flow Statement

for the year ended 31 July 2007

|  | Note | 2007<br>£000  | 2006<br>£000  |
|--|------|---------------|---------------|
| Cash inflow from operating activities                    | 26   | 15,550        | 11,000        |
| Return on investments and servicing of finance           | 28   | 404           | 284           |
| Capital expenditure and financial investment             | 29   | (15,546)      | (5,753)       |
| Cash inflow before use of liquid resources and financing |      | 408           | 5,531         |
| Management of liquid resources                           |      | 4,781         | (3,168)       |
| Financing  |      | (5,130)       | (2,681)       |
| Increase/(Decrease) in cash                              |      | <b>59</b>     | <b>(318)</b>  |
| <b>Movement in Net Funds</b>                             |      |               |               |
| (Decrease) in cash in the period                         |      | 59            | (318)         |
| Increase in liquid resources                             |      | (4,781)       | 3,168         |
| Repayment of debt  | 27   | 5,130         | 2,681         |
| Change in net cash                                       |      | <b>408</b>    | <b>5,531</b>  |
| Net cash at 1 August                                     |      | 16,526        | 10,995        |
| Net cash at 31 July                                      | 30   | <b>16,934</b> | <b>16,526</b> |

# 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 September 2003 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, Virtual Learning Systems 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 over which the University does not exercise control or significant influence over policy decisions.

### 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.

Recurrent grants from the Funding Councils are recognised in the period in which they are receivable.

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

### 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 is capitalised on the basis of nature. Equipment is capitalised if it is tangible, has a life of more than one year and has a resale value for the duration of its life. The life of the asset is dependant on its categorisation within 16 categories, ranging from two years eg 'Audio visual 2 year' to ten years eg 'Fixed Equipment, Plant, Heavy m/c 10 year'.

### Subsequent Expenditure on Existing Fixed Assets

Where significant expenditure is incurred on tangible fixed assets it is charged to the income and expenditure account in the period it is incurred, unless it meets one of the following criteria, in which case it is capitalised and depreciated on the relevant basis

- market value of the fixed asset has subsequently improved
- assets capacity increases
- substantial improvement in the quality of output or reduction in operating costs
- significant extension of the assets life beyond that conferred by repairs and maintenance

### Depreciation

#### *Land*

Land is not depreciated.

#### *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 fixed equipment for new and refurbished buildings are depreciated on a straight line basis over the life according to the relevant category. Depreciation on all other equipment is calculated on a straight line basis from the month of purchase, over the lifespan of the asset category.

Motor vehicles and office equipment – three years

Computers – four years

Furniture – five years

Scientific equipment – two to ten years

Assets under construction are accounted for at cost, based on the value of architects' certificates and other direct costs, incurred to 31 July. They are not depreciated until they are brought into use.

### 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.

### Provisions

Provisions are recognised when the University has a present legal or constructive obligation where, as a result of a past event, it is probable that a transfer of economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

## Notes to the Accounts

### Maintenance of Premises

The University has a rolling long-term maintenance plan which is reviewed periodically and forms the basis of the ongoing maintenance of the estate. The cost of long-term and routine corrective maintenance is charged to the Income and Expenditure Account as incurred.

### 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.

### Research and Development Expenditure

Income from grants, contracts and other services rendered is included to the extent of the completion of the contract or service concerned.

### Investments

Fixed assets investments are carried at historical cost less any provision for impairment in their value.

Listed investments held as fixed assets or endowment assets are stated at market value.

Current asset investments, which may include listed investments, are stated at the lower of their cost and net realisable value.

### Local Government Pension Scheme

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 expected to arise from employee service in the period is charged to the operating surplus. The expected return on 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.

## 2 Funding Council Grants

|  | 2007<br>£000  | 2006<br>£000  |
|--|---------------|---------------|
| Higher Education Funding Council for England       |               |               |
| Recurrent grant                                    | 66,956        | 61,914        |
| Specific grants                                    | 3,788         | 4,346         |
| Training and Development Agency                    |               |               |
| Recurrent grant                                    | 6,891         | 6,328         |
| Specific grants                                    | 205           | 151           |
| Deferred capital grants released in year (Note 19) |               |               |
| Buildings  | 1,987         | 1,692         |
| Equipment  | 929           | 1,072         |
|  | <b>80,756</b> | <b>75,503</b> |

**3 Academic Fees and Support Grants**

|                                   | <b>2007</b><br><b>£000</b> | <b>2006</b><br><b>£000</b> |
|-----------------------------------|----------------------------|----------------------------|
| Full-time UG home and EU students | 24,826                     | 16,283                     |
| Full-time PG home and EU students | 2,715                      | 2,012                      |
| Part-time home and EU students    | 6,569                      | 6,208                      |
| Overseas students                 | 11,484                     | 9,645                      |
| Fees from NHS contracts           | 12,831                     | 8,660                      |
| Other fees and support grants     | 2,022                      | 2,333                      |
|                                   | <b>60,447</b>              | <b>45,141</b>              |

**4 Research Grants and Contracts**

|   | <b>2007</b><br><b>£000</b> | <b>2006</b><br><b>£000</b> |
|---|----------------------------|----------------------------|
| OST Research Councils   | 1,164                      | 1,080                      |
| UK-based charities  | 722                        | 735                        |
| UK central government bodies/local authorities, health and hospital authorities | 6,193                      | 5,334                      |
| UK industry, commerce and public corporations                                   | 644                        | 698                        |
| EU government bodies  | 845                        | 864                        |
| EU other  | 158                        | 217                        |
| Other overseas  | 43                         | 12                         |
| Other sources   | 245                        | 222                        |
|   | <b>10,014</b>              | <b>9,162</b>               |

**5 Other Operating Income**

|  | <b>2007</b><br><b>£000</b> | <b>2006</b><br><b>£000</b> |
|--|----------------------------|----------------------------|
| Residences, catering and conferences           | 5,627                      | 5,793                      |
| Other services rendered                        | 7,203                      | 6,646                      |
| Release of deferred capital grants (non HEFCE) | 399                        | 154                        |
| Other income                                   | 10,953                     | 9,387                      |
|  | <b>24,182</b>              | <b>21,980</b>              |

**6 Endowment Income and Interest Receivable**

|  | <b>2007</b><br><b>£000</b> | <b>2006</b><br><b>£000</b> |
|--|----------------------------|----------------------------|
| Transferred from specific endowments (Note 14) | 33                         | 117                        |
| Income from short term investments             | 1,805                      | 1,560                      |
| Other interest receivable                      | 12                         | 10                         |
|  | <b>1,850</b>               | <b>1,687</b>               |

## Notes to the Accounts

### 7 Staff

| <b>Staff Costs</b>       | <b>2007<br/>£000</b> | <b>2006<br/>£000</b> |
|--------------------------|----------------------|----------------------|
| Wages and salaries       | 94,006               | 82,124               |
| National Insurance costs | 7,344                | 6,558                |
| Superannuation costs     | 12,242               | 7,737                |
| Restructuring costs      | 726                  | 1,662                |
|                          | <b>114,318</b>       | <b>98,081</b>        |

| <b>Emoluments of the Vice-Chancellor</b> | <b>2007<br/>£000</b> | <b>2006<br/>£000</b> |
|--|----------------------|----------------------|
| Salary                                   | 181                  | 165                  |
| Other benefits                           | 123                  | 1                    |
|  | <b>304</b>           | <b>166</b>           |
| Pension contributions                    | 22                   | 22                   |
|  | <b>326</b>           | <b>188</b>           |

The pension contributions represent the University's employer's contributions to the Teachers' Pensions Scheme and are paid at the same rate as for other employees.

The Vice-Chancellor's emoluments include £121,925 in respect of a mutual agreement between the University and the Vice-Chancellor to retire on 31 July 2007. This was in advance of her contracted retirement date in 2008. The agreement was made so that a successor could be appointed prior to setting a new five year corporate plan. This amount will be used to provide a pension enhancement of £4,770 p.a. together with a lump sum of £11,925, to ensure that the Vice-Chancellor was not disadvantaged in pension benefits as a result of her earlier retirement.

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

|                     | <b>2007</b> | <b>2006</b> |
|---------------------|-------------|-------------|
| £70,000 - £79,999   | 5           | 2           |
| £80,000 - £89,999   | 3           | 2           |
| £90,000 - £99,999   | 5           | 5           |
| £100,000 - £109,999 | -           | 1           |
| £110,000 - £119,999 | 2           | 4           |
| £120,000 - £129,999 | 3           | -           |

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

|                                  | <b>2007</b>  | <b>2006</b>  |
|----------------------------------|--------------|--------------|
| Faculty/Research Institute based | 1,739        | 1,647        |
| Academic support departments     | 292          | 253          |
| Administration                   | 608          | 575          |
| Other                            | 229          | 260          |
|                                  | <b>2,868</b> | <b>2,735</b> |

The staff numbers are full time equivalents. Academic support departments mainly comprise staff of Communication and IT Services and the Learning Centre.

**8 Depreciation**

|   | <b>2007</b>   | <b>2006</b>  |
|---|---------------|--------------|
|   | <b>£000</b>   | <b>£000</b>  |
| The depreciation charge has been funded by: |               |              |
| Deferred capital grants released (Note 19)  | 3,315         | 2,918        |
| General income                              | 6,413         | 6,317        |
| Revaluation reserve released (Note 20)      | 390           | 396          |
|   | <b>10,118</b> | <b>9,631</b> |

**9 Other Operating Expenses**

|   | <b>2007</b>   | <b>2006</b>   |
|---|---------------|---------------|
|   | <b>£000</b>   | <b>£000</b>   |
| Premises costs  | 5,965         | 5,287         |
| Furniture and supplies                                  | 1,732         | 1,284         |
| Equipment and consumables                               | 2,342         | 2,021         |
| Operating lease expenditure                             | 1,035         | 1,017         |
| Books and periodicals                                   | 2,034         | 2,041         |
| Staff development and training                          | 977           | 1,222         |
| Staff travel expenses                                   | 2,039         | 1,883         |
| Other staff costs                                       | 690           | 644           |
| Students grants and expenses                            | 5,316         | 3,289         |
| Grants to Sheffield Hallam University Union of Students | 1,236         | 852           |
| Computers and IT  | 2,980         | 2,318         |
| Printing and stationery                                 | 1,265         | 1,294         |
| Marketing and publicity                                 | 1,906         | 1,264         |
| Hospitality   | 325           | 232           |
| Postage and communications                              | 1,096         | 1,136         |
| Professional services                                   | 8,615         | 8,949         |
| External auditors' remuneration – Audit: University     | 42            | 36            |
| Subsidiaries  | 9             | 11            |
| – Other services  | 21            | 52            |
| Internal audit services                                 | 114           | 101           |
| Course and exam expenses                                | 2,044         | 2,318         |
| Bad debts   | 630           | 181           |
| Agency staff  | 1,254         | 1,211         |
| Subscriptions   | 593           | 711           |
| Other expenses  | 1,566         | 342           |
|   | <b>45,826</b> | <b>39,696</b> |

**10 Interest and Finance Charges Payable**

|  | <b>2007</b>  | <b>2006</b>  |
|--|--------------|--------------|
|  | <b>£000</b>  | <b>£000</b>  |
| Loan wholly repayable within five years      | 1,282        | -            |
| Loans not wholly repayable within five years | -            | 1,307        |
| Refinancing costs                            | 244          | -            |
| Pension finance costs (Note 23)              | 603          | 273          |
|  | <b>2,129</b> | <b>1,580</b> |

## Notes to the Accounts

### 11 Tangible Fixed Assets – Consolidated

|                                      | Land and Buildings |                   |                    | Assets in<br>Course of<br>Construction | Equipment | Total   |
|--------------------------------------|--------------------|-------------------|--------------------|--|-----------|---------|
|                                      | Freehold           | Long<br>Leasehold | Short<br>Leasehold |  |           |         |
|                                      | £000               | £000              | £000               | £000                                   | £000      | £000    |
| <b>Cost or Valuation</b>             |                    |                   |                    |  |           |         |
| At 1 August 2006                     |                    |                   |                    |  |           |         |
| Valuation                            | 30,826             | -                 | -                  | -                                      | -         | 30,826  |
| Cost                                 | 118,679            | 493               | 2,701              | 5,731                                  | 22,053    | 149,657 |
| Additions at cost                    | 1,525              | -                 | -                  | 21,604                                 | 5,342     | 28,471  |
| Transfers at cost                    | 12,816             | 63                | -                  | (15,332)                               | 2,453     | -       |
| Transfers to assets held for resale: |                    |                   |                    |  |           |         |
| At cost                              | (3,485)            | -                 | -                  | -                                      | -         | (3,485) |
| At valuation                         | (9,378)            | -                 | -                  | -                                      | -         | (9,378) |
| Disposals at cost                    | (5)                | -                 | (750)              | -                                      | (942)     | (1,697) |
| Disposals at valuation               | -                  | -                 | -                  | -                                      | -         | -       |
| Revaluation in year                  | 6,518              | -                 | -                  | -                                      | -         | 6,518   |
| At 31 July 2007                      |                    |                   |                    |  |           |         |
| Valuation                            | 27,966             | -                 | -                  | -                                      | -         | 27,966  |
| Cost                                 | 129,530            | 556               | 1,951              | 12,003                                 | 28,906    | 172,946 |
|                                      | 157,496            | 556               | 1,951              | 12,003                                 | 28,906    | 200,912 |
| <b>Depreciation</b>                  |                    |                   |                    |  |           |         |
| At 1 August 2006                     | 47,342             | 70                | 2,701              | -                                      | 12,890    | 63,003  |
| Charge for year                      | 5,432              | -                 | -                  | -                                      | 4,686     | 10,118  |
| Transfers to assets held for resale: |                    |                   |                    |  |           |         |
| At cost                              | (1,055)            | -                 | -                  | -                                      | -         | (1,055) |
| At valuation                         | (564)              | -                 | -                  | -                                      | -         | (564)   |
| Eliminated on disposals              | (4)                | -                 | (750)              | -                                      | (942)     | (1,696) |
| At 31 July 2007                      | 51,151             | 70                | 1,951              | -                                      | 16,634    | 69,806  |
| <b>Net Book Value</b>                |                    |                   |                    |  |           |         |
| At 31 July 2007                      | 106,345            | 486               | -                  | 12,003                                 | 12,272    | 131,106 |
| At 1 August 2006                     | 102,163            | 423               | -                  | 5,731                                  | 9,163     | 117,480 |

The land and buildings were revalued as at 31 March 1992 by Fuller Peiser, an independent firm of chartered surveyors, in accordance with the fixed assets accounting policy outlined in Note 1.

**12 Tangible Fixed Assets – University**

|                                      | Land and Buildings |                           |                            |  | Equipment<br>£000 | Total<br>£000 |
|--------------------------------------|--------------------|---------------------------|----------------------------|--|-------------------|---------------|
|                                      | Freehold<br>£000   | Long<br>Leasehold<br>£000 | Short<br>Leasehold<br>£000 | Assets in<br>Course of<br>Construction<br>£000 |                   |               |
| <b>Cost or Valuation</b>             |                    |                           |                            |  |                   |               |
| At 1 August 2006                     |                    |                           |                            |  |                   |               |
| Valuation                            | 30,826             | -                         | -                          | -  | -                 | 30,826        |
| Cost                                 | 101,681            | 16,258                    | 2,701                      | 5,731  | 22,032            | 148,403       |
| Additions at cost                    | 1,525              | -                         | -                          | 21,604   | 5,340             | 28,469        |
| Transfers at cost                    | 12,816             | 63                        | -                          | (15,332)                                       | 2,453             | -             |
| Transfers to assets held for resale: |                    |                           |                            |  |                   |               |
| At cost                              | (3,485)            | -                         | -                          | -  | -                 | (3,485)       |
| At valuation                         | (9,378)            | -                         | -                          | -  | -                 | (9,378)       |
| Disposals at cost                    | (5)                | -                         | (750)                      | -  | (942)             | (1,697)       |
| Disposals at valuation               | -                  | -                         | -                          | -  | -                 | -             |
| Revaluation in year                  | 6,518              | -                         | -                          | -  | -                 | 6,518         |
| At 31 July 2007                      |                    |                           |                            |  |                   |               |
| Valuation                            | 27,966             | -                         | -                          | -  | -                 | 27,966        |
| Cost                                 | 112,532            | 16,321                    | 1,951                      | 12,003   | 28,883            | 171,690       |
|                                      | 140,498            | 16,321                    | 1,951                      | 12,003   | 28,883            | 199,656       |
| <b>Depreciation</b>                  |                    |                           |                            |  |                   |               |
| At 1 August 2006                     | 43,094             | 10,317                    | 2,701                      | -  | 12,885            | 68,997        |
| Charge for year                      | 5,065              | 817                       | -                          | -  | 4,680             | 10,562        |
| Transfers to assets held for resale: |                    |                           |                            |  |                   |               |
| At cost                              | (1,055)            | -                         | -                          | -  | -                 | (1,055)       |
| At valuation                         | (564)              | -                         | -                          | -  | -                 | (564)         |
| Eliminated on disposals              | (5)                | -                         | (750)                      | -  | (942)             | (1,697)       |
| At 31 July 2007                      | 46,535             | 11,134                    | 1,951                      | -  | 16,623            | 76,243        |
| <b>Net Book Value</b>                |                    |                           |                            |  |                   |               |
| At 31 July 2007                      | 93,963             | 5,187                     | -                          | 12,003   | 12,260            | 123,413       |
| At 1 August 2006                     | 89,413             | 5,941                     | -                          | 5,731  | 9,147             | 110,232       |

The land and buildings were revalued as at 31 March 1992 by Fuller Peiser, an independent firm of chartered surveyors, in accordance with the fixed assets accounting policy outlined in Note 1.

## Notes to the Accounts

### 13 Investments

|  | Consolidated |              | University    |               |
|--|--------------|--------------|---------------|---------------|
|  | 2007<br>£000 | 2006<br>£000 | 2007<br>£000  | 2006<br>£000  |
| <b>Fixed Asset Investments</b>             |              |              |               |               |
| 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            |
|  | <b>42</b>    | <b>42</b>    | <b>15,807</b> | <b>17,537</b> |

| Subsidiary Undertakings                            | Principal Activity                              | Country of Registration | Percentage of Ordinary Shares Held |
|--|---|-------------------------|------------------------------------|
| 3D Imaging Technology Limited                      | Dormant   | England and Wales       | 100                                |
| 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                                |
| Hallam Biotechnology Limited                       | Dormant   | England and Wales       | 100                                |
| Hallam Immunotech Limited                          | Dormant   | England and Wales       | 100                                |
| Hallam Proteonics Limited                          | Dormant   | England and Wales       | 100                                |
| O&N Contracting Limited                            | Property leasing                                | England and Wales       | 100                                |
| Sheffield Hallam Innovation and Enterprise Limited | Dormant   | England and Wales       | 100                                |
| Sheffield Hallam Property Company Limited          | Dormant   | England and Wales       | 100                                |
| Sheffield Hallam University Enterprises Limited    | Non-property related trading activities         | England and Wales       | 100                                |
| Virtual Learning Systems Limited                   | Web-based learning services                     | England and Wales       | 100                                |
| Y&H Science Limited                                | Science Training                                | England and Wales       | 25                                 |

The University also consolidates the Collegiate Charitable Trust. The Trust's financial statements are prepared to 31 July 2007.

**14 Endowment Assets**

|  | Consolidated and University |              |
|--|-----------------------------|--------------|
|  | 2007<br>£000                | 2006<br>£000 |
| At 1 August  | 549                         | 606          |
| Income for year  | 22                          | 21           |
| New endowments   | 8                           | 39           |
| Transferred to Income and Expenditure account (Note 6) | (33)                        | (117)        |
| At 31 July   | <b>546</b>                  | <b>549</b>   |
| Representing   |                             |              |
| Prize funds  | 226                         | 223          |
| Other funds  | 320                         | 326          |
|  | <b>546</b>                  | <b>549</b>   |

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

**15 Debtors**

|                                      | Consolidated  |               | University    |               |
|--------------------------------------|---------------|---------------|---------------|---------------|
|                                      | 2007<br>£000  | 2006<br>£000  | 2007<br>£000  | 2006<br>£000  |
| Amounts falling due within one year: |               |               |               |               |
| Trade debtors                        | 8,977         | 5,989         | 8,111         | 5,191         |
| Prepayments                          | 1,427         | 1,164         | 1,416         | 1,416         |
| Accrued income                       | 3,721         | 2,912         | 4,333         | 4,097         |
| Loans                                | 106           | 103           | 1,836         | 103           |
| Amounts owed by group undertakings   | -             | -             | 771           | 2,181         |
|                                      | <b>14,231</b> | <b>10,168</b> | <b>16,467</b> | <b>12,988</b> |

## Notes to the Accounts

### 16 Creditors: Amounts Falling Due Within One Year

|  | Consolidated  |               | University    |               |
|--|---------------|---------------|---------------|---------------|
|  | 2007<br>£000  | 2006<br>£000  | 2007<br>£000  | 2006<br>£000  |
| Bank overdrafts                            | 385           | 515           | 385           | 515           |
| Mortgages and unsecured loans              | 15,334        | 2,680         | 15,334        | 2,680         |
| Obligations under finance leases           | -             | -             | 817           | 1,018         |
| Payments received on account               | 13,848        | 12,612        | 13,796        | 12,755        |
| Trade creditors                            | 6,177         | 5,534         | 6,176         | 5,533         |
| Social security and other taxation payable | 3,745         | 3,651         | 3,709         | 3,633         |
| Accruals and deferred income               | 18,186        | 13,410        | 17,774        | 13,725        |
| Amounts owed to group undertakings         | -             | -             | -             | -             |
|  | <b>57,675</b> | <b>38,402</b> | <b>57,991</b> | <b>39,859</b> |

Amounts repayable after less than one year in respect of bank loans outstanding at 31 July 2007 may be analysed as follows

| Lender            | Date loan obtained | Consolidated and University |               |                                  |                                  |
|-------------------|--------------------|-----------------------------|---------------|----------------------------------|----------------------------------|
|                   |                    | Final repayment date        | Interest rate | Balance outstanding 2007<br>£000 | Balance outstanding 2006<br>£000 |
| Co-operative Bank | 1997               | 2007                        | fixed         | -                                | 490                              |
| Barclays Bank     | 1999               | 2014                        | fixed         | 9,534                            | 1,362                            |
| Barclays Bank     | 1999               | 2014                        | variable      | 5,800                            | 828                              |
|                   |                    |                             |               | <b>15,334</b>                    | <b>2,680</b>                     |

### 17 Creditors: Amounts Falling Due After More Than One Year

|  | Consolidated |               | University    |               |
|--|--------------|---------------|---------------|---------------|
|  | 2007<br>£000 | 2006<br>£000  | 2007<br>£000  | 2006<br>£000  |
| <b>Loans repayable secured on residential and other property</b> |              |               |               |               |
| Between one and five years:                                      |              |               |               |               |
| Secured loans  | -            | 10,720        | -             | 10,720        |
| Over five years:   |              |               |               |               |
| Secured loans  | -            | 7,063         | -             | 7,063         |
| <b>Obligations under finance leases</b>                          |              |               |               |               |
| Between one and five years:                                      |              |               |               |               |
| Equipment  | -            | -             | 492           | 1,309         |
| Over five years:   |              |               |               |               |
| Leasehold obligation to group undertakings                       | -            | -             | 15,765        | 15,765        |
|  | <b>-</b>     | <b>17,783</b> | <b>16,257</b> | <b>34,857</b> |

Amounts repayable after more than one year in respect of bank loans outstanding at 31 July 2007 may be analysed as follows

| Lender            | Date loan obtained | Consolidated and University |               | Balance outstanding 2007<br>£000 | Balance outstanding 2006<br>£000 |
|-------------------|--------------------|-----------------------------|---------------|----------------------------------|----------------------------------|
|                   |                    | Final repayment date        | Interest rate |                                  |                                  |
| Co-operative Bank | 1997               | 2007                        | fixed         | -                                | 2,450                            |
| Barclays Bank     | 1999               | 2014                        | fixed         | -                                | 9,495                            |
| Barclays Bank     | 1999               | 2014                        | variable      | -                                | 5,838                            |
|                   |                    |                             |               | -                                | <b>17,783</b>                    |

## 18 Provisions for Liabilities and Charges

|   | Consolidated and University |                  |                       | Total<br>£000 |
|---|-----------------------------|------------------|-----------------------|---------------|
|   | Legal<br>£000               | Pensions<br>£000 | Restructuring<br>£000 |               |
| At 1 August 2006                                  | -                           | 668              | 737                   | 1,405         |
| Created in year<br>Income and Expenditure account | 100                         | 299              | 397                   | 796           |
| Utilised in year                                  | -                           | (371)            | (450)                 | (821)         |
| Released in year                                  | -                           | (11)             | (287)                 | (298)         |
| At 31 July 2007                                   | <b>100</b>                  | <b>585</b>       | <b>397</b>            | <b>1,082</b>  |

The legal provision is in respect of a pending legal claim.

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 various elements of the University's academic portfolio.

## Notes to the Accounts

### 19 Deferred Capital Grants

|  | Consolidated and University |                      |                    |                    |
|--|-----------------------------|----------------------|--------------------|--------------------|
|  | Funding Councils<br>£000    | Other Grants<br>£000 | 2007 Total<br>£000 | 2006 Total<br>£000 |
| At 1 August                                |                             |                      |                    |                    |
| Buildings                                  | 20,383                      | 1,722                | 22,105             | 21,256             |
| Equipment                                  | 2,306                       | 53                   | 2,359              | 1,638              |
| <b>Total</b>                               | <b>22,689</b>               | <b>1,775</b>         | <b>24,464</b>      | <b>22,894</b>      |
| Cash Received                              |                             |                      |                    |                    |
| Buildings                                  | 11,179                      | -                    | 11,179             | 2,158              |
| Equipment                                  | 955                         | 125                  | 1,080              | 2,330              |
| <b>Total</b>                               | <b>12,134</b>               | <b>125</b>           | <b>12,259</b>      | <b>4,488</b>       |
| Released to Income and Expenditure account |                             |                      |                    |                    |
| Buildings                                  | 1,987                       | 302                  | 2,289              | 1,846              |
| Equipment                                  | 929                         | 97                   | 1,026              | 1,072              |
| <b>Total</b>                               | <b>2,916</b>                | <b>399</b>           | <b>3,315</b>       | <b>2,918</b>       |
| At 31 July                                 |                             |                      |                    |                    |
| Buildings                                  | 29,575                      | 1,420                | 30,995             | 21,568             |
| Equipment                                  | 2,332                       | 81                   | 2,413              | 2,896              |
| <b>Total</b>                               | <b>31,907</b>               | <b>1,501</b>         | <b>33,408</b>      | <b>24,464</b>      |

### 20 Revaluation Reserve

|   | Consolidated and University |               |
|---|-----------------------------|---------------|
|   | 2007<br>£000                | 2006<br>£000  |
| Balance brought forward at 1 August   | 23,492                      | 25,651        |
| Release in respect of assets sold in year   | -                           | (970)         |
| Revaluation of assets held for resale   | 6,518                       | -             |
| Release to Income and Expenditure reserve equivalent to depreciation on revaluation | (390)                       | (396)         |
| Adjustment on disposal  | -                           | (793)         |
| Balance at 31 July  | <b>29,620</b>               | <b>23,492</b> |

The revaluation reserve adjustment relates to the revaluation of one of the University's student residencies, Norfolk Park, which was sold after the year end.

**21 Capital Reserve**

|   | <b>Consolidated and University</b> |             |
|---|------------------------------------|-------------|
|   | <b>2007</b>                        | <b>2006</b> |
|   | <b>£000</b>                        | <b>£000</b> |
| Balance brought forward at 1 August       | 745                                | 774         |
| Release to Income and Expenditure reserve | (29)                               | (29)        |
| Balance at 31 July                        | <b>716</b>                         | <b>745</b>  |

**22 Income and Expenditure Reserve**

|   | <b>Consolidated</b> |               | <b>University</b> |               |
|---|---------------------|---------------|-------------------|---------------|
|   | <b>2007</b>         | <b>2006</b>   | <b>2007</b>       | <b>2006</b>   |
|   | <b>£000</b>         | <b>£000</b>   | <b>£000</b>       | <b>£000</b>   |
| Surplus after depreciation of assets at valuation, disposal of assets and tax | 4,858               | 7,431         | 4,331             | 6,909         |
| Release from revaluation reserve  | 390                 | 2,159         | 390               | 2,159         |
| Release from capital reserve  | 29                  | 29            | 29                | 29            |
| Actuarial gain/(loss) in respect of the pension scheme                        | 8,475               | (1,321)       | 8,475             | (1,321)       |
|   | <b>13,752</b>       | <b>8,298</b>  | <b>13,225</b>     | <b>7,776</b>  |
| Balance at 1 August   | 26,414              | 18,116        | 20,549            | 12,773        |
|   | <b>40,166</b>       | <b>26,414</b> | <b>33,774</b>     | <b>20,549</b> |
| <b>Balance represented by</b>   |                     |               |                   |               |
| Pension reserve   | (26,294)            | (32,092)      | (26,294)          | (32,092)      |
| Income and expenditure reserve  | 66,460              | 58,506        | 60,068            | 52,641        |
|   | <b>40,166</b>       | <b>26,414</b> | <b>33,774</b>     | <b>20,549</b> |

## Notes to the Accounts

### 23 Pension Costs

#### Teachers' Pension Scheme (TPS)

The University participates in the Teachers' Pension Scheme, a defined benefit scheme which is unfunded. Contributions from both members and employers are credited to the Exchequer, which is then responsible for meeting the cost of all benefits. The TPS is a multi-employer pension scheme and it is not possible to identify each institution's share of the underlying (notional) assets and liabilities of the scheme. Contributions to the scheme are therefore accounted for as if it were a defined contribution scheme, with the cost recognised within the surplus/deficit for the year in the income and expenditure account being equal to the contributions payable to the scheme for the year.

Actuarial valuations are carried out on a notional set of investments every five years using the prospective benefits method. The assumptions and other data which have the most significant effect on the determination of the contribution level are as follows

|  |           |
|--|-----------|
| Latest actuarial valuation                         | 31.03.04  |
| Investment returns per annum                       | 6.50%     |
| Salary scale increases per annum                   | 5.00%     |
| Pension increases per annum                        | 3.50%     |
| Value of notional assets at date of last valuation | £163,240m |
| Value of liabilities at date of last valuation     | £166,500m |
| Next actuarial valuation due                       | 31.03.07  |

As part of the actuarial valuation, the Government Actuary undertakes a review of the level of employers' contributions. The contribution rate determined at the 2001 valuation remained payable from 1 April 2004 to 31 December 2006. The rate was amended from 1 January 2007, the rate was increased to 14.1% previously 13.5%.

#### Universities Superannuation Scheme (USS)

The University participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is externally funded and contracted out of the State Earnings-Related Pension Scheme. The assets of the schemes are held in a separate trustee-administered fund. It is not possible to identify each institution's share of the underlying assets and liabilities of the scheme and hence contributions to the scheme are accounted for as if it were a defined contribution scheme, with the cost recognised within the surplus/deficit for the year in the income and expenditure account being equal to the contributions payable to the scheme for the year.

The scheme is valued every three years by actuaries using the projected unit method. The assumptions and other data which have the most significant effect on the determination of the contribution level are as follows

|  |          |
|--|----------|
| Latest actuarial valuations                      | 31.03.05 |
| Investment returns per annum – past service      | 5.00%    |
| Investment returns per annum – future service    | 6.00%    |
| Salary scale increases per annum                 | 3.70%    |
| Pension increases per annum                      | 2.70%    |
| Market value of assets at date of last valuation | £21,740m |
| Next actuarial valuation due                     | 31.03.08 |
| Expected completion by                           | 31.03.09 |

The actuary also valued the scheme on a number of other bases as at the valuation date. Using the Minimum funding Requirement prescribed assumptions introduced by the Pensions Act 1995, the scheme was 126% funded at that date; under the Pension Protection Fund regulations introduced by the pensions Act 2004 it was 110% funded; on a buy-out basis (ie assuming the Scheme has discontinued on the valuation date) the assets would have been approximately 74% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS17 formula as if USS was a single employer scheme, the actuary estimated that the funding level would have been approximately 90%.

#### Local Government Pension Scheme (LGPS)

The University participates in the Local Government Pension Scheme (LGPS), a defined benefit scheme which is externally funded and contracted out of the State Earnings-Related Pension Scheme. There are some 100 separate funds within the scheme, administered locally by administering authorities. The University participates in the South Yorkshire Pension Fund (SYPF).

The SYPF is valued every three years by a qualified independent actuary using the projected unit method, the rates of contribution payable being determined by the actuary with the approval of the administering authority. The last full actuarial valuation was carried out at 31 March 2004.

The SYPF is structured in such a way that the actuary has been able to identify the University's share of the underlying assets and liabilities on a consistent and reasonable basis.

The total contributions made for the year ended 31 July 2007 was £6.215m of which employers contributions totalled £4.154m and employees contributions totalled £2.061m. The current contribution rates are 11.44% (2006 11.3%) for employers and 6.0% for employees, as from January 2008 contributions will move to a sliding scale based on earnings.

#### Summary of FRS17 Pension Adjustment

|   | 2007<br>£000         | 2006<br>£000         |
|---|----------------------|----------------------|
| Asset Gain/(Loss)   | 6,209                | 6,307                |
| Liability/Gain/(Loss)   | -                    | (2,088)              |
| Changes in assumptions underlying the present value of scheme liabilities | 2,266                | (5,540)              |
| <b>Total actuarial loss recognised</b>                                    | <b>8,475</b>         | <b>(1,321)</b>       |
|   | <b>2007<br/>£000</b> | <b>2006<br/>£000</b> |
| <b>(Deficit) on scheme at 1st August</b>                                  | <b>(32,092)</b>      | <b>(9,168)</b>       |
| Movement in year:   |                      |                      |
| Prior year adjustment – adoption of FRS17                                 | -                    | (22,219)             |
| Current service costs   | (5,962)              | (5,552)              |
| Contributions   | 4,154                | 3,873                |
| Past service costs  | (266)                | 2,568                |
| Other finance (costs)/income  | (603)                | (273)                |
| Actuarial gain/(loss)   | 8,475                | (1,321)              |
| <b>(Deficit) on scheme at 31st July</b>                                   | <b>(26,294)</b>      | <b>(32,092)</b>      |

## Notes to the Accounts

### Summary of FRS17 Pension Adjustment

|   | 2007<br>£000   | 2006<br>£000   |
|---|----------------|----------------|
| <b>Local Government Pension Scheme</b>                                      |                |                |
| Employers Contributions   |                |                |
| Normal  | 3,825          | 3,562          |
| Other   | 325            | 307            |
| Benefits recharged during the year  | 4              | 4              |
| <b>Total Employers Contributions</b>  | <b>4,154</b>   | <b>3,873</b>   |
| Employees Contributions   | 2,061          | 1,984          |
| <b>Total Contributions</b>  | <b>6,215</b>   | <b>5,857</b>   |
| <b>Analysis of the amount charged to the Income and Expenditure Account</b> |                |                |
| Employer Service Cost (Net of Employee Contributions)                       |                |                |
| Current Service Cost  | (5,962)        | (5,552)        |
| Employer Contributions  | 4,154          | 3,873          |
| <b>Total Employer Service Cost</b>  | <b>(1,808)</b> | <b>(1,679)</b> |
| Past Service Costs/Gain   | (266)          | 2,568          |
| <b>Total Operating Charge/Credit</b>  | <b>(2,074)</b> | <b>889</b>     |
| <b>Analysis of Pension Finance Income/(Costs)</b>                           |                |                |
| Expected Return on Pension Scheme Assets                                    | 6,546          | 5,944          |
| Interest on Pension Scheme Liabilities                                      | (7,149)        | (6,217)        |
| <b>Pension Finance Income/(Costs)</b>                                       | <b>(603)</b>   | <b>(273)</b>   |

The actuary has assessed the financial position of the University's share of the scheme as at 31 July 2007. The major assumptions used by the actuary were

|  | 2007   | 2006   | 2005  |
|--|--------|--------|-------|
| Rate of increase in salaries                               | 4.95%  | 4.80%  | 4.50% |
| Rate of increase in pensions in payment                    | 3.20%  | 3.00%  | 2.70% |
| Discount rate  | 5.80%  | 5.10%  | 5.00% |
| Inflation assumption                                       | 3.20%  | 3.00%  | 2.70% |
| Proportion of employees opting to take a commuted lump sum | 50.00% | 50.00% | n/a   |

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 lump sum payment on retirement in exchange for a reduction in their future annual pension.

On advice from our actuaries we have assumed that 50% of employees retiring after 6 April 2006 will take advantage of this change to the pension scheme. Our actuaries have advised that this will reduce the value of the University's retirement benefit liability as at 31 July 2007.

These assumptions are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

#### *Scheme Assets*

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were

|                  | Long term<br>rate of return<br>expected at<br>31 July 2007 | Value at<br>31 July<br>2007<br>£000 | Long term<br>rate of return<br>expected at<br>31 July 2006 | Value at<br>31 July<br>2006<br>£000 | Long term<br>rate of return<br>expected at<br>31 July 2005 | Value at<br>31 July<br>2005<br>£000 |
|------------------|--|-------------------------------------|--|-------------------------------------|--|-------------------------------------|
| Equities         | 7.50%  | 79,705                              | 7.00%  | 68,261                              | 7.50%  | 57,725                              |
| Government Bonds | 4.90%  | 17,928                              | 4.40%  | 16,323                              | 4.40%  | 15,291                              |
| Other Bonds      | 5.80%  | 7,631                               | 5.10%  | 7,844                               | 5.00%  | 6,243                               |
| Property         | 6.50%  | 14,173                              | 6.00%  | 11,977                              | 6.50%  | 9,862                               |
| Other            | 5.75%  | 1,696                               | 4.50%  | 1,590                               | 4.75%  | 1,357                               |
|                  |  | <b>121,133</b>                      |  | <b>105,995</b>                      |  | <b>90,478</b>                       |

## Notes to the Accounts

The following amounts at 31 July 2007 were measured in accordance with the requirements of FRS17

|  | 2007<br>£000    | 2006<br>£000    | 2005<br>£000    |
|--|-----------------|-----------------|-----------------|
| Total fair value of assets                                   | 121,133         | 105,995         | 90,478          |
| Present value of scheme liabilities                          | (147,427)       | (138,087)       | (121,865)       |
| <b>(Deficit) in the scheme –<br/>Net pension (liability)</b> | <b>(26,294)</b> | <b>(32,092)</b> | <b>(31,387)</b> |

| History of Experience Gains of Losses                       | 2007<br>£000 | 2006<br>£000   | 2005<br>£000   | 2004<br>£000 | 2003<br>£000   |
|---|--------------|----------------|----------------|--------------|----------------|
| Actual return less expected return on pension scheme assets | 6,209        | 6,307          | 10,806         | 1,758        | (1,759)        |
| % of Scheme Assets  | 5.10%        | 6.00%          | 11.90%         | 2.40%        | 2.70%          |
| Experience gains and losses arising on scheme liabilities   | 2,266        | (7,628)        | (18,347)       | (1,816)      | (7,788)        |
| % of Scheme Liabilities                                     | 1.55%        | 5.50%          | 15.00%         | 1.90%        | 9.10%          |
| <b>Total actuarial loss recognised</b>                      | <b>8,475</b> | <b>(1,321)</b> | <b>(7,541)</b> | <b>(58)</b>  | <b>(9,547)</b> |

The experience gains and losses for the year ended 31 July 2007 were as follows

|   | 2007<br>£000 | 2006<br>£000 |
|---|--------------|--------------|
| <b>Difference between the expected and actual return on scheme assets:</b>            |              |              |
| Amount (£000)   | 6,209        | 6,307        |
| Percentage of scheme assets   | 5.10%        | 5.95%        |
| <b>Experience gains and losses on scheme liabilities:</b>                             |              |              |
| Amount (£000)   | 2,266        | (7,628)      |
| Percentage of the present value of scheme liabilities                                 | 1.50%        | 5.50%        |
| <b>Total amount recognised in the Statement of Total Recognised Gains and Losses:</b> |              |              |
| Amount (£000)   | 8,475        | (1,321)      |
| Percentage of the present value of the scheme liabilities                             | 5.70%        | 0.96%        |

### Pensions for Part-time Staff

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 60,000), 22 of which are against the University. Following an initial series of test cases involving the UK courts and the ECJ, the House of Lords published its findings in February 2001. Their decision however left a number of other issues still unresolved and a number of further test cases were selected and heard in June and July 2002.

The outcome of these test cases was published in August 2002, followed by a number of further hearings throughout Autumn 2002. By Spring 2003, it was announced that the Government had agreed to settle the majority of the qualifying public sector claims. As the pension schemes are both contributory, the settlement involves making an offer to each individual claimant allowing them to be admitted to the scheme for the period when (s)he was unlawfully excluded, subject to the payment by both the employer and employee of sums to reflect the contributions they would have made had the employee not been excluded. Any applicable employer contributions are expected to be met by the Government and the pension funds therefore there is unlikely to be any cost to the University.

The current situation on the claims against the University is that 12 claims are stayed pending the outcome of further test cases, eight claims have been struck out, one claim has been settled and a further claim is awaiting information from the applicant prior to settlement.

## 24 Lease Obligations

|   | Consolidated |              | University    |               |
|---|--------------|--------------|---------------|---------------|
|   | 2007<br>£000 | 2006<br>£000 | 2007<br>£000  | 2006<br>£000  |
| The net finance lease obligations to which the University is committed are: |              |              |               |               |
| Within one year   | -            | -            | 817           | 1,017         |
| Between one and five years  | -            | -            | 492           | 1,309         |
| Over five years   | -            | -            | 15,765        | 15,765        |
|   | <b>-</b>     | <b>-</b>     | <b>17,074</b> | <b>18,091</b> |

Operating lease commitments for the financial year, on leases expiring:

|                            |              |              |              |              |
|----------------------------|--------------|--------------|--------------|--------------|
| Within one year            | 81           | 33           | 81           | 33           |
| Between one and five years | 183          | 213          | 183          | 213          |
| Over five years            | 771          | 771          | 3,153        | 3,153        |
|                            | <b>1,035</b> | <b>1,017</b> | <b>3,417</b> | <b>3,399</b> |

## 25 Capital Commitments

|  | Consolidated  |               | University    |               |
|--|---------------|---------------|---------------|---------------|
|  | 2007<br>£000  | 2006<br>£000  | 2007<br>£000  | 2006<br>£000  |
| Commitments contracted at 31 July        | 20,901        | 3,317         | 20,901        | 3,317         |
| Authorised but not contracted at 31 July | 15,258        | 12,771        | 15,258        | 12,771        |
|  | <b>36,159</b> | <b>16,088</b> | <b>36,159</b> | <b>16,088</b> |

## Notes to the Accounts

### 26 Reconciliation of Consolidated Operating Surplus to Net Cash Inflow from Operating Activities

|  | 2007<br>£000  | 2006<br>£000  |
|--|---------------|---------------|
| Operating surplus                          | 4,858         | 7,431         |
| Depreciation                               | 10,118        | 9,631         |
| Deferred capital grants released to income | (3,315)       | (2,918)       |
| Investment income                          | (1,850)       | (1,687)       |
| Interest payable                           | 1,526         | 1,307         |
| (Increase)/decrease in stocks              | (79)          | (36)          |
| (Increase)/decrease in debtors             | (2,689)       | (568)         |
| Increase in creditors                      | 4,627         | 1,428         |
| Increase/(decrease) in provisions          | (323)         | (26)          |
| Profit on sale of fixed assets             | -             | (2,946)       |
| FRS17 Retirement Benefit Charge            | 2,677         | (616)         |
| Net Cash Inflow from Operating Activities  | <b>15,550</b> | <b>11,000</b> |

### 27 Analysis of Changes in Consolidated Financing During the Year

|                             | Finance<br>Leases<br>£000 | Mortgages<br>and Loans<br>£000 | Total<br>£000 |
|-----------------------------|---------------------------|--------------------------------|---------------|
| Balances at 31 July 2006    | -                         | 20,464                         | 20,464        |
| New leases/loans            | -                         | -                              | -             |
| Capital repayments          | -                         | -                              | -             |
| Net amount (repaid) in year | -                         | (5,130)                        | (5,130)       |
| Balances at 31 July 2007    | -                         | <b>15,334</b>                  | <b>15,334</b> |

**28 Returns on Investments and Servicing of Finance**

|                                    | <b>2007</b><br><b>£000</b> | <b>2006</b><br><b>£000</b> |
|------------------------------------|----------------------------|----------------------------|
| Income from endowments             | 22                         | 21                         |
| Income from short term investments | 1,894                      | 1,570                      |
| Interest paid                      | (1,512)                    | (1,307)                    |
|                                    | <b>404</b>                 | <b>284</b>                 |

**29 Capital Expenditure and Financial Investment**

|                                    | <b>2007</b><br><b>£000</b> | <b>2006</b><br><b>£000</b> |
|------------------------------------|----------------------------|----------------------------|
| Tangible assets acquired           | (27,813)                   | (15,304)                   |
| Receipts from sale of fixed assets | -                          | 5,024                      |
|                                    | <b>(27,813)</b>            | <b>(10,280)</b>            |
| Deferred capital grants received   | 12,259                     | 4,488                      |
| Endowments received                | 8                          | 39                         |
|                                    | <b>12,267</b>              | <b>4,527</b>               |
|                                    | <b>(15,546)</b>            | <b>(5,753)</b>             |

## Notes to the Accounts

### 30 Analysis of Changes in Net Debt

|   | 2006<br>Consolidated<br>£000 | Cash<br>Flows<br>£000 | 2007<br>Consolidated<br>£000 |
|---|------------------------------|-----------------------|------------------------------|
| Cash at bank and in hand                    | (222)                        | 59                    | (163)                        |
| Endowment bank balance                      | 549                          | (3)                   | 546                          |
|   | <b>327</b>                   | <b>56</b>             | <b>383</b>                   |
| Debt due less than 1 year:<br>Secured loans | (20,464)                     | (5,130)               | (15,334)                     |
| Short term deposits                         | 36,663                       | (4,778)               | 31,885                       |
|   | <b>16,526</b>                | <b>408</b>            | <b>16,934</b>                |

### 31 Post Balance Sheet Events

In September 2007 the University sold its students' residences at Norfolk Park. The sale gave rise to a surplus on disposal of £6.5m.

### 32 Analysis of the Surplus for the Financial Period

The Consolidated Income and Expenditure Account reports a surplus of £4.858m of which £1.690m relates to covenants/grants, and £0.057m was retained in the subsidiary companies.

### 33 Access Funds

|                               | 2007<br>£000 | 2006<br>£000 |
|-------------------------------|--------------|--------------|
| Funding Council Access grants | 1,046        | 1,196        |
| Interest earned               | 22           | 21           |
|                               | <b>1,068</b> | <b>1,217</b> |
| Disbursed to students         | (935)        | (1,122)      |
| Grants to be disbursed        | (133)        | (95)         |
|                               | <b>-</b>     | <b>-</b>     |

Funding Council Access 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. The University receives income towards the cost of administering these funds and both this income and the related expenditure are included within the Income and Expenditure Account.

### 34 Training and Development Agency

|   | 2007<br>£000 | 2006<br>£000 |
|---|--------------|--------------|
| <b>Initial Teacher Training Bursaries</b>               |              |              |
| Funds received  | 4,276        | 3,457        |
| Disbursed to students                                   | (3,833)      | (3,017)      |
| Unspent funds to be recovered                           | <b>443</b>   | <b>440</b>   |
| <b>Secondary Shortage Subjects Scheme</b>               |              |              |
| Funds received  | 247          | 498          |
| Disbursed to students                                   | (131)        | (301)        |
| Funds carried forward to be disbursed in following year | <b>116</b>   | <b>197</b>   |

These funding streams are available solely for students, with the University acting only as a paying agent. The income and related disbursements are therefore excluded from the Income and Expenditure Account. The University receives income towards the cost of administering these funds and both this income and the related expenditure are included within the Income and Expenditure Account.

### 35 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 a certain number 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. The following transactions relate to professional partnerships or controlling interests for the period covered by the financial statements.

Professor Diana Green, Vice Chancellor and member of the Board of Governors, was a director of the Leadership Foundation for Higher Education (LUK) which received payments of £38,449.60 (2005/06 £15,390.00) from the University. Professor Green was also a director of Yorkshire Universities which received payments of £37,175.00 (2005/06 £31,399.38).

Mr Michael Longden, a Governor, was an associate director at Irwin Mitchell, Solicitors, which provided professional services for the University. All such services were unconnected with Mr Longden and were undertaken by a different part of the firm. Mr Longden had no involvement in the University's arrangements for selection of, instructions to or payment of the University's various lawyers. Payments during the year in respect of such services amounted to £137,175.47 (2005/06 £62,701.00).

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

There were no balances outstanding in respect of related parties at the year end.

## Board of Governors

for the year ended 31 July 2007

Isadora Aiken OBE  
John Anderson (student nominee July 2005 – June 2007)  
Chris Chapman (Deputy Chair)  
Mohammed Dajani  
Geoff Dawson  
Dr Philip Drury  
Frank Eul  
Professor Diana Green CBE (Vice-Chancellor)  
Martin Havenhand  
Will Haywood (student nominee July 2007 – June 2008)  
Nicholas Jeffrey (Chairman)  
Daniel Khan OBE  
Lisa King (student nominee July 2006 – June 2007)  
John Lambert  
Michael Longden  
Patrick Maddock  
Sarah McQueen (student nominee July 2007 – June 2008)  
James Newman  
Beryl Seaman CBE (from 1 January 2007)  
Vicky Seddon  
Professor Jawed Siddiqi  
Marion Simon MBE  
Jo Swinhoe

### **Finance Committee**

Chris Chapman  
Mohammed Dajani  
Geoff Dawson  
Frank Eul (Chairman)  
Professor Diana Green CBE (Vice-Chancellor)  
Nicholas Jeffrey

John Lambert

Jo Swinhoe (Deputy Chair)

### **Employment Committee**

Chris Chapman (Deputy Chair)

Dr Philip Drury

Professor Diana Green CBE (Vice-Chancellor)

Martin Havenhand

John Lambert

Michael Longden

Beryl Seaman CBE (from 1 January 2007)

Marion Simon MBE (Chair)

### **Nominations Committee**

Chris Chapman

Lorna Daly

Mohammed Dajani

Professor Diana Green CBE (Vice-Chancellor)

Nicholas Jeffrey (Chairman)

John Lambert (Deputy Chair)

Vicky Seddon

Marion Simon MBE

### **Remuneration Committee**

Chris Chapman

Frank Eul

Nicholas Jeffrey (Chairman)

James Newman

Marion Simon MBE

Professor Diana Green CBE (Vice-Chancellor)

## Board of Governors

for the year ended 31 July 2007

### Audit Committee

Dr Philip Drury (Deputy Chairman)

Martin Havenhand

Daniel Khan OBE

Michael Longden

James Newman (Chairman)

Nicola Rankin (external co-option)

Jenny Brown (external co-option)

### Providers of Financial Services

|                   |  |
|-------------------|--|
| External Auditors | KPMG LLP<br>1 The Embankment<br>Neville Street<br>Leeds<br>LS1 4DW |
|-------------------|--|

|                   |   |
|-------------------|---|
| Internal Auditors | Uniac<br>Suite 1D<br>Armstrong House<br>Oxford Road<br>Manchester<br>M1 7ED |
|-------------------|---|

|         |  |
|---------|--|
| Bankers | HSBC<br>Church Street<br>Sheffield<br>S1 1HH |
|---------|--|

|          |   |
|----------|---|
| Insurers | Universities Mutual Association Limited<br>Woburn House<br>20 Tavistock Place<br>London<br>WC1H 9HW |
|----------|---|



Notes